

CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF THE INSPECTOR GENERAL

**AUDIT OF COMMUNITY SERVICE AND OTHER GRANTS
AWARDED TO WYEP-FM, LICENSED TO THE PITTSBURGH
COMMUNITY BROADCASTING CORPORATION, PITTSBURGH,
PENNSYLVANIA, FOR THE PERIOD JULY 1, 2018 THROUGH
JUNE 30, 2020**

REPORT NO. ASR2009-2112

September 27, 2021



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

*Report No. ASR2009-2112
September 27, 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 WYEP'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 or visit <https://cpboig.oversight.gov/>

[Listing of OIG Reports](#)

Audit of Community Service and Other Grants Awarded to WYEP-FM, Licensed to the Pittsburgh Community Broadcasting Corporation, Pittsburgh, Pennsylvania, for the Period July 1, 2018, through June 30, 2020

What We Found

Our audit found that WYEP complied with CPB requirements, except for the following findings. WYEP:

\$143,177 of overstated NFFS resulted in \$6,844 of excess CSG payments.

- overstated NFFS totaling \$143,177;
- did not document underwriting agreements with direct donors or another public broadcasting station to receive underwriting; and
- did not comply with Act requirements for open and closed meetings; posting the AFR on the website; and ensuring that the Community Advisory Council met during fiscal year 2020.

WYEP disagreed that it overstated NFFS by allowing qualitative language for underwriting credits, stating that it made reasonable and good faith judgments. The station also disagreed that it should document its underwriting agreements with direct donors. The station agreed with the remaining findings. CPB management will make the final determination on our findings and recommendations.

What We Recommend

That CPB management:

- recover the potential CSG overpayment of \$6,844;
- require WYEP to:
 - identify the corrective actions and controls it will implement to ensure future compliance with: CPB NFFS reporting requirements, including documenting its evaluation of on-air underwriting credit language to meet NFFS reporting requirements; and Act and CPB requirements addressing open and closed meetings, posting financial information, and the Community Advisory Council meetings; and
 - enter into written underwriting agreements to support all underwriting claimed, including the constructive receipt of underwriting revenues received by third parties.

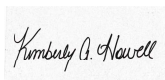


Corporation
for Public
Broadcasting

Office of the Inspector General

Date: September 27, 2021

To: Jackie J. Livesay, Deputy General Counsel and Vice President, Compliance
Kathy Merritt, Senior Vice President for Radio, Journalism and CSG Services

From: Kimberly A. Howell, Inspector General  Digitally signed by
Kimberly Howell
Date: 2021.09.27
15:06:54 -04'00'

Subject: Audit of Community Service and Other Grants Awarded to WYEP-FM, Licensed
to the Pittsburgh Community Broadcasting Corporation, Pittsburgh, Pennsylvania
for the Period July 1, 2018 through June 30, 2020, Report No. ASR2009-2112

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 and distribute it to the 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 Mandel, 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

Table of Contents

EXECUTIVE SUMMARY	1
BACKGROUND	2
RESULTS OF REVIEW.....	3
FINDINGS AND RECOMMENDATIONS.....	4
I. NFFS REPORTING.....	4
Underwriting Credit Language.....	5
Out of Period Underwriting Contributions.....	8
Donations Not Used for Public Broadcasting Purposes	9
Revenue Received from Public Broadcasting Entity	10
Incorrect Amount of Premiums Offset Against Membership	10
II. LACK OF UNDERWRITING AGREEMENTS	15
Lack of Written Underwriting Agreement	15
Constructive Receipt of Indirect Underwriting Revenue	15
III. ACT COMPLIANCE	17
Open Meeting Requirements.....	17
Posting Current Financial Information.....	19
Community Advisory Board Did Not Meet in FY 2020	20
Exhibit A – CPB Grant Payments to WYEP	22
Exhibit B – WYEP Annual Financial Reports.....	23
Exhibit C – WYEP Summary of Non-federal Financial Support.....	36
Exhibit D – Scope and Methodology.....	37
Exhibit E – WYEP Response to the Draft Report	38

EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) grants awarded to WYEP-FM (WYEP), licensed to the Pittsburgh Community Broadcasting Corporation (PCBC). The grants reviewed included the radio Community Service Grants (CSG) for the period July 1, 2018 through June 30, 2020, and CARES Act funds for the period July 1, 2019 through June 30, 2020. Our objectives were to examine WYEP's certifications of compliance with CPB grant terms to a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our audit, WYEP complied with CPB grant and Act requirements except for the following. WYEP:

- overstated NFFS totaling \$143,177, which resulted in CSG overpayments of \$6,844, which we report as funds put to better use;
- did not document underwriting agreements with direct donors;
- did not document a constructive receipt agreement with another public broadcaster to receive underwriting on the station's behalf; and
- was not compliant with Act requirements and CPB general provisions and eligibility criteria for:
 - open and closed meeting requirements;
 - posting the current AFR on the station's website; and
 - ensuring the Community Advisory Council (CAC), the Community Advisory Board equivalent, met during Fiscal Year (FY) 2020.

We recommend that CPB:

- recover \$6,844 in CSG overpayments;
- require WYEP to identify corrective actions it will implement to ensure future compliance with CPB's NFFS Reporting Guidelines, Act, and transparency requirements;
- require WYEP to enter into written underwriting agreements with direct donors to support underwriting claimed; and
- require WYEP to enter into a written agreement with WOSU to receive underwriting on behalf of WYEP in accordance with CPB requirements for constructive receipt of underwriting revenues.

In response to the draft report, WYEP disagreed that it overstated its reported NFFS by \$87,635 by claiming underwriting revenues for spots with qualitative and descriptive language that did not meet CPB NFFS reporting requirements. WYEP stated that it believes that it established processes for reviewing underwriting language that meet FCC requirements to comply with the Act. WYEP also disagreed that its direct underwriting agreements should be in writing, stating

that CPB does not require written agreements. WYEP agreed that it did not comply with the Act's requirements for advance notice of its public meetings, making the reasons for closed meetings available to the public, posting financial information, and ensuring that the CAC met during FY 2020; WYEP said it took corrective action during audit fieldwork to address these requirements. WYEP's written response to the draft report is presented in Exhibit E.

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.

Based on WYEP's response to the draft report, we consider recommendations one, two, and three unresolved and open pending receipt of CPB's management decision on these recommendations. Recommendations four and five are resolved but open pending the receipt of CPB's management decision that accepts WYEP's corrective actions.

We performed this audit based on the OIG's annual audit plan objective to audit multiple television and/or radio stations. We conducted our audit in accordance with *Government Auditing Standards* for attestation examination engagements. Our scope and methodology are discussed in Exhibit D.

BACKGROUND

In 1974, WYEP began broadcasting music and public affairs programming. In 2016, the Boards of Directors of WYEP and WESA, southwestern Pennsylvania's only independent public radio news station, were merged, leaving PCBC as the sole non-profit owner and licensee. The stations serve more than two million residents of Pittsburgh and its surrounding communities.

PCBC's mission is "To create and distribute trusted content, build connections and strengthen our community through public media." Their vision is to foster a community that is well-informed, inclusive, and engaged. WYEP has won numerous awards including "Best Music Radio Station" in a 2020 Pittsburgh area opinion poll. According to its website, WESA has received numerous awards in recognition of excellence in broadcast journalism. The majority of revenues and support of PCBC is derived from membership dues, annual grants from CPB, and underwriting contributions received from for-profit companies, trusts, and nonprofit organizations.

WYEP broadcasts a diverse offering of adult alternative music and provides community cultural programs through the airwaves or streaming from its website. WYEP is also responsible for highly visible events, including its Summer Music Festival. According to its website, WYEP is always seeking ways to enrich the Pittsburgh music scene, to unearth a history of the local and national music culture and keep its audience at the forefront of what is new in music. WESA is an affiliated National Public Radio (NPR) news and information station also licensed to PCBC.

WESA provides an NPR news and information format, dedicated to informing people in ways that engage and inspire discussion about global, national, and community issues. WESA seeks to play an active role to foster an informed, diverse, and caring community.

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 and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for TV and the other is for radio.

An 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 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 WYEP on its FYs 2018 and 2019 AFRs to determine the amount of the radio CSG funds that WYEP/PCBC received in FYs 2020 and 2021.

During the audit period, WYEP received CSG funds totaling \$826,718 for FYs 2019 and 2020 from CPB, including \$75,000 from CPB's CARES Act funds, as shown in Exhibit A. WYEP reported NFFS of \$6,074,445 in FY 2019 and \$6,280,425 in FY 2020, as shown in Exhibit C. The audited financial statements for PCBC reported total revenues of \$7,347,892 in FY 2019 and \$7,543,984 in FY 2020. The station's fiscal year begins on July 1st and ends on June 30th.

RESULTS OF REVIEW

In our opinion, except for the noncompliance issues described below, WYEP complied with the requirements in the following paragraph for the FY 2019 and FY 2020 grant funds examined in WYEP's 2019 and 2020 AFR's, which are presented in Exhibit B.

We examined WYEP management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes: WYEP's certification of compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, Community Advisory Board, equal employment opportunity (EEO) reporting, and donor lists; discrete accounting requirements; and other CPB grant requirements. Our

responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination found the following issues of noncompliance with NFFS financial reporting, CPB Community Service Grant, Act, and Eligibility requirements. WYEP:

- overstated NFFS totaling \$143,177 which resulted in CSG overpayments of \$6,844, which we report as funds put to better use;
- did not document underwriting agreements with direct donors;
- did not document a constructive receipt agreement with another public broadcaster to receive underwriting on the station's behalf; and
- was not compliant with Act requirements or CPB general provisions and eligibility criteria for:
 - open and closed board committee meeting requirements;
 - posting the current AFR on the station's website; and
 - ensuring the Community Advisory Council (CAC), the Community Advisory Board equivalent, met during FY 2020.

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 WYEP'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 WYEP's compliance with specified requirements.

FINDINGS AND RECOMMENDATIONS

I. NFFS REPORTING

Our audit found net overstated NFFS totaling \$143,177 for FYs 2019 and 2020, as itemized in the following table, which resulted in CSG overpayments of \$6,844. We classified the net overpayments as funds put to better use for reporting purposes because the funds overpaid to WYEP could have been distributed to other public broadcasting entities.

Overstated NFFS and CSG Overpayment Calculation

Condition	Overstated NFFS 2019	Overstated NFFS 2020	Total Overstated NFFS
Underwriting Credits Promoting a Donor's Services	\$52,530	\$35,105	\$87,635
Out of Period Underwriting Contributions	\$51,941	\$0	\$51,941
Donations Not Used for Public Broadcasting Purposes	\$0	\$13,088	\$13,088
Underwriting Received from Public Broadcasting Entity	\$0	\$10,000	\$10,000
Incorrect Premium Offsets Against Membership	(\$20,725)	\$1,238	(\$19,487)
Net Under/Overstated NFFS	\$83,746	\$59,431	\$143,177
CPB's FY 2021 Incentive Rate of Return ¹	4.780409520%	4.780409520%	
CSG Overpayment	\$4,003	\$2,841	\$6,844

The net overstated NFFS of \$143,177 includes net understated NFFS of \$20,725 which occurred in FY 2019 due to a reporting error for premiums associated with membership contributions, discussed in more detail on page 11. The station cannot retroactively claim underpaid CSG based on underreported NFFS, however we offset the net understatement NFFS amount of \$20,725 for premiums against overstated NFFS in that fiscal year caused by other conditions.

Station officials cited multiple reasons for its reporting errors, e.g., accounting errors and oversight errors that occurred when reviewing transactions and preparing its AFRs. In addition, the station also did not require written agreements for underwriting that itemized on-air credit announcements and website credits. We had to employ alternative procedures to verify whether underwriting revenues met CPB's requirements to be reported as NFFS.

Underwriting Credit Language

Our audit identified underwriting transactions totaling \$87,635 where the on-air underwriting credit language did not meet CPB NFFS reporting requirements because it contained qualitative or descriptive language. Based on a 1999 FCC decision for another public broadcasting station that described impermissible comparative, qualitative, and descriptive language, we relied on that decision to evaluate qualitative and descriptive language. We determined that over 1,000 on-air credits for one donor² contained qualitative and descriptive language. Our decision was not based on an FCC review of WYEP's underwriting language, but rather our application of the 1999 FCC decision. This results in overstated NFFS with potential CSG overpayments of \$4,189.

These following examples illustrate the underwriting credit language that, in our judgment, did not meet CPB requirements for reporting as NFFS.

Today's programming is supported by [donor name deleted], Pittsburgh's coding boot camp instructors average 20 years' experience and 91% of graduates are employed in

¹ Applied FY 2021 IRR to FY 2020 overstated NFFS because FY 2022 IRR has not yet been established.

² The for-profit donor provides information technology training. The donor had an underwriting agreement with another public broadcasting entity licensed to a university. The underwriting revenues were constructively received from the university station.

technology roles. Open House February 26th to get program details and meet the team. Registration at [company's web address]. 2/13/19 – 2/26/19 (rotate)

Today's programming is supported by [donor name deleted], Pittsburgh's coding boot camp. 91% of graduates are employed in technology roles. Lunch Open House July 17th to get program details, tour the space and meet the team. Registration at [company's web address]. 7/9/19 (5:00 PM onward) – 7/17/19 (AM only).

Both examples contain qualitative language. In the first example, the credit highlights the years of instructors' experience and the percentage of graduates employed in technology roles. The second example also highlights the percentage of graduates employed in technology roles. Both examples were similar to the underwriting credit language that the FCC found was prohibited in the cited decision.

In a letter decision, dated March 23, 1999, the FCC found that WPSR-FM, Evansville-Vanderburgh School Corporation, (licensee 1800B1-KMS, 98020334, 98020274), had violated the Act, FCC rules and policies by airing underwriting announcements that violated the qualitative/comparative/promotion prohibitions. The letter decision noted not only had the station done so multiple times (20 underwriters) but also that the station had failed to exercise good faith discretion to avoid comparative or qualitative descriptions of the donor's products or services.

The decision included the scripts of the prohibited announcements. Two are very similar to what we found at WYEP for this donor. The decision highlighted that the Orthopedic Associates and Raben Tires language citing board-certified physicians and ASE certified technician language was impermissible, comparative, qualitative, and descriptive language.

CPB's guidance on underwriting revenues references both the FCC and the Act:

IV. NFFS: Underwriting Revenues

The FCC³ and the Communications Act⁴ allow public broadcasting stations to broadcast underwriting credits which may also be referred to as sponsorships but prohibit them from broadcasting advertisements. Underwriting revenues are contributions to a CSG recipient primarily to support its programming or activities in exchange for underwriting credit. An underwriting credit acknowledges the contributor's support but does not promote its goods or services and may not contain any of the following:

- A. a call to action;
- B. qualitative or descriptive language;
- C. comparative language;
- D. price or value information;
- E. inducements to buy, sell, rent, or lease;
- F. endorsements; or

³ 37 C.F.R. §73.502(d) and §73.621 (e)

⁴ 47 U.S.C. §399(b)

G. demonstrations of consumer satisfaction.

Guidelines (2020) Part II: NFFS, VI. NFFS: Underwriting Revenues

CPB's guidance does not elaborate on these prohibitions but the FCC does. Its 86-161 Guidance provides in pertinent part:

Section 399B of the Communications Act of 1934, as amended, and Sections 73.503(d) and 73.621(e) of our rules specifically proscribe the broadcast of announcements by public broadcast stations which promote the sale of goods and services of for-profit entities in return for consideration paid to the station. These rules, however, permit contributors of funds to the station to receive on-air acknowledgments. The Commission has articulated specific guidelines which emphasize the difference between permissible donor and underwriter announcements and commercial advertising....

The FCC guidance allows:

- (1) logograms or slogans which identify and *do not* promote,
- (2) location information,
- (3) value neutral descriptions of a product line or service, and
- (4) brand and trade names and product or service listings

The guidance goes on to emphasize "such announcements could not include qualitative or comparative language" and should "be made for identification purposes only and should not promote the contributor's products, services or company. FCC 86-161, 51 Federal Register 21800, June 16, 1986 [FCC Record 827]

The guidance also notes that the FCC will rely on the good faith determinations of public broadcasters in interpreting the non-commercialization guidelines but will review complaints and, in the event of clear abuses of discretion, it will implement appropriate sanctions, including monetary forfeitures. FCC 86-161, 51 Federal Register 21800, June 16, 1986 [FCC Record 827]

WYEP disagreed with our conclusion stating that they reviewed the donor's language provided by the university station on behalf of the donor and made reasonable, good faith judgments under their own policy, as well as CPB's guidance. Station officials explained that WYEP uses a detailed process to review underwriting announcements. As described, underwriting announcements for WYEP are routinely reviewed by at least two experienced individuals prior to acceptance. Also, for complicated cases, the PCBC official stated that additional officials become involved, and counsel is consulted (if required) before final language is approved. The official stated that, "Reasonable and informed judgment and good faith are always essential elements of our approval process." However, these processes and decisions were not documented to enable us to review how these specific on-air credits were evaluated and revised to address WYEP policy requirements.

Our review of WESA's and WYEP's policy, "Underwriting Announcement Guidelines," noted that:

Announcements on 90.5 WESA and 91.3 WYEP may include ...

- value – neutral description of business, products and services ...

Please note, per FCC guidelines and PCBC policy, announcements may not include:

- qualitative or comparative language (“best,” “greatest,” “most reliable,” “oldest,” “largest,” etc.) ...
- promotional language ...
- credentials (“board certified,” “award winning,” etc.)

We highlight the FCC guidance and the specific examples from the letter decision because of the qualitative language in the WYEP underwriting spots. Specifically, the company’s open house announcements do more than identify the vendor; they state that “its boot camp instructors average 20 years; experience and 91% of graduates are employed in technology roles.” The company’s announcements contain qualitative and descriptive language and are more promotional than a value neutral description.

Based on our review, we determined that the company’s on-air credit language for this one donor did not comply with CPB’s NFFS guidelines.

Out of Period Underwriting Contributions

For 10 of 78 judgmentally selected transactions reviewed for FY 2019, we identified \$51,941 of claimed NFFS associated with underwriting spots that were aired in FY 2018 but improperly accounted for as FY 2019 revenues. WYEP’s year-end cut-off procedures for FY 2018 were ineffective for ensuring that revenues were properly accrued in accordance with Generally Accepted Accounting Principles (GAAP) and as required by CPB’s Financial Reporting Guidelines. The cut-off errors were associated with the traffic system that was replaced in January 2019.

Prior to the replacement of its underwriting traffic management system, WYEP computed underwriting revenue using the broadcast calendar. The broadcast calendar typically ended on the last Sunday of each month. According to a WYEP official, staff had difficulty adjusting for the broadcast calendar when accruing revenue using the old underwriting traffic management system. Although WYEP continues to use the broadcast calendar, a WYEP official stated that when the station switched to the new underwriting traffic system, it was able to program the system and run underwriting reports through the end of the calendar month and accrue revenues more accurately

CPB’s Guidelines require that, when preparing their financial statements, CSG recipients must comply with Generally Accepted Accounting Principles (GAAP) and CPB’s “Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities” (The Principles). The CPB guidance requires that financial statements of public broadcasting entities must be prepared using the accrual basis of accounting in conformity with GAAP.

Station officials agreed with this finding and indicated that the matter had been addressed with the implementation of the new traffic system in 2019. We confirmed this and found no cut-off errors for underwriting transactions tested using the new underwriting traffic management system at the end of FYs 2019 and 2020.

The underwriting revenue earned in FY 2018 but reported in FY 2019 resulted in overstated underwriting of \$51,941 claimed as NFFS and resulted in an FY 2019 CSG overpayment of \$2,483 in FY 2021.

Donations Not Used for Public Broadcasting Purposes

As part of a membership campaign in FY 2020, WYEP allowed donors to allocate a percentage of their donations to the Greater Pittsburgh Community Food Bank instead of receiving a physical premium as a “thank you gift” for their membership donation. During our audit period, the donations to the food bank totaled \$13,088. When a donor designated a portion of their station donation to the food bank, those funds would not qualify for NFFS because they would not be used for public broadcasting purposes.

WYEP reported the full amount of the donation as NFFS and did not adjust the amount reported to the donor on the annual disclosure letter required by the IRS. As a result, WYEP treated the amounts provided to the food bank as pass-through contributions from the donor. In addition, WYEP personnel informed us that the food bank donations were recorded as an expense on the station’s financial records. Because the portion of the donations to the food bank did not meet the “purpose” criteria of NFFS, the \$13,088 did not qualify as eligible NFFS.

CPB Guidelines Part II provide the following definition of NFFS and an explanation of Contributions vs. Payments.

I NFFS: Definition

NFFS is the total value of cash and the fair market value of property and services (including, to the extent provided in the second sentence of this paragraph, the personal services of volunteers) received—

A. as gifts, grants, bequests, donations, or other contributions for the construction or operation of noncommercial educational broadcast stations, or for the production, acquisition, distribution, or dissemination of educational television or radio programs, and related activities, from any source other than: (i) the United States or any agency or instrumentality of the United States; or (ii) any public broadcasting entity ...

II Contribution vs. Payment

Revenues are either a contribution or a payment, and must meet the recipient, form, source, and purpose criteria below to be reported as NFFS.

A. Contribution. A contribution is a gift, grant, bequest, donation, or appropriation (i.e., the form criterion). For a contribution to be reported as NFFS, it must meet the following criteria ...

3. Purpose. The contribution must be provided to the CSG recipient to construct or operate a noncommercial educational broadcast station, or for the production, acquisition, distribution or dissemination of educational television or radio programs and related activities.

CPB Guidelines Part II: NFFS Sections I and II.

The \$13,088 in overstated FY 2020 NFFS resulted in a potential CSG overpayment of \$626 in FY 2022.

Revenue Received from Public Broadcasting Entity

WYEP mistakenly reported \$10,000 received from WHYY as NFFS. WHYY is a public broadcasting entity located in Philadelphia, Pennsylvania. WYEP reported these revenues as NFFS on Line 8.1.A Foundations and nonprofit organizations, Program and production underwriting. Instead, these revenues should have been reported as ineligible NFFS revenues on Line 2 to exclude them from NFFS. WYEP agreed that claiming NFFS for the funds received from WHYY was an error. This occurred because the Accounting Department did not sufficiently review the details associated with the WHYY transactions when preparing its AFR for FY 2020.

CPB Financial Reporting Guidelines for FYs 2019 and 2020, Part II Section V, provide that revenues from public broadcasting entities may not be reported as NFFS. Part III – AFR Line-Item Instructions for Completing AFR and FSR Schedule A – Direct Revenue provides that all funds received that originate from public broadcasting stations should be reported on Line 2. The guidance further provides:

Line 2 - Amounts provided by Public Broadcasting Entities

Public Broadcasting funds are reported on this line and will be forwarded to line 24 to be automatically excluded from NFFS.

Reporting the \$10,000 received from WHYY as NFSS resulted in potential overpayments of \$478 in FY 2020.

Incorrect Amount of Premiums Offset Against Membership

WYEP did not exclude the correct amount of high-end premiums from the NFFS they reported on their FYs 2019 and 2020 AFRs as required by CPB Guidelines. WYEP misstated the value of high-end premiums reported for FY 2019 and did not report the fair market value of specific gifts as required by CPB guidance and IRS Publication 1771 for both fiscal years. This resulted in a

net understatement of membership totaling \$20,725 in FY 2019 and an overstatement of membership of \$1,238 in FY 2020.

PCBC OIG Audit Premium Adjustments

Description	FY 2019	FY 2020
Overstated Premiums	(\$25,092)	\$0
Unreported Premiums	\$4,367	\$1,238
Total Adjustment	(\$20,725)	\$1,238

Overstated Premiums

WYEP reported that it provided membership donors “thank you gifts” with fair market values (FMV) totaling \$67,829 and \$101,220 on its FYs 2019 and 2020 AFRs, respectively. The FMV of thank you gifts must be deducted from the total membership donations. As required by CPB guidelines, WYEP entered these amounts on line 10.1 in both AFRs to exclude the FMV for the thank you gifts from the NFFS reported to CPB. However, the station’s records indicated that it should have reported \$42,736 on its FY 2019 AFR line 10.1, instead of the \$67,829. As a result, the station understated its FY 2019 NFFS by \$25,093 (\$67,829 - \$42,736) because it deducted too much for thank you gifts.

Unreported Premiums

We found that WYEP understated the high-end premiums on Line 10.1 of its AFRs when it reported NFFS for membership contributions in both FYs 2019 and 2020. CPB Guidelines instruct stations to adhere to IRS guidance and limit the contribution amounts to the amount greater than the FMV of premiums provided as “thank you gifts.” IRS Publication 1771, Charitable Contributions—Substantiation and Disclosure Requirements referenced in the CPB Guidelines provides that donors are not required to reduce membership costs for the amount associated with goods and services with “insubstantial value.” IRS defines “insubstantial value” as amounts that have insignificant market value.

For calendar years 2019 and 2020, the IRS guidance describes premiums as being of insubstantial value (fully tax deductible) if their cost (as opposed to their fair market value) does not exceed \$11.10 and \$11.20 in 2019 and 2020, respectively. However, WYEP did not include the fair market value of some tee shirts and hats with unit costs greater than either \$11.10 or \$11.20 in the amounts reported as high-end premiums on Line 10.1 of the AFRs. As a result, the station overstated its FY 2019 and FY 2020 membership NFFS by \$4,367 and \$1,238, respectively. For CPB’s purposes, the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS. The FMV of the referenced hats and tee shirts should have been reported as high-end premiums because their cost exceeded IRS limits for insubstantial gifts.

CPB Guidelines require stations to exclude from NFFS the FMV of high-end premiums that are not of insubstantial value. The Guidelines state:

Grantees frequently provide “thank-you gifts” (a.k.a. “premiums”) in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e., premiums). Thank-you gifts may be anything of value from low-end premiums (e.g., coffee mugs and tee-shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g., boxed set CDs or DVDs, coffee-table books, travel and lodging, and tickets to performances, dinners, or other events).

The IRS issues guidance on charitable contributions, including disclosure statements that must be provided to donors in instances where the premium is not of insubstantial value. The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium provided by the charitable organization. For CPB’s purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS.

What do you need to do for AFR purposes? If the financial statements present membership revenues on a net basis (i.e., the contribution portion only), report the same amount on Line 10 (i.e., it is unnecessary to make any further adjustment). However, if the financial statements present membership revenue at their gross value (i.e., unadjusted for the non-contribution portion), you must enter the non-contribution portion on Line 10.1 NFFS Exclusion – Fair market value of the premiums that are not of insubstantial value.

Financial Reporting Guidelines, Part III – AFR and FSR Line-Item Instructions, 5 Schedule A – Direct Revenue, 10.1 NFFS Exclusion – Fair Market Value of high-end premiums that are not of insubstantial value.

Discussions with WYEP personnel disclosed that the overstated premium error occurred because they inadvertently claimed the entire cost paid for all gifts, which exceeded the amount of the fair market value of gifts that are not of insubstantial value that should have been reported on AFR Line 10.1. The fair market value of gifts that are not of insubstantial value are the amounts reduced from the pledged amounts reported to donors to identify eligible charitable contributions for tax purposes.

WYEP did not implement effective procedures to review the accuracy of accounting transactions recorded as premiums/reductions in membership revenue. Additionally, WYEP told us that they did not conduct market research on low-end premiums, e.g., tee shirts, hats, mugs, magnets, and decals bearing the stations call letters. They incorrectly concluded that such items had insubstantial value.

Overstated high-end premiums reduced the NFFS reported in FY 2019 by \$25,092. This amount was offset by the understated high-end premiums of \$4,367, resulting in a net overstatement of

premiums of \$20,725 for FY 2019. The resulting understatement of NFFS was offset against the overstatements of NFFS in the other findings discussed for the fiscal year. The FY 2020 understated premiums of \$1,238 results in a potential FY 2022 CSG overpayment of \$59.

* * * *

To summarize this finding's components, station officials disagreed with our conclusion regarding underwriting credit language explaining that the station made reasonable, good faith determinations that the language used met WYEP's policy and CPB guidelines. Station officials agreed with the out of period revenue reporting finding and stated that matter had been addressed with the implementation of a new underwriting traffic management system in 2019. Station management agreed with the remaining three finding components indicating that going forward that they will review for these types of transactions in more detail when completing the crosswalk for reporting only eligible NFFS revenues on its AFR.

Recommendations:

We recommend that CPB management:

- 1) recover the potential CSG overpayment of \$6,844; and
- 2) require WYEP to identify the corrective actions and controls it will implement to ensure future compliance with CPB NFFS reporting requirements, including documenting its evaluation of on-air underwriting credit language to meet NFFS reporting requirements.

WYEP Response

In response to our draft report, WYEP officials disagreed that \$87,635 was ineligible as NFFS because underwriting spots contained qualitative or descriptive language. WYEP officials believe the spots were in full compliance with the requirements of the Communications Act from which the CPB guidelines were derived.

WYEP officials acknowledged that CPB's Guidelines prohibit the use of qualitative or descriptive language found in the Act but stated that CPB's Guidelines did not include the FCC's assessment of whether the Licensee exercised "reasonable good faith judgments as to whether they identify, rather than promote." They said the FCC has underscored the importance of including consideration of a Licensee's "good faith judgments" in its rulings.

WYEP officials argued that while CPB and the FCC were in lockstep regarding the requirement to restrict qualitative and descriptive language, the criteria for a finding of a violation differs. CPB's Guidelines afford no consideration for the good faith judgment of the Licensee, while the FCC attaches the highest priority to the Licensee's exercise of good faith judgment.

WYEP goes on to state that the inconsistency between the standards holds the potential to cause confusion for Licensee, as in this case. They argued that the failure to include "good faith judgment" consideration in CPB's evaluation of underwriting language holds the potential to cause significant financial harm to noncommercial licensees, who rely on the FCC's stated intent

in *FCC 86-16* (see *Public Notice, April 11, 1986*) to “strike a reasonable balance between the financial needs of the public broadcast stations and their obligation to provide an essentially noncommercial service,” and in so doing “thereby improve the financial self-sufficiency of the service.”

WYEP went on to explain that it uses a rigorous process of review for all proposed underwriting language based on FCC rules, precedent, and general industry standards. This process involved the review of all proposed underwriting language by no fewer than two staffers experienced in such matters. WYEP explained that the underwriting language used in this case underwent a rigorous and informed review and in its reasonable, good faith judgment the final language was not inconsistent with established standards. They believe its process satisfied the requirements of the FCC in Section 399B of the Communications Act and do not believe it is appropriate to be found in violation of CPB Guidelines that are based on the same statute.

WYEP also disagreed with the recommendation that it be required to document its evaluation of on-air underwriting credit language arguing that creating and documenting its evaluation would be burdensome to the Licensee, requiring additional spending on administration rather than on community service.

WYEP’s complete response to this finding is presented in Exhibit E.

OIG Review and Comment

Based on our evaluation of WYEP’s response to the draft report, we have not changed our findings and recommendations. While we acknowledge WYEP had a process to review the language used for underwriting announcements, the process did not prevent the use of qualitative and descriptive language identified in our review of announcements made for this donor. Additionally, WYEP could not provide documentation to support the evaluations performed of the announcements aired for this underwriter. FCC 86-161 guidance states that the FCC expects licensees to conduct good faith reviews, but acknowledges that violations continue to occur, and takes enforcement action when violations are brought to their attention.

While WYEP argued that CPB Guidelines afford no consideration for the good faith judgment of the Licensee, we disagree and would argue that review and approval of underwriting credits is implicit in CPB’s Guidelines to achieve FCC compliance without spelling this requirement out. We attempted to review WYEP’s process to evaluate the underwriting credits and the approval of the final language, however this evaluation and approval process was not documented so we were unable to determine if a reasonable, good faith judgment had been made. As with any good internal control technique (review by two experienced staff members and higher-level officials for complicated cases) documentation of the control technique is essential to ensure controls are effective to achieve FCC compliance. As a result of the lack of such documentation, we could not attest to the effectiveness of WYEP’s processes to evaluate underwriting credits to achieve FCC compliance, or compliance with its own policies and procedures on underwriting (Underwriting Announcement Guidelines).

WYEP's response did acknowledge that, "the observations presented in the Draft Report do serve to remind us that the exercise of "reasonable, good faith judgement" in such matters is enhanced when regular training and updates on regulatory change are undertaken; we are committed to providing such training to the staff responsible for this work."

WYEP did not specifically comment on the four other instances of overstated NFFS identified in our finding. We consider Recommendations 1 and 2 unresolved and open pending CPB's management decision resolving these recommendations.

II. LACK OF UNDERWRITING AGREEMENTS

Our audit of WYEP underwriting activities identified that WYEP does not enter into written agreements for underwriting received directly from donors. Further, WYEP received underwriting indirectly from one donor, under constructive receipt, without a written agreement between WYEP and the organization receiving the underwriting directly from the donor, contrary to CPB requirements.

Lack of Written Underwriting Agreements

Our review of WYEP's underwriting practices found that WYEP did not enter into written underwriting agreements with direct donors. Based on our understanding of the station's process, underwriting staff enter donor requests for future on-air and website underwriting credit directly into its traffic system, recording the dates, times, and program or times to be streamed/posted on its website. WYEP used invoices from the end of the month; and, in some instances, reports from its prior traffic management system of the dates and time credits aired, to support reported underwriting revenues. The lack of written agreements or other supporting documentation did not facilitate our audit of on-air underwriting credit and the lack of such information was particularly problematic to audit and verify website underwriting credit and other sponsorship arrangements.

Constructive Receipt of Indirect Underwriting Revenue

WYEP claimed \$110,500 of NFFS for underwriting revenue received from another public broadcasting entity licensed to a university, on behalf of a third-party underwriter. WYEP did not enter into a written agreement with the university station for it to constructively receive the underwriting revenue on behalf of WYEP. As background, a university station entered into a contract with an underwriter that provided information technology training, to provide underwriting credits for programs in Columbus, Ohio, and nearby cities, including Pittsburgh. WYEP claims that the university station acted as its agent to receive the underwriting revenue. WYEP provided underwriting credit for the company in the Pittsburgh area and stated the arrangement was done as a convenience for the university station.

CPB's Guidelines, Part II Section VI NFFS: Underwriting Revenues, provides that NFFS may be claimed for underwriting revenue that a recipient receives through a third party, provided that the revenue is constructively received by the CSG recipient. Specifically, the Guidelines state:

Underwriting revenues may be provided directly or indirectly to the CSG recipient. For those provided indirectly, the CSG recipient must “constructively receive” the revenues. Constructive Receipt exists when there is a written agreement between the recipient and the third party that authorizes the third party to receive the underwriting revenues on the CSG recipient’s behalf (Constructive Receipt or Constructively Received).

WYEP was unable to provide us with any contracts, written agreements, or other documentation for the underwriting invoiced to the university station. For most of the underwriting transactions reviewed, the only documentation that WYEP provided regarding its oral underwriting agreements were the invoices provided to donors for underwriting credits aired during a given month. The invoices to the university station mostly indicated that the spots addressed the company’s open houses and program information. The lack of an underwriting agreement specifying the parties involved, amount of donations, number of underwriting credits, programs to be underwritten, and period of the agreement was not sufficient to facilitate an effective audit to verify the source and/or purpose of underwriting reported. We had to employ alternative procedures, including reviewing websites, using internet crawlers, confirming with third parties, and relying on verbal statements, to make determinations regarding these revenues.

Recommendations:

We recommend that CPB management require WYEP to:

- 3) enter into written underwriting agreements to support all underwriting claimed; and
- 4) enter into a written agreement with the university station to receive underwriting on behalf of WYEP in accordance with CPB requirements for constructive receipt of underwriting revenues.

WYEP Response

WYEP agrees that written underwriting agreements are required when a third party, such as the university station, received underwriting on behalf of WYEP. However, WYEP does not agree to document underwriting agreements when underwriting was directly received from underwriters. WYEP stated, “We are unaware of a CPB requirement for written underwriting agreements in all claimed cases...” adding that the CPB OIG stated that requiring written agreements for underwriting that is directly received is only a best practice recommendation.

OIG Review and Comment

After evaluating WYEP’s response, we have not changed our finding and recommendation that WYEP should enter into written agreements for all underwriting claimed. The Act provides the auditors have access to information necessary to perform the audit. Without written agreements, the OIG is unable to identify the terms of agreements to determine whether revenue is being accurately accounted for in accordance with FASB and CPB requirements. The terms of agreements are used to differentiate between contributions and exchange transactions, and between conditional and unconditional contributions with or without restrictions.

Provisions of the Act at 47 U.S.C. 396 (l)(3) (B), (C), and (D) address the documentation that should be maintained by CSG recipients to facilitate an audit. According to the Act, each public telecommunications entity receiving CSG funds is required to “keep its books, records, and accounts in such form as may be required by the Corporation.” Further, CPB’s Radio CSG General Provisions requires grantees to maintain such records to facilitate an effective audit.

Information documented in written agreements are used during audits to verify compliance with FASB accounting principles, as updated. For example, FASB Accounting Standards Update, No.2018-08, Not-for-Profit Entities (Topic 958), “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, An Amendment to the FASB Accounting Standards Codification” became effective for non-profits for reporting periods after December 15, 2018.⁵ This update requires reviewing agreements to identify whether contributions are “Unconditional” and recognized as revenue immediately or “Conditional.”

If conditional, contributions are accounted for as a liability and not recognized as revenue until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either a net asset with donor restrictions, or a net asset without donor restrictions. To facilitate the audit, written agreements should be available to verify compliance, to ensure that revenue is recognized correctly.

We consider Recommendation 3 unresolved and open pending CPB’s management decision resolving the recommendation. We consider Recommendation 4 resolved but open pending CPB’s final management decision that accepts the corrective actions taken by WYEP.

III. ACT COMPLIANCE

Our examination found that WYEP did not fully comply with Act requirements to:

- provide seven-day advance notice of meetings of the Strategic Planning Committee and other committee meetings and memorialize the basis for closing open meetings;
- post the current AFR on the station’s website; and
- ensure the CAC (CAB) met during the fiscal year.

WYEP certified its compliance with these requirements in its 2019 and 2020 Radio Community Service Grant Agreement and Certification of Eligibility documents.

Open Meeting Requirements

WYEP did not fully comply with open meeting requirements of the Act to provide adequate advance notice of meetings or provide information on the basis for closing meetings. WYEP could not provide evidence of seven days advance notice for three Strategic Planning Committee meetings held during FY 2019 or for Board of Directors meetings held on September 11, 2019, and December 4, 2019. Additionally, WYEP did not provide the public the reasons a Board of Director’s meeting was partially closed on December 11, 2019. While WYEP’s reason for closing the meeting, provided during our review, met the Act and CPB’s criteria for allowing

⁵ FASB 116 Accounting for Contributions Received and Contributions Made, June 1993.

stations to close meetings, this information was not made available to the public in accordance with CPB requirements. WYEP began announcing Strategic Planning Committee meetings, beginning with the March 3, 2020, meeting.

Open Meetings. The Act requires that stations provide reasonable advance notice of all open meetings, including committees of the Board, to the public.

The Act provides:

Funds may not be distributed pursuant to this subsection to the Public Broadcasting Service or National Public Radio (or any successor organization), or to the licensee or permittee of any public broadcast station, unless the governing body of any such organization, any committee of such governing body, or any advisory body of any such organization, holds open meetings preceded by reasonable notice to the public.

Act, Subpart D – Corporation for Public Broadcasting, Sec. 396, 47 U.S.C. 396 (k)(4) Financing Restrictions

Further, CPB’s Act Compliance requirements clarify that:

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’s website;
- 2) broadcasting notice on-air between 6 a.m. and 11 p.m., as shown by 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 recorded announcement accessible on the station’s phone system.

CPB’s Communications Act Compliance requirements, I. Open Meetings, E. Notice of Open Meetings (June 2019).

Closed Meetings. The Act and CPB require that stations make the reasons for closing a meeting or part of a meeting available to the public. The Act provides:

Nothing contained in this paragraph shall be construed to prevent any such board, committee, or body from holding closed sessions to consider matters relating to individual employees, proprietary information, litigation and other matters requiring the confidential advice of counsel, commercial or financial information obtained from a person on a privileged or confidential basis, or the purchase of property or services whenever the premature exposure of such purchase would compromise the business interests of any such organization. If any such meeting is closed pursuant to the provisions of this paragraph, the organization involved shall thereafter (within a reasonable period) make available to the public a written statement containing an explanation of the reasons for closing the meeting.

Act, Subpart D – Corporation for Public Broadcasting, Sec. 396, (k)(4) Financing Restrictions, [47 U.S.C. 396]

CPB defines a reasonable period for an explanation as 10 days. 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.

CPB Act Compliance, II. Closed Meetings, C. Closed Meeting Documentation.

We found that during our audit period WYEP had not implemented practices to consistently notify the public of open and closed meetings. While WYEP had a written policy for conducting open and closed meetings, the policy did not address the seven-day advance notice requirement for its meetings or to provide the public with information on the basis for closing meetings in a timely manner. As a result, the public was unaware of all upcoming meetings or the reasons for a closed meeting. In FY 2020, WYEP added an electronic calendar of meeting dates to its website which should help improve compliance for announcing meetings to the public.

Posting Current Financial Information

The station also did not fully comply with the open financial records requirements for FYs 2019 and 2020 because it had not posted its most recent AFR on its website. We found no AFRs posted to its website although the audited financial statements were posted to the website.

WYEP management agreed that the AFRs were not posted to their website for FYs 2019 and 2020 and indicated that they put procedures in place to begin posting AFRs prior to being notified by our office. We did not find any AFRs posted to the website prior to February 2021 when we notified WYEP that the AFRs were not posted. During our fieldwork, the station posted the most recent AFR to the website as well as the AFRs for prior fiscal years.

The Act requires stations to make available to the public their annual financial and audit reports and other financial information they are required to provide to CPB. The Act provides that:

Funds may not be distributed pursuant to this subsection to any public telecommunications entity that does not maintain for public examination copies of the annual financial and audit reports, or other information regarding finances, submitted to the Corporation pursuant to subsection (1)(3)(B).

Act, Subpart D – Corporation for Public Broadcasting, Sec. 396, (k)(5) Financing Restrictions, [47 U.S.C. 396]

In addition, CPB also requires that each CSG recipient post the following documents on its station website:

- 1) its most recent audited financial statement or un-audited statement for stations exempt from providing audited financial statements; and
- 2) its most recent annual financial report (AFR) or annual financial summary report (FSR) (whichever is applicable).

Compliance guidance (June 2019) Communications Act Requirements E. Open Financial Records.

As a result, the public lacked detailed information about WYEP's financial activities and sources of revenue for the years that the AFRs were not posted.

Community Advisory Board Did Not Meet in FY 2020

WYEP's Community Advisory Council (CAC) did not meet in FY 2020. According to the WYEP officials, the CAC met on 9/25/2018 and 1/22/2019 during FY 2019. Station officials held a public meeting on 6/30/2020 to inform the public on its programming to address issues of race, justice, diversity, and inclusion that they considered a CAC meeting; however, no CAC members were in attendance.

The Act provides that:

Funds may not be distributed pursuant to this subpart to any public broadcast station (other than any station which is owned and operated by a state, a political or special purpose subdivision of a state or a public agency) unless such station establishes a community advisory board. Any such station shall undertake good faith efforts to assure that (i) its advisory board meets at regular intervals; (ii) the members of its advisory board regularly attend the meetings of the advisory board; and (iii) the composition of its advisory board are reasonably representative of the diverse needs and interests of the communities served by such station.

Act, Subpart D – Corporation for Public Broadcasting, Sec. 396, (k)(8) (A) Financing Restrictions, [47 U.S.C. 396]

WYEP stated that its efforts to reconstitute the CAC during FY 2020 were delayed, in part due to resignation of a station manager and the subsequent reorganization of leadership, followed by Covid-19 concerns. Because the Community Advisory Council did not meet in FY 2020, the Board of Directors and the station did not have any opportunity to receive feedback from its CAC to ensure its programming was meeting the needs of its diverse audience. Station officials reported that the CAC has already met twice in FY 2021 on November 19, 2020, and January 21, 2021 during our fieldwork.

Recommendation:

We recommend that CPB management require WYEP to:

- 5) identify the corrective actions and internal controls it will implement to ensure continuing compliance with Act and CPB requirements addressing open and closed meetings, posting financial information, and ensuring the Communications Advisory Council meets to ensure that its annual CSG certifications are correct.

WYEP Response

In response to our draft report, WYEP acknowledged the findings and confirmed that the recommended actions have already been put in place. WYEP stated that in addition to staff training, all required financial information is now available on their website, and that they introduced new online administrative support tools to assure continued compliance with Act and CPB requirements.”

OIG Review and Comment

Based on WYEP’s response to the draft report, we consider recommendation 5 resolved but open pending CPB’s final management decision that accepts WTEP’s corrective actions addressing open meetings for advance notice requirements, making the basis for closing meetings available to the public, posting financial information, and ensuring that the CAC meets.

EXHIBIT A**CPB Grant Payments to WYEP
July 1, 2018 – June 30, 2020**

CPB Grants	FY 2019	FY 2020	Total
Radio – CSG:			
Unrestricted Community Service	\$241,775	\$309,920	\$551,695
Restricted Community Service	\$87,305	\$112,718	\$200,023
Total Radio - CSG	\$329,080	\$422,638	\$751,718
Other Grants:			
Cares Act	\$0	\$75,000	\$75,000
Total All CPB Grants	\$329,080	\$497,638	\$826,718

WYEP-FM Annual Financial Reports Years Ending June 30, 2019 and 2020

Schedule A
WYEP-FM (1597)
Pittsburgh, PA

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	\$9,960
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	\$9,960
Description Amount		
Census \$9,960		
2. Amounts provided by Public Broadcasting Entities	\$377,380	\$519,762
A. CPB - Community Service Grants	\$329,080	\$422,638
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$0	\$75,000
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$0	\$0
E. Public broadcasting stations - all payments	\$48,300	\$22,124
F. Other PBE funds (specify)	\$0	\$0
3. Local boards and departments of education or other local government or agency sources	\$83,973	\$61,124
3.1 NFFS Eligible	\$83,973	\$61,124
A. Program and production underwriting	\$41,973	\$26,724
B. Grants and contributions other than underwriting	\$42,000	\$34,400
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		

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

		\$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	\$24,696	\$27,000
—	4.1 NFFS Eligible	\$24,696	\$27,000
—	A. Program and production underwriting	\$24,696	\$27,000
—	B. Grants and contributions other than underwriting	\$0	\$0
—	C. Appropriations from the licensee	\$0	\$0
—	D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
—	E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
—	F. Other income eligible as NFFS (specify)	\$0	\$0
—	4.2 NFFS Ineligible	\$0	\$0
—	A. Rental income	\$0	\$0
—	B. Fees for services	\$0	\$0
—	C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
—	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
—	5. State colleges and universities	\$7,651	\$35,836
—	5.1 NFFS Eligible	\$7,651	\$35,836
—	A. Program and production underwriting	\$7,651	\$35,836
—	B. Grants and contributions other than underwriting	\$0	\$0
—	C. Appropriations from the licensee	\$0	\$0
—	D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
—	E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
—	F. Other income eligible as NFFS (specify)	\$0	\$0
—	5.2 NFFS Ineligible		

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

		\$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
—	6. Other state-supported colleges and universities	\$0	\$0
—	6.1 NFFS Eligible	\$0	\$0
—	A. Program and production underwriting	\$0	\$0
—	B. Grants and contributions other than underwriting	\$0	\$0
—	C. Appropriations from the licensee	\$0	\$0
—	D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
—	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	\$148,323	\$129,390
—	7.1 NFFS Eligible	\$148,323	\$129,390
—	A. Program and production underwriting	\$148,323	\$129,390
—	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

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

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	\$1,637,362	\$1,601,976
8.1 NFFS Eligible	\$1,637,362	\$1,601,976
A. Program and production underwriting	\$965,862	\$585,045
B. Grants and contributions other than underwriting	\$671,500	\$1,016,931
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	\$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
9. Business and Industry	\$881,611	\$739,541
9.1 NFFS Eligible	\$875,986	\$732,793
A. Program and production underwriting	\$875,986	\$732,793
B. Grants and contributions other than underwriting	\$0	\$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
9.2 NFFS Ineligible	\$5,625	\$6,748

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

A. Rental income	\$5,625	\$2,425
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	\$4,323
Description	Amount	
Underwriting revenue without category	\$4,323	
10. Memberships and subscriptions (net of membership bad debt expense)	\$2,531,052	\$3,068,971
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	\$67,829	\$101,220
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
10.3 Total number of contributors.	2019 data 21,748	2020 data 21,013
11. Revenue from Friends groups less any revenue included on line 10	\$0	\$0
11.1 Total number of Friends contributors.	2019 data 0	2020 data 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
Form of Revenue	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)	\$191,204	\$179,642
A. Gross special fundraising revenues	\$216,054	\$197,603
B. Direct special fundraising expenses	\$24,850	\$17,961
15. Passive income	\$71,017	\$41,063
A. Interest and dividends (other than on endowment funds)	\$71,017	\$41,063
B. Royalties	\$0	\$0

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

C. PBS or NPR pass-through copyright royalties		\$0	\$0
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)		\$9,302	\$-729
A. Gains from sales of property and equipment (do not report losses)		\$0	\$0
B. Realized gains/losses on investments (other than endowment funds)		\$-591	\$-132
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)		\$9,893	\$-597
17. Endowment revenue		\$0	\$0
A. Contributions to endowment principal		\$0	\$0
B. Interest and dividends on endowment funds		\$0	\$0
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")		\$0	\$0
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")		\$0	\$0
18. Capital fund contributions from individuals (see instructions)		\$0	\$0
A. Facilities and equipment (except funds received from federal or public broadcasting sources)		\$0	\$0
B. Other		\$0	\$0
19. Gifts and bequests from major individual donors		\$570,103	\$503,850
	2019 data	2020 data	
19.1 Total number of major individual donors	271	268	
20. Other Direct Revenue		\$35,070	\$53,209
Description		Amount	
JazzWorks		\$30,417	
Exclusion Description	Amount		
Production, taping, or other broadcast related activities	\$30,417		
Sale of Premiums		\$781	
Exclusion Description	Amount		
Sale of premiums	\$781		
Production Services		\$19,548	
Exclusion Description	Amount		
Production, taping, or other broadcast related activities	\$19,548		

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

Description	Amount
Broadcasters Traffic Consortium	\$2,463

Exclusion Description	Amount
Revenue from non-broadcast activities that fail to meet exception criteria	\$2,463

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 related revenue	\$0	\$0
--	-----	-----

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)	\$6,593,594	\$6,988,556
--	-------------	-------------

[Click here to view all NFFS Eligible revenue on Lines 3 through 9.](#)

[Click here to view all NFFS Ineligible revenue on Lines 3 through 9.](#)

Adjustments to Revenue

	2019 data	2020 data
--	-----------	-----------

23. Federal revenue from line 1.	\$0	\$9,960
----------------------------------	-----	---------

24. Public broadcasting revenue from line 2.	\$377,380	\$519,762
--	-----------	-----------

25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$0	\$0
--	-----	-----

26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	\$35,070	\$53,209
---	----------	----------

27. Other automatic subtractions from total revenue	\$107,606	\$125,200
---	-----------	-----------

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	\$24,850	\$17,961
---	----------	----------

C. Gains from sales of property and equipment – line 16a	\$0	\$0
--	-----	-----

D. Realized gains/losses on investments (other than endowment funds) – line 16b	\$-591	\$-132
---	--------	--------

E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	\$9,893	\$-597
---	---------	--------

F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	\$0	\$0
--	-----	-----

G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	\$5,625	\$2,425
---	---------	---------

H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$0	\$0
---	-----	-----

I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$0	\$0
--	-----	-----

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	\$0	\$4,323
K. FMV of high-end premiums (Line 10.1)	\$67,829	\$101,220
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. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$6,073,538	\$6,280,425

Comments

Comment	Name	Date	Status
Schedule B WorkSheet WYEP-FM (1597) Pittsburgh, PA			

Comments

Comment	Name	Date	Status
Occupancy List WYEP-FM (1597) Pittsburgh, PA			

	Type of Occupancy	Location	Value
Schedule B Totals WYEP-FM (1597) Pittsburgh, PA			

	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 WYEP-FM (1597) Pittsburgh, PA			

	2019 data	Donor Code	2020 data
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$0		\$0
A. Legal	\$0		\$0
B. Accounting and/or auditing	\$0		\$0

**WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020**

	2019 data	Donor Code	2020 data
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)	\$907		\$0
A. Annual rental value of space (studios, offices, or tower facilities)	\$0		\$0
B. Annual value of land used for locating a station-owned transmission tower	\$0		\$0
C. Station operating expenses	BS \$907		\$0
D. Other (see specific line item instructions in Guidelines before completing)	BS \$0		\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$0		\$0
A. ITV or educational radio	\$0		\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0		\$0
C. Local advertising	\$0		\$0
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	\$907		\$0
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$217,960		\$137,705
A. Compact discs, records, tapes and cassettes	\$0		\$0
B. Exchange transactions	\$0		\$0
C. Federal or public broadcasting sources	BS \$78,090	BS	\$37,955
D. Fundraising related activities	BS \$1,270		\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$0		\$0
F. Local productions	BS \$17,850		\$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	PU \$120,750	PU	\$99,750
Description	Amount		
DUQ/FJC	\$99,750		

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

	2019 data	Donor Code	2020 data
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.	\$218,867		\$137,705

Comments

Comment	Name	Date	Status
---------	------	------	--------

Schedule D
WYEP-FM (1597)
Pittsburgh, PA

	2019 data	Donor Code	2020 data
1. Land (must be eligible as NFFS)	\$		\$0
2. Building (must be eligible as NFFS)	\$		\$0
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
---------	------	------	--------

Schedule E
WYEP-FM (1597)
Pittsburgh, PA

EXPENSES

(Operating and non-operating)

PROGRAM SERVICES

	2019 data	2020 data
1. Programming and production	\$4,682,093	\$4,277,334
A. Restricted Radio CSG	\$87,305	\$112,718
B. Unrestricted Radio CSG	\$241,775	\$309,920
C. Other CPB Funds	\$0	\$75,000
D. All non-CPB Funds	\$4,353,013	\$3,779,696

WYEP-FM Annual Financial Reports
Years Ending June 30, 2019 and 2020

PROGRAM SERVICES	2019 data	2020 data
2. Broadcasting and engineering	\$0	\$0
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
3. Program information and promotion	\$0	\$0
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
SUPPORT SERVICES	2019 data	2020 data
4. Management and general	\$1,097,415	\$1,134,965
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,097,415	\$1,134,965
5. Fund raising and membership development	\$1,372,482	\$1,285,767
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,372,482	\$1,285,767
6. Underwriting and grant solicitation	\$0	\$0
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$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. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0

WYEP-FM Annual Financial Reports Years Ending June 30, 2019 and 2020

WYEP-FM Annual Financial Reports Years Ending June 30, 2019 and 2020			
PROGRAM SERVICES		2019 data	2020 data
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements		\$7,151,990	\$6,698,066
A. Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)		\$87,305	\$112,718
B. Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)		\$241,775	\$309,920
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)		\$0	\$75,000
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)		\$6,822,910	\$6,200,428
INVESTMENT IN CAPITAL ASSETS			
Cost of capital assets purchased or donated			
		2019 data	2020 data
9. Total capital assets purchased or donated		\$290,497	\$30,496
9a. Land and buildings		\$0	\$0
9b. Equipment		\$290,497	\$30,496
9c. All other		\$0	\$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)		\$7,442,487	\$6,728,562
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)		\$6,933,123	\$6,560,361
12. Total expenses (indirect and in-kind)		\$218,867	\$137,705
13. Investment in capital assets (direct only)		\$290,497	\$30,496
14. Investment in capital assets (indirect and in-kind)		\$0	\$0
<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> Comments Comment Schedule F WYEP-FM (1597) Pittsburgh, PA </div> <div style="width: 30%; text-align: center;"> Name Date Status </div> <div style="width: 35%;"></div> </div>			
		2020 data	
1. Data from AFR			
a. Schedule A, Line 22		\$6,988,556	
b. Schedule B, Line 5		\$0	
c. Schedule C, Line 6		\$137,705	
d. Schedule D, Line 8		\$0	
e. Total from AFR		\$7,126,261	
Choose Reporting Model			

WYEP-FM Annual Financial Reports Years Ending June 30, 2019 and 2020

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. FASB

a. Total support and revenue - without donor restrictions	\$7,543,984
b. Total support and revenue - with donor restrictions	\$-417,726
c. Total support and revenue - other	\$0
d. Total from AFS, lines 2a-2c	\$7,126,258

Reconciliation

2020 data

3. Difference (line 1 minus line 2)	\$3
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items.	\$3

Description	Amount
Rounding	\$3

Comments

Comment	Name	Date	Status
---------	------	------	--------

EXHIBIT C

**WYEP Summary of Non-Federal Financial Support
For the Years Ending June 30, 2019 and 2020
Certified by Head of the Grantee and Independent Accountant's Report**

AFR Line	WYEP Description	FY 2019	FY 2020	Total
	<i>Summary of Non-Federal Financial Support</i>			
1	Direct Revenue (Schedule A)	\$6,073,538	\$6,280,425	\$12,353,963
2	Indirect Administrative (Schedule B)	\$0	\$0	\$0
3	In-kind Contributions			
	3a. In-Kind Contributions (Schedule C)	\$907	\$0	\$907
	3b. In-Kind Contributions (Schedule D)	\$0	\$0	\$0
4	Total Non-Federal Financial Support	\$6,074,445	\$6,280,425	\$12,354,870

SCOPE AND METHODOLOGY

We performed an attestation examination to determine WYEP's compliance with CPB Financial Reporting Guidelines, provisions of the Communications Act, grant certification requirements, and other grant provisions. The scope of the audit included reviews and tests of the information reported by the station on its AFRs that we reconciled to audited financial statements for the fiscal years ending June 30, 2019 and June 30, 2020; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of the NFFS claimed on WYEP's AFRs by performing financial reconciliations and comparisons to the station's underlying accounting records (general ledgers) and the audited financial statements. We reviewed available documentation supporting revenues reported. Underwriting agreements were not used by WYEP, and we had to employ alternative procedures to audit these revenues. Specifically, we reviewed NFFS revenue transactions totaling \$1,040,270 of the \$6,074,445 reported in FY 2019 and \$1,446,353 of the \$6,280,425 reported in FY 2020. We also verified the \$75,000 in revenue recorded to the accounting records for the CARES Act funds received.

We reviewed the allowability of expenses WYEP charged to the CSGs received from CPB during FYs 2019 and 2020. To determine whether WYEP incurred CSG expenditures in accordance with grant terms, we reviewed all the \$751,718 in CSG expenses incurred by the station during our audit period. For all the grant expenses reviewed, we examined supporting documentation, including invoices, proof of payments, and other documentation for the associated transactions.

We reviewed policies, records, and documents supporting the station's compliance with the Act's requirements for open meetings, have an operating CAB, make financial and EEO information available to the public, and safeguard donor lists. We also reviewed WYEP's websites to determine its compliance with CPB's transparency requirements. Our procedures included interviewing station officials and the station's independent public accountant.

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

We conducted the audit in accordance with the *Government Auditing Standards* for attestation examinations. Audit fieldwork was performed from March 3, 2020 through July 29, 2021.



September 1, 2021

Mr. William J. Richardson III
Deputy Inspector General
The Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20005-2129

Re: Audit of Community Service Grants Awarded to Pittsburgh Community Broadcasting Corporation, WYEP-FM, Pittsburgh, Pennsylvania for the Period July 1, 2018, through June 30, 2020, Draft Report No. ASR2009-XXXX

Dear Mr. Richardson:

Thank you for your correspondence of August 3, 2021, and the copy of the referenced Draft Audit report. It has been a distinct pleasure for us to work with you and your staff over the past eleven months.

Per your request, what follows are our comments regarding the findings and recommendations in the Draft.

I. NFFS Reporting

- a) We respectfully disagree with a portion of the Office of the Inspector General's finding regarding allegedly overstated NFFS and resultant CSG overpayments during the two years in question (2019 and 2020).

Of the \$143,177 in allegedly overstated NFFS, \$87,635 is disqualified in the Draft Report on the grounds that the related underwriting spots contained "qualitative or descriptive language" that "did not meet CPB NFFS requirements". We

believe the spots were, in fact, in full compliance with the requirements of the Communications Act from which the CPB's Guidelines are derived.

CPB's Guidelines mirror the prohibition of qualitative or descriptive language found in the Act but, notably, CPB's Guidelines do not include the FCC's ultimate test to determine whether a violation has actually occurred: an assessment of whether the Licensee exercised "reasonable good faith judgments as to whether they identify, rather than promote" (see Commission Policy Concerning the Noncommercial Nature of Educational Broadcasting Stations, 90 FCC 2d 895 (1982)). The Commission has underscored the importance of including consideration of a Licensee's "good faith judgments" repeatedly: in 1986, the Commission once again affirmed its intention to "continue to rely on the good faith determinations of public broadcasters in interpreting our noncommercialization guidelines", citing the Licensee's good faith judgement as "the key element" in such matters (see *Public Notice, April 11, 1986 (FCC 86-161)*).

In short, while CPB and the FCC are in lockstep regarding the requirement to restrict qualitative and descriptive language, the evaluative criteria for a finding of a violation differs: CPB's Guidelines afford no consideration for the good faith judgement of the Licensee, while the Commission (on the other hand) attaches to the Licensee's exercise of good faith judgement the highest of priority.

This inconsistency between FCC and CPB standards holds the potential to cause confusion for Licensees, as it does in this case. And failure to include the "good faith judgement" consideration in CPB's evaluation of underwriting language holds the potential to cause significant financial harm to noncommercial licensees, who rely heavily on the FCC's stated intent (in *FCC 86-161*) to "strike a reasonable balance between the financial needs of public broadcast stations and their obligation to provide an essentially noncommercial service", and in so doing "thereby improve the financial self-sufficiency of the service".

Acknowledging the Commission's wise observation in that 1986 Public Notice that "it may be difficult at times to distinguish between announcements that promote and those that identify", Pittsburgh Community Broadcasting Corporation uses a rigorous process of review for all proposed underwriting language, based on FCC Rules, precedent, and general industry standards. This process involves review of all proposed underwriting language by no fewer than two staffers experienced in such matters.

In this case, a rigorous and informed review was indeed conducted, and in our reasonable, good faith judgement the final language was not inconsistent with established standards. The Draft Report does not dispute that this careful review process was undertaken, observing only that “these processes were not documented”. We know of no CPB requirement for such a documentation process.

We believe our process satisfied the requirements of the FCC in Section 399B of the Communications Act, and we do not believe it appropriate to be found in violation of CPB Guidelines that are based on that very same statute.

We therefore believe that the \$143,177 in allegedly overstated NFFS should be reduced to \$55,542, that the alleged Net CSG Overpayment should be reduced to \$2,655, and that Recommendation 1 on Page 12 of the Draft should reflect these corrected amounts.

Nevertheless, the observations presented in the Draft Report do serve to remind us that the exercise of “reasonable, good faith judgement” in such matters is enhanced when regular training and updates on regulatory change are undertaken; we are committed to providing such training to the staff responsible for this work.

- b) On Page 12 of the Draft Report, it is recommended that WYEP be required to document “evaluation of on-air underwriting credit language to meet NFFS reporting requirements.” We are unaware of any existing CPB requirement that a Licensee create and/or maintain documentation for every one of the thousands of pieces of underwriting copy it considers. The imposition of a new administrative process to do so would be burdensome to the Licensee, requiring additional spending on administration rather than on community service.

II. Lack of Underwriting Agreements

We respectfully disagree with a portion of the section of the Draft Report on Page 13, entitled “Lack of Written Underwriting Agreements”, and the subsequent recommendation that WYEP “enter into written underwriting agreements to support all underwriting claimed”.

We are unaware of a CPB requirement for written underwriting agreements in all claimed cases; you will recall in your email to me on August 5, 2021 that you confirmed there is no such requirement, stating that this is a “best practice recommendation”.

We do acknowledge the requirement for such agreements in cases where underwriting revenue is received indirectly, and we are grateful for your constructive guidance.

III. Act Compliance

We acknowledge the findings of the Office of the Inspector General regarding Act Compliance (beginning on Page 14 of the Draft) and can confirm that the actions and internal controls recommended on Page 17 have already been put in place. In addition to staff training, all required financial information is now available on our website, and we have introduced a new package of online administrative support tools to assure continued compliance with Act and CPB requirements.

Once again, please allow me to thank you and your team for your good work, and for the continuing contribution you make in assuring the integrity of the Corporation’s programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry O'Reilly". The signature is stylized with large, flowing loops and a long, sweeping tail that extends downwards and to the right.

Terry O'Reilly
President and Chief Executive Officer
Pittsburgh Community Broadcasting Corporation

cc: Kimberly Howell, Inspector General, Corporation for Public Broadcasting
Terry Letko, Office of the Inspector General, Corporation for Public Broadcasting
Christopher Capato, Vice President, Finance & Administration, Pittsburgh
Community Broadcasting Corporation