

CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF INSPECTOR GENERAL

**AUDIT OF COMMUNITY SERVICE AND OTHER SELECTED
GRANTS AT TWIN CITIES PUBLIC TELEVISION, INC., KTCA-TV,
SAINT PAUL, MINNESOTA, FOR THE PERIOD
SEPTEMBER 1, 2013 THROUGH AUGUST 31, 2015**

REPORT NO. AST1603-1608

September 22, 2016

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Report in Brief

Background

Our objectives were to examine the station's certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines; b) expend Community Service Grant (CSG) and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934 (Act), as amended. The amount of NFFS a station reports to CPB affects the amount of CSG funding the station receives

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Audit of Community Service and Other Selected Grants at Twin Cities Public Television, Inc., KTCA-TV, Saint Paul, Minnesota, for the Period September 1, 2013 through August 31, 2015

What We Found

KTCA complied with grant and Act requirements except it overstated NFFS on its 2014 and 2015 AFRs by \$270,354 because:

Overstated NFFS resulted in potential CSG overpayments of \$35,739.

- it included exchange transactions that were ineligible sources of NFFS, which resulted in potential CSG overpayments of \$35,739 (\$10,239 in actual 2016 payments and potential overpayments of \$25,500 in 2017).

The station accepted our finding and has instituted corrective actions. CPB management will make the final determination on our finding and recommendations.

What We Recommend

That CPB take the following actions:

- require KTCA to identify the corrective actions and controls it will implement to ensure future compliance with NFFS guidelines; and
- recover \$10,239 of excess CSG payments made to KTCA in FY 2016 based on the reported FY 2014 NFFS and ensure that the corrected 2015 NFFS amount is used to calculate the FY2017 CSG award amount.




Corporation
for Public
Broadcasting

Office of Inspector General

Date: September 22, 2016

To: Jackie J. Livesay, Vice President, Compliance
Ted Krichels, Senior Vice President, System Development and Media Strategy
Debra Sanchez, Senior Vice President, Education and Children's Content
Operations

From: Mary Mitchelson, Inspector General 

Subject: Audit of Community Service and Other Selected Grants at Twin Cities Public
Television, Inc., KTCA-TV, Saint Paul, Minnesota, for the period September 1,
2013 through August 31, 2015, Report No. AST1603-1608

Enclosed please find our final report, which contains our finding and recommendations. CPB officials must make a final management decision on the finding and recommendations in accordance with established audit resolution procedures.

We request that you provide us with a draft written response to our finding and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee, which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of Inspector General's website 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.

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EXECUTIVE SUMMARY

We have completed an examination of the Corporation for Public Broadcasting (CPB) Community Service and other selected grants at KTCA-TV for the period September 1, 2013 through August 31, 2015. Our objectives were to examine KTCA's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our examination, we found that KTCA complied with grant and Act requirements, except for overstated NFFS of \$270,354, which resulted in potential CSG overpayments of \$35,739 (\$10,239 in actual 2016 payments and potential overpayments of \$25,500 in 2017).

We recommend that CPB require KTCA management to identify the corrective actions and controls it will implement to ensure future compliance, and repay \$10,239 in excess FY 2016 CSG payments. CPB management should use KCTA's corrected FY 2015 NFFS to calculate the FY 2017 NFFS to ensure that KTCA is not overpaid an estimated \$25,500.

In response to the draft report KTCA accepted our finding and stated that they adjusted its 2015 AFR. KTCA management encouraged CPB to study new sources of revenue in the digital landscape and determine if any changes to the CPB guidelines are warranted. KTCA management also stated that the mechanisms for funding their work are evolving in the digital space. KTCA's written response to the draft report is presented in Exhibit G.

This report presents the conclusions of the OIG and the finding does not necessarily represent CPB's final position on the issues. While we have made recommendations we believe would be appropriate to resolve the finding, CPB officials will make final determinations on our finding and recommendations in accordance with established CPB audit resolution procedures. Based on KTCA's response to the draft report, we consider recommendations 1 and 2 resolved but open pending CPB's management decision.

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

BACKGROUND

Per its website, what is now Twin Cities PBS was incorporated as Twin City Area Educational Television in 1955. On September 16, 1957 it began broadcasting as the first non-commercial public television station in Minnesota, KTCA (channel 2). On May 5, 1965, a second station, KTCI (channel 17) was launched. In 1967, KTCA became the first educational station in the nation to broadcast in color. In 1970, the Public Broadcasting Service (PBS) was founded and KTCA became a member station. In 2000, KTCA officially became Twin Cities Public Television. In 2015, Twin Cities Public Television changed its name to Twin Cities PBS (TPT).

Community Service Grants

CPB awards annual CSGs to public television and radio stations based on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools adjusted by distance and local service grants and the amount of the base grants. The funds that remain are called the Incentive Grant Pools, one is for television and the other is for radio. The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total amount of NFFS claimed by all television/radio stations. The IRR is then multiplied by the station's reported NFFS to calculate the incentive award amount of the station's total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the FY's CSG amount. For example, CPB used the NFFS claimed by KTCA on its FY 2013 AFR to determine the amount of the CSG the station received in FY 2015.

During our audit period, KTCA received \$ 6,917,142 from CPB for CSG, and Interconnection grants as itemized in Exhibit A. The station reported NFFS of \$19,565,197 in FY 2014 and \$22,433,734 in FY 2015 per Exhibits B and C. KTCA's audited financial statements reported revenues of \$32,245,809 in FY 2014 and \$44,196,079 in FY 2015. KTCA's fiscal year begins September 1 and ends on August 31.

Other CPB Grants

In addition to the CSG funding, KTCA received \$ 550,000 in Multi-Language Emergency Alerting Initiative, Veterans Coming Home, American Graduate, and Ready to Learn CPB grants, which brings the total payments for all CPB grants to \$ 7,467,142 as shown in Exhibit A. Activities under the Multi-Language Emergency Alerting Initiative and American Graduate grants were scheduled for completion after our audit fieldwork. For the Ready to Learn and Veterans Coming Home grants, KTCA had completed the projects and CPB had made final payments.

RESULTS OF AUDIT

In our opinion, except for the noncompliance issue described below, KTCA has complied with the requirements in the following paragraph for the FY 2014 and 2015 TV CSGs and the other selected grants we examined.

We examined KTCA management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; c) AFR Signature Page; and d) the Final and Interim Financial Reports for the other selected projects we examined. The CSG Certification of Eligibility includes KTCA's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Communication Act requirements for open meetings, open financial records, Community Advisory Board (CAB), Equal Employment Opportunity (EEO) reporting, and donor lists; and discrete accounting requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination was conducted in accordance with the *Government Auditing Standards* for attestation examination engagements and, accordingly, included examining, on a test basis,

evidence about KTCA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. However, it does not provide a legal determination on KTCA’s compliance with specified requirements.

Our examination disclosed that KTCA reported overstated NFFS of \$270,354 that resulted in potential CSG overpayments of \$35,739 (\$10,239 in actual 2016 payments and potential overpayments of \$25,500 in 2017).

FINDING AND RECOMMENDATIONS

OVERSTATED NFFS

Our examination found that KTCA overstated its FYs 2014-2015 NFFSs by \$270,354, by reporting exchange transactions from ineligible organizations. Our initial testing of NFFS revenues found 2 of 100 transactions were incorrectly reported as eligible NFFS revenues. Expanding our testing of AFR line 9.1.E, other income eligible for NFFS for the “Next Avenue” project, we found that a total of \$192,902 was overstated for FY 2015 and \$77,452 for FY 2014. These revenues were for licensing fees, fees for services, and subscription services. They are payments (exchange transactions) and did not meet CPB’s source criteria for NFFS (i.e., received from state/local government or educational institution). As a result, CPB will make CSG overpayments estimated at \$35,739 to KTCA in FYs 2016-2017.¹

Ineligible NFFS

Year	Reason Ineligible	Overstated NFFS	CSG Overpayment
FY 2014	Exchange transactions	\$ 77,452	\$ 10,239
FY 2015	Exchange transactions	\$ 192,902	25,500
Total		\$ 270,354	\$ 35,739

This overstatement of NFFS occurred because KTCA included exchange transaction payments from ineligible sources. More specifically, the agreements supporting these payments granted licensing rights or subscription services to use “Next Avenue” content to a variety of businesses in the financial and retirement community industries, as well as other fee for service transactions for a health care provider. KTCA reported more than \$41 million of NFFS revenue on its 2014 and 2015 AFRs. The \$270,354 in overstated NFFS is less than one percent of the NFFS the station reported to CPB. These errors occurred because the revenues were characterized as contributions, when they were actually payments.

CPB Guidelines differentiate the criteria for each revenue form (contribution or a payment) and its eligibility as NFFS and define the eligible source criteria for each.

Revenues, eligible as NFFS take the form of either a contribution or a payment. With the exception of the recipient criteria (see Sec. 2.3), the criteria for contributions are not the

¹ We based these estimates on CPB’s FY 2016 TV Incentive Rate of Return (0.1321933376).

same as the criteria for payments ... A **payment**, on the other hand, is a reciprocal transfer (i.e., an exchange transaction) of cash or other assets in which each party receives and sacrifices approximately equal value.

Source Criteria – The universe of eligible sources for contributions is relatively large: any source except the federal government or another public broadcasting entity, while the universe of eligible sources for payments in exchange transactions is relatively small: only eligible sources are state and local governments and educational institutions.

Guidelines, Section 2.2 – Contributions vs. Payments, and Section 2.3.2 Interpretations NFFS Criteria.

Because the revenues KTCA reported were exchange transactions, they are payments for NFFS purposes. In accordance with CPB Guidelines Section 2.3.2, to qualify as NFFS the source of these payments must be a state or local government or an educational institution. These payments were from organizations (for-profit and non-educational non-profits) that did not qualify as a source for reporting as NFFS.

Recommendations

We recommend CPB management take the following actions to:

- 1) require KTCA to identify the corrective actions and controls it will implement to ensure future compliance with NFFS Guidelines; and
- 2) recover \$10,239 of excess CSG payments made to KTCA in FY 2016 based on the reported FY 2014 NFFS and ensure that the corrected 2015 NFFS amount is used to calculate the FY2017 CSG award amount.

KTCA's Response

The station accepted our finding and made adjustments to its 2015 AFR to reclassify content syndication revenue as non-NFFS eligible revenue. KTCA also encouraged CPB to study new sources of revenue in the digital landscape and determine if any changes to the guidelines are warranted. KTCA management stated that the mechanisms for funding their work are evolving in the digital space. In subsequent correspondence, KTCA also explained that for future AFR reporting, they will classify content syndication revenue as a payment instead of a contribution, in accordance with CPB's guidelines, clarifying that only content syndication revenue derived from educational institutions and state and local government agencies will be included as eligible for NFFS.

OIG Review and Comment

KTCA's actions should ensure future compliance with NFFS reporting guidelines. Based on KTCA's response to the draft report, we consider recommendations 1 and 2 resolved but open pending CPB's final management decision and monetary recovery actions.

Exhibit A

**CPB Grant Payments to KTCA TV
September 1, 2013 – August 31, 2015**

CPB Grants	Grant Budget	Amount Paid		Total Paid	Balance
		FY 2014	FY 2015		
CSG	\$6,791,054	\$3,175,766	\$3,615,288	\$6,791,054	\$0
Interconnection	\$126,088	\$60,684	\$65,404	\$126,088	\$0
Multi-Language Emergency Alerting Initiative	\$378,990	\$250,000	\$0	\$250,000	\$128,990
American Graduate	\$210,000	\$60,000	\$110,000	\$170,000	440,000
Ready to Learn	\$105,000	\$0	\$105,000	\$105,000	\$0
Veterans Coming Home	\$25,000	\$11,250	\$13,750	\$25,000	\$0
Totals	\$7,636,132	\$3,557,700	\$3,909,442	\$7,467,142	\$168,990

**KTCA TV Annual Financial Report
September 1, 2013 – August 31, 2015**

Line	Description	2014 Data	2015 Data
	Schedule A		
	Source of Income		
1	Amounts provided directly by federal government agencies	\$3,046,020	\$4,540,376
	D. National Endowment for the Arts and Humanities	\$0	\$75,000
	E. National Science Foundation	\$2,911,330	\$4,465,376
	F. Other Federal Funds (specify)	\$134,690	\$0
2	Amounts provided by Public Broadcasting Entities	\$5,683,998	\$5,996,064
	A. CPB - Community Service Grants	\$3,236,450	\$3,680,692
	B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$718,207	\$10,783
	C. PBS - all payments except copyright royalties and other pass-through payments.	\$1,537,480	\$1,822,373
	D. NPR - all payments except pass-through payments. See Guidelines for details	\$4,107	\$900
	E. Public broadcasting stations - all payments	\$186,458	\$480,158
	F. Other PBE funds (specify)	\$1,296	\$1,158
3	Local boards and departments of education or other local government or agency sources	\$283,580	\$276,995
4	State boards and departments of education or other state government or agency sources	\$1,110,188	\$13,745,951
5	State colleges and universities	\$109,723	\$98,330
6	Other state-supported colleges and universities	\$77,059	\$72,585
7	Private colleges and universities	\$406,052	\$63,834
8	Foundations and nonprofit associations	\$5,185,207	\$4,638,890
9	Business and Industry	\$1,620,745	\$1,375,963
10	Memberships and subscriptions (net of membership bad debt expense)	\$9,450,556	\$9,873,974
	Sub-Total	\$26,973,128	\$40,682,962
	Form of Revenue		
14	Special fundraising activities	\$250,572	\$209,249
15	Passive income	\$462,659	\$414,695
16	Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	\$18,120	(\$102,631)
17	Endowment revenue	\$1,587,503	\$21,428
18	Capital fund contributions from individuals (see instructions)	\$1,024,212	\$741,382
19	Gifts and bequests from major individual donors	\$1,628,212	\$1,531,638
20	Other Direct Revenue	\$52,468	\$532,028
	Sub-Total	\$5,023,746	\$3,347,789
21	Total Revenue	\$31,996,874	\$44,030,751

Exhibit B (Continued)

KTCA TV Annual Financial Report
September 1, 2013 – August 31, 2015

Line	Description	2014 Data	2015 Data
	Adjustments to Revenue		
22	Federal revenue from line 1.	\$3,046,020	\$4,540,376
23	Public broadcasting revenue from line 2	\$5,683,998	\$5,996,064
24	Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$469,009	\$9,247,127
25	Revenue on line 20 not meeting the source, form, purpose, or recipient criteria to be included as NFFS	\$52,468	\$532,028
26	Other automatic subtractions from total revenue	\$3,323,076	\$1,372,218
	Sub-Total	\$12,574,571	\$12,537,813
27	Total Direct Nonfederal Financial Support	\$19,422,303	\$31,492,938
	Schedule C		
1	PROFESSIONAL SERVICES (must be eligible as NFFS)	\$4,633	\$2,925
D.	Other professionals (see specific line item instructions)	\$4,633	\$2,925
2	GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$33,544	\$35,104
A	Annual rental value of space (studios, offices, or tower facilities)	\$0	\$22,666
C	Station operating expenses	\$1,825	\$147
D	Other (see specific line item instructions in Guidelines before completing)	\$31,719	\$12,291
3	OTHER SERVICES (must be eligible as NFFS)	\$104,717	\$52,767
C	Local advertising	\$104,717	\$52,767
4	Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$142,894	\$90,796
5	IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$106,041	\$74,532
D	Fundraising related activities	\$83,789	\$61,624
G	Program supplements	\$0	\$2,600
I	Promotional items	\$0	\$6,750
M	Other	\$22,252	\$3,558
6	Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$248,935	\$165,328

Exhibit B (Continued)

KTCA TV Annual Financial Report
September 1, 2013 – August 31, 2015

Line	Description	2014 Data	2015 Data
	Schedule E		
	PROGRAM SERVICES		
1	Programming and production	\$18,578,684	\$19,087,595
A	TV CSG	\$3,175,766	\$3,615,288
B	TV Interconnection	\$60,684	\$65,404
C	Other CPB Funds	\$0	\$0
D	All non-CPB Funds	\$15,342,234	\$15,406,903
2	Broadcasting and engineering	\$2,725,578	\$2,667,208
A	TV CSG	\$0	\$0
B	TV Interconnection	\$0	\$0
C	Other CPB Funds	\$0	\$0
D	All non-CPB Funds	\$2,725,578	\$2,667,208
3	Program information and promotion	\$1,033,716	\$1,051,502
A	TV CSG	\$0	\$0
B	TV Interconnection	\$0	\$0
C	Other CPB Funds	\$0	\$0
D	All non-CPB Funds	\$1,033,716	\$1,051,502
	SUPPORT SERVICES		
4	Management and general	\$3,129,293	\$4,275,313
A	TV CSG	\$0	\$0
B	TV Interconnection	\$0	\$0
C	Other CPB Funds	\$0	\$0
D	All non-CPB Funds	\$3,129,293	\$4,275,313
5	Fund raising and membership development	\$5,945,853	\$5,324,879
A	TV CSG	\$0	\$0
B	TV Interconnection	\$0	\$0
C	Other CPB Funds	\$0	\$0
D	All non-CPB Funds	\$5,945,853	\$5,324,879
8	Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$31,413,124	\$32,406,497
A	A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$3,175,766	\$3,615,288
B	Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$60,684	\$65,404
D	Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$28,176,674	\$28,725,805
9	Total capital assets purchased or donated	\$1,359,490	\$15,245,401
10	Total expenses and investment in capital assets	\$32,772,614	\$47,651,898

**KTCA TV Summary of Non-Federal Financial Support
For the periods ending August 31, 2014 and 2015
Certified by Head of Grantee and Independent Account's Report**

Line	Description	FY 2014	FY 2015	Total
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$19,422,303	\$22,342,938	\$41,765,241
2	Indirect Administrative (Schedule B)	\$0	\$0	\$0
3	In-Kind Contributions (Schedule C)	\$142,894	\$90,796	\$233,690
4	Total Non-Federal Financial Support	\$19,565,197	\$22,433,734	\$41,998,931

American Graduate Station (Round 2)
Twin Cities Public Television Interim Cumulative Financial Report
July 15, 2014 – August 31, 2015

Revenue	Budget	CPB Actual	TPT In-kind	Total
CPB	\$200,000	\$50,000	\$0	\$50,000
Newman's Own Funding	\$10,000	\$10,000	\$0	\$ 10,000
Total Revenue	\$210,000	\$ 60,000	\$0	\$60,000
EXPENSES				
Production	\$68,155	\$72,117	\$6,825	\$78,942
Community Engagement Activities	\$15,000	\$14,490	\$0	\$14,490
Educational Resources	\$2,399	\$2,399	\$0	\$2,399
Marketing/Promotion	\$5,000	\$4,596	\$0	\$4,596
Personnel/Staffing	\$72,490	\$73,337	\$0	\$73,337
Evaluation	\$6,000	\$5,000	\$0	\$5,000
Travel	\$6,000	\$ 3,105	\$0	\$3,105
Indirect Costs	\$34,956	\$34,956	\$1,178	\$36,134
Total Expenses	\$210,000	\$210,000	\$8,003	\$218,003

**Minnesota Multi-Language Emergency Alerting Initiative Grant
October 1, 2013 – December 31, 2015²**

Revenues & Expenses	Actual				
	Budget	Total	CPB	In-Kind-TPT	In-Kind-Partner
Revenues					
CPB	\$378,990				
TPT In-Kind	\$8,752				
Partner In-Kind	\$28,049				
Total Revenue	\$415,791				
Expenses					
Direct Cost					
Project Administration					
Project Co-Director	\$5,285	\$6,190	\$4,928	\$1,262	\$0
Lead Project Engineer	\$7,141	\$4,907	\$4,907	\$0	\$0
Project/Business Manager	\$14,500	\$16,889	\$16,889	\$0	\$0
Fringe	\$7,147	\$9,872	\$9,402	\$470	\$0
Project Administration Total	\$34,073	\$37,858	\$36,126	\$1,732	\$0
Develop/Acquire Translation Technology and Technology Resources					
ECHO Translation/Cultural Services	\$44,795	\$45,445	\$45,445	\$0	\$0
MPTA station engineering services	\$5,000	\$5,000	\$5,000	\$0	\$0
Equipment/software contract Monroe	\$194,791	\$180,079	\$158,291	\$0	\$21,788
Audio Engineer. VO/Record booth	\$1,399	\$1,297	\$1,297	\$0	\$0
SAP Channel creation	\$8,004	\$3,765	\$3,765	\$0	\$0
Parts, shipping, misc.	\$5,000	\$1,613	\$1,613	\$0	\$0
Develop/Acquire Resources Total	\$258,989	\$237,199	\$215,411	\$0	\$21,788
Evaluation					
Evaluation	\$10,000	\$10,000	\$10,000	\$0	\$0
Engagement/Public Awareness/Marketing					
Managing Partner (included in project administration expenses)	\$224	\$187	\$187	\$0	\$0

² We audited the expenses through August 31, 2015. Exhibit E reports expenses through December 31, 2015. This was the only financial report submitted to CPB that reported expenses against the budgeted line items.

Exhibit E (Continued)

Minnesota Multi-Language Emergency Alerting Initiative Grant
October 1, 2013 – December 31, 2015

Revenues & Expenses	Actual				
	Budget	Total	CPB	In-Kind-TPT	In-Kind-Partner
ECHO Marketing Services	\$38,154	\$38,263	\$38,263	\$0	\$0
TPT TV Producer	\$6,500	\$8,025	\$8,025	\$0	\$0
Post-Production Assistant (web conversion)	\$434	\$48	\$48	\$0	\$0
Production Assistant/Crew	\$1,428	\$3,037	\$3,037	\$0	\$0
Studio and Equipment	\$1,032	\$725	\$725	\$0	\$0
Multi-Language Closed Captioning	\$700	\$0	\$0	\$0	\$0
Editing (includes Facility)	\$4,208	\$3,943	\$3,943	\$0	\$0
Graphic Design	\$1,008	\$1,351	\$1,351	\$0	\$0
Captioning/Dubbing facility with operator	\$186	\$0	\$0	\$0	\$0
Social media producer (web alerts) (TPT-in-kind)	\$5,488	\$0	\$0	\$0	\$0
Almanac Segment Production (TPT In-kind)	\$1,855	\$1,925		\$1,925	\$0
Talent Parking	\$105	\$105	\$105	\$0	\$0
DVDs	\$50	\$0	\$0	\$0	\$0
Emergency Management Outreach	\$5,620	\$7,754	\$7,754	\$0	\$0
Engagement/ Public Awareness/ Marketing Total	\$66,992	\$65,363	\$63,438	\$1,925	\$0
<i>Direct Cost Subtotal</i>	<i>\$370,054</i>	<i>\$350,420</i>	<i>\$324,975</i>	<i>\$3,657</i>	<i>\$21,788</i>
Contingency	\$5,000	\$5,000	\$5,000		\$0
Indirect Costs @ 21.26%	\$40,737	\$42,593	\$41,815	\$777	\$0
<i>Subtotal</i>	<i>\$45,737</i>	<i>\$47,593</i>	<i>\$46,815</i>	<i>\$777</i>	<i>\$0</i>
Total Expenses	\$415,791	\$398,013	\$371,790	\$4,434	\$21,788

Scope and Methodology

We performed an attestation examination to determine KTCA'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 station on its AFR and reconciled to audited financial statements for the years ending August 31, 2014 and August 31, 2015; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on KTCA's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements and other documentation supporting revenues reported. Specifically, we reviewed NFFS revenue transactions totaling \$ 3,580,781 of \$19,422,304 KTCA reported in FY 2014 and \$ 7,846,338 of \$22,342,938 reported in FY 2015.

We reviewed the allowability of expenses charged to KTCA Community Service, Multi-Language Emergency Alerting Initiative and American Graduate grants to determine whether expenditures were incurred in accordance with grant terms. We reviewed 100 percent of the Community Service and interconnection grants expenses reported of \$6,917,142; and \$270,971 of the \$593,943 for the Multi-Language Emergency Alerting Initiative and American Graduate grants expenses recorded through August 31, 2015. (The information reported on Exhibit E for the multi-language grant is through December 31, 2015, a later time period.) We reviewed supporting documentation, including employee timesheets, vendor invoices, purchase orders, and other documentation for judgmentally selected transactions.

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

We gained an understanding of internal controls over the preparation of AFRs, receipts, and disbursements. We also gained an understanding of KTCA's policies and procedures for compliance with certification of eligibility requirements, Communication Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

We conducted fieldwork from March 7, 2016 through May 27, 2016. Our examination was performed in accordance with the *Government Auditing Standards* for attestation examinations.

August 17, 2016

William J. Richardson III
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

Dear Mr. Richardson,

TPT accepts the Inspector General's findings that content syndication revenue is technically an exchange transaction and is therefore not eligible as Non Federal Financial Support (NFFS). We would like to clarify that TPT's content syndication was derived from both for-profit and not-for-profit entities, as opposed to exclusively for-profit as stated in the audit report. TPT has adjusted its 2015 Annual Financial Report (AFR) to reclassify content syndication revenue as non-NFFS eligible revenue.

As the industry continues to shift towards digital media, TPT encourages CPB to study new sources of revenue in the digital landscape and determine if any changes to the guidelines are warranted. The mechanisms for funding our work are evolving in the digital space. In TPT's case, the content syndication agreements provide an opportunity to further the distribution of quality, educational digital materials while allowing multiple organizations to contribute funds to financially support the development and distribution of new content.

In the spirit of NFFS's intent, digital content syndication (and potentially other funding mechanisms) should be encouraged as public broadcasters look for creative ways to find non-federal funding sources for the creation and maintenance of the next generation of sustainable public media.

Sincerely,



James R. Pagliarini
President and CEO