



Corporation  
for Public  
Broadcasting

## Office of the Inspector General

**Audit of Community Service and Other Grants Awarded to  
KHSU-FM, Licensed to California State Polytechnic University,  
Humboldt, Arcata, California  
for the Period July 1, 2020 through June 30, 2023**

**REPORT NO. ASR2502-2506**

**March 31, 2025**



# Report in Brief

*Audit of Community Service and Other Grants Awarded To KHSU-FM  
Licensed To California State Polytechnic University, Humboldt, Arcata, California  
For The Period July 1, 2020 Through June 30, 2023*

## What We Found

We found that KHSU was not compliant with CPB grant and Communications Act requirements because it:

- reported \$13,997 in allocated Community Service Grant (CSG) questioned costs, based on \$37,272 in unsupported expenditures;
- did not maintain accounting records sufficient to facilitate an audit of its reported Indirect Administrative Support (IAS) NFFS (scope limitation);
- did not comply with Communications Act, CPB Financial Reporting Guidelines (Guidelines), and Radio CSG General Provisions and Eligibility (General Provisions) requirements for completing its required annual audit, posting its FSR to its website, and posting key executives and governing body members on its website, and;
- did not comply with General Provisions requirements for discrete accounting of restricted and unrestricted CSG expenses within KHSU's accounting recordkeeping. KHSU expenses were commingled with Capital Public Radio and KCHO-FM (North State Public Radio) expenses using the same account codes, which also included non-CSG expenses.

In response to our draft report CPR management stated they took these findings seriously and acknowledged that unacceptable deficiencies and poor practices occurred in the past. Under new management and leadership, it has taken swift corrective actions and implemented internal controls to prevent such noncompliance in the future.

## What We Recommend

We recommend that CPB management:

- require KHSU to repay allocated CSG questioned costs of \$13,997;
- assess penalties for the inadequate recordkeeping for indirect administrative support, the lack of discrete accounting, failure to post the current FSR on its website, failure to post key executive/governing body officials, and failure to conduct timely financial statement audits, and;
- if Capital Public Radio and its affiliated stations seek reinstatement to the CSG program, CPB should require KHSU to specify what internal controls have been implemented to ensure compliance with all CSG requirements and monitor to ensure those controls have been implemented.

## Why We Performed This Audit

We selected this station for audit because of press reports that identified prior mismanagement at the station's management agent, a California State University Chancellor's internal audit, and CPB's concerns.

Our objectives were to determine whether the station: a) claimed NFFS on their AFRs in accordance with CPB's Financial Reporting Guidelines; b) complied with the Act and CPB's certification requirements; and c) expended CPB grant funds in accordance with grant requirements.

This report contains the conclusions of the Office of the Inspector General. CPB will make the final decision on our findings and recommendations.



Corporation  
for Public  
Broadcasting

Office of the Inspector General

Date: March 31, 2025

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

From: Kimberly A. Howell, Inspector General

Subject: Audit of Community Service and Other Grants Awarded KHSU-FM, Licensed to  
California State Polytechnic University, Humboldt, Arcata, California for The  
Period July 1, 2020 Through June 30, 2023, Report No. ASR2502-2506

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 the Inspector General's website and [Oversight.gov](https://www.oversight.gov) and distribute it to the 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: Ruby Calvert, Chair, CPB Board of Directors  
Elizabeth Sembler, CPB Board of Directors, Audit and Finance Committee  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
U.S. House of Representatives Committee on Oversight and Accountability  
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) grants awarded to KHSU-FM (KHSU), licensed to California State Polytechnic University, Humboldt, Arcata, California. The grants reviewed included Radio Community Service grants (CSG), Rural Services grants, and an American Rescue Plan Act grant for the period July 1, 2020 through June 30, 2023. We selected this station for audit because of press reports that identified prior mismanagement at the station's management agent, a California State University Chancellor's internal audit, and CPB's concerns.

Our objectives were to determine whether KHSU: a) claimed Non-Federal Financial Support (NFFS) on its Annual Financial Summary Reports (FSRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expended grant funds in accordance with grant agreement requirements; and c) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934. The scope of our audit covered the period from July 1, 2020, through June 30, 2023, which included KHSU's three fiscal years (FY) ending June 30, 2021, 2022 and 2023. We also reviewed FY 2024 activity to assess FY 2024 controls.

We found that KHSU was not compliant with CPB grant and Communications Act (Act) requirements because it:

- reported \$13,997 in allocated CSG questioned costs, based on \$37,272 in unsupported expenditures;
- did not maintain accounting records sufficient to facilitate an audit of its reported Indirect Administrative Support (IAS) NFFS (scope limitation);
- did not comply with Act, CPB Financial Reporting Guidelines (Guidelines), and Radio CSG General Provisions and Eligibility (General Provisions) requirements for completing its required annual audit, posting its FSR to its website, and posting key executives and governing body members on its website, and;
- did not comply with General Provisions requirements for discrete accounting of restricted and unrestricted CSG expenses within KHSU's accounting recordkeeping. KHSU expenses were commingled with Capital Public Radio (CPR) and KCHO-FM (North State Public Radio [NSPR]) expenses using the same account codes, which also included non-CSG expenses.

We recommend that CPB management:

- require KHSU to repay allocated CSG questioned costs of \$13,997;
- assess penalties for the inadequate recordkeeping for indirect administrative support, the lack of discrete accounting, failure to post the current FSR on its website, failure to post key executive/governing body officials, and failure to conduct timely financial statement audits, and;
- if Capital Public Radio and its affiliated stations<sup>1</sup> seek reinstatement to the CSG program, CPB should require KHSU to specify what internal controls have been implemented to ensure compliance with all CSG requirements and monitor to ensure those controls have been implemented.

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<sup>1</sup> Capital Public Radio (KXJZ-FM and KXPR-FM), KHSU-FM, and NSPR.



In response to our draft report CPR management stated they took these findings seriously and acknowledge that unacceptable deficiencies and poor practices occurred in the past. Under new management and leadership, it has taken swift corrective actions and implemented internal controls to prevent such noncompliance in the future. CPR's response discussed broad based corrective actions in accounting practices (discrete accounting, supporting documentation, and payment authorizations), transactions (compliance with CPB requirements for indirect administrative support) and public notice (posting financial information and station executives and board information to the station's website). The station's written response is summarized after each finding and the complete response is presented as Exhibit G.

Based on CPR's response to our draft audit report, we consider all six recommendations unresolved and open pending CPB's final management decision resolving our audit findings and recommendations.

This report presents the conclusions of the Office of the 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.

Beginning in FY 2024, California State University, Sacramento (Sacramento State) assumed responsibility for CPR and KHSU's financial accounting and reporting. Since then, we have identified an improvement in internal control related to CPR's and KHSU's financial oversight and reporting as discussed under **Other Matters**.

## **BACKGROUND**

KHSU is a nonprofit, non-commercial radio station managed and operated under a Public Service Operating Agreement (PSOA) between California State Polytechnic University, Humboldt and Capital Public Radio, Inc. (CPR), a nonprofit auxiliary organization of Sacramento State, which licensed and managed several other nonprofit, non-commercial radio stations. According to the PSOA, "Licensee and (CPR) have a unique opportunity to enhance the impact of public media in Northern California through a collaboration that will provide listeners of KHSU with enhanced national, regional, and local reporting in the communities served by KHSU."<sup>2</sup> Under the PSOA, CPR was responsible for day to day operations of KHSU, including compliance and financial accounting and reporting.

### ***California State University Chancellor's Audit***

In 2021, the former Sacramento State Chief Financial Officer noticed irregularities in the quarterly reports submitted to the University by CPR's former General Manager and requested that an audit be conducted by the California State University (CSU) Chancellor's Office. The audit was conducted between February and July 2023, and a report was issued in September 2023. The objectives of the audit were "to confirm compliance with regulatory requirements for the establishment and governance of auxiliary organizations; ascertain the effectiveness of operational, administrative, and financial controls for the activities conducted by Capital Public Radio, Inc. (CPR)".<sup>3</sup> The audit report's Executive Summary included the following:

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<sup>2</sup> PSOA page 2, paragraph 1.

<sup>3</sup> CSU Chancellor's Audit Report 22-37, page 1, paragraph 1.

“Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for CPR as of the end of fieldwork on April 21, 2023, were unlikely to provide reasonable assurance that risks were being managed and objectives were met. Additional follow-up was performed through July 2023 to further clarify the noted issues.

During our audit, we encountered scope limitations that affected our review, primarily due to the unavailability of key financial records and a lack of historical knowledge and information within CPR management. Despite the scope limitations, we conducted the audit procedures we deemed feasible. Upon being informed of the preliminary results of the review and due to the limitations we encountered, campus management decided to engage an independent auditing firm to perform a more focused review of CPR's financial operations and follow up on our audit results.”<sup>4</sup>

### ***Forensic Examination***

After the Chancellors's audit was issued, Sacramento State engaged an Independent Public Accountant (IPA) to conduct a forensic examination of the activities at CPR. The final report was completed and issued in August 2024. Their report's Executive Summary included the following excerpts:

“[The IPA] examined expenditures and disbursements to determine if there is evidence of personal benefit to (name deleted) Subject #1. Our investigation included interviews with individuals involved in CPR finances, financial analysis, and a review of documents provided by CPR. As detailed within this report, [the IPA] determined that a total of \$460,831.93 in unsupported payments were either directly disbursed to (name deleted) Subject #1, or Subject #1 made purchases via credit card that were subsequently paid by CPR without corresponding evidence of expense reports and/or receipts.”<sup>5</sup>

“An additional \$307,493.41 in unsupported payments made by CPR to [Company #1] may have been related to purchases incurred by Subject #1; however, the statements and supporting documentation were not available or could not be located.”<sup>6</sup>

### ***FY 2023 and FY 2024 Financial Audits***

The IPA also was engaged to complete CPR's required annual audit for the 2023 fiscal year. The financial audit report was completed and issued in September 2024, more than seven months after CPB's required submission date of February 13, 2024. This report included a Disclaimer of Opinion, based upon the following:

“Because of inadequacies in Capital Public Radio, Inc.'s accounting records, we were unable to form an opinion regarding the amounts recorded as expenses from cash transactions in the accompanying statement of activities and functional expenses (stated at \$24,854,499). We were also unable to verify donor restricted gifts were used and spent within the donor restrictions.”<sup>7</sup>

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<sup>4</sup> CPR CSU Chancellor's Audit Report 22-37, page 1, paragraphs 2-3.

<sup>5</sup> CPR IPA Forensic Report 8-14-24, page 4, paragraph 3.

<sup>6</sup> CPR IPA Forensic Report 8-14-24, page 4, paragraph 4.

<sup>7</sup> CPR IPA FY 2023 Audited Financial Statements, 9-24-24, page 3, paragraph 3.

The FY 2024 financial audit was completed and issued on October 24, 2024. This report included a Qualified Opinion, based upon the following:

“In our opinion, except for the effects of valuing an asset at appraisal value, as described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Public Radio, Inc. as of June 30, 2024, and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.”<sup>8</sup>

We note that we also encountered scope limitations similar to those encountered by the IPA and CSU auditors. These scope limitations included a lack of key supporting financial information and the lack of discrete accounting of CSG expenditures, particularly for FY 2021 and FY 2022, as well as a lack of historical financial knowledge due to staff turnover in key positions. This report includes findings highlighting the scope limitations in certain areas.

### ***CPB Actions***

With the initiation of this audit, CPB withheld the release of the FY 2024 CSG grant funds pending completion of this audit and the related work being conducted by Sacramento State and the transfer of the station’s accounting function to the University. In October 2024, CPB provided KHSU with notice that it had been removed from the Radio Community Service Grant Program, effective September 30, 2024. The letter also provided guidance and conditions for CPR to be considered for re-entry into the CSG program.

### ***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. After funds are designated as either TV or radio funds, the funds are placed in the appropriate CSG grant pool for distribution to eligible stations.

Each year CPB awards CSG grants to public TV and radio stations based in part on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the 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 separately calculated for television and radio grantees. This is done by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all television grantees for the television IRR and by all radio grantees for the radio IRR. The IRR is then multiplied by each grantee’s adjusted NFFS in various tiers to calculate the incentive award amount of its total CSG. There is a two-year lag between the reported NFFS and CPB’s calculation of the fiscal year’s (FYs) CSG amount. For example, CPB used the NFFS reported by the station on its FY 2021 AFR to determine the amount of the TV CSG funds the station was awarded for FY 2023.

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<sup>8</sup> CPR IPA Audited Financial Statements, 10-24-24, page 1, paragraph 2.



As shown in Exhibit A, KHSU received CSG Radio Restricted, Unrestricted and other grant funds from CPB totaling \$606,992 for FYs 2021, 2022, and 2023. KHSU reported total NFFS of \$557,825 for the three FYs (FY 2021 - \$133,474; FY 2022 - \$318,772; and FY 2023 - \$105,579) as shown in Exhibit D. Stand-alone audited financial statements for KHSU for FY 2021 and the combined statement for CPR, NSPR, and KHSU for FYs 2022 and 2023 reported total KHSU operating revenues of \$1,723,373 for the three years audited (FY 2021 - \$688,299; FY 2022 - \$565,655; and FY 2023 - \$469,419). The station's fiscal year begins on July 1 and ends on June 30.

Under **Other Matters** we discuss the results of our limited scope review of FY 2024 transactions.

## **RESULTS OF AUDIT**

Based on our audit, KHSU was not compliant with CPB grant and Communications Act requirements because it:

- reported \$13,997 in allocated CSG questioned costs, based on \$37,272 in unsupported expenditures;
- did not maintain accounting records sufficient to facilitate an audit of its reported Indirect Administrative Support (IAS) NFFS (scope limitation);
- did not comply with Act, Guidelines, and General Provisions requirements for completing its required annual audit, posting its FSR to its website, and posting key executives and board members on its website, and;
- did not comply with General Provisions requirements for discrete accounting of restricted and unrestricted CSG expenses within KHSU's accounting recordkeeping. KHSU expenses were commingled with Capital Public Radio (CPR) and NSPR expenses using the same account codes, which also included non-CSG expenses.

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 KHSU's compliance with CPB's 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 KHSU's compliance with specified requirements.

## **FINDINGS AND RECOMMENDATIONS**

### **I. QUESTIONED COSTS**

We tested KHSU's CSG expenses for the three years audited and identified questionable costs in FY 2021 and FY 2022. Specifically, we tested five KHSU expense transactions totaling \$20,540 in FY 2021 and another five transactions totaling \$121,078 in FY 2022. Based on the results of our expense testing audit work, we questioned three of the five KHSU expense transactions we reviewed for FY 2021, totaling \$19,656, and three of five FY 2022 reviewed, totaling \$17,617.

These expenses included year-end transactions without any support and other unsupported expenses. Because CPR did not use discrete accounting for KHSU's expenses, we calculated questioned costs by using an allocation of CSG revenues to total FSR expenses as reported for

each of the fiscal years cited. We calculated \$13,997 in allocated CSG questioned costs, as shown below.

The lack of discrete accounting for KHSU's CSG expenses and the commingling of KHSU CSG expenses with CPR and NSPR expenses created a scope limitation to effectively audit CSG expenses. The matter of the comingling of CSG expenses in the same account codes for the three licensees is discussed further under the discrete accounting compliance finding.

***Questioned Costs and CSG Estimated Questioned Costs***

Condition	FY 2021	FY 2022	Totals
Unsupported Year-End Transactions	\$19,656	\$15,152	\$34,808
Unsupported Expenses	\$0	\$2,464	\$2,464
<b>Questioned Costs</b>	<b>\$19,656</b>	<b>\$17,616</b>	<b>\$37,272</b>
CSG Expenditure Percentage <sup>9</sup>	35.417%	39.935%	
<b>CPB Estimated Questioned Costs</b>	<b>\$6,962</b>	<b>\$7,035</b>	<b>\$13,997</b>

Specifically, we identified three transactions totaling \$19,656 in FY 2021 and two transactions totaling \$15,152 in FY 2022 related to year-end accounting closeouts. These journal entries were created to reconcile year end balances against the audited financial statement balances. However, these entries were made solely to match the information being reported on KHSU's audited financial statements, and there was no documentation supporting them. We also identified one unsupported expense transaction for \$2,464 in FY 2022 related to a telephone expense. The transaction had no support other than a spreadsheet entry.

CPB General Provisions require grantees to comply with the recordkeeping requirements set forth below:

1. Recordkeeping, Certification, and Audit Requirements: The Communications Act mandates recordkeeping and auditing and provides CPB and its representatives access to all records concerning a CSG. Grantee must maintain such records as CPB may in its discretion require to facilitate an effective audit. (47 U.S.C. § 396(l)(3)(B), (C), & (D)). Additional information related to recordkeeping is found in the Principles of Accounting.
2. Records and Documentation: Grantee must retain all CSG records, including documentation sufficient to substantiate its CSG Agreement and Certification of Eligibility, for no less than three years after the end of the Spending Period. However, CSG records must be retained for no less than 10 years, after commencement of any of the events below:
  1. when litigation or an audit begins before the expiration of the three-year period; and
  2. when CPB requests otherwise in writing.

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<sup>9</sup> See Exhibit E for calculation of CSG percentage.

E. Expenditures and Discrepancies: Grantee's CSG expenditures must comply with the General Provisions. Failure to comply or provide appropriate documentation may result in CPB requiring Grantee to repay to CPB a portion or all the CSG funds it received.

In the event of an improper expenditure or any discrepancies or inaccuracies in CSG expenditures, whether reported by Grantee, discovered during an audit or otherwise, CPB may, in its discretion, reduce Grantee's CSG. In the event of a CSG reduction, CPB may decide whether to recover the overpayment immediately or by reducing the current or future CSG awards. If CPB requires Grantee to return all or part of the overpayment, CPB will notify Grantee in writing of the action it intends to take.

#### Radio CSG General Provisions and Eligibility Criteria, FYs 2021-2022, Part I, Section 3, Recordkeeping Requirements

There were several contributing factors for the expenditure noncompliance. First, as was mentioned in CPR's IPA report, "Certain individuals associated with CapRadio partook in activities that were not in the best interest of CapRadio and, due to a lack of an internal control framework, the activities were not identified in a timely manner."<sup>10</sup> Second, for the FY 2021 and FY 2022 years, CPR had poor internal controls over accounting because the former General Manager was still serving as both CEO and CFO in FY 2021 and part of FY 2022 and directing the accounting activity for both years. Third, the lack of discrete accounting for CSG restricted and unrestricted expenditures created a scope limitation to verify the actual use of CSG funds. Fourth, CPR proved to be incapable of managing and maintaining both their own and KHSU's financial records, and Sacramento State assumed responsibility for CPR's accounting in October 2023.

The extent of the lack of documentation to support CSG expenses found in our audits of KHSU, CPR, and NSPR, coupled with the lack of discrete accounting for the three licensees' expenses (CSG and non-CSG expenses) prevents us from attesting to the accuracy of the AFRs submitted to CPB for these three licenses. Further, this noncompliance with grant requirements and the lack of appropriate documentation may result in CPB requiring KHSU to repay questioned CSG costs of \$13,997 and associated penalties for non-compliance in accordance with CPB's Non-Compliance Policy.

#### ***Recommendations***

We recommend that:

- 1) CPB require KHSU to repay the \$13,997 in allocated CSG questioned costs.
- 2) If CPR and its affiliated stations seek reinstatement to the CSG program, CPB should require CPR to specify what internal controls have been implemented to ensure that future KHSU CSG expenditures are authorized and fully supported with adequate recordkeeping documentation, and monitor to ensure those controls have been implemented.

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<sup>10</sup> CPR IPA Report on Internal Control, FY 2023, 9-24-2024, page 3, paragraph 3.

## ***CPR Management Response on Behalf of KHSU-FM***

In response to our draft report, CPR management stated that they took these findings seriously and acknowledged that unacceptable deficiencies and poor practices have occurred in the past. Under new management and leadership, it has taken swift corrective actions and implemented internal controls to prevent such deficiencies in compliance and reporting from occurring in the future. Since they contracted out their accounting to Sacramento State, there had been a notable improvement in financial practices and reporting, and that the Sacramento State Accounting Services group had made significant progress in addressing many of the issues identified in the report.

CPR's response highlighted changes made to the expenditure approval process, implementing strict controls for financial transactions including documentation, separation of duties, delegation of authority, and new payment authorization processes. They also noted their implementation of discrete accounting for each licensee they managed and the engagement of a new third-party financial auditor (IPA). The station's complete written response is presented as Exhibit G.

## ***OIG Review and Comment***

Our review of the station's response found that it primarily focused on corrective actions taken without any specific discussion of the control techniques implemented and did not comment on the two recommendations. As a result, we consider both recommendations unresolved and open pending CPB's final management determination resolving these recommendations.

## **II. NFFS NONCOMPLIANCE<sup>11</sup>**

KHSU reported \$79,185 in indirect administrative support (IAS) on Line 16c of its FY 2021 FSR. We were unable to determine the accuracy of this reporting because we did not receive any documentation supporting the FSR entry. This lack of supporting documentation created a scope limitation and prevented us from identifying the accuracy of NFFS IAS revenues reported to CPB.

CPB General Provisions require grantees to comply with the recordkeeping requirements set forth below:

- A. Recordkeeping, Certification, and Audit Requirements: The Communications Act mandates recordkeeping and auditing and provides CPB and its representatives access to all records concerning a CSG. Grantee must maintain such records as CPB may in its discretion require to facilitate an effective audit. (47 U.S.C. § 396(l)(3)(B), (C), & (D)). Additional information related to recordkeeping is found in the Principles of Accounting.

Radio CSG General Guidelines and Eligibility Criteria, FY 2021-2023, Part I, Section 3, Recordkeeping Requirements

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<sup>11</sup> CPR and its affiliated stations KHSU and NSPR were removed from the CSG program by CPB in October 2024.

CPB's Guidelines include the following:

## Completing AFR Schedule B – Indirect Administrative Support

### Worksheet: Standard Method

CSG recipients must use the Standard Method to report IAS.<sup>12</sup>

To calculate IAS using the standard method, follow the five steps below, completing Schedule E before Schedule B.

- Step 1: Compute the Rate...
- Step 2: Identify the Base...
- Step 3: Apply the Rate to the Base...
- Step 4: Compute Occupancy Value...
- Step 5: Deduct Fees Paid to the Licensee...

### Line 2 Occupancy value

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This line will automatically display the occupancy values reported in Schedule B Tab 2 "Determine Occupancy Values".

### Line 3 Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.

Enter any fees paid to the licensee for overhead recovery, assessment, use fees or management fees etc.

### Line 4 Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements

Any excess of the values reported on lines 1 and 2 above that are greater than the values recognized as indirect administrative support revenues in the audited financial statements. Grantees cannot claim more NFFS than that is recognized as indirect administrative support revenues in the audited financial statements. If the indirect administrative support revenue per the audited financial statements is greater than the sum of lines 1 and 2 above, this may cause a reconciling item for Schedule F.

### Line 5 Total indirect administrative support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)

This line reports the value that will be claimed as NFFS from indirect administrative support. This line will automatically calculate the total indirect administrative support as the sum of values reported on lines 1 and 2 above, less amounts reported on lines 3 and 4 above. This line is also forwarded to Line 2 of the Summary of Nonfederal Financial Support.

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<sup>12</sup> Exemption: State Licensees with prior approval from CPB may use the Grantee-Developed method to report IAS.

Line 6 Please enter an institutional type code for your licensee.

Select appropriate licensee donor code from the dropdown menu or list and finally save Schedule B as completed.

#### Financial Reporting Guidelines FY 2021, Part II, Schedule B, Indirect Administrative Support

The support we received for FY 2021 IAS included financial information for other CPR-managed stations, and we were unable to segregate the portion applicable to KHSU's general ledger. For FY 2022, CPR provided a worksheet as documentation for their calculation of KHSU's IAS based upon the Standard Method prescribed by CPB and the spreadsheet generally matched the amount reported the FSR.<sup>13</sup> CPR chose not to report any IAS for KHSU on their FY 2023 FSR.

Our scope was limited in evaluating IAS during our audit period and we could not attest to the accuracy of the IAS reporting on the 2021 AFR, Schedule B. KHSU may be subject to penalties under CPB's Non-Compliance Policy.

#### ***Recommendations***

We recommend that:

- 3) CPB assess penalties for the inadequate recordkeeping for indirect administrative support.
- 4) if CPR and its affiliated stations seek reinstatement to the CSG program, require KHSU to specify what internal controls have been implemented to ensure compliance with CSG indirect administrative support requirements and monitor to ensure corrective actions have been implemented.

#### ***CPR Management Response on Behalf of KHSU-FM***

In response to our draft report, CPR management acknowledged the deficiencies and poor practices during our audit period. Specifically, their response addressed complying with CPB guidelines for claiming indirect administrative support. The station's complete written response is presented as Exhibit G.

#### ***OIG Review and Comment***

Our review of the station's response found that it focused on corrective actions taken without any specific discussion of the control techniques implemented and did not comment on the two recommendations. As a result, we consider both recommendations unresolved and open pending CPB's final management determination resolving these recommendations.

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<sup>13</sup> The FY 2022 FSR had a minor transposition error (\$59,865 reported vs. \$59,685 calculated).



### **III. ACT AND CPB GENERAL PROVISIONS GRANT REQUIREMENTS NONCOMPLIANCE**

#### ***Open Financial Records***

We found that KHSU was not fully compliant with Act, Guidelines, and General Provisions requirements for completing its required annual financial statement audit and making financial records available to the public. On our review date, March 13, 2024, none of their FSRs were posted to their website, and this remained the case at the time of our second review on September 5, 2024. While KHSU's transparency page listed some older FSRs and financial statement audits, they did not include the FYs 2021, 2022, or 2023 FSRs, or the FY 2022 financial statement audit. Also, the separate FY 2023 financial statement audit for KHSU had not been issued as of the completion of the OIG fieldwork.<sup>14</sup>

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 pursuant to subsection (l)(3)(B) of this section.

The Act, 47 U.S.C. Section 396 (k)(5).

CPB's Guidelines include the following:

CSG recipients must submit their annual financial statements to CPB. Those that file an AFR must provide CPB with their annual comparative audited financial statements. Radio recipients must provide CPB with their comparative audited financial statements unless they have total station revenues of less than \$300,000.

Financial Reporting Guidelines, FY 2023, Part I, Section I, Financial Statements, A. Overview

CPB General Provisions include the following:

B. Documents for Public Inspection: Website Posting Required: At a minimum, each Grantee must post the following for public inspection on its station website...

4. The most recent financial records (audited or unaudited financial statements and the AFR or FSR) as required by Section 2(C), Communications Act Requirements.

Radio CSGs General Provisions and Eligibility Criteria, FY 2023, Section 9, Transparency

CPR was responsible for posting the FSRs to KHSU's website. CPR staff stated that the FSRs had not been posted to the website because there was concern about the accuracy of the FSRs after allegations of station mismanagement. Also, while unaudited KHSU schedules were included in CPR's FY 2023 audited financial statements, separate, stand-alone financial statements for KHSU had not been created as of the completion of the OIG audit.

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<sup>14</sup> CPR's FY 2023 and FY 2024 audited financial statements included supplementary information for KHSU, but the IPA's audit opinion did not include the supplementary information for KHSU (Humboldt) and NSPR (Chico).

CPR was not compliant with CPB's General Provisions requirement for open financial records on the date of our reviews and may be subject to penalties under CPB's Non-Compliance Policy.

***Posting of Key Executives and Board Members on website***

KHSU did not list either executive management or the names and titles of its licensee's governing body on its website. While KHSU's transparency page listed some older FSRs and financial statement audits as previously mentioned, it did not include any information about the CPR executives responsible for managing the station or the KHSU governing body officials.

CPB's General Provisions contain specific transparency requirements for making information available to the public and require certain documents be made available on the station's website:

- A. Public Inspection of Documents and Website Posting: To ensure transparency and public confidence in the use of CPB funds, the Communications Act requires Grantees to make certain documents available for public inspection. As set forth below, CPB also requires public access to other documents, and specifies how all documents must be made available for inspection, either by maintaining them at Grantee's office or by posting them on its station website....
- B. Documents for Public Inspection: Website Posting Required: At a minimum, each Grantee must post the following for public inspection on its station website: ...
  - 1. Station Senior/Executive Management: The names, titles and contact information;
  - 2. Governing Body: A list of the members of its governing body;

Radio CSG General Provisions and Eligibility Criteria, FY 2023, Section 9 Transparency

CPR was responsible for updating the information on KHSU's website. CPR staff indicated that, because of the nature of the relationship with KHSU, they were unsure which information should be included on the KHSU website.

KHSU was not fully compliant with CPB CSG transparency requirements at the date of our reviews and may be subject to penalties under CPB's CSG Non-Compliance Policy.

***Discrete Accounting (Scope Limitation)***

CPR did not use discrete accounting for KHSU's CSG expenses despite certifying that it used discrete accounting for its CSG grant agreements. KHSU certified that it used the following discrete accounts for revenues and expenses in its FY 2022 CSG grant agreement.

### ***FY 2022 CSG Account Codes***

<b>Account Title</b>	<b>Account Number</b>
Unrestricted Revenues	11-4305-600
Restricted Revenues	12-4305-600
Unrestricted Expenses	11-6000-100
Restricted Expenses	12-6000-100

These were the same account numbers used by CPR to track its CSG revenues and expenses, so KHSU's CSG revenues and expenses were commingled within CPR's accounting codes. A similar finding was found in auditing NSPR's discrete accounting records. The three licensees' revenues and expenses were all commingled in the same CPR's accounting codes.

For FY 2023, KHSU certified using the following accounts for CSG expenses.

### ***FY 2023 CSG Account Codes***

<b>Account Title</b>	<b>Account Number</b>
Unrestricted Revenues	14-4305-600
Restricted Revenues	12-4305-600
Unrestricted Expenses	14-6000-100
Restricted Expenses	12-6000-100

While the revenue accounts designated by KHSU were generally used as prescribed for FY 2022, as was the 11-6000-100 account on the expense side, the use of these accounts indicates that KHSU funds were commingled with other CPR-managed funds as discussed above. Also, there were discrepancies in using the other expense accounts. For FY 2023, CPR used account 15-6000-100 for KHSU CSG unrestricted expenses instead of the designated 14-6000-100 account. Furthermore, the designated restricted accounts (12-6000-800 for FY 2022 and 12-6000-100 for FY 2023) were never created.

CPR commingled KHSU's restricted expenses with unrestricted expenses in other accounts. This created a scope limitation to accurately account for CSG restricted and unrestricted expenditures for KHSU, CPR, NSPR, as well as non-CSG expenses for all three licensees.<sup>15</sup>

CPB's Radio CSG General Provisions include the following:

- D. Discrete Accounting Requirement: During the Spending Period, Grantee must be compliant with the Discrete Accounting Requirement.

Radio CSG General Provisions, FYs 2021-2023, Part I Section 3, Recordkeeping Requirements

CPB's Radio Community Services Grant Agreement(s) and Certification of Eligibility, to which CPR certified compliance, include the following:

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<sup>15</sup> While restricted CSG expenditures were not discretely accounted for, our testing of programming billings for FY 2022 exceeded the CSG restricted grant award of \$27,615 for that fiscal year so we did not question restricted expenditures. However, we did identify the lack of discrete accounting of CSG expenditures as a scope limitation in our questioned cost finding.

#### D. Discrete Accounting

Grantee must use unique accounting codes for CSG revenues and expenses – restricted and unrestricted. Specifically, Grantee’s accounting systems must be able to generate a report showing CSG revenues and how they were expended, using unique accounting codes. These accounts may not include non-CSG revenues or expenses.

CPB FY 2021, FY 2022, and FY 2023 Radio Community Services Grant Agreement(s) and Certification of Eligibility, Section V, Selected General Provision Requirements

CPB expenditure guidelines also require grantees to comply with the recordkeeping requirements set forth below:

C. Expenditures and Discrepancies: Grantee’s CSG expenditures must comply with the General Provisions. Failure to comply or provide appropriate documentation may result in CPB requiring Grantee to repay to CPB a portion or all the CSG funds it received.

Radio CSG General Guidelines and Eligibility Criteria, FYs 2021-2023, Part I, Section 3, Recordkeeping Requirements

For FY 2021 and FY 2022, CPR had poor internal controls over accounting because the former General Manager was serving as both CEO and CFO in FY 2021 and part of FY 2022 and directed the accounting activity for both years. For FY 2023, even though Sacramento State was responsible for the financial statements after they assumed responsibility for the accounting in October 2023, they elected not to use discrete accounting because of the uncertainty associated with KHSU receiving future CSG grants.

KHSU’s noncompliance with discrete accounting requirements, as certified to CPB, may be subject to penalties.

#### ***Recommendations***

We recommend that:

- 5) CPB assess penalties for noncompliance with submitting a timely annual financial audit, FSR posting, key executive/governing body posting requirements, and discrete accounting requirements.
- 6) If CPR and its affiliated stations seek reinstatement to the CSG program, CPB should require CPR to specify what internal controls have been implemented to ensure KHSU compliance with Act and CPB grant requirements for open financial information, and discrete accounting requirements, and monitor to ensure corrective actions have been implemented.

### ***CPR Management Response on Behalf of KHSU-FM***

In response to our draft report, CPR management acknowledge the deficiencies and poor practices and have implemented corrective actions indicating that they now post required financial information, executive, and board information on its website. Further, it has taken actions to set up discrete accounting practices for each licensee they managed. The station's complete written response is presented as Exhibit G.

### ***OIG Review and Comment***

Our review of the station's response found that it primarily focused on corrective actions taken without any specific discussion of the control techniques implemented and did not comment on the two recommendations. As a result, we consider both recommendations unresolved and open pending CPB's final management determination resolving these recommendations.

### **OTHER MATTERS**

#### **Review of FY 2024 Transactions**

Given the transfer of accounting responsibility for CPR to Sacramento State, we tested 50 revenue transactions, and 10 expenditure transactions recorded between July 2023 and February 2024 to evaluate whether those transactions: 1) were adequately documented; and 2) would have been allowable under CSG NFFS and expenditure guidelines. We found that all 50 revenue transactions, including five KHSU transactions, were adequately supported and allowable under CPB's NFFS guidelines, without exception. We also found that all 10 expenditure transactions were adequately supported and allowable under CPB expense guidelines, again without exception. Based on this limited testing, we concluded that CPR had made progress in implementing the University's controls to ensure revenues were handled in accordance with CPB guidelines and expenditures incurred were allowable under CPB guidelines.

**Exhibit A****CPB Payments to KHSU-FM**

<b>CPB Grants</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Totals</b>
<b>Community Service Grants &amp; Supplemental Grants</b>				
Unrestricted	\$95,199	\$76,161	\$65,029	\$236,389
Restricted	\$35,158	\$27,615	\$23,075	\$85,848
Rural Service	\$23,424	\$24,670	\$25,199	\$73,293
<b>Total Community Service Grants</b>	<b>\$153,781</b>	<b>\$128,446</b>	<b>\$113,303</b>	<b>\$395,530</b>
American Rescue Plan Act	\$211,462	\$0	\$0	\$211,462
<b>Total All CPB Grant Payments</b>	<b>\$365,243</b>	<b>\$128,446</b>	<b>\$113,303</b>	<b>\$606,992</b>



## Humboldt State University - KHSU

### Annual Financial Summary Report

#### For the Fiscal Years Ended June 30, 2021 and 2022

FSR  
KHSU-FM (1290)  
Arcata, CA

#### PART 1 - REVENUE AND SUPPORT

	2021 data	2022 data
1. Federal government agencies	\$211,462	\$0
Variance greater than 25%.		
2. Corporation for Public Broadcasting (CPB)	\$332,354	\$128,446
Variance greater than 25%.		
3. All other public broadcasting entities	\$0	\$0
4. State and local boards and departments of education or other state and local government or agency sources	\$0	\$0
	2021 data	2022 data
4.1 Amount on Line 4 that represents appropriations and other direct support from the licensee	\$0	\$0
5. Colleges and universities	\$0	\$231,365
6. Foundations and nonprofit associations	\$1,879	\$0
Variance greater than 25%.		
7. Business and Industry	\$0	\$0
8. Memberships and subscriptions (net of write-offs)	\$36,537	\$0
Variance greater than 25%.		
9. Net revenue from auctions and other special fund raising activities	\$0	\$0
10. Passive income (interest, dividends, royalties, etc.)	\$26,872	\$28,400
11. Other (specify)	\$0	\$0
12 Total Direct Revenue (sum of lines 1 through 11)	\$609,104	\$388,211
Variance greater than 25%.		
<b>Less revenue that does not qualify as NFFS:</b>		
13. Federal, CPB and public broadcasting revenues (sum of lines 1, 2 and 3)	\$543,816	\$128,446
Variance greater than 25%.		
14. Other revenue on line 12 not meeting NFFS criteria (from FSR Worksheet line W19. below)	\$11,009	\$858
Variance greater than 25%.		
15. Total Direct Nonfederal Financial Support (line 12 less lines 13 and 14)	\$54,279	\$258,907
Variance greater than 25%.		
16a. In-kind contributions allowable as NFFS (see instructions)	\$0	\$0
16b. In-kind contributions unallowable as NFFS (see instructions)	\$0	\$0
16c. Indirect administrative support (see instructions)	\$79,195	\$59,865
16. Total in-kind revenue and indirect administrative support (lines 16a, 16b and 16c)	\$79,195	\$59,865
17. Total Revenue (sum of lines 12 and 16)	\$688,299	\$448,076
Variance greater than 25%.		

**Humboldt State University - KHSU**  
**Annual Financial Summary Report**  
**For the Fiscal Years Ended June 30, 2021 and 2022**

**PART 2 - EXPENSES**

	2021 data	2022 data
18. Programming and Production	\$124,926	\$295,865
A. Restricted Radio CSG	\$55,255	\$27,615
Variance greater than 25%.		
B. Unrestricted Radio CSG	\$35,187	\$76,162
Variance greater than 25%.		
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$34,484	\$192,088
Variance greater than 25%.		
19. Broadcasting and engineering	\$106,139	\$35,489
A. Restricted Radio CSG	\$23,428	\$0
Variance greater than 25%.		
B. Unrestricted Radio CSG	\$59,936	\$24,670
Variance greater than 25%.		
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$22,775	\$10,819
Variance greater than 25%.		
20. Program Information and Promotion	\$0	\$17,744
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$17,744
21. Management and General	\$136,209	\$35,228
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$19,355	\$0
Variance greater than 25%.		
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$116,854	\$35,228
Variance greater than 25%.		
22. Fund Raising and Membership Development	\$789	\$35,235
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$789	\$35,235
Variance greater than 25%.		
23. Underwriting and Grant Solicitation	\$0	\$0
A. Restricted Radio CSG	\$0	\$0

**Humboldt State University - KHSU**  
**Annual Financial Summary Report**  
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B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
24. Depreciation and Amortization (if not allocated above - see instructions)	\$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	\$0
25. Total Operating Expenses (sum of lines 18 through 24)	\$368,063	\$419,561
A. Total Restricted Radio CSG (sum of Lines 18.A, 19.A, 20.A, 21.A, 22.A, 23.A, 24.A)	\$78,683	\$27,615
Variance greater than 25%.		
B. Total Unrestricted Radio CSG (sum of Lines 18.B, 19.B, 20.B, 21.B, 22.B, 23.B, 24.B)	\$114,478	\$100,832
C. Total Other CPB Funds (sum of Lines 18.C, 19.C, 20.C, 21.C, 22.C, 23.C, 24.C)	\$0	\$0
D. Total All non-CPB Funds (sum of Lines 18.D, 19.D, 20.D, 21.D, 22.D, 23.D, 24.D)	\$174,902	\$291,114
Variance greater than 25%.		
<b>Additional Information</b>		
26a. Land and Buildings	\$2,123	\$0
Variance greater than 25%.		
26b. Equipment	\$21,298	\$1,987
Variance greater than 25%.		
26c. All Other	\$0	\$0
26. Cost of Capital Assets Purchased or Donated	\$23,421	\$1,987
Variance greater than 25%.		

**PART 3 - NFFS EXCLUSION WORKSHEET**

2021 data

2022 data

*Use the following worksheet to report revenue not meeting the criteria for inclusion as NFFS. Unless revenue meets the specific criteria defined in the Communications Act of 1934, as amended, it must be excluded from NFFS. This Worksheet is used to report revenue that must be excluded from the total amount shown on line 12 above.*

*List revenue from for-profit corporations or individuals included in Part I - Total Direct Revenue (line 12), above, that is for the sale of goods and services as specified below:*

W1. Production, taping, or other broadcast related activities	\$0	\$0
W2. Telecasting production / teleconferencing	\$0	\$0
W3. Foreign rights	\$0	\$0
W4. Rentals of membership lists	\$0	\$0
W5. Rentals of studio space, equipment, tower, parking space	\$0	\$0
W6. Leasing of SCA, VBI, ITFS channels	\$0	\$0
W7. Sale of programs or program rights for public performance	\$0	\$0
W8. Sale or rental of program transcripts or recording for other than public performance, including private use	\$0	\$0

## Humboldt State University - KHSU

### Annual Financial Summary Report

#### For the Fiscal Years Ended June 30, 2021 and 2022

W9. Gains or losses on sale of assets and securities transactions (realized or unrealized)	\$11,009	\$858
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Variance greater than 25%.

W10. Sale of premiums	\$0	\$0
W11. Royalty income from licensing fees	\$0	\$0
W12. Other revenue not listed above and not includable by definition	\$0	\$0

*List below any revenue claimed in Part I - Revenue and Support (lines 4 through 11), above, that is represented by the following activities regardless of source:*

W13. A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business	\$0	\$0
W14. A wholly owned or partially owned nonprofit subsidiary	\$0	\$0
W15. Sale of program guides	\$0	\$0
W16. Program guide advertising attributable to that percent of total copies distributed that have been sold through normal retail outlets and/or by magazine subscription	\$0	\$0
W17. Refunds, rebates, reimbursements, and insurance proceeds	\$0	\$0
W18. Other	\$0	\$0

W19. Total revenue not meeting criteria for inclusion as NFFS (sum of lines W1-W18)	\$11,009	\$858
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Variance greater than 25%.

**Choose Reporting Model**You **must** choose a reporting model in order to complete Schedule FSR.

- ☒ FASB   
 ☐ GASB REPORTING MODEL A proprietary enterprise-fund financial statements with business-type activities only   
 ☐ GASB REPORTING MODEL B public broadcasting entity-wide statements with mixed governmental and business-type activities

**Reconciliation of FSR with****Audited Financial Statements Description**

	2021 data	2022 data
R1. Total support and revenue - without donor restrictions	\$688,299	\$565,655
R2. Total support and revenue - with donor restrictions	\$0	\$0
R3. Total support and revenue - other	\$0	\$0
R4. Total of R1-R3	\$688,299	\$565,655
Difference between AFS and FSR (Part 1, line 17 less line R4)	\$0	\$-117,579
Is Difference equal to 0? If not, please list reconciling items (using Add below)	\$0	\$-117,579

Description	Amount
Difference in IAS allowed as NFFS per CPB desk review	\$-117,579

**NFFS SUMMARY**

	2021 data	2022 data
1. Direct Revenue - Part I, line 15	\$54,279	\$258,907

Variance greater than 25%.

2. In-kind Contributions - Part I, line 16a	\$0	\$0
3. Indirect administrative support - Part I, line 16c	\$79,195	\$59,865
4. Total NFFS (sum of Part 1, lines 15, 16a, and 16c)	\$133,474	\$318,772

Variance greater than 25%.

**Comments**

Comment	Name	Date	Status
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**Humboldt State University - KHSU**  
**Annual Financial Summary Report**  
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**Note: Review of FY 2023 FSR was still in progress at CPB at completion of OIG audit**

FSR  
KHSU-FM (1290)  
Arcata , CA

**PART 1 - REVENUE AND SUPPORT**

	2022 data	2023 data
1. Federal government agencies	\$0	\$0
2. Corporation for Public Broadcasting (CPB)	\$128,446	\$113,303
3. All other public broadcasting entities	\$0	\$0
4. State and local boards and departments of education or other state and local government or agency sources	\$0	\$2,770
	2022 data	2023 data
4.1 Amount on Line 4 that represents appropriations and other direct support from the licensee	\$0	\$0
5. Colleges and universities	\$231,365	\$7,200
6. Foundations and nonprofit associations	\$0	\$5,450
7. Business and Industry	\$0	\$17,836
8. Memberships and subscriptions (net of write-offs)	\$0	\$63,264
9. Net revenue from auctions and other special fund raising activities	\$0	\$0
10. Passive income (interest, dividends, royalties, etc.)	\$28,400	\$0
11. Other (specify)	\$0	\$233,421
	Description	Amount
	PSOA	\$233,421
12 Total Direct Revenue (sum of lines 1 through 11)	\$388,211	\$443,244
<b>Less revenue that does not qualify as NFFS:</b>		
13. Federal, CPB and public broadcasting revenues (sum of lines 1, 2 and 3)	\$128,446	\$113,303
14. Other revenue on line 12 not meeting NFFS criteria (from FSR Worksheet line W19. below)	\$858	\$233,421
15. Total Direct Nonfederal Financial Support (line 12 less lines 13 and 14)	\$258,907	\$96,520
16a. In-kind contributions allowable as NFFS (see instructions)	\$0	\$9,059
16b. In-kind contributions unallowable as NFFS (see instructions)	\$0	\$0
16c. Indirect administrative support (see instructions)	\$59,865	\$0
16. Total in-kind revenue and indirect administrative support (lines 16a, 16b and 16c)	\$59,865	\$9,059
17. Total Revenue (sum of lines 12 and 16)	\$448,076	\$452,303

**PART 2 - EXPENSES**

	2022 data	2023 data
18. Programming and Production	\$295,865	\$52,829
A. Restricted Radio CSG	\$27,615	\$23,075
B. Unrestricted Radio CSG	\$76,162	\$29,754
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$192,088	\$0
19. Broadcasting and engineering	\$35,489	\$107,733
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$24,670	\$60,474
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$10,819	\$47,259
20. Program Information and Promotion	\$17,744	\$3,302
A. Restricted Radio CSG	\$0	\$0

**Humboldt State University - KHSU**  
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**Note: Review of FY 2023 FSR was still in progress at CPB at completion of OIG audit**

B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$17,744	\$3,302
21. Management and General	\$35,228	\$75,348
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$35,228	\$75,348
22. Fund Raising and Membership Development	\$35,235	\$18,231
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$35,235	\$18,231
23. Underwriting and Grant Solicitation	\$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	\$0
24. Depreciation and Amortization (if not allocated above - see instructions)	\$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	\$0
25. Total Operating Expenses (sum of lines 18 through 24)	\$419,561	\$257,443
A. Total Restricted Radio CSG (sum of Lines 18.A, 19.A, 20.A, 21.A, 22.A, 23.A, 24.A)	\$27,615	\$23,075
B. Total Unrestricted Radio CSG (sum of Lines 18.B, 19.B, 20.B, 21.B, 22.B, 23.B, 24.B)	\$100,832	\$90,228
C. Total Other CPB Funds (sum of Lines 18.C, 19.C, 20.C, 21.C, 22.C, 23.C, 24.C)	\$0	\$0
D. Total All non-CPB Funds (sum of Lines 18.D, 19.D, 20.D, 21.D, 22.D, 23.D, 24.D)	\$291,114	\$144,140
<b>Additional Information</b>		
26a. Land and Buildings	\$0	\$0
26b. Equipment	\$1,987	\$0
26c. All Other	\$0	\$0
26. Cost of Capital Assets Purchased or Donated	\$1,987	\$0

**PART 3 - NFFS EXCLUSION WORKSHEET**

2022 data

2023 data

*Use the following worksheet to report revenue not meeting the criteria for inclusion as NFFS. Unless revenue meets the specific criteria defined in the Communications Act of 1934, as amended, it must be excluded from NFFS. This Worksheet is used to report revenue that must be excluded from the total amount shown on line 12 above.*

*List revenue from for-profit corporations or individuals included in Part I - Total Direct Revenue (line 12), above, that is for the sale of goods and services as specified below:*

W1. Production, taping, or other broadcast related activities	\$0	\$0
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**Humboldt State University - KHSU**  
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**Note: Review of FY 2023 FSR was still in progress at CPB at completion of OIG audit**

W2. Telecasting production / teleconferencing	\$0	\$0
W3. Foreign rights	\$0	\$0
W4. Rentals of membership lists	\$0	\$0
W5. Rentals of studio space, equipment, tower, parking space	\$0	\$0
W6. Leasing of SCA, VBI, ITFS channels	\$0	\$0
W7. Sale of programs or program rights for public performance	\$0	\$0
W8. Sale or rental of program transcripts or recording for other than public performance, including private use	\$0	\$0
W9. Gains or losses on sale of assets and securities transactions (reliazed or unreliazed)	\$858	\$0
W10. Sale of premiums	\$0	\$0
W11. Royalty income from licensing fees	\$0	\$0
W12. Other revenue not listed above and not includable by definition	\$0	\$0
<i>List below any revenue claimed in Part I - Revenue and Support (lines 4 through 11), above, that is represented by the following activities regardless of source:</i>		
W13. A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business	\$0	\$0
W14. A wholly owned or partially owned nonprofit subsidiary	\$0	\$0
W15. Sale of program guides	\$0	\$0
W16. Program guide advertising attributable to that percent of total copies distributed that have been sold through normal retail outlets and/or by magazine subscription	\$0	\$0
W17. Refunds, rebates, reimbursements, and insurance proceeds	\$0	\$0
W18. Other	\$0	\$233,421
<b>Description</b> PSOA	<b>Amount</b> \$233,421	
W19. Total revenue not meeting criteria for inclusion as NFFS (sum of lines W1-W18)	\$858	\$233,421

**Choose Reporting Model**You **must** choose a reporting model in order to complete Schedule FSR.

- ☒ FASB ☐ GASB REPORTING MODEL A proprietary enterprise-fund financial statements with business-type activities only ☐ GASB REPORTING MODEL B public broadcasting entity-wide statements with mixed governmental and business-type activities

**Reconciliation of FSR with****Audited Financial Statements Description**

	2022 data	2023 data
R1. Total support and revenue - without donor restrictions	\$565,655	\$0
R2. Total support and revenue - with donor restrictions	\$0	\$0
R3. Total support and revenue - other	\$0	\$0
R4. Total of R1-R3	\$565,655	\$0
Difference between AFS and FSR (Part 1, line 17 less line R4)	\$-117,579	\$452,303
Is Difference equal to 0? If not, please list reconciling items (using Add below)	\$-117,579	\$0

**NFFS SUMMARY**

	2022 data	2023 data
1. Direct Revenue - Part I, line 15	\$258,907	\$96,520
2. In-kind Contributions - Part I, line 16a	\$0	\$9,059
3. Indirect administrative support - Part I, line 16c	\$59,865	\$0
4. Total NFFS (sum of Part 1, lines 15, 16a, and 16c)	\$318,772	\$105,579

Comments

Comment

Name

Date

Status

**Exhibit D****Summary of Humboldt State University – KHSU - Non-Federal Financial Support**

<b>Line</b>	<b>Summary of Non-Federal Financial Support</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Totals</b>
1	Direct Revenue (Schedule A)	\$54,279	\$258,907	\$96,520	\$409,706
2	In-kind Contributions:	\$0	\$0	\$9,059	\$9,059
3	Indirect Administrative Support (Schedule B)	\$79,195	\$59,865	\$0	\$139,060
4	<b>Total Non-Federal Financial Support</b>	<b>\$133,474</b>	<b>\$318,772</b>	<b>\$105,579</b>	<b>\$557,825</b>

**Exhibit E**

**Capital Public Radio Estimated Questioned Costs and CSG Percentage**

Condition	Claimed on AFR Line	FY 2021	FY 2022	Totals
Unsupported Year-End Transactions	E4	\$19,656	\$15,152	\$34,808
<i>CSG Questioned Costs</i>		\$6,962	\$6,051	\$13,013
Unsupported Expenses	E4	\$0	\$2,464	\$2,464
<i>CSG Questioned Costs</i>		\$0	\$984	\$984
<b>Total Questioned Costs</b>		<b>\$19,656</b>	<b>\$17,616</b>	<b>\$37,272</b>
CSG Expenditure Percentage <sup>16</sup>		35.417%	39.935%	
<b>CPB Estimated Questioned Costs</b>		<b>\$6,962</b>	<b>\$7,035</b>	<b>\$13,997</b>

<sup>16</sup> The percentages were calculated by dividing KHSU's CSG revenues and equivalent CSG expenses by KHSU's FSR total reported expenses. CSG revenues for KHSU for FYs 2021 and 2022 were \$130,357 and \$167,553, respectively, and CSG FSR reported expenses were \$368,063 and \$419,561, respectively, resulting in the percentages indicated for each year. KHSU's AFR expenses for FY 2023 are preliminary. KHSU's FY 2023 financial statements and AFRs had not been approved by CPB as of November 30, 2024.

**Scope and Methodology**

We performed an attestation examination to determine KHSU'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 the grantee on its FSRs that we reconciled to audited financial statements for the fiscal years ending June 30, 2021, 2022, and 2023; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of the NFFS claimed on the station's FSRs by testing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting contracts, grant agreements, membership donations, major donor contributions, auction and special event revenues and related expenses, in-kind support, and other documentation supporting revenues reported. We had a scope limitation for our evaluation of indirect administrative support. Specifically, we reviewed NFFS revenue transactions reported totaling \$94,838 of the \$557,825 (17.0 percent) KHSU claimed on its FYs 2021, 2022, and 2023 FSRs.

We reviewed the allowability of expenses the station charged to the CSGs received from CPB during FYs 2021, 2022, and 2023. To determine whether the station incurred CSG and other grant expenditures in accordance with grant terms, we reviewed \$167,272 of the \$787,624 (21.2 percent) in total expenses reported during our audit period. We were unable to segregate specific CSG expenses because CPR did not discretely account for KHSU's CSG revenues and expenses. This created a scope limitation to effectively audit CSG expenditures. For all the grant expenses reviewed, we examined 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 information available to the public, and safeguard donor lists. We also reviewed the station's website to determine their compliance with CPB's transparency requirements. Our procedures included interviewing CPR station management and staff, Sacramento State staff, governing board members, and the station's independent public accountant.

We gained an understanding of internal controls over the preparation of FSRs, cash receipts, and cash disbursements. We also gained an understanding of the station's policies and procedures for compliance with certification of eligibility requirements, Communications 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 objectives.

We conducted fieldwork from March through October 2024. We performed our audit in accordance with *Government Auditing Standards* for attestation examinations.

March 24, 2025

William J. Richardson III  
Deputy Inspector General  
Office of Inspector General  
Corporation for Public Broadcasting

Dear Deputy Inspector General Richardson:

On behalf of KHSU, which is managed and operated by CapRadio, I would like to extend my gratitude to you and the OIG audit team for your time, professionalism, and diligence in working with us to identify the accounting and compliance deficiencies at our organization resulting from past practices in place under a former general manager who is currently at the center of a related law enforcement investigation regarding his role.

CapRadio takes these findings seriously, and the organization acknowledges that unacceptable deficiencies and poor practices occurred in the past. Under new management and leadership, we have taken swift corrective actions and implemented internal controls to prevent this failure in compliance and reporting from happening in the future.

After the release of the California State University (CSU) audit on September 27, 2023, which identified numerous accounting, recordkeeping, and oversight deficiencies, we immediately contracted out all financial accounting and reporting to our license holder, Sacramento State University. I would like to thank Sacramento State Accounting Services for its professionalism and expertise in supporting this audit and for facilitating the notable improvement of CapRadio's new financial practices and reporting since taking on this responsibility.

It is important to note the diligence with which we acted to address these deficiencies. Within one year of the CSU audit release, we submitted our actions for all 42 compliance recommendations. To that end, CapRadio and Sacramento State Accounting Services have made significant progress in addressing the issues you identified, including:

### **Accounting Practices**

We now use accounting practices that are compliant with applicable GAAP, GASB, FASB, and CPB requirements; we have set up discrete accounting practices to separately track and record revenues and expenditures for CapRadio, NSPR, and

KHSU stations; we have controls in place that require supporting documentation for all journal entries, account reconciliation, and batch transactions; we have updated processes to document and retain donation records that comply with auditing requirements; and we have engaged a new third-party financial auditor.

### **Transactions**

We have updated financial reporting practices to comply with all applicable CPB requirements related to premium offsets and indirect administrative support; we have implemented strict controls for financial transactions, including separation of duties, delegation of authority, and new payment authorization processes; and we have systems in place to properly manage and report “in-kind” donations as defined by CPB.

### **Public Notice**

We now publish all Board of Directors and subcommittee meeting notices and agendas on CapRadio’s website, ensuring that we maintain proper notice to meet CPB and other applicable state regulatory requirements; we publicly post in-person and virtual attendance options, meeting minutes, and current board roster; and available financial documents are publicly posted and accessible via our website.

Thank you again for your time and collaboration on this audit. It is in the true spirit of transparency and integrity that these significant improvements and new practices have been realized. I would like to once more reinforce our commitment to remedying the issues identified in your findings, adhering to all accounting and compliance requirements moving forward, and continuing to deliver essential public service journalism to the communities we serve.

Respectfully submitted,

*Frank Maranzino*

Frank Maranzino  
Interim President and General Manager  
Capital Public Radio, Inc.



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## Contact CPB OIG

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

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

Email: [oigemail@cpb.org](mailto:oigemail@cpb.org)

Write: Inspector General Hotline  
Office of the Inspector General  
Corporation for Public Broadcasting  
401 Ninth Street, NW  
Washington, DC 20004-2129

Website: <https://cpboig.oversight.gov/hotline>



On October 1, 2017, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) announced the official launch of [Oversight.gov](https://oversight.gov). This new website provides a “one stop shop” to follow the ongoing oversight work of all Inspectors General that publicly post reports.

The Corporation for Public Broadcasting, like the other OIGs, will continue to post reports to its own website. But with the launch of Oversight.gov, users can now sort, search, and filter the site’s database of public reports from all of CIGIE’s member OIGs to find reports of interest. In addition, the site features a user-friendly map to find reports based on geographic location, and contact information for each OIG’s whistleblower hotline. Users can receive notifications when new reports are added to the site by following CIGIE’s new Twitter account, [@OversightGov](https://twitter.com/OversightGov).