CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF INSPECTOR GENERAL

AUDIT OF COMMUNITY SERVICE GRANTS AWARDED TO ILLINOIS PUBLIC MEDIA URBANA, ILLINOIS FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017

REPORT NO. ASJ1903 -1902

March 28, 2019

Office of Inspector General
Corporation for Public Broadcasting

Report No. ASJ1903-1902
March 28, 2019

Report in Brief

Audit of Community Service Grants awarded to Illinois Public Media, Urbana, Illinois for the Period July 1, 2016 through June 30, 2017

Why We Did This Audit

We performed this examination based on our Annual Plan to audit a number of public television and radio stations.

Our objectives were to examine Illinois Public Media's (WILL – TV/FM) certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports 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.

Send all inquiries to our office at (202) 879-9669 or email OIGemail@cpb.org or visit www.cpb.org/oig

Listing of OIG Reports

What We Found

The station reported a net NFFS overstatement of $1,006,785 in FY 2017 resulting in a CSG overpayment of $67,575 in FY 2019.

The station over and understated NFFS in fiscal year (FY) 2017 with a net overstatement of $1,006,785 and a resulting Community Service Grant (CSG) overpayment of $67,575 in FY 2019 because it:

- overstated indirect administrative support by incorrectly calculating (a) institutional and physical plant support costs, (b) net assignable square footage, and (c) institutional support rate;
- lacked documentation for the allocation of revenues between TV and Radio;
- included the purchase of TV equipment in appropriation revenues;
- included unallowable NFFS related to vinyl record sales and special fundraising revenues that were not offset by expenditures; and
- understated the exclusion for high-end premiums.

In addition, we found noncompliance with the discrete accounting requirements for restricted radio revenues and expenditures.

The station agreed to take corrective actions on our recommendations to ensure future compliance.

CPB management will make the final determination on our findings and recommendations.

What We Recommend

That CPB:

- recover the CSG overpayment of $67,575;
- require WILL-TV/FM to identify the corrective actions and controls it will implement to ensure future compliance with NFFS reporting requirements; and
- verify during the audit resolution process that WILL-TV/FM properly identified its restricted radio revenues and expenditures accounting codes in its FY 2019 grant application.

cpb

Corporation
for Public
Broadcasting

Office of Inspector General

Date: March 28, 2019

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

From: Mary Mitchelson, Inspector General Mary Mitchelson

Subject: Audit of Community Service Grants awarded to Illinois Public Media, Urbana, Illinois for the Period July 1, 2016 through June 30, 2017, Report No. ASJ1903-1902

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 and distribute to appropriate Congressional committees 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: Bruce M. Ramer, Chair, CPB Board of Directors
Liz Sembler, Chair, Audit and Finance Committee
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation
U.S. House of Representatives Energy and Commerce Committee
U.S. Senate Committee on Appropriations
U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) awarded to Illinois Public Media (WILL-TV/FM) for the period July 1, 2016 through June 30, 2017. Our objectives were to examine WILL'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 audit we found that WILL-TV/FM:

- overstated NFFS by $1,006,785 which resulted in CSG overpayments of $67,575, which we reported as funds put to better use; and
- did not fully comply with discrete accounting requirements for CPB CSG restricted radio revenues and expenditures.

We recommend that CPB:

- recover the CSG overpayment of $67,575;
- require WILL-TV/FM to identify the corrective actions and controls it will implement to ensure future compliance with NFFS reporting requirements; and
- verify during the audit resolution process that WILL-TV/FM properly identified its restricted radio revenues and expenditures accounting codes in its FY 2019 grant application.

In response to the draft report, WILL-TV/FM generally agreed with our findings on overstated NFFS except for $35,062 in NFFS related to the Book Mentor Project that we had found unallowable. Based on the station's response to our draft report, we found these revenues acceptable as NFFS. Thus, we have revised the finding by removing the $35,062 as ineligible NFFS. The station also agreed with our finding that the station was not fully compliant with discrete accounting requirements. WILL-TV/FM's written response to the draft report is presented in Exhibit H.

This report presents the conclusions of the Office of Inspector General (OIG) and the findings reported do not necessarily represent CPB's final position on these issues. While we have made recommendations that we believe would be 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 WILL-TV/FM's response to the draft report, we consider recommendations one, two, and three unresolved pending CPB's final determination resolving these recommendations.

We performed this audit based on the OIG's annual plan. We conducted our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology are discussed in Exhibit G.

BACKGROUND

Illinois Public Media is a not-for-profit public media service of the College of Media at the University of Illinois. The station states that it is focused on educating, entertaining, inspiring and empowering audiences by airing public television and radio programs, producing local content for broadcast and the Web, and working with community partners to address needs and concerns.

In September 2015, the station received a Regional Journalism Collaboration (RJC) grant from CPB to establish the Illinois newsroom. WILL-TV/FM continues to partner with several stations in Illinois to report on issues relevant to downstate Illinois and national audiences in the areas of political impact of state legislation, education and funding reforms, and agriculture and food policy. Although no RJC payments were received from CPB in FY 2017, the station incurred $94,808 in costs associated with the project.

CPB awards annual CSG grants to public television and radio stations based in part 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 base and supplemental grants. The funds that remain are called the Incentive 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 total amount of adjusted 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 fiscal year's (FY) CSG amount. For example, CPB used the NFFS claimed by WILL-TV/FM on its FY 2017 AFRs to determine the amount of the CSG the stations received in FY 2019.

During our audit period WILL-TV/FM received $1,513,747 from CPB for CSGs as itemized in Exhibit A. In FY 2017, WILL-TV reported NFFS of $3,576,226 and WILL-FM reported NFFS of $3,834,561 per Exhibit D. WILL-TV/FM's audited financial statements reported revenues of $9,100,814 in FY 2017. WILL-TV/FM's FY begins July 1 and ends on June 30.

RESULTS OF AUDIT

In our opinion, except for the noncompliance issues described below, WILL-TV/FM has complied with the requirements in the following paragraph for the FY 2017 Television and Radio CSGs (Exhibits B and C).

We examined WILL-TV/FM's 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 WILL-TV/FM's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, 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 WILL-TV/FM'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 WILL-TV/FM's compliance with specified requirements.

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

- overstated NFFS by $1,006,785 which resulted in CSG overpayments of $67,575, which we reported as funds put to better use; and
- lack of full compliance with discrete accounting requirements for CPB CSG restricted radio revenues and expenditures.

FINDINGS AND RECOMMENDATIONS

Overstated NFFS

Our audit found $1,006,785 in net overstated NFFS on WILL-TV/FM's FY 2017 AFRs as presented in the following table. The station understated TV NFFS by $148,671 on its FY 2017 AFR; however, the station cannot retroactively claim underreported TV NFFS. Instead, we offset the TV understatement against overstated TV NFFS caused by other conditions. As a result, CPB made CSG overpayments of $67,575 to WILL-TV/FM in FY 2019. We classified this amount as funds put to better use for reporting purposes, because the funds overpaid to WILL-TV/FM could have been distributed to other public broadcasting entities.

Overstated NFFS and Overpayment

Conditions	Overstated WILL-FM NFFS FY 2017	Overstated WILL-TV NFFS FY 2017	Total Overstated NFFS FY 2017
Overstated Indirect Administrative Support	$609,978	$337,496	$947,474
Lack of documentation to support allocation of radio/TV revenues	$171,866	($148,671)	$23,195[1]
Unallowable Appropriation	$8,098	$9,898	$17,996
Unallowable NFFS	$7,959	$4,784	$12,743
Understated Premiums Adjustments	$353	$5,024	$5,377
Total	**$798,254**	**$208,531**	**$1,006,785**
CPB's FY 2019 Incentive Rate of Return	**5.21%**	**12.45%**	
CSG overpayment	**$41,610**	**$25,965**	**$67,575**

[1] For CSG calculation purposes overstated radio NFFS cannot be offset against understated TV NFFS, thus CSG overpayments were calculated separately for radio and TV.

The station cited multiple reasons for overstated NFFS, e.g., the station and licensee did not fully understand CPB's criteria for calculating indirect administrative support (IAS), supporting documentation for allocation rates was not retained, and the station did not realize that special fundraising revenues should be reported as net of expenditures. During fieldwork, WILL-TV/FM took corrective action to address our findings and to ensure that its FY 2018 AFRs did not present similar issues.

<u>Overstated Indirect Administrative Support</u>

Our audit found that WILL-TV/FM's calculation of IAS did not fully comply with CPB guidance under the Basic Method and overstated IAS NFFS by $947,474, as presented in Exhibit E. Specifically, WILL-TV/FM:

- overstated the institutional and physical plant support cost pools benefiting the station in its calculations by including cost pools that did not provide essential and continuous benefit to the station;
- overstated its physical plant support rate by overstating the station's total net assignable square footage and understating the licensee's total net assignable square footage based on current records; and
- overstated its institutional support rate by understating licensee net direct activities.

Overstated Cost Pools

The station included cost pools, e.g., stores and services, that did not benefit the station in the institutional and physical plant support cost pools. Including these cost pools in the calculation overstated IAS by $781,762 in FY 2017. The CPB Guidelines address the identification of general administrative expense cost pools that benefit the station.

> Select all the cost groups that provide an essential and continuous benefit to the station operations. The station must demonstrate that the benefits provided (1) include services that are an essential part of station operations; (2) services are continuous and ongoing in support of the station; and (3) the station uses the services or is required to use the service provided.

CPB Guidelines, Part III – AFR and FSR Line Item Instructions, Section 6 – Schedule B – Indirect Administrative Support, Line 2c – Institutional support calculation, Line 2c.1 (2017).

Overstated Net Assignable Square Footage

In addition, the station's calculation of the physical plant support rate understated the licensee's total net assignable square footage (which is used as the denominator to calculate the allocation rate) and overstated the station's total net assignable square footage (which is used as the numerator to calculate the allocation rate). These inaccuracies resulted in a higher physical plant support rate to claim IAS by 0.17 percent in FY 2017 and overstated IAS by $165,482. The CPB Guidelines address the calculation of the physical plant support allocation.

> The physical plant support rate calculation is determined by comparing the station's net assignable square footage to the licensee's total net assignable square footage. This information must be provided by the licensee's facilities planning and management office. …
>
> Enter the licensee's total net assignable square footage.

CPB Guidelines, Part III – AFR and FSR Line Item Instructions, Section 6 – Schedule B – Indirect Administrative Support, Line 3 –Physical plant support rate calculation and Line 3b – Licensee's net assignable square footage (2017).

Overstated Institutional Support Rate

The station also understated the licensee's net direct activities in calculating the institutional support rate applied to the general institutional cost pools to allocate general institutional costs in FY 2017. The station's calculation of the institutional support rate understated licensee net direct activities (total costs of instruction, research, and public service net of capital outlays), which is used as the base (denominator) to calculate the allocation rate per CPB's Guidelines. While the majority of the station's costs were included in public service, $544,871 in costs were recorded under academic support, auxiliary enterprises, operation and maintenance of plant, and stores and services. As a result, these costs were not included in the denominator to calculate an equitable rate. Excluding these station costs from the denominator increased the institutional support rate and added an additional $230 to the reported IAS.

CPB Guidelines are silent on the calculation of the institutional support rate when the station's costs are not included in the functional categories of instruction, research, and public service. However, the Guidelines refer to the functional categories of costs to be included in calculating the licensee's base for IAS.

> Enter the licensee's current year total costs for institutional support (instruction, research, public service).

CPB Guidelines, Part III – AFR and FSR Line Item Instructions, Section 6 – Schedule B – Indirect Administrative Support, Line 2c.2 – Costs per licensee financial statements (2017).

Based on our experience, a station's costs usually are found in the public service functional category. Because some of the station's costs were recorded in academic support, auxiliary enterprises, operation and maintenance of plant, and stores and services, the base of the institutional support rate needed to include these costs to be equitable and consistent with CPB's functional category methodology.

In response to the finding on IAS, station officials provided the following explanations.

- The station and licensee did not fully understand CPB's criteria for calculating IAS and its similarities to calculating indirect support using the Other Sponsored Activities (OSA) or OSA Facilities & Administrative (F&A) rate options.
- The station followed CPB's guidelines in calculating the licensee's net direct expenses by including the licensee's instruction, research, and public service functional expense categories in the denominator of the allocation rate but did not adjust for station costs recorded under other functional categories.
- The licensee's and station's net assignable square footage were historical numbers and not current numbers for our audit period.

The station incorrectly calculated IAS, which resulted in an overstatement of NFFS totaling $947,474 and CSG overpayment of $73,819. See Exhibit E.

<u>Lack of Documentation to Support Allocation of Radio and TV Revenues</u>

We found that WILL-TV/FM used different allocation rates to report the amount of membership and underwriting revenues related to radio and TV that we could not verify. We found the following regarding the rates used:

- Membership revenues were allocated 45 percent radio and 55 percent TV. We reviewed Allegiance reports to validate allocation percentages and found that rates should have been 42 percent radio and 58 percent TV. This resulted in overreported radio revenues totaling $134,301 and underreported TV revenues totaling $111,106.
- Underwriting revenues were allocated 71 percent radio and 29 percent TV. We reviewed Pro Track reports to validate allocation percentages and found that rates should have been 70 percent radio and 30 percent TV. This resulted in overreported radio revenues totaling $1,517 and underreported TV revenues totaling $1,517.
- Several gifts that were not categorized as membership or underwriting, revenues were allocated between radio and TV when they should have been 100 percent TV related. This resulted in overreported radio revenues totaling $36,048 and underreported TV revenues totaling $36,048.

CPB Guidelines advise stations with both radio and TV operations to establish methodology to allocate unrestricted membership revenues.

> **Allocating Memberships for Joint Licensees**
> Grantees that have both radio and TV operations but for which the donor has not specified a beneficiary for their gift, must establish a methodology to allocate the unrestricted membership revenues among the different station grantees. The allocation method should have a reasonable basis and be consistently applied each year. At the same time, the allocation methodology should be analyzed periodically to evaluate its reasonableness and appropriateness considering the most recent membership data.

CPB Guidelines, Part III – AFR and FSR Line Item Instructions, Section 5 - Schedule A – Direct Revenue, Line 10 – Membership and subscriptions. Allocating Memberships for Joint Licensees (2017).

The station provided the following explanations regarding the allocation of radio and TV revenues.

- The station did not save the Allegiance report in August 2017 to support the membership allocation rates used in the AFRs. The report was re-run in January 2019 with a different allocation rate. The station is currently researching the reason for the variance.
- The station did not save the Pro Track report in August 2017 to support the underwriting allocation rates used in the AFRs. The report was re-run in February 2019 with noted differences. The reason for the variance could not be readily determined by the station.
- Allocation rates for revenues other than membership and underwriting were manually input into the station's revenue crosswalk and the variances were due to manual error.

WILL-TV/FM overstated NFFS by $171,866 on its FY 2017 radio AFR and understated NFFS by $148,671 on its FY 2017 TV AFR, which resulted in a radio CSG overpayment of $8,959. The station cannot retroactively claim underpaid CSG based upon underreporting of TV NFFS, but we offset the TV understatement with overstated TV NFFS caused by other conditions.

<u>Unallowable Appropriations</u>

We found that the station overstated NFFS for appropriations by $17,996 in FY 2017 by claiming $17,996 for the purchase of TV equipment for its student run channel, UI7.

CPB Guidelines state that for TV grantees fixed asset purchases need to be excluded from NFFS:

> To eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investment in digital TV broadcasting, the CPB Board of Directors adopted the recommendation of the 1998 TV CSG Task Force to exclude from NFFS all capital contributions restricted for facilities and equipment improvements. This exclusion extends to ALL contributions (direct and in-kind) of, or for the purpose of acquiring new broadcast and operational equipment, as well as new facilities, new construction, and facilities upgrades and improvements. This includes gifts, grants, bequests, or any contribution restricted by the donor for capital purposes, including any direct revenues raised through a formal capital campaign program that are restricted for the purposes defined herein.

CPB Guidelines, Part I – NFFS Guiding Principles and Policy, Section 2 – Revenues that Do Not Qualify as NFFS Due to Policy Restrictions, 2.4.1 TV Grantees – Restrictions on Contributions of Capital Assets (2017).

Based on discussions with station officials, the station included the purchase of TV equipment in appropriation revenue in error.

The station overstated NFFS by $17,996 in FY 2017, which resulted in a CSG overpayment of $1,654.

Unallowable NFFS

Our audit found that WILL-TV/FM reported unallowable NFFS totaling $12,743 on its FY 2017 AFR. The unallowable revenues included:

- $8,203 in vinyl record sales revenues from individuals (exchange transactions); and
- $4,540 in special fundraising revenues related to the Farm Assets Conference were not offset by expenditures (which exceeded the revenues).

CPB guidelines explain the form of revenues eligible as NFFS as either a payment or contribution:

> In terms of the **purpose criterion**, to be eligible as NFFS a **contribution** must be specifically intended for the construction or general operations of a public broadcasting station, which includes producing, acquiring and disseminating educational programming.
>
> However, for a **payment** in an exchange transaction to be eligible as NFFS the payment must be in exchange for educational or instructional television or radio programs. In other words, a qualifying source must pay the grantee to provide a service directly related to producing, developing, or delivering educational or instructional programming. Payments for non-broadcast activities that are not paid by a qualifying source and not in exchange for services directly related to producing, developing, or delivering educational or instructional programming are not eligible as NFFS.

Guidelines, Part I – NFFS Guiding Principles and Policy, Section 2.3.2 Interpretations, Purpose (2017).

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.

> 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, Part I – NFFS Guiding Principles and Policy, Section 2.3.2 Interpretations, Source (2017).

CPB Guidelines state how to record special fundraising activities in the AFR.

> This line [14] represents the net revenue earned from special fundraising activities. It is determined automatically by subtracting Line 14B from Line 14A. Only net special fundraising revenues (the gross special fundraising revenues less all direct, third-party expenses for the event) are eligible as NFFS. If direct special fundraising expenses are greater than gross special fundraising revenues, the loss will not affect NFFS.

Guidelines, Part III – AFR and FSR Line Item Instructions, Section 5 - Schedule A – Direct Revenue, Line 14 – Special fundraising activities (net) (2017).

The station reported unallowable NFFS totaling $12,743 because:

- The station viewed the vinyl record sales as contributions to the station because the vinyl records were donated.
- The station did not realize that special fundraising revenues should be reported as net of expenditures.

As a result, WILL-TV/FM overstated NFFS by $12,743 on its FY 2017 AFRs, which resulted in a CSG overpayment of $1,011.

<u>Overstated Premium Adjustments</u>

In FY 2017, WILL-TV/FM understated the exclusion for high-end premiums by $5,377.

CPB Guidelines instruct stations to adhere to IRS guidance and limit the contribution to the amount in excess of the fair market value (FMV) of premiums.

> The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium(s) provided by the charitable organization.
>
> **For CPB's purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS**. CPB expects that all grantees are compliant with IRS rules and regulations on these matters.

Guidelines, Part III – AFR and FSR Line Item Instructions, 5 Schedule A – Direct Revenue, 10.1 NFFS Exclusion – Fair Market Value of high-end premiums that are not of insubstantial value (2017). (Emphasis in original.)

The station re-ran the FMV of premiums report from Allegiance and noted a $5,377 variance to the amount reported in its AFRs. Station officials could not identify the cause of the variance. WILL-TV/FM understated the exclusion for high-end premiums, which resulted in overstated NFFS totaling $5,377 and a CSG overpayment of $644.

Recommendations

We recommend CPB management:

1) Recover $67,575 of excess CSG payments made to WILL-TV/FM in FY 2019 based on the NFFS reported on its FY 2017 AFRs; and

2) require WILL-TV/FM to identify the corrective action and controls it will implement to ensure future compliance with the various NFFS reporting requirements.

WILL-TV/FM Response

In response to the draft report, WILL-TV/FM agreed with all findings on overstated NFFS, except for $35,062 in revenues received to support non-broadcast outreach through the Book Mentor Project that we had identified as unallowable. The station views the Book Mentor Project as an extension of its broadcast service as it provides direct support to teachers and vulnerable children in the area. The project is an essential part of the station's mission as a public service unit of the University of Illinois and an extension of PBS Kids programming outreach.

OIG Review and Comment

Based on the station's response to the draft report, we accept the revenues received to support the Book Mentor Project as eligible for NFFS. Accordingly, we have revised this finding in the final report removing the $35,062 as ineligible NFFS, as reflected in recommendation 1. Both recommendation 1 and 2 are unresolved pending CPB's final management decision resolving these recommendations.

Discrete Accounting

We found that WILL-TV/FM maintained discrete accounting for CPB CSG TV revenues. However, it did not discretely account for CPB CSG restricted radio revenues and expenditures so that CPB or its auditor could identify CPB-funded expenditures. In FY 2017, CPB restricted radio expenditures of $95,516 were comingled with unrestricted radio expenditures of $272,844 in a radio CSG account totaling $369,898.

The CPB General Provisions contain a discrete accounting requirement that requires:

> The use of unique accounting codes by CSG recipients to identify CSG funds – both revenues and expenses, restricted and unrestricted – so that both CPB and an auditor can discretely track those funds within the recipient's accounting system.

CPB Television and Radio CSG General Provisions and Eligibility Criteria, Part III. Definitions, L. Discrete Accounting Requirement (2017).

The station commingled restricted radio revenues and expenditures with unrestricted revenues and expenditures in error during FY 2017. However, in FY 2018, the station addressed this issue and discretely accounted for restricted radio revenues and expenditures in compliance with CPB General Provisions.

The station was not fully compliant with CSG discrete accounting requirements for FY 2017.

Recommendation

We recommend CPB management take the following action:

3) verify during the audit resolution process that WILL-TV/FM properly identified its restricted radio revenues and expenditures accounting codes in its FY 2019 grant application.

WMVS-TV Response

In its response, WILL-TV/FM officials agreed that the station was noncompliant with discrete accounting for restricted radio revenues and expenditures in FY 2017. The station took corrective action in FY 2018, before the error was identified in the audit, to comply with discrete accounting requirements and stated that the station will continue to comply in the future.

OIG Review and Comment

After reviewing WILL-TV/FM's response, we consider recommendation three unresolved, pending CPB's final management decision resolving this recommendation.

Exhibit A

CPB Payments to WILL-TV/FM
July 1, 2016 – June 30, 2017

CPB Grants	FY 2017
WILL-TV	
Community Service Grant	$1,055,189
Interconnection	$19,954
Universal Service	$44,553
WILL-TV Total	**$1,119,696**
WILL-FM	
Unrestricted Community Service Grant	$273,772
Restricted Community Service Grant	$96,541
Rural Service	$23,738
WILL-FM Total	**$394,051**
WILL-TV and FM Total	**$1,513,747**

WILL-TV Annual Financial Reports
Year Ending June 30, 2017

Description	FY 2017
Schedule A	
1. Amounts provided directly by federal government agencies	$0
A. Grants for facilities and other capital purposes (PTFP and others)	$0
B. Department of Education	$0
C. Department of Health and Human Services	$0
D. National Endowment for the Arts and Humanities	$0
E. National Science Foundation	$0
F. Other Federal Funds (specify)	$0
2. Amounts provided by Public Broadcasting Entities	$1,059,222
A. CPB - Community Service Grants	$1,006,042
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	$53,180
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	$0
E. Public broadcasting stations - all payments	$0
F. Other PBE funds (specify)	$0
4. State boards and departments of education or other state government or agency sources	$13,189
4.1 NFFS Eligible	$13,189
A. Program and production underwriting	$0
B. Grants and contributions other than underwriting	$13,189
C. Appropriations from the licensee	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
F. Other income eligible as NFFS (specify)	$0
4.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0
E. Other income ineligible for NFFS inclusion	$0
5. State colleges and universities	$1,018,864
5.1 NFFS Eligible	$1,018,864
A. Program and production underwriting	$0
B. Grants and contributions other than underwriting	$0
C. Appropriations from the licensee	$1,018,864
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
F. Other income eligible as NFFS (specify)	$0

WILL-TV Annual Financial Reports
Year Ending June 30, 2017

Description	FY 2017
5.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0
E. Other income ineligible for NFFS inclusion	$0
8. Foundations and nonprofit associations	$20,809
8.1 NFFS Eligible	$20,809
A. Program and production underwriting	$0
B. Grants and contributions other than underwriting	$20,809
D. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
E. Other income eligible as NFFS (specify)	$0
8.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0
E. Other income ineligible for NFFS inclusion	$0
9. Business and Industry	$60,025
9.1 NFFS Eligible	$60,025
A. Program and production underwriting	$60,025
B. Grants and contributions other than underwriting	$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
E. Other income eligible as NFFS (specify)	$0
9.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0
E. Other income ineligible for NFFS inclusion	$0
10. Memberships and subscriptions (net of membership bad debt expense)	$1,281,624
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	$39,023
10.2 NFFS Exclusion – All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (unless netted elsewhere in Schedule A)	$0
10.3 Total number of contributors. FY 2017 data – 7,335	
Form of Revenue	
14. Special fundraising activities (see instructions for Line 14)	$7,317
A. Gross special fundraising revenues	$7,317
B. Direct special fundraising expenses	$0

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Description	FY 2017
17. Endowment revenue	$450,711
A. Contributions to endowment principal	$24,866
B. Interest and dividends on endowment funds	$186,850
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$0
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$238,995
18. Capital fund contributions from individuals (see instructions)	$425,256
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	$425,256
B. Other	$0
19. Gifts and bequests from major individual donors	$0
19.1 Total number of major individual donors.	
20. Other Direct Revenue	$126,161
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)	**$4,463,178**
Adjustments to Revenue	
23. Federal revenue from line 1.	$0
24. Public broadcasting revenue from line 2.	$1,059,222
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	$425,256
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	$126,161
27. Other automatic subtractions from total revenue	$278,018
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	$238,995
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	$0
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	$0
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	$0
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	$0
K. FMV of high-end premiums (Line 10.1)	$39,023
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	**$2,574,521**
AFR Schedule B - Worksheet II: Basic Method	
1. Determine Station net direct expenses	
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	$4,524,306
Deductions (lines 1b.1. through 1b.7.):	
1b.1. Capital outlays (from Schedule E, line 9 total)	$17,832
1b.2. Depreciation	$108,188
1b.3. Amortization	$0
1b.4. In-kind contributions (services and other assets)	$300,817
1b.5. Indirect administrative support (see Guidelines for instructions)	$700,880
1b.6. Donated property and equipment (if not included on line 1b.1)	$0
1b.7. Other	$81,506
1b.8. Total deductions	$1,209,231
1c. Station net direct expenses	$3,315,075

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Description	FY 2017
2. Institutional support rate calculation (Note: Choose one method only - either 2a or 2b)	
2a. Net direct expense method	
2a.1. Station net direct Expenses (forwards from line 1)	$3,315,075
2a.2. Licensee net direct activities	$1,091,098,450
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	0.303829%
2c. Institutional support calculation	
2c.2. Costs per licensee financial statements	$99,146,807
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	$281,927
2c.4. Costs benefiting station operations	$98,864,880
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	0.303829%
2c.6. Total institutional costs benefiting station operations	$300,380
3. Physical plant support rate calculation	
3a. Net square footage occupied by station	18,940
3b. Licensee's net assignable square footage	13,402,758
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.141314%
3d.2. Costs per licensee financial statements	$292,888,898
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	$9,472,012
3d.4. Costs benefiting station operations	$283,416,886
3d.5. Percentage of allocation (from line 3c.)	0.141314%
3d.6. Total physical plant support costs benefiting station operations	$400,508
4. Total costs benefiting station operations (forwards to line1 on tab 3)	$700,888
Schedule B Totals	
1. Total support activity benefiting station	$700,888
2. Occupancy value	$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	$700,888
6. Please enter an institutional type code for your licensee.	
Schedule C	
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	$298,067
A. Legal	$0
B. Accounting and/or auditing	$298,067
C. Engineering	$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	$0
A. Annual rental value of space (studios, offices, or tower facilities)	$0
B. Annual value of land used for locating a station-owned transmission tower	$0
C. Station operating expenses	$0
D. Other (see specific line item instructions in Guidelines before completing)	$0

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Description	FY 2017
3. OTHER SERVICES (must be eligible as NFFS)	$2,750
A. ITV or educational radio	$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	$0
C. Local advertising	$2,750
D. National advertising	$0
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 Nonfederal Financial Support	$300,817
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	$0
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.	**$300,817**
Schedule E	
1. Programming and production	$2,136,221
A. TV CSG	$1,006,042
B. TV Interconnection	$19,954
C. Other CPB Funds	$33,226
D. All non-CPB Funds	$1,076,999
2. Broadcasting and engineering	$527,754
A. TV CSG	$0
B. TV Interconnection	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$527,754
3. Program information and promotion	$303,478
A. TV CSG	$0
B. TV Interconnection	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$303,478
4. Management and general	$640,432
A. TV CSG	$0
B. TV Interconnection	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$640,432
5. Fund raising and membership development	$640,864
A. TV CSG	$0
B. TV Interconnection	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$640,864
6. Underwriting and grant solicitation	$149,537
A. TV CSG	$0
B. TV Interconnection	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$149,537

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Description	FY 2017
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	$108,188
A. TV CSG	$0
B. TV Interconnection	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$108,188
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	$4,506,474
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	$1,006,042
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	$19,954
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	$33,226
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	$3,447,252
9. Total capital assets purchased or donated	$17,832
9a. Land and buildings	$0
9b. Equipment	$17,832
9c. All other	$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	$4,524,306
11. Total expenses (direct only)	$3,805,594
12. Total expenses (indirect and in-kind)	$700,880
13. Investment in capital assets (direct only)	$17,832
14. Investment in capital assets (indirect and in-kind)	$0
Schedule F	
1. Data from AFR	
a. Schedule A, Line 22	$7,924,105
b. Schedule B, Line 5	$1,599,320
c. Schedule C, Line 6	$544,000
d. Schedule D, Line 8	$0
e. Total from AFR	$10,067,425
2. GASB Model A proprietary enterprise-fund financial statements with business-type activities only	
a. Operating revenues	$1,844,270
b. Non-operating revenues	$7,404,737
c. Other revenue	$0
d. Capital grants, gifts and appropriations (if not included above)	$818,403
e. Total From AFS, lines 2a-2d	$10,067,410

Exhibit C

WILL-FM Annual Financial Reports
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Description	FY 2017
Schedule A	
1. Amounts provided directly by federal government agencies	$0
A. Grants for facilities and other capital purposes (PTFP and others)	$0
B. Department of Education	$0
C. Department of Health and Human Services	$0
D. National Endowment for the Arts and Humanities	$0
E. National Science Foundation	$0
F. Other Federal Funds (specify)	$0
2. Amounts provided by Public Broadcasting Entities	$515,870
A. CPB - Community Service Grants	$421,062
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	$94,808
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	$0
E. Public broadcasting stations - all payments	$0
F. Other PBE funds (specify)	$0
4. State boards and departments of education or other state government or agency sources	$21,691
4.1 NFFS Eligible	$21,691
A. Program and production underwriting	$0
B. Grants and contributions other than underwriting	$21,691
C. Appropriations from the licensee	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
F. Other income eligible as NFFS (specify)	$0
4.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
E. Other income ineligible for NFFS inclusion	$0
5. State colleges and universities	$955,178
5.1 NFFS Eligible	$955,178
A. Program and production underwriting	$0
B. Grants and contributions other than underwriting	$0
C. Appropriations from the licensee	$955,178
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
F. Other income eligible as NFFS (specify)	$0

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Description	FY 2017
5.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
E. Other income ineligible for NFFS inclusion	$0
8. Foundations and nonprofit associations	$16,867
8.1 NFFS Eligible	$16,867
A. Program and production underwriting	$0
B. Grants and contributions other than underwriting	$16,867
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
E. Other income eligible as NFFS (specify)	$0
8.2 NFFS Ineligible	$0
9. Business and Industry	$174,791
9.1 NFFS Eligible	$174,791
A. Program and production underwriting	$174,791
B. Grants and contributions other than underwriting	$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	$0
E. Other income eligible as NFFS (specify)	$0
9.2 NFFS Ineligible	$0
A. Rental income	$0
B. Fees for services	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0
E. Other income ineligible for NFFS inclusion	$0
10. Memberships and subscriptions (net of membership bad debt expense)	$1,066,384
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	$31,543
10.2 NFFS Exclusion – All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (unless netted elsewhere in Schedule A)	$0
10.3 Total number of contributors. 2017 data – 12,170	
Form of Revenue	
14. Special fundraising activities (see instructions for Line 14)	$58,256
A. Gross special fundraising revenues	$58,256
B. Direct special fundraising expenses	$0
17. Endowment revenue	$247,379
A. Contributions to endowment principal	$20,345
B. Interest and dividends on endowment funds	$63,040
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$0
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$163,994

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Description	FY 2017
18. Capital fund contributions from individuals (see instructions)	$347,937
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	$347,937
B. Other	$0
20. Other Direct Revenue	$56,574
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)	**$3,460,927**
Adjustments to Revenue	
23. Federal revenue from line 1.	$0
24. Public broadcasting revenue from line 2.	$515,870
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	$56,574
27. Other automatic subtractions from total revenue	$195,537
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	$0
C. Gains from sales of property and equipment – line 16a	$0
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	$163,994
K. FMV of high-end premiums (Line 10.1)	$31,543
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	$0
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	**$2,692,946**
AFR Schedule B - Worksheet II: Basic Method	
1. Determine Station net direct expenses	
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	$4,029,751
Deductions (lines 1b.1. through 1b.7.):	
1b.1. Capital outlays (from Schedule E, line 9 total)	$38,214
1b.2. Depreciation	$88,517
1b.3. Amortization	$0
1b.4. In-kind contributions (services and other assets)	$243,183
1b.5. Indirect administrative support (see Guidelines for instructions)	$898,423
1b.6. Donated property and equipment (if not included on line 1b.1)	$0
1b.7. Other	$66,687
1b.8. Total deductions	$1,335,024
1c. Station net direct expenses	$2,694,727
2. Institutional support rate calculation (Note: Choose one method only - either 2a or 2b)	
2a. Net direct expense method	
2a.1. Station net direct Expenses (forwards from line 1)	$2,694,727
2a.2. Licensee net direct activities	$1,091,098,450
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	0.246974%

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Description	FY 2017
2c. Institutional support calculation	
2c.2. Costs per licensee financial statements	$99,146,807
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	$281,927
2c.4. Costs benefiting station operations	$98,864,880
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	0.246974%
2c.6. Total institutional costs benefiting station operations	$244,170
3. Physical plant support rate calculation	
3a. Net square footage occupied by station	30,940
3b. Licensee's net assignable square footage	13,402,758
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.230848%
3d.2. Costs per licensee financial statements	$292,888,898
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	$9,472,012
3d.4. Costs benefiting station operations	$283,416,886
3d.5. Percentage of allocation (from line 3c.)	0.230848%
3d.6. Total physical plant support costs benefiting station operations	$654,262
4. Total costs benefiting station operations (forwards to line1 on tab 3)	$898,432
Schedule B Totals	
1. Total support activity benefiting station	$898,432
2. Occupancy value	$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	$898,432
6. Please enter an institutional type code for your licensee.	
Schedule C	
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	$240,933
A. Legal	$0
B. Accounting and/or auditing	$240,933
C. Engineering	$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	$0
A. Annual rental value of space (studios, offices, or tower facilities)	$0
B. Annual value of land used for locating a station-owned transmission tower	$0
C. Station operating expenses	$0
D. Other (see specific line item instructions in Guidelines before completing)	$0

WILL-FM Annual Financial Reports
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Description	FY 2017
3. OTHER SERVICES (must be eligible as NFFS)	$2,250
A. ITV or educational radio	$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	$0
C. Local advertising	$2,250
D. National advertising	$0
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 Nonfederal Financial Support	$243,183
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	$0
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.	**$243,183**
Schedule E	
1. Programming and production	$1,826,535
A. Restricted Radio CSG	$96,541
B. Unrestricted Radio CSG	$324,521
C. Other CPB Funds	$94,808
D. All non-CPB Funds	$1,310,665
2. Broadcasting and engineering	$492,179
A. Restricted Radio CSG	$0
B. Unrestricted Radio CSG	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$492,179
3. Program information and promotion	$274,629
A. Restricted Radio CSG	$0
B. Unrestricted Radio CSG	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$274,629
4. Management and general	$544,300
A. Restricted Radio CSG	$0
B. Unrestricted Radio CSG	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$544,300
5. Fund raising and membership development	$572,460
A. Restricted Radio CSG	$0
B. Unrestricted Radio CSG	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$572,460
6. Underwriting and grant solicitation	$192,917
A. Restricted Radio CSG	$0
B. Unrestricted Radio CSG	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$192,917

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Description	FY 2017
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	$88,517
A. Restricted Radio CSG	$0
B. Unrestricted Radio CSG	$0
C. Other CPB Funds	$0
D. All non-CPB Funds	$88,517
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	$3,991,537
A. Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	$96,541
B. Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	$324,521
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	$94,808
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	$3,475,667
9. Total capital assets purchased or donated	$38,214
9a. Land and buildings	$0
9b. Equipment	$38,214
9c. All other	$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	$4,029,751
11. Total expenses (direct only)	$3,093,114
12. Total expenses (indirect and in-kind)	$898,423
13. Investment in capital assets (direct only)	$38,214
14. Investment in capital assets (indirect and in-kind)	$0
Schedule F	
1. Data from AFR	
a. Schedule A, Line 22	$7,924,105
b. Schedule B, Line 5	$1,599,320
c. Schedule C, Line 6	$544,000
d. Schedule D, Line 8	$0
e. Total from AFR	$10,067,425
2. GASB Model A proprietary enterprise-fund financial statements with business-type activities only	
a. Operating revenues	$1,844,270
b. Non-operating revenues	$7,404,737
c. Other revenue	$0
d. Capital grants, gifts and appropriations (if not included above)	$818,403
e. Total From AFS, lines 2a-2d	$10,067,410
3. Difference (line 1 minus line 2)	$15
4. If the amount on line 3 is not equal to $0, click the “Add” button and list the reconciling items.	$15

Summary of Non-Federal Financial Support
For the period ending June 30, 2017
Certified by Head of Grantee and Independent Accountant's Report

Line	Description	WILL-FM FY 2017	WILL-TV FY 2017	Total WILL-TV/FM
	Summary of Non-Federal Financial Support:			
1	Direct Revenue (Schedule A)	$2,692,946	$2,574,521	$5,267,467
2	Indirect Administrative (Schedule B)	$898,432	$700,888	$1,599,320
3	In-Kind Contributions (Schedule C)	$243,183	$300,817	$544,000
4	**Total Non-Federal Financial Support**	**$3,834,561**	**$3,576,226**	**$7,410,787**

Exhibit E

OIG Recalculation of WILL-TV/FM's FY 2017 Schedule B For Indirect Administrative Support

Schedule B	Per AFRs			Per Audit			Over/Under Stated NFFS		
	WILL-FM FY 2017	WILL-TV FY 2017	Total WILL	WILL-FM FY 2017	WILL-TV FY 2017	Total WILL	WILL-FM FY 2017	WILL-TV FY 2017	Total WILL
1a. Total station operating expenses and capital outlays	$4,029,751	$4,524,306	$8,554,057	$4,029,751	$4,524,306	$8,554,057			
1b.1. Capital outlays	$38,214	$17,832	$56,046	$38,214	$17,832	$56,046			
1b.2. Depreciation	$88,517	$108,188	$196,705	$88,517	$108,188	$196,705			
1b.3. Amortization	$0	$0	$0	$0	$0	$0			
1b.4. In-kind contributions	$243,183	$300,817	$544,000	$243,183	$300,817	$544,000			
1b.5. Indirect administrative support	$898,423	$700,880	$1,599,303	$898,423	$700,880	$1,599,303			
1b.6. Donated property and equipment	$0	$0	$0	$0	$0	$0			
1b.7. Other	$66,687	$81,506	$148,193	$66,687	$81,506	$148,193			
1b.8. Total deductions	$1,335,024	$1,209,223	$2,544,247	$1,335,024	$1,209,223	$2,544,247			
1c. Station net direct expenses	$2,694,727	$3,315,075	$6,009,802	$2,694,727	$3,315,083	$6,009,810			
2. Institutional support rate calculation									
2a. Net direct expense method									
2a.1. Station net direct Expenses	$2,694,727	$3,315,075	$6,009,802	$2,694,727	$3,315,083	$6,009,810			
2a.2. Licensee net direct activities	$1,091,098,450	$1,091,098,450	$1,091,098,450	$1,091,643,321	$1,091,643,321	$1,091,643,321			
2a.3. Percentage of allocation	0.246974%	0.303829%	0.550803%	0.246851%	0.303678%	0.550529%			
2c. **Institutional support calculation**									
2c.2 Costs per licensee financial statements	$99,146,807	$99,146,807	$99,146,807	$99,146,807	$99,146,807	$99,146,807			
2c.3 Less; Cost groups that do not benefit the station	$281,927	$281,927	$281,927	$15,018,091	$15,018,091	$15,018,091			
2c.4 Costs benefiting the station	$98,864,880	$98,864,880	$98,864,880	$84,128,716	$84,128,716	$84,128,716			
2c.5 Percentage of allocation	0.246974%	0.303829%	0.550803%	0.246851%	0.303678%	0.550529%			
2c.6 Total institutional costs benefiting the station	$244,170	$300,380	$544,550	$207,672	$255,481	$463,153	$36,498	$44,899	$81,397

OIG Recalculation of WILL-TV/FM's FY 2017 Schedule B For Indirect Administrative Support

Schedule B	Per AFRs WILL-FM FY 2017	Per AFRs WILL-TV FY 2017	Total WILL	Per Audit WILL-FM FY 2017	Per Audit WILL-TV FY 2017	Per Audit Total WILL	Over/Under Stated NFFS WILL-FM FY 2017	Over/Under Stated NFFS WILL-TV FY 2017	Over/Under Stated NFFS Total WILL
3. **Physical plant support calculation**									
3a. Net square footage occupied by station	30,940	18,940	49,880	12,116	16,185	28,301			
3b. Licensee's net assignable square footage	13,402,758	13,402,758	13,402,758	14,273,547	14,273,547	14,273,547			
3c. Percentage of allocation	0.230848%	0.141314%	0.372162%	0.084884%	0.113392%	0.198276%			
3d.2 Costs per licensee financial statements	$292,888,898	$292,888,898	$292,888,898	$292,888,898	$292,888,898	$292,888,898			
3d.3 Less; Cost groups that do not benefit the station	$9,472,012	$9,472,012	$9,472,012	$197,721,958	$197,721,958	$197,721,958			
3d.4 Costs benefiting the station	$283,416,886	$283,416,886	$283,416,886	$95,166,940	$95,166,940	$95,166,940			
3d.5 Percentage of allocation	0.230848%	0.141314%	0.372162%	0.084884%	0.113392%	0.198276%			
3d.6 Total physical plant support costs	$654,262	$400,508	$1,054,770	$80,782	$107,911	$188,693	$573,480	$292,597	$866,077
4. **Total costs benefiting station operations**	$898,432	$700,888	$1,599,320	$288,454	$363,392	$651,846	$609,978	$337,496	$947,474
Total Overstated NFFS							$609,978	$337,496	$947,474
CPB's FY 2019 Incentive Rate of Return							5.212599%	12.451423%	
Potential CSG overpayment/funds put to better use							$31,796	$42,023	$73,819

Exhibit F

WILL-TV/FM Overstated NFFS
FY 2017

Overstated NFFS	FM FY 17	Reported on AFR Line	TV FY 17	Reported on AFR Line	Combined FY 17
Overstated Indirect Administrative Support					
Indirect Administrative Support	$609,978	Schedule B	$337,496	Schedule B	
CPB's FY 2019 Incentive Rate of Return	5.21%		12.45%		
CSG overpayment	***$31,796***		***$42,023***		
Lack of documentation to support allocation of radio/TV revenues					
Impact of using membership allocation rate of 42% radio, 58% TV	$134,301	various	($111,106)	various	
Rutan Broadcasting Fund - reported as Radio (45%) and TV (55%) when 100% TV related	$27,097	17.B	($27,097)	17.B	
Judith Fair - reported as Radio (45%) and TV (55%) when 100% TV related	$8,861	10	($8,861)	10	
Impact of using underwriting allocation rate of 70% radio, 30% TV	$1,517	9.1.A	($1,517)	9.1.A	
Future Fund- TV - reported as Radio (45%) and TV (55%) when 100% TV related	$90	17.B	($90)	17.A	
Total	**$171,866**		**($148,671)**		
CPB's FY 2019 Incentive Rate of Return	5.21%		12.45%		
CSG overpayment (underpayment)	***$8,959***		***($18,512)***		
Unallowable Appropriation					
UI7 Equipment costs	$8,098	5.1.C	$9,898	5.1.C	
Total	**$8,098**		**$9,898**		
CPB's FY 2019 Incentive Rate of Return	5.21%		12.45%		
CSG overpayment	***$422***		***$1,232***		
Unallowable NFFS					
IRR Friends revenue from vinyl sales	$3,691	14.A	$4,512	14.A	
Farm Assets Conference revenue that was not offset by expenditures	$4,268	14.A	$272	14.A	
Total	**$7,959**		**$4,784**		
CPB's FY 2019 Incentive Rate of Return	5.21%		12.45%		
CSG overpayment	***$415***		***$596***		
Understated Premiums Adjustments					
Variance in premiums of substantial value exclusion	$353	10.1	$5,024	10.1	
CPB's FY 2019 Incentive Rate of Return	5.21%		12.45%		
CSG overpayment	***$18***		***$626***		
Total overstated NFFS	$798,254		$208,531		$1,006,785
CPB's FY 2019 Incentive Rate of Return	5.21%		12.45%		
CSG overpayment/funds put to better use	***$41,610***		***$25,965***		***$67,575***

Scope and Methodology

We performed an attestation examination to determine WILL-TV/FM's compliance with CPB Financial Reporting Guidelines, provisions of the 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 year ending June 30, 2017; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on WILL-TV/FM's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements, as well as other documentation supporting revenues reported. Specifically, we reviewed 41 NFFS revenue transactions totaling $3,401,562 of $7,410,787 (46 percent) in fiscal year (FY) 2017.

We reviewed the allowability of expenses charged to CPB CSGs. To determine that expenditures were incurred in accordance with the grant terms, we reviewed $1,484,356 of $1,575,092 expenses (94 percent) reported on the CPB TV CSG, Restricted Radio CSG, Unrestricted Radio CSG, Interconnection, Universal Service, Rural Support, and Regional Journalism Collaboration grants in FY 2017. We reviewed payroll and time reports, journal entry detail, vendor invoices, and other documentation supporting expenditures.

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 equal employment opportunity information available to the public; 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 transparency requirements for eligibility. Furthermore, we reviewed the independent public accountant's (IPA) audit planning, internal controls, and attestation working papers. Our procedures included interviewing station officials and its IPA.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of WILL-TV/FM's policies and procedures for compliance with certification of eligibility requirements, 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 October 2018 through January 2019 and performed our examination was performed in accordance with the *Government Auditing Standards* for attestation engagements.

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Exhibit H

Illinois Public Media
WILL Radio TV Online
Campbell Hall for Public Telecommunication
300 North Goodwin Avenue
Urbana, IL 61801-2316

March 15, 2019

William J. Richardson III
Deputy Inspector General
Office of Inspector General
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

Re: Audit of Community Service Grants Awarded to Illinois Public Media, Urbana, Illinois, for the Period July 1, 2016 through June 30, 2017, Draft Report No. ASJ1903-XXXX

Dear Mr. Richardson,

Thank you for the opportunity to respond to your draft report summarizing the findings of your audit for Community Service Grants Awarded to Illinois Public Media, for the Period July 1, 2016 through June 30, 2017. We appreciate the work of the Office of Inspector General Audit Team, led by Julia Stancil, and the high level of professionalism throughout the process. As requested, we are providing our response to the preliminary report of audit findings.

Overstated NFFS

We agree with, and accept, the Inspector General's preliminary findings in the areas of overstated indirect administrative support, lack of documentation to support allocation of radio and TV revenues, $8,203 in vinyl record sales revenues from individuals as unallowable NFFS, $4,540 in special fundraising revenues not offset against expenditures, unallowable appropriations for the student channel, and overstated premium adjustments. In the course of the audit, Illinois Public Media and University staff took steps to correct these areas and worked with our independent auditor to ensure proper reporting of NFFS for FY2018 and beyond. In addition, Illinois Public Media (IPM) plans to have our staff complete CPB's NFFS webinar training to increase their understanding and knowledge of rules governing NFFS.

We do not agree with the audit's preliminary finding that $35,062 in grant revenues received to support non-broadcast outreach through the Book Mentor Project are unallowable NFFS. Illinois Public Media views the Book Mentor Project as an extension of our broadcast service as it provides direct support to teachers and vulnerable children in our service area. Our Book Mentor Project has provided direct service to more than 700 pre-school age children a year enrolled in the Champaign Early Childhood Center and Champaign County Head Start. We have implemented Ready To Learn transmedia content from PBS KIDS at all of the Head Start day care and Head Start classrooms that participated in our Book Mentor Project. It is an essential part of our mission as a public service unit of the University of Illinois, and an extension of our PBS Kids programming outreach.

Discrete Accounting

We agree that Illinois Public Media was not fully compliant with CSG discrete accounting requirements for FY 2017. As noted in the draft report, IPM took corrective action in FY18, before the error for FY2017 audit was identified, to comply with CPB Community Service Grant discrete accounting requirements. We will continue to comply with CPB's discrete accounting requirement in the future.

Finally, we will commit to prepare and submit a full corrective action plan within 30 calendar days of receipt of the final CPB Audit Report/Determination Letter.

Thank you for the opportunity to respond to the draft report. We look forward to our continued partnership with Corporation for Public Broadcasting.

Sincerely,

Moss Bresnahan
Chief Executive Officer
Illinois Public Media