



April 21, 2016

VIA ELECTRONIC MAIL AND HARD COPY TO FOLLOW

Mr. John Harris  
President & Chief Executive Officer  
Prairie Public Broadcasting, Inc.  
KCND-FM  
207 N. Fifth Street  
Fargo, ND 58102

RE: Audit of CPB Radio Restricted Fund Expenditures, Communications Act, Transparency, and Discrete Accounting Requirements at Selected Grantees for Fiscal Year 2014 - Report No. ACR1506-1508, dated September 29, 2015

Dear Mr. Harris:

The Corporation for Public Broadcasting's (CPB) Office of the Inspector General (OIG) completed its audit of Prairie Public Broadcasting, Inc. (KCND) and nine other stations that received the Community Service Grants (CSG) referenced above. The OIG's audit objectives were to determine whether these grantees: (a) spent restricted CSG funds on national programming; (b) discretely accounted for CSG revenues and expenditures in their accounting systems; (c) complied with the Communications Act (Act) requirements for open meetings, open financial records, Community Advisory Board (CAB), equal employment opportunity reporting, and donor list and political activities prohibitions; and (d) complied with website transparency requirements in the General Provisions and Eligibility Criteria (General Provisions).

CPB is pleased to note that the OIG found that KCND and the other stations properly spent CPB restricted funds on national programming and related activities and generally complied with the Act, transparency, and discrete accounting requirements, with some exceptions.

Below is a summary of the OIG findings that involve KCND, followed by CPB determinations.

#### **I. OIG Recommendations 1 & 2: Advance Meeting Notice (Communications Act)**

The OIG found that KCND did not provide seven-day advance notice of its CAB and governing board subcommittee meetings<sup>1</sup>. In response to the OIG's findings, KCND advised the OIG that it established a policy to post notice of these meetings within seven days<sup>2</sup>. KCND also provided the OIG with the internal controls it instituted to ensure compliance with the requirements in the Act. The OIG considers these recommendations resolved pending CPB receipt of the following documentation from KCND evidencing that corrective action has been taken.

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<sup>1</sup> Pages 5 and 11 of the audit report.

<sup>2</sup> Exhibit F of the audit report.

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CPB Determination: In discussing this issue with KCND's president and chief executive officer, he explained to CPB that the station broadcasts on air notice of upcoming CAB and board meetings at least seven days in advance but that they did not realize they were required to provide similar notice of board committee meetings. Because KCND complied with the majority of the CSG Requirements<sup>3</sup> concerning notice and promptly instituted corrective action, CPB accepts KCND's representations as confirmation of compliance and considers this matter closed and resolved.

Action: No further action is required of KCND.

## II. Recommendations 1 & 2: CAB Responsibilities & Independence (Communications Act)

The OIG found that KCND was unable to provide documentation that its CAB advised the station's governing body on whether the station's programming meets the educational and cultural needs of the communities it serves<sup>4</sup>, pursuant to the CSG Requirements. To address this issue, KCND informed the OIG<sup>5</sup> that its CAB has adopted a resolution requiring it to report to KCND's board of directors after each CAB whether this requirement was met.

In response to the finding that KCND's CAB did not operate independently because a member of its board of directors serves as the CAB chair<sup>6</sup>, KCND advised the OIG that it will, if necessary, revise its by-laws to require that any members of its board who serve on the station's CAB be non-voting ex-officio CAB members<sup>7</sup>.

The OIG considers these recommendations resolved, pending CPB's receipt of documentation from KCND that shows the corrective actions were implemented.

CPB Determination: KCND's president and chief executive officer explained to CPB that he attends every CAB meeting and conveys the CAB's concerns and views to KCND's governing board. These updates would in general include whether, in the CAB's opinion, the station's programming meets the educational and cultural needs of the communities it serves. Neither CPB nor the Communications Act requires a formal notification process. Accordingly, CPB accepts these representations and believes that KCND has met the necessary CAB requirements in the Act. Because of this, CPB considers this matter resolved and closed.

With regard to the CAB's independence, the Certification Requirements do not explicitly prohibit a station from appointing station employees or its governing board members to its CAB. However, in order to satisfy the OIG's findings, CPB requests that KCND provide documentation showing that the any members of its board appointed to its CAB will be non-voting CAB member.

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<sup>3</sup> Communications Act Certification Requirements for Community Service Grant Recipients, May 2015 (Certification Requirements).

<sup>4</sup> Pages 7 & 8 of the audit report.

<sup>5</sup> Exhibit F of the audit report.

<sup>6</sup> Page 7 of the audit report.

<sup>7</sup> Exhibit F of the audit report.

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Action: KCND must provide the documentation above within 60 days of the date of this correspondence.

### III. **OIG Recommendation 3:** Open Meeting Notices (General Provisions)

The Transparency section of the General Provisions has a list of nine items that stations must post on their website. The OIG found that KCND posted eight of the nine required items, failing to include notice of upcoming CAB and/or board of directors, and board committee meetings. The OIG recognized that KCND had already updated its website to include the notice.

CPB Determination: We are currently reviewing General Provisions and open meeting notice requirements and anticipate removing this requirement since it is similar to a requirement in the Communications Act. Considering this and the fact that KCND posted all but one of the nine items required on its website, CPB considers this issue closed and resolved.

Action: No further action is required.

The required documentation should be provided to Katherine Arno, Director, TV CSG Policy & Review, CPB at: [karno@cpb.org](mailto:karno@cpb.org).

If KCND has any additional information concerning CPB's determinations that it requests CPB review, please forward the information in writing within 30 days of the date of this letter. Failing that, CPB will consider these determinations final, and KCND will be required to comply with the required actions set forth above. In the event KCND fails to comply with these actions, CPB reserves the right to withhold the pending CSG payment and any other funding due KCND, and to take any other action CPB deems appropriate until these issues are resolved to CPB's satisfaction.

We appreciate the work that KCND does in support of public media and trust that we can resolve these issues cooperatively.

Kind regards,



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

#### CC: VIA ELECTRONIC MAIL

Andy Maragos, Chairman of the Board, Prairie Public Broadcasting, Inc.  
Mary Mitchelson, Inspector General, CPB  
William J. Richardson, Deputy Inspector General, CPB  
Steven J. Altman, Executive Vice President and Chief Operating Officer, CPB  
J. Westwood Smithers, Jr., Senior Vice President & General Counsel, CPB  
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB  
Ted Krichels, Senior Vice President, System Development & Media Strategy, CPB  
Bruce Theriault, Senior Vice President, Journalism and Radio, CPB  
Joyce MacDonald, Vice President, Journalism, CPB  
Erika Pulley-Hayes, Vice President, Radio, CPB

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Greg Schnirring, Vice President, Station Grants and Television Station Initiatives, CPB  
Nick Stromann, Vice President, Controller, CPB  
Katherine Arno, Director, TV CSG Policy and Review, CPB  
Nadine Feaster, Director, Grants Administration, CPB  
Andrew Charnik, Director, Radio CSG Policy and Administration, CPB