



**CORPORATION FOR
PUBLIC BROADCASTING**

SEMIANNUAL REPORT

**OFFICE OF INSPECTOR GENERAL
OPERATIONS**

CPB AUDIT RESOLUTION ACTIVITIES

April 1, 2016 through September 30, 2016



Foreword

Congress created the Corporation for Public Broadcasting (CPB) in 1967 to promote public media and help keep it free from government interference. CPB is a private non-profit corporation that is governed by a Board of Directors (Board) appointed by the President and confirmed by the Senate. CPB funds more than 1,450 public media stations, as well as research, technology, and program development for public radio, television, and related online services. For fiscal year 2016, CPB received \$445 million for its general appropriation and \$40 million for a public media interconnection appropriation from Congress and a \$19 million Ready to Learn grant from the U.S. Department of Education.

Congress created CPB's Office of Inspector General (OIG) in 1988 to promote the economy, efficiency, effectiveness, and integrity of CPB initiatives and operations. As an independent component of CPB, OIG reports to the CPB Board through its Audit and Finance Committee.

Congress requires that the Inspector General and the head of CPB each report semiannually about OIG operations and activities and about CPB audit resolution results. Because CPB is a small organization, we have created this joint report. In the first section, we report on OIG's efforts and in the second, we present CPB's audit resolution activities.

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I. OFFICE OF INSPECTOR GENERAL OPERATIONS

Message from the Inspector General

September 30, 2016

I am pleased to submit this Semiannual Report to Congress about our activities during the period April 1 through September 30, 2016.

We issued six reports — five of Corporation for Public Broadcasting (CPB) grantees and one of an internal CPB process. In audits of three large public media stations, we found overstated Non Federal Financial Support (NFFS) of \$1.95 million, resulting in potential Community Service Grant (CSG) overpayments of more than \$250,000. In an evaluation of Communications Act (Act) compliance at a fourth station, which we initiated due to complaints from the public, we had no findings.

We also issued a report in which we analyzed 10 years of our Act noncompliance findings at 69 public broadcasting licensees and found a 22% rate of noncompliance. We consider this rate to be significant, but because we selected these auditees on a judgmental basis, our results cannot be projected across the universe of CSG recipients. We made recommendations that we believe would help achieve greater compliance and the public accountability that Congress intended.

In our review of CPB's internal processes related to procurement and closeout actions, we found that CPB had effectively implemented actions to correct problems we identified in two previous reports. We made additional recommendations to further strengthen CPB's procurement process.

I am very pleased to report that we received a pass rating, the highest possible, in a peer review of our audit quality assurance.

With regard to complaints, we closed the two that we carried over from the last reporting period and each of the 19 that we received this period. We opened no new investigations.

We continued our outreach to the public media community through four station visits and by speaking to public media officials at a national conference and in CPB trainings. In addition, I continued to chair the Audit Committee of the Council of the Inspectors General on Integrity and Efficiency.

I look forward to continuing to work with Congress and the CPB Board of Directors and management to further accountability in CPB initiatives and operations.



Mary Mitchelson
Inspector General

Reports Issued in the Period Ending September 30, 2016

This table identifies the reports OIG issued this reporting period and the related monetary findings and recommendations for corrective actions. As defined by the Inspector General Act (IG Act), as amended, “questioned costs” are those that are 1) identified due to an alleged violation of a provision governing the expenditure of funds, 2) not supported by adequate documentation, or 3) unnecessary or unreasonable. “Funds put to better use” are those that could be used more efficiently, e.g., by reducing outlays or deobligating funds. The IG Act requires us to report unsupported costs separately, even though they are included in the questioned costs column.

Report Number/ Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use	Number of Recommendations
ASJ1601-1605 May 27, 2016	Audit of Community Service Grants at Rocky Mountain Public Broadcasting Network, Inc., KRMA-TV/KUVO-FM, Denver, Colorado for the Period July 1, 2013 through June 30, 2015	\$11,233	\$11,233	\$183,367	5
AST1510-1606 June 9, 2016	Audit of Community Service and Other Selected Grants at Kentucky Authority for Educational Television, Inc., KET-TV, Lexington, Kentucky for the Period July 1, 2103 through June 30, 2015	\$0	\$0	\$29,575	2
ECT1605-1607 August 24, 2016	Evaluation of KCTS 9 Cascade Public Media’s Compliance with Communications Act Requirements, Seattle, Washington for the Period July 1, 2015 through March 31, 2016	\$0	\$0	\$0	0
AST1603-1608 September 22, 2016	Audit of Community Service and Other Selected Grants at Twin Cities Public Television, Inc., KTCA-TV, Saint Paul, Minnesota for the Period September 1, 2013 through August 31, 2015	\$0	\$0	\$35,739	2
ECO1607-1609 September 29, 2016	Evaluation of CPB Procurement and Agreement Closeout Corrective Actions	\$0	\$0	\$0	2
CVJ1509-1610 September 30, 2016	Summary Report on Licensee Compliance with Communications Act and CPB Requirements	\$0	\$0	\$0	2

Audit and Evaluation Reports and Assistance Activities

We issued six reports this period. You can access them on our website at <http://www.cpb.org/oig/reports/>

Audit of Community Service and Other Grants at Rocky Mountain Public Broadcasting, Denver, Colorado (May 27, 2016)

We found that the station overstated Non Federal Financial Support (NFFS) by \$1,456,302, which resulted in Community Service Grant (CSG) overpayments of \$183,367 in fiscal year (FY) 2016. We also questioned grant costs of \$11,233 that were charged to the wrong CPB Local Journalism Center (LJC) grant and found that the station did not give reasonable notice of all committee meetings, as required by the Communications Act (Act).

We audited CSG and other selected CPB grants at Rocky Mountain Public Broadcasting Network, Inc., for the period July 1, 2013 through June 30, 2015. We examined its certifications of compliance with CPB grant terms regarding NFFS, CSGs, and other grant funds and with the Act.

We found Rocky Mountain to generally be in compliance except for:

- overstated NFFS of \$1,456,302, which resulted in CSG overpayments of \$183,367 in FY 2016, which we reported as funds put to better use. The overstatement was due to the station failing to exclude the value of certain premiums and including ineligible payment and contribution sources and in-kind trades;
- questioned costs of \$11,233 for reporting costs against the wrong CPB LJC grant;
- noncompliance with statutory open meeting requirements and Community Advisory Board (CAB) member independence and;
- inaccurate reporting of CPB fund expenditures on the station's TV Annual Financial Report (AFR) Schedule E.

We recommended that CPB require the station to:

- submit revised FY 2014 TV and Radio AFRs, Schedules A and C, eliminating ineligible revenue of \$1,456,302 and repay \$183,367 in excess CSG payments for FY 2016;
- correct the LJC grants financial reports to properly reflect staff time and related expenses for each CPB LJC grant and obtain budget approvals as required;
- fully comply with open meeting requirements; and
- submit a revised FY 2014 TV AFR Schedule E to correctly report CPB expenses by fund source.

In response, the station agreed with our findings of overstated NFFS and identified the corrective actions and controls it will implement to ensure future compliance but did not agree that CPB should recover the full amount of CSG overpayments. It corrected the LJC grants financial reports and requested from CPB the related budget reallocation approvals. The station agreed with our finding on open meetings and took corrective action and has agreed to revise its FY 2014 AFR Schedule E to properly report CPB expenses. It also stated that it was dedicated to compliance as evidenced by the compliance program it created.

Audit of Community Service and Other Selected Grants at Rocky Mountain Public Broadcasting Network, Inc., KRMA-TV/KUVO-FM, Denver, Colorado for the Period July 1, 2013 through June 30, 2015, http://www.cpb.org/files/oig/reports/RMPBN_Report.pdf

Summary Report on Licensee Compliance with Communications Act and CPB Requirements (September 30, 2016)

We analyzed 10 years of noncompliance findings at 69 public broadcasting licensees and found a 22% noncompliance rate related to five areas of the Act. Because we selected these 69 auditees on a judgmental basis, our results cannot be projected across the universe of CSG recipients.

In order to receive a CSG, a public broadcasting licensee must certify its compliance with the Act requirements in five areas – open meetings, open financial records, CAB, equal employment opportunity (EEO) reporting, and donor lists and political activities. We analyzed our findings from audits of 69 licensees from FYs 2005 through 2015 and found noncompliance with 64 of 286 (22%) Act requirements that we tested. We consider this rate to be significant, but because we selected these auditees on a judgmental not statistical basis, our results cannot be projected across the universe of CSG recipients.

To achieve greater compliance and the public accountability that Congress intended, we recommended that CPB:

- expand its transparency requirements so that stations post more information about their Act responsibilities on their websites; and
- conduct annual compliance reviews of stations by reviewing their on-line transparency information.

In response to our draft report, CPB expressed concern that our findings may be erroneously construed to reflect the performance of all public broadcasting stations. It also noted that compliance improved 25% between the two periods of our analysis and cited a number of initiatives that it believes are in the spirit of our recommendations and appropriate to address today's compliance issues.

Summary Report on Licensee Compliance with Communications Act and CPB Requirements, <http://www.cpb.org/files/oig/reports/Communications%20Act%20Summary.pdf>

Audit of Community Service and Other Grants at Kentucky Authority for Educational Television, Lexington, Kentucky (June 9, 2016)

Kentucky Authority for Educational Television (KET) overstated NFFS on its 2014 AFR by \$223,728 because it did not exclude certain federal funds and exchange transaction payments. The overstatement resulted in excess CSG payments of \$29,575 in FY 2016.

We examined KET's certification of compliance with CPB's grant terms related to NFFS and CSGs and with the Act. We found that KET complied with grant and Act requirements, except for overstating its FY 2014 NFFS by \$223,728, which resulted in CSG overpayments of \$29,575 in FY 2016. This overstatement resulted from including certain federal funds and exchange transaction payments from ineligible sources.

We recommended that CPB require KET to revise its FY 2014 AFR by eliminating \$223,728 of ineligible revenues, identify the corrective actions and controls it will implement to ensure future compliance, and repay \$29,575 in excess FY 2016 CSG payments. KET agreed with our finding and recommendations and implemented corrective actions.

Audit of Community Service and Other Selected Grants at Kentucky Authority for Educational Television, Inc., KET-TV, Lexington, Kentucky for the Period July 1, 2013 through June 30, 2015, http://www.cpb.org/files/oig/reports/KET_Report.pdf

Audit of Community Service and Other Grants at Twin Cities Public Television, Inc., KTCA-TV, Saint Paul, Minnesota (September 22, 2016)

KCTA overstated NFFS on its 2014 and 2015 AFRs by \$270,354, resulting in a potential CSG overpayment of \$35,739.

We examined KTCA's certification of compliance with CPB's grant terms related to NFFS and CSGs and with the Act for the two-year period ending August 31, 2015. We found that the station complied with grant and Act requirements except it overstated NFFS on its FYs 2014 and 2015 AFRs by \$270,354, resulting in a FY 2016 CSG overpayment of \$10,239 and a potential overpayment of \$25,500 in FY 2017. KCTA's overstated its NFFS because it included ineligible exchange transactions.

We recommended that CPB recover \$10,239 of excess FY 2016 CSG payments, ensure that KCTA's FY 2017 CSG payments are calculated on the corrected NFFS amount, and see that the station implements corrective actions to ensure future compliance. The station accepted our finding and stated that it will implement corrective action.

Audit of Community Service and Other Selected Grants at Twin Cities Public Television, Inc., KTCA-TV, Saint Paul, Minnesota, for the Period September 1, 2013 through August 31, 2015, <http://www.cpb.org/files/oig/reports/Twin%20Cities%20Public%20TV.pdf>

Evaluation of CPB Procurement and Agreement Closeout Corrective Actions (September 29, 2016)

We reviewed CPB's corrective actions in response to our two 2013 evaluations of CPB's procurement and grant closeout activities. We found that CPB has effectively implemented corrective actions, and we recommended additional opportunities to further strengthen CPB's procurement processes. In response to our draft, CPB adopted one of our recommendations but not the other.

We conducted this evaluation to assess CPB's implementation of corrective actions in response to two reports we issued in 2103 focused on CPB's procurement and closeout of grants and contracts, including timely deobligation of unused funds, EPF1204-1302 and ECO1208-1303.

We found, based upon our limited testing, that CPB has effectively implemented corrective actions, and we noted opportunities to further strengthen CPB's procurement process. We recommended actions related to better separation of duties in scoring cost proposals and more thorough explanations of how Project Officers determine that project costs are reasonable.

In response to our draft report, CPB expressed confidence that it employs a fair method to score cost proposals and stated that it would be impractical to reassign this responsibility. CPB also said that it has asked Project Officers to provide more information on the comparable projects they use when evaluating the reasonableness of production grant costs.

Evaluation of CPB Procurement and Agreement Closeout Corrective Actions, <http://www.cpb.org/files/oig/reports/Evaluation%20of%20CPB%20Corrective%20Actions.pdf>

Evaluation of KCTS 9 Cascade Public Media's Compliance with Communications Act Requirements, Seattle, Washington (August 24, 2016)

We looked at KCTS 9's compliance with five areas of Act requirements and found the station to be substantially compliant. We initiated this evaluation because we had received complaints about the station's compliance.

After receiving complaints alleging that KCTS 9 did not fully comply with the Act, we initiated this evaluation of its compliance with five areas of Act requirements – open meetings, open financial records, CAB, EEO, and donor and political activities. We found that the station substantially complied with these requirements, and we had no findings or recommendations.

Evaluation of KCTS 9 Cascade Public Media's Compliance with Communications Act Requirements, Seattle, Washington for the Period July 1, 2015 through March 31, 2016, <http://www.cpb.org/files/oig/reports/KCTS.pdf>

Additional Reporting Requirements

Peer Review Results

OIG's most recent audit peer review was conducted by the Government Accountability Office (GAO) for the period ending March 31, 2016. We received a rating of pass, which is the highest level of assurance an audit organization can receive, and the report contained no recommendations. The report is dated September 7, 2016 and can be found on our website, http://www.cpb.org/files/oig/reports/CPB_OIG_2016_Peer_Review_System_Report.pdf

We did not conduct a peer review of another OIG during this reporting period.

Resolution of Recommendations

The following table summarizes the resolution activities for all audit and evaluation reports issued by our office. We have included reports with monetary and non-monetary recommendations in this table.

Reports Requiring Resolution

Description	Number of Reports	Total		
		Questioned Costs	Unsupported Costs	Funds Put to Better Use
Reports for which no management decision had been made by the start of the reporting period.	2	\$2,229,194	\$2,202,393	\$135,542
Reports issued during the reporting period.	4 ¹	\$11,233	\$11,233	\$248,681
Subtotals	6	\$2,240,427	\$2,213,626	\$384,223
Reports for which a management decision had been made during the reporting period:	5			
• Dollar value of recommendations agreed to by management		\$458,352	\$458,352	\$423,265 ²
• Dollar value of recommendations not agreed to by management		\$1,782,075	\$1,755,274	\$95,181
Reports with no management decision at the end of the reporting period.	1	\$0	\$0	\$0

¹ We issued a total of six reports this reporting period, but only four reports required CPB to resolve findings and recommendations. Three reports had monetary recommendations, and the fourth report contained only administrative recommendations.

² This total includes penalties of \$134,223 that CPB management assessed during audit resolution that we had not identified in four final reports.

Summary of Reports Issued Before March 31, 2016 with No Management Decision by September 30, 2016

During this reporting period there were no reports that were not resolved within the six-month audit resolution timeframe.

Investigative Activities

The IG Act provides for OIG to receive and investigate complaints involving potential violations of law, rules, or regulations, mismanagement, gross waste of funds, or abuse of authority. We receive complaints through a variety of means, including our hotline. We review them all to determine whether they should be the subject of an audit, evaluation, or investigation. The results of investigations may be referred to appropriate federal, state, or local prosecuting authorities. After reviewing a complaint, we may refer it to CPB or other entities.

Complaints

In the previous semiannual report, we stated that we had two open complaints at the end of the reporting period. We closed both during this reporting period. We provided information to one complainant and closed the complaint. With regard to the other, we closed it after determining that the identified actions were permissible.

During this reporting period we received 19 new complaints. We referred five to CPB for its information or action, two to the CPB Ombudsman, and one for possible audit or evaluation. In response to two, we provided information to the complaints and closed the matters. We closed nine because we determined that the complaints either lacked specificity or we did not have authority to act upon them. No complaints remained open at the end of the reporting period.

Investigations

During this reporting period, we opened no new investigations.

Congressional Matters

Responses to Congressional Requests

In June, we submitted a letter and responsive information to a continuing request from the Senate Committee on Homeland Security and Governmental Affairs for information on outstanding unimplemented recommendations. In April, we responded to a similar request from the House Oversight and Government Reform Committee.

Other OIG Activities

Presentations at public media conference

The IG, Deputy IG, and Assistant IG for Investigations/Counsel to the IG presented sessions on Act compliance and on fraud awareness, detection, and deterrence at the Public Media Business Association annual conference in New Orleans from May 31-June 3, 2016.

Participation in CPB compliance training

The IG participated in CPB compliance webinars on September 1 and 29, 2016. In these training sessions for public media officials, she addressed the importance of compliance with the Communications Act and the need to be alert to fraud.

Visits to public media stations

In May, the IG visited four public media stations in New Orleans to learn about the issues facing the stations and remind them of the importance of compliance and fraud awareness.

Participation in IG Community

As the chair of the Audit Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the IG has participated in many CIGIE activities and spoken on behalf of the IG community before a number of groups, including the Biennial Forum of Government Auditors and the Federal Audit Executive Council annual conference. She also, under the auspices of the U.S. Office of Personnel Management, is chairing the government-wide work group dedicated to closing the skills gap in the government auditing profession.

II. CPB AUDIT RESOLUTION ACTIVITIES

Message from the Chief Financial Officer and Treasurer

September 30, 2016

CPB and OIG staffs work cooperatively to discuss and resolve report findings and recommendations in a timely manner. Generally, corrective actions have been completed or are proceeding according to agreed-upon schedules.

Our goal with every audit is to ensure a thorough review with fair and equitable outcomes for CPB and its grantees. This occasionally requires CPB to examine additional facts and circumstances to those reflected in an OIG audit.

On the OIG's report Summary Report on Licensee Compliance with Communications Act and CPB Requirements, CPB raised concerns with the summation of report findings conducted over a ten year period when a significant number of the audits were conducted based on complaints filed or CPB audit requests. Nevertheless, although the OIG cites a 22% non-compliance rate over the ten year period, CPB was encouraged that compliance improved 25% in the second period included in the report when CPB took actions to improve compliance. Based on new programs implemented this past year designed by CPB to achieve full compliance by all stations, CPB is confident that significant improvements will be made on a going forward basis.

CPB maintains its commitment to continuous improvement and to enhancing CPB internal controls, processes, and procedures. The information provided by the OIG from its audits positively influences management decisions in its continuous improvement efforts.



William P. Tayman, Jr.
Chief Financial Officer and Treasurer

Recovering Disallowed Costs and Funds Put to Better Use

During this reporting period, CPB management issued two management decisions that addressed OIG findings with questioned costs or funds put to better use.

Reports with Disallowed Costs or Funds Put to Better Use

Description	Number of Reports	Dollar Value of Disallowed Costs	Dollar Value Funds Put to Better Use
Reports with management decisions for which final action had not been completed by the start of the reporting period.	4	\$92,375	\$318,819
Reports for which management decisions were made during the reporting period	5	\$458,352	\$423,265
Subtotal	9	\$550,727	\$742,084
Reports for which final action was taken during the reporting period.	3		
<ul style="list-style-type: none"> Dollar value of disallowed costs that have been recovered through collection or offset. 		\$89,550	\$42,274
<ul style="list-style-type: none"> Dollar value of disallowed costs written off as uncollectible. 		\$0	\$0
Reports for which final actions were not completed by the end of the reporting period.	6	\$461,177	\$699,810

Corrective Actions Not Completed within One Year of a Management Decision

At the end of the reporting period, two reports with monetary corrective actions had not been completed within one year of the management decision date.

On-Going Monetary Collection Actions as of September 30, 2016

Report No.	Report Title	Date Issued	Date Resolved	Fiscal Year Corrective Action to be Completed
ASJ1102-1201	Audit of CPB Grants Awarded to WQED Multimedia	Dec. 12, 2011	July 9, 2012	FY 2017 ³
ASR1202-1208	Audit of CPB Grants Awarded to Pacifica Foundation Radio Stations KPFA, KPFA, KPFT, WBAI, and WPFW	September 21, 2012	March 28, 2012	Repayment schedule not established; grantee suspended from CSG program

³ CPB began recovering \$759,332 in FY 2013. It will deduct \$151,867 from WQED's annual CSG for five years.

Index of IG Act Reporting Requirements

IG Act Reference	OIG Reporting Requirements	Page
Section 4(a)(2)	Review of Legislation and Regulations	NA
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-6
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	3-6
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	NA
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	NA
Section 5(a)(5)	Summary of Instances Where Information Was Refused or Not Provided	NA
Section 5(a)(6)	List of Audit and Inspection Reports Issued	2
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Section 5(a)(9)	Statistical Table Showing the Number of Audit Reports and Dollar Value of Recommendations that Funds Be Put To Better Use	7
Section 5(a)(10)	Summary of Audit Reports Issued Before the Start of the Reporting Period for Which No Management Decision Has Been Made by the End of the Reporting Period	NA
Section 5(a)(11)	Description and Explanation of Reasons for any Significant Revised Decisions by Management During the Reporting Period	NA
Section 5(a)(12)	Information Concerning Significant Decisions by Management With Which the Inspector General is in Disagreement	NA
Section 5(a)(14)	Information Regarding Peer Reviews Involving the Office of Inspector General	6
Section 5 Notes	Disclosure of Government Contractor Audit Findings	NA
CPB Management Reporting Requirements		
Section 5(b)(2)	Statistical Table Showing the Total Number of Audit Reports and Results From Disallowed Costs	10
Section 5(b)(3)	Statistical Table Showing the Total Number of Audit Reports and Results From Recommendations that Funds Be Put To Better Use Agreed to in a Management Decision	10
Section 5(b)(4)	Summary of Audit Reports Where Final Action Has Not Been Completed Within One Year of a Management Decision	10

Contact CPB/OIG

If you have information about fraud, waste, or abuse involving CPB funds, initiatives, or operations, please call, fax, write, or e-mail the Office of Inspector General or file a complaint through our website. Your report may be made anonymously or in confidence.

Call: **Inspector General Hotline, 202-879-9728 or 800-599-2170**

Fax: **202-879-9699**

Email: **oigemail@cpb.org**

Write: **Inspector General Hotline
401 Ninth Street, NW
Washington, DC 20004-212**

Website: **www.cpb.org/oig/contact.php**



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