

CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF INSPECTOR GENERAL

**AUDIT OF COMMUNITY SERVICE GRANTS AWARDED TO
PUBLIC BROADCASTING OF COLORADO, INC
COLORADO PUBLIC RADIO
CENTENNIAL, COLORADO
FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2018**

REPORT NO. ASR1905-1905

August 30, 2019



Report in Brief

Background

We performed this audit based on our annual audit plan to audit public television and radio stations.

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 Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend Community Service Grant (CSG) and other grant funds in accordance with grant agreement requirements; and c) comply with Certification of Eligibility requirements and statutory provisions of the Communications Act of 1934, as amended. The amount of NFFS a station reports to CPB affects the amount of CSG funding the station receives.

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

Send all inquiries to our office at (202) 879-9669 or email OIGemail@cpb.org or visit www.cpb.org/oig

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Audit of Community Service Grants Awarded to Public Broadcasting of Colorado Inc., Colorado Public Radio, Centennial, Colorado, for the Period July 1, 2016 through June 30, 2018

What We Found

Colorado Public Radio (CPR) overstated NFFS on its FYs 2017 and 2018 AFRs by \$57,608 because it reported:

- third party underwriting agency fees totaling \$49,658 as contributions; and
- in-kind trades of \$7,950 based on the station's underwriting credit value (rate card) instead of the donor's valuation of the goods or services provided to the station.

Overstated NFFS resulted in potential excess CSG payments of \$3,003 (\$1,663 FY 2019 and potentially \$1,340 in FY 2020).

Our audit also found that CPR did not:

- fully comply with the open meeting requirements of the Communications Act by not consistently providing seven days advance notice of its public meetings and by not making a written reason for closing all or portions of public meetings available to the public; and
- did not discretely account for CPB CSG restricted and unrestricted revenues and expenses.

The station disagreed that it overstated NFFS for underwriting revenues received from third parties stating it reported all underwriting income and expense in accordance with Generally Accepted Accounting Principles and Internal Revenue Service rules. The station agreed to take corrective action on the in-kind trade valuations. Regarding open meetings, CPR stated it had launched a new website last month, which will make it easier to post and organize information regarding Board meetings. Although CPR said it did not believe the discrete accounting finding was a matter of non-compliance, it added two unrestricted account codes to the chart of accounts and said it will use them in the future.

What We Recommend

That CPB take the following actions:

- recover potential CSG overpayments of \$3,003; and
- require CPR to identify the corrective actions and internal controls it will implement to ensure compliance with 1) CPB's NFFS reporting requirements, 2) the seven-day advance notice requirement for open meetings and public notification of the reason a specific meeting was closed; and 3) CPB's discrete accounting requirements.



Corporation
for Public
Broadcasting

Office of Inspector General

Date: August 30, 2019

To: Jackie J. Livesay, Vice President, Compliance
Ted Krichels, Senior Vice President, System Development and Media Strategy
Kathy Merritt, Senior Vice President, Journalism and Radio

From: 
William J. Richardson III, Acting Inspector General

Subject: Audit of Community Service Grants Awarded to Public Broadcasting of Colorado, Inc., Colorado Public Radio, Centennial, Colorado, for the Period July 1, 2016 through June 30, 2018, Report No. ASR1905-1905

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 Inspector General's website and distribute to 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: Bruce M. Ramer, Chair, CPB Board of Directors
Liz Sembler, Chair, CPB Audit and Finance Committee, CPB Board of Directors
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation
U.S. House of Representatives Energy and Commerce Committee
U.S. Senate Committee on Appropriations
U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) awarded to Colorado Public Radio (CPR) for the period July 1, 2016 through June 30, 2018. Our objectives were to examine CPR'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 (Guidelines); b) expend CSG and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility (Eligibility) requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our audit we found that CPR:

- overstated NFFS by \$57,608 (\$31,901 in fiscal year (FY) 2017 and \$25,707 in FY 2018), resulting in potential CSG overpayments of \$3,003 (\$1,663 in FY 2019 and potential overpayments of \$1,340 in FY 2020), which we reported as funds put to better use;
- did not fully comply with the open meeting requirements of the Communications Act by not consistently providing seven days advance notice of its public meetings and by not making a written reason for closing all or portions of meetings available to the public in a reasonable period; and
- did not discretely account for CPB CSG restricted and unrestricted revenues and expenses.

We recommend that CPB:

- recover potential CSG overpayments of \$3,003;
- require CPR to identify the corrective actions and controls it will implement to ensure future compliance with:
 - CPB's NFFS reporting requirements;
 - the Act's seven-day advance notice requirement for open meetings and public availability of a written reason a meeting was closed; and
 - CPB's discrete accounting requirements for recording the use of CPB's restricted and unrestricted revenues and expenses.

In response to the draft report, CPR disagreed that it had overstated NFFS and stated that it had consulted with its audit and tax teams and confirmed that it reported all underwriting income and expense in accordance with Generally Accepted Accounting Principles (GAAP) and Internal Revenue Service rules. CPR agreed to take corrective action on overstated in-kind valuations. Regarding open meetings, CPR stated it had launched a new website last month, which will make it easier to post and organize information regarding Board meetings. Although CPR said it did not believe the discrete accounting finding was a matter of non-compliance, it added two unrestricted account codes to the chart of accounts and said it will use them in the future.

This report presents the conclusions of the Office of Inspector General (OIG) and the findings reported do not necessarily represent CPB's final position on these issues. While we have made

recommendations, we believe would be appropriate to resolve these findings, CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures. Based on CPR's response to the draft report, we considered recommendations one and two unresolved and open pending receipt of CPB's management decision on these recommendations. Recommendations three and four are resolved but open pending the receipt of CPB's final management decision that accepts CPR's corrective actions.

We performed this audit based on the OIG's annual plan. We conducted our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology are discussed in Exhibit F.

BACKGROUND

Public Broadcasting of Colorado, Inc is the licensee and does business as CPR. CPR's mission is to enrich the Colorado community by providing news, information, and music for people who want to be informed, enlightened, and entertained. According to its website, it strives to be the primary source of in-depth news and information, and classical and independent music, by fostering a better understanding of community issues, promoting music enjoyment and education throughout the region, and leading collaborations in production, distribution, and fundraising.

CPR is a community station providing service through a network of transmitters and translators that serve approximately 80 percent of Colorado. It broadcasts news, classical music, and OpenAir content. The coverage area population is over 4,000,000.

CPB's Community Service Grant Program

The Communications Act of 1934 (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, they are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

CPB awards annual CSG's to eligible grantees based in part on the amount of NFFS claimed by all eligible entities on their AFRs. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools adjusted by base and supplemental 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 total amount of adjusted 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 CPR on its FY 2017 AFR to determine the amount of the CSG the station received in FY 2019.

During our audit period CPR received \$1,795,759 in CSG funds from CPB as itemized in Exhibit A. CPR reported NFFS of \$16,897,064 in FY 2017 and \$19,536,144 in FY 2018 per

Exhibit C. CPR's audited financial statements for the two years audited reported revenues of \$18,481,414 in FY 2017 and \$20,851,439 in FY 2018. CPR's fiscal year begins July 1 and ends on June 30.

RESULTS OF AUDIT

In our opinion, except for the noncompliance issues described below, CPR has complied with the requirements in the following paragraph for the FY 2017 and 2018 Radio CSGs, including the AFR/NFFS reporting in Exhibit B.

We examined CPR's management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes CPR's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines, Act requirements for open meetings, open financial records, Community Advisory Board, Equal Employment Opportunity (EEO) reporting, and donor lists; and discrete accounting requirements. CPR's management is responsible for their assertions. 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 engagements and, accordingly, included examining, on a test basis, evidence about CPR'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. Our examination does not provide a legal determination on CPR's compliance with specified requirements.

Our examination found the following issues of noncompliance with NFFS financial reporting, CPB grant agreement, Act, and Eligibility requirements, CPR:

- overstated NFFS by \$57,608 (\$31,901 in FY 2017 and \$25,707 in FY 2018), resulting in potential CSG overpayments totaling \$3,003 (\$1,663 in FY 2019 and potential overpayments of \$1,340 in FY 2020), which we reported as funds put to better use;
- did not fully comply with the open meeting requirement of the Communications Act by not consistently providing seven days advance notice of its public meetings and by not making a written reason for closing all or portions of meetings available to the public; and
- did not discretely account for CPB CSG restricted and unrestricted revenues and expenses.

FINDINGS AND RECOMMENDATIONS

OVERSTATED NFFS

Our audit found that CPR overstated its NFFS by \$57,608 by not complying with CPB's Guidelines. Specifically, we found that CPR claimed underwriting revenues totaling \$49,658 for third party fees as contributions. Additionally, CPR reported in-kind trades based on the

station's underwriting credit value (rate card) totaling \$7,950 instead of the donor's valuation of the goods or services provided to the station. These findings resulted in potential CSG overpayments totaling \$3,003, which we reported as funds put to better use and itemized in the following table.

Overstated NFFS

Condition	Overstated FY 2017 NFFS	Overstated FY 2018 NFFS	Total Overstated NFFS	FY 2019 CSG Overpayments	FY 2020 CSG Potential Overpayments ¹	Total Potential Overpayments
Overstated Underwriting Third-Party Fees	\$24,031	\$25,627	\$49,658	\$1,253	\$1,336	\$2,589
Overstated In-kind Trades	\$7,870	\$80	\$7,950	\$410	\$4	\$414
Total Overstated NFFS	\$31,901	\$25,707	\$57,608	\$1,663	\$1,340	\$3,003

We identified overstated NFFS totaling \$31,901 in FY 2017 and \$25,707 in FY 2018. Based on these overstatements using CPB's 2019 Incentive Rate of Return (.0521259919), we calculated CSG overpayments of \$1,663 on the 2019 grant and potential CSG overpayments of \$1,340 on the FY 2020 grant. These overpayments were classified as funds put to better use for reporting purposes because the funds could have been distributed to other radio public broadcasting grantees.

CPR did not agree with this finding. It said that in order to comply with CPB's guidance, CPR would need to keep a separate set of books that are not consistent with Generally Accepted Accounting Principles (GAAP). However, as a condition of the grant agreement between CPB and CPR, CPR agreed to follow CPB guidelines. Our findings related to overstated NFFS are discussed further below.

Underwriting Third Party Fees

CPR reported gross underwriting revenues as NFFS on its 2017 and 2018 Annual Financial Reports (AFR) although it did not take constructive receipt of advertising agency fees. These fees totaled \$49,658 for 27 of the 30 underwriting transactions tested. There were no advertising agency fees related to the 3 remaining items sampled. In 17 of the 27 instances, the advertising agency worked for the donor. In the remaining 10 instances involving National Public Media (NPM), under contract with CPR, we were advised by CPR that donors typically retained their own advertising agencies. CPR invoices to the donor-retained agencies or to NPM were discounted by the amount of the donor's agency fee (15 percent). The agencies remitted the balance of the underwriting either directly to CPR or to NPM. These transactions occurred in three different ways.

1. NPM – Ten transactions in our underwriting sample involved NPM with \$152,360 in reported NFFS. For these ten transactions, CPR advised us the donors typically used their own advertising agencies and that NPM worked directly with these donors' advertising

¹ We calculated the potential CSG overpayments resulting from the FY 2018 overstated NFFS using the FY 2019 IRR (.0521259919) because the FY 2020 IRR is not yet available.

agencies to sell underwriting for CPR. CPR had no interaction with the donors' agencies. CPR discounted its invoices to NPM for the 15 percent donor-retained agency fees. Under its agreement with CPB, NPM retained an additional 20 percent and remitted the balance to CPR. We are not challenging the 20 percent NPM fee. The donor-agency invoice discounts totaled \$22,855 for the ten NPM-related transactions in our sample. Because CPR had no relationship with the donors' advertising agencies, the 15 percent discounts do not meet CPB's NFFS requirements. The NFFS should have been reported net of the donor agency discounts.

2. In-House Agencies (IHAs) - Eight transactions in our sample involved donors who utilized IHAs with \$67,472 reported NFFS. The commissions for these eight transactions totaled \$10,122. According to CPR, as external advertising agency fees have risen, many businesses have hired internal marketing and advertising teams to replace the work an external agency previously provided. CPR advised OIG that underwriting sales to donors who use IHA's services are initiated by CPR's sales team reaching out to the IHA, based on past working relationships. In the case of new donors, the donor or IHA may reach out to CPR. CPR has no agreement with in-house agencies other than sales orders. Per CPB guidelines, the NFFS for IHA-related underwriting should have been reported net of IHA commissions because there was no written agreement or relationship between CPR and the agencies authorizing the IHA to receive funds on CPR's behalf.
3. Local Agencies – Nine transactions in our sample involved donors who utilized local agencies with \$111,207 reported NFFS. The commissions for these nine transactions totaled \$16,681. CPR had no agreement with local agencies other than the underwriting sales order. Per CPB guidelines, the NFFS for local agency related underwriting should have been reported net of local agency commissions because CPR had no written agreement or relationship with the local agencies expressly authorizing the agency to receive funds on CPR's behalf.

CPB Financial Report Guidelines (FYs 2017 and 2018 editions) provide that:

Generally, contributions or payments received in part or in whole by third parties for the benefit of the public broadcaster but for which the public broadcaster does not take constructive receipt will neither meet financial statement revenue recognition nor NFFS recognition criteria.

Guidelines, Section 2.3.2.

Underwriting revenues reported as NFFS must have been received directly by the grantee or constructively through a third party. Direct receipt refers to underwriting revenue provided/paid to the grantee by the donor. Constructive receipt refers to the situation where there is a written agreement between the grantee and the third party which authorizes the third party to receive funds on the grantee's behalf.

Guidelines, Section 2.5.2

Contrary to Section 2.5.2, CPR did not have written agreements with advertising agencies which authorized the agencies to receive funds on CPR's behalf. CPR stated that it did not agree with CPB's treatment of donor agency fees included under the NPM contract and in-house agency commissions because such treatment conflicted with Generally Accepted Accounting Principles (GAAP). It further argued that it had reported on the AFRs all underwriting income and expenses in accordance with GAAP.

More specifically, CPR stated that the cost to CPR of third-party agencies for their efforts in accumulating donations on CPR's behalf is a fundraising expense and, in accordance with GAAP, would not be netted against donation revenue. CPR also asserted, regarding donors using local ad agencies, that underwriting sales orders include both the agency and the donor and are considered written agreements consistent with standard industry practice.

In our judgment the sales order form falls short of CPB's requirement for a written agreement between the grantee and the third party, authorizing the third party to receive funds on the station's behalf to claim the fees as NFFS. The sales order form contains no language expressing this authority and are not signed by either party to meet CPB's NFFS reporting guidelines. Based on overstated NFFS underwriting third party fees totaling \$49,658 and CPB's 2019 Incentive Rate of Return (.0521259919) CPB made CSG overpayments of \$1,253 on the FY 2019 grant and will make potential CSG overpayments of \$1,336 on the FY 2020 grant.

In-kind/Trade

Our testing of in-kind trade transactions found that 5 of 10 transactions tested were reported as NFFS based on CPR's underwriting credit (rate card values) instead of the donor's valuation. This resulted in an NFFS overstatement of \$7,950. Further, for 6 of the 10 transactions tested, the donors' documentation of their trades and their valuations were not received by CPR at the time of donation. CPR subsequently received documentation in 5 cases, but between 5 and 15 months after the date of donation. As of June 10, 2019, CPR had not provided the donor's documentation on the sixth case.

GAAP requires that documentation of goods and services must support the determination of fair value. CPB requires that grantees retain sufficient evidence and documentation for all in-kind contributions claimed as NFFS.

Trade underwriting agreements or contracts alone do not satisfy CPB's documentation requirements for in-kind contributions claimed as NFFS. Grantees need to secure and retain documentation from the underwriter that is tantamount to a receipt for the goods or services received and claimed as NFFS. To satisfy CPB's documentation requirement the documentation must originate from the donor and it must contain the following elements:

- Documentation must be on formal business stationery or an invoice that prominently displays the donor's name, address and other identifying characteristics (e.g., business logo).
- Documentation must contain:

- A description of the goods or services donated;
 - The date(s) of donation;
 - The value of the donated goods or services and the method of valuation;
 - Explicit statement of the donor's intent to donate or trade the goods or services; and
 - Signature, name and title of the donor or donor's representative (electronically signed donor certifications are acceptable).
- CPB also provides a template to certify in-kind donations for optional use by stations.

Guidelines, Section 2.6.4

In booking the five in-kind trade transactions as revenues, CPR used its announcement underwriting credit value rather than the value of the goods and services provided to CPR by the donor. In two of the five cases, invoices provided by the donors were less than the underwriting credit value of the on-air announcement. For two other cases, the donors' certifications of trades and the donors' valuations were less than the NFFS claimed by CPR. In one case CPR is still awaiting receipt of the donor documentation of the delivery of its services and value of the trade.

CPR did not have controls in place to ensure the NFFS reported corresponded to that donor's valuation of the trade. Further, CPR did not have controls in place to ensure that donors provided an invoice or in-kind trade certifications to CPR at the time of the trade.

In summary, CPR overstated NFFS by \$57,608 resulting in potential CSG overpayments of \$3,003. We used CPB's 2019 Incentive Rate of Return of .0521259919 percent to compute overpayments of \$1,663 in FY 2019 and potential overpayments of \$1,340 in FY 2020.

Recommendations

We recommend that CPB management:

- 1) recover the potential CSG overpayment of \$3,003 and
- 2) require CPR to identify the corrective actions and controls it will implement to ensure future compliance with CPB NFFS reporting requirements for claiming underwriting third party receipts and the donor's valuation of in-kind trades based on receipt documentation.

CPR Response

CPR disagreed with the underwriting third party fees portion of this finding and CPB's definition of constructive receipt. CPR sought advice from both its audit and tax teams and has confirmed that it reported all underwriting income and expense in accordance with GAAP. CPR said that to comply with CPB's guidance, CPR would need to keep a separate set of books that are not consistent with GAAP. They looked forward to continuing a conversation with CPB towards resolution of this issue.

More specifically, CPR stated that the cost of third-party agencies for their efforts in accumulating donations on CPR's behalf is a fundraising expense and, in accordance with GAAP, would not be netted against donation revenue. Regarding the NPM donor related agency fees, CPR asserted that CPB's definition of constructive receipt is inconsistent with IRS rules regarding constructive receipt. CPR said that, under IRS rules, income is considered received when the agent receives it and that to split a portion of the income out is inconsistent with both GAAP and IRS treatment of the payments.

Regarding in-house agencies, CPR stated that in-house agencies are not a separate entity and that there are no third-party agreements involving donors who use in-house agencies. CPR said the agreement with the underwriter is an agreement with that organization, including their in-house agency. CPR also asserted that donors using local ad agencies, that underwriting sales orders include both the agency and the donor and are considered written agreements consistent with standard industry practice.

Regarding the in-kind trade portion of the finding, CPR stated that it has assigned a single position, authorized to work across the accounting and underwriting teams, to make sure all income and expense that is recognized for trade meets CPB reporting guidelines.

OIG Review and Comment

Based on CPR's response to the draft report, we consider recommendations 1 and 2 unresolved and open pending CPB's final management decision resolving these recommendations.

We do not agree with CPR's interpretation of CPB's Guidelines that set forth the criteria for determining which types of revenues may be included as NFFS for CSG matching purposes. In our judgment the underwriting sales orders used by CPR falls short of CPB's requirement for a written agreement between the grantee and the third party, authorizing the third party to receive funds on the station's behalf to claim third party fees as NFFS. The sales orders contain no language expressing this authority and are not signed by either party to meet CPB's NFFS reporting guidelines.

COMMUNICATIONS ACT COMPLIANCE

During our audit period CPR did not fully comply with CPB's open meeting requirements to provide seven days advance notice for public meetings, nor did it make available to the public in a timely manner the reasons meetings were closed.

Advance Notice of Meetings

CPR did not fully comply with the statutory provisions of the Act or the CPB Certification Requirements to provide seven days advance notice for the meetings for 6 of 14 meetings that were open or partially open to the public. The meetings lacking adequate notice were of 2 Board of Directors (Directors) meetings and 4 Community Advisory Board (CAB) meetings. For one of the Directors meetings, CPR did broadcast advance notice to the public of the meeting;

however, the broadcasts began only 2 days before the meeting. For the remaining Directors' meeting and the 4 CAB meetings, CPR did not provide any documentation of adequate advance notice.

Closed Meetings

CPR did not make available to the public the reasons for closing all or portions of 20 meetings. These meetings consisted of 9 Directors meetings, 8 Finance & Audit Committee meetings, and 3 Executive Committee meetings. The grantee provided OIG with minutes or meeting notes for the 9 Directors meetings and the 3 Executive Committee meetings. Much of the subject matter of these meetings met the Act and CPB's criteria allowing stations to close meetings (e.g., proprietary information, commercial or financial information obtained on a privileged or confidential basis, or the purchase of property). However, the grantee did not make available to the public the reasons these meetings were closed, nor did it provide the public any information about the 8 closed Finance & Audit Committee meetings.

The Act requires stations to provide the public with reasonable advance notice of an open meeting. 47 U.S.C. Section 396(k)(4)

CPB's Communications Act Compliance requirements provide that:

Stations may satisfy that requirement by providing at least seven days advance notice of an Open Meeting, including the time and date of the meeting, by:

1. posting notice on the station's website;
2. broadcasting notice on air between 6 a.m. and 11 p.m. as shown by the station's log;
3. placing notice in the "Legal Notices" section of a local newspaper in general circulation in the station's primary coverage area; or
4. giving notice through a recorded announcement accessible on the station's phone system.

CPB's Communications Act Compliance, I. Open Meetings, E. Notice of Open Meetings (June 2016).

The Act provides that stations may hold closed meetings, or close an open meeting, when discussing any of the following:

1. matters concerning individual employees;
2. proprietary information;
3. litigation and other matters requiring confidential advice of counsel;
4. commercial or financial information obtained from a person on a privileged or confidential basis; or
5. the purchase of property or services, if the premature disclosure of the transaction would compromise the station's business interests.

The Act requires stations to document and make available to the public the specific reason(s) for closing a meeting within a reasonable time after the meeting. CPB also requires that written statement to be made available for inspection, either at the CSG recipient's central office or posted on its website, within 10 days after each closed meeting.

CPB's Communications Act Compliance, II. Closed Meetings, B. "When may a meeting be closed?" and C. Closed Meeting Documentation

The Act also provides that grant funds may not be distributed to stations unless it provides reasonable advance notice to the public of meetings and makes available to the public a written explanation of the reasons for closing a meeting for one of the permitted reasons.

47 U.S.C. Section 396(k)(4)

CPR did not have internal controls in place, and it had not established written policies or procedures to ensure that Communications Act requirements would be met. As a result, it did not fully comply with the CPB open meeting requirement to provide advance notice of upcoming meetings and explain the basis for closing meetings to inform the public about station activities.

Recommendation

- 3) We recommend that CPB management require CPR to identify the corrective actions and internal controls it will implement to ensure compliance with the seven-day advance notice requirement for open meetings and public notification of the reason a specific meeting was closed.

CPR Response

CPR stated it had launched a new website last month, which will make it easier to post and organize information, including announcements about Board of Directors and Community Advisory Board meetings. Additionally, CPR stated the Executive Assistant to the President is now responsible for and maintains all Board information, including the update of required information (e.g., upcoming meetings, reasons for executive sessions) online after each Board meeting.

OIG Review and Response

Based on CPR's response to the draft report, we consider recommendation 3 resolved but open pending CPB's final management decision that accepts the corrective actions taken by CPR.

DISCRETE ACCOUNTING

CPR recorded all CSG-related revenues and expenditures (both restricted and unrestricted) in its restricted revenue and expense accounts. CPR recorded no activity in the unrestricted revenue

and expense accounts. Further, CPR's chart of accounts did not include an account for unrestricted expenditures.

CPR had established unique accounting codes to identify and account for CSG restricted and unrestricted revenue and expenditures and reported those on its 2018 Radio Community Service Agreement and Certification of Eligibility. However, it did not separately account for CPB unrestricted revenues and expenses; instead it recorded CSG funds only to restricted revenue and expense accounts.

CPR asserted that it complied with the discrete accounting requirement and stated it created the following accounts to track CSG restricted and unrestricted revenues and expenses:

- CSG Unrestricted Revenues 41300-000-000
- CSG Restricted Revenues 41300-000-300
- CSG Unrestricted Expenses 51100-301-300
- CSG Restricted Expenses 51050-301-300

The CPB Radio CSG Terms and Conditions contain a discrete accounting requirement that requires:

The use of unique accounting codes by CSG recipients to identify CSG funds – both revenues and expenses, restricted and unrestricted – so that both CPB and an auditor can discretely track those funds within the recipient's accounting system.

CSG recipients are not required to segregate CSG funds in separate bank accounts; co-mingling funds is allowable as long as the accounting system easily identifies transactions associated with a major activity (e.g., department, grant, contract, or other project).

CPB's 2018 Radio CSG General Provisions and Eligibility Criteria, Section 3. Recordkeeping Requirements, subsection D provides that grantees must comply with the Discrete Accounting Requirement. Part II. Definitions, S. defines the Discrete Accounting Requirement as the use of unique accounting codes by CSG recipients to identify CSG funds – both revenues and expenses, restricted and unrestricted – so that both CPB and an auditor can discretely track those funds within the recipient's accounting system.

Recommendation

- 4) We recommend CPB management require CPR to identify the corrective actions and controls it will implement to ensure the use of CPB's unrestricted revenues and expenses are recorded in accordance CPB's discrete accounting requirements.

CPR Response

CPR stated it has added two unrestricted account codes to the chart of accounts, and in the future will split its NPR program fees between the two accounts. CPR did not feel that this finding is a matter of non-compliance, as all CPB funds were appropriately recorded, tracked, and reported.

OIG Review and Response

Based on CPR's response to the draft report, we consider recommendation 4 resolved but open pending CPB's final management decision that accepts the corrective actions taken by CPR.

Exhibit A

**Corporation for Public Broadcasting
Payments to Colorado Public Radio
July 1, 2016 – June 30, 2018**

CPB Grants	FY 2017 Payments	FY 2018 Payments	Total Payments
KVOD FM Radio Community Service Grant	\$892,819	\$902,940	\$1,795,759
Total	\$892,819	\$902,940	\$1,795,759

Exhibit B

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Schedule A		
1. Amounts provided directly by federal government agencies	\$0	\$0
A. Grants for facilities and other capital purposes (PTFP and others)	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (specify)	\$0	\$0
2. Amounts provided by Public Broadcasting Entities	\$923,571	\$936,063
A. CPB - Community Service Grants	\$892,819	\$902,940
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$0	\$0
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$1,500	\$840
E. Public broadcasting stations - all payments	\$5,252	\$8,283
F. Other PBE funds (specify)	\$24,000	\$24,000
3. Local boards and departments of education or other local government or agency sources	\$94,660	\$84,960
3.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
3.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
4. State boards and departments of education or other state government or agency sources	\$25,598	\$0

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
4.1 NFFS Eligible	\$25,598	\$0
A. Program and production underwriting	\$25,598	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
4.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
5. State colleges and universities	\$326,051	\$298,326
5.1 NFFS Eligible	\$326,051	\$298,326
A. Program and production underwriting	\$326,051	\$298,326
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
5.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
6. Other state-supported colleges and universities	\$0	\$0
6.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
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Description	FY 2017	FY 2018
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
6.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
7. Private colleges and universities	\$299,982	\$260,788
7.1 NFFS Eligible	\$299,982	\$260,788
A. Program and production underwriting	\$299,982	\$260,788
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
7.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
8. Foundations and nonprofit associations	\$1,581,983	\$1,729,526
8.1 NFFS Eligible	\$1,569,676	\$1,717,925
A. Program and production underwriting	\$1,465,345	\$1,701,925
B. Grants and contributions other than underwriting	\$104,331	\$15,550
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
8.2 NFFS Ineligible	\$12,307	\$12,051
A. Rental income	\$12,307	\$12,051
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
E. Other income ineligible for NFFS inclusion	\$0	\$0
9. Business and Industry	\$3,217,085	\$3,742,761
9.1 NFFS Eligible	\$3,153,459	\$3,644,421
A. Program and production underwriting	\$3,099,330	\$3,584,076
B. Grants and contributions other than underwriting	\$54,129	\$60,345
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
9.2 NFFS Ineligible	\$63,326	\$98,340
A. Rental income	\$54,513	\$83,703
B. Fees for services	\$5,555	\$6,415
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$3,558	\$8,222
10. Memberships and subscriptions (net of membership bad debt expense)	\$6,655,937	\$8,045,614
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	\$0	\$0
10.2 NFFS Exclusion – All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (unless netted elsewhere in Schedule A)	\$2,296	\$5,434
10.3 Total number of contributors. 2016 data 2017 data		
11. Revenue from Friends groups less any revenue included on line 10	\$0	\$0
11.1 Total number of Friends contributors. 2016 data 2017 data		
12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)	(\$8,875)	(\$8,241)
A. Nonprofit subsidiaries involved in telecommunications activities	(\$8,875)	(\$8,241)
B. NFFS Ineligible – Nonprofit subsidiaries not involved in telecommunications activities	\$0	\$0
C. NFFS Ineligible – For-profit subsidiaries regardless of the nature of its activities	\$0	\$0
D. NFFS Ineligible – Other activities unrelated to public broadcasting	\$0	\$0

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Form of Revenue		
13. Auction revenue (see instructions for Line 13)	\$0	\$0
A. Gross auction revenue	\$0	\$0
B. Direct auction expenses	\$0	\$0
14. Special fundraising activities (see instructions for Line 14)	\$1,377,073	\$1,785,927
A. Gross special fundraising revenues	\$1,390,433	\$1,796,232
B. Direct special fundraising expenses	\$13,360	\$10,305
15. Passive income	\$212,888	\$277,941
A. Interest and dividends (other than on endowment funds)	\$212,051	\$263,606
B. Royalties	\$837	\$600
C. PBS or NPR pass-through copyright royalties		\$13,735
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	\$551,104	\$212,486
A. Gains from sales of property and equipment (do not report losses)	\$0	\$0
B. Realized gains/losses on investments (other than endowment funds)	\$0	\$155,732
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	\$551,104	\$56,754
17. Endowment revenue	\$0	\$0
A. Contributions to endowment principal	\$0	\$0
B. Interest and dividends on endowment funds	\$0	\$0
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0
18. Capital fund contributions from individuals (see instructions)	\$0	\$0
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	\$0	\$0
B. Other	\$0	\$0
19. Gifts and bequests from major individual donors	\$3,069,980	\$3,298,202
19.1 Total number of major individual donors FY 2016 data FY 2017 data		
20. Other Direct Revenue	\$0	\$0
Line 21. Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases (TV only)	\$0	\$0
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)	\$18,340,397	\$20,674,658

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Adjustments to Revenue		
23. Federal revenue from line 1.	\$0	\$0
24. Public broadcasting revenue from line 2.	\$923,571	\$936,063
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$0	\$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	\$0	\$0
27. Other automatic subtractions from total revenue	\$642,693	\$338,616
A. Auction expenses – limited to the lesser of lines 13a or 13b	\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	\$13,360	\$10,305
C. Gains from sales of property and equipment – line 16a	\$0	\$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b	\$0	\$155,732
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	\$551,104	\$56,754
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	\$0	\$0
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	\$66,820	\$95,754
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$5,555	\$6,415
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$0	\$0
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	\$3,558	\$8,222
K. FMV of high-end premiums (Line 10.1)	\$0	\$0
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	\$2,296	\$5,434
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	\$0	\$0
28. Total Direct Non-Federal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$16,774,133	\$19,399,979
Schedule C		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$9,290	\$22,200
A. Legal	\$0	\$0
B. Accounting and/or auditing	\$0	\$0
C. Engineering	\$0	\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$9,290	\$22,200

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$29,874	\$27,180
A. Annual rental value of space (studios, offices, or tower facilities)	\$18,600	\$18,600
B. Annual value of land used for locating a station-owned transmission tower	\$0	\$0
C. Station operating expenses	\$11,274	\$8,580
D. Other (see specific line item instructions in Guidelines before completing)	\$0	\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$83,767	\$86,785
A. ITV or educational radio	\$0	\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0	\$0
C. Local advertising	\$83,767	\$86,785
D. National advertising	\$0	\$0
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 Non-Federal Financial Support	\$122,931	\$136,165
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$64,090	\$89,822
A. Compact discs, records, tapes and cassettes	\$0	\$0
B. Exchange transactions	\$0	\$0
C. Federal or public broadcasting sources	\$0	\$0
D. Fundraising related activities	\$40,850	\$34,640
E. ITV or educational radio outside the allowable scope of approved activities	\$0	\$0
F. Local productions	\$0	\$0
G. Program supplements	\$0	\$0
H. Programs that are nationally distributed	\$0	\$0
I. Promotional items	\$23,240	\$55,182
J. Regional organization allocations of program services	\$0	\$0
K. State PB agency allocations other than those allowed on line 3(b)	\$0	\$0
L. Services that would not need to be purchased if not donated	\$0	\$0
M. Other	\$0	\$0
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.	\$187,021	\$225,987
Schedule D		
1. Land (must be eligible as NFFS)	\$0	\$0
2. Building (must be eligible as NFFS)	\$0	\$0
3. Equipment (must be eligible as NFFS)	\$0	\$0

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
4. Vehicle(s) (must be eligible as NFFS)	\$0	\$0
5. Other (specify) (must be eligible as NFFS)	\$0	\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Non-Federal Financial Support	\$0	\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
a) Exchange transactions	\$0	\$0
b) Federal or public broadcasting sources	\$0	\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0	\$0
d) Other (specify)	\$0	\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0	\$0
Schedule E		
1. Programming and production	\$7,518,173	\$7,889,406
A. Restricted Radio CSG	\$232,758	\$236,842
B. Unrestricted Radio CSG	\$660,061	\$666,098
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$6,625,354	\$6,986,466
2. Broadcasting and engineering	\$1,913,127	\$2,080,110
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,913,127	\$2,080,110
3. Program information and promotion	\$554,731	\$570,038
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$554,731	\$570,038
4. Management and general	\$959,205	\$1,610,867
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$959,205	\$1,610,867

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
5. Fund raising and membership development	\$2,192,583	\$2,467,176
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$2,192,583	\$2,467,176
6. Underwriting and grant solicitation	\$1,819,477	\$2,088,271
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,819,477	\$2,088,271
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$886,463	\$903,735
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$886,463	\$903,735
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$15,843,759	\$17,609,603
A. Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$232,758	\$236,842
B. Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$660,061	\$666,098
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$0	\$0
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$14,950,940	\$16,706,663
9. Total capital assets purchased or donated	\$1,882,304	\$1,015,658
9a. Land and buildings	\$774,463	\$72,856
9b. Equipment	\$1,107,841	\$822,802
9c. All other	\$0	\$120,000
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$17,726,063	\$18,625,261
11. Total expenses (direct only)	\$15,656,738	\$17,383,616
12. Total expenses (indirect and in-kind)	\$187,021	\$225,987
13. Investment in capital assets (direct only)	\$1,882,304	\$1,015,658
14. Investment in capital assets (indirect and in-kind)	\$0	\$0

Exhibit B (continued)

**Colorado Public Radio
Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Schedule F		
1. Data from AFR		
a. Schedule A, Line 22	\$18,340,397	\$20,674,658
b. Schedule B, Line 5	\$0	\$0
c. Schedule C, Line 6	\$187,021	\$225,987
d. Schedule D, Line 8	\$0	\$0
e. Total from AFR	\$18,527,418	\$20,900,645
2. FASB Model A proprietary enterprise-fund financial statements with business-type activities only		
2. FASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities		
a. Total support and revenue - unrestricted	\$18,579,562	\$19,979,981
b. Total support and revenue - temporarily restricted	(\$98,148)	\$871,458
c. Total support and revenue - permanently restricted	\$0	\$0
d. Total from AFS, lines 2a-2c	\$18,481,414	\$20,851,439
a. Operating revenues	\$0	\$0
b. Non-operating revenues	\$0	\$0
c. Other revenue	\$0	\$0
d. Capital grants, gifts and appropriations (if not included above)	\$0	\$0
e. Total From AFS, lines 2a-2d	\$0	\$0
a. Charges for services	\$0	\$0
b. Operating grants and contributions	\$0	\$0
c. Capital grants and contributions	\$0	\$0
d. Other revenues	\$0	\$0
e. Total From AFS, lines 2a-2d	\$0	\$0
3. Difference (line 1 minus line 2)	\$46,004	\$49,206
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items. 2017 and 2018 Investment Management Fees	\$46,004	\$49,206

Exhibit C

**Summary of Non-Federal Financial Support
Certified by Head of Grantee and Independent Accountant's Report
for the Periods Ending June 30, 2017 and 2018**

Line	Description	FY 2017	FY 2018	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$16,774,133	\$19,399,979	\$36,174,112
2	Indirect Administrative (Schedule B)	0	0	0
3	In-kind Contributions (Schedule C)	122,931	136,165	259,096
4	Total Non-Federal Financial Support	\$16,897,064	\$19,536,144	\$36,433,208

Exhibit D

Colorado Public Radio Schedule of Underwriting (UW) Third-Party Fees Related to 27 Sampled Transactions Fiscal Years 2017 and 2018

UW Sample #	Ad Agency Commission Processed by NPM*	In-house Ad Agency Commission	Local Ad Agency Commission	Total Agency Commissions 2017	Total Agency Commissions 2018	Total Agency Commissions 2017 and 2018
2017 #1	\$3,603			\$3,603		\$3,603
2017 #2			\$2,484	\$2,484		\$2,484
2017 #3			\$2,250	\$2,250		\$2,250
2017 #4		\$2,177		\$2,177		\$2,177
2017 #5	\$1,980			\$1,980		\$1,980
2017 #6	\$1,977			\$1,977		\$1,977
2017 #7		\$1,914		\$1,914		\$1,914
2017 #9		\$1,768		\$1,768		\$1,768
2017 #10	\$1,746			\$1,746		\$1,746
2017 #11			\$1,719	\$1,719		\$1,719
2017 #12		\$720		\$720		\$720
2017 # 13			\$600	\$600		\$600
2017 #14			\$575	\$575		\$575
2107 #15			\$518	\$518		\$518
2018 #1	\$3,888				\$3,888	\$3,888
2018 #2	\$3,011				\$3,011	\$3,011
2018 #3			\$3,000		\$3,000	\$3,000
2018 #4	\$2,957				\$2,957	\$2,957
2018 #5			\$2,887		\$2,887	\$2,887
2018 #6	\$2,808				\$2,808	\$2,808
2018 #8			\$2,648		\$2,648	\$2,648
2018 #9		\$2,550			\$2,550	\$2,550
2018 #10	\$735				\$735	\$735
2018 #11		\$465			\$465	\$465
2018 #12		\$340			\$340	\$340
2018 #14		\$188			\$188	\$188
2018 #15	\$150				\$150	\$150
Totals	22,855	\$10,122	\$16,681	\$24,031	\$25,627	\$49,658

* Does not include NPM 20% commission, only agencies' 15% commission

Exhibit E

**Colorado Public Radio
Schedule of Overstated In-kind/Trade Contributions
Related to 5 Sampled Transactions
Fiscal Years 2017 and 2018**

In-kind Trade Sample #	Non-Federal Financial Support Reported	Donors' Valuation of Donation	2017 Ineligible Non-Federal Financial Support	2018 Ineligible Non-Federal Financial Support	Total 2017 and 2018 Non-Federal Financial Support
2017 #1	\$36,000	\$35,910	\$90		\$90
2017 #2	\$12,000	\$10,020	\$1,980		\$1,980
2017 #3	\$5,000	\$0	\$5,000		\$5,000
2017 #4	\$4,200	\$3,400	\$800		\$800
2018 #2	\$35,990	\$35,910		\$80	\$80
Totals	\$93,190	\$85,240	\$7,870	\$80	\$7,950

Scope and Methodology

We performed an attestation examination to determine CPR's compliance with CPB Guidelines, provisions of the Act, grant certification requirements, and other grant provisions. The scope of the examination included reviews and tests of the information reported by CPR on its AFR and reconciled to audited financial statements for the years ended June 30, 2017 and June 30, 2018; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on CPR'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, as well as other documentation supporting revenues reported. Specifically, we reviewed 36 NFFS revenue transactions totaling \$859,981 of \$9,945,040 (8.6 percent) in FY 2017 and 36 NFFS revenue transactions totaling \$599,368 of \$11,240,192 (5.3 percent) in FY 2018.

We reviewed the allowability of expenses charged to CPB CSGs. To determine that expenditures were incurred in accordance with the grant terms, we reviewed \$548,144 of \$1,795,759 in expenses (30.5 percent) reported for the CPB CSG's in FYs 2017 and FY 2018. We reviewed journal entry detail, vendor invoices, copies of checks and other documentation supporting expenditures.

We reviewed corporate policies, records, and documents supporting the station's compliance with the Act requirements to provide advance notice of public meetings; make financial and equal employment opportunity information available to the public; fulfill its CAB responsibilities; and provide documents supporting compliance with donor lists and political activities prohibitions. We also reviewed the station's website and policies to determine its compliance with CPB's transparency requirements. Furthermore, we reviewed the independent public accountants (IPA) audit planning, internal controls and attestation working papers. Our procedures included interviewing station officials and its IPA.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of CPR's policies and procedures for compliance with certification of eligibility requirements, Act, and CPB grant agreement terms. CSG Certification of Eligibility includes CPR's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, Community Advisory Board, Equal Employment Opportunity (EEO) reporting, and donor lists; and discrete accounting requirements. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

Our fieldwork was conducted from January through June 2019. We performed our examination in accordance with the *Government Auditing Standards* for attestation engagements.

August 16, 2019

William J. Richardson III
Office of Inspector General
Corporation for Public Broadcasting
401 Ninth St., NW
Washington, DC 20004-2129

Re: Audit of Community Service Grants Awarded to Public Broadcasting of Colorado, Inc. for the period July 1, 2016 through June 30, 2018

Dear Bill:

Thank you for the opportunity to respond to the findings of your audit, as referenced above. The report accurately summarizes CPR's preliminary response which is re-stated below, for the record.

Overstated NFFS

The main findings relate to underwriting revenue, agency fees, and CPB's definition of constructive receipt. Colorado Public Radio sought advice from both our audit and tax teams, and have confirmed that we reported all underwriting income and expense in accordance with GAAP and therefore disagree with this finding.

Regarding the NPM agency fees, CPB "clarified the definition of constructive receipt in the Financial Reporting Guidelines" following an OIG audit in 2014 with similar findings. However, that is inconsistent with IRS rules regarding constructive receipt. Specifically, under the IRS rules, when we authorize someone to be our agent and receive income on our behalf, it is considered to have been received when the agent receives it (constructive receipt). To split a portion of the income out, as the audit recommendation suggests, is inconsistent with both GAAP & IRS treatment of these payments.

Regarding in-house agencies, an "in-house" agency is not a separate entity – there is no third party in these agreements. The agreement with the underwriter is an agreement with that organization, including their in-house agency. Payment was made directly from the underwriter to CPR, net of the commission.

Regarding local ad agencies, an underwriting sales order includes both the agency and the donor, and is considered a written agreement. This is standard industry practice and again, fully compliant with GAAP.



We respectfully disagree with all three parts of this finding. In order to comply with CPB's guidance, CPR would need to keep a separate set of books that are not consistent with GAAP. We look forward to continuing a conversation with CPB toward resolution of this issue.

CPR has taken the following corrective actions relative to the other findings:

In-kind/trade – documentation of trade can be difficult, and we have assigned a single position in charge of this now, authorized to work across the accounting and underwriting teams, to make sure all income and expense that is recognized for trade meets CPB reporting guidelines.

Communications Act

CPR launched a new website last month, which makes it much easier to post and organize information, including announcements about Board of Directors & CAB meetings. Additionally, the Executive Assistant to the President is now responsible for and maintains all Board information, including the update of required information online after each Board meeting (i.e., upcoming meetings, reasons for executive session, etc.).

Discrete Accounting

CPR has added the two unrestricted account codes to the chart of accounts, and in the future will split out our NPR program fees between the two accounts. We do not feel that this finding is a matter of non-compliance, as all CPB funds were appropriately recorded, tracked and reported.

Thank you for the opportunity to respond.

Sincerely,

Jenny Gentry, SVP, Finance & Administration (via e-mail)