



Corporation
for Public
Broadcasting

SEMIANNUAL REPORT

OFFICE OF INSPECTOR GENERAL ACTIVITIES and CPB REPORT

October 1, 2013 — March 31, 2014

The Inspector General Act of 1978, as amended, reporting requirements are listed in the following chart, along with a page reference where we provide more detailed information.

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FOREWORD

Congress created the Corporation for Public Broadcasting (CPB) in 1967 to promote public media and help keep it free from government interference. CPB, a private nonprofit corporation, is the largest source of federal funding for more than 1,400 public television and radio stations. CPB also funds research, technology, and diverse and innovative program development for public radio, television, and related online services. It is governed by a nine-member Board of Directors appointed by the President and confirmed by the Senate.

CPB receives nearly all of its funding from Congress. To provide stability for planning long-term programs and projects, Congress appropriates funds two years before the fiscal year (FY) they are to be spent. For FY14, CPB received \$445 million in Congressional appropriations, 95 percent of which must be awarded in grants and contracts in support of public media, and a \$12.7 million Ready To Learn grant from the U.S. Department of Education.

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

Congress also required that the IG and the head of the CPB each report semiannually about OIG operations and activities. Because CPB is a small organization, we have created this joint report. The first section reports OIG's activities and the second section is CPB's report.

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OFFICE OF INSPECTOR GENERAL ACTIVITIES

Message from the Inspector General

March 31, 2014

I am pleased to submit this Semiannual Report to Congress about our activities during the period October 1, 2013 to March 31, 2014. We issued three audits, as planned in our fiscal year 2014 annual plan, two of large public television/radio stations and one of a grant to update the public radio satellite interconnection system. These three audits addressed over \$65 million in Corporation for Public Broadcasting (CPB) grant funds.

This period we again found issues related to the indirect costs that a grantee charged to CPB grants. We raised concerns about indirect costs to CPB in earlier audits, and it subsequently issued an indirect costs policy. We were pleased to have an opportunity to comment on CPB's proposed policy, and we will continue to work with CPB to clarify its indirect costs guidance. It is important that grantees' indirect costs be fairly allocated to CPB grants and that CPB grantees fully understand the proper treatment of these costs.

As called for in our agreement with CPB's Board of Directors, we also reviewed the work of the independent public accountant that audited CPB's fiscal year 2013 financial statement. We found that the work of the accountant was in accordance with acceptable standards.

With regard to complaints that we received through our hotline and other avenues, we closed three pending complaints and 30 of the 39 new complaints received during the period. We opened no new investigations.

The OIG is fully engaged in supporting public media by promoting accountability in CPB initiatives and operations. We look forward to continuing to work with Congress and the CPB Board and management in this important effort.



Mary Mitchelson
Inspector General

Audit and Assistance Activities

This table identifies the reports we issued this reporting period with related monetary findings and recommendations for corrective actions. You can access these reports on our website at <http://www.cpb.org/oig/reports/>

Reports Issued for the Period Ending March 31, 2014

Report Number/Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use	Number of Recommendations
<i>Audits:</i>					
ASJ1306-1401 March 10, 2014	Examination of Community Service and Other Selected Grants Awarded to Oregon Public Broadcasting, Portland, Oregon, for the Period July 1, 2011 – June 30, 2013	\$0	\$0	\$0	0
ASR1305-1402 March 24, 2014	Audit of Selected Grants Awarded to the National Public Radio, Washington, DC, for the Period April 28, 2008 – September 30, 2013	\$99,760	\$99,760	\$0	4
ASR1307-1403 March 26, 2014	Examination of Selected Grants Awarded to New York Public Radio, WNYC-FM, New York, New York, for the Period September 15, 2007 – November 30, 2012	\$96,941	\$96,941	\$0	3

Examination of Selected Grants Awarded to New York Public Radio, WNYC-FM, New York, New York for the Period September 15, 2007 – November 30, 2012, Report No. ASR1307-1403 (issued March 26, 2014)

New York Public Radio (NYPR) operates three radio stations in New York City and four stations in New Jersey. We audited two grants awarded to NYPR. One grant funded \$970,000 of a \$5 million Major Market project that included constructing a new “Performance Space.” The second grant funded \$1.2 million of the \$4.3 million

budget for “The Takeaway” radio program. Our audit found that NYPR reported questionable indirect costs and did not report all the project costs for these grants as required by the grant agreements.

The objectives of this examination were to examine NYPR management’s assertions of compliance with grant agreement terms and conditions for grant spending and reporting total project costs.

Our examination found that NYPR:

- reported questionable indirect costs totaling

\$854,699, resulting in questioned CPB costs of \$96,941; and

- did not report all project costs as required by the grant agreements.

We recommended that CPB management require NYPR to repay questioned grant funds and file corrected Final Financial Reports for the “WNYC Major Market Service Extension” Fiscal Years (FY) 2008-2011 and “The Takeaway” FY 2012 projects.

NYPR officials did not agree with our findings and recommendations. We did not change them based upon NYPR’s response to the draft report.

CPB’s management decision resolving our recommendations is due by September 26, 2014.

Audit of Selected Grants Awarded to National Public Radio, Inc., Washington, DC, for the Period April 28, 2008 - September 30, 2013, Report No. ASR1305-1402 (issued March 24, 2014)

National Public Radio (NPR) is the home of the Public Radio Satellite System (PRSS). PRSS distributes public radio programming and related digital content to more than 400 public radio stations and hundreds of additional stations that receive programming sent over satellite through local connections with downlink stations. This audit covered the \$72.9 million grant awarded to NPR to replace the PRSS and another \$5 million to fund the PRSS share of the build out of the new NPR headquarters building. Our audit

found that NPR complied with grant requirements except it reported a duplicate accounting journal entry and it did not make project financial reports available to the public.

The objectives of our audit were to examine the PRSS financial grant reports as of September 30, 2013, to determine whether: 1) financial reports fairly present CPB grant revenues and expenditures; 2) costs were incurred in accordance with grant requirements; and 3) NPR complied with applicable provisions of the Communications Act (Act).

Based upon our audit we found that NPR:

- claimed duplicate payroll expenses of \$99,760 because of an error in recording payroll adjustments; and
- did not fully comply with open financial records requirements of the Act.

We recommended that NPR:

- file a corrected and certified project cost report increasing the available funds remaining to apply to future project costs;
- submit evidence of the journal entry adjustment to the PRSS project account correcting the \$99,760 overcharge;
- comply with the Act by making the financial reports it submits to CPB for the PRSS Upgrade and Network Operations Center construction grants available to the public; and
- develop procedures explaining how financial reports can be obtained by the public.

NPR agreed with our findings and recommendations and initiated corrective action to increase the project account and submit evidence that the \$99,760 overcharge was corrected. NPR also agreed to make financial reports it submitted to CPB available to the public. NPR's proposed actions and procedures meet the intent of our recommendations and should correct the issues we reported.

CPB's management decision resolving our recommendations is due by September 26, 2014.

Examination of Community Service Grants Awarded to Oregon Public Broadcasting, Portland, Oregon, for the Period July 1, 2011 - June 30, 2013, Audit Report No. ASJ1306-1401 (issued March 10, 2014)

Oregon Public Broadcasting (OPB) is the primary television and radio public broadcasting network for most of Oregon, as well as southern Washington. OPB is a major producer of television programming for national broadcast on PBS. During our audit period OPB received over \$6 million from CPB under the Community Service Grant (CSG) program and other grant projects. Our audit found that OPB proper-

ly accounted for and reported on CPB grant activities and complied with grant requirements and those of the Act.

The objectives of the audit were to examine OPB's certifications of compliance with 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 CSG and other funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Act.

Our examination found that OPB:

- reported NFFS in accordance with CPB's Financial Reporting Guidelines;
- expended and reported CPB funds in accordance with grant agreement requirements; and
- complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act.

Based on our testing, we had no findings or recommendations, and OPB elected not to respond to our draft report. No management decision is required.

Additional Reporting Requirements

Peer Review Results

OIG did not conduct nor receive a peer review this reporting period, and there are no outstanding recommendations from any prior peer review of OIG. Further, there are no outstanding unimplemented recommendations from a peer review that OIG previously conducted. The last peer review of OIG was conducted by the Library of Congress through the period ending March 31, 2013.

Resolution of Recommendations

The following table summarizes the resolution activities for all audit and assistance reports issued by our office. This table includes reports that contain monetary and non-monetary findings with related recommendations.

Reports Requiring Resolution

Description	Number of Reports	Total		
		Questioned Costs	Unsupported Costs	Funds Put to Better Use
Reports for which no management decision had been made by the start of the reporting period.	4	\$689,960	\$142,633	\$141,136
Reports issued during the reporting period.	3	\$196,701	\$196,701	\$0
Subtotals¹	7	\$886,661	\$339,334	\$141,136
Reports for which a management decision had been made during the reporting period:	4			
• Dollar value of recommendations agreed to by management		\$168,491	\$116,629	\$141,136
• Dollar value of recommendations not agreed to by management		\$521,461	\$26,004	\$0
Reports with no management decision at the end of the reporting period.	2	\$196,701	\$196,701	\$0

¹ One report issued during the period had no findings and recommendations. As a result, only two reports require a management decision as of March 31, 2014.

Investigative Activities

The IG Act provides for OIG to receive and investigate complaints or allegations involving potential violations of law, rules, or regulations or of mismanagement, gross waste of funds, or abuse of authority. We receive allegations through a variety of means, including our hotline. We review all allegations to determine whether the complaint should be the subject of an audit, evaluation, or investigation or referred for action by CPB.

Allegations and Hotline Complaints

In the previous semiannual report, we reported that we had three open complaints at the end of the reporting period. We closed all three this period, as well as 30 of the 39 new complaints we received. We did not open any new investigations.

Congressional Matters

In March 2010, the ranking members of the Senate Committees on Finance, Homeland Security and Governmental Affairs, and the Permanent Subcommittee on Investigations, Senators Charles Grassley and Tom Coburn, requested that our office send biannual reports on all closed investigations, evaluations, and audits conducted by our office that were not disclosed to the public. In December 2013, we sent a report for the period April 1, 2013 through September 30, 2013.

CPB REPORT

Message from Chief Financial Officer and Treasurer

March 31, 2014

CPB and OIG staffs continue to work cooperatively to discuss and resolve report findings and recommendations. Generally, corrective actions have been completed or are proceeding according to agreed-upon schedules. Some resolutions have taken longer than desired and recent modifications in internal procedures are being implemented to improve the timeliness of CPB responses.

With our commitment to continuous improvement, enhancements to CPB internal controls and processes and procedures are always a priority. In this regard, the CPB staff and OIG are working together with our grantees to strengthen procedures and controls over station grants, contracts, and CPB assets.



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

Recovering Disallowed Costs and Funds Put to Better Use

During this reporting period CPB management issued four management decisions, three of them contained findings with questioned costs. Further details concerning the status of on-going recovery efforts are discussed under the section titled Corrective Action Not Completed Within One Year of a Management Decision, on page 9.

Reports with Disallowed Costs or Funds Put to Better Use

Description	Number of Reports	Dollar Value of Disallowed Costs	Dollar Value Funds Put to Better Use
Reports with management decisions for which final action had not been completed by the start of the reporting period.	8	\$475,381	\$1,300,538
Reports for which management decisions were made during the reporting period.	4	\$168,491	\$141,136
Subtotal	12	\$643,872	\$1,441,674
Reports for which final action was taken during the reporting period. ²	2		
<ul style="list-style-type: none"> • Dollar value of disallowed costs that have been recovered through collection or offset. 		\$201,259	\$601,454
<ul style="list-style-type: none"> • Dollar value of disallowed costs written off as uncollectible. 		\$0	\$0
Reports for which final actions were not completed by the end of the reporting period.	10	\$442,613	\$840,220

² Monetary recoveries were made on seven reports during this reporting period. Final monetary recoveries were made on two reports.

Corrective Actions Not Completed Within One Year of a Management Decision

At the end of the reporting period there were four reports with monetary corrective actions that had not been completed within one year of the management decision date. Additionally, there is one other report with significant administrative corrective actions that have not been completed within one year of the management decision date. CPB officials have established a completion date to implement administrative corrective actions.

Monetary collection actions are in process in accordance with CPB's approved grant offset schedule for two audits and collection decisions are pending on two others.

On-Going Monetary Collection Actions as of September 30, 2013

Report No.	Report Title	Date Issued	Date Resolved	Fiscal Year Corrective Action to be Completed
ASJ1102-1201	Audit of CPB Grants Awarded to WQED Multimedia	Dec. 12, 2011	July 9, 2012	FY 2017 (1)
ESR1107-1204	Examination of CPB Grant Funds Awarded to Cesar Chavez Foundation KUFW-FM	March 20, 2012	March 22, 2013	FY 2016 (2)
APR1203-1206	Examination of CPB Grant Awarded to Pundit Productions, Inc.	August 20, 2012	Feb. 28, 2013	Repayment schedule not established
ASR1202-1208	Audit of CPB Grants Awarded to Pacifica Foundation Radio Stations KPFA, KPFK, KPFT, WBAI, and WPFW	Sept. 21, 2012	March 28, 2012	Repayment schedule not established

- (1) CPB began recovering \$759,332 in FY 2013. It will deduct \$151,867 from WQED's annual CSG for five years.
- (2) CPB began recovering \$387,696 in FY 2014. It will deduct \$129,232 from KUFW's annual CSG for three years.

Significant Unimplemented Administrative Corrective Actions as of March 31, 2014

Report No.	Report Title	Date Issued	Date Resolved	Fiscal Year Corrective Action to be Completed
ECJ905-1105	Station Survey Compliance with Accounting & Communications Act Requirements	March 31, 2011	August 30, 2011	FY 2014

Auditing Requirements with the Communications Act

Our survey report recommended expanding the independent public accountant's attestation testing to verify compliance with the Communications Act requirements. To accomplish this CPB, is updating the financial reporting guidelines and developing a communications plan to notify all grantees of the new requirements. CPB expects these new procedures will be implemented by October 2014.

CONTACT CPB/OIG

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

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

Fax: 202-879-9699

Email: oigemail@cpb.org

Write: Inspector General Hotline
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