



Corporation for Public Broadcasting

SEMIANNUAL REPORT

OFFICE OF
INSPECTOR GENERAL
OPERATIONS

CPB AUDIT
RESOLUTION ACTIVITIES

OCTOBER 1, 2018
THROUGH
MARCH 31, 2019

Foreword

Congress created the Corporation for Public Broadcasting (CPB) in 1967 to promote public media and help keep it free from government interference. CPB is a private non-profit corporation that is governed by a Board of Directors (Board) appointed by the President and confirmed by the Senate. CPB funds more than 1,450 public media stations, as well as research, technology, and program development for public radio, television, and related online services. For fiscal year 2019, CPB received \$445 million for its general appropriation and \$20 million for a public media interconnection appropriation from Congress, as well as \$20.3 million in Ready to Learn funds as part of a five-year grant from the U.S. Department of Education.

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

Congress requires that the Inspector General and the head of CPB report semiannually about OIG operations and activities and about CPB audit resolution results. Because CPB is a small organization, we have created this joint report. In the first section, we report on OIG's efforts and in the second, we present CPB's audit resolution activities.

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I. OFFICE OF INSPECTOR GENERAL OPERATIONS

Message from the Inspector General

March 31, 2019

I am pleased to submit this Semiannual Report to Congress about the activities of the Corporation for Public Broadcasting (CPB) Office of Inspector General (OIG) during the period October 1, 2018 through March 31, 2019. This period, we issued a final audit of the Community Service Grants (CSG) at Illinois Public Media (WILL-TV/FM). We identified a net overstatement of just over \$1 million in the Non-Federal Financial Support (NFFS) that the station reported to CPB for fiscal year (FY) 2017, which resulted in it receiving \$67,575 in excess CSG payments in FY 2019. One of the errors the station made was to miscalculate the indirect administrative support (IAS) it received from its licensee.

CPB permits institutional stations, such as those associated with universities, like WILL-TV/FM, to report as NFFS the IAS they received from their licensees. Because CPB bases its CSG awards in part on reported NFFS, it is important that stations correctly calculate their IAS to enable CPB to equitably distribute CSG funds. We have previously identified stations' calculation of IAS as problematic and recommended that CPB develop easier, more equitable options for calculating IAS. CPB began that process this period, and we have been providing technical assistance to CPB as CPB considers new approaches.

We continued our outreach efforts to the public media community by sending station general managers and chief financial officers a message identifying findings from our FY 2018 station audits to help these station officials ensure the accuracy of their reporting to CPB. We also adopted a new strategic plan for the next five years where we set out our core values of integrity, excellence, collaboration, and independence and our goals to: 1) provide timely and high value products that benefit CPB initiatives and operations; 2) promote effective working relationships with Congress, the CPB Board, management, and stakeholders and increase the visibility of OIG in the public media community; and 3) promote excellence and innovation in OIG.

We experienced our first inspections peer review this period. A team of evaluators from other OIGs issued its final report on December 4, 2018 concluding that our policies and procedures generally met the seven Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation addressed in this review and that the two reports tested met the standards and complied with our internal policies and procedures.

Finally, after 43 years of public and non-profit service, I have decided to retire. I am proud of the accomplishments of my office in my six years here. We have identified important issues for CPB management to address, all of which helped ensure that CPB's resources are awarded to the grantees appropriately and managed more effectively. We have also increased the visibility of our role in the public media community, so that grantees are more focused on oversight and accountability. And, we have employed a staff of talented professionals who carry out their work with discretion and expertise. I am confident that OIG will continue its important contribution toward accountability in public media.

A handwritten signature in blue ink, reading 'Mary Mitchelson'.

Mary Mitchelson
Inspector General

| Reports Issued in the Period Ending March 31, 2019 | | | | | |
|--|---|------------------|-------------|----------------------------|-----------------------------------|
| Report Number / Date Issued | Report Title | Questioned Costs | | Funds Put To Better Use | Administrative Recommendations |
| | | Total | Unsupported | | |
| ASJ1903-1902 March 28, 2019 | Audit of Community Service Grants Awarded to Illinois Public Media, Urbana, IL, for the Period July 1, 2016 through June 30, 2017 | \$0 | \$0 | \$67,575 | 2 |

As defined by the Inspector General Act (IG Act), as amended, “questioned costs” are those that are: 1) identified due to an alleged violation of a provision governing the expenditure of funds, 2) not supported by adequate documentation, or 3) unnecessary or unreasonable. “Funds put to better use” are those that could be used more efficiently, e.g., by reducing outlays or deobligating funds. We use the latter category to report excess Community Service Grants (CSG) that stations have received, because the funds should have been available for distribution to other eligible stations.

Audit and Evaluation Reports and Assistance Activities

Audit of Community Service Grants Awarded to Illinois Public Media, Urbana, IL, for the Period July 1, 2016 through June 30, 2017

We found that Illinois Public Media made errors in calculating its Non-Federal Financial Support (NFFS) resulting in a net overstatement of \$1,006,785 in fiscal year (FY) 2017 and a Community Service Grant (CSG) overpayment of \$67,575 in FY 2019. The station also did not comply with the discrete accounting requirements for restricted radio revenues and expenditures.

We audited Illinois Public Media (WILL-TV/FM), a not-for-profit public media service of the College of Media at the University of Illinois in Urbana, IL, for the period July 1, 2016 through June 30, 2017. Our objectives were to determine whether the station: a) claimed NFFS on its Annual Financial Report (AFR) in accordance with CPB’s Financial Reporting Guidelines (Guidelines); b) complied with the Communications Act of 1934, as amended (Act), and CPB’s certification requirements; and c) expended CPB grant funds in accordance with grant requirements.

We issued our final report on March 28, 2019. We found that the station understated and overstated NFFS in FY 2017 with a net overstatement of \$1,006,785, resulting in a CSG overpayment of \$67,575 in FY 2019. The station:

- overstated indirect administrative support by incorrectly calculating a) institutional and physical plant support costs, b) net assignable square footage, and c) the institutional support rate;
- lacked documentation for the allocation of revenues between TV and radio;
- included the purchase of TV equipment in appropriations revenues;
- included unallowable NFFS related to vinyl record sales and special fundraising revenues that were not offset by expenditures; and
- understated the exclusion of high-end premiums.



We also found that the station did not comply with the discrete accounting requirements for restricted radio revenues and expenditures.

We recommended that CPB recover the overpaid CSG, require the station to identify corrective actions and controls it will implement to ensure future compliance with NFFS reporting requirements, and verify that the station properly identified its restricted radio revenues and expenditures accounts codes in its FY 2019 grant application. The station agreed with these findings and stated that it will take corrective actions to ensure future compliance. https://www.cpb.org/files/oig/reports/Illinois_Public_Media_Report.pdf

Additional Reporting Requirements

Resolution of Recommendations

The following table summarizes CPB management's resolution activities for audit and evaluation reports issued by our office. We have included reports with monetary and non-monetary administrative recommendations.

| Description | Number of Reports | Questioned Costs | | Funds Put To Better Use |
|--|-------------------|------------------|-------------|-------------------------|
| | | Total | Unsupported | |
| Reports for which no management decision had been made by the start of the reporting period. | 4 | \$2,497 | \$2,497 | \$701,771 |
| Reports issued during the reporting period. | 1 | \$0 | \$0 | \$67,575 |
| Subtotals | 5 | \$2,497 | \$2,497 | \$769,346 |
| Reports for which a management decision was made during the reporting period: | 4 | | | |
| • Dollar value of recommendations agreed to by management | | \$2,497 | \$2,497 | \$761,307* |
| • Dollar value of recommendations not agreed to by management | | \$0 | \$0 | \$18,575 |
| Reports with no management decision at the end of the reporting period. | 1 | \$0 | \$0 | \$67,575 |

* This total includes penalties of \$76,824 and \$1,287 in additional funds put to better use that CPB assessed during audit resolution

Reports Issued Before This Reporting Period with Open Recommendations

The following table presents the audit reports that we issued before October 1, 2018 with recommendations open as of March 31, 2019. The four open recommendations include three monetary recommendations totaling \$684,483.

| Audit Entity / Report Number / Date Issued | Recommendations | Audit Resolution Date | Potential Cost Savings | Number of Open Recommendations | Date of Corrective Action |
|--|---|-----------------------------|------------------------------|--------------------------------------|---------------------------------|
| WITF TV/FM ASJ1806-1806 9/19/2018 | 1) Recover actual and potential CSG overpayments of \$41,311 | 12/4/2018 | \$42,598 | 1 | October 2019 |
| WTTW AST18904-1809 9/26/2018 | 1) Recover the potential CSG overpayments of \$659,226 | 1/11/2019 | \$640,651 | 1 | October 2019 |
| KZYX-FM ASR1807-1810 9/28/2018 | 1) Repay CSG overpayments of \$1,234 for FY 2018 | 2/13/2019 | \$1,234 | 1 | October 2019 |
| | 2) Identify corrective actions & controls to ensure future compliance with open meeting requirements. | 2/13/2019 | \$0 | 1 | March 2019 date not met |
| | Total | | \$684,483 | 4 | |

Investigative Activities

The IG Act provides for OIG to receive and investigate complaints or allegations involving potential violations of law, rules, or regulations, mismanagement, gross waste of funds, or abuse of authority. We receive allegations through a variety of means, including our hotline. We review allegations to determine whether the complaint should be the subject of an audit, evaluation, or investigation or referred to CPB or another entity. If we decide to investigate, our results must be reported here. We may refer the results of our investigations to appropriate prosecuting authorities for action, and such actions must be reported in this report.

Allegations and Hotline Complaints

During this reporting period, we received 22 new complaints. We referred two for possible audit, four to CPB management for its information or action, and five to the CPB Ombudsman. In response to five of the complaints, we provided information to the complainants and closed the matters. We closed five complaints because we determined that they either lacked specificity or we did not have authority to act. At the end of the reporting period, one complaint remained open.

Investigations

During this reporting period, we did not open any new investigations, issue any investigative reports, or refer any persons to prosecuting authorities. We also had no indictments or information resulting from referrals for prosecution.

Other OIG Activities

OIG Outreach

On October 30, 2018, we issued a message from the IG identifying findings from our FY 2018 station audits. By learning of the errors in financial reporting and compliance that we found, station officials should be better able to ensure the accuracy of their own reporting to CPB. The message went to general managers and chief financial officers of stations, as well as to several public broadcasting organizations. We also posted it on our website. https://www.cpb.org/files/oig/reports/IG_Message_Oct_2018.pdf

OIG Strategic Plan for FYs 2019-2023

In October 2019, we adopted a new strategic plan for the next five years. We set out our core values of integrity, excellence, collaboration, and independence and our goals to: 1) provide timely and high value products that benefit CPB initiatives and operations; 2) promote effective working relationships with Congress, the CPB Board, management, and stakeholders and increase the visibility of OIG in the public media community; and 3) promote excellence and innovation in OIG. We also identified strategies we will use to pursue those goals. You may read it on our website. <https://www.cpb.org/files/oig/reports/Strategic-Plan-2019-2023.pdf>

OIG Annual Plan for FY 2019

We also established our FY 2019 work plan in October 2019. We set out the work we plan to conduct this year to accomplish our strategic goals, as well as the performance measures we will work toward. Our measures are to initiate fieldwork on 8 reviews, issue 7 final reports, handle 90 percent of our complaints within 30 days, always respond promptly to Congress, initiate 4 outreach efforts, and meet our CPE and other training requirements. We posted our plan on our website. <https://www.cpb.org/files/oig/reports/annualplan19.pdf>

Inspections/Evaluations Peer Review

A team of evaluators from two OIGs that belong to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) conducted a peer review of our inspections work and issued its final report on December 4, 2018. The review team determined that our policies and procedures generally met the seven standards of CIGIE's Quality Standards for Inspection and Evaluation that were addressed in this review — Quality Control, Planning, Data Collections and Analysis, Evidence, Records Maintenance, Reporting, and Follow-up. The team also concluded that the two of our reports it tested met CIGIE's inspection standards and complied with our internal policies and procedures. The report is on our website. https://www.cpb.org/files/oig/reports/CPB_OIG_2018_Peer_Review_System_Report.pdf.

This was the first time OIG was the subject of an inspection external peer review. CIGIE made these reviews mandatory in 2017 and established the process and guide for conducting them. We are scheduled to participate on an inspection peer review team for another OIG in FY 2020.

Audit Peer Review

OIG's most recent audit peer review was conducted by the Government Accountability Office OIG for the period ending March 31, 2016. We received a rating of pass, which is the highest level of assurance an audit organization can receive, and the report contained no recommendations. The report is dated September 7, 2016 and can be found on our website. https://www.cpb.org/files/oig/reports/CPB_OIG_2016_Peer_Review_System_Report.pdf

Participation in CIGIE

This period, the IG served as one of four IG members of CIGIE's Integrity Committee. Established by an amendment to the IG Act, this committee reviews and refers for investigation allegations of wrongdoing made against IGs and their designated senior staff. The IG also continued her participation on CIGIE's Audit Committee, which considers audit standards, training, and other issues that affect the community.



II . CPB AUDIT RESOLUTION ACTIVITIES

Message from the Chief Financial Officer and Treasurer

March 31, 2019

We continue to be pleased with the collaborative working relationship between CPB and OIG staffs. Our staffs communicate frequently and work cooperatively to discuss and resolve report findings and address any recommendations. OIG audits provide valuable insight into compliance matters associated with our grantees and contractors. Our goal is to respond to them in a timely fashion and to communicate their findings with our grantee community, as the issues uncovered may impact them.

CPB is currently conducting reviews through a consultative process with station representatives of both the Television and Radio Community Service Grant programs. Through this process, the issue identified by the OIG concerning indirect administrative support at institutional stations that is treated as Non-Federal Financial Support (NFFS) is being addressed. As noted in the Message from the Inspector General, we agree in principle that a simpler approach or methodology should be developed to determine these amounts.

CPB continues to communicate with grantees and provide them with training on compliance with the Communication Act. The penalty assessment funds that CPB receives are used to defray these training costs. The OIG also makes presentations at public media meetings in their efforts to provide insight on their audit findings and to provide recommendations to licensees on compliance matters. Between these efforts we continue to see positive results through fewer audit findings on compliance matters.

We extend our best wishes to the Inspector General in her upcoming retirement after a distinguished career. In her six-year tenure at CPB she has contributed greatly to strengthening CPB's processes and procedures through her department's audit report recommendations. She has also taken an active role in the public media community through her outreach activities stimulating education on the OIG oversight role and stressing the importance of accountability. Fortunately, she is leaving behind a highly qualified staff.

A handwritten signature in blue ink, appearing to read 'William P. Tayman, Jr.' with a stylized flourish at the end.

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 that addressed OIG findings with funds put to better use. The following table presents the results of management's actions.

| 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. | 4 | \$0 | \$546,790 |
| Reports for which management decisions were made during the reporting period | 4 | \$2,497 | \$761,307 |
| Subtotals | 8 | \$2,497 | \$1,308,097 |
| Reports for which final action was taken during the reporting period. | 7* | | |
| <ul style="list-style-type: none"> Dollar value of disallowed costs that have been recovered through collection or offset. | | \$2,497 | \$620,176 |
| <ul style="list-style-type: none"> Dollar value of disallowed costs written off as uncollectible. | | \$0 | \$438 |
| Reports for which final actions were not completed by the end of the reporting period. | 3 | \$0 | \$687,483 |

* Final collection actions occurred for five of the seven reports this period, the remaining two reports recovered penalties that CPB assessed.

Index of IG Act Reporting Requirements

| IG Act Reference | OIG Reporting Requirements | Page |
|------------------------------|---|------|
| Section 4(a)(2) | Review of legislation and regulations | NA |
| Section 5(a)(1) | Significant problems, abuses, and deficiencies | 2 |
| Section 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 2 |
| Section 5(a)(3) | Prior significant recommendations not yet completed | NA |
| Section 5(a)(4) | Matters referred to prosecutive authorities and prosecutions/convictions resulting | NA |
| Section 5(a)(5) | Summary of instances where information was unreasonably refused or not provided | NA |
| Section 5(a)(6) | List of audit and inspection reports issued, including questioned costs, unsupported costs, and funds put to better use | 2 |
| Section 5(a)(7) | Summary of each significant report | 2 |
| Section 5(a)(8) | Statistical table showing the number of audit reports and dollar value of questioned costs | 2 |
| Section 5(a)(9) | Statistical table showing the number of audit reports and dollar value of recommendations that funds be put to better use | 2 |
| Section 5(a)(10)(A) | Summary of audit reports issued before the start of the reporting period - for which no management decision has been made by the end of the reporting period | NA |
| Section 5(a)(10)(B) | Summary of audit reports issued before the start of the reporting period - for which no establishment comment was returned within 60 days of providing the report the establishment | NA |
| Section 5(a)(10)(C) | Summary of audit reports issued before the start of the reporting period - for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations | 4 |
| Section 5(a)(11) | Description and explanation of reasons for any significant revised decisions by management during the reporting period | NA |
| Section 5(a)(12) | Information concerning significant decisions by management with which the Inspector General disagrees | NA |
| Section 5(a)(14) and (a)(15) | Information regarding peer reviews involving the Office of Inspector General | 6 |
| Section 5(a)(16) | Information regarding peer reviews conducted by the Office of Inspector General | NA |

Index of IG Act Reporting Requirements (cont'd)

| IG Act Reference | OIG Reporting Requirements | Page |
|---------------------------------------|---|------|
| Section 5(a)(17) | Statistical tables showing investigative, referral and prosecution results | NA |
| Section 5(a)(18) | Description of metrics used for investigative statistics | NA |
| Section 5(a)(19) | Report on substantiated investigations of high-level management officials | NA |
| Section 5(a)(20) | Description of instances of whistleblower retaliation | NA |
| Section 5(a)(21) | Description of instances of interference with Inspector General independence | NA |
| Section 5(a)(22) | Description of audit or investigation reports not made available to the public | NA |
| Section 5 Notes | Disclosure of government contractor audit findings | NA |
| CPB Management Reporting Requirements | | |
| Section 5(b)(2) | Statistical table showing the total number of audit reports and results from disallowed costs | 8 |
| Section 5(b)(3) | Statistical table showing the total number of audit reports and results from recommendations that funds be put to better use agreed to in a management decision | 8 |
| Section 5(b)(4) | Summary of audit reports where final action has not been completed within one year of a management decision | NA |

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

Website: <https://www.cpb.org/oig/contact>



On October 1, 2017, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) announced the official launch of [Oversight.gov](https://www.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).



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