



April 21, 2016

VIA ELECTRONIC MAIL AND HARD COPY TO FOLLOW

Mr. Cleveland Dietz  
General Manager  
Bloomington Community Radio, Inc.  
WFHB-FM  
108 W. Fourth Street  
Bloomington, IN 47404

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. Dietz:

The Corporation for Public Broadcasting's (CPB) Office of the Inspector General (OIG) completed its audit referenced above of Bloomington Community Radio, Inc. (WFHB) and nine other stations that received the Community Service Grants (CSG). The OIG's objectives were to determine whether these grantees: (a) spent CSG restricted 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 lists 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 WFHB and the other stations properly spent CPB restricted funds on national programming and related activities and generally complied with the Communications Act and the transparency and discrete accounting requirements, with some exceptions.

Below are the OIG findings that involve WFHB and CPB's determinations.

**I. OIG Recommendations 1 and 2: CAB (Communications Act)**

The OIG found that WFHB's new station manager misinterpreted the requirements and dismantled its CAB<sup>1</sup>. CAB has not met for approximately two fiscal years, but is scheduled to meet at the end of 2015 (its 2016 fiscal year). WFHB explained that while it did not have a CAB per se, it has two board committees that independently perform the CAB's duties,

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<sup>1</sup> Page 8 of the audit report.

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including reviewing station programming. These committees are made up of board members, listeners, volunteers, and ex-officio station staff<sup>2</sup>. The OIG found that this recommendation resolved but open pending CPB's receipt of documentation from WFHB that evidences its implementation of corrective actions.

CPB Determination: WFHB indicated that it relied on two committees to solicit community input and feedback on its programming, similar to a CAB, but admits to dismantling its CAB. WFHB is required to have a CAB, pursuant to the Communications Act<sup>3</sup>. Stations that fail to comply with the requirements in the Communications Act are subject to a penalty of \$5,000 for each finding pursuant to the CSG Non-compliance Policy. Because WFHB's error seems in part a mistake by a new station manager, WFHB has promptly taken corrective action, and has non-federal financial support of less than \$500,000, CPB is assessing a reduced penalty of \$1,000 against WFHB. WFHB must provide CPB with documentation that evidences it has instituted a CAB in accordance with the Communications Act.

Action: WFHB must provide the documentation above and the \$1,000 penalty to CPB within 60 days of the date of this correspondence:

## II. 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 WFHB failed to post one of these items, i.e. upcoming meeting notices of its CAB and/or subcommittee meetings of the governing board<sup>4</sup>.

The OIG considers this issue resolved but open pending CPB's receipt of documentation confirming the required notice.

CPB Determination: We are currently reviewing the General Provisions and notice requirements and anticipate removing this requirement, since it is similar to one required by the Communications Act. Considering this and the fact that WFHB has posted all but one of the nine items required on its website and has already implemented corrective actions, CPB considers this issue resolved and closed.

Action: No further action is required of WFHB.

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<sup>2</sup> Page 9 of the audit report.

<sup>3</sup> §396 (k) (8).

<sup>4</sup> Page 11 of the audit report.

### **III. OIG Recommendation 6: Discrete Accounting (General Provisions)**

The General Provisions require that stations use unique accounting codes to identify CPB funds – revenues and expenses, restricted and unrestricted. This will allow an auditor to track those funds within the CSG recipient’s accounting system. Although the OIG found that WFHB correctly spent its CSG funds, it did not employ the required discrete accounting codes for tracking CPB revenues and expenses<sup>5</sup>.

In response to the OIG, WFHB reported that it has begun using these codes and has subcategories in its accounting software to track the use of CPB’s restricted and unrestricted revenues and expenses<sup>6</sup>. The OIG considers this issue resolved but open pending CPB’s verification that new codes have been implemented<sup>7</sup>.

CPB Determination: CPB agrees with the OIG’s findings, and WFHB must provide CPB with a copy of its trial balance and general ledger for fiscal year 2016 expenditures from October 1, 2015, through December 31, 2015, to evidence the station’s use of unique accounting codes.

Stations that fail to meet the requirements in the General Provisions are subject to a fine of \$1,000 for each finding, pursuant to the CSG Non-compliance Policy<sup>8</sup>. Because WFHB has spent its CSG in accordance with the General Provisions, CPB will assess a reduced penalty of \$500 for WFHB’s failure to implement unique accounting codes for CSG funds.

Action: WFHB must provide the documentation and penalty of \$500 to CPB within 60 days of the date of this correspondence.

### **IV. OIG Recommendation 8: Schedule E (General Provisions)**

The OIG found that WFHB spent its restricted CSG funds on allowed expenses; however, it did not correctly record those expenses on Schedule E of its 2015 fiscal year AFR. In its response to OIG, WFHB reports it established the appropriate accounts and implemented a flagging system in its accounting software to ensure the proper reporting of CPB restricted fund expenditures on Schedule E<sup>9</sup>. The OIG considers this matter resolved but open, pending CPB’s verification that WFHB has correctly reported restricted CSG expenditures for 2015.

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<sup>5</sup> Page 13 of the audit report.

<sup>6</sup> Exhibit E of the audit report.

<sup>7</sup> Page 14 of the audit report.

<sup>8</sup> Although CPB revised this Policy effective January 1, 2016, the penalty amount and its application is essentially the same.

<sup>9</sup> Exhibit E of the audit report.

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CPB Determination: WFHB admitted to making this error and indicated it has taken corrective action to ensure this error does not occur going forward<sup>10</sup>. Considering the fact that the OIG's audit found WFHB spent its restricted CSG funds consistent with the restrictions in the General Provisions, CPB considers this issue closed and resolved.

Action: Issuing a finding for this type of error is, in CPB's opinion, unwarranted. CPB considers WFHB's response more than sufficient.

The required documentation should be provided to Katherine Arno, Director, TV CSG Policy and Review at: [karno@cpb.org](mailto:karno@cpb.org). Please make your check for the penalty of \$1,500 payable to CPB and forward to:

Nick Stromann  
Vice President, Controller  
Corporation for Public Broadcasting  
401 Ninth Street NW  
Washington, D.C. 20004-2129

If WFHB 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 correspondence. Failing that, CPB will consider these determinations final and WFHB will be required to comply with the actions set forth above. In the event WFHB fails to comply with the required actions, CPB reserves the right to withhold the pending CSG payment from WFHB and any other grant funds due it, and to take any other action CPB deems appropriate until these issues are resolved to CPB's satisfaction.

We appreciate the work WFHB does in support of public media and trust that these issues may be resolved cooperatively.

Kind regards,



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

CC: VIA ELECTRONIC MAIL

Louis Malone, Board President, WFHB-FM  
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

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<sup>10</sup> September 22, 2015, correspondence.

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Bruce Theriault, Senior Vice President, Journalism and Radio, CPB  
Erika Pulley-Hayes, Vice President, Radio, CPB  
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  
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Andrew Charnik, Director, Radio CSG Policy and Administration, CPB