



June 17, 2015

VIA E-MAIL, HARDCOPY TO FOLLOW

Ms. Sandie Pedlow
Executive Director
Latino Public Broadcasting
2550 N. Hollywood Way, Suite 301
Burbank, CA 91505

Re: CPB Management Determination and Required Actions Letter concerning the Audit of CPB Grants Awarded to Latino Public Broadcasting, Burbank, CA, for the Period October 1, 2012 - September 30, 2014, Report No. APT1407-1505

Dear Ms. Pedlow:

The Corporation for Public Broadcasting's (CPB) Office of Inspector General (OIG) completed its audit of grants awarded to Latino Public Broadcasting (LPB), presenting its findings to CPB in the final audit report referenced above (Report). This letter outlines CPB management's determinations regarding those findings, including the actions required of LPB to address them. The Report identified the following audit findings:

- Unspent funds totaling \$36,709 for open and uncompleted productions executed under closed CPB grants for years (FY) 2001 through 2007; and
- Expired CPB production grant period terms for FYs 2008, 2009, and 2011, with uncompleted productions and unspent funds totaling \$188,003.

CPB management has reviewed the Report and agrees in part with the OIG's findings resulting in LPB's repayment of \$147,675 to CPB, as explained below.

I. Recommendation #1 (FYs 2001-2007): The OIG recommends that CPB officials: *"require LPB officials to:*

a) refund \$14,520 in uncommitted and unspent funds;"

CPB's Response: CPB agrees with the OIG's findings and requests that LPB refund \$14,520 to CPB.

Action Item: CPB requests that LPB refund \$14,520 to CPB within 60 days of the date of this correspondence, via a check made payable to the "Corporation for

Public Broadcasting" and addressed to:

Mr. Richard Loutsch
Vice President and Controller
401 Ninth Street, NW
Washington, DC 20004

Please e-mail a copy of the check to: Ms. Lynda Clarke, Senior Director, TV Programming Projects, CPB, at: lclarke@cpb.org.

b) "return the remaining \$22,189 in unspent funds unless LPB can demonstrate the related productions are active and likely to be completed in a reasonable time."

CPB's Response: On April 21, 2015, CPB requested additional information from LPB about the projects totaling \$22,189 and listed in Exhibit D to the Report, in order to determine if the projects are active, and whether sufficient evidence exists to extend the project agreement timelines. Unfortunately, LPB has not responded to this request. Accordingly, CPB requests that LPB refund \$22,189 to CPB.

Action Item: CPB requests that LPB refund \$22,189 to CPB within 60 days of this correspondence in accordance with the instructions above.

- II. **Recommendation #2 (FYs 1999 and 2000):** The OIG recommends that CPB officials: "research CPB records for LPB grant documents prior to FY 2001 (e.g., Final Financial Reports and Audited Financial Statements) to determine whether any of the \$50,466 in uncommitted fund [is] CPB funds."

CPB's Response: LPB was created in 1998 and started receiving CPB funding in 1999. Since 1999, CPB has often been LPB's only or primary source of funding. LPB was unable to provide CPB with its audited financial statements for 1999 and 2000 to establish whether or not LPB received funding from any sources other than CPB. Similarly, a review of LPB's IRS Form 990 for these years did not disclose sources of LPB's funding other than CPB. In light of this information, combined with the fact that CPB awarded grants totaling over \$2.1 million to LPB for these years as shown below, CPB requests that LPB refund \$50,466 to CPB.

Fiscal Year	Grant Amount
1999	\$1,192,255
2000	\$899,389
Total	\$2,091,644

Action Item: CPB requests that LPB refund \$50,466 to CPB within 60 days of the date of this letter in accordance with the instructions above.

III. Recommendation #3 (FYs 2008, 2009, and 2011): The OIG recommends that “CPB require LPB officials to demonstrate that the uncompleted productions under each grant are active and likely to be completed in a reasonable time.”

CPB’s Response: Predicting the date that a production will be completed is an inexact science and is frequently altered by countless unexpected circumstances. In support of LPB’s mission, which includes funding the production of non-commercial, educational, and cultural media representative of Latino people, and addressing issues of particular interest to Latino Americans, CPB gives LPB and its producers significant latitude to ensure that these valuable productions are not prematurely terminated. Nonetheless, CPB has held several discussions with LPB regarding the anticipated completion dates of LPB’s active production grants. LPB has agreed to take a more proactive approach and advise CPB when it becomes apparent that a production will not be completed as originally anticipated. LPB will also work with CPB to amend the same, when appropriate.

Based on these conversations, LPB must refund to CPB the amounts outstanding for the associated productions below. CPB and LPB will enter into an agreement to amend the completion dates for the FY 2011 projects below, excluding *Parallel Stories* and *Cesar’s Last Fast* which LPB is terminating or has terminated.

Production	LPB Grant	Paid-to-Date	Unpaid Amount	Updated Completion	Refund to CPB
FY 2008					
<i>Road to Chulumani, The</i>	\$35,000	\$30,500	\$4,500		\$4,500
Total FY 2008					\$4,500
FY 2009					
<i>Death in Mexico, A</i>	\$40,000	\$15,000	\$25,000		\$25,000
<i>Beautiful Sin</i>	\$30,000	\$27,000	\$3,000		\$3,000
<i>Making Viva Max</i>	\$45,000	\$37,500	\$7,500		\$7,500
<i>Our Women, Our Struggle</i>	\$40,000	\$34,000	\$6,000		\$6,000
<i>Third Root, The</i>	\$40,000	\$34,000	\$6,000		\$6,000
Total FY 2009					\$47,500¹
FY 2011					
<i>Farewell Ferris Wheel</i>	\$50,000	\$40,000	\$10,000	10/1/2017	
<i>Making Viva Max</i>	\$60,000	\$30,000	\$30,000	09/1/2017	
<i>No Más Bebés</i>	\$40,000	\$25,000	\$15,000	03/01/2016	
<i>Now en Español</i>	\$50,000	\$30,000	\$20,000	10/01/2015	
<i>Rainbow Coalition</i>	\$40,000	\$20,000	\$20,000	11/01/2016	
<i>Parallel Stories²</i>	\$8,500	\$0	\$8,500		\$8,500
<i>Cesar’s Last Fast³</i>					
Total FY 2011					\$8,500
Total					\$60,500

¹ In FY 2009, LPB provided a grant to producer Sandra Guardado for *Two Trinities*. LPB advised CPB that it terminated the production. In April 2015, LPB repaid \$20,000 to CPB.

² LPB is terminating this grant.

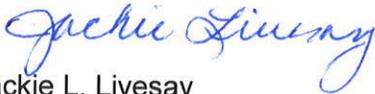
³ LPB terminated this grant. In September 2014, LPB repaid \$60,000 to CPB.

Action Item: CPB requests that LPB refund \$60,500 to CPB within 60 days of the date of this letter, in accordance with the instructions above. Within this time period CPB and LPB will amend the grant agreements for the FY 2011 projects.

If LPB would like for CPB to consider any additional information relating to this matter, such information must be provided to CPB in writing within 30 days of the date of this correspondence. Failing that, CPB will consider these determinations final. In the event LPB does not comply with the required actions within the established time period, LPB will not be eligible to receive any CPB grant funding until the deliverables and payments are provided to CPB and meet with CPB's approval. CPB reserves the right to take any other action it deems appropriate.

We trust that these issues may be resolved quickly.

Sincerely,



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

CC:

Via E-mail Mary Mitchelson, Inspector General, CPB
Bill Richardson, Deputy Inspector General, CPB
Steven J. Altman, Sr. Vice President, Business Affairs, CPB
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB
Westwood Smithers, Jr., Sr. Vice President, General Counsel, CPB
Jennifer Lawson, Sr. Vice President, TV & Digital Video Content, CPB
Joseph Tovaes, Sr. Vice President, Diversity & Innovation, CPB
Cindy Campbell, VP, Operations, CPB
Richard Loutsch, Vice President and Controller, CPB
Lynda Clarke, Sr. Director, TV Programming Projects, CPB



July 8, 2015

VIA EMAIL – HARD COPY TO FOLLOW

Jackie L. Livesay
Assistant General Counsel & Vice President, Compliance
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

Re: CPB Management Determination and Required Actions Letter concerning the Audit of CPB Grants Awarded to Latino Public Broadcasting, Burbank, CA, for the Period October 1, 2012 – September 30, 2014, Report No. APT1407-1505

Dear Ms. Livesay:

We are in receipt of your letter dated June 17, 2015 regarding CPB's management determinations regarding the findings in the above referenced audit report. Latino Public Broadcasting (LPB) intends to comply with these determinations and to return \$147,675 to CPB. However, we would also like to take this opportunity to once again point out our concerns about certain findings in the audit report and the impact CPB's management determinations will have on LPB's ability to fulfill its mission to provide a voice to the diverse Latino community on public media throughout the United States.

First and foremost, we want to emphasize that, with the exception of the funds referred to in Recommendation #2, the funds that LPB is being asked to return to CPB are primarily funds that are committed to Latino independent producers for productions that are active but have not yet been completed. Put another way, of the \$147,675 we are being asked to return, only \$50,466 are funds that were uncommitted to productions; the balance are primarily funds from open and uncompleted productions. LPB is contractually obligated to its producers for the majority of the funds that CPB is asking it to return.

It is important to note that in 2008 CPB changed its grant requirements with LPB and other members of the National Minority Consortia (NMC) to require that projects be completed within three years from the time they have been funded. Prior to 2008, LPB did not have a specific window in which a production had to be completed, and if a project came under budget, LPB could reinvest those funds in other productions. Now the three-year period starts on the first day of the Fiscal Year of the CPB grant yet those actual funds are not paid to LPB well into the second quarter of that same Fiscal Year. Funded

projects must be completed, accepted for broadcast and have aired before final payment can be made to the producer.

CPB has also severely curtailed its prior practice of granting extensions on a case-by-case basis, at least in the experience of LPB. In 2014, CPB informed LPB that we could request an extension if we knew that a project was not going to be completed within the three-year window, but the request had to be made prior to the end of the three-year period of the applicable CPB grant. CPB declined LPB's requests for additional extensions relating to outstanding projects which were already beyond the three-year window. As a consequence, LPB is being asked to return funds under contract with producers regardless of the completion status of the productions.

As we noted during the audit process and in our response to the audit report, the scope of the audit – which is outlined in the heading of your letter as being “**for the Period October 1, 2012 – September 30, 2014**” -- was greatly expanded from its original two-year period to cover the entire 16 year history of LPB.

Along with the greatly expanded scope of the audit, CPB is now retroactively applying its 2008 policy change to projects which were funded by LPB in FY2001 to 2007 when that policy was not in existence. We question the fairness of applying these rules retroactively. In regards to the uncompleted productions from FY2001 to 2007, we respectfully request CPB to allow LPB to retain \$11,189 which are under contract for the production *The Head of Joaquin Murrieta*. LPB has been working with the filmmaker to complete this production which is now at picture lock stage with a delivery of September 30, 2015. This information was inadvertently not included in the project update information submitted to CPB.

We are disappointed by CPB's decision regarding active projects with funds under contract for FY2008 to 2009. As discussed at my meeting with CPB, productions such as *Beautiful Sin* aired on public television in May/June 2015 and final payment to the producer is being held until final accounting of the project is completed after the broadcast as required by CPB. Furthermore, LPB invested additional funds in station relations to ensure *Beautiful Sin* would be carried and scheduled locally by stations across the country. Since LPB is contractually committed to provide these funds to these active productions from FY2008 to 2009, LPB will have to allocate funds from our current CPB funding agreement to cover the funds owed to these filmmakers and their productions.

This places a heavy burden on LPB and the Latino producing community as we are never a sole funder of these independent productions. LPB funds projects at all stages of production and our support makes it possible for filmmakers to leverage additional funds from other sources. This is never an easy task, particularly for Latino independent producers who do not have the resources of national producing stations. Most television programs take five or more years from early production to completion; some take longer due to the time required to fundraise from various sources--foundations, state/art councils, endowments and other funding entities. Others may sit for over a year waiting for broadcast confirmation through PBS or other public television distributors. Even though a program may be completed, LPB retains the final payment until a broadcast date is secured, the program has aired, and final deliverables are received to ensure LPB's fiduciary obligations to CPB and ensure that LPB's and CPB's investment is

protected. While LPB prides itself on its ability to deliver programming – and has the track record to prove it – production timelines are often not within the control of either LPB or its producers.

It is unrealistic to expect Latino independent producers to complete a production within three years, particularly when LPB is only a partial funder of the total production budget. If the only option is to return funds which have not been distributed within a three-year period, this leaves LPB and the other NMC members in a position where we either only fund projects that are in their completion phase (last funds in) or not even consider project submissions that have no other funding attached. This will seriously impact LPB's ability to fulfill its mission and purpose.

We also question the fairness of CPB's three-year completion requirement to NMC members, including LPB. Is the three-year requirement applied to other projects and other national producers and the national producing stations that CPB also funds? Are extensions granted based on circumstances such as projects where an entity like LPB only provides partial funding, and where completion and distribution is beyond the partial funders' control? For these reasons, we urge CPB to reconsider its three-year completion requirement and current extension practice as it applies to NMC members, including LPB.

With respect to Recommendation #2 regarding the return of funds prior to FY2000, LPB takes exception to the statement that "LPB was unable to provide CPB with its audited financial statements for 1999 and 2000". In fact, as we informed CPB, audited financial statements were not required during LPB's initial years. As noted, the original two-year scope of the audit was greatly expanded to cover the entire 16 year history of LPB, a period that exceeds CPB's own record-keeping requirements.

Respectfully submitted,



Sandie Viquez Pedlow
Executive Director

CC:

Mary Mitchelson, Inspector General, CPB
Bill Richardson, Deputy Inspector General, CPB
Steven J. Altman, Sr. Vice President, Business Affairs, CPB
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB
Westwood Smithers, Jr., Sr. Vice President, General Counsel, CPB
Jennifer Lawson, Sr. Vice President, TV & Digital Video Content, CPB
Joseph Tovares, Sr. Vice President, Diversity & Innovation, CPB
Cindy Campbell, VP, Operations, CPB
Richard Loutsch, Vice President and Controller, CPB
Lynda Clarke, Sr. Director, TV Programming Projects, CPB
Edward James Olmos, Chair, LPB Board
Frank Cruz, Vice Chair, LPB Board



August 4, 2015

VIA E-MAIL, HARD COPY TO FOLLOW

Ms. Sandie Viquez Pedlow
Executive Director
Latino Public Broadcasting
2550 N. Hollywood Way, Suite 301
Burbank, CA, 91505

Re: Latino Public Broadcasting's (LPB) correspondence dated July 8, 2015, and CPB's receipt of \$147,675

Dear Ms. Pedlow:

This correspondence confirms our receipt of the \$147,675 set forth in the determination letter issued by the Corporation for Public Broadcasting (CPB) concerning the Office of Inspector General (OIG) audit of grants awarded to LPB, Report No. APT1407-1505. We appreciate your prompt response.

We have also received your correspondence of July 8, 2015, regarding the determination letter. Without question, the American public benefits from LPB's development of successful original programming and its acquisition and distribution of non-commercial educational and cultural television that is representative of the Latino public. We recognize predicting the date that a production will be completed is an inexact science. Consequently, CPB frequently allows LPB and other grantees who produce, acquire, and/or distribute content significant latitude in extending the term during which a grant may be spent. However, as you know, that latitude cannot be unlimited. CPB acts as a steward of federal funding and must establish parameters and compel repayment of any grant amounts not expended within a reasonable time period. The OIG is also a steward of federal funding and has the right to widen the scope of their audit whenever the information gathered warrants a more expansive review of a grantee's books and records. Its actions are independent of CPB management.

CPB regularly looks for opportunities to improve its documentation and business processes and values your input concerning the three-year term for spending production funding provided by CPB. Because of your request, we have initiated a dialogue with the National Minority Consortia (NMC) members to determine whether productions are routinely completed within this period, or if a different term is more appropriate based on actual business practices over the past few years and balancing that against CPB's responsibility as a steward of federal funding.

We look forward to working together with you and the other NMC members to reach a productive solution.

Best regards,



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

CC: Edward James Olmos, Chair, LPB Board
Frank Cruz, Vice Chair, LPB Board

CC Via E-mail:

Mary Mitchelson, Inspector General, CPB
Bill Richardson, Deputy Inspector General, CPB
Steven J. Altman, Acting Chief Operating Officer, CPB
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB
Westwood Smithers, Jr., Sr. Vice President, General Counsel, CPB
Jennifer Lawson, Sr. Vice President, TV & Digital Video Content, CPB
Joseph Tovaes, Sr. Vice President, Diversity & Innovation, CPB
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