

CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF INSPECTOR GENERAL

**AUDIT OF COMMUNITY SERVICE GRANTS AT
COMMONWEALTH PUBLIC BROADCASTING CORPORATION,
WCVE-TV/FM, RICHMOND, VA
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

REPORT NO. ASJ1505-1602

December 10, 2015

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Report in Brief

Why We Did This Audit

We performed this examination based on our annual audit plan objective to perform reviews of a cross-section of stations and organizations in the public broadcasting system.

Our objectives were to examine the station's certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines; b) expend CSG and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended. The amount of NFFS a station reports to CPB affects the amount of CPB funding the station receives.

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Audit of Community Service Grants at Commonwealth Public Broadcasting Corporation, WCVE-TV/FM, Richmond, VA for the Period July 1, 2012 through June 30, 2014

What We Found

The station overstated NFFS by \$259,600 because:

- It included exchange payment revenues from a business and a non-profit organization as NFFS.
- It received contributions for underwriting to be placed with and owed to other public broadcasting entities but did not deduct the amounts due to the other entities from its NFFS.
- It did not exclude certain membership premiums and federal funds.
- For in-kind trades, it included tickets for fundraising and claimed duplicate in-kind trades.

This overstatement resulted in potential CSG overpayments of \$29,340 (\$4,822 in actual 2015 payments and potential overpayments of \$24,518 in 2016).

In addition, the station did not give the public reasonable notice of its Committee of the Whole meetings or fully comply with CPB certification documentation requirements.

The station agreed with our findings and has instituted corrective actions. CPB Management will make the final determination on our findings and recommendations.

What We Recommend

That CPB require WCVE to:

- submit revised Fiscal Years (FY) 2013 and 2014 AFRs, eliminating ineligible revenues of \$259,600 and recover \$29,340 in estimated excess CSG payments for FYs 2015 and 2016; and
- fully comply with open meeting requirements.



Corporation
for Public
Broadcasting

Office of Inspector General

Date: December 10, 2015

To: Jackie J. Livesay, Vice President, Compliance
Ted Krichels, Senior Vice President, System Development and Media Strategy
Bruce Theriault, Senior Vice President, Journalism and Radio
Operations

From: Mary Mitchelson, Inspector General 

Subject: Audit of Community Service Grants at Commonwealth Public Broadcasting Corporation, WCVE-TV/FM, Richmond, VA for the Period July 1, 2012 through June 30, 2014, Report No. ASJ1505-1602

Enclosed please find our final report, which contains our findings and recommendations. CPB officials must make a final management decision on the findings and recommendations in accordance with established audit resolution procedures.

Accordingly, we request that you provide us with a draft written response to our findings and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee, which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of Inspector General's website as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Patricia de Stacy Harrison, President and Chief Executive Officer
Steve Altman, Executive Vice President and Chief Operating Officer
Westwood Smithers, Jr., Senior Vice President, General Counsel
William P. Tayman, Jr., Chief Financial Officer and Treasurer
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EXECUTIVE SUMMARY

We have completed an examination of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) at Commonwealth Public Broadcasting Corporation (WCVE) for the period July 1, 2012 through June 30, 2014.¹ Our objectives were to examine WCVE's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend CSG and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility (Eligibility) requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our examination we found:

- overstated NFFS by \$259,600 which resulted in potential CSG overpayments of \$29,340 (\$4,822 in actual 2015 payments and potential overpayments of \$24,518 in 2016)², which we have reported as funds put to better use (because the funds awarded to WCVE would have been available in the CSG Incentive Grant Pool to be awarded to other stations); and
- noncompliance with open meeting statutory requirements.

We recommend that CPB require WCVE to:

- submit revised FYs 2013 and 2014 AFRs, Schedules A and C, eliminating ineligible revenues of \$259,600 and recover \$29,340 in estimated excess CSG payments for FYs 2015 and 2016; and
- fully comply with open meeting requirements.

In response to the draft report, WCVE agreed with our findings for overstated NFFS and has agreed to submit corrected AFRs eliminating ineligible revenues for FYs 2013 and 2014 and has identified the corrective actions and controls it will implement to ensure future compliance with NFFS Guidelines. The station also agreed to repay excess CSG payments made to WCVE in FY 2015 and have CPB reduce WCVE's FY 2016 CSG payments based on its revised AFRs. WCVE agreed with our finding on open meetings and took corrective action. WCVE's written response to the draft report is attached in Exhibit G.

This report presents the conclusions of the OIG and the findings reported do not necessarily represent CPB's final position on these issues. This report contains recommendations OIG believes appropriate to resolve these findings. CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures. Based on WCVE's response to the draft report, we consider recommendations 1, 2, and 3 resolved but open pending CPB's management decision resolving our recommendations and tracking WCVE's corrective actions to implementation.

¹Our examination includes grants active 7/1/2012 through 6/30/2014 with expenditure periods from 10/1/2012 through 9/30/2015.

² Based on applying CPB's FYs 2015 and 2016 Incentive Rate of Return for TV and Radio, per Exhibit E.

We performed this examination based on the Office of Inspector General’s (OIG) annual audit plan objective to perform reviews of a cross-section of stations and organizations in the public broadcasting system. We conducted our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology is discussed in Exhibit F.

BACKGROUND

Commonwealth Public Broadcasting Corporation (WCVE)³ is a media company doing business as The Community Idea Stations. Its mission as stated on its website is “to use the power of media to educate, entertain and inspire” as it serves the central Virginia community with television and radio programming.

According to its website IdeaStations.org:

The Community Idea Stations operate WCVE PBS, WCVW PBS, lifestyle channel WCVE Create and international program channel MHz Worldview to serve the Richmond community with television programming. 88.9 WCVE provides NPR programming, classical music and jazz for radio listeners on its HD1 channel and WCVE News Talk provides BBC and NPR talk shows on its HD2 channel and also serves listeners on 89.1 WCNV in the Northern Neck and on 90.1 in Chase City. In addition it serves the Charlottesville community with television programming on WHTJ PBS and WHTJ Create and MHz Worldview and its website, IdeaStations.org, provides all of central Virginia with additional content.

In addition to national programming, WCVE’s 2014 Local Content and Service Report shows how the station provides value to the community through its PBS Kids Ready to Learn program and also its interactive news and information platform for public dialogue on the issues affecting its community. The report also highlights the local programs it produced such as Virginia Currents, Charlottesville inside-out and Capitol Events which provided weekly coverage of the General Assembly through the legislative year. The station also produces several local radio programs, collaborates with many community partners for its “Science Matters” content and events, and through its “Artsline” and jazz programming, addresses the diverse needs of the community.

In January 2014 the corporation split off its MHz stations into a separate 501(c)(3) exempt organization upon the sale of its Northern Virginia towers but maintain its ownership of the FCC license for the MHz broadcast stations.

The National Educational Telecommunications Association’s (NETA) business center handles the WCVE’s financial management activities including CPB reports.

CPB awards annual CSG grants to public television and radio stations based on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools, adjusted by distance and local service grants and the amount of the base grants. The funds that remain are called the Incentive

³CPB awarded CSG grants to both WCVE-TV and WCVE-FM.

Grant Pools; one is for television and the other is for radio. The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total amount of NFFS claimed by all television/radio stations. The IRR is then multiplied by the station's reported NFFS to calculate the incentive award amount of the station's total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the FY's CSG amount. For example, CPB used the NFFS claimed by WCVE on its FY 2011 AFR to determine the CSG amount the station received in FY 2013.

During our examination period WCVE received \$2,560,697 from CPB for various grants as itemized in Exhibit A. WCVE reported NFFS of \$5,672,696 in FY 2013 and \$6,227,755 in FY 2014 per Exhibit D. WCVE's audited financial statements for the two FYs reported revenues of \$14,847,947 in FY 2013 and \$23,080,321 in FY 2014. WCVE's FY begins July 1 and ends on June 30.

RESULTS OF AUDIT

In our opinion, except for the noncompliance issues described below, WCVE has complied with the requirements of the FY 2013 and 2014 TV and Radio CSGs (Exhibits B and C), as explained in the following paragraph.

We examined WCVE management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes WCVE's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Communication Act requirements for open meetings, open financial records, Community Advisory Board (CAB), Equal Employment Opportunity (EEO) reporting, and donor lists; and discrete accounting requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination was conducted in accordance with the *Government Auditing Standards* for attestation engagements and, accordingly, included examining, on a test basis, evidence about WCVE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on WCVE's compliance with specified requirements.

Our examination disclosed the following issues of noncompliance with NFFS financial reporting requirements, CPB grant agreement requirements, and Communications Act and Eligibility requirements:

- overstated NFFS of \$259,600 which resulted in potential CSG overpayments of \$29,340 (\$4,822 overpaid in 2015 and potential overpayments of \$24,518 in 2016) reported as funds put to better use because the funds overpaid to WCVE could have been distributed to other public broadcasting entities; and
- noncompliance with open meetings statutory requirements.

FINDINGS AND RECOMMENDATIONS

OVERSTATED NFFS

Our examination found \$259,600 in overstated NFFS on WCVE's FYs 2013 and 2014 AFRs as presented in the following table and detailed in Exhibit E. As a result, CPB may make CSG overpayments of \$29,340 to WCVE (\$4,822 overpaid in FY 2015 and a potential CSG overpayment of \$24,518 in FY 2016). We classified this amount as funds put to better use for reporting purposes, because the funds overpaid to WCVE could have been distributed to other public broadcasting entities.

Overstated NFFS

Conditions	FY 2013 NFFS	FY 2014 NFFS	Total NFFS	Potential CSG Overpayment
Ineligible payment sources	\$10,595	\$90,371	\$100,966	\$13,375
Ineligible recipient		\$74,239	\$74,239	\$6,708
Membership premium exclusions		32,400	32,400	4,283
Ineligible contribution sources	\$26,390		\$26,390	\$2,778
Ineligible in-kind trades	\$10,000	\$15,605	\$25,605	\$2,196
Total	\$46,985	\$212,615	\$259,600	\$29,340

This overstatement of NFFS occurred because WCVE management included exchange payment revenues from a business and a non-profit organization as eligible sources for NFFS. The station identified the revenues from the business as underwriting although the contract included studio rental and distribution services and considered production fees received from a non-profit organization a qualified source. In addition, the station received contributions for underwriting to be placed with and owed to other public broadcasting entities but did not deduct the amounts due to the other entities on its AFR. Further, certain membership premiums were not excluded from membership contributions in error, and the station also did not exclude federal funds on its AFRs because management was not aware that contributions from an underwriting contract and a community engagement grant were funded with federal monies. Finally, for the ineligible in-kind trades, WCVE included tickets for fundraising which are excluded by policy, and claimed duplicate in-kind trades due to accounting for trades at the value of underwriting in one year and at the value of the donation in the next year.

Further discussion on our findings is presented below.

Payments Reported as NFFS

WCVE reported payments of \$100,966 that did not meet the source criteria for NFFS, i.e. received from state/local government or educational institution, as follows:

- \$80,471 in fees for distribution services and studio rental;
- \$ 9,900 in producer payments; and
- \$10,595 in production fees.

WCVE reported fees from a contract between its MHz TV station and an independent corporate producer of television programming as corporate underwriting on its AFR. The station provided the producer services for formatting content, program distribution and promotion, and studio rental. This contract with the producer is similar to a presenting station fee for services which CPB classifies as payments for NFFS purposes. Additionally, WCVE recorded MHz revenues from producer fees as national underwriting in its general ledger and reported and claimed these fees as NFFS. And finally, the station claimed production fees from a non-profit organization to produce a musical performance as NFFS on its AFR line 8.1.B.

CPB Guidelines differentiate the criteria for each revenue form (contribution or a payment) and its eligibility as NFFS and define the eligible source criteria for each.

Revenues, eligible as NFFS take the form of either a contribution or a payment. With the exception of the recipient criteria (see Sec. 2.3), the criteria for contributions are not the same as the criteria for payments ... A **payment**, on the other hand, is a reciprocal transfer (i.e., an exchange transaction) of cash or other assets in which each party receives and sacrifices approximately equal value.

Source Criteria – The universe of eligible sources for contributions is relatively large: any source except the federal government or another public broadcasting entity, while the universe of eligible sources for payments in exchange transactions is relatively small: only eligible sources are state and local governments and educational institutions. Educational institutions are defined as degree-granting institutions.

Guidelines, Section 2.2 – Contributions vs. Payments, Section 2.3.2 Interpretations NFFS Criteria.

Because the revenues from fees were for services, i.e., an exchange transaction, they are payments for NFFS purposes and, to qualify as NFFS, the source must be a state or local government or educational institution. CPB considers “educational institutions” to be degree granting entities and these sources are not, nor are they state or local governments. Therefore, these payments are not eligible as NFFS.

The independent producer is a corporate entity and not a qualified source. Further, in FY 2013 WCVE did not include this producer’s fees for the prior year’s services as NFFS, and it included notations in WCVE’s AFR workpapers describing the revenue as rent. WCVE management said that MHz did receive some corporate underwriting but realized that this contract appeared to include some exchange transactions and, because MHz station personnel coded it to an underwriting general ledger account, it was all included as corporate underwriting on WCVE’s AFR in FY 2014. The station was not able to ascertain if any amount from the contract was qualified underwriting.

WCVE’s MHz TV station general ledger accounts included revenues in FY 2014 for production underwriting (national), and the station claimed them as NFFS, however in FY 2013 the AFR workpapers classified this same general ledger account revenues as producers fees and excluded them from NFFS. We were unable to review the source and purpose of the FY 2014 revenues

and could not determine if they met CPB's requirements for NFFS eligibility. Therefore, we questioned them. Station management said since it had divested MHz in 2014, those revenues are no longer included in WCVE's financial statements and AFRs; therefore, this will not be a recurring issue.

Finally, WCVE was not aware that production fees from a non-profit organization were ineligible for NFFS when the purpose served was educational in nature and the station had the rights to air this production. Therefore, the station did not exclude the fees for these production services.

Ineligible payments totaled \$100,966 and will result in a CSG overpayment of \$13,375 (\$1,428 overpaid in FY 2015 CSG and potential overpayments of \$11,947 in FY 2016). See calculations in Exhibit E.

Ineligible Recipient of Contribution

WCVE claimed as NFFS \$74,239 in underwriting contributions received on behalf of other public broadcasting entities. WCVE received revenues from underwriting contracts for statewide campaigns that included revenues for underwriting to be placed with other public broadcasting entities that were not licensees or permittees of WCVE. WCVE was not the intended recipient of these underwriting contributions therefore they should not have been recorded as underwriting contributions on its AFR and claimed as NFFS.

The station had an underwriting contract with a state agency for a statewide underwriting campaign. WCVE facilitated the underwriting contract and placement of underwriting on its stations and other unaffiliated public broadcasting stations. WCVE billed the state agency for the underwriting sponsorship per the contract billing terms and recorded the amounts billed as underwriting revenue. The other stations billed WCVE when the underwriting spots ran, and WCVE remitted the amounts due the stations from the state agency funds received.

In FY 2013 the station deducted the amounts paid to the other stations for this state agency's underwriting from the same revenue general ledger accounts it had recorded the revenue in and properly excluded the amounts due other stations from NFFS. However, in FY 2014, WCVE expensed the amounts due other stations in a cost of goods sold general ledger account and failed to deduct these amounts from underwriting revenue on its AFR. It therefore included them in NFFS in error.

WCVE had another contract with an underwriting sponsor to facilitate a statewide underwriting campaign. In FY 2013 the station properly deducted amounts paid to other stations, however, as with the state agency contract, in FY 2014 WCVE recorded the underwriting owed to other stations as a cost of goods sold expense and failed to deduct these amounts from revenues on its AFR for NFFS.

Based on our audit we questioned \$74,239 for underwriting contributions claimed as NFFS, resulting in potential overpayments of \$6,708 in FY 2016 CSG payments. See Exhibit E.

Membership Premium Exclusions

WCVE did not exclude all required membership premiums on its TV AFR in FY 2014 overstating NFFS by \$32,400.

CPB Guidelines require stations to exclude from NFFS the Fair Market Value (FMV) of high-end premiums that are not of insubstantial value. The Guidelines state:

Grantees frequently provide “thank you gifts” (a.k.a. “premiums”) in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods and services (i.e., premiums. . .) . The IRS issues guidance . . . in instances where the premium is not of insubstantial value. . . . For CPB’s purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS.

Guidelines AFR line 10.1 NFFS Exclusion.

WCVE TV AFRs properly excluded the required premiums in FY 2013 and excluded some in FY 2014. However, during our audit station management discovered it did not deduct \$32,400 in TV high end premiums in FY 2014 when it was reconciling its premium details to the AFR report. WCVE officials said that its radio station did not provide high end premiums, the low end logo items provided were not required to be excluded as NFFS.

Based on our audit we questioned \$32,400 for membership premiums claimed as NFFS, resulting in potential overpayments of \$4,283 in FY 2016 CSG payments. See Exhibit E.

Ineligible Contribution Sources

WCVE claimed \$26,390 in contributions from federal funds as NFFS. The station claimed \$10,640 for underwriting from the Federal Emergency Management Agency (FEMA) and \$15,750 in a grant from another public broadcasting station where the source of those funds was the National Endowment for the Humanities (NEH). Both sources are federal entities, therefore the contributions were not eligible as NFFS. “By definition, the Act excludes all federal funds from being included as NFFS.” Guidelines, Section 2.3.3. Further, public broadcasting entities are not an eligible contribution source.

WCVE reported underwriting from an ad agency representing FEMA on AFR line 9.1.A as corporate underwriting support. The source of this underwriting contribution was FEMA, a federal entity. The station classified the underwriting revenue source in its general ledger as corporate since the ad agency provided the funds to the station on behalf of FEMA. Since the underwriting was not properly recorded in the general ledger for the correct source, it was not reported on the correct AFR line as federal sources and excluded as NFFS. During our audit we discovered that the station misclassified other ad agency revenues as corporate underwriting when the source was a foundation or educational institution. However, as these sources were eligible for NFFS there was no effect on NFFS, only misclassifications in AFR reporting.

In addition, we identified federal funds from NEH in a grant from a public broadcasting station. This grant was also miscoded as a corporate contribution source, and therefore the federal funds were not reported on the proper AFR line and excluded from NFFS.

Based on our audit we questioned \$26,390 for federal funds claimed as NFFS, resulting in an overpayment of \$2,778 in FY 2015 CSG payments. See Exhibit E.

Ineligible In-kind Trades

Our review of \$64,145 in in-kind trades initially found that none of the trades was adequately documented as required by CPB Guidelines. During our fieldwork station officials obtained additional donor information to better document the trades tested. Our review of this documentation found \$10,000 in an unallowable trade for tickets.

We accepted the balance of the trade documentation totaling \$54,145 provided by the donors after the fact. Additionally, we performed analytical procedures on all WCVE trades for our audit period and found \$15,605 in trades claimed twice; therefore the total ineligible trades were \$25,605.

Insufficient Documentation of In-kind Trades

While we ultimately accepted \$54,145 in retroactively provided donor documentation of trades made during our audit period, upon our initial review these trade transactions were not adequately documented as required by CPB's Guidelines. During our fieldwork the station requested and received the required documentation for these trades from its donors.

WCVE had in-kind trade agreements with its donors but it did not have documentation that the promised trades were actually delivered and the donors' valuation of the trades donated. More specifically, the station did not have a letter or an invoice from the donors documenting the delivery of the trade item and the value of the goods and services provided, as required by CPB Guidelines Section 2.6.4. This information should have been received at the time the actual trade was made. However, since we received the information during our fieldwork and it met the other documentation criteria in CPB's Guidelines we accepted this documentation after the fact to support the claimed trades.

In order to satisfy CPB's documentation requirement the documentation must originate from the donor and it must contain the following elements:

- A description of the goods or services donated;
- The date of the donation;
- The value of the donated goods or services and the method of valuation (e.g. lawyer's hourly rate x hours worked);
- Explicit statement of the donors intent to donate or trade the goods or services; and
- Signature, name and title of the donor or donor's representative.

Guidelines, Section 2.6.4 – Documentation Criteria for In-Kind Contributions.

Our audit found that the trade underwriting staff members were not fully aware of the CPB documentation requirements to obtain all of the documentation at the time of donation from the donor. Since obtaining the documentation for our audit, the station revised its procedures to obtain the required documentation from the donor at the time of donation.

Ineligible In-kind Trades

Our testing of the after the fact provided donor documentation also found one in-kind trade that was valued at the station's underwriting rates and not as valued by the donor. Additionally, that trade included \$10,000 in tickets for cultivation. The tickets donated for promotional and fundraising reasons were ineligible for NFFS for policy reasons.

CPB's Guidelines stipulates policy exclusions and valuation requirements for eligible in-kind donations as follows:

Fundraising related activities - All in-kind contributions intended or used for fundraising related purposes are ineligible as NFFS

Promotional Items – Donated promotional items such as tickets to performances, ... dinners or other events, given to listeners or the general public as incentives to listen longer or more often to the station or to increase station audience awareness are not eligible as NFFS

Guidelines, Section 2.4.2 – In-Kind Contributions Excluded from NFFS for Policy Reasons.

In the case of in-kind contributions, the donor's usual and customary fees charged to a paying customer for equivalent goods and services must serve as the basis for determining fair value.

Guidelines, Section 2.6.3 - Valuation for In-Kind Contributions Included as NFFS.

For this one transaction the station had a trade agreement where the station provided the donor with \$20,000 in underwriting credits and the donor was to provide \$10,000 in sponsorship ads and \$10,000 in tickets for events. WCVE recorded \$20,000 as in-kind income and claimed it as NFFS. That value was based on the station's underwriting credits recorded on the trade tracking work paper used to prepare the general ledger entry for trade revenue. The donor retroactively provided documentation showing it had donated \$10,000 in sponsorship ads and \$10,000 in tickets. Since the tickets were not eligible as NFFS they should have been deducted from the amount included on WCVE's AFR Schedule C in accordance with WCVE's operating practices. Our review found that WCVE usually excludes tickets as NFFS. In this case, the station inadvertently claimed the tickets because it included the total value of the underwriting credits it provided to the donor as NFFS.

Duplicate Claims for In-kind Trades

In addition to our detailed testing, we reviewed the station's supporting work papers for in-kind trades in its general ledger and reported on its AFR Schedule C. We found the station was inconsistent in how it reported its trade revenue from FY 2013 to FY 2014. This reporting inconsistency resulted in WCVE claiming seven trades twice between the two fiscal years. As a result, WCVE overstated its NFFS by \$15,605.

WCVE records its trade revenues and expenses at year-end in its general ledger based on amounts included on its trade tracking report. This report was used to record in-kind trades on the AFR Schedule C. The trade report includes trade contract information, terms of the trade, and value of the donated goods or services. In FY 2013 the station valued these trades based on its underwriting credits. In FY 2014 WCVE began reporting in-kind trades based on the donor's value at fulfillment of the trade terms. Because of the different methodologies used in FYs 2013 and 2014 and the timing of the trade deliveries, seven transactions totaling \$15,605 were claimed twice.

To summarize, we questioned in-kind trades of \$25,605 claimed as NFFS. This results in CSG overpayments of \$2,196, \$615 in FY 2015 and potential CSG overpayments of \$1,581 in FY 2016. See Exhibit E.

Recommendations

We recommend CPB management take the following actions:

- 1) require WCVE to submit revised AFRs eliminating ineligible revenues for FYs 2013 and 2014 and identify the corrective actions and controls it will implement to ensure future compliance with NFFS Guidelines; and
- 2) recover \$4,822 in excess CSG payments made to WCVE in FY 2015 based on the FY 2013 reported NFFS and reduce FY 2016 CSG payments based on the revised FY 2014 AFR and recover the overpayment estimated as \$24,518.

WCVE Response

In response to our draft recommendations, WCVE acknowledged that it did not correctly report \$100,966 in production service payments, \$74,239 in funds due other broadcasting entities, \$32,400 in premium exclusions, \$26,390 in contributions from ineligible federal sources and \$25,605 in ineligible in-kind trades. Station management stated it understands the reasons for the disqualified NFFS and has implemented changes to its accounting practices to ensure compliance with CPB's financial reporting guidelines for NFFS revenue classifications. In addition, the payments to its MHz Networks will not occur again as that entity is no longer part of WCVE.

OIG Review and Comment

Based on WCVE's response, we consider recommendations 1 and 2 resolved but open pending CPB's final management decision and completion of WCVE's corrective actions.

ACT COMPLIANCE

Our examination found that WCVE did not fully comply with the statutory provisions of the Act or the CPB Certification Requirements for Station Grant Recipients (CPB Act requirements) for open meetings and policies documenting compliance practices.

Open Meetings

WCVE did not fully comply with open meetings requirements of the Act because it did not provide reasonable notice to the public for open meetings it held for all committees of the board of directors. The Act requires that WCVE's governing board, committees of the board, and the CAB hold open meetings and allow the public to attend. The Act and CPB also require that stations give the public reasonable notice of such meetings, make quarterly on-air announcements of the station's open meeting policies, and make available to the public the reasons for closing a meeting or part of a meeting.

Funds may not be distributed pursuant to this subsection ... to the licensee or permittee of any public broadcast station, unless the governing body of any such organization, any committee of such governing body, or any advisory body of any such organization, holds open meetings preceded by reasonable notice to the public.

All persons shall be permitted to attend any meeting of the board, or any such committee or body, and no person shall be required, as a condition to attendance at any such meeting, to register such person's name or to provide any other information ... If any such meeting is closed pursuant to the provisions of this paragraph, the organization involved shall thereafter (within a reasonable period of time) make available to the public a written statement containing an explanation of the reasons for closing the meeting.

The Act, Sec. 396(k)4 – Open Meetings.

Further, CPB requirements define the minimum specific actions to meet this compliance as follows:

1) the public must be notified at least seven days prior to an open meeting as to the meeting, time and place; 2) the station must broadcast an announcement on air for three consecutive days each quarter regarding the station's open meeting policy to include information about how the public can obtain information regarding specific dates, times and locations; and 3) the station must make available to the public a written statement containing the reasons for closing a meeting in accordance with statutory reasons for closing a meeting.

CPB Act requirements, Open Meetings Requirements, Section III., Minimum Compliance Requirements.⁴

WCVE did not provide the public with reasonable notice of its Committee of the Whole open meetings, which were held prior to the full board meetings each quarter. The station provided notice of the time, date, and place for the full board meetings but did not provide this information for the committee sessions that were held earlier on the same day. For example, for the February 28, 2013 quarterly board meeting, the station broadcasted on air and posted an open meeting notice on its website giving the date, time of 2:00 p.m. and place for the full board meeting. Our review of board meeting minutes show the full board meeting was called to order at 2:00 p.m. on February 28, 2013 and our review of the Committee of the Whole meeting minutes show the committee meeting came to order at 11:35 a.m. on the same day. The Committee of the Whole minutes stated that public notice of the meeting was broadcast on air and posted to its website. However, only the time for the full board meeting was posted. This practice occurred for all quarterly meetings in FY 2013 and FY 2014.

WCVE stated that it operated under the impression that on-the-air announcements were required for the meetings of the full Board but not for committee meetings. WCVE said it has since corrected the situation and now announces all meetings of the board and any committees. Additionally as of July 2014, the Committee of the Whole procedure was abandoned by Board leadership.

Because WCVE did not give the public reasonable notice of its Committee of the Whole meetings, the station was not fully compliant with the Act requirements and the public was not made aware of open meetings of committees of the board.

Documenting Policies

WCVE did not fully comply with CPB certification documentation requirements. Specifically, the station did not have written policies documenting its Act compliance practices for each of the five requirements during our audit period, but subsequently developed policies in FY 2015 and posted them to its website.

CPB Certification Requirements explain the Act and require each station to develop documentation indicating the manner of compliance.

Each station, ... is to develop documentation indicating ... for example, the recognition of the open meeting provision by the relevant boards and committees, the procedures for the open meetings, the method used to give reasonable notice to the public, examples of notices of open meetings, examples of statements of explanation for closed meetings, and ... meetings. And, the type of records made available for public inspections

CPB Act requirements, Open Meetings, Open Financial Records, CAB, EEO, Donor List and Political Activities requirements, Section V. CPB procedures for compliance and certification.⁵

⁴ CPB revised these guidelines in May 2015, so the earlier version that was in effect during our audit period is not posted on CPB's website.

The station had operating practices to comply with the Act but did not have written policy documenting its processes as required. During our audit fieldwork WCVF formalized its processes for Act compliance in writing and also now posts them on its website. These written policies are important to establish internal controls to ensure compliance with the Act and to give the public information about the station's operations.

Recommendations

- 3) We recommend CPB require WCVF:
- a) to provide reasonable notice to the public for all board, committees, and CAB open meetings; and
 - b) submit to CPB its newly written policies that explain how the station complies with Act requirements to ensure the policies adequately meet CPB requirements.

WCVF Response

In response to this finding WCVF agreed to provide reasonable notice to the public for all board and committee open meetings. The station felt it was diligent with regard to communication and notification for its Corporate Board meetings but was unaware that the open meeting requirements also applied to committee meetings of the board. It stated it is now applying the open meeting requirements and notifications to its board committee meetings.

OIG Review and Comment

WCVF's response to recommendation 3a stated how the station is now applying open meeting requirements to all its committees of the board, it was compliant in providing the required notice for its full board and CAB open meetings. WCVF's response did not specifically address recommendation 3b, but its new policies are available on its website. Based on its corrective actions we consider these recommendations resolved but open pending CPB's final management decision and acceptance of WCVF's corrective actions.

⁵ CPB eliminated this documentation requirement in its revised May 2015 certification guidelines.

Exhibit A

**CPB Payments to WCVE
July 1, 2012 – June 30, 2014**

CPB Grants	FY 2013	FY 2014	Total
TV			
Community Service Grant	\$1,012,397	\$973,263	\$1,985,660
Interconnection	20,476	18,629	39,105
Distance Service	46,356	48,950	95,306
Total TV	\$1,079,229	\$1,040,842	\$2,120,071
Radio			
Unrestricted Community Service Grant	\$160,445	\$165,356	\$325,801
Restricted Community Service Grant	56,666	58,159	114,825
Total Radio	\$217,111	\$223,515	\$440,626
Total TV and Radio	\$1,296,340	\$1,264,357	\$2,560,697

**WCVE TV Annual Financial Reports
Years Ending June 30, 2013 and 2014**

Line	Description	FY 2013	FY 2014
	Schedule A, Source of Income		
1	Amounts provided directly by federal government agencies	\$170,961	\$59,014
1.F.	Other Federal Funds: Tower Rent	170,961	59,014
2	Amounts Provided by Public Broadcasting Entities	1,079,229	1,124,204
2.A.	CPB-CSG	1,012,397	973,263
2.B.	CPB - all other funds from CPB ⁶	66,832	67,579
2.C.	PBS - all payments except copyright royalties and other pass-through payments	0	51,994
2.D.	NPR- all payments except pass-through payments.	0	0
2.E.	Public broadcasting stations - all payments	0	0
2.F.	Other PBE funds (Master control services)	0	31,368
3.	Local boards and departments of education or other local government or agency sources	71,222	95,855
3.1	NFFS Eligible – Local government	68,000	70,100
3.2	NFFS Ineligible- Local government	3,222	25,755
4	State boards and departments of education or other state government or agency sources	278,216	293,249
5	State colleges and universities	51,400	105,000
6	Other state-supported colleges and universities	0	0
7	Private colleges and universities	2,208	4,537
8	Foundation and nonprofit associations	312,634	273,716
8.1	NFFS Eligible – Foundations and nonprofits	312,634	255,768
8.2	NFFS Ineligible – Foundations and nonprofits	0	17,948
9	Business and Industry	7,298,469	5,675,675
9.1	NFFS Eligible – Business and Industry	256,015	324,941
9.2	NFFS Ineligible – Business and Industry	7,042,454	5,350,734
10	Membership and Subscription	1,422,457	1,733,182
10.1	NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	25,198	31,497
	Form of Revenue		
14	Special fundraising activities (Net)	18,323	6,230
14.A.	Special fundraising activities revenues	26,442	8,480
14.B.	Special fundraising activities expenses	8,119	2,250
15	Passive income	229,014	161,202
16	Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	284,777	6,257,042
17	Endowment revenue	0	0
18	Capital contributions	0	208,379
19	Gifts and bequests from major individual donors	240,443	347,260
20	Other Direct Revenue	61,913	42,594
	Total Item 3-20		
21	Total Revenue	11,529,385	16,389,389

⁶ Station reported CSG TV Interconnection and Distance Service Grants as other CPB funds instead of CSG funds on line 2A.

Exhibit B (continued)

WCVE TV Annual Financial Reports
Years Ending June 30, 2013 and 2014

Line	Description	FY 2013	FY 2014
Adjustments to Revenue			
22	Federal revenue from line 1.	170,961	59,014
23	Public broadcasting revenue from line 2	1,079,229	1,124,204
24	Capital funds exclusions	0	217,154
25	Other revenue on line 21 not meeting the source, form, purpose, or recipient criteria to be included as NFFS	61,913	42,594
26	Other automatic subtractions from total revenue	7,363,770	11,676,451
Total Adjustments to Revenue			
27	Total Direct Non-Federal Financial Support	2,853,512	3,269,972
Schedule C			
1	PROFESSIONAL SERVICES (must be eligible as NFFS)	0	0
2	GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	0	0
3	OTHER SERVICES (must be eligible as NFFS)	72,532	82,260
4	Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Non-federal Financial Support	72,532	82,260
5	IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	82,421	75,323
6	Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	154,953	157,583
TV Schedule E			
PROGRAM SERVICES			
1	Programming and production	3,583,167	3,009,545
A	TV CSG	544,459	973,263
B	TV Interconnection	0	0
C	Other CPB Funds ⁷	46,356	0
D	All non-CPB Funds	2,992,352	2,036,282
2	Broadcasting and engineering	5,265,021	4,852,986
A	TV CSG	183,581	0
B	TV Interconnection	20,476	18,629
C	Other CPB Funds	0	0
D	All non-CPB Funds	5,060,964	4,834,357

⁷ Station reported CSG Distance Service grant as Other CPB Funds

Exhibit B (continued)

WCVE TV Annual Financial Reports
Years Ending June 30, 2013 and 2014

Line	Description	FY 2013	FY 2014
3	Program information and promotion	459,542	435,096
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds ⁸	0	48,950
D	All non-CPB Funds	459,542	386,146
	SUPPORT SERVICES		
4	Management and general	833,105	714,002
A	TV CSG	114,259	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	718,846	714,002
5	Fund raising and membership development	640,525	606,643
A	TV CSG	164,097	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	476,428	606,643
6	Underwriting and grant solicitation	545,632	517,744
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	545,632	517,744
7	Depreciation and Amortization (if not allocated)	0	0
8	Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	11,326,992	10,136,016
9	Investment in Capital Assets	144,009	9,741,495
10	Total Expenses and investment in capital assets	\$11,471,001	\$19,877,511

⁸ Station reported CSG Distance Service grant as Other CPB Funds

**WCVE Radio Annual Financial Reports
Years Ending June 30, 2013 and 2014**

Line	Description	FY 2013	FY 2014
	Schedule A		
	Source of Income		
1	Amounts provided directly by federal government	\$0	\$0
2	Amounts provided by Public Broadcasting Entities (e.g. CPB, PBS, NPR, etc., including other stations and regional networks. See Guidelines for complete list.)	217,111	223,515
2.A.	CPB - Community Service Grants	217,111	0
2.B.	CPB-all other funds ⁹	0	223,515
2.C.	PBS- all payments except copyright royalties and other pass through payments.	0	0
2.D.	NPR - all payments except pass-through payments	0	0
2.E.	Public broadcasting stations - all payments	0	0
2.F.	Other PBE funds	0	0
3	Local Boards and Departments of Education or other local government	0	0
4	State boards and departments of education or other state government or agency sources	77,164	128,344
5	State colleges and universities	31,309	33,294
6	Other state-supported colleges and universities	0	0
7	Private colleges and universities	39,616	41,498
8	Foundation and nonprofit associations	307,396	327,987
8.1	NFFS Eligible – Foundations and nonprofits	306,756	327,267
8.2	NFFS Ineligible – Foundations and nonprofits	640	720
9	Business and Industry	720,828	674,864
9.1	NFFS Eligible – Business and Industry	720,211	672,519
9.2	NFFS Ineligible – Business and Industry	617	2,345
10	Memberships and subscriptions	1,034,921	1,024,314
10.1	NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	0	0
	Form of Revenue		
14	Special fundraising activities -net	46,202	900
14.A.	Special fundraising activities revenues	53,512	900
14.B.	Special fundraising activities expenses	7,310	0
15	Passive Income	65,868	86,801
16	Gains and losses on investments.	158,248	3,369,177
17	Endowment revenue	0	0
18	Capital fund contributions	0	48,358
19	Gifts and bequests from major individual donors	326,699	442,513
20	Other Direct Revenue	14,659	0
21	Total Revenue	3,047,331	6,401,565

⁹ Station reported CPB CSG as other CPB funds in FY 2014

WCVE Radio Annual Financial Reports
 Years Ending June 30, 2013 and 2014

Line	Description	FY 2013	FY 2014
	Adjustments to Revenue		
22	Federal revenue	0	0
23	Public broadcasting revenue	217,111	223,515
25	Other revenue on line 21 not meeting the source, form, purpose, or recipient criteria to be included as NFFS	13,506	0
26	Other automatic subtractions from total revenue	166,815	3,372,242
27.	Total Direct Non-Federal Financial Support	2,649,899	2,805,808
	Schedule C, In-Kind Contributions		
1	PROFESSIONAL SERVICES	0	0
2	GENERAL OPERATIONAL SERVICES	0	0
3	OTHER SERVICES (must be eligible as NFFS)	96,753	69,715
3.c	Local Advertising	96,753	69,715
4	Total In-Kind Services	96,753	69,715
5	IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	19,525	62,065
6	Total in-kind contributions - services and other assets (line 4 plus line 5),	116,278	131,780

Exhibit C (continued)

WCVE Radio Annual Financial Reports
Years Ending June 30, 2013 and 2014

Line	Description	FY 2013	FY 2014
Radio	Schedule E, Expenses:		
	Program Services		
1	Programming and production	655,672	693,689
A	Restricted Radio CSG	56,666	58,159
B	Unrestricted Radio CSG	160,445	165,356
C	Other CPB Funds	0	0
D	All non-CPB Funds	438,561	470,174
2	Broadcasting and engineering	948,797	993,943
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	948,797	993,943
3	Program information and promotion	136,213	128,371
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	136,213	128,371
	Support Services		
4	Management and general	214,657	195,273
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	214,657	195,273
5	Fund raising and membership development	572,118	538,818
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	572,118	538,818
6	Underwriting and grant solicitation	487,359	458,867
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	487,359	458,867
7	Depreciation and Amortization if not allocated	0	0
8	Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	3,014,816	3,008,961
9	Investment in capital assets	0	5,936
10	Total expenses and investment in capital assets	\$3,014,816	\$3,014,897

Exhibit D

**WCVE Summary of Non-Federal Financial Support
For the periods ending June 30, 2013 and 2014
Certified by Head of Grantee and Independent Accountant's Report**

Line	Description	TV FY 2013	Radio FY 2013	Total FY 2013
	<i>Summary of Non-Federal Financial Support:</i>	TV	Radio	
1	Direct Revenue (Schedule A)	\$2,853,512	\$2,649,899	\$5,503,411
2	Indirect Administrative (Schedule B)	0	0	0
3	In-Kind Contributions (Schedule C)	72,532	96,753	169,285
4	Total Non-Federal Financial Support	\$2,926,044	\$2,746,652	\$5,672,696

Line	Description	TV FY 2014	Radio FY 2014	Total FY 2014
	<i>Summary of Non-Federal Financial Support:</i>	TV	Radio	
1	Direct Revenue (Schedule A)	\$3,269,972	\$2,805,808	\$6,075,780
2	Indirect Administrative (Schedule B)	0	0	0
3	In-Kind Contributions (Schedule C)	82,260	69,715	151,975
4	Total Non-Federal Financial Support	\$3,352,232	\$2,875,523	\$6,227,755

Exhibit E

WCVE TV and Radio
FY 2013 and FY 2014 Overstated NFFS

Overstated NFFS	FM FY13	FM FY14	Total FM	Reported on AFR Line	TV FY13	TV FY14	Total TV	Reported on AFR Line	Combined FY13	Combined FY 14	Combined FY13 & FY14
<i>Ineligible payment sources</i>											
MHz Programming Fees, Studio Rent and other Services Contract -Independent corporate producer and unidentified sources	-	-	-		-	\$80,471	\$80,471	9.1.A	-	\$80,471	\$80,471
MHz Producer Fees - unidentified sources	-	-	-		-	9,900	9,900	9.1.A	-	9,900	9,900
Production Contract Revenues - Non-Profit Organization	-	-	-		\$10,595	-	10,595	8.1.B	10,595	-	10,595
Subtotal ineligible payments	-	-	-		10,595	90,371	100,966		10,595	90,371	100,966
CPB's FYs 2015 and 2016 IRRs	6.154%	5.769%			13.481%	13.219%					
<i>CSG overpayment</i>	-	-	-		<i>1,428</i>	<i>11,947</i>	<i>13,375</i>		<i>1,428</i>	<i>11,947</i>	<i>13,375</i>
<i>Ineligible recipient of contribution</i>											
State Agency Underwriting due other PBS/NPR stations	-	\$27,699	\$27,699	4.1.A 9.1.A	-	28,226	28,226	4.1.A	-	55,925	55,925
Underwriting due other PBS/NPR stations	-	13,994	13,994	9.1.A	-	4,320	4,320	9.1.A	-	18,314	18,314
Subtotal ineligible recipients	-	41,694	41,694		-	32,546	32,546		-	74,239	74,239
CPB's FYs 2015 and 2016 IRRs	6.154%	5.769%			13.481%	13.219%					
<i>CSG overpayment</i>	-	<i>2,405</i>	<i>2,405</i>		-	<i>4,302</i>	<i>4,302</i>		-	<i>6,708</i>	<i>6,708</i>
<i>Membership premium exclusions</i>											
Fair Market Value (FMV) of premiums that are not of insubstantial value	-	-	-		-	32,400	32,400	10	-	32,400	32,400
Subtotal membership premium exclusions	-	-	-		-	32,400	32,400		-	32,400	32,400
CPB's FYs 2015 and 2016 IRRs	6.154%	5.769%			13.481%	13.219%					
<i>CSG overpayment</i>	-	-	-		-	<i>\$4,283</i>	<i>\$4,283</i>		-	<i>\$4,283</i>	<i>\$4,283</i>

Exhibit E (continued)

WCVB TV and Radio
FY 2013 and FY 2014 Overstated NFFS

Overstated NFFS	FM FY13	FM FY14	Total FM	Reported on AFR Line	TV FY13	TV FY14	Total TV	Reported on AFR Line	Combined FY13	Combined FY14	Combined FY13 & FY14
<i>Ineligible contribution sources</i>											
FEMA Federal Funds	\$10,640		\$10,640	9.1.A	-	-	-		\$10,640	-	\$10,640
PBS station and NEH (Federal) Production Underwriting	-	-	-		15,750		15,750	9.1.A	15,750	-	15,750
Subtotal ineligible contribution sources	10,640	-	10,640		15,750	-	15,750		26,390	-	26,390
CPB's FYs 2015 and 2016 IRRs	6.154%	5.769%			13.481%	13.219%					
<i>CSG overpayment</i>	<i>655</i>	<i>-</i>	<i>655</i>		<i>2,123</i>	<i>-</i>	<i>2,123</i>		<i>2,778</i>	<i>-</i>	<i>2,778</i>
<i>Ineligible in-kind trade</i>											
Trades claimed twice		6,465	6,465	Schedule C	-	9,140	9,140	Schedule C	-	15,605	15,605
Tickets for cultivation/fundraising	10,000	-	10,000	Schedule C	-	-	-		10,000	-	10,000
Subtotal ineligible in-kind trade	10,000	6,465	16,465		-	9,140	9,140		10,000	15,605	25,605
CPB's FYs 2015 and 2016 IRRs	6.154%	5.769%			13.481%	13.219%					
<i>CSG overpayment</i>	<i>615</i>	<i>373</i>	<i>988</i>		<i>-</i>	<i>1,208</i>	<i>1,208</i>		<i>615</i>	<i>1,581</i>	<i>2,196</i>
Total overstated NFFS	\$20,640	\$48,159	\$68,799		\$26,345	\$164,457	\$190,802		\$46,985	\$212,615	\$259,600
CPB's FYs 2015 and 2016 IRRs	6.154%	5.769%			13.481%	13.219%					
<i>Potential CSG overpayment/funds put to better use</i>	<i>\$1,270</i>	<i>\$2,778</i>	<i>\$4,049</i>		<i>\$3,552</i>	<i>\$21,740</i>	<i>\$25,292</i>		<i>\$4,822</i>	<i>\$24,518</i>	<i>\$29,340</i>

Scope and Methodology

We performed an examination to determine WCVE's compliance with CPB Financial Reporting Guidelines, provisions of the Communications Act, grant certification requirements, and other grant provisions. The scope of the examination included reviews and tests of the information reported by the station on its AFR and reconciled to audited financial statements for the years ending June 30, 2013 and June 30, 2014; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on WCVE's TV AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements and other documentation supporting revenues reported. Specifically, we reviewed 79 NFFS revenue transactions totaling \$869,626 of \$5,672,696 in FY 2013 and 62 NFFS revenue transactions totaling \$480,304 of \$6,227,755 in FY 2014.

We reviewed the allowability of expenses charged to selected CPB grants (CSG, TV Distance Services and Interconnection). To determine that expenditures were incurred in accordance with the grant terms, we reviewed \$1,489,348 of \$2,560,697 expenses (58 percent) reported on the CPB CSG, TV Distance Learning, and Interconnection grants in FYs 2013 and FY 2014. We reviewed payroll reports, vendor invoices, and other documentation supporting expenditures tested.

We reviewed corporate policies, records, and documents supporting the station's compliance with the Act requirements to: provide advance notice of public meetings; make financial and EEO information available to the public; operate a CAB; and provide documents supporting compliance with donor lists and political activities prohibitions. We also reviewed the station's website and policies to determine its compliance with CPB's new eligibility transparency requirements. Our procedures included interviewing station officials, NETA accountants and its independent public accountant.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of WCVE's policies and procedures for compliance with certification of eligibility requirements, Communications Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

Our fieldwork was conducted from April 2015 through September 2015. Our examination was performed in accordance with the *Government Auditing Standards* for attestation engagements.



November 9, 2015

Mr. William J. Richardson III
Deputy Inspector General
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, D.C. 20004-2129

Dear Mr. Richardson,

I have received the draft audit report related to the Corporation for Public Broadcasting Grants awarded to Commonwealth Public Broadcasting Corporation for the period July 1, 2013 through June 30, 2014. I want to thank Debra Jacobson and her team for their diligence, hard work, and helpful communication throughout the process.

The audit was most helpful in identifying certain areas where we could improve our meeting notification and classification processes. To be specific, the audit pointed out \$259,600 in overstated NFFS for the two years and also pointed out the need to apply the open meeting communication process to board committee meetings in addition to corporate board meetings.

We understand and agree with the findings and have reviewed and instituted processes that will avoid future inconsistencies. To be specific;

- We will provide corrected AFR's as requested by CPB and will make arrangements to true up any overpayments that we have received due to overstatement of NFFS
- We will apply the open meeting requirements and notifications to board committee meetings in addition to corporate board meetings

I am attaching a detailed report that references our specific response to each identified issue. Please feel free to contact me if you have any questions about the report.

Once again, I want to thank Debra and her team for their work. The attention to detail and resulting issues raised will assist us as we move forward.

Sincerely,

A handwritten signature in blue ink, appearing to read 'A. Curtis Monk'.

Curtis Monk
President and CEO

The Community Idea Stations use the power of media to educate, entertain and inspire.

WCVE WHTJ WCVW WCVE Public Radio npr WCVE Education

23 Sesame Street • Richmond, VA 23235 • www.ideastations.org • tel 804.320.1301 • fax 804.320.8729



Audit response on behalf of Commonwealth Public Broadcasting Corporation with regard to the evaluation of community service grants conducted by the Office of Inspector General for the period July 1, 2012 through June 30, 2014.

Several months ago we were randomly selected to be audited by the Office of the Inspector General for our compliance with regard to the practices and policies of the Corporation for Public Broadcasting. The Audit uncovered certain issues that we understand and have addressed. The purpose of this document is to fully explain those issues and the corrective steps we have taken.

Issue: Non-compliance with open meetings statutory requirements

Specific concern:

WCVE did not fully comply with open meetings requirements because it did not provide reasonable notice to the public for open meetings it held for all committees of the board of directors.

Comment and corrective action:

While we have been diligent with regard to communication and notification for Corporate Board Meetings we were unaware that the open meeting requirements also applied to committee meetings of the board. Now that we are aware of this we will apply the same diligence, communication, and notification for all committee meetings of the Board.

Issue: The Corporation for Public Broadcasting (CPB) awards Community Service Grants (CSG) to public media organizations based on the amount of Non-Federal Financial Support (NFFS) as claimed by the organizations on the Annual Financial Reports that are submitted to CPB. In addition to a base grant, organizations receive an incentive grant which is derived by multiplying the NFFS by a percentage that is computed by CPB. For the fiscal years 2013 and 2014 the NFFS was overstated by \$259,600. Given the forward funding nature of CPB grants this resulted in CSG overpayments of \$4,822 in 2015 and \$24,748 in 2016.

We have reviewed each of the cited issues and agree with the findings of the audit. In each case we understand the reason for the disqualification and we have adjusted our accounting practices to ensure compliance with the rules governing classification of revenue. We will submit corrected AFR's to CPB as directed and will also make arrangements to true up the amounts as directed by CPB.

With regard to the specific items:

- \$90,371 was misclassified by MHZ as being corporate underwriting when it should have been classified as production services and was, therefore, ineligible for NFFS.

- The Accounting contact at MHz Networks mistakenly classified certain items as being corporate underwriting and these items were subsequently included as NFFS by the individual at NETA who prepares the AFR. This will be corrected on a revised AFR and will not occur again since MHz Networks has been spun out as a separate entity and is no longer a part of the corporation.
- \$10,595 was received as production services from the Richmond Symphony which, while a nonprofit organization, needed to be a college or other grantor of an educational degree to qualify for NFFS.
 - We recorded and rebroadcast a performance by the Richmond Symphony and received payment in the form of production services. Since the Symphony is a nonprofit organization we thought the amount received would qualify for NFFS. In fact, we now understand that only a college or other grantor of an educational degree can qualify for this type of revenue. This will be corrected on a revised AFR and we have advised those who are responsible for classification both at the station and at NETA so that this should not occur in the future.
- \$74,239 was misclassified as being eligible for inclusion as NFFS.
 - We had instituted a practice of recording revenue from underwriting contracts that we sponsored on behalf of a group of stations as a gross revenue item offset by an appropriate amount that was booked as an expense. The impact was to inadvertently create a double claim for NFFS on behalf of our organization and the others in the group. We recognize the issue and will take action to ensure that it no longer happens on future AFR filings. In addition, a revised AFR will contain a corrected amount.
- \$32,400 of membership premiums were mistakenly not included as offsets to revenue. This reduces NFFS.
 - This was an oversight and mistake that we will correct through a revised AFR. We understand the need to properly account for premiums and this should not happen again.
- \$10,640 was received from an advertising agency on behalf of the Federal Emergency Management Agency. This was mistakenly classified as eligible for underwriting (from the advertising agency) when, in fact, it was from a government source and therefore was ineligible for NFFS.
 - While it is unusual for an advertising agency to be representing a government entity it clearly can happen. We will correct this transaction on a revised AFR and have reviewed the need to make sure that

classification of source from an advertising agency goes beyond the agency itself and recognizes that, on occasion, a government entity may be represented and therefore would be ineligible.

- \$15,750 was received from another PBS station where the ultimate source of funds was the National Endowment for the Humanities. This was mistakenly classified as eligible for underwriting (from the PBS station) when, in fact, it was from a government source and therefore ineligible for NFFS.
 - We received a grant for a local production whose source was the National Endowment for the Humanities. This was brokered through another PBS station and we did not pick up on the fact that the originating source was a government entity. This will be corrected on a revised AFR and we will be more diligent about identifying the original source of such grants in the future.
- \$10,000 in promotional tickets was mistakenly claimed as eligible for NFFS.
 - This related to a trade agreement that contained both eligible sources for NFFS purposes as well as tickets. The ticket amount was inadvertently included as NFFS. This will be corrected on a revised AFR. We will be more diligent regarding such transactions in the future.
- \$15,605 was double counted in 2013 and 2014 and was included as NFFS for both years.
 - This was a mistake that occurred due to some miscommunication and misinterpretation of our records by NETA. This was simply a part of a transition process with NETA that we are now confident is much farther along. We will correct this on a revised AFR and it should not happen again

The total owed to the Corporation for Public Broadcasting for the two years is \$29,570. We will set up a specific reserve to accommodate this recovery and proceed as directed by CPB.

I want to thank the audit team for clarifying the CPB NFFS reporting requirements for us. The work has certainly helped us strengthen our compliance and reporting controls and has clearly put our organization in a stronger position for the future.

Further, the audit has helped us to gain a better understanding of the specifics of the open meeting policy as it pertains to board committees. We now have a far better understanding of what is required and have implemented policies and practices that should guard against further issues.