



July 2, 2018

VIA ELECTRONIC MAIL, HARD COPY TO FOLLOW

Mr. Jack Gibson
Director & General Manager
Arizona Public Media
PO Box 210067
Tucson, AZ 85721-0067

RE: Audit of Community Service Grants at Arizona Public Media, Tucson, Arizona for the Period July 1, 2014 through June 30, Report No. ASJ1801-1804

Dear Mr. Gibson:

The audit, conducted by the Corporation for Public Broadcasting's (CPB) Office of Inspector General (OIG), found that Arizona Public Media (Arizona) complied with most of its grant award requirements and all but one requirement in the Communications Act of 1934, 47 U.S.C. §396, et sec (Communications Act or Act). In addition, the audit found that Arizona misstated non-federal financial support (NFFS) that resulted in \$72,472 overpayment of its \$3,066,441 community service grants (CSG).

The specific audit findings and CPB's determinations are as follows.

I. Recommendations 1 and 2

The OIG recommended that CPB recover \$72,472 in CSG overpayments from Arizona as shown below and require it to identify the corrective action and controls that it will implement to ensure future compliance.

Type	Amount
Indirect Administrative Support	\$68,988
NFFS Misreported	\$438
Misclassified Revenues	\$3,046
Total	\$72,472

CPB Determination: While we agree in theory with the indirect administrative support finding, we will not require Arizona to return \$68,988 in the resulting CSG overpayments because in 2017, we determined that our guidance on this issue (i.e., other sponsored activities rate method (OSA)) needed clarification. We advised the OIG at that time that we would not retroactively apply those revisions and communicated the same to our grantees.

The misreported NFFS that resulted in a \$438 CSG overpayment resulted from a data entry error. Nonetheless we agree that the overpayment should be refunded to CPB and are satisfied that Arizona will be meticulous going forward. As for the misclassification of revenues, we will only require that Arizona refund the associated \$3,046 overpayment to us, as it is obvious from the significant dollars involved, that Arizona is conscientious when it comes to complying with the requirements imposed by the Communications Act and CPB.

CPB adopted the CSG Non-compliance Policy to encourage stations to comply with the applicable provisions governing their CSG and the Communications Act. Failure to comply with these requirements which result in an overpayment of the recipient's CSG subjects the recipient to a penalty of ten percent of the amount of the overpayment combined with refunding the overpayment to CPB. The application of any penalty is within CPB's discretion and in this instance, we find that a penalty equal to ten percent of the overpayment is appropriate.

Action: To recoup the \$3,484 CSG overpayment, Arizona must reduce the NFFS it reports on its 2017 fiscal year AFRs by the overstated amounts¹. We will provide detailed instructions at the time of filing. Please forward a check payable to CPB for the penalty of \$348 within 45 days of the date of this letter, to the attention of Nick Stromann, Vice President, Controller, Corporation for Public Broadcasting, 401 Ninth Street N.W., Washington, D.C. 20004-2129.

II. Recommendation 3

The OIG found that Arizona had not made its most recent, i.e. 2016 employment statistical report, available as required by the Communications Act, although it corrected the issue when the matter was brought to its attention. The OIG recommends that CPB verify during the audit resolution process that Arizona has made its 2017 report available.

CPB Determination: The Communications Act requires that stations make their Employment Statistical Report available for review by the general public at their central offices and at every location with six or more employees. Since the OIG found, during its field work, that Arizona promptly corrected this issue, we are confident that it will continue to comply with this Communications Act requirement.

Pursuant to CPB's CSG Non-compliance Policy, stations that fail to comply with a category of the Communications Act requirements are subject to a penalty of \$5,000 per infraction. Because Arizona promptly made its employment statistical report available when it was found out of compliance and it met all the other requirements in the Act, we will impose a reduced penalty of \$2,500.

Action: Within 45 days of the date of this letter, Arizona must remit payment of a \$2,500 penalty to Nick Stromann at the address above.

¹ The incentive rate of return varies each year. Therefore the 2019 calculations may produce a slight overpayment or underpayment. If so, CPB will make an additional grant adjustment to ensure the correct amount is recovered.

If you wish CPB to consider additional information relating to this matter, please provide the same in writing within 30 days of the date of this letter. Failing that, CPB will consider these determinations final and Arizona will be required to comply with the actions set forth above. CPB reserves the right to take any other action CPB deems appropriate until these issues are resolved to CPB's satisfaction.

Kind regards,



Jackie J. Livesay
Assistant General Counsel & Vice President, Compliance

CC: VIA ELECTRONIC MAIL

Melissa Kramer, Contract Officer, University of Arizona
Kimberly Heath, Chief Financial Officer, Arizona Public Media
Mary Mitchelson, Inspector General, CPB
William J. Richardson, Deputy Inspector General, CPB
Michael Levy, Executive Vice President & Chief Operating Officer, CPB
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Ted Krichels, Senior Vice President, System Development & Media Strategy, CPB
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Greg Schnirring, Vice President, CSG & Station Initiatives, CPB
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Katherine Arno, Director, TV CSG Policy & Review, CPB
Andrew Charnik, Director, Radio CSG Policy & Administration, CPB
Nadine Feaster, Director, Grants Administration, CPB