



Corporation
for Public
Broadcasting

Office of the Inspector General

August 31, 2023

To: Jackie J. Livesay, Deputy General Counsel and Vice President, Compliance
Kathy Merritt, Senior Vice President, Radio, Journalism and CSG Services

From: Kimberly A. Howell, Inspector General

Digitally signed by
Kimberly Howell
Date: 2023.08.31
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Subject: Evaluation of KSVR-FM, Skagit Valley College, Compliance with Selected
Communications Act, and General Provisions Diversity and Transparency
Requirements, Report No. ECR2313-2312

We have completed an unannounced evaluation of compliance with selected requirements of the 2023 Corporation for Public Broadcasting (CPB) Community Service Grant (CSG) awarded to KSVR-FM, licensed to Skagit Valley College, Mount Vernon, Washington. Our specific objectives were to verify compliance with twelve requirements of the Communications Act of 1934, as amended (Act), for open and closed meetings and open financial records, as well as the CSG General Provisions and Eligibility Criteria (General Provisions) for diversity and transparency as presented in Exhibit A. Background information on the station and CSG program can be found in Exhibit B.

Based on our review of KSVR-FM's website on May 22, 2023, we found the station was compliant with five of the seven requirements applicable. The station was not compliant with one requirement and partially compliant with another requirement. The remaining five requirements were not applicable.

Specifically, we found that the station:

- was not compliant with posting its most recent unaudited financial statement to the station's website; and
- was partially compliant with Diversity Statement requirements but did not clearly identify the following reporting points:
 - the extent to which Grantee's staff and governance reflect diversity;
 - the progress made to increase its diversity in the last two to three years; and
 - the Grantee's diversity plans for the coming year.

Upon receiving our preliminary observations, the station said it was in the process of updating its website to include the required most recent financial statement that was omitted due to a change in financial systems in the prior year. The station took immediate action to include the additional reporting points in its current Diversity Statement and updated the statement on its website.

We recommend that CPB require KSVR-FM to:

- 1) post its most recent unaudited financial statement on the station's website;
- 2) identify the corrective actions and controls it will implement to ensure future compliance with Act requirements for open financial records; and
- 3) identify the corrective actions and controls it will implement to ensure future compliance with the General Provisions' diversity requirements.

In response to the draft report KSVR-FM and Skagit Valley College management stated that they had reviewed our draft report and concurred with our findings. The station said it took corrective actions to post its most recent unaudited financial statements to the website and included the additional reporting points in the station's current Diversity Statement. Station management said the station is in the process of putting controls in place to ensure its future timely compliance. The station's full response to the draft report is presented in Exhibit D.

Based on KSVR-FM's response to the draft report, we consider our recommendations one and two unresolved and open because the unaudited financial statements did not include all the information CPB financial reporting guidelines require. We consider recommendation three resolved but open pending CPB's management decision accepting the station's corrective actions.

We initiated this evaluation to address station accountability as identified in our Annual Plan. We conducted our evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. Our scope and methodology are discussed in Exhibit C.

cc: Laura Ross, Chair, CPB Board of Directors
Elizabeth Sembler, Chair, Audit and Finance Committee, CPB Board of Directors
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

FINDINGS AND RECOMMENDATIONS

I. ACT COMPLIANCE

Open Financial Records

Our evaluation found that KSVR-FM was not fully compliant with the Act requirements for open financial records to be available on the station's website. Specifically, we found that the station's website did not have any financial statements posted for public access. The FY 2021 Financial Summary Report was posted to the website on the station's board and grant information web page under the financial disclosures section with a link that was labeled 2021-KSVR-Financial-Statements; the unaudited financial statements¹ were not posted to that link or anywhere else on the station's web page.

The Act provides:

Funds may not be distributed pursuant to this subsection to any public telecommunications entity that does not maintain for public examination copies of the annual financial and audit reports, or other information regarding finances, submitted to the Corporation ...

47 U.S.C. Section 396 (k)(5). CPB's compliance guidance restates the requirement:

The Public's Access to Financial Information: The Act requires stations to make available to the public their annual financial and audit reports and other financial information they are required to provide to CPB. CPB also requires that each CSG recipient post the following documents on its station website:

- 1) its most recent audited financial statement or un-audited statement for stations exempt from providing audited financial statements; ...

CPB Act Compliance 2021 - III. Open Financial Records, Section E.

Upon receiving our preliminary observations, the station said it was in the process of updating its website to include the required most recent financial statement that had been omitted due to a change in financial systems and an oversight in the prior year.

At the time of our initial review on May 22, 2023, the station was not compliant with Act open financial records requirements and may be subject to penalties under CPB's Non-Compliance Policy.

¹ CPB's Financial Reporting Guidelines, I. Financial Statements, D. requires that unaudited financial statements must include the following information for stations that follow Government Accounting Standards Board (GASB) principles of accounting: Statement of Cash Flows; Statement of Net Assets and /or Balance Sheet; and Statement of Revenues, Expenses & Changes in (Fund) Net Assets.

Recommendations:

We recommend that CPB management require KSVR-FM to:

- 1) post its most recent unaudited financial statement on its website; and
- 2) identify the corrective actions and controls it will implement to ensure future compliance with Act and CPB requirements for open financial records.

KSVR-FM Response:

In response to our draft report, KSVR-FM management stated it concurred with our findings and has posted the most recent unaudited financial statements to its website and is in the process of putting controls in place to ensure its future compliance.

OIG Review and Comment:

Based on KSVR-FM's response to the draft report, we consider our recommendations unresolved and open because the unaudited financial statements posted to website did not fully meet CPB's requirements for information that must be included in unaudited financial statements. As previously noted in footnote 1, a grantee that follows GASB principles of accounting must include the following in its unaudited financial statements: Statements of Cash Flows; Statement of Net Assets and/or Balance Sheet; and Statement of Revenues, Expenses and Changes in (Fund) Net Assets. The station posted its most recent Statement of Revenues and Expenses, one of the three required financial statements. During our evaluation fieldwork, we contacted CPB for a copy of the station's most recent unaudited financial statements that are also required to be provided to CPB. CPB provided us with the station's unaudited FY 2021 Revenue and Expenditure report that it obtained during its most recent desk review, the Cash Flow and Balance Sheet information were not provided to CPB. CPB management stated that KSVR-FM is a small station, and this unaudited financial information was all that CPB had received. We followed up with KSVR-FM station management and they stated that they had never been asked to provide any additional financial information, but would work on creating the Cash Flow and Balance Sheet Statements and upload to its website.

II. GENERAL PROVISIONS

Diversity Statement

Our evaluation found that KSVR-FM generally complied with the CPB requirements to provide a Diversity Statement. However, we found that KSVR-FM did not clearly identify the following reporting requirements in its current Diversity Statement when we evaluated it on May 22, 2023:

- the extent to which Grantee's staff and governance reflect diversity;
- the progress made to increase its diversity in the last two to three years; and
- the Grantee's diversity plans for the coming year.

The station took action in response to our preliminary observations' evaluation of its Diversity Statement and updated its statement to reflect the additional reporting points. Station

management said that these points are addressed in its diversity goal reviews but that it was an oversight that these points were not included in its Diversity statement. The station promptly added them and updated the statement on KSVR-FM's website.

CPB's FY 2023 Radio Community Service Grant General Provisions and Eligibility Criteria, Section 8. Diversity Statement states:

The Act requires CPB to support diverse non-commercial educational content for unserved and underserved audiences. CPB's goal, therefore, is to support stations in providing a wide variety of educational, informational, and cultural content that addresses the following elements of diversity: gender, age, race, ethnicity, culture, religion, national origin, and economic status. It is appropriate that Grantee engage in practices designed to reflect such diversity of the populations it serves. In support of these objectives, Grantee must comply with the following ...

2) **Diversity Statement:** Undertake the following to achieve Grantee's diversity goal ...

2. Maintain on its website or make available at its central office, a diversity statement (approximately 500 words) that reflects on the following points, reviewing and updating the same annually with station management:

- a. the elements of diversity that Grantee finds important to its public media work;
- b. the extent to which Grantee's staff and governance reflect such diversity;
- c. the progress Grantee has made to increase its diversity in the last two to three years; and
- d. Grantee's diversity plans for the coming year.

Although the station took immediate action to include the additional reporting points in its current diversity statement and updated the statement on its website, we concluded that when we conducted our evaluation the Diversity Statement did not address three of the four reporting points spelled out in CPB's criteria.

Recommendation:

We recommend that CPB management require KSVR-FM to:

- 3) identify the corrective actions and controls it will implement to ensure future compliance with diversity requirements.

KSVR-FM Response:

In response to our draft report, KSVR-FM agreed that the station was partially compliant with Diversity Statement requirements. The station said it had updated its Diversity Statement with the additional requirements and posted the revised statement on its website and stated it was in the process of putting controls in place to ensure its future compliance on a timely basis.

OIG Review and Comment:

Based on KSVR-FM's response to the draft report, we consider our recommendation resolved but open pending CPB's management decision accepting the station's corrective actions to ensure future compliance.

**Summary of KSVR-FM Website Review
as of May 22, 2023**

Requirements	Met	Partially Met	Not Met
1) Seven-day advance notice of governing body meeting:			
a) available on website	X		
b) available by other means			
2) Seven-day advance notice of board committee meetings:	N/A		
a) available on website			
b) available by other means			
3) Seven-day advance notice of CAB meetings:			
a) available on website	N/A		
b) available by other means			
4) If closed meetings were held, was documentation prepared explaining the basis for closing meeting in accordance with the Act:	N/A		
a) available on website			
b) available at central office			
5) If closed meeting documentation was prepared, was it available within 10-days of the closed meeting	N/A		
6) Most recent Financial Summary Report available on website	X		
7) Most recent audited or unaudited financial statements on website			X
8) Senior/executive management information on website	X		
9) Governing body members on website	X		
10) CAB members on website	N/A		
11) Diversity Statement		X	
A. Diversity Statement is available to the public on:			
i. on website	x		
ii. at central office			
B. Annual review of Diversity Statement and statement available to public reflects current goals.	x		
C. Diversity Statement is approximately 500 words.	x		
D. The Diversity Statement reflects each of the following points			
i. the elements of diversity that Grantee finds important to its public media work;	x		
ii. the extent to which Grantee's staff and governance reflect such diversity;			x
iii. the progress Grantee has made to increase its diversity in the last two to three years; and			x
iv. the Grantee's diversity plans for the coming year			x

Exhibit A (continued)

**Summary of KSVR-FM Website Review
as of May 22, 2023**

Requirements	Met	Partially Met	Not Met
E. Does the station’s management annually review with the Governing Board or licensing official the diversity goals and revisions?	x		
12) Grantee’s annual report on local content and services included in the grantee’s current 2022 SAS on its content and services that serve local needs; and analysis about the reach and impact of the local services in its community.			
i. on website			
ii. at central office	X		

Legend: X designates that the 12 requirements tested were met, partially met, not met, or N/A.
x designates that the 5 sub-components of the CPB Diversity Statement requirements were met or not met.

Background

KSVR-FM, Mount Vernon, Washington, is a public broadcasting station licensed to Skagit Valley College. According to the KSVR-FM website, the station is a full-service FM radio station that is committed to providing local voices and content, with entertainment, news and information for the Skagit Valley College Educational District #4, in both English and Spanish. KSVR-FM has been on the air since 1973 and provides opportunities for students and community volunteers to produce radio programming to reach local populations. The station is also an affiliate of the national Latino public radio network, Radio Bilingue.

CPB's Community Service Grant Program

The 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. CPB distributes these funds through its CSG program. Grant award amounts are based in part on the amount of Non-Federal Financial Support (revenues) claimed by all stations on their Annual Financial Reports and Financial Summary Reports submitted to CPB.

In addition to the annual filing of a station's Annual Financial Reports or Financial Summary Reports for radio and/or television, the chief executive of the station and a licensee official annually certify to CPB the station's compliance with Act requirements and selected General Provisions requirements in the legal agreement awarding the station CSG funds.

These certifications specifically address Open and Closed Meetings, Open Financial Records, Community Advisory Board, CPB Employment Statistical Report, and Donor information requirements under Section IV Communications Act Compliance of the agreement. Station officials responsible for closed meetings and the CPB Employment Statistical Report requirements are identified in the grant agreement. The certification also includes Website Postings Required under Section V. Selected General Provisions Requirements of the agreement.

Scope and Methodology

We performed an evaluation of KSVR-FM's compliance with selected CSG provisions of the Act and grant certification requirements. Our specific objectives were to verify compliance with selected Act requirements for open and closed meetings and open financial records, as well as Radio Community Service Grants General Provisions and Eligibility Criteria for diversity and transparency. The scope of the evaluation included review of the information posted on the station's website as of May 22, 2023, as well as information provided in response to our Preliminary Observations issued on June 14, 2023.

We reviewed documents supporting the station's compliance with the Act requirements to provide advance notice of public meetings, notice of closed meeting reasons, and make financial information available to the public. We also reviewed the station's website and processes to determine its compliance with CPB's diversity and transparency requirements for eligibility. We informed station management of our evaluation on June 14, 2023, and we requested additional information to support the station's compliance, including, as applicable, transparency information maintained at its central office for documents that is required to be made available to the public at its central office if not posted on its website. Additionally, we requested that station management complete a Diversity Questionnaire to obtain information on the station's actions to annually review and update its Diversity Statement in compliance with CPB requirements.

We also reviewed CPB's Integrated Station Information System to determine if the evaluated information made available to the public was the most recent information submitted to CPB. In addition, we verified with station management that board and management listings posted to its website were current.

Our fieldwork was conducted in May through June 2023, and our evaluation was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*.

August 15, 2023

To: William Richardson, Deputy Inspector General

From: Ed Jaramillo, Vice President for Administrative Services

Subject: Evaluation of KSVR-FM, Skagit Valley College, Compliance with Selected Communications Act, and General Provisions Diversity and Transparency Requirements.

As requested, KSVR-FM is in receipt of your initial evaluation letter dated July 17, 2023.

KSVR and College management have reviewed the letter and concur with the following results:

- that the station was non-compliant on the posting of the most recent un-audited financial statement to the station's website; and
- that the station was partially compliant with Diversity Statement requirements

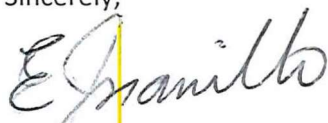
Since the receipt of your letter, the following actions were taken:

- the station has posted the current un-audited financial statements to the website as required; and;
- the station included the additional reporting points identified in the findings in the current diversity statement and updated the statement on the website.

The station has taken corrective action on the findings and is in the process of putting controls in place to ensure compliance on a timely basis in the future.

We would like to thank you for the professionalism and courtesies provided to the station during this evaluation, and look forward to working with CPB and your office in the future.

Sincerely,



Ed Jaramillo

Vice President for Administrative Services, Skagit Valley College