CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF THE INSPECTOR GENERAL

AUDIT OF COMMUNITY SERVICE AND OTHER GRANTS AWARDED TO NEVADA PUBLIC RADIO, KNPR, LAS VEGAS, NEVADA FOR THE PERIOD OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2020

REPORT NO. ASR2109-2113

September 28, 2021

Office of the Inspector General
Corporation for Public Broadcasting

Report in Brief

Report No. ASR2109-2113
September 28, 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 KNPR'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 Nevada Public Radio (KNPR), Las Vegas, Nevada, for the Period October 1, 2018 through September 30, 2020

What We Found

KNPR overstated NFFS by $1,956,375 and did not fully comply with Act requirements.

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

- overstated NFFS totaling $1,956,375 resulting in potential CSG overpayments of $93,523; and
- did not comply with Act requirements for open and closed meetings.

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

In **Other Matters,** we identified that on its AFR, KNPR misclassified Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds received from CPB. The misreporting of the CARES revenue had no effect on the reporting of NFFS. Since this was a one-time grant in response to the pandemic, we made no recommendations.

What We Recommend

We recommend that CPB management require KNPR to:

- repay the $93,523 in CSG potential overpayments;
- fully comply with Act requirements for open meeting advance notices and to document and make available to the public the reasons for closing meetings; and
- identify the corrective actions and controls it will implement to ensure future compliance with NFFS and AFR reporting, and Act requirements.

Corporation for Public Broadcasting

Office of the Inspector General

Date: September 28, 2021

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

From: Kimberly A. Howell, Inspector General

Kimberly A. Howell

Digitally signed by Kimberly Howell
Date: 2021.09.28 15:39:43 -04'00'

Subject: Audit of Community Service and Other Grants Awarded to Nevada Public Radio, KNPR, Las Vegas, Nevada, for the Period October 1, 2018 through September 30, 2020, Report No. ASR2109-2113

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 determination 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 to appropriate Congressional committees as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Bruce M. Ramer, Chair, CPB Board of Directors
Robert Mandell, Chair, Audit and Finance Committee, CPB Board of Directors
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation
U.S. House of Representatives Energy and Commerce Committee
U.S. Senate Committee on Appropriations

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U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) and other grants awarded to the Nevada Public Radio (KNPR) a community licensee, for the period October 1, 2018 through September 30, 2020.[1] Our objectives were to examine KNPR's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Our audit found that KNPR did not fully comply with all of CPB requirements because KNPR:

- overstated NFFS totaling $1,956,375 resulting in potential CSG overpayments of $93,523; and
- did not comply with the Communications Act requirements for open and closed meetings.

We recommend that CPB management require KNPR to:

- repay the potential $93,523 in CSG overpayments;
- fully comply with Act requirements for open meeting advance notices, and to document and make available to the public the reasons for closing meetings; and
- identify the corrective actions and controls it will implement to ensure future compliance with NFFS and AFR reporting and with Act requirements.

In response to our draft report, KNPR management agreed with our findings on the overstatement of NFFS. Station management said they have already implemented corrective actions to address the findings identified in the report. KNPR management stated they have adopted new accounting policies and procedures that address the financial reporting and will ensure station staff understand CPB NFFS reporting Guidelines. KNPR management also agreed that it did not fully comply with open meeting requirements for advance notice, providing written explanations for closed meetings and making those explanations available to the public. The station said it has instituted new procedures to ensure the station fully complies with CPB's open and closed meeting requirements.

Additionally, station management provided further perspective on its prior financial situation, its course of action to resolve those issues, and its current management and board efforts to stabilize the organization. KNPR's current management stated they take their responsibilities as stewards of CPB funds seriously. The station's response is summarized after each finding and the complete response is presented in Exhibit G.

Based on KNPR management's response to the draft audit report, we consider recommendations one through four resolved but open pending CPB's final management decisions resolving the

[1] To assess the station's current compliance with Communications Act and CPB General Provisions transparency requirements we expanded on our audit period through the date we completed our audit fieldwork in July 2021.

audit findings, recovery of the CSG overpayment, and acceptance of the station's corrective actions.

In **Other Matters,** we identified that on its AFR, KNPR misclassified Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds received from CPB. The misreporting of the CARES revenue had no effect on the reporting of NFFS. Because this was a one-time grant in response to the pandemic, we made no recommendations.

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

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

BACKGROUND

Nevada Public Radio was established as a not-for-profit, public benefit company in 1975 and operates two FM radio stations, News KNPR 88.9 and Classical KCNV 89.7 that serve the metropolitan Las Vegas area, operates additional FM stations and translator stations (serving urban and rural communities in Nevada, Utah, Arizona, and California) and associated HD digital channels, as well as publishes a regional print magazine, *Desert Companion*.

The station's website KNPR.org states it mission as: "Nevada Public Radio will enhance the quality of life and foster civic engagement by informing, educating and inspiring our growing audience." The station broadcasts national programming acquired from NPR, the BBC World Service, American Public Media, and PRX and it produces some local programming such as "State of Nevada," a local journalism newscast.

The radio stations and magazine are governed by the same Board of Directors. The combined financial information is included in the Nevada Public Radio's audited financial statements and AFRs. Nevada Public Radio's IRS Form 990 includes the advertising revenues from the magazine as unrelated business income; the revenues are also reported on its IRS 990T Unrelated Business Income Tax (UBIT) form.

As further background, in 2019 Nevada Public Radio announced the resignation of its chief executive officer as it began an investigation into the financial status of the station. At that point, the station was in a financial crisis due to financial mismanagement which resulted in several unpaid bills (approximately $2 million) and accounting irregularities. Some of the financial troubles were due to the large debt the station incurred when it acquired a station in Reno and had fundraising issues for its Discovery Music programming format. Nevada Public Radio has since paid off the Reno station's mortgage, reduced associated costs, and converted it to a repeater station with KNPR news programming during the day and a jazz format in the evenings.

The board hired an interim CEO[2] who has stabilized the financial situation and has established stronger internal controls, including more transparent financial reporting to its governing board.

A further explanation of the station's extensive efforts to address its financial situation was provided in the station's response to the draft audit report, presented in Exhibit G.

CPB's Community Service Grant Program

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

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

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

As shown in Exhibit A, KNPR received CSG and other grant funds totaling $1,212,042 ($468,850 in FY 2019 and $743,192 in FY 2020) from CPB. The station reported NFFS of $12,025,071 ($7,498,998 in FY 2019 and $4,526,073 in FY 2020) as shown in Exhibit C. KNPR's audited financial statements for the two fiscal years we audited reported total support and revenues of $15,737,442 ($8,980,946 in FY 2019 and $6,756,496 in FY 2020). KNPR's fiscal year begins October 1 and ends September 30.

RESULTS OF REVIEW

In our opinion, KNPR generally complied with CPB requirements except for the specific requirements as summarized in the following paragraph for the FYs 2019 and 2020 grant reporting as examined in Exhibits B and C. We reviewed KNPR 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 KNPR'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 (CAB),

[2] The interim CEO agreed to stay on as president and CEO through the pandemic.

equal employment opportunity (EEO) reporting, and donor lists; use of CPB funds; and discrete accounting requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

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

- overstated NFFS totaling $1,956,375 resulting in potential CSG overpayments of $93,523; and
- did not comply with Communications Act requirements for open and closed meetings.

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 KNPR'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 KNPR's compliance with specified requirements.

FINDINGS AND RECOMMENDATIONS

I. OVERSTATED NFFS

Our audit found $1,956,375 in overstated NFFS as reported on KNPR's FY 2019 and 2020 AFRs. KNPR made several reporting errors which resulted in overstated NFFS as presented in the following table and itemized in Exhibit D. As a result, in FY 2021 KNPR received an overpayment of $55,325 and could receive a potential overpayment of $38,198 in FY 2022 based on reporting errors. We classified these amounts totaling $93,523 as funds put to better use for reporting purposes, because the funds overpaid to KNPR could have been distributed to other public broadcasting entities.

Overstated NFFS and CSG Overpayments

Conditions	Overstated NFFS		Total
	FY 2019	FY 2020	
Ineligible Underwriting Contributions			
Unrelated Business Income	$1,032,843	$691,570	$1,724,413
Ineligible Contribution Source/No Constructive Receipt	115,023	92,798	207,821
Ineligible NFFS by Policy - Advertising	2,354	1,645	3,999
Total Ineligible Underwriting NFFS	**1,150,220**	**786,013**	**1,936,233**
Ineligible In-kind Donations	7,101	13,041	20,142
Total Overstated NFFS	**$1,157,321**	**$799,054**	**$1,956,375**
IRR FY 2021 (FY 2022 not yet calculated)	0.047804095	0.047804095	
CSG Overpayment FY 2021 and FY 2022	***$55,325***	***$38,198***	***$93,523***

Station management is now aware of these ineligible NFFS categories and will review its policies and AFR reporting procedures to comply with NFFS criteria. Further discussion on our findings for each category of NFFS is presented below.

A. <u>Ineligible Underwriting Contributions</u>

Unrelated Business Income:

KNPR claimed as NFFS unrelated business income from advertising and event sponsorship revenues for its business, *Desert Companion* magazine. Ineligible underwriting included print advertising of $1,699,413 and $25,000 for event sponsorship, totaling $1,724,413.

CPB Guidelines identify types of revenues that should be excluded from NFFS.

> Revenues from any of the sources below may not be reported as NFFS… However, this list is not exhaustive.
>
> A. Public broadcasting entities. Public broadcasting entities include but are not limited to:
>
> 1. CPB;
> 2. any licensee or permittee of a public broadcasting station; …
>
> J. Advertising Revenues. The Act does not prohibit public broadcasting stations from transmitting advertisements via the internet or other non-over-the-air broadcast media.
>
> The FCC defines an advertisement as "any message or other programming material which is broadcast or otherwise transmitted in exchange for any renumeration, …
>
> CPB considers the term "otherwise transmitted" to include messages that are distributed through any method other than over-the-air broadcast, such as via the internet.
>
> L. Other Revenues may include: …
>
> 3. revenues from a wholly or partially owned non-profit subsidiary which is not engaged in telecommunications work; …
> 5. income classified as unrelated business income; ….

Guidelines, Part II, Section V. - NFFS: Excluded Revenues.

KNPR received advertising and event sponsorship revenues for its print magazine business and reported these revenues as underwriting on its audited financial statement (AFS) and AFR and claimed them as NFFS on its Schedule A lines 3.1A through 9.1A. Although the station reported these revenues on its AFS as corporate underwriting, the station classified and reported the magazine income as advertising on its IRS Form 990T for unrelated business tax reporting. CPB Guidelines require that unrelated business income be excluded from NFFS, as well as advertising. Further, the revenues do not meet CPB's purpose criteria for contributions because these revenues are not for public broadcasting activities. (See purpose criteria in next section below). This advertising revenue should have been reported on the station's AFR Schedule A line 12 D. - NFFS Ineligible – Other activities unrelated to public broadcasting and should have been excluded from NFFS.

The station did not report the revenues from event sponsorships on its 990T as advertising because the station considered them sponsorships. However, these revenues were for sponsoring magazine events that were not public broadcasting activities and should also have been excluded from NFFS. Some of the event sponsorships included on-air radio spots announcing the magazine events, but there was no separate pricing for the on-air spots to support broadcasting underwriting credits.

Ineligible Sources / Constructive Receipt and Contributions from Public Broadcasting Entities

The station claimed NFFS from ineligible sources, underwriting not constructively received from third-party advertising agency (fees claimed as NFFS totaling $202,795) and underwriting received from public broadcasting entities ($5,026), which totaled $207,821 of overstated NFFS.

Constructive Receipt

The Act and CPB Guidelines define NFFS revenues as either contributions or payments and establish the criteria for each.

> 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….
>
> 2. **Source**. The contribution may be from any source except the United States, any agency or instrumentality of the United States (i.e. the federal government), or a public broadcasting entity…
>
> 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.

Guidelines Part II, Section II - Contributions vs. Payments.

CPB allows underwriting as contributions but has additional criteria when received from third-party advertising agencies requiring constructive receipt of the donations.

> 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). Below are examples…
>
> Example #3: Lack of Constructive Receipt. Oil Company enters into a written contract with Advertising Agency to place underwriting donations on its behalf. Under the contract, Oil Company will donate $200,000 to underwrite a television program in a major market from which Advertising Agency will receive a fee of $25,000. Advertising Agency secures underwriting on public television Station X. There is no written agreement between Advertising Agency and Station X. Therefore, Station X may report $175,000 as NFFS, even if the documentation provided by Advertising Agency or Oil Company identifies the donation as $200,000.

Guidelines Part II, Section VI. - NFFS: Underwriting Revenues.

Several underwriting donors contracted with advertising agencies to place underwriting at KNPR on their behalf. These agencies take a percentage of the gross revenue as a fee and remit the net revenues to the station. KNPR received underwriting contributions net of agency fees. The station recorded the gross underwriting amount as revenue and as NFFS. The station expensed the agency fees but did not reduce the related NFFS for the fees. Because the agencies represented the donors and the station did not constructively receive the gross amount, only the net amount is eligible as NFFS. The station was not aware that it needed to deduct these fees from NFFS.

Contributions from Public Broadcasting Entities

CPB's definition of public broadcasting entities is broad and includes any licensee or permittee of a public broadcasting station. CPB Guidelines require revenues from public broadcasting entities be reported on Line 2 on AFR Schedule A and excluded from NFFS.

> **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.

Guidelines, Part III, Completing the AFR Schedule A -Direct Revenues, Line Item Instructions, Line 2. See also Guidelines Part II, Section V. NFFS: Excluded Revenues.

The station claimed underwriting revenue from two universities that each hold the license of another public radio station that is a CSG recipient. KNPR claimed this underwriting as NFFS because it came from a different department at the university, not directly from the public radio station. KNPR management did not properly apply the NFFS source criteria which excludes the underwriting from licensees of public broadcasting entities like these universities.

Ineligible NFFS by Policy – Internet Advertising

By policy, CPB guidelines exclude advertising revenues from NFFS. Our audit found KNPR included $3,999 in revenues from advertising on its website or by email that did not qualify as underwriting contributions for NFFS on two bases.

As noted above, CPB excludes from NFFS advertising revenues as defined by the FCC, but states that "the Act does not prohibit public broadcasting stations from transmitting advertisements via the internet or other non-over-the-air broadcast media."

The Guidelines also clarify what is allowable as NFFS underwriting, specifically sponsorships that do not promote goods or services and with respect to third party underwriting recipients, which typically are underwriting/advertising agencies.

> The FCC and the Act 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. CSG recipients may report revenues they receive for broadcasting underwriting credits as NFFS. 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
> G. demonstrations of consumer satisfaction.

Guidelines Part II, Section VI. - NFFS: Underwriting Revenues.

The station includes and separately prices underwriting and advertising for its website (web tiles) and email e-blasts as part of its media underwriting/advertising contracts. Some of the web tiles and e-blasts we tested included calls to action/inducements to buy or own items, such as solicitations to buy tickets, or descriptions of products to own. These appear to be advertisements as prohibited in FCC and CPB guidance, not permitted underwriting. While CPB and FCC allow advertising on the internet, CPB requires that internet advertising be excluded from NFFS. The station included revenues from all web tiles and e-blasts as underwriting and reported the revenue as NFFS without further review of the advertisement messaging for AFR reporting because it believed advertising on the internet is permitted. It is permitted, but revenues from it may not be claimed as NFFS.

B. <u>Ineligible In-kind donations</u>

KNPR claimed NFFS for in-kind donations totaling $20,142 that did not have adequate support documentation from the donors.

CPB defines in-kind contributions and has additional documentation requirements that stations must fulfill in order for the contributions to be eligible for NFFS.

> In-kind contributions are contributions other than cash (such as property, professional services, materials, supplies and the use of assets), a donor provides to a CSG recipient, if they are reported on the recipient's audited financial statement as a contribution and they are not excluded by CPB policy. The recipient may report them as NFFS at their fair market value at the time the contribution was made consistent with GAAP …
>
> B. Underwriting Trades. An underwriting trade exists when a donor contributes goods and/or services, i.e. something other than cash, to a station in exchange for underwriting credit. Underwriting credits may either be made on-air or online. The CSG recipient may report the fair market value of those goods and/or services as NFFS…
>
> CSG recipients must obtain the documentation that meets the criteria below in paragraph C. Trade underwriting agreements or contracts may not be used to document the value of a contribution because they represent the donor's intent and are not evidence that the trade took place….

CPB allows certain in-kind contributions as NFFS and requires specific documentation to support these contributions.

> C. Documentation. The CSG recipient must have documentation from the donor that:
>
> 1. was prepared at the time the contribution is made;
> 2. is printed on the donor's business stationery or an invoice that prominently displays the donor's name, address, business logo, and contact information;
> 3. describes the contribution;
> 4. shows the date the contribution was provided to the CSG recipient;
> 5. identifies the fair market value of the contribution using a clearly measurable and objective valuation method (e.g. lawyer's hourly rate multiplied by the number of hours worked) pursuant to GAAP;
> 6. states the donor's intent to donate or trade the goods and/or services; and
> 7. includes the signature, name, and title of the donor or its representative.

Guidelines, Part II, Section VII. NFFS: In-kind Contributions.

The station received in-kind contributions of various goods and services and recognized the revenues on its AFS. KNPR did not provide us with adequate documentation for five of the nine transactions we tested ($20,142 of $129,093). They did not provide any support for two transactions, and for the other three transactions, the station only provided us with trade agreements which are not sufficient to determine whether the goods or services were actually received. Further, two of the three trade agreements did not include the donor's fair market value of the donation; the two were valued at the station underwriting rates. One of the two trades was a trade for its unrelated business print magazine.

We also found that the station could not provide documentation from two donors' in-kind contributions totaling $105,600 claimed in FYs 2019 and 2020. After we requested documentation for our audit, the donors provided the required documentation. We allowed the contribution as NFFS but note that the station was not fully compliant with CPB's documentation requirement at the time of AFS reporting. Station management said that due to the prior financial crisis and management turnover at the station, they could not locate the donor documentation but had previously received the information from their donors. Station management said these in-kind donations were consistent year to year.

* * * * *

To summarize our finding on overstated NFFS for ineligible underwriting and in-kind contributions, KNPR overstated FYs 2019 and 2020 NFFS by $1,956,375 which could result in potential CSG overpayments of $93,523. See Exhibit D.

Recommendations:

We recommend that CPB management take the following actions:

1) recover the potential $93,523 in CSG overpayments; and

2) require KNPR management to identify corrective actions it will implement to ensure future compliance with CPB requirements

KNPR Management Response:

In response to our draft report, KNPR management agreed with our findings on the overstatement of NFFS. Station management said they have already implemented corrective actions to address the findings identified in the report. KNPR management stated they have adopted new accounting policies and procedures that address the financial reporting and will ensure station staff understand CPB NFFS reporting Guidelines. In addition, KNPR's response stated that the station would review AFR reporting with its IPA for its unrelated business income, cross check revenue sources, and maintain proper documentation of in-kind contributions.

OIG Review and Comment:

Based on KNPR's response to the draft report, we consider recommendations one and two resolved but open pending CPB's final management decision resolving our audit findings, the recovery of the CSG overpayments, and acceptance of KNPR's corrective actions to close the recommendations.

II. ACT NONCOMPLIANCE

Based on our review of KNPR's website, central office public files requested, and other supporting documentation reviewed, we found that KNPR was not fully compliant with Communications Act and CPB requirements to ensure required information is made available to the public to:

- provide seven (7) days advance notice of Governing Board, Committees, and CAB meetings;
- provide reasons for closed meetings; and
- make reasons for closed meetings available to the public within 10 days.

We reviewed documentation from a total of 63 open and closed meetings during our audit fieldwork (53 open, 10 closed). In addition, during the 53 open meetings held for its board of directors, CAB and committees, KNPR held 20 closed executive sessions. We present a summary of our testing in the following table and further discuss under each compliance item. See Exhibit E for a further breakdown by boards and committees.

Communications Act Noncompliance

Combined meeting Summary	Total	Percent
Total meetings	63	
Open meetings	53	
Closed Meeting – not subject to open meetings advance notice	10	
Advance Notice Compliant	20	
Advance Notice Noncompliant	***33***	**62%**
Closed Meeting or Session (10 meetings, 20 executive closed sessions)	30	
Closed meeting reasons not documented - Noncompliant	***15***	**50%**
Explanation for closed meeting notice to public within 10 days not provided - Noncompliant	***30***	**100%**

Open Meetings – Advance Notice

For 33 of 53 (62 percent) open meetings held and reviewed during our audit period, KNPR lacked the required 7-day advance notice for public meetings of the Board, Committees, and CAB. See Exhibit E.

The Act, 47 U.S.C. Section 396 (k)(4) requires that stations make reasonable advance notice of the open meetings to the public:

> 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.

Further, CPB's Communications Act Compliance requirements clarify that stations may satisfy the reasonable notice requirement by doing the following:

> Stations may satisfy that requirement by providing at least seven days' advance notice of an Open Meeting, including the time and place of the meeting, by:
>
> 1. Posting notice on the station website;
> 2. Broadcasting notice on-air between 6 a.m. and 11 p.m., as shown by the station's log;
> 3. Placing notice in the "Legal Notices" section of a local newspaper in general circulation in the station's primary coverage area; or
> 4. Giving notice through a recorded announcement accessible on the station's phone system.

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

Station management did not post 7-day advance notices on its website, nor did they document any other allowable advance notice mechanism for its board committees from the beginning of our audit period until December 2020. In 2019, the station's executive management changed because of financial mismanagement. The station hired an interim CEO to stabilize the financial situation at the station. The interim CEO developed new internal controls, financial policies, and undertook compliance reviews. Station management acknowledged it should have posted the advance meeting notices and stated it does so now. However, we found for some 2020 and 2021 board and committee meetings, when a meeting date changed, no additional notice of the date change was made available to the public. We also found that KNPR provided 7-day advance notice for only one of five CAB meetings held during our audit period.

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

Reasons for Closed Meetings

Explanations for closed meetings were not documented or made available to the public on the station's website or at its central office for 15 of 30 (50 percent) closed executive sessions of the governing board or closed committee meetings or sessions. See Exhibit E. Station management was not aware of the requirements associated with closed meetings and prior management had not established any procedures to document the reasons for closed meetings or executive sessions,

CPB's Communications Act Compliance requirements identify when stations may close a meeting:

> **When may a meeting be closed?** The Act allows stations to hold Closed Meetings, or to close an Open Meeting, when discussing any of the following:
>
> 1. matters concerning individual employees;
> 2. proprietary information;

3. litigation and other matters requiring confidential advice of counsel;
4. commercial or financial information obtained from a person on a privileged or confidential basis; or
5. the purchase of property or services, if the premature disclosure of the transaction would compromise the station's business interests. §396(k)(4)

CPB's Communications Act Compliance requirements, II. Closed Meetings, B. When may a meeting be closed? (June 2019).

Making Closed Meeting Explanations Available to the Public

KNPR did not make the reasons for the closed meetings or sessions available to the public within CPB's required 10-day notice period for any of the 30 meetings or sessions reviewed. The Act requires that stations document the reason(s) for closed meetings and make the reason(s) available to the public within a reasonable time after the closed meeting. Further, CPB's Communications Act Compliance requirements state that stations may satisfy the reasonable notice requirement by posting within ten days of the meeting:

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

CPB's Communications Act Compliance requirements, II. Closed Meetings, C. Closed Meeting Documentation (June 2019).

Station management was not aware of the requirements to make explanations for closing meetings available to the public within 10 days of the closed meeting. Further the station did not maintain meeting minutes for executive committee and some finance committee meetings therefore neither documenting nor making the reasons for closing these meetings available to the public as required.

During our fieldwork, management assessed its process for closing meetings, maintaining meeting minutes and documentation with explanations for closing a meeting or session of a meeting, and how it will make those reasons available to the public as required. KNPR management stated they are developing procedures to ensure future compliance with CPB requirements.

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

Recommendations:

We recommend that CPB management require KNPR to:

3) fully comply with Act requirements for open meeting advance notices, and documenting and making available to the public the reasons for closing meetings; and

4) identify the corrective actions and controls it will implement to ensure future compliance with Act requirements.

KNPR Management Response:

In response to our draft report, KNPR management agreed that it did not fully comply with open meeting requirements for advance notice, providing written explanations for closed meetings, and making those explanations available to the public. The station said it has instituted new procedures to ensure the station fully complies with CPB's open and closed meeting requirements, which include posting all Board of Directors, committee, and CAB meetings on its website for the entire upcoming fiscal year, posting closed meeting explanations on its website within the 10-day period, and retaining documentation for its meeting compliance.

OIG Review and Comment:

Based on KNPR's management's response to our draft report, we consider recommendations three and four resolved but open pending CPB's final management decisions resolving the audit findings and acceptance of KNPR's corrective actions.

OTHER MATTERS

CARES ACT FUNDING MISCLASSIFIED

KNPR reported the CARES Act funds received from CPB as federal funds on its AFR. The station reported the revenues as federal funds on AFR Schedule A line 1F. – Other Federal Funds and identified them as CARES Act Funding. The station reported the CARES Act expenditures as "All non-CPB funds" on its AFR Schedule E line 1D. – Programming and Production, which are automatically summarized in the AFR Schedule E total in line 8D. – "All non-CPB funds".

CPB did not require discrete accounting for the 2020 CARES Act funds provided by Congress and awarded to public television and radio stations. However, CPB required that the stations report these funds as CPB funds on its AFRs. CPB issued Frequently Asked Questions (FAQs) to the stations when it distributed the CARES grant funds. The CPB CARES Act FAQ stated:

> Q: How should stations report these funds on their annual financial reports to CPB?
>
> A: The public television or radio station recipient must report the funds as revenue from CPB in the appropriate year's Annual Financial Report on Schedule A – Source of Income, Line 2.B. The funds must also be recorded as expenses on Schedule E –

> Expenses & Investment in Capital, Lines 1-7 as "Other CPB funds" expended with the total automatically included in Line 8.C…

The station considered the CARES Act funds as federal funds and did not apply the required FAQ information CPB provided when grants were distributed, and therefore did not identify these funds as other CPB funds.

KNPR's AFRs did not accurately report the CARES Act funds as required, and CPB would not be able to identify the expenses as CPB expenses. The misreporting of these revenues had no effect on the reporting of NFFS for the station. We are not making any recommendations regarding the future reporting of these funds as the CARES funds were a one-time grant awarded because of the pandemic.

Exhibit A

CPB Payments to KNPR
October 1, 2018 through September 30, 2020

CPB Grants	FY 2019	FY 2020	Total
Community Service Grants			
Restricted	$118,114	$162,073	$280,187
Unrestricted	$327,093	$445,623	$772,716
Rural Grant	$23,643	$23,360	$47,003
Total Community Service Grants	***$468,850***	***$631,056***	**$1,099,906**
Other Grants			
CARES		$112,136	$112,136
Total Other Grants	**-**	***$112,136***	***$112,136***
Total CPB Payments to KNPR	**$468,850**	**$743,192**	**$1,212,042**

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Schedule A
KNPR-FM (1498)
Las Vegas, NV

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	$250,087
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	$137,352
E. National Science Foundation	$0	$0
F. Other Federal Funds (specify)	$0	$112,735

Description	Amount
Funding from CARES Act	$112,735

	2019 data	2020 data
2. Amounts provided by Public Broadcasting Entities	$511,244	$665,063
A. CPB - Community Service Grants	$468,770	$631,056
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	$0	$0
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	$31,950	$32,665
D. NPR - all payments except pass-through payments. See Guidelines for details.	$9,524	$292
E. Public broadcasting stations - all payments	$1,000	$1,050
F. Other PBE funds (specify)	$0	$0
3. Local boards and departments of education or other local government or agency sources	$98,751	$68,522
3.1 NFFS Eligible	$98,751	$68,522
A. Program and production underwriting	$96,601	$68,522
B. Grants and contributions other than underwriting	$2,150	$0
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0
3.2 NFFS Ineligible	$0	$0
A. Rental income		

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	$0	$0
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$0	$0
4. State boards and departments of education or other state government or agency sources	$271,285	$158,158
4.1 NFFS Eligible	$271,285	$158,158
A. Program and production underwriting	$93,887	$55,433
B. Grants and contributions other than underwriting	$177,398	$102,725
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	$106,441	$54,743
5.1 NFFS Eligible	$106,441	$54,743
A. Program and production underwriting	$103,441	$54,743
B. Grants and contributions other than underwriting	$3,000	$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		

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	$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	$58,756	$1,125
7.1 NFFS Eligible	$58,756	$1,125
A. Program and production underwriting	$58,756	$1,125
B. Grants and contributions other than underwriting	$0	$0
C. Appropriations from the licensee	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$0	$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	$0	$0
F. Other income eligible as NFFS (specify)	$0	$0

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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	$632,929	$685,355
8.1 NFFS Eligible	$629,929	$682,355
A. Program and production underwriting	$478,263	$655,748
B. Grants and contributions other than underwriting	$40,728	$26,607
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$110,938	$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	$3,000	$3,000
A. Rental income	$3,000	$3,000
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	$1,754,919	$1,151,653
9.1 NFFS Eligible	$1,753,819	$1,152,053
A. Program and production underwriting	$1,572,319	$984,173
B. Grants and contributions other than underwriting	$176,500	$167,880
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	$5,000	$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	$1,100	$-400

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A. Rental income	$1,100	$-400
B. Fees for services	$0	$0
C. Licensing fees (not royalties – see instructions for Line 15)	$0	$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	$0	$0
E. Other income ineligible for NFFS inclusion	$0	$0
10. Memberships and subscriptions (net of membership bad debt expense)	$1,956,456	$1,877,907
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	$192,287	$206,500
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)	$219,235	$295,618

	2019 data	2020 data
10.3 Total number of contributors.	10,645	10,955

11. Revenue from Friends groups less any revenue included on line 10	$0	$0

	2019 data	2020 data
11.1 Total number of Friends contributors.	0	0

12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)	$71,677	$46,070
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 brodcasting	$71,677	$46,070

Form of Revenue

	2019 data	2020 data
13. Auction revenue (see instructions for Line 13)	$228,110	$55,662
A. Gross auction revenue	$238,421	$58,057
B. Direct auction expenses	$10,311	$2,395
14. Special fundraising activities (see instructions for Line 14)	$125,099	$56,481
A. Gross special fundraising revenues	$141,210	$59,110
B. Direct special fundraising expenses	$16,111	$2,629
15. Passive income	$0	$1,527
A. Interest and dividends (other than on endowment funds)	$0	$1,527
B. Royalties	$0	$0
C. PBS or NPR pass-through copyright royalties	$0	$0

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16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	$-125,098	$229,539
A. Gains from sales of property and equipment (do not report losses)	$0	$337,075
B. Realized gains/losses on investments (other than endowment funds)	$6,105	$515
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	$-131,203	$-108,051
17. Endowment revenue	$124,920	$4,895
A. Contributions to endowment principal	$0	$0
B. Interest and dividends on endowment funds	$51,260	$2,467
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$223,527	$-668
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	$-149,867	$3,096
18. Capital fund contributions from individuals (see instructions)	$76,648	$0
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	$76,648	$0
B. Other	$0	$0
19. Gifts and bequests from major individual donors	$2,378,065	$768,191

	2019 data	2020 data
19.1 Total number of major individual donors	346	338

20. Other Direct Revenue	$4,104	$180,085

Description	Amount
Forgiveness of Debt	$174,987

Exclusion Description	Amount
Forgiveness of debt	$174,987

Description	Amount
Subscription revenue	$5,098

Exclusion Description	Amount
Sale of magazine	$5,088

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	$8,300,728	$6,260,087

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15 through 21)

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	$250,087
24. Public broadcasting revenue from line 2.	$511,244	$665,063
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	$0	$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	$9,196	$180,075
27. Other automatic subtractions from total revenue	$462,283	$787,779
A. Auction expenses – limited to the lesser of lines 13a or 13b	$10,311	$2,395
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	$16,111	$2,629
C. Gains from sales of property and equipment – line 16a	$0	$337,075
D. Realized gains/losses on investments (other than endowment funds) – line 16b	$6,105	$515
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	$-131,203	$-108,051
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	$73,660	$2,428
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	$4,100	$2,600
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
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	$0	$0
K. FMV of high-end premiums (Line 10.1)	$192,287	$206,500
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	$219,235	$295,618
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	$71,677	$46,070
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)	$7,318,005	$4,377,083

Comments

Comment	Name	Date	Status

Schedule B WorkSheet
KNPR-FM (1498)
Las Vegas, NV

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Comments

Comment	Name	Date	Status

Occupancy List
KNPR-FM (1498)
Las Vegas, NV

Type of Occupancy	Location	Value

Schedule B Totals
KNPR-FM (1498)
Las Vegas, NV

	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
KNPR-FM (1498)
Las Vegas, NV

	Donor Code	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
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)		$160,485		$130,801
A. Annual rental value of space (studios, offices, or tower facilities)	SU	$60,000	SU	$60,000
B. Annual value of land used for locating a station-owned transmission tower		$0		$0
C. Station operating expenses	BS	$100,485	BS	$70,801
D. Other (see specific line item instructions in Guidelines before completing)		$0		$0
3. OTHER SERVICES (must be eligible as NFFS)		$20,508		$18,189
A. ITV or educational radio		$0		$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)		$0		$0

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		2019 data	Donor Code		2020 data
C. Local advertising	BS	$20,508		BS	$18,189
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		$180,993			$148,990
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS		$368,022			$257,445
A. Compact discs, records, tapes and cassettes		$0			$0
B. Exchange transactions	BS	$98,272		BS	$24,555
C. Federal or public broadcasting sources		$0			$0
D. Fundraising related activities	BS	$267,500		BS	$232,890
E. ITV or educational radio outside the allowable scope of approved activities		$0			$0
F. Local productions	BS	$2,250			$0
G. Program supplements		$0			$0
H. Programs that are nationally distributed		$0			$0
I. Promotional items		$0			$0
J. Regional organization allocations of program services		$0			$0
K. State PB agency allocations other than those allowed on line 3(b)		$0			$0
L. Services that would not need to be purchased if not donated		$0			$0
M. Other		$0			$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.		$549,015			$406,435

Comments

Comment	Name	Date	Status

Schedule D
KNPR-FM (1498)
Las Vegas, NV

		2019 data	Donor Code	2020 data
1. Land (must be eligible as NFFS)	BS	$0		$0
2. Building (must be eligible as NFFS)	BS	$0		$0
3. Equipment (must be eligible as NFFS)	BS	$0		$0
4. Vehicle(s) (must be eligible as NFFS)	BS	$0		$0
5. Other (specify) (must be eligible as NFFS)		$0		$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support		$0		$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS		$0		$0
a) Exchange transactions	BS	$0		$0

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		2019 data	Donor Code	2020 data
b) Federal or public broadcasting sources	BS	$0		$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	BS	$0		$0
d) Other (specify)	BS	$0		$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.		$0		$0

Comments

Comment	Name	Date	Status

Schedule E
KNPR-FM (1498)
Las Vegas, NV

EXPENSES
(Operating and non-operating)

PROGRAM SERVICES	2019 data	2020 data
1. Programming and production	$3,606,569	$2,437,230
A. Restricted Radio CSG	$118,034	$162,073
B. Unrestricted Radio CSG	$350,736	$468,983
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$3,137,799	$1,806,174
2. Broadcasting and engineering	$1,088,110	$950,748
A. Restricted Radio CSG	$0	$0
B. Unrestricted Radio CSG	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$1,088,110	$950,748
3. Program information and promotion	$266,851	$220,104
A. Restricted Radio CSG	$0	$0
B. Unrestricted Radio CSG	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$266,851	$220,104

SUPPORT SERVICES	2019 data	2020 data
4. Management and general	$761,848	$913,274
A. Restricted Radio CSG	$0	$0
B. Unrestricted Radio CSG	$0	$0
C. Other CPB Funds	$0	$0

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PROGRAM SERVICES	2019 data	2020 data
D. All non-CPB Funds	$761,848	$913,274
5. Fund raising and membership development	$1,330,387	$901,058
A. Restricted Radio CSG	$0	$0
B. Unrestricted Radio CSG	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$1,330,387	$901,058
6. Underwriting and grant solicitation	$1,175,310	$893,390
A. Restricted Radio CSG	$0	$0
B. Unrestricted Radio CSG	$0	$0
C. Other CPB Funds	$0	$0
D. All non-CPB Funds	$1,175,310	$893,390
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
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	$8,229,075	$6,315,804
A. Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	$118,034	$162,073
B. Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	$350,736	$468,983
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	$0	$0
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	$7,760,305	$5,684,748

INVESTMENT IN CAPITAL ASSETS
Cost of capital assets purchased or donated

	2019 data	2020 data
9. Total capital assets purchased or donated	$505,805	$194,430
9a. Land and buildings	$286,557	$17,087
9b. Equipment	$161,745	$170,954
9c. All other	$57,503	$6,389
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	$8,734,880	$6,510,234

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

KNPR-FM Annual Financial Report
For the periods ending September 30, 2019 and September 30, 2020

	2019 data	2020 data
11. Total expenses (direct only)	$7,680,060	$5,909,369
12. Total expenses (indirect and in-kind)	$549,015	$406,435
13. Investment in capital assets (direct only)	$505,805	$194,430
14. Investment in capital assets (indirect and in-kind)	$0	$0

Comments

Comment	Name	Date	Status

Schedule F
KNPR-FM (1498)
Las Vegas, NV

	2020 data
1. Data from AFR	
a. Schedule A, Line 22	$6,260,087
b. Schedule B, Line 5	$0
c. Schedule C, Line 6	$406,435
d. Schedule D, Line 8	$0
e. Total from AFR	$6,666,522

Choose Reporting Model

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

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

	2020 data
2. FASB	
a. Total support and revenue - without donor restrictions	$8,425,708
b. Total support and revenue - with donor restrictions	$-1,669,212
c. Total support and revenue - other	$0
d. Total from AFS, lines 2a-2c	$6,756,496

Reconciliation

	2020 data
3. Difference (line 1 minus line 2)	$-89,974
4. If the amount on line 3 is not equal to $0, click the “Add” button and list the reconciling items.	$-89,974

Description	Amount
Change invalue of beneficial interest in Trusts	$-108,051
Loss on disposal of assets (netted in the gain on disposal line ion the statement of activities)	$18,077

Comments

Comment	Name	Date	Status

Exhibit C

KNPR-FM

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

Line	Description	FY 2019	FY 2020	Total
	Summary of Non-Federal Financial Support:			
1	Direct Revenue (Schedule A)	$7,318,005	$4,377,083	$11,695,088
2	Indirect Administrative (Schedule B)	-	-	-
3	In-Kind Contributions (Schedule C)	$180,993	$148,990	$329,983
4	**Total Non-Federal Financial Support**	**$7,498,998**	**$4,526,073**	**$12,025,071**

Exhibit D

Overstated NFFS

Conditions	AFR line	FY 2019	FY 2020	Total
Ineligible Underwriting Contributions				
Unrelated Business Income				
Desert Companion Magazine Print Advertising	3-9.1A	$1,022,843	$676,570	$1,699,413
Desert Companion Magazine -Event Sponsorship	9.1A	$10,000	$15,000	$25,000
Total Ineligible Unrelated Business Income		**$1,032,843**	**$691,570**	**$1,724,413**
Ineligible Contribution Source/No Constructive Receipt				
Advertising Agency Fees	3-9.1A	$113,063	$89,732	$202,795
Public Broadcasting Entities	7.1A	$1,960	$3,066	$5,026
Total Ineligible Contribution Source/receipt		**$115,023**	**$92,798**	**$207,821**
Ineligible NFFS by Policy – Internet Advertising				
Web Tiles	8-9.1A	$1,154	$1,135	$2,289
E-Blasts	8-9.1A	$1,200	$510	$1,710
Total Ineligible by Policy		**$2,354**	**$1,645**	**$3,999**
Total Ineligible Underwriting NFFS		**$1,150,220**	**$786,013**	**$1,936,233**
Ineligible In-kind Donations				
Inadequate documentation	AFR C	$7,101	$13,041	$20,142
Total Ineligible In-Kind Donations		**$7,101**	**$13,041**	**$20,142**
Total Overstated NFFS		**$1,157,321**	**$799,054**	**$1,956,375**
IRR FY 2021 (FY 2022 not yet calculated)		0.047804095	0.047804095	
Potential CSG Overpayment		***$55,325***	***$38,198***	***$93,523***

Exhibit E

Communications Act Noncompliance

Committee	Executive	Finance	Fundraising	Governance	Investment	Total	Percent
Total meetings	8	5	8	11	10	42	
Open meetings	0	3	8	11	10	32	
Advance Notice Compliant	0	3	3	1	0	7	
Advance Notice Noncompliant	***0***	***0***	***5***	***10***	***10***	***25***	**78%**
Closed Meeting or Session	8	3	0	10	0	21	
Closed meeting reasons not documented - Noncompliant	***8***	***1***	***0***	***2***	***0***	***11***	**52%**
Explanation for closed meeting notice to public within 10 days not provided - Noncompliant	***8***	***3***	***0***	***10***	***0***	***21***	**100%**
CAB						**Total**	**Percent**
Total meetings						5	
Open meetings						5	
Advance Notice Compliant						1	
Advance Notice Noncompliant						***4***	**80%**
Governing Board						**Total**	**Percent**
Total meetings						16	
Open meetings						16	
Advance Notice Compliant						12	
Advance Notice Noncompliant						***4***	**25%**
Closed Meeting or Session						9	
Closed meeting reasons not documented - Noncompliant						***4***	**44%**
Explanation for closed meeting notice to public within 10 days not provided - Noncompliant						***9***	**100%**

Exhibit F

Scope and Methodology

We performed an attestation examination to determine KNPR's compliance with CPB Guidelines, provisions of the Act, grant certification requirements, and other grant provisions. The scope of the examination included reviews and tests of the information reported by the grantee on its AFRs and reconciled to audited financial statements for the fiscal years ending September 30, 2019 and 2020, grant certifications of compliance with Act requirements, and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on KNPR's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements for KNPR. We reviewed grants, trusts, underwriting, membership, in-kind, and other contributions, and related supporting documentation. Specifically, we tested $5,370,498 of $12,025,071 (45 percent) of revenue reported on the grantee's AFRs.

We reviewed the allowability of expenses charged to CSGs. To determine that expenditures were incurred in accordance with the grant terms, we reviewed $455,360 of $1,099,906 (41 percent) of CSG grant expenditures.

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

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

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

NEVADA PUBLIC RADIO®

September 14, 2021

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

RE: Audit of Community Service and Other Grants Awarded to Nevada Public Radio, KNPR, Las Vegas, Nevada for the Period October 1, 2018 through September 30, 2020, Draft Report No. ASR2109-XXXX

Dear Mr. Richardson:

Nevada Public Radio thanks you for the opportunity to respond to the Office of Inspector General ("OIG") Draft Audit Report in the matter indicated above. Throughout the audit process, we appreciated the collegial and expert manner in which the audit was conducted. Given the recent tumultuous history of KNPR-FM (the "Station"), we especially appreciated the professionalism displayed by the auditor as the audit process proceeded. Our management team viewed the audit as a way to improve our practices going forward and believe the Station is in a better place as a result.

We take our responsibilities as stewards of funds from the Corporation for Public Broadcasting very seriously. As was noted in the Draft Audit Report, though, the Station has gone through a significantly difficult period. The Station's Board of Directors (the "Board") assumed day to day management of the Station in August and September of 2019, which was approximately half way through the period covered by this audit. Therefore, we could not change what happened at the Station during the first half of the audit period. As discussed below, the Station's perilous financial situation required the Board, upon assuming day to day financial management of the Station, to focus on keeping the Station operational during much of the second half of the audit period. It was only after the Board's efforts stabilized the Station's basic financial operations that we could concentrate on other parts of our operations.

For several years, the Board had significant concerns about the way in which the Station's financial operations were being conducted. While annual audits by an external independent public auditing firm provided some reassurance to the Board about the Station's financial situation, the Board had concerns about the viability of the Station's operations after the opening of a Reno station in 2017, and addressed those concerns about the financial health of the Station with senior management in the pursuing years.

As of the start of Fiscal Year 2019, the Board asked Station management to begin presenting a balance sheet along with the financial statement at each Board of Directors meeting. The Board made this request because in prior years, the Board only saw the balance sheet that was included as part of the Station's annual audit. During the first six months of Fiscal Year 2019, the Board received financial statements and balance sheets that purported to reflect the current operation of the Station. However, management ceased providing this information during the third quarter of Fiscal Year 2019, and when asked, could not support the stated accounts payable.

In May 2019, the Board's Treasurer was informed the Station was significantly past due in its dues payments to National Public Radio ("NPR"), which was not previously disclosed to the Board or the previous Treasurer. Station management met with the Treasurer and went over the outstanding invoices that dated back to 2017. They discussed an existing payment plan that had been previously negotiated with NPR. At that time, Station management told the Treasurer the payment schedule was not being followed, reportedly due to a problem with the previous accounts payable clerk. As a result, NPR demanded the Station enter into a new payment plan and sign a settlement agreement to resolve the issue.

In June 2019, Station management contacted the Board's Investment Committee Chair to inquire about accessing some of the restricted endowment funds held by the Station's investment advisors. Station management cited "cash flow" issues for this request. The Investment Committee Chair contacted the Treasurer to discuss this, and shortly thereafter, Station management presented a cash flow schedule that showed the need for additional cash input over the following several months. The Board could not get an acceptable accounting of cash flows from management, which caused more concern.

In late July 2019, the Board discussed a course of action to resolve the financial issues, and ultimately decided to engage outside counsel and a forensic accountant to investigate the Station's financial situation. The forensic investigation was conducted during August 2019. The forensic accountant reported to the Treasurer that the Station's monthly books had not been reconciled and "closed" since October 1, 2018, the start of the 2019 Fiscal Year. As a result, the Board could not rely on any financial statements provided to the Board for Fiscal Year 2019 as they were essentially meaningless. Further, the outstanding accounts payable owed by the Station included numerous past due accounts to major vendors, some of whom had not been paid for more than a year. This information had not been previously disclosed to the Board.

As a result, on August 19, 2019, the Board voted to take over the financial operations of the Station, upon the advice of the forensic accountant and outside counsel. On August. 22, 2019, the Board accepted the resignation of the Station's business manager/financial manager, and the Treasurer became the interim finance director. The Board engaged an independent public accounting firm to reconstruct-the financial records for Fiscal 2019. At the same time, the Board learned the Station had less than $500 in its operating fund, and its $200,000 line of credit had reached its maximum limit. The Board's immediate concern was finding cash to fund the Station's next payroll cycle at the end of August and to keep the Station operational.

The Board, in its new management capacity, gained access to restricted Program Funds from the investment account, which gave the Station sufficient cash flow to fund the payroll and pay some of the urgent bills, but it did not eliminate the pressure to find more cash for operations.

The Board took over full management of the Station on September 5, 2019, upon the resignation of the Station's President/Chief Executive Officer. On the following day, the Board announced the hiring of an interim Chief Executive Officer and immediately implemented changes to the Station's operations (e.g. the Reno staff was laid off, and the Station's programming was changed). For the next month, the Board and interim management undertook numerous actions to stabilize the organization and reduce operating expenses.

Over the course of the next six months and beyond, the new Station management and the Board focused efforts on stabilizing the organization. Those efforts included:

- implementing internal controls over financial processes such as cash disbursements, banking and purchasing;
- working with major donors to gain access to previously restricted funds held in our investment accounts, and ultimately petitioning the court to allow access to all of the restricted funds (which was granted in mid-December 2019);
- identifying and resolving all past due invoices, including negotiating payment plans for a number of the large past due accounts;
- ascertaining ways to reduce operating costs, including a new employee health plan and restructuring the employee benefits package;
- identifying potential savings in operating expenses in all departments;
- identifying and finding support documentation for all existing leases and contracts;
- preparing and implementing the Fiscal Year 2020 operating budget;
- working with the outside accountants, and subsequently an independent contractor to reconstruct the accounting records for Fiscal Year 2019, and then finalize accounting for Fiscal Year 2019;
- interviewing and hiring new senior staff, including a new Director of Finance;
- establishing clear internal lines of responsibility and control;
- planning and completing two on-air fundraising campaigns;
- managing the significant revenue impacts of COVID and identifying new sources of revenue; and
- rehabilitating the Station's public image

We are proud of work we have already done to correct Station deficiencies and stabilize its operations. We accept the findings in the Draft Audit Report. As noted above, though, the audit period covers time that the current Station management was not responsible for Station activities and has worked diligently to address, correct, and improve upon previous practices.

Having addressed where the Station has been, we would like to take the remainder of this opportunity to discuss the actions the Station has already implemented to correct the areas criticized in the Draft Audit Report and ensure proper NFFS reporting in the future. For the sake of convenience, we have grouped the discussion of our actions under the headings used in the Draft Audit Report.

Ineligible Underwriting Contributions:

As discussed in the Draft Audit Report, the Station erroneously claimed unrelated business income from advertising in its magazine and event sponsorship revenues for its business as non-Federal financial support ("NFFS"). We agree with this finding. Station management will certainly address this issue with its independent public accountants, on whom Station management relied to properly prepare the Station's annual financial reports ("AFRs") and other financial documents, and inquire why this revenue was claimed as NFFS on the AFR but unrelated business income on the Station's filings with the Internal Revenue Service. The Station has also adopted new accounting policies and procedures that address financial reporting.

Ineligible Sources / Constructive Receipt and Contributions from Public Broadcasting Entities:

The Draft Audit Report notes the Station overstated NFFS because it claimed NFFS from ineligible sources, underwriting not constructively received from a third-party advertising agency, and underwriting received from public broadcasting entities. We agree with this finding. In addition to the new accounting policies and procedures that address financial reporting cited above, the Station has adopted further policies and procedures addressing the processing of underwriting contributions. Station management will also ensure the Station conducts cross checks on revenue sources when compiling its AFR to ensure NFFS is accurately reported.

Ineligible Internet Advertising:

The Draft Audit Report concluded the Station claimed ineligible revenue from Intent advertising as NFFS on its AFR. We agree with this finding. As part of the new accounting policies and procedures, Station management will ensure Station staff understands CPB Guidelines regarding NFFS reporting.

Ineligible In-kind donations:

The Draft Audit Report concluded the Station did not maintain adequate documentation to support certain NFFS from in-kind donations. We agree with this conclusion. As part of the new policies and procedures adopted by the Station, the Station created and implemented new document retention practices. Station management will also continue to work with its staff members to ensure the Station maintains the proper documentation to support NFFS reporting.

Act Noncompliance:

The Draft Audit Report found the Station did not fully comply with open meetings requirements because the Station did not: provide seven days advance notice of all open meetings; provide written explanations for closed meetings; and make those explanations for closed meetings available to the public within ten days. We agree with this finding. As a result of this audit, Station management has instituted new procedures to ensure the Station complies with CPB's open and closed meetings requirements. The Station now posts notices of all Board of Directors, Community Advisory Board, and committee meetings on the Nevada Public Radio website for the entire upcoming fiscal year, which exceeds the seven-day advance notice requirement. The Station also posts written explanations for all closed meeting sessions to the website within the required ten-day period after the closed meeting or session occurs. The Station additionally retains documentation in a specific "meetings/compliance" folder on our server as well hard copy documentation for all meeting agendas, notices, and minutes.

Misclassified CARES Act Funding Reporting:

The Draft Audit Report noted the Station reported its CARES Act Funding on the wrong line of the AFR. We agree with this finding. As noted above, the Station has adopted new financial reporting policies and procedures. Station management will also continue to work with its staff to ensure all revenues are correctly reported on the proper line of the AFR, and will address this issue with our external auditors.

Again, we thank you again for this opportunity to respond to the Draft Audit Report.

Sincerely,

Jerry Nadal
President & CEO