

**CORPORATION FOR PUBLIC BROADCASTING  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF COMMUNITY SERVICE AND OTHER GRANTS  
AWARDED TO ARKANSAS EDUCATIONAL TELEVISION  
COMMISSION (AETC), CONWAY, ARKANSAS  
FOR THE PERIOD JULY 1, 2018 THROUGH JUNE 30, 2020**

**REPORT NO. AST2008-2104**

**MARCH 31, 2021**



Office of the Inspector General  
Corporation for Public Broadcasting  
**Report in Brief**

*Report No. AST2008-2104  
March 31, 2021*

### Why We Did This Audit

We performed this audit based on our Annual Plan to audit public television and radio stations.

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

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

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*Audit of Community Service and Other Grants Awarded to Arkansas Educational Television Commission (AETC), Conway, Arkansas, for the Period July 1, 2018 through June 30, 2020*

### What We Found

Based on our audit, AETC was not compliant with the following CPB grant requirements. Specifically, AETC:

**AETC did not fully comply with Act and General Provisions requirements and incurred questioned grant costs of \$11,650.**

- did not fully comply with Act and General Provisions and Eligibility Criteria (General Provisions) requirements for open and closed meetings, open financial records, and making the Employment Statistical Report and Local Content and Service Report available to the public;
- incurred \$11,650 in questioned production grant costs and was noncompliant with other grant reporting requirements; and
- had AFR reporting errors.

In response to the draft report, AETC management agreed with most of our findings and recommendations and said it has implemented corrective actions to ensure future compliance. CPB management will make the final determination on our findings and recommendations.

### What We Recommend

We recommend that CPB management require AETC to:

- fully comply with Act and General Provisions requirements for open meeting advance notices, reasons for closing meetings, open financial records, and making the Employment Statistical Report and Local Content and Service Report available to the public;
- repay the questioned costs of \$11,650;
- establish a Grantee-Developed method approved by CPB for calculating indirect administrative support (IAS) reported on AFR Schedule B; and
- identify the corrective actions it will implement to ensure future compliance with Act and General Provisions requirements, CPB AFR reporting, and other CPB production grant budget, recordkeeping, and reporting requirements.



Corporation  
for Public  
Broadcasting

Office of the Inspector General

Date: March 31, 2021

To: Jackie J. Livesay, Vice President, Compliance  
Michael Levy, Executive Vice President and Chief Operating Officer  
Stephanie Aaronson, Senior Vice President, Engagement

From: Kimberly A. Howell, Inspector General

Subject: Audit of Community Service and Other Grants Awarded to Arkansas Educational Television Commission (AETC), Conway, Arkansas for the Period July 1, 2018 through June 30, 2020, Report No. AST2008-2104

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

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

We will post this report to the Office of the Inspector General's website and [oversight.gov](https://www.oversight.gov), as well as 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  
Robert Mandell, Chair, 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) and other grants awarded to the Arkansas Educational Television Network (AETN),<sup>1</sup> licensed to the Arkansas Educational Television Commission (AETC), for the period July 1, 2018 through June 30, 2020.<sup>2</sup> Our objectives were to examine AETC's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Our audit found that AETC generally complied with CPB requirements except AETC:

- did not fully comply with Act requirements for open and closed meetings, open financial records, and making its Employment Statistical Report available to the public;
- did not fully comply with General Provisions and Eligibility Criteria (General Provisions) transparency requirements for making its Local Content and Service Report available to the public;
- incurred \$11,650 in questioned production grant costs and was noncompliant with other grant budget, recordkeeping and reporting requirements; and
- had AFR reporting errors.

We recommend that CPB management require AETC to:

- fully comply with Act and General Provisions requirements for open meeting advance notices, reasons for closing meetings, open financial records, and making its Employment Statistical Report and Local Content and Service Report available to the public;
- repay questioned costs of \$11,650;
- comply with CPB requirements to address budget changes, maintain project records to account for all revenues and expenses, maintain contemporaneous labor records, and submit final reports reconcilable to the general ledger to permit an effective audit;
- establish a Grantee Developed method approved by CPB for calculating indirect administrative support (IAS) reported on AFR Schedule B; and
- identify the corrective actions it will implement to ensure future compliance with Act and General Provisions requirements, CPB AFR reporting, and other CPB production grant budget, recordkeeping, and reporting requirements.

In response to the draft report, AETC management agreed with most of our findings but did not agree that its Employment Statistical Report and Local Content and Service Report were not available to the public. The station agreed with our findings on the production grant and said

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<sup>1</sup> Officially renamed in February 2020 as Arkansas PBS. For our audit report, we refer to the state commission AETC as the grantee.

<sup>2</sup> We reported on Communications Act and CPB General Provisions compliance through the date we completed our audit fieldwork.

that all grant funds were properly spent on grant activity; the station did not specifically address the repayment of questioned costs in its response. Station management said they have taken correction actions to ensure its compliance with CPB Act and grant requirements.

Based on AETC management's response to the draft audit report, we consider recommendations one and two resolved but open pending CPB's final management decisions resolving the audit findings and acceptance of the station's corrective action. We consider recommendations three through seven unresolved pending CPB's final determination on our findings. The station's response is summarized after each finding and the complete response is presented in Exhibit F.

This report presents the conclusions of the Office of the Inspector General (OIG) and the findings do not necessarily represent CPB's final position on the issues. While we have made recommendations that are appropriate to resolve the findings, CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures.

We conducted our audit in accordance with *Government Auditing Standards* for attestation examination engagements. Our scope and methodology are discussed in Exhibit E.

## **BACKGROUND**

AETC (the "Commission") operates as part of the Division of Elementary and Secondary Education, a commission of the Arkansas State government and licensee of AETN/Arkansas PBS. The network operates non-commercial television channels and public media throughout the state. Information on the station's website [myarkansaspbs.org](http://myarkansaspbs.org) states:

Arkansas PBS is the only statewide public media network, which enhances lives by providing lifelong learning opportunities for people of all walks of life. The station provides PBS programming, local and other productions through multiple platforms including on-demand services on YouTube TV, and Arkansas PBS, Create, Arkansas PBS KIDS, Arkansas PBS World, and Arkansas PBS AIRS on SAP. Arkansas PBS is broadcast on KETS (Little Rock), KEMV (Mountain View), KETG (Arkadelphia), KAFT (Fayetteville), KTEJ (Jonesboro) and KETZ (El Dorado).

The Arkansas Educational Telecommunication's Network Foundation (AETNF) is a non-profit Arkansas corporation formed in 1984 to obtain, hold, invest, reinvest, and administer funds and other property for the benefit of AETC. AETNF is not considered a component unit of AETC and presents separate audited financial statements that are not included in the AETC audited financial statements. Both organization's audited financial statements are combined and reported as a separate schedule to the AETC audited financial statements and are the combined source for CPB AFR reporting. Our audit work included the review of underlying financial data from both entities.

### ***CPB's Community Service Grant Program***

The Act provides that specific percentages of the appropriated funds CPB receives annually from the United States Treasury must be allocated and distributed to licensees and permittees of public TV and radio stations. After funds are designated as either TV or radio funds, the funds are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

Each year CPB awards CSG grants to public TV and radio stations based in part on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the TV and radio CSG pools adjusted by base grants and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for TV and the other is for radio.

The Incentive Rate of Return (IRR) is separately calculated for television and radio grantees. This is done by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all television grantees for the television IRR and by all radio grantees for the radio IRR. The IRR is then multiplied by each grantee's adjusted NFFS in various tiers to calculate the incentive award amount of its total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the fiscal year's (FY's) CSG amount. For example, CPB used the NFFS reported by AETC on its FYs 2017 and 2018 AFRs to determine the amount of the TV CSG funds the station received in FYs 2019 and 2020.

As shown in Exhibit A, AETC received CSG and other grant funds totaling \$4,458,528 (\$2,151,204 in FY 2019 and \$2,307,324 in FY 2020) from CPB. The station reported NFFS of \$23,336,171 (\$11,828,010 in FY 2019 and \$11,508,161 in FY 2020) as shown in Exhibit C. AETC's audited financial statements for the two fiscal years we audited reported total support and revenues of \$14,233,772 in FY 2019 and \$14,420,424 in FY 2020. AETC's fiscal year begins July 1 and ends June 30.

### **RESULTS OF REVIEW**

In our opinion, AETC generally complied with CPB requirements except for the specific requirements as summarized in the following paragraph for the FYs 2019 and 2020 grant reporting as examined in Exhibits B and D. We reviewed AETC management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; c) AFR Signature Page; and d) other production grant requirements. The CSG Certification of Eligibility includes AETC's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open and closed meetings, open financial records, equal employment opportunity (EEO) reporting, and donor lists; use of CPB funds; and accounting requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.



Our audit found that AETC generally complied with CPB requirements except AETC:

- did not fully comply with Communications Act requirements for open and closed meetings, open financial records, and making its Employment Statistical Report available to the public;
- did not fully comply with General Provisions transparency requirements for making its Local Content and Service Report available to the public;
- incurred \$11,650 in questioned production grant costs and was noncompliant with other grant recordkeeping and reporting requirements; and
- had AFR reporting errors.

Our audit was conducted in accordance with the *Government Auditing Standards* for attestation examination engagements and, accordingly, included examining, on a test basis, evidence about AETC's compliance with CPB's requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. However, it does not provide a legal determination on AETC's compliance with specified requirements.

## **FINDINGS AND RECOMMENDATIONS**

### **I. ACT and GENERAL PROVISIONS COMPLIANCE**

Our audit found that AETC was not fully compliant with Act requirements for open meeting advance notices, closed meeting explanations, open financial records, and General Provisions Transparency requirements as discussed further below.

Based on our review of AETC's website, central office public files, and other supporting documentation reviewed for our audit period, we found that AETC was not fully compliant with the following Communications Act and/or Transparency grant requirements to ensure required information was available to the public. The following specific requirements were not met for the two CSG grants audited.

- Seven-day advance notice for open public meetings of the AETC governing board (Commission) and executive committee of the Commission.
- Closed meeting requirement to make available to the public a document explaining the specific reasons for closing meetings to the public within 10 days of the meeting.
- Posting the most recent audited financial statements on the station's website.
- Posting the most recent CPB AFR on the station's website.
- Making the station's Employment Statistical Report and Local Content and Service Report available to the public.

#### **Open Meetings**

AETC did not fully comply with CPB's open meetings requirements to provide seven-day advance notice for public meetings of the Commission and Executive Committee, for 5 of 19 meetings reviewed during our audit period. The Act requires that stations provide reasonable

advance notice of open meetings to the public. CPB has interpreted reasonable advance notice as follows in its *Compliance 2019* document:

**E. Notice of Open Meetings:** The Act requires stations to provide the public with reasonable advance notice of an Open Meeting. Stations may satisfy that requirement by providing at least seven days' advance notice of an Open Meeting, including the time and place of the meeting, by:

1. posting notice on the station 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.

According to station financial officials, AETC's regularly scheduled meetings (Quarterly Commission Meetings) follow the State of Arkansas Administrative Procedures Act which requires notice of Commission meetings at least three days in advance which include the date, time, and location of the meeting. This notice is to be made on 1) [www.arkansas.gov](http://www.arkansas.gov); and 2) the agency website. Additionally, the Arkansas Freedom of Information Act requires state entities to provide the time and place of a meeting to anyone who requests. While four of the five non-compliant meetings met the state notice requirements, a total of five of 19 meetings did not meet the CPB's seven-day advance notice requirements.

In June 2019, management performed a review of its open meetings process to ensure its compliance with both CPB and State open meeting requirements. Management determined that because the Communications Act requires more days advanced notice, they recommended that seven days in advance of the meeting be the standard for providing notice of regularly scheduled meetings. Personnel responsible for communicating with the Public Information Office to ensure the meeting notices were timely and got posted to the website were informed of the change. However, management explained that AETC had substantial turnover in the department responsible for the advance notices and some lapses occurred in timely posting information to the website even after the process was revised.

Management acknowledges some lapses in full compliance with CPB open meeting notice requirements and asserts AETC has put procedures in place to ensure its future compliance.

AETC was not in full compliance with Act requirements during our audit period and may be subject to penalties under CPB's CSG Non-Compliance policy.

### Closed Meetings

Explanations for closed meetings were not available to the public on the station's website or made available to the public for two of six closed executive committee meetings or closed portions of a meeting. The minutes from a third closed meeting provided an adequate explanation, but we could not determine if the reasons were made available to the public

within the 10-day notice period. In addition, for 3 of the 19 open meetings reviewed, meeting minutes were not available, therefore we could not determine if any portion of those meetings were closed and would have required a closed meeting statement.

CPB's *Compliance 2019* document requires the following:

**C. Closed Meeting Documentation:** 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 the written statement be made available for inspection, either at the CSG recipient's central office or posted on its station website, within 10 days after each closed meeting.

Station management did not employ a consistent process to provide the public with closed meeting notices. Sometimes the reason for closing a portion of a meeting was included in the advance open meeting notice and posted to the website; other times the explanation was included in the meeting minutes, and other times the explanation was not included in the minutes.

During our fieldwork, management assessed its process for providing the public with the reasons for closing a meeting or session of a meeting. AETC is updating its procedures to ensure future compliance with CPB requirements.

AETC was not in full compliance with CPB requirements for providing the public with the reasons for closing meetings during our audit period and may be subject to penalties under CPB's CSG Non-Compliance policy.

#### *Website Not Updated with FY 2019 Financial and other Information*

During our audit, we reviewed the station's website and found that it did not include the station's most recent FY 2019 financial information, employment statistics, and Local Content and Service Report (LCSR). The information available on the website was only for FY 2018. Further, the employment statistics and LCSR were not readily available at the central office when requested.

#### *Audited Financial Statements and Annual Financial Report*

The most recent audited financial statements and Annual Financial Report (AFR) for FY 2019 were not posted on the station's website.

CPB's *Compliance 2019* document requires the following:

**E. The Public's Access to Financial Information:** The Act requires station to make available to the public their annual financial and audit reports and other financial information they are required to provide to CPB. CPB General Provisions also require that each CSG recipient post the following documents on its station website:

1. its most recent audited financial statement or un-audited financial statement for stations exempt from providing audited financial statements;

2. its most recent annual financial report (AFR) or annual financial summary report (FSR) (whichever is applicable).

AETC's audited financial statements and AFRs for previous years appear on the station's website. When we started our fieldwork in September 2020, we found only the FY 2018 audited financial statements and AFR which were not the most recent reports.

*Employment Statistical Report - Equal Employment Opportunity (EEO)*

The station's Employment Statistical Report was not available to the public on the station's website or readily available at its central office when requested.

CPB's *Compliance 2019* document requires the following:

**A. EEO Legislation:** The EEO requirements of the Communications Act are as follows: ...

(B) A licensee or permittee of any public broadcast station with more than five full-time employees is required to file annually with the Corporation a statistical report, consistent with reports requirements by Commission regulation, identifying by race and sex the number of employees in each of the following full-time and part-time job categories:

- (i) Officials and managers.
- (ii) Professionals.
- (iii) Technicians.
- (iv) Semiskilled operatives.
- (v) Skilled craft persons.
- (vi) Clerical and office personnel.
- (vii) Unskilled operatives.
- (viii) Service workers.

(C) In addition, such report shall state the number of job openings occurring during the course of the year. Where the job openings were filled in accordance with the regulations described in subparagraph (A) (i), the report shall so certify, and where the job openings were not filled in accordance with such regulations, the report shall contain a statement providing reasons therefor. The statistical report shall be available to the public at the central office and at every location where more than five full-time employees are regularly assigned to work. 396(k)(11)

The station posted some Federal Communication Commission EEO information and supplementary information for FY 2018 on its website but did not have a process for making the current CPB Employment Statistical Report available to the public.

### *Local Content and Service Report*

The station's LCSR was not available to the public on the station's website or readily available at its central office when requested.

CPB's 2020 Television Community Service Grants General Provisions require the following transparency requirements (Section 6).

**C. Documents for Public Inspection: At Central Office or on Station Website:** At a minimum, each Grantee must maintain the following documents for public inspection at its central office, or post the same on its station website: ...

2. LCSR (which is Section 6 of the SAS).

The station posted previous years' LCSRs on its website. When we started our fieldwork in September of 2020, we found the FY 2018 LCSR was posted on the website.

\* \* \* \* \*

Station management said due to turnover in its IT department and remote work situation during COVID 19, the station experienced breakdowns in communications and delays uploading the FY 2019 and current financial information to its website. The station updated its website in January 2021 and now has its FY 2020 AFR and audited financial statements, as well as its current Employment Statistical report and LCSR available on its website. AETC it is now compliant with these requirements.

AETC was not in full compliance with Act and transparency requirements during our audit period and may be subject to penalties under CPB's CSG Non-Compliance policy.

### ***Recommendations:***

We recommend that CPB management require AETC to:

- 1) fully comply with Act and General Provisions requirements for open meeting advance notices, reasons for closing meetings, open financial records, and making the Employment Statistical Report and LCSR available to the public; and
- 2) identify the corrective actions and controls it will implement to ensure future compliance with Act and General Provision requirements.

### ***AETC Management Response:***

In response to the draft report, AETC management agreed that there were some instances of insufficient notice of open meetings and that it did not provide the required public documents for all closed meetings. In addition, station management agreed that it did not have the most recent audited financial statement and AFR posted on the website but had corrected this during the

audit. AETC management did not agree that it did not make its Employment Statistical Report and LCSR available to the public at its central offices. The station has taken corrective actions, updated its procedures, and said it is setting up a quarterly review team as well as additional senior management reviews to ensure the station is compliant. Station management emphasized that they take compliance seriously and have created additional steps to ensure prior deficiencies are never repeated.

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

As we discussed in the body of the report, the station corrected or addressed these deficiencies during our audit fieldwork. We do not agree that the Employment Statistical Report and LCSR were made available to the public in a reasonable time. We made several verbal and written requests to station management to provide OIG with copies of the current Employment Statistical Report and LCSR during our fieldwork to verify these reports were readily available to the public. We were directed to different personnel to obtain this information and to the station's website but were not provided with the current CPB required reports until late in our fieldwork. We concluded these reports were not readily available to the public.

We accept that the station had prepared these reports, however AETC did not have an adequate process in place during our fieldwork to make them available to the public or respond to our requests. Currently, AETC has posted the required information on the website and has also explained their new process for making these reports available at the central office.

Based on AETC management's response to the draft audit report, we consider recommendations one and two resolved but open pending CPB's final management decisions resolving the audit findings and acceptance of the station's corrective action.

## **II. VETERANS COMING HOME - QUESTIONED PRODUCTION COSTS**

Our review of the Veterans Coming Home grant (CPB Grant No. 34732) identified questioned CPB costs of \$11,650 and a lack of compliance with project recordkeeping and related financial and budget documentation requirements. Specifically, our audit found:

- questioned costs of \$6,087 because of a lack of payroll documentation and the final financial report did not reconcile to the grantee's general ledger:
  - \$5,985 in unsupported payroll; and
  - \$102 in unsupported marketing costs reported but not recorded in the general ledger;
- the salary costs incurred on this project were not recorded in this grant's accounting records established in the general ledger;
- production budget reallocations of \$5,563 were not formally approved by CPB; and
- legitimate travel and rental costs of \$1,500 were not recorded in the general ledger before the end of the grant because the purchase order and related invoicing were not completed during the grant period.

### Unsupported Questioned Costs

Our audit of the grant's final financial report (FFR) found that \$5,985 in grant salary and benefit costs were not supported in AETC's general ledger or with contemporaneous project time records as required by CPB's Terms and Conditions. Our reconciliation of the FFR to the general ledger also identified unsupported marketing costs of \$102. AETC did not provide an invoice or general ledger support for these salary and marketing costs.

Station management explained that it did not have any supporting documents for the payroll costs that were reported on its final report. An AETC financial official explained that the station did not set up any grant payroll cost allocation, so the actual salary costs were not tracked in the Arkansas Administrative Statewide Information System, its general ledger accounting system, as it did for similar costs under a state education grant. Management said that in the future it will have the project team keep excel time sheets so it can better document the actual grant salary costs. Subsequent to our fieldwork management provided us with reconstructed payroll costs to demonstrate that they had incurred the salary expenses that were reported on the FFR, however without the contemporaneous time and payroll records we could not attest to the accuracy of the reported salary costs.

### Project Recordkeeping

The station submitted its FFR to CPB for the Veterans Coming Home grant and certified that its FFR reconciled to its general ledger. However, the station could not provide support for payroll costs because it said that its payroll costs were not recorded in the Veteran's Coming Home discrete project accounts in its general ledger, but rather through its payroll system. Additionally, we found that the station's accounting records did not include \$1,500 in travel and rental costs incurred during the grant period because the purchase order and related invoicing were not completed until after the grant had expired. These costs had not been accrued because the project records were maintained on a cash basis. Station financial officials did not specifically address why some costs incurred during the grant period were not formally authorized prior to the end of the grant spending period.

### Budget Reallocations

Our review of the FFR compared to the grant budget identified a \$5,563 production budget overrun, and a salary and benefits budget underrun of \$1,330. The production budget overrun was not approved by CPB, resulting in questioned costs of \$5,563.

AETC grant project management reported to station management that it had discussed content changes with CPB's consultant managing the Veterans Coming Home project but did not provide any additional documentation requesting budget reallocations. More specifically, AETC reallocated above the line salaries and benefits (\$1,330) and the production budget line item (\$5,563 or 86 percent) more than the allowed 25 percent or \$5,000 without CPB's prior written approvals.<sup>3</sup> AETC officials said CPB approved the deliverables and the FFR which identified

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<sup>3</sup> The FFR reported a net over budget of \$49 (\$6,418 over budget and \$6,369 under budget line items).

the variances and budget reallocations with explanations (provided in Exhibit D). As such, project and station management assumed these reallocations were approved.

\* \* \* \* \*

CPB Grant No. 34732 EDU grant agreement incorporated CPB's Terms and Conditions for Television, Radio and other Media Production Grants – November 2015 Edition and requires grantees to comply with Section 4 Budget and Financial Reporting requirements. These requirements address budget changes, maintaining project records to account for all revenues and expenses, contemporaneous labor records, and reporting requirements to reconcile final reports to the general ledger, as follows.

D. Changes to the Budget. Once a Budget has been approved and a Grant Agreement has been signed, the Grantee may make reallocations among Budget line items (except those covering "above the line" salaries, equipment, and general administrative/overhead expenses) without CPB's approval so long as no such reallocation involves an increase or decrease in any single Budget line item in excess of the greater of 25% of such line item or \$5,000 of such line item. CPB consent to an increase in Total Budget Cost will not signify an increase in the Grant. A Grantee may make no other changes to the overall Budget or individual line items without CPB's prior written approval. Each Grantee must specifically identify and report all Budget reallocations in its interim and final financial accountings to CPB, as well as explain any allocations in excess of Grantee's discretion to make changes without CPB approval....

G. Records. A Grantee and its subcontractors, if any, must keep books, records, and accounts relating to the Grant and the Grant Project sufficient to:

- i) enable CPB to verify all direct costs, overhead, and administrative allocations associated with the Grant Project;
- ii) allow CPB, by examination of Grantee's general ledger and other records, to account for the Grant Project level of activities in sufficient detail to enable an audit to verify the investment of the CPB funds in the approved expenses of the Grant Project;
- iii) disclose fully the amount and use of the proceeds of the Grant, the Total Project Cost, and the amount and nature of any portion of the Total Project Cost supplied by sources other than CPB.
- iv) substantiate labor costs with timesheets or other relatively contemporaneous record-keeping documents, consistent with the representation of those costs within the budget of the Grant or the subcontract of the Grant. Specifically:



- a) costs represented in a budget as hourly costs must be recorded no less frequently than every two weeks;
- b) costs represented in a budget as a percentage of annual time must be recorded no less frequently than every month;
- c) in the case of a fixed price line item over \$5,000 that was not awarded pursuant to competitive bidding procedure, there must be documentation of the reasonableness of a fixed fee; and

v) permit an effective audit....

K. Grant Project Financial Reports. Each Grantee must provide CPB with interim financial reports during production of its Grant Project according to the schedule contained in the Grant Agreement. Each Grantee must also provide CPB with a final financial report when the Grant Project is completed and delivered. All financial reports shall: ....

v) be reconcilable with the Grantee's general ledger accounts....

To summarize, because AETC did not adequately support its payroll and miscellaneous costs, reconcile its FFR to its general ledger to ensure accurate reporting, or seek approval of its budget reallocations, it was not compliant with grant term requirements resulting in questioned costs of \$11,650.

### ***Recommendations:***

We recommend that CPB management require AETC to:

- 3) repay the questioned costs of \$11,650;
- 4) maintain adequate contemporaneous documentation of labor time charged to CPB grants; and
- 5) identify corrective actions to comply with CPB requirements to: address budget changes, maintain project records to account for all revenues and expenses, maintain contemporaneous labor records, and submit final reports reconcilable to the general ledger to permit an effective audit.

### ***AETC Management's Response:***

In response to the draft report, AETC management said its accounting system cannot track salary costs by grant project and it is not feasible to set up cost allocations. However, station management said they have established a method to track grant project costs in a spreadsheet and make manual entries into the grant project modules of its accounting system to ensure all costs are included and can be reconciled to the grant's FFR in the future. As stated in the body of the report and in the response, the station provided a recap of the personnel time and rates spent on the grant and feels that all CPB grant funding on this project was spent by the station and that all deliverables were provided and approved by CPB.

Station management agreed that they did not get CPB's express approval for budget reallocations but that these reallocations had been discussed with CPB's consultant and these discussions were included in interim reports to the consultant. Therefore, station project management assumed there was implied CPB approval. In addition, they explained that station practices require timely reporting of expenses but that in this instance there were some invoices that were not presented to accounting in a timely manner. They said that going forward, all incurred costs will be billed and recorded during the applicable grant period.

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

Based on the response to our draft report, we have not changed our findings. While the station provided a recap of salary related costs, they could not provide us with contemporaneous time records for us to verify. In our discussions with station management, they stated project management worked with a CPB consultant on content and that changes were communicated. However, we did not receive any documentation showing budget reallocation approvals. We noted that AETC sent interim narratives to CPB and CPB approved the interim reports; we did not find written approval of AETC's budget reallocations. This was a short-term project of eight months and only a final financial report was required, therefore there were no interim financial budget reports prepared. Station management stated they have implemented corrective actions to address the findings, however the response did not address repayment of the questioned costs.

We consider recommendations three, four, and five unresolved pending CPB's final determination on our findings and recommendations.

### **III. AFR REPORTING ERRORS**

Our audit of the AFRs found reporting errors on Schedule A, Schedule C, and Schedule E. The errors did not affect the total NFFS claimed and reported. Our specific observations follow.

#### **AFR Schedule A**

AETC and AETNF incorrectly recorded sources for NFFS for some transactions tested in our audit work. Our audit identified:

- contributions from foundations and not-for-profits were reported as contributions on AFR Schedule A line 9 business enterprises and line 3 local government when they should have been recorded on Line 8 for foundations and not-for-profits; and
- NFFS reported as underwriting on line 8.1A were from grants and should have been reported on line 8.1B.

We concluded that although there was misreporting of the sources of revenue, there was no impact on NFFS as all were eligible contribution sources. For the NFFS reporting on AFR Schedule A, the station and foundation did not fully review all sources when classifying contributions sources on its AFR.

CPB Guidelines 2019 and 2020 – Part III provide instructions for completing the AFR.

## **Completing AFR Schedule A - Direct Revenue**

Schedule A requires that you report your revenues in two broad categories - Source and Form. Revenues by source are reported on Lines 1 through 12. For Lines 3 through 9, grantees are required to breakdown the source categories by transaction type, paying particular attention to NFFS eligibility. Additional revenues by form (or type) are reported on Lines 13 through 21.

### *AFR Schedule C*

AETC is the licensee of AETN/Arkansas PBS the CSG grantee. The licensee is a state commission of the state of Arkansas and identified as a state licensee for CSG reporting. AETC reported \$460,431 (\$254,301 in FY 2019 and \$206,130 in FY 2020) in NFFS for professional and general operational services received from other state agencies as in-kind services on its AFR Schedule C. CPB does not allow in-kind services from a station's licensee to be claimed as NFFS. However, CPB guidelines allow institutional stations to claim certain indirect costs from its licensee as NFFS and report those on Schedule B. CPB recognizes that state agencies operate differently than institutional university stations and allows a CPB approved "Grantee-Developed method" to be used to claim these services as IAS. While AETC did not seek to claim these services as IAS, in our judgment they would have qualified as indirect type support on Schedule B.

We also found that AETNF did not receive all the required documentation for one in-kind trade totaling \$7,500 claimed in FY 2020, however during our audit fieldwork this was corrected. AETNF said it has established a procedure to ensure it receives all required documentation from donors in the future.

CPB's Guidelines FY 2019 and FY 2020 Part II NFFS provide guidelines for excluding certain in-kind contributions as NFFS and establish additional documentation requirements for allowable in-kind contributions:

### **X. Other In-kind Contributions Excluded from NFFS.**

Below are other in-kind contributions that may not be reported as NFFS.

J. Licensee in-kind contributions. In-kind contributions made by the licensee to the station.

CPB allows certain contributions as in-kind NFFS and requires additional documentation:

### **VII. NFFS: In-kind Contributions**

C. Documentation. The CSG recipient must have documentation from the donor that:

1. was prepared at the time the contribution is made;

2. is printed on the donor's business stationery or an invoice that prominently displays the donor's name, address, business logo, and contact information;
3. describes the contribution;
4. shows the date the contribution was provided to the CSG recipient;
5. identifies the fair market value of the contribution using a clearly measurable and objective valuation method (e.g., lawyer's hourly rate multiplied by the number of hours worked) pursuant to GAAP;
6. states the donor's intent to donate or trade the goods and/or services; and
7. includes the signature, name, and title of the donor or its representative.

CPB has specific guidelines for reporting IAS from an institutional station's licensee. In FY 2020, CPB updated its guidelines and methodologies for calculating and reporting IAS and continues to allow the "Grantee-Developed method" for state entities in certain circumstances.

### **III. NFFS from Institutional Licensees**

An institutional licensee is a state or local government, public or private college, or university or the government of a United States territory that holds a license for a radio and/or television station. Its activities do not have to be devoted exclusively to public broadcasting. CSG recipients may report the following revenues as NFFS if they were provided by their institutional licensees and not excluded as set forth in Part II, Section VI.

- A. direct revenues, i.e., cash, including appropriations (collectively Direct Revenues);
- B. expenses incurred or absorbed by the station's institutional licensee that directly benefit the station; and
- C. IAS (see Part II, Section XII).

### **XII. Indirect Administrative Support (IAS) (Guidelines 2020)**

IAS is the value of services an institutional licensee provides to its station for facilities and administrative costs (F&A) and occupancy value (OV), as defined below.

- F&A: are general administration costs (also known as institutional support) and operations and maintenance costs (also known as physical plant support).
- OV: is the value of a station's pro-rata share of the annual depreciation of a licensee-owned building or land associated with tower facilities that is fully or partially occupied by the station.
- Institutional licensee: is the entity with a valid renewable license from the United States Government to operate a full-power, noncommercial, educational radio or television station and the entity's operations are not devoted primarily to said station's operations, such as public and private colleges and universities, state, and local governments.

To report IAS, radio and television CSG recipients that file an AFR must use the standard method worksheet on Schedule B. However, with prior approval from CPB, a station operated by a state or local government may use a grantee-developed method worksheet to calculate IAS if its licensee's audited financial statement lacks sufficient details to identify F&A....

#### Guidelines FY 2020 Part II NFFS Sections III and XII.

The station reported legal and audit services received from other state agencies on its AFR Schedule C line 1 as professional in-kind services and received documentation supporting the fair market value of the services provided. In addition, the station rented tower space from the state police agency and state fish and game commission and reported it as NFFS on AFR Schedule C line 2.A. Further, the station received administrative services from the state central services<sup>4</sup> and claimed as in-kind contributions on AFR Schedule C line 2.C. AETC obtained appropriate valuation documentation to support the amounts claimed. Because these state agencies were not its commission, the licensee, AETC evaluated and claimed these services as in-kind, not as IAS.

For the one in-kind trade lacking donor documentation, the station had an in-kind sponsorship agreement for spot underwriting in exchange for AETC advertisements placed in a local publication. The station received copies as documentation of fulfillment, but an ad copy by itself does not meet CPB's documentation requirements for in-kind contributions. During our fieldwork, the station subsequently received the correct donor documentation, and we accepted the in-kind trade as eligible NFFS.

#### AFR Schedule E

AETC incorrectly recorded CPB expenses on its FY 2019 AFR Schedule E -Expenditures in line items D. as all non-CPB funds. AETC should have reported the \$25,000 in Veterans Coming Home grant funds as CPB funds on its AFR Schedule E line 1.C or Line 3.C. The station omitted the Veterans Coming Home CPB funds as CPB funded expenses when it prepared the AFR Schedule E in error.

CPB Guidelines Part III provide instructions for completing the AFR Schedule E for station expenditures:

#### **Completing AFR Schedule E – Expenses**

##### **Reporting CPB Grant Expenditures**

For each functional expense category on Lines 1 through 7, grantees must indicate the CPB and non-CPB funds used under the following categories....

For TV Grantees:

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<sup>4</sup> AETC claimed central services based on the state's federally approved cost allocation agreement.

- A. TV CSG
- B. TV Interconnection
- C. Other CPB Funds
- D. All non-CPB Fund

To summarize, AETC's AFR reporting to CPB was not completely accurate and AETC did not have adequate internal controls to ensure the correct reporting of CPB grant expenditures.

***Recommendations:***

We recommend that CPB management require AETC to:

- 6) establish a "Grantee-Developed method" for calculating IAS with CPB's approval and report its future IAS on AFR Schedule B; and
- 7) identify the corrective actions it will implement to ensure future compliance with CPB AFR reporting requirements.

***AETC Management's Response:***

In response to the draft report, AETC management stated they agreed with the AFR Schedule A classification changes and will make appropriate corrections going forward. The response also stated that based on prior CPB desk reviews, station management believed they had reported these transactions on the proper AFR line.

Further, station management said they would work with CPB to establish a "Grantee-Developed Method" for reporting its licensee indirect services on AFR Schedule B, despite consistently reporting these services as in-kind revenues on its audited financial statement and AFR and CPB desk reviewed these reports without comment in prior years.

Finally, the response restated that other in-kind support documentation was received, the issue with a particular donor has been corrected, and the foundation has put additional procedures in place to ensure all documentation from donors is received in the future. AETC management agreed that it had omitted reporting the CPB funded Veteran's Coming Home grant expenses as other CPB expenses on AFR Schedule E in error.

***OIG Review and Comment:***

Based on the response to the draft report, we consider recommendations six and seven unresolved pending CPB's final management decisions resolving the audit findings.

**Exhibit A**

**CPB Payments to AETC  
July 1, 2018 through June 30, 2020**

<b>CPB Grants</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
<b>Community Service Grants:</b>	\$1,913,046	\$1,834,076	\$3,747,122
Interconnection Grant	36,430	35,648	72,078
Distance Service Grant	97,900	97,900	195,800
Universal Service Grant	78,828	79,495	158,323
<b>Total Community Service Grants</b>	<b>\$2,126,204</b>	<b>\$2,047,119</b>	<b>\$4,173,323</b>
<b>Other Grants:</b>			
CARES	\$0	\$260,205	\$260,205
Veterans Coming Home -Grant No. 34732-EDU	25,000	0	25,000
<b>Total Other Grants</b>	<b>\$ 25,000</b>	<b>\$ 260,205</b>	<b>\$285,205</b>
<b>Total CPB Payments to AETC</b>	<b>\$2,151,204</b>	<b>\$2,307,324</b>	<b>\$4,458,528</b>

## AETC-TV Annual Financial Report

### For the periods ending June 30, 2019 and June 30, 2020

Arkansas Educational Television Network (1708)  
Conway, AR

#### NFFS Excluded?

If you have an NFFS Exclusion, please click the "NFFS X" button, and enter your NFFS data.



#### Source of Income

	2019 data	2020 data
1. Amounts provided directly by federal government agencies	\$0	\$0
A. Grants for facilities and other capital purposes	\$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	\$2,234,745	\$2,342,539
A. CPB - Community Service Grants	\$2,126,204	\$2,307,324
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$18,332	\$18,000
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$80,209	\$12,165
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$0	\$0
E. Public broadcasting stations - all payments	\$10,000	\$2,500
F. Other PBE funds (specify)	\$0	\$2,550
Description	Amount	
Meeting & Travel Reimb	\$2,550	
3. Local boards and departments of education or other local government or agency sources	\$21,000	\$7,500
3.1 NFFS Eligible	\$21,000	\$7,500
A. Program and production underwriting	\$21,000	\$7,500
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		



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		\$0	\$0
—	B. Fees for services	\$0	\$0
—	C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
—	D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$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	\$8,118,232	\$8,218,298
—	4.1 NFFS Eligible	\$8,111,391	\$8,212,413
—	A. Program and production underwriting	\$2,400	\$0
—	B. Grants and contributions other than underwriting	\$2,830,550	\$2,747,337
—	C. Appropriations from the licensee	\$5,278,441	\$5,465,076
—	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	\$6,841	\$5,885
—	A. Rental income	\$3,400	\$3,400
—	B. Fees for services	\$0	\$0
—	C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
—	D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
—	E. Other income ineligible for NFFS inclusion	\$3,441	\$2,485
	<b>Description</b>	<b>Amount</b>	
	Misc	\$2,485	
—	5. State colleges and universities	\$0	\$35
—	5.1 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

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5.2 NFFS Ineligible	\$0	\$35
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$35
<b>Description</b> Ancillary Sales	<b>Amount</b> \$35	
6. Other state-supported colleges and universities	\$0	\$1,200
6.1 NFFS Eligible	\$0	\$1,200
A. Program and production underwriting	\$0	\$1,200
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
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
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
7. Private colleges and universities	\$0	\$0
7.1 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		

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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
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
8. Foundations and nonprofit associations	\$85,013	\$38,888
8.1 NFFS Eligible	\$53,375	\$29,745
A. Program and production underwriting	\$51,775	\$24,650
B. Grants and contributions other than underwriting	\$1,600	\$5,095
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	\$31,638	\$9,143
A. Rental income	\$630	\$0
B. Fees for services	\$0	\$8,836
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$307
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$31,008	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
9. Business and Industry	\$348,538	\$270,302
9.1 NFFS Eligible	\$332,685	\$264,938
A. Program and production underwriting	\$322,283	\$253,383
B. Grants and contributions other than underwriting	\$10,402	\$11,555
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

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9.2 NFFS Ineligible		\$15,853	\$5,364
A. Rental income		\$0	\$0
B. Fees for services		\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)		\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)		\$0	\$0
E. Other income ineligible for NFFS inclusion		\$15,853	\$5,364
Description	Amount		
Purch Card Rebates	\$2,115		
Misc Reimbursements	\$3,249		
10. Memberships and subscriptions (net of membership bad debt expense)		\$2,005,254	\$2,416,780
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value		\$309,186	\$265,594
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)		\$0	\$0
	2019 data	2020 data	
10.3 Total number of contributors.	20,159	22,541	
11. Revenue from Friends groups less any revenue included on line 10		\$0	\$0
	2019 data	2020 data	
11.1 Total number of Friends contributors.	0	0	
12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)		\$0	\$0
A. Nonprofit subsidiaries involved in telecommunications activities		\$0	\$0
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
<b>Form of Revenue</b>	2019 data	2020 data	
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)		\$3,074	\$2,713
A. Gross special fundraising revenues		\$3,074	\$2,713
B. Direct special fundraising expenses		\$0	\$0
15. Passive income		\$93,843	\$55,724

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A. Interest and dividends (other than on endowment funds)	\$93,696	\$49,122
B. Royalties	\$147	\$0
C. PBS or NPR pass-through copyright royalties	\$0	\$6,602
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	\$85,428	\$-8,267
A. Gains from sales of property and equipment (do not report losses)	\$0	\$0
B. Realized gains/losses on investments (other than endowment funds)	\$37,171	\$35,554
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	\$48,257	\$-43,821
17. Endowment revenue	\$876,993	\$233,639
A. Contributions to endowment principal	\$638,775	\$38,382
B. Interest and dividends on endowment funds	\$86,114	\$97,261
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$220,135	\$167,008
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$-68,031	\$-69,012
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	\$315,173	\$208,338
	<b>2019 data</b>	<b>2020 data</b>
19.1 Total number of major individual donors	120	137
20. Other Direct Revenue	\$1,654	\$6,863
<b>Description</b>	<b>Amount</b>	
Proj UW	\$5,000	
<b>Exclusion Description</b>	<b>Amount</b>	
Production, taping, or other broadcast related activities	\$5,000	
Ancillary Sales	\$1,863	
<b>Exclusion Description</b>	<b>Amount</b>	
Sale of premiums	\$1,863	
Line 21. Proceeds from the FCC Spectrum Incentive Auction, interest and dividends earned on these funds, channel sharing revenues, and spectrum leases	\$0	\$0
A. Proceeds from sale in spectrum auction	\$0	\$0
B. Interest and dividends earned on spectrum auction	\$0	\$0

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related revenue		
C. Payments from spectrum auction speculators	\$0	\$0
D. Channel sharing and spectrum leases revenues	\$0	\$0
E. Spectrum repacking funds	\$0	\$0
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)	\$14,188,947	\$13,794,552
<a href="#">Click here to view all NFFS Eligible revenue on Lines 3 through 9.</a>		
<a href="#">Click here to view all NFFS Ineligible revenue on Lines 3 through 9.</a>		
<b>Adjustments to Revenue</b>	<b>2019 data</b>	<b>2020 data</b>
23. Federal revenue from line 1.	\$0	\$0
24. Public broadcasting revenue from line 2.	\$2,234,745	\$2,342,539
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$31,008	\$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	\$1,654	\$6,863
27. Other automatic subtractions from total revenue	\$570,042	\$375,750
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	\$0	\$0
C. Gains from sales of property and equipment – line 16a	\$0	\$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b	\$37,171	\$35,554
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	\$48,257	\$-43,821
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	\$152,104	\$97,996
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	\$4,030	\$3,400
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$0	\$8,836
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$0	\$307
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	\$19,294	\$7,884
K. FMV of high-end premiums (Line 10.1)	\$309,186	\$265,594
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	\$0	\$0
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	\$0	\$0
N. Proceeds from spectrum auction and related revenues from line 21.	\$0	\$0
28. <b>Total Direct Nonfederal Financial Support</b> (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of	\$11,351,498	\$11,069,400

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Nonfederal Financial Support)

**Comments**

Comment	Name	Date	Status
Schedule B WorkSheet			
Arkansas Educational Television Network (1708)			
Conway, AR			

**Comments**

Comment	Name	Date	Status
Occupancy List			
Arkansas Educational Television Network (1708)			
Conway, AR			

	Type of Occupancy Location	Value
Schedule B Totals		
Arkansas Educational Television Network (1708)		
Conway, AR		

	2019 data	2020 data
1. Total support activity benefiting station	\$	\$0
2. Occupancy value		\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$	\$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$	\$0
6. Please enter an institutional type code for your licensee.		

**Comments**

Comment	Name	Date	Status
Schedule C			
Arkansas Educational Television Network (1708)			
Conway, AR			

	2019 data	Donor Code	2020 data
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$98,320		\$103,800
A. Legal	SG \$30,000	SG	\$15,000
B. Accounting and/or auditing	SG \$68,320	SG	\$88,800
C. Engineering	\$0		\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$0		\$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$306,817		\$258,010
A. Annual rental value of space (studios, offices, or tower facilities)	BS \$70,510	BS	\$70,510
B. Annual value of land used for locating a station-owned transmission tower	SU \$140,000	SU	\$140,000
C. Station operating expenses	SG \$95,705	SG	\$47,500

**AETC-TV Annual Financial Report**  
**For the periods ending June 30, 2019 and June 30, 2020**

	2019 data	Donor Code	2020 data
D. Other (see specific line item instructions in Guidelines before completing)	FD \$602		\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$71,375		\$76,951
A. ITV or educational radio	\$0		\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0		\$0
C. Local advertising	BS \$71,375	BS	\$76,951
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 Nonfederal Financial Support	\$476,512		\$438,761
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0		\$26,475
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	BS \$0		\$0
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	\$0		\$0
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	FD	\$26,475
<b>Description</b> Trf of Equipment from Foundation In-kind on AFS	<b>Amount</b> \$26,475		
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.	\$476,512		\$465,236
<b>Comments</b>			
<b>Comment</b>	<b>Name</b>	<b>Date</b>	<b>Status</b>
<b>Schedule D</b> <b>Arkansas Educational Television Network (1708)</b> <b>Conway, AR</b>			
	2019 data	Donor Code	2020 data
1. Land (must be eligible as NFFS)	\$		\$0
2. Building (must be eligible as NFFS)	\$		\$0



**AETC-TV Annual Financial Report**  
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	2019 data	Donor Code	2020 data
3. Equipment (must be eligible as NFFS)	\$		\$0
4. Vehicle(s) (must be eligible as NFFS)	\$		\$0
5. Other (specify) (must be eligible as NFFS)	\$		\$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 Nonfederal Financial Support	\$		\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$		\$0
a) Exchange transactions	\$		\$0
b) Federal or public broadcasting sources	\$		\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$		\$0
d) Other (specify)	\$		\$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

**Comments**

Comment	Name	Date	Status
<b>Schedule E</b> <b>Arkansas Educational Television Network (1708)</b> <b>Conway, AR</b>			

**EXPENSES**

(Operating and non-operating)

**PROGRAM SERVICES**

	2019 data	2020 data
1. Programming and production	\$6,335,866	\$6,124,784
A. TV CSG	\$452,623	\$342,288
B. TV Interconnection	\$36,430	\$35,648
C. Other CPB Funds	\$176,728	\$437,600
D. All non-CPB Funds	\$5,670,085	\$5,309,248
2. Broadcasting and engineering	\$4,380,725	\$4,631,582
A. TV CSG	\$1,007,599	\$986,815
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$3,373,126	\$3,644,767
3. Program information and promotion	\$873,365	\$1,287,406
A. TV CSG	\$100,830	\$146,766
B. TV Interconnection	\$0	\$0

**AETC-TV Annual Financial Report**  
**For the periods ending June 30, 2019 and June 30, 2020**

<b>PROGRAM SERVICES</b>	<b>2019 data</b>	<b>2020 data</b>
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$772,535	\$1,140,640
<b>SUPPORT SERVICES</b>	<b>2019 data</b>	<b>2020 data</b>
4. Management and general	\$1,571,408	\$1,821,963
A. TV CSG	\$126,635	\$267,561
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,444,773	\$1,554,402
5. Fund raising and membership development	\$1,089,662	\$1,150,436
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,089,662	\$1,150,436
6. Underwriting and grant solicitation	\$0	\$0
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$0	\$0
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
<b>8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements</b>	<b>\$14,251,026</b>	<b>\$15,016,171</b>
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$1,687,687	\$1,743,430
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$36,430	\$35,648
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$176,728	\$437,600
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$12,350,181	\$12,799,493

**INVESTMENT IN CAPITAL ASSETS**

Cost of capital assets purchased or donated

**2019 data**                      **2020 data**

**AETC-TV Annual Financial Report**  
**For the periods ending June 30, 2019 and June 30, 2020**

	2019 data	2020 data
9. Total capital assets purchased or donated	\$412,214	\$222,475
9a. Land and buildings	\$0	\$0
9b. Equipment	\$388,212	\$214,738
9c. All other	\$24,002	\$7,737
<b>10. Total expenses and investment in capital assets</b> (Sum of lines 8 and 9)	<b>\$14,663,240</b>	<b>\$15,238,646</b>

**Additional Information**

(Lines 11 + 12 must equal line 8 and Lines 13 + 14 must equal line 9)

	2019 data	2020 data
11. Total expenses (direct only)	\$13,774,514	\$14,550,935
12. Total expenses (indirect and in-kind)	\$476,512	\$465,236
13. Investment in capital assets (direct only)	\$412,214	\$222,475
14. Investment in capital assets (indirect and in-kind)	\$0	\$0

**Comments**

Comment	Name	Date	Status
Schedule F			
Arkansas Educational Television Network (1708)			
Conway, AR			

**2020 data****1. Data from AFR**

a. Schedule A, Line 22	\$13,794,552
b. Schedule B, Line 5	\$0
c. Schedule C, Line 6	\$465,236
d. Schedule D, Line 8	\$0
e. Total from AFR	\$14,259,788

**Choose Reporting Model**

You **must** choose one of the three reporting models in order to complete Schedule F. After making your selection, click the "Choose" button below, which will display your reporting model. When changing to a different reporting model all data entered in the current reporting model will be lost.

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

**2020 data****2. GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities**

a. Charges for services	\$36,153
b. Operating grants and contributions	\$5,307,363
c. Capital grants and contributions	\$0
d. Other revenues	\$9,076,908

**AETC-TV Annual Financial Report**  
**For the periods ending June 30, 2019 and June 30, 2020**

e. Total From AFS, lines 2a-2d \$14,420,424

**Reconciliation**

2020 data

3. Difference (line 1 minus line 2) \$-160,636

4. If the amount on line 3 is not equal to \$0,  
 click the "Add" button and list the reconciling items. \$-160,636

Description	Amount
Misc Transfers for Financial Reporting	\$-187,106
Equipment Donation	\$26,475
Rounding Error	\$-5

**Comments**

Comment	Name	Date	Status
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**Exhibit C**

**AETC-TV**  
**Summary of Non-Federal Financial Support**  
**For the periods ending June 30, 2019 and June 30, 2020**  
**Certified by Head of Grantee and Independent Accountant's Report**

<b>Line</b>	<b>Description</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>Total</b>
	<i><b>Summary of Non-Federal Financial Support:</b></i>			
1	Direct Revenue (Schedule A)	\$11,351,498	\$11,069,400	\$22,420,898
2	Indirect Administrative (Schedule B)			
3	In-Kind Contributions (Schedule C)	476,512	438,761	915,273
4	<b>Total Non-Federal Financial Support</b>	<b>\$11,828,010</b>	<b>\$11,508,161</b>	<b>\$23,336,171</b>

Exhibit D

**Veterans Coming Home: Finding What Works - AETC**  
**CPB Grant No. 34732-EDU**  
**Final Financial Report May 1, 2018 through December 31, 2018**

Category	Actuals	Original	Variance	AETN notes*	OIG Calculated % Variance (over) under budget
<b>Personnel</b>					
Executive Producer	\$875	\$875	-		
Producer/ editor/ videographer X 4	3,000	4,000	1,000	1)	
Digital Distribution Specialist / Marketing Coordinator X 3	625	625	-		
<b>Personnel Subtotal</b>	<b>4,500</b>	<b>5,500</b>	<b>1,000</b>		18%
<b>Fringe</b>					
<b>Position Title</b>					
Executive Producer	289	289	-		
Producer/ editor/ videographer X 4	990	1,320	330	1)	
Digital Distribution Specialist / Marketing Coordinator X 3	206	206	-		
<b>Fringe Subtotal</b>	<b>1,485</b>	<b>1,815</b>	<b>330</b>		18%
<b>Travel</b>					
Local travel					
Travel within the state needed for production of 5 digital content pieces	500	2,000	1,500	1)	
<b>Travel Subtotal</b>	<b>500</b>	<b>2,000</b>	<b>1,500</b>		75%
<b>Production</b>					
Freelance Production services	12,063	5,000	7,063	2)	
Stock footage / music license fees		500	500	1)	
Equipment rental		1,000	1,000	1)	
<b>Production Subtotal</b>	<b>12,063</b>	<b>6,500</b>	<b>(5,563)</b>		(86%)
<b>Community Engagement Activities</b>					
Venue rental	1,000	1,500	500	1)	
Catering	3,155	1,300	1,855	3)	
	-	500	500		
<b>Community Engagement Activities Subtotal</b>	<b>4,155</b>	<b>3,300</b>	<b>(855)</b>		(26%)
<b>Marketing / Promotion</b>					
Printing	-	1,500	1,500		
Advertising	2,244	3,000	756		
Promotion	102	535	433		
<b>Marketing / Promotion Subtotal</b>	<b>2,346</b>	<b>5,035</b>	<b>2,689</b>	1)	53%
<b>Research</b>					
Literature	-	250	250		
<b>Research Subtotal</b>	<b>-</b>	<b>250</b>	<b>250</b>	1)	100%
<b>Supplies</b>					
Office equipment / telephone	-	300	300		
Office supplies	-	300	300		
<b>Supplies Subtotal</b>	<b>-</b>	<b>600</b>	<b>600</b>	1)	100%
<b>TOTAL PROJECT BUDGET</b>	<b>\$25,049</b>	<b>\$25,000</b>	<b>(\$49)</b>		

**Exhibit D (continued)**

**Veterans Coming Home: Finding What Works - AETC  
CPB Grant No. 34732-EDU  
Final Financial Report May 1, 2018 through December 31, 2018**

\*Notes per AETC Final Financial Report

- 1) This line was reduced to accommodate additional spending for freelance productions services per AETC Executive Director.
- 2) Original Budget planned for one freelance crew. Project yielded three freelance crews per Executive Director.
- 3) This change reflects a larger number of guests than original plan. Also, higher profile guests, so menu changed.

*Report condensed and reformatted for presentation purposes.*

## **Scope and Methodology**

We performed an attestation examination to determine AETC'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 the grantee on its AFRs and reconciled to audited financial statements for the fiscal years ending June 30, 2019 and 2020; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on AETC's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements for AETC and AETNF. We reviewed state appropriations, grants, underwriting, membership, in-kind, and other contributions, and related supporting documentation. Specifically, we tested 76 percent of revenue transactions reported on the grantee's AFRs including 100 percent of its state appropriations (\$10,743,517) as this source represented over 46 percent of amounts claimed.

We reviewed the allowability of expenses charged to CSGs and other grants. To determine that expenditures were incurred in accordance with the grant terms, we reviewed \$2,228,907 of \$3,974,609 (56.1 percent) expenses reported on the CSG grants. We also tested the Veterans Coming Home – CPB grant No. 34732 expenditures for compliance with grant terms.

We reviewed corporate policies, records, and documents supporting the station's compliance with the Act requirements to provide advance notice of public meetings; provide notice explaining any closed meetings, make financial and equal employment opportunity information available to the public; 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 for eligibility. We also reviewed the Arkansas Legislative Audit (ALA) and AETNF independent public accountant's (IPA) audit planning, internal controls, and attestation working papers. Our procedures included interviewing grantee and foundation officials.

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

Our fieldwork was conducted from September 2020 through January 2021 and our examination was performed in accordance with the *Government Auditing Standards* for attestation engagement.





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March 19, 2021

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

Re: Response to draft CPB audit report

Dear Bill:

Please accept the following as our response to the draft CPB audit report we received on February 19, 2021. We believe that we have instituted sufficient corrective actions to enable complete compliance in all areas going forward. We are open to discussing any areas of our response if needed.

A handwritten signature in black ink, appearing to read "Courtney Pledger".

Courtney Pledger  
Executive Director

## **I. ACT and GENERAL PROVISIONS AND ELIGIBILITY COMPLIANCE**

### **Open Meetings**

*Condition:* Lack of seven (7)-day advance notice for public meetings of the Commission and Executive Committee, for 5 of 19 meetings reviewed during our audit period.

*We agree that there were some instances of insufficient notice of meetings. In response to the audit, ARPBS has set up a quarterly compliance review team. Each team member has been assigned specific compliance tasks. For this item, the Executive Assistant will notify the Public Information Officer (POI) of commission board meetings. The POI will be responsible for preparing public notice of open meetings at least 7-days in advance and notice of the closed portion of meetings as part of the initial meeting notice or within 10 days afterward as required by the Communications Act. Our new marketing specialist role has been assigned to post these notices to the website and the CFO/Controller will review the website monthly to ensure accurate compliance.*

*A compliance spreadsheet has been developed to document and track all compliance tasks for the station. Each compliance task will be assigned to a team member and will have a stated lead time and due date. This document will be reviewed by Senior Management on a quarterly basis. In addition, the CFO/Controller will review monthly to supervise compliance on a regular basis.*

*Furthermore, we began recording all commission meetings per state law starting July 1, 2019, providing more transparency, and giving the public access to the station's activities and decision making. We take compliance very seriously and have created additional steps to ensure these types of deficiencies are never repeated.*

### **Closed Meetings**

*Condition:* Lack of ten (10)-day notice of closure of any portion of public meetings of the Commission and Executive Committee, for 2 of 6 meetings reviewed during our audit period.

*We agree that we failed to provide the required notice of partially closed meetings. As stated in our response to Open Meeting notices, we have established a compliance process that we believe will help us to stay in full compliance with this requirement.*

*As an agency of the State of Arkansas, ARPBS must abide by the Arkansas Administrative Procedures Act which allows for any portion of a public meeting to be closed for one specific purpose and that is to consider personnel actions in executive session. In our advance notice of Commission or other Committee meetings, we will provide the reason for any planned executive sessions. If for some reason it is determined during the meeting that the Commission has a need to go into executive session to consider personnel actions, we will provide notice on our website to this fact within ten (10) days of the meeting.*

### **Annual Financial Report**

*Condition:* The most recent Annual Financial Report (AFR) for FY 2019 was not posted on the station's website.

*We agree that the most recent AFR was not posted on our website. This oversight was corrected during the audit and we are now in full compliance, including our FY 2020 AFR. The latest AFR was omitted due to turnover in our organization's Marketing Department and resulting lack of follow-up. Despite not*



*being on the website, a copy was available in the Finance Department to be made available for public inspection upon request.*

*Management has assigned a new marketing staff role with updating the station's website and has communicated the importance of our compliance with the Communications Act. In addition, a member of the IT staff has been assigned as backup so that turnover or employee absence does not affect our compliance. The website will also be reviewed monthly by the CFO/Controller to ensure all public information on the website is current. Furthermore, the compliance review team will review this quarterly.*

### **Audited Financial Statement**

*Condition:* The most recent Audited financial statement for FY 2019 was not posted on the station's website.

*We agree that the most recent AFS was not posted on our website. This oversight was corrected during the audit and we are now in full compliance, including our FY 2020 AFS. The statement was omitted due to turnover in the Marketing Department and resulting lack of follow-up. Despite not being on the website, a copy was available in the Finance department that to be made available for inspection upon request.*

*Management has discussed the importance of Communications Act compliance with Marketing staff, and the website will be reviewed monthly by the Director of Marketing and the CFO/Controller to ensure all public information on the website is current, as well as quarterly by the compliance review team.*

### **Employment Statistical Report - Equal Employment Opportunity (EEO)**

*Condition:* The station's Employee Statistical Report was not available to the public on the station's website or readily available at central office when requested.

*We agree that the most recent Employment Statistical Report was not posted to our website. This oversight was corrected during the audit and we are now in full compliance, including our FY 2020 ESR. Despite not being on the website, a copy was available in the Finance department to be made available for inspection by the public upon request. The EEO reports are also maintained in the FCC public file for ARPBS. The Director of HR has been added to the quarterly compliance team and will help the CFO/Controller ensure all employment/EEO reports are updated in a timely manner. This item will also be reviewed quarterly by the compliance review team.*

### **Local Content and Services Report**

*Condition:* The station's Local Content and Services Report (LCSR) was not available to the public on the station's website or readily available at central office when requested.

*We agree that the most recent LCSR was not posted to our website. This oversight was corrected during the audit and we are now in full compliance, including our FY 2020 LCSR. The LCSR was omitted due to turnover in the Marketing Department and resulting lack of follow-up. Despite not being on the website, a copy was available in the Finance & Marketing Departments to be made available for inspection by the public upon request.*



*Management has discussed the importance of Communications Act compliance with Marketing staff, and the website will be reviewed monthly by the Director of Marketing and the CFO/Controller to ensure all public information on the website is current and is reviewed quarterly by the compliance review team.*

## **II. QUESTIONED PRODUCTION COSTS – VETERANS COMING HOME**

### **Veterans Coming Home**

*Condition:* Our audit of the Veterans Coming Home – CPB Grant #34732 EDU– production grant found:

- Questioned Costs of \$6,087 because of a lack of payroll documentation and because the final financial report did not reconcile to the grantee’s general ledger:
  - \$5,985 unsupported payroll; and
  - \$102 unsupported marketing costs reported but not recorded in the general ledger.

*All non-personnel expenses for Veterans Coming Home were accounted for in the project management module of the State of Arkansas accounting system (AASIS). We provided documentation for all expenses and a reconciliation of the final financial report to our general ledger. However, AASIS was not setup to track salary costs by grant or project for FLSA exempt employees. We have now established spreadsheet-based timesheets to track staff time for small grants and by project and will ensure the process is used in the future for all CPB grants. While not compiled contemporaneously, we provided a recap of reported personnel time and rates that exceeds the amount of personnel cost reported to CPB on the financial report for this project. We are confident that all CPB grant funding on this project was spent by ARPBS and that all deliverables were provided and approved by CPB.*

- The salary costs incurred on this project were not recorded in the grant’s accounting records established in the general ledger.

*As stated above, our accounting system (AASIS) is not setup to track salary costs by grant or project for FLSA exempt employees. For small grants such as this one, it is not feasible to setup cost allocations because they would represent a percentage of employee time spent on the project which would not be uniform from pay period to pay period as they are for our State grant employees mentioned in the finding narrative. To add these personnel costs into our accounting system, we have established the use of spreadsheet-based timesheets to track the staff time utilized. We then will calculate the value of salaries and benefits from this time reporting and make manual entries into the project module of our accounting system to ensure that all costs are included and can be reconciled to the grant’s FFR.*

- Production budget reallocations of \$5,563 were not formally approved by CPB.

*We agree that express approval by CPB of budget reallocations was not provided. The budget reallocations noted in the finding were discussed with The Kindling Group, the organization hired by CPB to advise the individual stations and keep the content within a national scope. The discussions of budget changes were documented by our staff member DeWayne Wilbur in his interim reports to the*



*Kindling Group, which were provided to the auditor. It was implied during these meetings that the budget reallocations were approved as the Kindling Group was representing CPB. For any future CPB production grants, we will request express, written approval from CPB staff and not rely upon any consultants engaged by CPB to approve budget changes.*

- Travel and Rental Costs (\$1,500) reported after the grant spending period in the general ledger but incurred prior, as well as purchase orders and invoicing not prepared until after the grant period.

*It is our practice that expenses are reported, and invoices prepared in a timely manner. However, in this instance, invoices were not presented to Accounting for costs incurred during the grant period until after the applicable period of spending. Going forward, we will assure that all incurred costs are billed and recorded during the applicable period of spending.*

### **III. AFR Reporting Category Errors**

#### **AFR Schedule A**

*Condition:* AETC and AETNF recorded sources for NFFS incorrectly for some transactions we tested during our audit work. Our audit identified:

- contribution sources from foundations and not-for-profits were reported as contributions on AFR Schedule A line 9 from business enterprises when they should have been recorded on Line 8 for foundations and not-for-profits and contributions as local government and line 3 when they should have been reported as not-for-profit sources; and
- NFFS reported as underwriting sources on line 8.1A were actually from grants and should have been reported on line 8.1B.

We concluded although there was misreporting of sources of revenue there was no impact on NFFS as all were eligible contribution sources.

*We agree with these classification changes and will make the necessary corrections going forward. We typically are required to provide detail of various line items of our AFR Schedule A during the desk review of our AFR every year. During these desk reviews, we have been alerted on occasion to potential misreporting and subsequently made the required correction before finalizing our AFR. We believed that we had reported these transactions on the proper line based upon the previous desk reviews.*

#### **AFR Schedule C**

AETC is the licensee of the Arkansas Educational Television Network (AETN) the CSG grantee. The licensee is a state commission of the State of Arkansas and identified as a state licensee for CSG reporting. AETC reported \$460,431 (\$254,301 in FY 2019 and \$206,130 in FY 2020, see exhibit A) in NFFS for professional and general operational services from other state agencies as in-kind services on its AFR Schedule C. CPB does not allow in-kind services from a station's licensee to be claimed as NFFS. However, CPB guidelines allows institutional stations to claim certain indirect costs from its licensee as NFFS and report on Schedule B. CPB guidelines allows state agencies to use a CPB approved "Grantee-Developed method" to claim these types of indirect services.

*We have revisited the CPB guidelines as recommended and we will work with CPB to establish a "Grantee-Developed method" and revise our AFR reporting to comply with CPB guidelines to claim these In-Kind services as indirect costs on Schedule B. These services are also reported as In-Kind revenues in our AFS. This item also had been addressed during our annual AFR desk reviews and the reporting as in-kind has been approved for many years.*

We also found that AETNF did not receive all the required documentation for one in-kind trade totaling \$7,500 claimed in FY 2020. This was found during our audit fieldwork and corrected. AETNF has established a procedure to ensure it receives all required documentation from donors in the future.

*This item was corrected during the audit. The Arkansas PBS Foundation accountant has set up procedures to ensure all documentation from donors is acquired in the future. However, it should be noted that several attempts were made to acquire the documentation from the donor, but the donor did not respond in a timely manner until we made them aware of the audit.*

#### **AFR Schedule E**

AETC recorded CPB expenses incorrectly on its FY 2019 AFR Schedule E -Expenditures in line items D. as all non-CPB funds. AETC should have reported the \$25,000 in Veterans Coming Home grant funds as CPB funds on its AFR Schedule E line 1.C or Line 3.C.

*We agree that this item was misreported. This was simply an oversight and management has made a note to ensure all "other" CPB funds will be reported as such.*