

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

**AUDIT OF CPB GRANTS AWARDED TO THE
NATIONAL BLACK PROGRAMMING CONSORTIUM
NEW YORK, NY
FOR THE PERIOD
OCTOBER 1, 2011 – SEPTEMBER 30, 2014**

AUDIT REPORT NO. APT1503-1506

JUNE 11, 2015



Corporation
for Public
Broadcasting

Office of Inspector General

Date: June 11, 2015

To: Jackie J. Livesay, Vice President, Compliance
Joseph Tovares, Senior Vice President, Diversity and Innovation

From: Mary Mitchelson, Inspector General

Subject: Audit of CPB Grants Awarded to the National Black Programming Consortium,
New York, NY, for the Period October 1, 2011 – September 30, 2014, Audit Report
No. APT1503-1506

SUMMARY

We have audited the accompanying financial grant reports (Exhibits C-F) for the National Black Programming Consortium (NBPC) for the three-year period ending September 30, 2014. The objectives of our audit were to determine whether NBPC: 1) submitted financial reports that fairly present the Corporation for Public Broadcasting (CPB) grant revenues and expenditures; 2) incurred costs in accordance with grant requirements; and 3) complied with applicable provisions of the Communications Act (Act).

Based on our audit we found that NBPC:

- accurately reported CPB grant revenues and expenditures;
- incurred costs in accordance with grant requirements; and
- complied with applicable provisions of the Act

Based on our testing we had no findings or recommendations. NBPC's response to the draft report is presented in Exhibit G.

We initiated this audit based on our Annual Plan. We performed our audit in accordance with *Government Auditing Standards* for financial audits. Our Scope and Methodology is discussed in Exhibit A.

BACKGROUND

As stated on its web page, NBPC was founded in 1979. NBPC develops, produces, and funds media content about the Black experience for public media outlets, including television, digital radio, and online. Since 1991, NBPC has invested more than \$10 million dollars in documentary content for public media outlets, including PBS and PBS.org; trained, mentored, and supported a diverse array of producers who create content about contemporary black experiences; and emerged as a leader in the evolving next-media landscape. NBPC distributes content online at BlackPublicMedia.org and via broadcast through its AfroPoP: The Ultimate Cultural Exchange documentary series.

NBPC is a member of the National Minority Consortia, which collectively addresses the need for national public broadcast programming that reflects America's growing ethnic and cultural diversity. NBPC's mission statement states that it is committed to a fully realized expression of democracy. NBPC supports diverse voices by developing, producing, and distributing innovative media about the Black experience and by investing in visionary content makers. The other Consortia members serve the Asian American, Latino, American Indian, Alaska Native, and indigenous Pacific Islander populations. Primary funding for NBPC and the other Consortia members is provided through annual grants from CPB.

NBPC's fiscal year (FY) 2013 annual financial statements reported total expenses of \$2,057,984 and total revenues of \$1,851,953 which included \$1,585,587 in CPB grant revenues.

NBPC records show that in the past 10 years, NBPC has awarded approximately \$5.1 million to independent producers for television productions. This resulted in approximately 110 hours of programming for national public television. During this period NBPC has screened films at over 100 community events worldwide, with over 6,500 people in attendance, and provided training to more than 500 emerging filmmakers. Since 1990, NBPC has used CPB grants to fund independent productions in order to provide independent producers increased access to the public television system and bring innovative programming to the American people. The most recent CPB grants awarded to NBPC included separate operations and production components as follows:

<u>Grant Number</u>	<u>Fiscal Year</u>	<u>Operations Grant</u>	<u>Production Grant</u>	<u>Total</u>
13572 ¹	2012	\$ 648,878	\$ 709,713	\$ 1,358,591
13572	2013	\$ 648,878	\$ 709,713	\$ 1,358,591
14775	2013		\$ 226,996	\$ 226,996
14995	2014	<u>\$648,878</u>	<u>\$709,713</u>	<u>\$1,358,591</u>
	Totals	\$1,946,634	\$2,356,135	\$4,302,769

¹ The Production and Operations Grant No. 13572 was a three-year grant, October 1, 2010 to September 30, 2013. The original contract provided production funding of up to \$788,570 and operations funding of up to \$720,975 each year of the grant. For FY 2012 and FY 2013 CPB amended the production funding to \$709,713 and the operations to \$648,878.

According to the grant agreement terms, the operations funds must be committed by NBPC within the FY of the CPB grant award; however, the production grant funds are available to NBPC for longer periods. The FY 2012 production funds must be committed by September 30, 2014, while the FY 2013 and 2014 production funds are available to be committed by NBPC until September 30, 2015 and September 30, 2016, respectively.

During our audit period, October 1, 2011 through September 30, 2014, CPB paid NBPC a total of \$4,318,557 as presented in Exhibit B. Interim and final financial reports for these grant agreements are presented in Exhibits C-F.

RESULTS OF REVIEW

In our opinion, the financial reports presented in Exhibits C-F fairly present the results of NBPC activities in conformity with CPB grant agreement terms and the applicable provisions of the Act for the three-year period ending September 30, 2014.

We have audited the accompanying NBPC financial reports of revenues and expenses (Exhibits C-F) for the three-year period ending September 30, 2014. These reports are the responsibility of NBPC management. Our responsibility is to express an opinion on these financial reports based on our audit.

We conducted our audit in accordance with *Government Auditing Standards* for financial audits and auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial reports are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial reports to determine compliance with the grant agreement requirements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial reports. We believe that our audit provides a reasonable basis for our opinion.

The accompanying NBPC financial reports were prepared for the purpose of complying with the grant agreements between the CPB and NBPC, as described in Attachments C and H to the CPB grant agreements, and are not intended to be a complete presentation of NBPC's revenues and expenses.

Internal Control over Financial Reporting

In planning and performing our audit of the financial report submitted to CPB, we considered NBPC's internal control over financial reporting to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial report provided to CPB but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of NBPC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial reports will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any internal control deficiencies that we consider to be material weaknesses. However, material weaknesses may exist that we did not identify.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NBPC's financial reports were free from material misstatements, we performed tests of its compliance with certain provision of law and grant agreement requirements, noncompliance with which could have a direct and material effect on the determination of financial report amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

SCOPE AND METHODOLOGY

We performed an audit to determine the accuracy of NBPC costs reported to CPB, whether grant funds were spent in accordance with CPB grant agreement terms, and whether NBPC complied with applicable provisions of the Communication Act (Act). The scope of the audit included reviews and tests of the costs claimed by NBPC on active CPB production and operations grants during the period October 1, 2011 – September 30, 2014. Final and interim reports submitted to CPB as of September 30, 2014 are provided in Exhibits C through F.

In conducting our audit, we reviewed CPB's grant files and discussed the award and administration of the grants with CPB officials from the offices of Diversity and Innovation, Business Affairs, and Television and Digital Video Content. At NBPC, we discussed the agreements with financial, production, and management officials. We also reconciled the financial information maintained by NBPC in its accounting records by grant to the expenses it reported to CPB.

We tested the allowability and accuracy of grant expenditures NBPC reported by performing financial reconciliations and comparisons to underlying accounting records and the audited financial statements. We verified transactions recorded in the general ledger and reported to CPB on its payment requests. We also evaluated compliance with the grant agreement terms, in part, by testing a judgmental sample of 104 expenditures for the grants reviewed, valued at \$963,702, to supporting documentation maintained by NBPC. The transactions tested included a variety of expenditure types such as payroll, travel, producer contracts, and consulting fees. We also judgmentally selected eight sub-agreements (productions, acquisition, and other activities) for review, including one sub-agreement executed in FY 2011, under Grant No. 13572. Finally, we reviewed documents available to the public under the Act.

We gained an understanding of internal controls over the preparation of the grant reports, cash receipts, and payment authorizations to plan our substantive testing. Also, to obtain reasonable assurance that financial reports submitted to CPB were free of material misstatements, we performed tests of compliance with certain provisions of law and grant agreement requirements, when noncompliance could have a direct and material effect on the grant report amounts.

We conducted our fieldwork from February 2015 through March 2015 and performed our audit in accordance with the *Government Auditing Standards* for financial audits.

**Schedule of CPB Payments to NBPC
October 1, 2011 - September 30, 2014**

Payment Date	Grant Agreement No.	Amount
11/14/2011	13572	\$229,567
2/10/2012	13572	\$406,469
4/27/2012	13572	\$236,368
6/15/2012	13572	\$198,705
7/20/2012	13572	\$221,422
8/23/2012	13572	\$139,956
2/5/2013	13572	\$11,299
Subtotal		\$1,443,786
10/26/2012	13572	\$183,393
12/14/2012	13572	\$383,362
2/15/2013	13572	\$261,715
6/13/2013	13572	\$101,771
7/8/2013	13572	\$194,663
1/8/2014	13572	\$72,377
5/9/2014	13572	\$84,369
8/23/2010	13572	\$96,422
Subtotal		\$1,378,072
3/5/2013	14775	\$75,000
4/30/2013	14775	\$101,996
7/12/2013	14775	\$50,000
Subtotal		\$226,996
10/10/2013	14995	\$339,648
10/22/2013	14995	\$227,107
3/11/2014	14995	\$274,800
6/12/2014	14995	\$194,663
9/15/2014	14995	\$109,764
11/20/2014	14995	\$123,721
Subtotal		\$1,269,703
Grand Total		\$ 4,318,557

Operations and Productions Grant No. 13572²
Report Submitted to CPB
As of September 30, 2012

Account Description	Total Budget FY 2012	Total YTD Actuals	Variance
REVENUE			
<i>Program Income</i>			
CPB Operations	\$733,573	\$733,573	\$0
CPB Production	783,570	783,570	0
Ford	50,000	0	50,000
NYSCA	5,000	7,000	(2,000)
Board Donation	8,400	0	8,400
Earned Income from Space Rental	36,000	17,758	18,242
NEA	50,000	50,000	0
Mac Arthur Foundation (Anticipated)	50,000	0	50,000
Earned Income Contracted Services	60,000	10,000	50,000
Donations/Other Support (Anticipated)	15,447	11,999	3,448
PBS (DC Met)	290,148	400,000	(109,852)
American Graduate	15,000	31,944	(16,944)
Total Program Income	\$2,097,138	\$2,045,844	\$51,294
EXPENSES-OPERATIONS			
<i>Salaries & Benefits</i>			
Total Salaries	\$590,300	\$585,743	\$4,557
Benefits & Taxes	137,800	143,396	(5,596)
Total Salaries & Benefits	\$728,100	\$729,139	(\$1,039)
<i>Contracted Services</i>			
Audit	\$11,000	\$11,000	\$0
Payroll Service	38,600	38,856	(856)
Total Contracted Services	\$49,000	\$49,856	(\$856)

² Grant No. 13572 was a three-year operations and production grant for the period October 1, 2010 to September 30, 2013. FY 2012 and FY 2013 production expenses are reported separately in schedules D and F.

Exhibit C (continued)

Operations and Productions Grant No. 13572
 Report Submitted to CPB
 As of September 30, 2012

Account Description	Total Budget FY 2012	Total YTD Actuals	Variance
<i>OTPS</i>			
Rent & Utilities	\$91,944	\$95,788	(\$3,844)
Telephone/Internet	23,304	19,341	3,963
Cleaning-Repairs/Maintenance	6,720	7,380	(660)
Shipping & Postage	6,000	6,441	(441)
Legal	5,000	3,842	1,158
Travel-Board	7,500	7,482	18
Supplies	11,000	12,455	(1,455)
Office Expense	10,000	9,114	886
Travel	40,000	38,012	1,988
Total OTPS	\$201,468	\$199,855	\$1,613
TOTAL OPERATING EXPENSES	\$978,568	\$978,850	(\$282)
EXPENSES-PROGRAM/PRODUCTION			
<i>Program Expenses</i>			
Membership Fees	\$7,500	\$7,825	(\$325)
Insurance	9,070	6,399	2,671
Digital Equipment System/Maintenance	12,000	13,314	(1,314)
Marketing/Outreach/Engagement	100,000	100,392	(392)
Total Program Expenses	\$128,570	\$127,930	\$640
<i>Production Expenses</i>			
Television Programming	\$425,000	\$426,055	(\$1,055)
BlackPublicMedia.org	240,000	237,627	2,373
Public Media Corps	325,000	329,485	(4,485)
Total Production Expenses	\$990,000	\$993,167	(\$3,167)
TOTAL PROGRAM AND PRODUCTION EXPENSES	\$1,118,570	\$1,121,097	(\$2,527)
TOTAL OVERALL EXPENSES	\$2,097,138	\$2,099,947	(\$2,809)

Operations and Production Grant No. 13572³
Financial Report Submitted to CPB
As of September 30, 2013

Account Description	Total Budget FY 2013	Total YTD Actuals	Variance
REVENUE			
<i>Program Revenue</i>			
CPB Operations	\$648,878	\$648,878	\$0
CPB Production	709,713	709,713	0
Ford	9,000	10,000	(1,000)
NYSCA	40,000	24,000	16,000
Board Donation	8,400	500	7,900
Jerome Foundation	15,000	0	15,000
Earned Income/Rental Space	30,452	0	30,452
NEA	50,000	50,000	0
Private Foundation (Anticipated)	40,000	0	40,000
Co-Presenter Support	10,000	5,000	5,000
Earned Income Contracted Services (Anticipated)	50,500	14,473	36,027
Membership Dues	11,000	0	11,000
Donations/Corporate Foundation Support	30,000	35,544	(5,544)
NBPC (Grantee Guarantee)	200,923	56,504	144,419
Total Program Revenue	\$1,853,866	\$1,554,612	\$299,254
EXPENSES-OPERATIONS			
<i>Salaries & Benefits</i>			
Total Salaries	\$547,800	\$503,374	\$47,581
Benefits & Taxes	142,428	122,758	19,670
Total Salaries & Benefits	\$690,228	\$626,132	\$67,251
<i>Contracted Services</i>			
Audit	\$12,000	\$12,000	\$0
Contracted Services – FD	70,000	0	70,000
Payroll Service	39,600	35,119	4,481
Total Contracted Services	\$121,600	\$47,119	\$74,481

³ Grant No. 13572 was a three-year operations and production grant for the period October 1, 2010 to September 30, 2013. FY 2012 and FY 2013 production expenses are reported separately in schedules D and F.

Exhibit D (continued)

Operations and Production Grant No. 13572
 Financial Report Submitted to CPB
 As of September 30, 2013

Account Description	Total Budget FY 2013	Total YTD Actuals	Variance
<i>OTPS</i>			
Rent & Utilities	\$118,027	\$89,590	\$28,437
Telephone/Internet	23,304	18,401	4,903
Cleaning-Repairs/Maintenance	8,400	4,620	3,780
Shipping & Postage	6,557	1,405	5,152
Office Expense	16,500	14,257	2,243
Legal	5,750	4,118	1,632
Supplies	16,000	6,300	9,700
Travel	23,000	20,336	2,664
Total OTPS	\$217,538	\$159,028	\$58,510
TOTAL OPERATING EXPENSES	\$1,029,366	\$832,279	\$200,242
EXPENSES-PROGRAM/PRODUCTION			
<i>Program Expenses</i>			
Insurance	\$12,000	\$11,395	\$605
Membership Fees	8,000	8,129	(129)
Digital Equipment System/Maintenance	9,500	9,154	346
Station Relations/Marketing	40,000	39,570	430
Outreach/Education	60,000	59,233	767
Total Program Expenses	\$129,500	\$127,481	\$2,019
<i>Production Expenses</i>			
Television Programming	\$325,000	\$335,770	(\$10,770)
BlackPublicMedia.org	120,000	120,342	(342)
Public Media Corps	250,000	139,902	110,098
Total Production Expenses	\$695,000	\$596,014	\$98,986
TOTAL PROGRAM AND PRODUCTION EXPENSES	\$824,500	\$723,495	\$101,005
TOTAL OVERALL EXPENSES	\$1,853,866	\$1,555,774	\$301,247

Operations and Productions Grant No. 14995
Final Report Submitted to CPB
As of September 30, 2014

Account Description	Total Budget FY 2014	Total YTD Actuals	Variance
REVENUE			
<i>Program Revenue</i>			
CPB Funding- Production	\$709,713	\$561,992	\$147,721
CPB Funding- Operations	648,878	583,990	64,888
NYSCA	24,000	24,000	0
NEA	85,000	85,000	0
Fiscal Sponsor	5,000	5,160	(160)
Private Foundations	40,000	0	40,000
Donations/Corporate Support	40,000	14,373	25,627
Other Revenue	133,472	20,375	113,097
Total Program Revenue	\$1,686,063	\$1,294,890	\$391,173
<i>Salaries & Benefits</i>			
Total Salaries	\$522,650	\$477,622	\$45,028
Benefits & Taxes	137,177	100,792	36,415
Total Salaries & Benefits	\$659,827	\$578,384	\$81,443
<i>Contracted Services</i>			
Audit	\$12,000	\$12,000	\$0
Contracted Services - FD	50,679	18,060	32,619
Fiscal Services	34,682	38,023	(3,341)
Total Contracted Services	\$97,361	\$68,083	\$29,278

Exhibit E (continued)

Operations and Productions Grant No. 14995
 Final Report Submitted to CPB
 As of September 30, 2014

Account Description	Total Budget FY 2014	Total YTD Actuals	Variance
<i>OTPS</i>			
Rent & Utilities	\$61,680	\$59,277	\$2,403
Telephone/Internet	21,888	20,201	1,687
Cleaning-Repairs/Maintenance	4,600	4,325	275
Shipping & Postage	3,660	2,970	690
Office Expense	12,276	11,840	436
Legal	4,500	4,100	400
Supplies	5,160	4,402	758
Travel	17,700	27,285	(9,585)
Total OTPS	\$131,464	\$134,400	(\$2,936)
TOTAL OPERATING EXPENSES	\$888,652	\$780,867	\$107,785
EXPENSES-PROGRAM/PRODUCTION			
<i>Program Expenses</i>			
Production Support	\$22,230	\$20,991	\$1,239
Station Relations/Marketing	43,181	45,408	(2,227)
Outreach/Education/PMC	152,000	44,749	107,251
Total Program Expenses	\$217,411	\$117,147	\$106,264
<i>Production Expenses</i>			
Television Programming	\$480,000	\$309,626	\$170,374
BlackPublicMedia.org	100,000	78,363	21,637
Total Production Expenses	\$580,000	\$387,989	\$192,011
TOTAL PROGRAM AND PRODUCTION EXPENSES	\$797,411	\$499,137	\$298,274
TOTAL OVERALL EXPENSES	\$1,686,063	\$1,280,004	\$406,059

180 Days: A Year Inside an American High School Grant No. 14775
Financial Report Submitted to CPB
As of June 30, 2013

Account Description	Total Budget	YTD Actuals	YTD Variance
Revenue			
CPB Funding	\$226,996	\$226,996	\$0
Total Revenue	\$226,996	\$226,996	\$0
Outreach Expenses			
Outreach Coordinator	\$24,000	\$22,000	\$2,000
National Screening Coordinator	25,700	25,700	0
Station Relations	12,000	12,000	0
Station Grants	30,000	30,000	0
Promotional Materials Design	1,500	1,720	(220)
Promotional Materials DVDs Poster tec.	15,000	13,936	1,064
Tune-in Radio Ads	96,996	96,996	0
Web Ads (PBS.org)	5,000	5,000	0
Lodging	5,000	6,179	(1,179)
Travel	8,000	9,576	(1,576)
Meals/Per diem	1,300	1,415	(115)
Supplies	2,500	2,474	26
Total Outreach Expenses	\$226,996	\$226,996	\$0



Exhibit G

May 5, 2015

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

Dear Mr. Richardson,

This letter is to acknowledge that we have received a copy of the draft audit report and are in agreement with the current findings.

Allow me to express my sincere appreciation in regard to a thorough and timely audit process, and, in particular, to the high level of quality and professionalism delivered by CPB Team Leader, Monica Mitchell.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leslie Fields-Cruz', with a long horizontal flourish extending to the right.

Leslie Fields-Cruz
Executive Director