

**CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF COMMUNITY SERVICE GRANTS
AT WITF TV/FM INC.
HARRISBURG, PENNSYLVANIA
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2017**

REPORT NO. ASJ1806-1806

September 19, 2018



Report in Brief

Background

We performed this audit based on our annual audit plan.

Our objectives were to examine the station's certifications of compliance with Corporation for Public Broadcasting (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 Community Service Grant (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 CSG funding the station receives.

This report contains the views of the OIG. CPB will make the final decision on our findings and recommendations.

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Audit of Community Service Grants at WITF TV/FM Inc., Harrisburg, PA, for the Period July 1, 2015 through June 30, 2017

What We Found

WITF overstated NFFS on its FYs 2016 and 2017 AFRs by \$391,041 because it:

Overstated NFFS resulted in excess CSG payments of \$41,311 (\$12,344 in FY 2018 and potentially \$28,967 in FY 2019).

- did not exclude the Fair Market Value (FMV) of some premiums provided to donors;
- reported the cost instead of the FMV of other premiums as required by CPB Guidelines;
- improperly reported exchange income; and
- did not exclude a small amount of bad debt expense resulting from uncollectible underwriting and membership pledges.

The station agreed with our findings and implemented corrective actions to ensure proper NFFS reporting in the future. These actions included closer coordination between WITF's departments for reporting the FMV of premiums. WITF also agreed to exclude ineligible exchange transactions and uncollectible underwriting and membership pledges from NFFS. CPB management will make the final determination on our findings and recommendations.

What We Recommend

That CPB take the following actions:

- recover potential CSG overpayment of \$41,311; and
- require WITF to identify the corrective actions and controls it will implement to ensure future compliance.



Corporation
for Public
Broadcasting

Office of Inspector General

Date: September 19, 2018

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 

Subject: Audit of Community Service Grants at WITF TV/FM Inc., Harrisburg, PA for the
Period July 1, 2015 through June 30, 2017, Report No. ASJ1806-1806

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: Lori Gilbert, Chair, CPB Board of Directors
Bruce M. Ramer, Chair, CPB 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), Interconnection, and Universal Service Support grants for the period July 1, 2015 through June 30, 2017 at the WITF Inc.'s TV and FM stations (WITF) in Harrisburg, Pennsylvania. Our objectives were to examine WITF's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend 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 (Act).

Based on our audit, we found that WITF complied with grant and Act requirements except for overstated NFFS of \$391,041 (\$121,773 in fiscal year (FY) 2016 and \$269,268 in FY 2017). This overstated NFFS resulted in CSG overpayments of \$41,311 (\$12,344 in FY 2018 and potentially \$28,967 in FY 2019). We have reported the overpayments as funds put to better use.

The overstated NFFS was because the station:

- did not exclude the Fair Market Value (FMV) of some premiums provided to donors;
- reported the cost instead of the FMV of other premiums as required by CPB Guidelines;
- improperly reported exchange income; and
- did not exclude a small amount of bad debt expense resulting from uncollectible underwriting and membership pledges.

We recommend that CPB: 1) recover the potential CSG overpayment of \$41,311; and 2) require WITF to identify the corrective actions it will implement to ensure future compliance.

In response to the draft report, WITF management agreed with our findings and recommendations and indicated that it has implemented corrective actions to ensure correct NFFS reporting in the future. WITF's written response to the draft report is presented in Exhibit F.

This report presents the conclusions of the Office of Inspector General (OIG) and the findings do not necessarily represent CPB's final position on the issues. While we have made recommendations that are appropriate to resolve the findings, CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures. Based on WITF's response to the draft report, we considered both recommendations resolved but open pending the receipt of CPB's final management decision that accepts WITF's corrective actions and agrees to recover the CSG overpayments.

We performed this audit based on the OIG's annual audit plan objective to audit multiple TV and/or radio stations. We conducted our audit in accordance with *Government Auditing Standards* for attestation examination engagements. Our scope and methodology are discussed in Exhibit E.

BACKGROUND

WITF is a nonprofit corporation that operates the WITF-TV and FM stations in Harrisburg, Pennsylvania. WITF's mission is to strengthen its communities by connecting them to each other and to opportunities for lifelong learning. Its website explains that WITF is a trusted, valued supplier of programs and services that both satisfy and stimulate curiosity for residents in every community in the central Pennsylvania region. WITF broadcast services reach audiences in over 17 counties in central Pennsylvania. The corporation is comprised of broadcasting stations WITF-TV, WITF-FM 89.5 and 93.3, the RadioPA Network, witf.org, WITF Educational Services, and Media Solutions.

Adopting the call letters that stand for "Its Top Flight," WITF-TV began broadcasting in November 1964 from studios in Hershey, Pennsylvania. Initial support for the station came from Hershey Estates (now HERCO), commercial broadcasters, and private contributions from individuals and businesses, which were matched by the Ford Foundation, as well as state and federal governments. On April 1, 1971, WITF-FM signed on the air. Expanding its mission of education and culture through the medium of radio, WITF-FM became the first classical station for all of central Pennsylvania.

CPB's Community Service Grant Program

The Communications Act of 1934 (Act) provides that specific percentages of the appropriated funds CPB receives annually from the United States Treasury must be allocated and distributed to licensees and permittees of public TV and radio stations. After funds are designated as either TV or radio funds, they are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

CPB awards annual CSG grants to public TV and radio stations based in part on the amount of NFFS claimed by all stations on their Annual Financial Reports (AFR). The CSG calculation process starts with separate amounts appropriated for the TV and radio CSG pools adjusted by base grants and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for TV and the other is for radio.

The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all TV and radio stations. The IRR is then multiplied by each 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 FY's CSG amount. For example, CPB used the NFFS claimed by WITF on its FY 2016 AFRs to determine the amount of the CSGs the station received in FY 2018.

As shown in Exhibit A, during our audit period WITF received CSG, Interconnection, and Universal Service Support Grant funds totaling \$2,248,057 from CPB for FYs 2016 and 2017 (\$1,858,519 for TV and \$389,538 for FM). The station reported NFFS of \$5,374,491 in FY 2016 and \$5,603,097 in FY 2017 as presented in Exhibit D. WITF's audited financial statements for the two FYs we audited reported operating revenues of \$10,321,459 in FY 2016 and \$10,731,889 in FY 2017. WITF's fiscal year begins July 1 and ends on June 30.

RESULTS OF REVIEW

In our opinion, except for the noncompliance issues described below, WITF complied with the requirements in the following paragraph for the FYs 2016 and 2017 CSGs that we examined.

We reviewed WITF 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 WITF's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, Community Advisory Board (CAB), 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 audit was conducted in accordance with the *Government Auditing Standards* for attestation examination engagements and, accordingly, included examining, on a test basis, evidence about WITF'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. However, it does not provide a legal determination on WITF's compliance with specified requirements.

We have audited the accompanying AFR's submitted by WITF (Exhibits B and C). These reports are the responsibility of WITF management. Our responsibility is to express an opinion on these reports based on our audit.

Our audit found that WITF overstated NFFS on its AFRs totaling \$391,041 that resulted in potential CSG overpayments of \$41,311 (\$12,344 in FY 2018 and potential CSG overpayments of approximately \$28,967 in FY 2019). We reported these overpayments as funds put to better use.

FINDINGS AND RECOMMENDATIONS

OVERSTATED NFFS

Our audit found \$391,041 in overstated NFFS (\$121,773 in FY 2016 and \$269,268 in FY 2017) reported on WITF's AFRs. As a result, CPB made CSG overpayments of \$12,344 to WITF in FY 2018 and potential overpayments of \$28,967 in FY 2019, resulting in total overpayments of \$41,311. We classified the overpayments as funds put to better use for reporting purposes, because the funds overpaid to WITF could have been distributed to other public broadcasting entities. The following table itemizes the findings identified during our audit.

Summary of Overstated NFFS

NFFS Category	FY 2016		FY 2017		Totals
	TV	FM	TV	FM	
High Value Premiums Not Deducted from NFFS	\$0	\$0	\$121,050	\$0	\$121,050
Premiums Reported at Cost Instead of FMV	49,807	26,819	76,198	41,029	193,853
Ineligible Exchange Payments	37,350	3,720	22,159	1,701	64,930
Uncollectible Underwriting Pledges	1,887	1,016	3,675	1,979	8,557
Uncollectible Membership Pledges	763	411	960	517	2,651
Overstated NFFS	89,807	31,966	224,042	45,226	391,041
IRRs	0.1186051635	0.0529448764	0.1186051635	0.0529448764	
Potential CSG Overpayments FYs 2018 & 2019	\$10,652	\$1,692	\$26,573	\$2,394	\$41,311

Overpayments that resulted from the FY 2016 overstated NFFS were calculated using the TV/FM FY 2018 IRRs. The CSG overpayments resulting from the FY 2017 overstated NFFS were also calculated using the FY 2018 IRRs because the FY 2019 IRRs are not yet available.

High Value Premiums Not Deducted from NFFS

During FY 2017, WGBH-TV produced the Antiques Road Show in Harrisburg, Pennsylvania and provided 450 tickets for the show to WITF, which in turn provided these tickets to donors for a \$250 pledge. WITF claimed an additional \$8,450 of NFFS for VIP tickets also provided by WGBH-TV for which the station required a \$300 pledge. In total, WITF claimed NFFS totaling \$121,050 (\$112,600 + \$8,450) on AFR line 14A Special Fundraising, because it received these funds by giving donors tickets (a.k.a. “premiums”) to attend the show in Harrisburg.

WITF Finance department personnel, that prepared the AFRs, explained they reported the ticket revenue on Line 14A of its AFR and not as membership on Line 10, because donors did not need to be a WITF member to receive tickets. Personnel from CPB’s Station Grants Administration explained that WITF correctly claimed this revenue on Line 14A, but that the FMV of the tickets should have been entered on 14B so that the NFFS claimed was zero dollars.

WITF did not deduct the FMV of the tickets on Line 14B as required by CPB. Instead, WITF's financial statements and AFR presented the ticket revenue at the gross value – unadjusted for the non-contribution portion, i.e., the FMV. The WITF personnel completing the AFR mistakenly believed the tickets had no FMV since WGBH-TV provided the tickets at no charge and because the tickets were not sold anywhere. The show’s website does confirm these tickets cannot be purchased.

However, personnel from WITF’s Development department disclosed that based on their discussions with other stations that hosted an Antiques Road Show, they determined the FMV of the tickets to be \$250 (\$300 for the VIP tickets). Additionally, they provided a listing showing the FMV of the tickets given to each donor and indicated that each donor received a “Gift Acknowledgement and Tax Receipt” that identified the FMV of their gift as \$250 or \$300 for VIP tickets. As a result, because each donor’s contributions equaled the FMV of the tickets, none of the contributions should have been deductible for federal income tax purposes and should not have been claimed as NFFS in accordance with the Guidelines.

The miscommunication between WITF's Finance and Development departments resulted in the FMV of the ticket premiums not being deducted from NFFS on AFR line 14B. As a result, WITF's overstated its FY 2017 NFFS revenue by \$121,050.

CPB Guidelines require stations to exclude from NFFS the FMV of high-end premiums that are not of insubstantial value. The Guidelines state:

The IRS issues guidance on charitable contributions, including disclosure statements that must be provided to donors in instances where the premium is not of insubstantial value. 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 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. However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS....

Guidelines, Line 10.1 NFFS Exclusion – Fair Market Value of high-end premiums that are not of insubstantial value. (underlining and bold emphasis in original)

The Guidelines also establish that AFR Line 14 represents the net revenue earned from special fundraising activities. It is determined automatically by subtracting Line 14B from line 14A.

Guidelines Line 14 – Special Fundraising activities (net).

In total, we determined WITF overclaimed \$121,050 in NFFS on its FY 2017 TV AFR, resulting in a potential CSG overpayment of \$14,357 in FY 2019.

Premiums Reported at Cost Instead of FMV

WITF's FY 2016 and 2017 AFRs mistakenly excluded the cost instead of the FMV of high-end premiums (i.e., not of insubstantial value) as required by CPB Guidelines. WITF records showed that the FMV of "thank you gifts" (high-end premiums) the station provided TV and FM donors during FYs 2016 and 2017 were valued at \$584,593. However, the TV and FM AFRs for these two fiscal years reported high-end premiums costing \$391,041 on line 10.1.

While WITF did not deduct either the cost or FMV of the Antiques Road Show ticket premiums on Line 10.1, WITF personnel disclosed they did deduct the cost for all other high-end membership premiums provided to donors on Line 10.1 of both the TV and FM AFRs. Review of the station's financial records confirmed the amounts deducted were the cost of purchasing premiums. The difference between the cost reported on line 10.1 and the FMVs provided to donors resulted in \$193,853 of overstated NFFS as detailed below.

Difference Between FMV and Cost

Category	FY 2016		FY 2017		Total Both FYs
	TV	FM	TV	FM	
FMV of Premiums	\$171,749	\$92,480	\$208,237	\$112,127	\$584,593
Cost of Premiums	\$121,942	\$65,661	\$132,039	\$71,098	\$390,740
Overstated NFFS	\$49,807	\$26,819	\$76,198	\$41,029	\$193,853

CPB Guidelines require stations to exclude from NFFS the FMV of high-end premiums that are not of insubstantial value. The Guidelines state:

Grantees frequently provide “thank-you gifts” (a.k.a. “premiums”) in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e., premiums). Thank-you gifts may be anything of value from low-end premiums (e.g., coffee mugs and tee-shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g. boxed set CDs or DVDs, coffee-table books, travel and lodging, gourmet foods & wines, tickets to performances, dinners or other events).

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. However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS....

What do you need to do for AFR purposes? If the financial statements present membership revenues on a net basis (i.e., the contribution portion only), report the same amount on Line 10 (i.e., it is unnecessary to make any further adjustment). However, if the financial statements present membership revenues at their gross value (i.e., unadjusted for the non-contribution portion), you must enter the non-contribution amount on Line 10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value.

Guidelines Line 10 – Membership and Subscriptions (net of write-offs). (emphasis in original)

The \$193,583 in overstated NFFS, caused by mistakenly deducting the cost of premiums instead of their FMV, resulted in \$18,537 of potential CSG overpayments (\$7,327 in FY 2018 and potential CSG overpayments of \$11,210 in FY 2019).

Ineligible Exchange Payments Claimed as NFFS

WITF erroneously reported payments of \$64,930 as NFFS on its FYs 2016 and 2017 TV AFRs that did not meet the form, source, and purpose criteria for NFFS prescribed by the Guidelines (i.e., services related to public broadcasting, received from state/local government, or educational institutions). These payments included:

Ineligible Exchange Payments

Reason for Payment	FY 2016	FY 2017	Total NFFS Claimed
University Commencement	\$19,000	\$19,000	\$38,000
Professional Development Training	10,630	4,860	15,490
Bar Association CD	10,000		10,000
Office Rent	1,440		1,440
Totals	\$41,070	\$23,860	\$64,930

While the university was an eligible source for payments, its two \$19,000 payments were for recording the university's 2016 and 2017 commencement for viewing via webcast and Facebook. WITF personnel believed this revenue was eligible NFFS because the university broadcast the commencement from its website. However, because the commencement was not aired on public broadcasting (i.e., not fulfilling a public broadcasting purpose), the university's payments did not satisfy the "Form, and Purpose" criteria required by the Guidelines to be eligible NFFS.

WITF received a grant from a non-profit entity to develop and deliver professional development training events to child care practitioners. This non-profit is not an eligible source for payments and the training was not aired on public broadcasting but delivered to the practitioners via the Web. As a result, the payments WITF received in exchange for its services did not meet the "Form, Source and Purpose" criteria required by the Guidelines to be eligible NFFS. For this reason, we determined that the \$10,630 and the \$4,860 claimed as NFFS in FYs 2016 and 2017 respectively was ineligible.

WITF personnel could not locate the contract file for the \$10,000 payment from the bar association; however, they did provide invoices showing the payment was for preparation of an interactive CD on malpractice avoidance. Our review of the bar association's website disclosed various instructional CDs offered to its members for a fee. WITF personnel also could not provide any evidence the CD it produced was aired on public broadcasting. They believed the CD was eligible for an educational purpose. However, because the bar association was not a degree-granting educational institution, it did not qualify as an eligible source, and it was a mistake to claim this revenue as NFFS. Similarly, WITF personnel explained the \$1,440 was claimed for rental of office space (not for a public broadcasting purpose) and indicated it was a mistake to have been claimed as NFFS.

The Act, 47 U.S.C 397(9), sets the form, source and purpose that contributions and payments must satisfy to be eligible as NFFS. As described in the Guidelines, revenues eligible as NFFS take the form of either a contribution or a payment. More specifically the Guidelines state:

With the exception of the recipient criteria (see Sec. 2.3), the criteria for contributions are not the same as the criteria for payments A contribution is an unconditional transfer of cash or other assets ... in a voluntary nonreciprocal transfer from one entity to another A **payment**, on the other hand, is a reciprocal transfer (i.e., an exchange transaction) of cash or other assets in which each party receives and sacrifices approximately equal value.

The Guidelines also establish the “Form, Source and Purpose” criteria for contract payments. To satisfy the “Form and Purpose” criteria specified in the Guidelines, payments must be in exchange for specific materials related to public broadcasting. Likewise, the Guidelines also define the eligible “Source” criteria for contributions and payments as follows:

Source Criteria – 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, Section 2.2 – Contributions vs. Payments, Section 2.3.1 Statutory Definition – The Law, and Section 2.3.2 Interpretations.

Because the four payments described above, totaling \$64,930, did not satisfy the form, source and purpose required by the CPB Guidelines, the payments were ineligible NFFS and resulted in \$7,345 of potential CSG overpayments (\$4,627 in FY 2018 and \$2,718 of potential overpayments in FY 2019).

Uncollectible Underwriting Pledges Not Excluded from NFFS

WITF’s FYs 2016 and 2017 financial records showed \$8,557 of underwriting bad debt expense that the station did not realize it needed to deduct from NFFS as required by CPB Guidelines. WITF entered into contracts with various entities to provide underwriting through television, radio, or other outlets in exchange for a funding contribution. WITF reports this revenue in its financial records when billed and establishes a receivable for any unpaid underwriting. WITF reviews delinquent receivables periodically and writes-off uncollectible amounts to bad debt expense as appropriate during the year. The amounts written-off should have been deducted from the NFFS reported to CPB. The Guidelines that state:

Grantees must deduct any amounts taken as write-offs for uncollectable pledges and any other receivables that were previously reported as NFFS (i.e. underwriting). If the write-offs are not netted against revenues in the financial statements but instead charged against an allowance for uncollectable accounts or directly to bad debt expense, you must report bad debt expense on Line 10.2 to exclude the write-offs from NFFS as this will avoid carrying a reconciling item on Schedule F.

CPB Guidelines Section 5 Completing AFR Schedule A-Direct Revenue instructions for Line 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).

Not deducting the \$8,557 of underwriting bad debt expense resulted in \$818 of potential CSG overpayments (\$277 in FY 2018 and potential overpayments of \$541 in FY 2019).

Uncollectible Membership Pledges Not Excluded from NFFS

WITF incurred \$7,105 of bad debt expense for uncollectible membership pledges in FYs 2016 and 2017. However, the station inadvertently reported \$4,454 on Line 10.2 instead of \$7,105 as required by the Guidelines. The \$4,454 was WITF's allowance for doubtful accounts that recorded the station's estimate of uncollectible pledges in its financial records. By reporting estimated instead of actual bad debt expense, WITF did not deduct \$2,651 (\$7,105 - \$4,454) of uncollected pledges that it wrote off from the membership revenue reported on its AFRs. As a result, the NFFS WITF reported on its AFRs was overstated by \$2,651. The Guidelines that require WITF to deduct uncollectible pledges are provided in the previous finding.

Erroneously not deducting \$2,651 of actual bad debt expense incurred for uncollectible membership pledges resulted in \$253 of CSG overpayments (\$112 in FY 2018 and potential overpayments of \$141 in FY 2019).

Recommendations

We recommend that CPB management take the following actions:

- 1) recover actual and potential CSG overpayments of \$41,311; and
- 2) require WITF to identify the corrective actions and controls it will implement to ensure future compliance.

WITF Response

In response to the draft report, WITF management agreed with our findings and recommendations. Regarding deducting the FMV of premiums and not deducting the cost of premiums, the response indicated that WITF's development staff have worked with the finance staff to educate them on proper NFFS reporting regarding tickets and calculation of FMVs. Going forward, WITF development staff will review the reported premium costs and FMVs for accuracy before AFR submission. WITF management also indicated that their Finance and Development departments have worked together to establish a report that reconciles all donations to premium costs, so premiums will be properly reported in the future.

WITF also agreed to exclude ineligible exchange transactions, as well as uncollectible underwriting and membership pledges from NFFS. It also suggests CPB should consider adding professional development training delivered on the web as NFFS-eligible. WITF's move in the direction of delivering professional development over the web has been led by its clients' needs and is reflective of their desired distribution method instead of delivery over traditional radio and television public broadcast platforms.

OIG Review and Comment

Regarding recommendations 1 and 2, WITF's proposed correction actions are responsive to our recommendations. As a result, we considered both recommendations resolved but open pending the receipt of CPB's final management decision that accepts WITF's corrective actions and agrees to recover the \$41,311 of CSG overpayments.

WITF's suggestion that CPB should consider professional development training delivered on the web to be NFFS eligible is a policy issue for CPB consideration. As such, we defer to CPB on this issue.

**CPB Grant Payments to WITF
July 1, 2015 – June 30, 2017**

CPB Grants	FY 2016	FY 2017	Totals
WITF - TV			
Community Service	\$878,460	\$899,946	\$1,778,406
Interconnection	\$16,110	\$17,018	\$33,128
Universal Service Support	0	\$46,985	\$46,985
WITF-TV Totals	\$894,570	\$963,949	\$1,858,519
WITF - FM			
Unrestricted Community Service	\$145,487	\$142,772	\$288,259
Restricted Community Service	\$50,932	\$50,347	\$101,279
WITF-FM Totals	\$196,419	\$193,119	\$389,538

Total CPB payments received in both FYs was \$2,248,057 (\$1,858,519 + \$389,538).

**WITF - FM Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
	Schedule A,		
	Source of Income		
1	Amounts provided directly by federal government agencies	\$0	\$0
2	Amounts Provided by Public Broadcasting Entities	293,399	248,760
A	CPB-Community Service Grants	196,409	193,119
B	CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	78,270	37,176
E	Public broadcasting stations - all payments	18,710	18,465
3	Local boards and departments of education or other local government or agency sources	0	37,000
3.1	NFFS Eligible	0	37,000
A	Program and production underwriting	0	37,000
4	State boards and departments of education or other state government or agency sources	31,000	94,855
4.1	NFFS Eligible	31,000	94,855
A	Program and production underwriting	31,000	94,855
5	State colleges and universities	38,503	37,198
5.1	NFFS Eligible	38,503	37,198
A	Program and production underwriting	38,503	37,198
6	Other state-supported colleges and universities	0	0
7	Private colleges and universities	76,262	85,537
7.1	NFFS Eligible	76,262	85,537
A	Program and production underwriting	76,262	85,537
8	Foundation and nonprofit associations	461,063	524,323
8.1	NFFS Eligible	459,375	524,323
A	Program and production underwriting	459,375	524,323
8.2	NFFS Ineligible	1,688	3,290
A	Rental Income	1,688	3,290
9	Business and Industry	451,627	364,498
9.1	NFFS Eligible	451,627	364,498
A	Program and production underwriting	451,627	364,498
9.2	NFFS Ineligible	28	343
A	Rental Income	28	343
10	Membership and Subscription (net of membership bad debt expense)	874,314	951,975
10.1	NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	65,661	71,098
10.2	NFFS Exclusion -- Membership bad debt expense (unless netted from the total of line 10)	923	636
11	Revenue from Friends groups less any revenue included on line 10	0	0

**WITF - FM Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
12	Subsidiaries and other activities unrelated to public broadcasting	506,276	250,108
C	NFFS Ineligible - For-profit subsidiaries regardless of the nature of its activities	506,276	250,108
	Form of Revenue		
13	Auction Revenue (see instructions for line 13)	0	0
14	Special fundraising activities (see instructions for line 14)	59,231	11,380
A	Gross special fundraising activities revenues	100,310	17,418
B	Direct special fundraising activities expenses	41,079	6,038
15	Passive income	2,043	2,273
A	Interest and dividends (other than on endowment funds)	2,043	2,273
16	Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	18,398	4,189
B	Realized gains/losses on investments (other than endowment funds)	23,193	(8)
C	Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	(4,795)	4,097
17	Endowment revenue	76,322	230,252
A	Contributions to endowment principal	33,549	45,942
B	Interest and dividends on endowment funds	54,309	42,361
C	Realized net investment gains and losses on endowment funds (if this is negative amount, add a hyphen, e.g., "-1,765")	206,806	267,345
D	Unrealized net investment gains and losses on endowment funds (if this is negative amount, add a hyphen, e.g., "-1,765")	(218,342)	(125,396)
18	Capital fund contributions from individuals	1,994	19,739
B	Other (Capital Campaign gifts)	1,994	19,739
19	Gifts and bequests from major individual donors	196,679	205,048
20	Other Direct Revenue (Sale of premiums)	30	59
22	Total Revenue (sum of lines 1 through 12, 13A, 14A, and 15 through 21)	3,128,248	3,073,232
	Adjustments to Revenue		
23	Federal revenue from line 1.	0	0
24	Public broadcasting revenue from line 2	293,399	248,760
25	Capital funds exclusions --TV	0	0
26	Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	30	59
27	Other automatic subtractions from total revenue	622,517	477,651
A	Auction expenses - limited to the lesser of lines 13a or 13b	0	0
B	Special fundraising event expenses - limited to the lesser of lines 14a or 14b	41,079	6,038
D	Realized gain/losses on investments (other than endowment funds) - line 16b	23,193	-8
E	Unrealized investment and actuarial gain/losses (other than endowment funds) - line 16c	(4,795)	4,197

**WITF - FM Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
F	Realized and unrealized net investment gains/losses on endowment funds - line 17c, line 17 d	(11,536)	141,949
G	Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	1,716	3,633
H	Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	0	0
I	Licensing fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	0	0
J	Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	0	0
K	FMV of high-end premiums (Line 10.1)	65,661	71,098
L	All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	923	636
M	Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	506,276	250,108
N	Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases from line 21 (TV only)	0	0
28	Total Direct Nonfederal Financial Support	2,212,302	2,346,762
	Schedule C		
1	PROFESSIONAL SERVICES (must be eligible as NFFS)	0	0
2	GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	0	0
3	OTHER SERVICES (must be eligible as NFFS)	0	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 Non-federal Financial Support	0	0
5	IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	122,869	144,928
B	Exchange transactions	122,869	144,928
6	Total in-kind contributions - services and other assets eligible as NFFS (lines 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	122,869	144,928
	Schedule E -Expenses		
	PROGRAM SERVICES		
1	Programming and production	726,656	533,855
A	Restricted Radio CSG	50,932	50,347
B	Unrestricted Radio CSG	145,487	142,772
C	Other CPB Funds	530,237	0
D	All non-CPB Funds	0	340,736
2	Broadcasting and engineering	2,264,390	2,170,596
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0

**WITF - FM Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
D	All non-CPB Funds	2,264,390	2,170,596
3	Program information and promotion	106,773	64,025
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	106,773	64,025
	SUPPORT SERVICES		
4	Management and general	484,316	679,182
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	484,316	679,182
5	Fund raising and membership development	525,162	653,223
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	525,162	653,223
6	Underwriting and grant solicitation	136,130	84,005
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	136,130	84,005
7	Depreciation and Amortization (if not allocated)	0	0
A	Restricted Radio CSG	0	0
B	Unrestricted Radio CSG	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds		0
8	Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	4,243,427	4,184,886
A	Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	50,932	50,347
B	Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	145,487	142,772
C	Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	530,237	0
D	Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	3,516,771	3,991,767
9	INVESTMENT IN CAPITAL ASSETS	102,869	237,223
A	Land and buildings	7,631	10,160
B	Equipment	95,238	227,063
C	All other	0	0

**WITF - FM Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
10	Total Expenses and investment in capital assets (Sum line 8 and 9)	4,346,296	4,422,109
11	Total Expenses (direct Only)	4,243,427	4,184,886
12	Total Expenses (indirect and in-kind)	0	0
13	Investment in capital assets (direct only)	102,869	237,223
14	Investment in capital assets (indirect and in-kind)	0	0

**WITF - TV Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
	Schedule A,		
	Source of Income		
1	Amounts provided directly by federal government agencies	\$73,343	\$74,513
F	Other Federal Funds (Tower Rental)	73,343	74,513
2	Amounts Provided by Public Broadcasting Entities	991,317	1,002,161
A	CPB-Community Service Grants	904,959	963,949
B	CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	56,218	10,077
C	PBS - all payments except copyright royalties and other pass-through payments	0	2,000
E	Public broadcasting stations - all payments	30,140	26,135
3	Local boards and departments of education or other local government or agency sources	12,875	11,900
3.1	NFFS Eligible	12,875	11,900
A	Program and production underwriting	12,875	9,500
F	Other income eligible as NFFS (CAIU educational video production)	0	2,400
3.2	NFFS Ineligible- Local government		
4	State boards and departments of education or other state government or agency sources	855,813	1,078,935
4.1	NFFS Eligible	149,230	138,470
A	Program and production underwriting	63,460	53,950
F	Other income eligible as NFFS (Educational video productions)	85,770	84,520
4.2	NFFS Ineligible	706,583	940,465
B	Fees for Services	706,583	939,465
E	Other income ineligible for NFFS inclusion (Non-education video production)		1,000
5	State colleges and universities	12,400	6,245
5.1	NFFS Eligible	12,400	6,245
A	Program and production underwriting	12,400	6,245
6	Other state-supported colleges and universities	0	0
7	Private colleges and universities	43,895	29,340
7.1	NFFS Eligible	43,895	29,340
A	Program and production underwriting	21,045	10,340
F	Other income eligible as NFFS (Educational video production)	22,850	19,000
8	Foundation and nonprofit associations	734,299	739,827
8.1	NFFS Eligible	701,140	704,862
A	Program and production underwriting	676,375	704,862
E	Other income eligible as NFFS (Educational video production)	24,765	0
8.2	NFFS Ineligible	33,159	34,965
A	Rental Income	3,134	8,110
E	Other income ineligible for NFFS inclusion (Production for business not education related)	30,025	26,855

**WITF - TV Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
9	Business and Industry	1,993,004	1,843,005
9.1	NFFS Eligible	293,435	211,105
A	Program and production underwriting	293,435	211,105
9.2	NFFS Ineligible	1,699,569	1,631,900
A	Rental Income	314,211	172,030
C	Licensing fees (not royalties - see instructions for line 15)	1,283,547	1,283,547
E	Other income ineligible for NFFS inclusion (Production for business not education related)	101,811	176,323
10	Membership and Subscription (net of membership bad debt expense)	1,422,389	1,552,391
10.1	NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	121,942	132,039
10.2	NFFS Exclusion -- Membership bad debt expense (unless netted from the total of line 10)	1,713	1,182
11	Revenue from Friends groups less any revenue included on line 10	0	0
12	Subsidiaries and other activities unrelated to public broadcasting	940,226	464,487
C	NFFS Ineligible - For-profit subsidiaries regardless of the nature of its activities	940,226	464,487
	Form of Revenue		
13	Auction Revenue (see instructions for line 13)	0	0
14	Special fundraising activities (see instructions for line 14)	110,001	144,675
A	Gross special fundraising activities revenues	186,290	155,888
B	Direct special fundraising activities expenses	76,289	11,213
15	Passive income	8,352	9,113
A	Interest and dividends (other than on endowment funds)	3,794	4,221
C	PBS and NPR pass-through copyright royalties	4,558	4,892
16	Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	34,167	7,781
B	Realized gains/losses on investments (other than endowment funds)	43,073	(14)
C	Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	(8,906)	7,795
17	Endowment revenue	141,739	427,611
A	Contributions to endowment principal	62,305	85,320
B	Interest and dividends on endowment funds	100,859	78,672
C	Realized net investment gains and losses on endowment funds (if this is negative amount, add a hyphen, e.g., "-1,765")	384,067	496,497
D	Unrealized net investment gains and losses on endowment funds (if this is negative amount, add a hyphen, e.g., "-1,765")	(405,492)	(232,878)
18	Capital fund contributions from individuals	3,702	36,659
B	Other (Capital Campaign gifts)	3,702	36,659
19	Gifts and bequests from major individual donors	365,261	380,804

**WITF - TV Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
20	Other Direct Revenue (Sale of premiums)	55	109
21	Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases (TV only)		25,054,617
22	Total Revenue (sum of lines 1 through 12, 13A, 14A, and 15 through 21)	7,819,127	32,875,386
	Adjustments to Revenue		
23	Federal revenue from line 1.	73,343	74,513
24	Public broadcasting revenue from line 2	991,317	1,002,161
25	Capital funds exclusions --TV	0	0
26	Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	55	109
27	Other automatic subtractions from total revenue	3,592,223	28,542,268
A	Auction expenses - limited to the lesser of lines 13a or 13b	0	0
B	Special fundraising event expenses - limited to the lesser of lines 14a or 14b	76,289	11,213
D	Realized gain/losses on investments (other than endowment funds) - line 16b	43,073	(14)
E	Unrealized investment and actuarial gain/losses (other than endowment funds) - line 16c	(8,906)	7,795
F	Realized and unrealized net investment gains/losses on endowment funds - line 17c, line 17d	(21,425)	263,619
G	Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	317,345	180,140
H	Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	706,583	939,465
I	Licensing fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	1,283,547	1,283,547
J	Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	131,836	204,178
K	FMV of high-end premiums (Line 10.1)	121,942	132,039
L	All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	1,713	1,182
M	Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	940,223	464,487
N	Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases from line 21 (TV only)	0	25,054,617
28	Total Direct Nonfederal Financial Support	3,162,189	3,256,335
	Schedule C		
1	PROFESSIONAL SERVICES (must be eligible as NFFS)	0	0
2	GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	0	0
3	OTHER SERVICES (must be eligible as NFFS)	0	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 Non-federal Financial Support	0	0
5	IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	64,653	56,072
B	Exchange transactions	64,653	56,072

**WITF - TV Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
6	Total in-kind contributions - services and other assets eligible as NFFS (lines 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	64,653	56,072
	Schedule E -Expenses		
	PROGRAM SERVICES		
1	Programming and production	3,639,178	3,409,333
A	TV CSG	878,460	861,226
B	TV Interconnection	16,110	16,433
C	Other CPB Funds	0	0
D	All non-CPB Funds	2,744,608	2,531,674
2	Broadcasting and engineering	2,247,619	1,208,074
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	2,247,619	1,208,074
3	Program information and promotion	198,293	118,903
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	198,293	118,903
	SUPPORT SERVICES		
4	Management and general	899,445	1,261,339
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	899,445	1,261,339
5	Fund raising and membership development	975,301	1,213,128
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	975,301	1,213,128
6	Underwriting and grant solicitation	2,945	107,608
A	TV CSG	0	0
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	2,945	107,608
7	Depreciation and Amortization (if not allocated)	0	0
A	TV CSG	0	0

**WITF - TV Annual Financial Reports
Years Ending June 30, 2016 and 2017**

Line	Description	FY 2016	FY 2017
B	TV Interconnection	0	0
C	Other CPB Funds	0	0
D	All non-CPB Funds	0	0
8	Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	7,962,781	7,318,385
A	Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	878,460	861,226
B	Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	16,110	16,433
C	Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	0	0
D	Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	7,068,211	6,440,726
9	INVESTMENT IN CAPITAL ASSETS	214,460	465,886
A	Land and buildings	14,170	18,869
B	Equipment	200,290	447,017
C	All other	0	0
10	Total Expenses and investment in capital assets (Sum line 8 and 9)	8,177,241	7,784,271
11	Total Expenses (direct Only)	7,962,781	7,318,385
12	Total Expenses (indirect and in-kind)	0	0
13	Investment in capital assets (direct only)	214,460	465,886
14	Investment in capital assets (indirect and in-kind)	0	0

**WITF Summary of Non-Federal Financial Support
For the Years Ending June 30, 2016 and 2017
Certified by Head of Grantee and Independent Account's Report**

AFR Line	WITF-TV Description	FY 2016	FY 2017	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$3,162,189	\$3,256,335	\$6,418,524
2	Indirect Administrative (Schedule B)	0	0	0
	3a. In-Kind Contributions (Schedule C)	0	0	
	3b. In-Kind Contributions (Schedule D)	0	0	
4	Total Non-Federal Financial Support	\$3,162,189	\$3,256,335	\$6,418,524

AFR Line	WITF-FM Description	FY 2016	FY 2017	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$2,212,302	\$2,346,762	\$4,559,064
2	Indirect Administrative (Schedule B)	0	0	0
	3a. In-Kind Contributions (Schedule C)	0	0	0
	3b. In-Kind Contributions (Schedule D)	0	0	0
4	Total Non-Federal Financial Support	\$2,212,302	\$2,346,762	\$4,559,064

NFFS reported in FY 2016 totaled \$5,374,491 and the total reported in FY 2017 was \$5,603,097.

SCOPE AND METHODOLOGY

We performed an attestation examination to determine WITF's compliance with CPB Financial Reporting Guidelines, provisions of the Communications Act, grant certification requirements, and other grant provisions. The scope of the audit included reviews and tests of the information reported by WITF on its AFRs that we reconciled to audited financial statements for the years ending June 30, 2016 and 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 WITF's AFRs by performing financial reconciliations and comparisons to WITF's underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements and other documentation supporting revenues reported. Specifically, we reviewed NFFS revenue transactions totaling \$516,811 of the \$5,374,491 reported in FY 2016 and \$1,085,591 of the \$5,603,097 reported in FY 2016.

We reviewed the allowability of expenses WITF charged to the CSGs received from CPB during FYs 2016 and 2017. To determine whether WITF incurred CSG expenditures in accordance with grant terms, we reviewed \$1,722,609 of the \$2,248,057 of expenses incurred by WITF during our audit period. For these expenses, we reviewed supporting documentation, including invoices, proof of payments, and other documentation for judgmentally selected transactions.

We reviewed policies, records, and documents supporting the station's compliance with the Act's requirements to provide advance notice of public meetings; make financial and EEO information available to the public; have an operating CAB; and safeguard donor lists. We also reviewed WITF'S website to determine its compliance with CPB's transparency requirements. Our procedures included interviewing station officials and their independent public accountant.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of WITF's policies and procedures for compliance with certification of eligibility requirements, Communication 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.

We conducted fieldwork from April 10, 2018 through July 3, 2018. We performed our audit in accordance with the *Government Auditing Standards* for attestation examinations.



WITF RESPONSE

September 4, 2018

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

Public Media Center
4801 Lindle Road
Harrisburg, PA 17111
OFFICE 717.704.3000
TOLL FREE 1.800.366.9483

Re: WITF Response to Audit of Community Service Grants at WITF TV/FM Inc., Harrisburg, PA, For the Period July 1, 2015 Through June 30, 2017, Draft Report No. ASJ1806-XXXXX

 witf.org
 [/witf.org](https://www.facebook.com/witf.org)
 [/witf](https://twitter.com/witf)

Dear Mr. Richardson,

Thank you for the opportunity to respond to your draft report summarizing findings of your audit for Community Service Grants (CSG) awarded to WITF, Inc. for the period of July 1, 2015 – June 30, 2017. We appreciate the thoroughness and professionalism of the audit team and all communications related to this audit.

We accept the Inspector General's findings as contained in the draft report. We would like to take this opportunity to discuss the corrective actions WITF has implemented to correct proper NFFS reporting in the future. For your convenience, we have grouped the discussion of our actions under the headings used in the draft report.

High Value Premium Not Deducted from NFFS

WITF development staff have worked with finance staff to educate them on proper NFFS reporting with regard to tickets and calculation of fair market value. Going forward, WITF development staff will review the reported premium costs and Fair Market Value (FMV) for accuracy before Audited Financial Report (AFR) submission.

Premiums Reported at Cost Instead of FMV

The WITF finance and development departments have worked together to establish a report which reconciles all donations to premium costs so that this will be properly reported in the future. WITF development staff will also review the reported premium costs and FMV for accuracy before AFR submission.

Ineligible Exchange Payments Claimed as NFFS

WITF will exclude professional development training that is promoted and delivered via the web from its reported NFFS in the future.

witf TV
witf 89.5 & 93.3
Central PA Magazine
witf.org
Educational Services
Media Solutions
ExplorePAhistory.com
Pennsylvania Public Radio
RadioPA Networks



Public Media Center
4801 Lindle Road
Harrisburg, PA 17111
OFFICE 717.704.3000
TOLL FREE 1.800.366.9483

witf.org
 /witf.org
 /witf

In the cases of professional development training that is not delivered over-the-air on a public broadcast station, but is instead delivered on the web, we would like to take this opportunity to suggest CPB analyze how the digital landscape has affected each station's business model and how revenue is generated across all platforms. We would suggest CPB should consider such activities as NFFS-eligible going forward. WITF's move in the direction of delivery of professional development over the web has been led by its clients' needs, and is reflective of their desired distribution method instead of delivery over traditional radio and television public broadcast platforms.

Uncollectible Underwriting Pledges Not Excluded from NFFS

WITF will exclude underwriting bad debt expense from NFFS in the future.

Uncollectible Membership Pledges Not Excluded from NFFS

WITF will exclude the actual bad debt expense instead of the allowance for uncollected pledges for NFFS when reporting this in the future.

Thank you again for this opportunity to respond to the draft audit report. We appreciate the integrity and professionalism that was shown to our Staff during this CPB OIG audit of fiscal years FY16 and FY17.

Sincerely,

Kathleen A. Pavelko
President & CEO
WITF, Inc.

cc: Ron Hetrick, SVP for Finance & Administration, WITF
Glenda Moyer, Director of Finance, WITF
Ted Krichels, SVP, System Development and Media Strategy, CPB
Kathy Merritt, Senior Vice President, Journalism and Radio, CPB
Jackie J. Livesay, Vice President, Compliance, CPB

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