

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

**AUDIT OF COMMUNITY SERVICE GRANTS
AWARDED TO THE BOARD OF EDUCATION, COLUMBUS CITY
SCHOOL DISTRICT (WCBE-FM), COLUMBUS, OHIO,
FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2018**

REPORT NO. ASR1912-2005

MARCH 31, 2020



Office of Inspector General
Corporation for Public Broadcasting
Report in Brief

Report No. ASR1912-2005
March 31, 2020

Why We Did This Audit

We initiated this audit after we became aware of financial mismanagement at the station and the results of a special review of the station conducted by the school district's internal auditor.

Our objectives were to examine WCBE-FM (WCBE) 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.

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Audit of Community Service Grants Awarded to The Board of Education, Columbus City School District (WCBE-FM), Columbus, Ohio, for the Period July 1, 2016 through June 30, 2018

What We Found

Our audit found that WCBE did not comply with CPB requirements. Specifically, WCBE:

- represented and warranted inaccurate and incomplete financial information to CPB in its grant certifications of its audited financial statements and AFRs;
- did not spend \$90,923 of CSG funds within the two-year grant spending period for its Fiscal Year (FY) 2015 and FY 2016 grants;
- overstated NFFS by \$47,073, which resulted in potential CSG overpayments of \$2,409 which we will report as funds put to better use; and
- did not fully comply with Act and General Provisions and Eligibility requirements.

WCBE reported inaccurate and incomplete financial information, spent \$90,923 after the grant period, overstated NFFS resulting in \$2,409 in potential CSG overpayments, and other compliance issues.

The school district agreed with most of our recommendations and indicated that they have implemented corrective actions to address financial and NFFS reporting, grant fund spending periods, and its compliance with Act and eligibility requirements. However, the school district did not address repayment of CSG funds or full accrual accounting. CPB management will make the final determination on our findings and recommendations.

What We Recommend

That CPB require WCBE to:

- submit full accrual accounting, accurate financial statements and accurate financial reports with future CSG applications;
- repay the expired \$90,923 of CSG funds and CPB should determine whether additional funds should be recovered for FY 2017 and 2018 expenses incurred after the grant period expired;
- repay the \$2,409 in potential CSG overpayments;
- fully comply with Act requirements and General Provisions and Eligibility requirements; and
- identify the corrective actions it will implement to ensure future compliance with NFFS reporting, Act, and other CSG requirements.



Corporation
for Public
Broadcasting

Office of Inspector General

Date: March 31, 2020

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

From: Kimberly A. Howell, Inspector General *Kimberly A. Howell*

Subject: Audit of Community Service Grants Awarded to the Board of Education,
Columbus City School District, (WCBE-FM), Columbus, Ohio, for the Period
July 1, 2016 through June 30, 2018, Report No. ASR1912-2005

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

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

We will post this report to the Office of Inspector General's website and 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
Elizabeth Sembler, Chair, Audit and Finance Committee, CPB Board of Directors
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation
U.S. House of Representatives Energy and Commerce Committee
U.S. Senate Committee on Appropriations
U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSGs) awarded to the Board of Education, Columbus City School District, WCBE-FM (WCBE), Columbus, Ohio, for the period July 1, 2016 through June 30, 2018. We initiated this audit after we became aware of financial mismanagement at the station from press reports and after the completion of a special review of the station conducted by the school district's internal auditor.

Our objectives were to examine WCBE'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, WCBE was not compliant with CPB grant and Act requirements. WCBE:

- represented and warranted inaccurate and incomplete financial information to CPB in its grant certifications of its audited financial statements and AFRs submitted with its grant applications;
- did not spend \$90,923 of CSG grant funds within the two-year grant spending period for its Fiscal Year (FY) 2015 and FY 2016 grants;
- overstated NFFS by \$47,073, which resulted in potential CSG overpayments of \$2,409 and other NFFS reporting errors;
- did not fully comply with Act requirements for open meetings, open financial records, and EEO requirements; and
- did not fully comply with General Provisions and Eligibility requirements for diversity statement, transparency, discrete accounting for unrestricted CSG grant revenues and expenditures, conducting annual harassment prevention training, and recordkeeping requirements.

We have reported the CSG overpayments to WCBE as funds put to better use and recommend that CPB require WCBE to:

- submit full accrual accounting and accurate financial statements and reports with future CSG applications;
- repay the expired \$90,923 of CSG funds and CPB should determine whether additional funds should be recovered for FY 2017 and 2018 expenses incurred after the grant period expired;
- repay the \$2,409 in potential CSG overpayments;
- correct AFR misreporting on future AFRs;
- fully comply with Act requirements for open meeting advance notices, and open financial records;
- fully comply with CPB's General Provisions to provide a diversity statement, transparency, maintain discrete accounting of unrestricted CSG funds, conduct annual harassment prevention training, and retain operational records for at least three years; and

- identify the corrective actions it will implement to ensure future compliance with NFFS reporting, Act, and other CSG requirements.

In response to the draft report, the school district agreed that WCBE's financial records were inaccurate due primarily to the fraudulent actions of the former general manager. The school district acknowledged weaknesses in oversight and stated it has taken corrective actions but did not completely address how it would comply with the full accrual accounting requirements. In addition, the school district agreed it did not spend \$90,923 in CSG funds during the grant spending period but stated that WCBE spent the funds on allowable national programming expenses. The school district also agreed that WCBE had overclaimed NFFS but stated it has not received the FY 2020 CSG.

In its response, the school district also asserted that it did not violate any Ohio laws regarding open meetings, financial and other records, but has taken corrective actions to address specific CPB Act compliance requirements. The school district stated the station followed its board policies and Ohio laws with regards to diversity, transparency, and harassment prevention training and was not in violation of any of these policies or laws. It stated WCBE has taken actions to provide a Diversity Statement and to ensure CPB transparency requirements are met. Additionally, the school district has added harassment prevention training to its online training programs for all school district employees and can monitor employee completion of the course. Finally, the school district indicated it would track CSG accounts discretely in line with CPB expectations and that although it had deficiencies in record retention, its new software systems and educating staff will enable the station to maintain adequate records.

Based on the school district's response to the draft report, we consider recommendations one through four, six and seven unresolved pending CPB's final management decision resolving the audit findings. We consider recommendations five and eight through eleven resolved but open pending CPB's verification of current compliance with CPB requirements and acceptance of the school district's corrective actions. The school district's written response is summarized after each finding and the complete response is presented in Exhibit F.

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

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

BACKGROUND

In January 2019, the WCBE general manager notified the school district that there was a significant liability owed to National Public Radio (NPR). As a result, the school district initiated a special internal review that found the WCBE general manager had altered a significant number of NPR invoices before presenting them as supporting documentation for payment; it found unpaid invoices totaling \$869,463 due to NPR as of January 30, 2019. The review concluded that the general manager was altering invoices to match available cash and conceal financial difficulties at the station, which should have been self-sustaining. The report can be found on the school district's website and is titled *WCBE Radio – NPR and Other Vendors Special Review, Report Date: June 27, 2019*.¹ As a result of his actions, the general manager was prosecuted for telecommunications fraud and pleaded guilty to electronically submitting false invoices to the treasurer's office of the school district.

As further background, WCBE 90.5 FM is a public broadcasting station licensed to the Board of Education for and operated by the Columbus City School District, Columbus, Ohio. The station provides independent and network public programming for residents of Columbus and areas of central Ohio. It has been broadcasting since 1956 and was originally established as an educational tool for the school district. In 1970 it became one of the first charter members of NPR.

The station's website states that it is involved in its community and partners with its listeners and local organizations to develop and sustain its cultural and educational landscape. The station estimates that it has over 120,000 weekly listeners. WCBE's mission is to provide the highest quality local, national and international programming featuring news, music and information to its listeners.

CPB's Community Service Grant Program

The Communications Act of 1934 (Act) provides that specific percentages of the appropriated funds CPB receives annually from the United States Treasury must be allocated and distributed to licensees and permittees of public TV and radio stations. After funds are designated as either TV or radio funds, they are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

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 calculated by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all TV and radio stations. The IRR is then multiplied by each

¹ The special review report can be found at:

<https://www.ccssoh.us/cms/lib/OH01913306/Centricity/Domain/172/WCBE%20Special%20Review%20Report.pdf>

station's total amount of adjusted NFFS to calculate the incentive award amount of the station's total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the FY's CSG amount. For example, CPB used the NFFS reported by WCBE on its FY 2015 AFRs to determine the amount of the radio CSG funds the station received in FY 2017.

As shown in Exhibit A, WCBE received CSG grant funds totaling \$261,032 for FYs 2017 and 2018 from CPB. The station reported NFFS of \$1,322,986 in FY 2017 and \$1,371,937 in FY 2018 as shown in Exhibit C. WCBE's audited financial statements for the two FYs we audited reported total support and revenues of \$1,559,501 in FY 2017 and \$1,568,920 in FY 2018. WCBE's fiscal year begins July 1 and ends June 30.

RESULTS OF REVIEW

In our opinion, WCBE did not comply with the requirements as summarized in the following paragraph for the FYs 2017 and 2018 grants examined in AFRs presented in Exhibit B.

We reviewed WCBE 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 WCBE's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, equal employment opportunity (EEO) reporting and donor lists; 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 WCBE was not compliant with CPB grant and Act requirements. WCBE:

- represented and warranted inaccurate and incomplete financial information to CPB in its grant certifications of its audited financial statements and AFRs submitted with its grant applications;
- did not spend \$90,923 of CSG grant funds within the two-year grant spending period for its Fiscal Year (FY) 2015 and FY 2016 grants;
- overstated NFFS by \$47,073 which resulted in a potential CSG overpayment of \$2,409 which we reported as funds put to better use, and other NFFS reporting errors;
- did not fully comply with Act requirements for open meetings, open financial records, and EEO requirements; and
- did not fully comply with General Provisions and Eligibility requirements for diversity statement, transparency, discrete accounting for unrestricted CSG grant revenues and expenditures, conducting annual harassment prevention training, and recordkeeping requirements.

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 WCBE'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 WCBE's compliance with specified requirements.

FINDINGS AND RECOMMENDATIONS

I. INACCURATE AND INCOMPLETE FINANCIAL INFORMATION SUBMITTED TO CPB

The station was not compliant in reporting and certifying its financial information submitted to CPB. WCBE represented and warranted inaccurate and incomplete financial information to CPB in its grant certifications of its audited financial statements and AFRs submitted with its grant applications because:

- audited financial statements and corresponding AFRs were not based on full accrual accounting and complete financial information; and
- the former general manager altered invoices and concealed station expenditures and related liabilities in his certifications to CPB.

We identified deficiencies in recordkeeping and financial reporting practices that resulted in reporting inaccurate and incomplete financial information to CPB. Further, the application of modified accrual accounting in accordance with Government Accounting Standards Board (GASB) and generally accepted accounting practices (GAAP) limited the review of unrecorded liabilities and receivables to assess whether an accurate financial picture of station operations was presented. Further, the station did not meet one of the CPB's Principles of Accounting requirements to provide an audited supplemental schedule showing adjustments in order to report on a full accrual basis of accounting.

Our audit found that WCBE liabilities in the audited financial statements were understated by \$673,495 in FY 2017 and \$803,080 in FY 2018.² The majority of the understated liabilities were attributed to one vendor as reported in the internal review. The head of grantee (the former general manager) certified the station's financial reports and accepted CPB CSG agreements knowing that the financial information provided to the station's licensee and reported to CPB were inaccurate and incomplete.

The understated and unreported liabilities affected the station's presentation of its financial condition. The audited financial statement presented available net assets of \$576,931 for station operations in FY 2017 and \$555,836 in FY 2018, when in fact based on our testing the station was in a deficit position of \$96,564 in FY 2017 and \$247,244 in FY 2018, as shown below:

Restated Net Assets - WCBE

Net Assets	FY 2018	FY 2017
Per Audited Financial Statement	\$555,836	\$576,931
Unrecorded Liabilities OIG Identified	\$803,080	\$673,495
Adjusted Net Assets	(\$247,244)	(\$96,564)

² The understated liabilities we identified were from our confirmation of the four vendor payables we tested.

Further, our testing confirmed key findings in Columbus City School District's (CCS) internal review as it related to CPB's CSGs for our audit period. Our audit results were consistent with the internal review which found:

- unpaid past due invoices owed to NPR of \$869,463 in January 2019;
- altered invoices used to support payments to NPR and other vendors; and
- use of personal funds, undeposited cash receipts and payments not recorded in the school district's accounting system.

Our audit confirmed that station management altered vendor invoices from two vendors and paid some of the altered invoice amounts with CSG grants funds. We also concluded that the altered invoices that were paid did not exceed the amounts NPR originally invoiced WCBE over multiple years.³

Specifically, we found 76 percent or \$210,312 of the \$278,525 in CSG expenditures recorded during our audit period were comprised of altered invoices for two vendors: the dates, amounts, payment terms, and service descriptions on the invoices had been modified. The CSG expenditures had been charged to the FYs 2015 and 2016 CSGs during FYs 2017 and 2018.

Moreover, we found that all expenditures at fiscal year-end during our audit period were not properly recorded in WCBE's general ledger, including over \$10,000 of expenditures (unaudited) during our audit period that were recorded in an off the books petty cash ledger.

Finally, we could not verify all reported NFFS tested for underwriting to specific underwriting contract amounts, because the NFFS was reported based on cash receipts, not the amounts invoiced per underwriting agreements.⁴ WCBE changed its software for its internal underwriting order and billing system in 2019 and historical information for our audit period was no longer readily available, so verification was difficult. We received hard copies of some of the underwriting sales history; accounts receivable aging; and collection history reports as of a specific date but could not adequately correlate those to our test sample of receipts reported. These underwriting and collection reports (unaudited) identified outstanding receivables far greater than amounts reported at year-end.

In FY 2017, the collections report showed \$77,402 in receivables that were not reported in the audited financial statement. The station did not provide us with the year-end FY 2018 collections reports but provided us with a collections report as of December 30, 2018, showing receivables amounts due of \$143,911, of which \$75,443 was over 150 days past due. The audited financial statement for the period ending June 30, 2018, reported an underwriting receivable of \$2,010.

³ Our audit found that some of the altered invoices were delayed up to four years from the date of the original billed services.

⁴ We could verify cash receipts and existence of donors for our test sample of underwriting transactions. Based on our limited reviews of the contracts provided to audit, we were able to conclude that in general underwriting was for on-air spots and did not appear to have any exchange transactions associated with the contracts.

CPB financial reporting guidelines require that AFRs are reported based on financial information reported in the grantee's audited financial statements. CPB further requires that CSG grantees' accounting and financial reporting are in accordance with its *Application of Principles of Accounting and Financial Reporting To Public Broadcasting Entities* (Principles) guidance developed by CPB as required by the Act.

WCBE is licensed to a local government school district and follows GASB and GAAP. CPB has specific accounting application requirements for entities following GASB and states:

This section provides an overview for accounting and reporting for public broadcasting entities following GASB. Public broadcasting entities must submit to CPB financial statements that have been prepared in conformity with GAAP. The financial statements submitted to CPB should be those of the grant recipient and not solely those of the controlling institution that is the licensee. Stand-alone financials statements should be submitted to CPB, even if the public broadcasting entity reports to a parent organization...

For grantees that use governmental fund accounting (whether entirely for governmental-type funds, or in combination with one or more proprietary funds), the public broadcasting entity must provide:

- Public-broadcasting-entity-wide financial statements, on a full accrual basis, ...

CPB Principles, Section 4 Accounting and Reporting for Public Broadcasting Entities following GASB, 4.1. Overview.

CPB Principles also define the basis of accounting and state:

The accrual basis of accounting is generally accepted as providing a more appropriate record of an entity's transactions over a given period of time than the cash basis or other comprehensive basis of accounting.

Under the accrual basis of accounting, goods and services purchased are recorded as assets and expenses at the time liabilities arise, which is normally when the title to goods passes or when the services are received... Under accrual basis of accounting, revenues are recognized when earned and expenses are recorded in the period incurred.

In some cases, the modified accrual basis of accounting is called for under GAAP. (The modified accrual basis applies to governmental funds, which are discussed in Section 4.2.2). Under the modified accrual basis, revenues are recognized when they become measurable and available. Liabilities are generally recorded for all obligations that will be liquidated with "expendable available financial resources."

CPB Principles, Section 4.1.1 Basis of Accounting.

The licensee applied GASB GAAP and uses modified accrual basis of accounting.

Given the objective of achieving the greatest possible uniformity in reporting by all public broadcasting entities, CPB encourages all entities following GASB to report using proprietary fund accounting.

If the public broadcasting entity is part of a larger primary government that requires it to follow the governmental model, the public broadcasting entity must provide a supplemental schedule showing adjustments from the modified accrual basis under the governmental model to full accrual basis under the enterprise model. This supplementary schedule should be included in the scope of the audit of the public broadcasting entity.

CPB Principles, Section 4.2 Fund Accounting. (Emphasis in original).

CPB's Radio CSG Agreement and Certification of Eligibility is executed based on the Grant Offer, Acceptance and Conditions which provide:

E. Representations and Warranties: Grantee represents and warrants:

1. That the information Grantee provided in this Agreement is true and accurate;
2. That the Grantee shall promptly notify CPB at csg@cpb.org, of its failure to comply with any of the requirements set forth in this Agreement and in the General Provisions, and of any changes to or inaccuracies in its Communications Act Compliance, as set forth in Section IV below;...

2019 Radio CSG Agreement and Certification of Eligibility. Section II. Grant Offer, Acceptance and Conditions.

The grant offer was executed by the licensee official and the head of grantee and stated:

By executing this Agreement, the licensee official and head of grantee recognize that by providing false information to obtain any Grant may subject Grantee to penalties under the Federal False Claims Act, 31 U.S.C. §§3729-3733 and CPB's CSG Non-Compliance Policy.

2019 Radio CSG Agreement and Certification of Eligibility. Section VI. Signatures.

The station submitted inaccurate and incomplete information to CPB because of the actions of the former general manager who had primary responsibility for financial management and reporting for the station. Deficiencies in internal controls and licensee oversight also contributed to the submission of inaccurate and incomplete information. We discuss the specifics below.

The former general manager:

- altered invoices to manage available cashflow and partially applied NPR's and another vendor's invoices to CSG grants;

- was responsible for all fundraising efforts and station expenditures.⁵ The station's financial conditions were tenuous for several years and the former general manager acted on his own to conceal the station's actual financial situation from the school district officials and the station's independent public accountant (IPA);
- self-reported the overdue liabilities of \$869,463 owed to NPR in January 2019 and presented a proposed plan for a separate entity to pay the outstanding bills and take over the operations of WCBE; and
- admitted to school district officials and the internal audit department that invoices were altered to manage the station's cashflow, conceal the station's debt, and make the station's operations appear to be self-sustaining.

Deficiencies in internal controls and oversight:

- WCBE was managed as a separate enterprise from the school district with unique operations and was self-funded since the early 2000s, and received no direct funding and limited day to day oversight from school district officials;
- the school district officials and school board did not ask for or receive evidence of actual vendor contract amounts or prior invoice statements (liabilities) to verify the amounts requested for procurement authorization:
 - a current school district official stated that authorizations for payments were "up to" or "not to exceed" amounts rather than for specific amounts; authorization requests were comparable to previous years' requests and financial records however, these cash flow financial statements were based on the altered invoices rather than the actual amounts invoiced;
 - authorizations for NPR expenditures were materially greater than actual payments made to NPR in FY 2017 and FY 2018 and variances were not investigated or reviewed as part of the station's year-end financial statement preparation⁶ or audit work; and
 - authorization requests for NPR dues and program and distribution expenses made to the school district for FY 2015-2019 were approximately \$100,000 more than actual contracted services;
- invoices were sent directly to the station instead of the school district's accounts payable department;⁷
- the station operated two separate subsidiary accounting systems for membership and underwriting that were not reviewed or independently reconciled except for cash reporting;

⁵ The former general manager requested board authorizations for procurement of station services, entered into contracts with vendors, received invoices directly from vendors, and approved invoices for the school district's accounts payable department to process for payment.

⁶ The school district's treasurer's office prepares the trial balances from the information in the general ledger CCS accounting system and makes the accruals for the annual financial statements.

⁷ NPR dealt directly with the authorized station representative, (the former general manager) regarding contract services, invoicing, and collections. NPR informed us that it has changed its procedures to include communications with school district board officials when payments are in arrears and a payment plan is warranted.

- the school district provided no additional oversight of the membership or underwriting revenues:
 - analysis of collections and receivable balances were performed by the former general manager; and
 - several billing statements had balances over 90 days old and a collection report showed that 52 percent of receivables were over 150 days old.⁸
- year-end financial statement reviews and accruals were based on modified accrual accounting and included review of subsequent payments and receipts processed, not actual contractual obligations for goods and services expenditures incurred, or revenues earned.

Based on the internal audit findings and recommendations, as well as the school district's corrective actions we found that:

- all station invoices are now directly sent to the school district's accounts payable department for electronic input prior to station requests for approvals;
- the school district is also conducting a formal evaluation of the stations' risks, funding model and alignment with School District's vision, mission, and strategic objectives; and
- school district officials were tasked with the design and implementation of procedures, internal controls, and strategies to mitigate significant risks that were identified.

As a result of the actions of the former general manager and deficiencies in internal controls and oversight, the audited financial reports were misleading and did not accurately report station activity or its financial condition. The school district did not know that liabilities were materially understated. Further, without accurate financial information the school district was not aware that the station was not self-sustaining. The misleading financial information was presented to CPB and the station and licensee certified to its accuracy. The station was not in compliance with CSG requirements and may be subject to penalties under CPB's CSG Non-Compliance policy.

Recommendations:

We recommend that CPB management require WCBE to:

- 1) submit a full accrual accounting and accurate financial statements and reports with its future CSG applications; and

⁸ The December 30, 2018, underwriting collection report showed amounts due net of trade accounts of \$143,912. The FY 2017 year-end the collection report showed a receivable net of trade accounts of \$116,803, 66 percent more than the \$39,401 accrued and reported as underwriting receivables in the June 30, 2017 audited financial statement.

- 2) identify the corrective actions it will take to resolve its internal control deficiencies with its licensee.

School District Response

In response to our draft report, the school district management agreed that WCBE's lack of accurate financial information submitted to CPB was primarily due to the former general manager's fraudulent activities and failure to provide accurate information to the school district and the school board. The response to the draft report (Exhibit F) stated that the former general manager was held accountable both professionally and criminally for his actions that violated school district policy and state law. The school district further stated that as a result of further investigations and scrutiny of the station's operations it has gained insights to implement corrective actions to reduce future mistakes and ensure WCBE is meeting required accountability standards. The school district's response identified corrective actions related to invoice payments and approvals, underwriting contracts and monitoring delinquent payments, better recordkeeping and education, as well as providing contract obligation documentation to the board with its authorizing legislation.

OIG Review and Comment

Based on our review of the station's response to the draft report, we consider recommendations one and two unresolved pending WCBE's submittal of accurate and full accrual financial statements and reports with its future CSG applications, CPB's final management decision and acceptance of WCBE's corrective actions. In addition, the school district did not specifically address our recommendation to provide full accrual accounting.

II. QUESTIONED CSG FUNDS SPENT AFTER GRANT TERM

WCBE did not spend \$90,923 of the CSG funds it received within the two-year grant spending term as required by its grant agreement with CPB as detailed in the schedule below. The station maintains a separate grant fund account for each CPB CSG and tracks these funds discretely in its general ledger. CSGs have a two-year spending period. For the FYs 2015 and 2016 CSGs, the station did not record CSG expenditures or spend all of the grant funds within the grant term periods and did not return any of the unspent funds to CPB as required in its grant agreement with CPB. Instead, it inappropriately used these funds to pay invoices (including those that had been altered) for programming expenses recorded after the grant periods had lapsed, resulting in the questioned CSG funds.

CSG Funds Spent after Grant Term Lapsed During Audit Period 7/1/2016 - 6/30/2018

CSG Grant Year	Grant Term	Unspent CSG Funds at end of Grant Term
CSG FY 2015	10/1/2014-9/30/2016	\$90,639
CSG FY 2016	10/1/2015-9/30/2017	\$284
Total unspent CSG funds		\$90,923

Further evidence of WCBE mismanagement of its CSG grants occurred when WCBE was penalized on its FY 2015 and FY 2016 CSGs due to late filing of its AFRs. As a result, it lost approximately \$75,000 for both fiscal years, 26 percent of the original grant award due to late filing penalties imposed by CPB. Not only did the station not spend its funds timely, it also lost potential CSG funds in the form of late filing penalties due to poor financial management.

CPB CSG grant agreements require grantees to comply with CPB General Provisions requirements. Further, CPB requires unused funds to be returned to CPB.

Unused Funds: All FY 2015 CSG funds that are not expended by September 30, 2016, must be returned to CPB on or before November 3, 2016.

Unused Funds: All FY 2016 CSG funds that are not expended by September 30, 2017, must be returned to CPB on or before November 3, 2017.

Radio General Provisions Section 19 (FY 2015) and Section 19 (FY 2016) Return of Funds.

WCBE did not spend the grant funds in the required spending period because the station and the licensee did not have adequate internal controls, grant monitoring procedures, or a complete understanding of CPB CSG grant requirements, including reporting. School district officials stated that the former station manager operated independently and determined how to expend CSG grant funds. Both a school district official and the station manager signed the CSG legal agreement each year agreeing to the terms of the grant. A school district official said that CSG grant fund reports were generated showing revenue, expenditures to date, and unspent balances, however we found these reports were not adequately monitored by station management and school district officials to ensure compliance with grant spending requirements.

During our audit period, the station was not in compliance with CPB CSG grant spending period requirements and spent \$90,923 in expired grants funds, which we questioned. We subsequently identified an additional \$27,843 in unspent funds for the FYs 2017 and 2018 CSG grants that expired after our audit period. The FY 2017 CSG funds were spent after September 30, 2018, and the FY 2018 CSG funds after September 30, 2019.

Recommendations:

We recommend that CPB management take the following actions:

- 3) recover the expired \$90,923 of CSG funds;
- 4) evaluate whether unspent FY 2017 and 2018 CSG grant funds at the end of the grant term should be recovered; and
- 5) require WCBE to identify the corrective actions and controls it will implement to ensure future compliance with CSG grant spending requirements.

School District Response

In response to the draft report, the school district agreed that WCBE did not spend \$90,923 in CSG funds during the grant spending period. However, it stated that the CSG funds were spent on eligible expenses such as national programming. The school district also stated that it has implemented corrective actions to better monitor the CSG grant funds to ensure the station spends the funds in the proper period, and further noted that it has not yet received its FY 2020 CSG.

OIG Review and Comment

Based on our review of the school district's response, we consider recommendations three and four unresolved pending CPB's final management decision on our findings and recommendations. We consider recommendation five resolved but open pending the acceptance of the school district's corrective actions.

III. OVERSTATED NFFS AND OTHER AFR REPORTING ERRORS OR OMISSIONS

Our audit found \$47,073 in overstated NFFS (\$25,087 in FY 2017 and \$21,986 in FY 2018) reported on WCBE's AFRs. As a result, CPB made CSG overpayments of \$1,308 to WCBE in FY 2019 and could make potential overpayments of \$1,101 in FY 2020, resulting in total overpayments of \$2,409. We classified the overpayments as funds put to better use for reporting purposes, because the funds overpaid to WCBE could have been distributed to other public broadcasting entities.

Our results are summarized in the following table and are explained below in more detail. In addition, we found AFR reporting errors, and inadequate accounting documentation.

Overstated NFFS and CSG Overpayments

Conditions	FY 2017	FY 2018	Total
Underwriting contributions from ineligible sources	\$7,315	\$2,850	\$10,165
Indirect Administrative Support - AFR Schedule B	17,772	19,136	36,908
Total overstated NFFS	\$25,087	\$21,986	\$47,073
CPB's Incentive Rate of Return (FYs 2019 & 2020)	5.21259919%	5.00967788%	
<i>Potential CSG overpayments/funds put to better use</i>	<i>\$1,308</i>	<i>\$1,101</i>	<i>\$2,409</i>

WCBE overstated its NFFS on its FY 2017 and 2018 AFRs totaling \$47,073 because it included \$10,165 in ineligible underwriting contributions and \$36,908 in overstated indirect administrative support.

a) *Underwriting contributions from ineligible sources*

WCBE reported ineligible NFFS underwriting contributions totaling \$10,165. Our audit found that these underwriting donors were licensees of a public broadcasting entity and were ineligible sources for NFFS contributions, as detailed in the following table:

Ineligible Underwriting Contributions

Ineligible Donor Source	FY 2017	FY 2018	Total
Ohio State University ⁹	\$3,040	\$2,850	\$5,890
Ohio University ¹⁰	4,275		4,275
Total ineligible sources	\$7,315	\$2,850	\$10,165
CPB's Incentive Rate of Return (FYs 2019 & 2020)	5.21259919%	5.00967788%	
Potential CSG overpayments	\$381	\$143	\$524

The Act 47 U.S.C. § 397(9)) sets the recipient, form, source and purpose criteria that contributions and payments must satisfy in order to be eligible for NFFS:

The term “non-Federal financial support” means the total value of cash and the fair market value of property and services... received –

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

CPB Guidelines Section 2.3.1 The Statutory Definition -The Law.

CPB guidance also states: “Examples of public broadcasting entities include (but not limited to):

- CPB
- Any licensee or permittee of a public broadcasting station...”.

CPB Guidelines Section 2.3.2 – Interpretations.

The station was not aware that underwriting from universities that were also licensees of public broadcasting entities were ineligible sources and therefore did not exclude the revenue from NFFS on its AFR.

⁹ Licensee of WOSU FM/TV, Columbus, OH.

¹⁰ Licensee of WOUB AM/ FM/TV, Athens, OH.

WCBE overstated NFFS by \$10,165¹¹ because it reported underwriting contributions from licensees of other public broadcasting stations which are not eligible sources for NFFS contributions and resulted in CSG overpayments of \$524.

b) Ineligible Indirect Administrative Support

WCBE applied CPB's Basic Method to calculate the Indirect Administrative Support (IAS) that it claimed as NFFS. Our audit identified institutional and physical plant support rate allocation errors, costs pools not benefiting the station, square footage not correctly reported, and unsupported occupancy value. The effect of these calculations resulted in WCBE reporting \$36,908 in overstated IAS NFFS as summarized below and detailed in Exhibit D where we contrast what WCBE reported on its AFRs and the results of our audit.

Errors in Calculating IAS NFFS

IAS Condition	FY 2017	FY 2018	Total
<i>Allocation Rate Error</i>			
Institutional Support Rate Variance	0.028653%	0.028550%	0.057203%
Physical Plant Operations Rate Variance	0.000674%	(0.000298%)	0.000376%
<i>Cost Pools not benefiting Station</i>			
Institutional costs not benefiting the station	\$4,459,808	\$5,095,863	\$9,555,671
Overstated NFFS before occupancy	1,709	3,073	4,782
Occupancy Value not supported - NFFS	16,063	16,063	32,126
Total Overstated NFFS	\$17,772	\$19,136	\$36,908
CPB's Incentive Rate of Return (FYs 2019 & 2020)	5.21259919%	5.00967788%	
<i>Potential CSG overpayments</i>	\$926	\$959	\$1,885

Specifically, we found WCBE:

- overstated its institutional support rate because it did not make required adjustments (as discussed further below) to its net direct licensee expenses (denominator) in its rate calculation;
- overstated its physical plant operations support rate because it used outdated licensee square footage in its rate calculation;
- overstated the institutional support cost pools benefiting the station in its calculations by including cost pools that did not provide essential and continuous benefits to the stations; and
- could not support its occupancy value calculation.

CPB Guidelines permit institutional stations to include certain revenues from their licensees as NFFS.

¹¹ Based on OIG test sample, additional contributions from these donors could not be adequately assessed because of limited documentation provided, personnel turnover, and change in the underwriting billing system.

- Direct Revenues, including appropriations from the licensee and expenses incurred or absorbed by the licensee specifically for the station; and
- Indirect administrative support.

Guidelines, Section 2.7.1 Indirect Administrative Support Overview.

WCBE applied CPB's Basic Method Net Direct Expense option to complete its FYs 2017 and 2018 AFRs Schedule B for IAS and completed the CPB Worksheet II based on the Guidelines in Section 6, Completing the AFR Schedule B. The instructions for the Basic Method from the Guidelines consist of four steps as summarized below:

1. Station Net Direct Expenses

- a. Determining the station's direct expenses and deductions required to calculate its net station direct expenses – per station's audited financial statements.

2. Institutional Support Rate

- a. Determining the licensee's net direct activities – per licensee's audited financial statement (total cost of instruction, research and public service net of capital outlays -- these are the institution's mission costs).
- b. Calculating the institutional support rate to be applied to institutional cost pools benefiting the station. Station net direct expense divided by licensee net direct activities.
- c. Identifying licensee's institutional support costs pools that provided essential and continuous support to the station's operations and multiplying the institutional support rate times the cost pool to determine the amount of IAS to report as NFFS.

3. Physical plant support rate calculation

- a. Determining the physical plant support rate, station net assignable square footage divided by licensee net assignable square footage.
- b. Identifying licensee's physical plant operations support costs pools that provided essential and continuous support to the station's operations.
- c. Multiplying the physical plant support rate by the benefiting plant support cost pools to determine the amount of IAS to report as NFFS.

4. Total costs benefiting stations operations.

CPB Guidelines Section 6, Completing the AFR Schedule B (summarized).

In addition, stations may claim IAS for occupancy value based on CPB's basic method of determining the building value times the station's square footage percentage allocation of the building occupied.

After completing steps 1-4 and determining an occupancy value under the Basic Method, the IAS calculated automatically forwards to a total section on the AFR Schedule A, but requires additional manual input for applicable for fees paid to licensee for overhead and excess support over revenue if any.

As stated above, Exhibit D summarizes our audit IAS NFFS findings and compares what WCBE reported to our OIG audit results. The details for the OIG audit adjustments are included in the notes on Exhibit D.

WCBE is an institutional station licensed to a local school district and therefore it applied the CPB Guidelines for calculating its IAS using its licensee's functional reporting categories as it determined to align with CPB's Guidelines. CPB's Guidelines and instructions are predominantly designed for institutional stations licensed to Universities, which have different licensee functional expense categories than school districts.

We found many of the errors, omissions, and inclusions of non-benefiting cost pools were the result of a lack of comprehensive evaluation of both station and licensee information needed to meet CPB reporting requirements. We also saw no evidence that the IPA performed any substantive audit work on the station's IAS calculation and support. In addition, CPB's guidance does not specifically address adjusting the denominator when calculating the institutional support allocation rate for some of the issues we found. CPB's allocation rate is based on the relationship between the station costs to the licensee's costs, and therefore the station costs should be included in licensee base used to calculate the institutional support rate. We also found:

- Institutional rate errors were caused because:
 - licensee net direct expenses omitted other functional expenses that included the station costs; and
 - included non-mission cost pools such as physical plant and transportation in the denominator,¹²
- Physical Plant support rate errors were caused because the station did not use licensee's current square footage and neither the licensee nor IPA performed additional reviews of data supporting the square footage amount reported.
- Institutional cost pools were not adequately reviewed by licensee and station management to eliminate some non-benefiting cost pools. During our audit, licensee officials reviewed the licensee cost pools and agreed that some cost pools did not benefit the station and eliminated these cost pools on its current AFR reports.
- Occupancy value was calculated using historical values from prior AFR reporting but was not supported by current licensee documentation.

¹² OIG calculated findings based on current CPB rate formula that does not include other non-mission functions in the denominator, although OIG had determined that formula provides an inequitable allocation of resources to the station. CPB has revised and simplified its IAS policy effective for FY 2020 AFR reporting and developed a more equitable allocation formula.

The station incorrectly calculated IAS, this led to an overstatement of NFFS totaling \$36,908 and resulted in a CSG overpayment of \$1,885.

c) Incorrect reporting of donor source codes on AFR

The Station did not comply with CPB AFR reporting guidance because it misreported the source of some underwriting contributions on its AFRs. WCBE reported the donor source as business entities instead of the correct source: local government, non-profits, and public broadcasting entities.

CPB Guidelines and line item instructions require that stations identify the source of donor contributions or payments reported on its AFR. The AFR line items are broken down by source codes such as local government, state government, university (public and private), foundations and not for profits, and business entities.

CPB Guidelines, Part III AFR and FSR Line Item Instructions.

The station reported all underwriting contributions received on AFR line 9 as a contribution from business entities, not from the original source of the donation (e.g., foundations, local government, other public broadcasting entity). The station did not fully understand or comply with the source reporting requirement. Further, we did not find that the IPA did any additional source code testing as part of its AFR attestation work.

The station did not fully comply with the AFR instructions and misreported the source of NFFS and other station revenues on its AFRs which also contributed to claiming NFFS from an ineligible source as discussed in our NFFS findings above (universities with public broadcasting stations).

d) High-end membership premium exclusions

Our audit found that the station did not maintain adequate records to document high-end premiums provided to membership donors as thank you gifts. Therefore, we could not accurately assess the fair market value of high-end premiums to determine what amount should have been deducted on AFR Schedule A line 10.1.

CPB Guidelines instruct stations to adhere to IRS guidance and limit the contribution to the amount in excess of the fair market value of premiums.

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(s) 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. CPB expects that all grantees are compliant with IRS rules and regulations on these matters.

Guidelines, Part III – AFR and FSR Line Item Instructions, Part 5 Schedule A – Direct Revenue, 10.1 NFFS Exclusion – Fair Market Value of high-end premiums that are not of insubstantial value (2017). (Emphasis in original).

A former station employee provided OIG with a list of donor thank you gifts that included some high-end premiums, such as tickets to events, and other items with (fair market values) FMVs that would not meet the IRS definition of *de minimis*.¹³ The station changed its membership accounting system and it was unable to retrieve prior donor information with premium details for our audit period. We discovered that CPB had inquired about the station's lack of premium exclusions on its FY 2017 AFR during a routine desk review of the station's AFR. Email correspondence between CPB and WCBE showed that the former general manager represented that all premiums were *de minimis* because the station did not have the funds to purchase high-end premiums. However, our discussions with staff indicated that some of the identified high-end premiums were donated items.

The station did not have high-end premium fair market value information for each donor or an understanding of CPB guidance; this resulted in the station not properly evaluating and excluding any high-end premiums from its NFFS and could have resulted in overstated NFFS. We were unable to identify a dollar amount because of a lack of records.

Recommendations:

We recommend that CPB management require WCBE to:

- 6) repay the potential CSG overpayments of \$2,409; and
- 7) identify the corrective actions and controls WCBE will implement to ensure future compliance with NFFS reporting requirements.

School District Response

In response to the draft report, the school district agreed that WCBE's AFRs contained reporting errors overclaiming NFFS for underwriting contributions from public broadcasting entities, and incorrect information or misapplication of CPB guidelines in its methodology when it calculated its IAS. The response stated that WCBE has taken corrective actions that it would monitor its high-end premiums and maintain better recordkeeping of premiums. In addition, it stated as a precautionary measure WCBE would avoid awarding these types of high-end premiums to donors. The response noted that WCBE has not received its FY 2020 CSG award which would have included \$1,101 of the potential overpayment.

The school district also stated that it has implemented corrective actions to ensure its future compliance with NFFS reporting.

¹³ Station thank-you gift premiums for FYs 2017 and 2018 from listing obtained showed FMVs ranging from \$0 to \$225.

OIG Review and Comment

Based on our review of the school district's response, we consider recommendation six and seven unresolved pending CPB's recovery of potential CSG overpayments and acceptance of the school district's corrective actions in CPB's final management decision. The school district did not address our finding regarding errors in reporting contribution sources on its AFRs or repayment of the \$2,409 in potential CSG overpayment.

IV. ACT COMPLIANCE

Our audit found that WCBE was not fully compliant with Act requirements for open meetings advance notice, open financial records, and making its Employment Statistical Record available to the public as discussed below.

a) Open Meetings – Advance Notice

Our audit found that WCBE did not fully comply with open meeting requirements of the Act. For one of 12 open board and committee meetings tested, WCBE could not provide evidence of seven days advance notice for an upcoming committee meeting that discussed WCBE business.

The Act and CPB require that stations make reasonable advance notice of open meetings 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 this requirement by providing at least seven days advance notice of an Open Meeting, including time and date of meeting by:

1. posting notice on the station's website;¹⁴
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 2016 and June 2018).

The station is licensed to the school district's Board of Education. Open meeting advance notices are provided to the public and posted on the school board's website annually when the official school board meeting calendar is approved, as well as documented in the meeting minutes posted to the school board's website. Also, if additional meetings are called, the Board sends media notices 24 hours in advance. The school board also sends out media alerts the week of all board meetings. For one of the twelve open meetings that discussed

¹⁴ "Station website," as defined in the General Provisions, includes the CSG recipient's station website, if it has one and if not then its licensee's website or an affiliated station's website. If the CSG recipient has none of the foregoing it may with CPB's approval, use a website shared by other public broadcasting stations.

WCBE business, the school district provided us with evidence of the board's two-day advance notice of the meeting but no further documentation to support the seven-day advance notice requirement.

The school board has an open meeting notice policy and stated it follows the Ohio code. Our audit also found that the station posted prior advance notices on its WCBE.org website but it did not have current notices and the station's meeting notice page did not link to the school board's website where the notices are posted and current.

The station was not fully compliant with advance notice requirements and the public did not have seven-day advance notice of a committee meeting, for one of the twelve meetings tested, that discussed WCBE business.

b) Open Financial Records

The station did not comply with the open financial records requirements because it did not post its current audited financial statements and AFR on its website. The Act provides:

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 (l)(3)(B).

The Act, 47 U.S.C. Section 396 (k)(5).

The Public's Access to Financial Information: 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. 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).

CPB Act Compliance -III. Open Financial Records, Section E.

WCBE's FY 2016 AFS was posted to its website, however, at the end of our fieldwork FYs 2017 and 2018, the most current year's audited financial statements, were not. The station had not posted its AFR on its website in the past or during our audit fieldwork and is currently noncompliant with this requirement.

Due to major staff turnover at the station and a lack of general understanding of CPB requirements, the website updates, and all required open financial records have not been posted to the station's website. OIG discussed this noncompliance with school district officials who are

now aware of this Act requirement and will address the issue with current WCBE staff to ensure its compliance.

The station was not compliant with Act open financial records and may be subject to penalties under CPB's Non-Compliance Policy.

c) EEO Employment Statistical Report

WCBE did not fully comply with CPB's EEO requirements of the Act because it did not make the Employment Statistical Report available for review by the general public at its central office.

CPB's guidance states:

Access to the Employment Statistical Report: The Act requires stations make their Employment Statistical Report available for review by the general public at their central offices and every location with six or more employees.

CPB Act Compliance (June 2016 and June 2019), V. CPB Employment Statistical Report, Section C.

Due to management turnover and lack of staff training on CPB Act requirement compliance, station staff were not aware of the CPB requirement to make the Employment Statistical report available to the public. WCBE completed the report but had not made it available to the public. After our audit identified this issue, the station made the report available to the public by including it in its public file at the station's office and posted it on its website. The station is now in compliance with Act and CPB EEO requirements.

WCBE was not in full compliance with Act requirements for access to EEO information in its Employment Statistical Report during our audit period and may be subject to penalties under CPB CSG Non-Compliance policy.

Recommendations:

We recommend that CPB management require WCBE to:

- 8) fully comply with Act requirements for open meeting advance notices, and open financial records; and
- 9) identify the corrective actions and controls it will implement to ensure future compliance with Act requirements.

School District Response

In response to the draft report, the school district agreed that management turnover at WCBE and lack of staff training on CPB requirements contributed to specific findings. The school district stated that WCBE has already taken actions to address the concerns related to Act compliance but stated that the school district follows Ohio law with regards to open meetings, financial

statements, and other records and stated the school district was never accused of violating such laws.

The school district stated in its response that it has taken additional actions and created links on WCBE's website to link directly to the board website to ensure all changes for notices were current to prevent any missed information. It has also uploaded copies of its audited financial statements, AFRs, and employment statistical reports to the station's website to meet CPB requirements.

OIG Review and Comment

Based on our review of the school district's response, we consider recommendations eight and nine resolved but open pending CPB's verification of the station's current compliance with CPB statutory requirements for open meetings and financial records and acceptance of the school district's corrective actions in CPB's final management decision.

V. GENERAL PROVISIONS AND ELIGIBILITY COMPLIANCE

WCBE did not fully comply with CPB Eligibility requirements to provide a diversity statement, provide transparency, maintain discrete accounting over unrestricted CSG funds, conduct harassment prevention training, and retain financial records for audit.

a) Diversity Statement

WCBE did not have a Diversity Statement as required.

CPB requirements include supporting diversity per the Act, and the General Provisions specify that:

The Communications Act requires CPB to support diverse non-commercial educational content for unserved and underserved audiences. CPB's goal, therefore, is to support stations in providing a wide variety of educational, informational, and cultural content that addresses the following elements of diversity: gender, age, race, ethnicity, culture, religion, national origin, and economic status. It is appropriate that Grantees engage in practices designed to reflect such diversity of populations they serve. In support of these objectives, Grantees must comply with the following:

- A. Annual Review: Annually review and make any necessary revisions to station's established diversity goal...
- B. Diversity Statement: Undertake the following to achieve Grantee's diversity goal.
 - 1. Annually review with the station's governing board or Licensee Official:
 - a. the diversity goal and any revisions thereto, and

- b. practices designed to fulfill the station's commitment to diversity and to meet the applicable FCC guidelines (47 C.F.R. §73.2080).
- 2. Maintain on its website or make available at its central office a diversity statement (approximately 500 words) that reflects on the following points, reviewing and updating the same annually with station management.
 - a. the elements of diversity that Grantee finds important to its public media work;
 - b. the extent to which Grantee's staff and governance reflect such diversity,
 - c. the progress Grant has made to increase its diversity in the last two to three years; and
 - d. Grantee's diversity plans for the coming year.

CPB FY 2018 Radio CSG General Provisions, Section 8 Diversity Statement.

The station has operated as a separate enterprise primarily independent of school operations. CPB CSG compliance was handled by the former station general manager with limited oversight by school district officials. Current station management and the school district's managing official were not aware of a diversity statement requirement or if the station had one. After we identified this noncompliance, the school district managing official informed OIG that it is in the process of developing its diversity goals and statement to become compliant.

WCBE was not fully compliant with CPB CSG diversity statement requirements and may be subject to penalties under CPB's CSG Non-compliance policy.

b) Transparency

WCBE did not make its local content and services report available to the public.¹⁵

CPB's General Provisions contain specific transparency requirements for making information available to the public and require certain documents be made available on the station's website or at its central office:

A. Public Inspection of Documents and Website Posting

To ensure transparency and public confidence in the use of CPB funds, the Communications Act requires Grantees to make certain documents available for public inspection. As set forth below, CPB also requires public access to other documents, and specifies how all documents must be made available for inspection, either by maintaining them at Grantee's office or by posting them on its station website...

C. Documents for Public Inspection: At Central Office or on Station Website.

¹⁵ CPB's transparency requirements includes open financial records and the diversity statement which we addressed in our other findings.

At a minimum, each Grantee must or post the following on its station website:

1. Diversity Statement (Section 8(B-2): and
2. Local Content and Service Report which is Section 6 of the SAS.

CPB FY 2018 Radio CSG General Provisions, Section 9 Transparency.

The station was not aware of all the required transparency requirements because of management turnover and lack of staff training on CPB CSG compliance and transparency requirements. After discussion with OIG during our fieldwork, station staff updated its website and public files to include the local content and services report and said it is in the process of developing a diversity statement before it can make it available for public inspection.

WCBE was not fully compliant with CPB CSG transparency requirements and may be subject to penalties under CPB's CSG Non-compliance policy.

c) Discrete Accounting

WCBE did not discretely account for CPB CSG unrestricted radio revenues and expenditures separately as required. WCBE identified unrestricted and restricted accounts on its CSG certifications, but all CPB revenues and expenditures were recorded in restricted revenues and expenditure accounts in the general ledger.¹⁶

The station reported CSG expenses on its AFR Schedule E for Expenditures as restricted and unrestricted based on the current year CSG award (i.e., the same amount as reported as revenue on AFR Schedule A line 2 A CPB CSGs). However, the actual expenditures reported in the general ledger in WCBE's restricted accounts for CSG expenditures were less in FY 2017 and more in 2018 than what the station reported on its AFRs.

Based on our review of the co-mingled expenditures that WCBE charged to the CSG grant it used its unrestricted and restricted grant funds for national programming.¹⁷

The CPB General Provisions defines a discrete accounting requirement as:

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

CPB FY 2018 Radio CSG General Provisions Part II. Definitions. S. Discrete Accounting Requirement. The General Provisions also impose the following requirement:

¹⁶ The station provided inconsistent as well as incorrect account information for unrestricted and restricted accounts. The general ledger contained only restricted accounts. Account numbers did not match those listed on the grant agreement and certification submitted to CPB.

¹⁷ CPB requires restricted CSG grant funds to be used for national programming and distribution.

Discrete Accounting Requirement: During the Spending Period, Grantees must be in compliance with the Discrete Accounting Requirement.

CPB FY 2018 Radio General Provisions; Part I Eligibility Criteria, Section 3. D. Recordkeeping Requirements.

The station commingled restricted radio revenues and expenditures with unrestricted revenues and expenditures for each FY CSG grant in the restricted CPB discrete accounts because it spent all the funds on national programming and distribution costs.

School district officials were not fully aware of the discrete requirement for separate restricted and unrestricted general ledger CSG accounts and did not adequately review which accounts the station reported as CPB accounts on its CSG legal agreement before certifying and accepting each agreement and AFR Schedule E reporting. As a result, the station was not fully compliant with the CSG discrete accounting requirement.

d) Harassment prevention training

WCBE did not provide harassment prevention training to staff as CPB requires for certifying its FY 2020 CSG grant.

CPB requires that all CSG recipients provide harassment prevention training to its officers and employees. Certification of FY 2020 CSGs requires training be completed no later than September 30, 2019. CPB made harassment prevention training a requirement effective March 31, 2018 and now requires that stations certify annual completion of this training prior to the award of each new CSG.

A. Annual Harassment Prevention training: To ensure that CPB-supported public media stations train their personnel to recognize, avoid and report workplace discrimination, including harassment, CPB requires annual harassment prevention training for all officers, employees, and interns of each station as a condition of Grantee's CSG eligibility. Grantees may satisfy this requirement through either of the following training options:

1. An interactive online harassment prevention training service, available free of charge through CPB...
2. A comparable harassment prevention training program of Grantee's choice...

CPB FY 2019 and FY 2020 Radio CSG General Provisions, Section 10 Training Requirements.

The station completed the required training prior to October 1, 2018, as required using the CPB provided interactive online training program; it did not provide harassment prevention training during FY 2019. Due to management turnover, staff members and school district officials were not aware of this annual training requirement. The station and school district officials are now

aware and are working with CPB to ensure all required officers and employees obtain the required harassment prevention training.

WCBE did not complete the required harassment prevention training by September 30, 2019 and will not be compliant with the FY 2020 CSG grant requirement and may be subject to CSG non-compliance penalties.

e) Retain Records for Audit

As previously referenced in our findings, the station did not retain adequate records of its underwriting agreements, invoice billings, collections, and membership premiums that it recorded in its subsidiary accounting systems during our audit period to facilitate our audit. Specifically, we could not verify underwriting receipts reported in the audited financial statements and claimed as NFFS on the AFRs to specific underwriting agreements nor could we assess accurate receivables at year-end because the underwriting order and billing system software was changed in 2019. The underlying historical information for our audit period was not provided. In addition, the station staff were not able to provide us with all the requested underwriting contracts for our audit period. Likewise, because the station changed its membership accounting system, it was not able to retrieve prior donor information with premium details for our audit period.

CPB's record retention guidance requires:

The Communications Act mandates recordkeeping and auditing and provides CPB and its representatives access to all records concerning a CSG. Grantees must maintain such records as CPB may in its discretion require to facilitate an effective audit. (47 U.S.C. § 396(l)(3)(B), (C), & (D))....

Grantees must retain all CSG records for no less than three years after the end of the Spending Period.

CPB FY 2018 Radio CSG General Provision, Section 3.A. and B. Recordkeeping Requirements.

Due to management turnover, staff members and school district officials were not aware of CPB's record retention requirements. As a result, we could not verify underwriting receipts and collections against specific underwriting agreements or verify premiums given during our audit period.

Recommendations:

We recommend that CPB management require WCBE to:

- 10) fully comply with CPB General Provisions to provide a diversity statement, provide transparency, maintain discrete accounting, conduct annual harassment prevention training, and retain financial records for audit; and

- 11) identify the corrective actions and controls it will implement to ensure future compliance with CPB's General Provision requirements.

School District Response

In response to the draft report, the school district stated that it agreed that management turnover and lack of staff training contributed to these eligibility findings. However, the school district stated that the station followed the school district policies which included board diversity and harassment prevention training policies, and that it followed Ohio law related to transparency. With regard to the discrete accounting finding, the school district stated that it has implemented additional processes to track both restricted and unrestricted expenses but continues to spend all of its CSG awards on national programming.

As stated in the report and acknowledged in the school district's response WCBE had upgraded to a new software system for underwriting, traffic, and membership/ development. It stated that these new systems allow for better documentation of station activity and that prior information may have been lost or could not be found because those records may have been maintained in a manner only known to the former station manager. In addition, the school district stated that as a result of the OIG audit and its own Office of Internal Audit's special review of its processes its current station staff have become better educated on maintaining adequate records.

OIG Review and Comment

Based on our review of WCBE's response to the draft report we consider recommendations ten and eleven resolved but open pending CPB's verification of the school district's current compliance with CPB requirements and acceptance of the station's corrective actions in CPB's final management decision.

CPB Payments to WCBE-FM
July 1, 2016 through June 30, 2018

CPB Grants	FY 2017	FY 2018	Total
Unrestricted Community Service Grant	\$99,664	\$93,114	\$192,778
Restricted Community Service Grant	\$35,145	\$33,109	\$68,254
<i>Total Community Service Grant</i>	<i>\$134,809</i>	<i>\$126,223</i>	<i>\$261,032</i>

**WCBE-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Schedule A - Revenues		
1. Amounts provided directly by federal government agencies	-	-
2. Amounts provided by Public Broadcasting Entities	\$134,809	\$126,223
A. CPB - Community Service Grants	\$134,809	\$126,223
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	-	-
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	-	-
D. NPR - all payments except pass-through payments. See Guidelines for details.	-	-
E. Public broadcasting stations - all payments	-	-
F. Other PBE funds (specify)	-	-
3. Local boards and departments of education or other local government or agency sources	-	-
4. State boards and departments of education or other state government or agency sources	\$34,225	\$33,198
4.1 NFFS Eligible	\$34,225	\$33,198
A. Program and production underwriting	-	-
B. Grants and contributions other than underwriting	\$34,225	\$33,198
C. Appropriations from the licensee	-	-
5. State colleges and Universities		
6. Other state-supported colleges and universities	-	-
7. Private colleges and universities	-	-
8. Foundations and nonprofit associations	-	-
9. Business and Industry	\$407,300	\$339,135
9.1 NFFS Eligible	\$407,300	\$339,135
A. Program and production underwriting	\$407,300	\$339,135
10. Memberships and subscriptions (net of membership bad debt expense)	\$718,710	\$854,944
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	-	-
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)	-	-
10.3 Total number of contributors. 2017 data 3,337; 2018 data 3,777		
11. Revenue from Friends groups less any revenue included on line 10	-	-

**WCBE-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
11.1 Total number of Friends contributors. 2017 data 2018 data		
12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)	-	-
Form of Revenue		
13. Auction revenue (see instructions for Line 13)		
14. Special fundraising activities (see instructions for Line 14)		
A. Gross special fundraising revenues	-	-
B. Direct special fundraising expenses	-	-
15. Passive income	-	-
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	-	-
17. Endowment revenue	-	-
18. Capital fund contributions from individuals (see instructions)	-	-
19. Gifts and bequests from major individual donors	-	-
19.1 Total number of major individual donors: FY 2017 data – 0; FY 2018 data - 0		
20. Other Direct Revenue	-	-
Line 21. Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases (TV only)	-	-
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)	\$1,295,044	\$1,353,500
Adjustments to Revenue		
23. Federal revenue from line 1.	-	-
24. Public broadcasting revenue from line 2.	\$134,809	\$126,223
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	-	-
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	-	-
27. Other automatic subtractions from total revenue	-	-
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$1,160,235	\$1,227,277
AFR Schedule B - Worksheet II: Basic Method		
1. Determine Station net direct expenses		
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	\$1,588,276	\$1,590,015

**WCBE-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Deductions (lines 1b.1. through 1b.7.):		
1b.1. Capital outlays (from Schedule E, line 9 total)	-	-
1b.2. Depreciation	\$13,106	\$13,106
1b.3. Amortization	-	-
1b.4. In-kind contributions (services and other assets)	\$185,996	\$131,599
1b.5. Indirect administrative support (see Guidelines for instructions)	\$78,462	\$83,821
1b.6. Donated property and equipment (if not included on line 1b.1)	-	-
1b.7. Other	-	-
1b.8. Total deductions	\$277,564	\$228,526
1c. Station net direct expenses	\$1,310,712	\$1,361,489
2. Institutional support rate calculation (Note: Choose one method only - either 2a or 2b)		
2a. Net direct expense method		
2a.1. Station net direct Expenses (forwards from line 1)	\$1,310,712	\$1,361,489
2a.2. Licensee net direct activities	\$790,406,101	\$805,615,475
2b.3. Percentage of allocation (2b.1 divided by 2b.2) (forward to line 2c.5 below)	0.165828%	0.169000%
Institutional support calculation		
2c.2. Costs per licensee financial statements	\$22,902,681	\$25,105,692
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	-	-
2c.4. Costs benefiting station operations	\$22,902,681	\$25,105,692
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	0.165828%	0.169000%
2c.6. Total institutional costs benefiting station operations	\$37,978	\$42,428
3. Physical plant support rate calculation		
3a. Net square footage occupied by station	4,193	4,193
3b. Licensee's net assignable square footage	10,200,586	9,700,586
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.041105%	0.043224%
3d.2. Costs per licensee financial statements	\$59,407,754	\$58,600,526
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	-	-
3d.4. Costs benefiting station operations	\$59,407,754	\$58,600,526
3d.5. Percentage of allocation (from line 3c.)	0.041105%	0.043224%
3d.6. Total physical plant support costs benefiting station operations	\$24,419	\$25,329
4. Total costs benefiting station operations (forwards to line 1 on tab 3)	\$62,397	\$67,757

**WCBE-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Occupancy List (Building)		
1. Record building at original cost or at fair market value at the time the station took possession (use fair value only if original cost is unknown)	\$530,091	\$530,091
2. Total original cost of major improvements	-	-
3. Subtract federal and CPB funds used in construction or improvements	-	-
4. Total non-federal value of building/improvements	\$530,091	\$530,091
5. Enter year constructed or acquired	1992	1992
6. Estimated useful life of building/improvements from date of acquisition or construction	33	33
7. Remaining useful life of building (includes current reporting year) - if remaining useful life is zero, do not continue this computation	8	7
8. Annual value (line 4 divided by line 6)	\$16,063	\$16,063
9. Station's pro-rata use of building	100%	100%
10. Annual prorated value (product of lines 8 and 9)	\$16,063	\$16,063
11. Payments made to building as a part of the lease or rental agreement	0	0
12. Payments received from others as a part of a sublease or rental agreement	0	0
13. Annual value for NFFS purposes (line 10 less lines 11 and 12)	\$16,063	\$16,063
Schedule B Totals		
1. Total support activity benefiting station	\$62,397	\$67,757
2. Occupancy value	\$16,063	\$16,063
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	-	-
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	-	-
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$78,460	\$83,820
6. Please enter an institutional type code for your licensee.	LG	LG
Schedule C -In-Kind		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	-	-
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	-	-
3. OTHER SERVICES (must be eligible as NFFS)	\$84,291	\$60,840
A. ITV or educational radio	-	-
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$84,291	\$60,840

**WCBE-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
C. Local advertising	-	-
D. National advertising	-	-
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	\$84,291	\$60,840
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$101,704	\$70,759
A.Compact discs, records, tapes and cassettes	\$21,871	\$18,186
L. Services that would not need to be purchased if not donated	\$79,833	\$52,573
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	\$185,995	\$131,599
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.	\$185,995	\$131,599
Schedule E - Expenditures		
1. Programming and production	\$290,022	\$274,030
A. Restricted Radio CSG	\$35,145	\$33,109
B. Unrestricted Radio CSG	\$99,664	\$93,114
C. Other CPB Funds	-	-
D. All non-CPB Funds	\$155,213	\$147,807
2. Broadcasting and engineering	\$869,801	\$836,641
A. Restricted Radio CSG	-	-
B. Unrestricted Radio CSG	-	-
C. Other CPB Funds	-	-
D. All non-CPB Funds	\$869,801	\$836,641
3. Program information and promotion	\$171,104	\$205,799
A. Restricted Radio CSG	-	-
B. Unrestricted Radio CSG	-	-
C. Other CPB Funds	-	-
D. All non-CPB Funds	\$171,104	\$205,799
4. Management and general	\$257,349	\$273,545
A. Restricted Radio CSG	-	-
B. Unrestricted Radio CSG	-	-
C. Other CPB Funds	-	-
D. All non-CPB Funds	\$257,349	\$273,545
5. Fund raising and membership development	-	-
6. Underwriting and grant solicitation	-	-
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	-	-

**WCBE-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$1,588,276	\$1,590,015
A. Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$35,145	\$33,109
B. Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$99,664	\$93,114
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	-	-
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$1,453,467	\$1,463,792
9. Total capital assets purchased or donated	-	-
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$1,588,276	\$1,590,015
11. Total expenses (direct only)	\$1,425,523	\$1,445,354
12. Total expenses (indirect and in-kind)	\$162,753	\$144,661
13. Investment in capital assets (direct only)	-	-
14. Investment in capital assets (indirect and in-kind)	-	-
Schedule F		
1. Data from AFR		
a. Schedule A, Line 22	\$1,295,044	\$1,353,500
b. Schedule B, Line 5	\$78,460	\$83,820
c. Schedule C, Line 6	\$185,995	\$131,599
d. Schedule D, Line 8	-	-
e. Total from AFR	\$1,559,499	\$1,568,919
2. FASB ¹⁸		
a. Total support and revenue -unrestricted	\$1,524,354	\$1,535,811
b. Total support and revenue - temporarily restricted	\$35,145	\$33,109
c. Total support and revenue - permanently restricted	-	-
d. Total from AFS, lines 2a-2c	\$1,559,499	\$1,568,920
Reconciliation	0	(1)

¹⁸ The station and school district follow GASB therefore the station should have used the GASB Model A proprietary enterprise fund financial statement on schedule F.

WCBE-FM
Summary of Non-Federal Financial Support
For the periods ending June 30, 2017 and 2018
Certified by Head of Grantee and Independent Accountant's Report

Line	Description	FY 2017	FY 2018	Total
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$1,160,235	\$1,227,277	\$2,387,512
2	Indirect Administrative (Schedule B)	\$78,460	\$83,820	\$162,280
3	In-Kind Contributions (Schedule C)	\$84,291	\$60,840	\$145,131
4	Total Non-Federal Financial Support	\$1,322,986	\$1,371,937	\$2,694,923

WCBE-FM Overstated Indirect Administrative Support

AFR Schedule B - WCBE-FM	WCBE-FM Reported on AFRs		OIG Audit		Variance WCBE-FM Reported vs OIG Audit		Notes
	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	
2. Institutional support rate calculation							
2a. Net direct expense method							
2a.1. Station net direct Expenses (forwards from line 1)	\$1,310,712	\$1,361,489	\$1,310,712	\$1,361,489	-	-	
2a.2. Licensee net direct activities	\$790,406,101	\$805,615,475	\$673,954,789	\$689,188,788	(\$116,451,312)	(\$116,426,687)	(1)
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	0.165828%	0.169000%	0.194481%	0.197549%	0.028653%	0.028550%	
2c. Institutional support calculations							
2c.1. Choose applicable cost groups that benefit the station							
2c.2. Costs per licensee financial statements	\$22,902,681	\$25,105,692	\$22,902,681	\$25,105,692	-	-	
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	-	-	\$4,459,808	\$5,095,863	\$4,459,808	\$5,095,863	(2)
2c.4. Costs benefiting station operations	\$22,902,681	\$25,105,692	\$18,442,873	\$20,009,829	(\$4,459,808)	(\$5,095,863)	
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	0.165828%	0.169000%	0.194481%	0.197549%	0.028653%	0.028550%	
2c.6. Total institutional costs benefiting station operations	\$37,978	\$42,428	\$35,868	\$ 39,529	(\$2,110)	(\$2,899)	
3. Physical plant support rate calculation							
3a. Net Square footage occupied by station	4,193	4,193	4,193	4,193	-	-	
3b. Licensee's net assignable square footage	10,200,586	9,700,586	10,036,097	9,767,873	(164,489)	67,287	(3)
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.041105%	0.043224%	0.041779%	0.042926%	0.000674%	-0.000298%	
3d.1. Choose applicable cost groups that benefit the station							
3d.2. Costs per licensee financial statements	\$59,407,754	\$58,600,526	\$59,407,754	\$58,600,526	-	-	
3d.3. LESS: Costs groups that do not benefit the operations of the public broadcasting station	-	-	-	-	-	-	
3d.4. Costs benefiting station operations	\$59,407,754	\$58,600,526	\$59,407,754	\$58,600,526	-	-	
3d.5. Percentage of allocation (from line 3c)	0.041105%	0.043224%	0.041779%	0.042926%	0.000674%	-0.000298%	
3d.6. Total physical plant support costs benefiting station operations	\$24,419	\$25,329	\$24,820	\$25,155	\$401	(\$174)	
4. Total costs benefiting station operations (forwards to line 1 on tab 3)	\$ 62,397	\$67,757	\$60,688	\$64,684	(\$1,709)	(\$3,073)	

WCBE-FM Overstated Indirect Administrative Support

AFR Schedule B Totals

Worksheet II,
Tab 3

	WCBE-FM Reported on AFRs			OIG Audit			Variance WCBE-FM Reported Versus OIG Audit			Notes
	FY 2017	FY 2018	Total	FY 2017	FY 2018	Total	FY 2017	FY 2018	Total	*
1. Total support activity benefitting station	\$62,397	\$67,757	\$130,154	\$60,688	\$64,684	\$125,372	(\$1,709)	(\$3,073)	(\$4,782)	(4)
2. Occupancy value	16,063	16,063	32,126		-		(\$16,063)	(\$16,063)	(\$32,126)	
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.										
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.										
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Non-federal Financial Support)	\$78,460	\$83,820	\$162,280	\$60,688	\$64,684	\$125,372	(\$17,772)	(\$19,136)	(\$36,908)	
6. Please enter an institutional type code for your licensee.	LG	LG								
Total Overstated NFFS (understated)							\$17,772	\$19,136	\$36,908	
2019 & 2020 IRR							5.21259919%	5.00967788%		
Potential CSG overpayments FYs 2019 & 2020							\$926	\$959	\$1,885	

*See audit variance notes

WCBE-FM Overstated Indirect Administrative Support

AFR Schedule B

***Audit Variance Notes:** Comparison of OIG revised AFR Schedule B to station reported AFR Schedule B

	FY 2017	FY 2018	
1) Adjustment to licensee Net Direct costs			
Costs per Licensee financials as reported	\$790,406,101	\$805,615,475	
Add: Station Direct Expenses not in denominator General Fund	\$1,310,712	\$1,361,489	
Deduct:			
Non-Mission costs as per CPB guidance			
Building Operations	(\$59,407,754)	(\$58,600,526)	
Transportation	(\$58,354,270)	(\$59,187,640)	
OIG adjusted Licensee Net Direct Costs	\$673,954,789	\$689,188,798	
Misc. adjustment on Licensee support not on AFR		-10	
Revised Licensee Net Direct Costs	\$ 673,954,789	\$689,188,788	line 2a.2
 2) Licensee Cost pools not benefiting Station (WCBE-FM)	 FY 2017	 FY 2018	
052413 -State & Federal Projects Coord.	\$397,875	\$584,325	
052416 -Special Ed. Services Admin.	\$1,592,381	\$1,675,885	
052417 -Special Ed. Support Staff	\$1,517,868	\$1,542,305	
 052419 -Other Executive Administration (partial costs unallowed)	 \$870,563	 \$1,145,821	
052429 -Other Support School Services	\$81,121	\$147,526	
 Total OIG questioned cost pools that did not benefit the station	 \$4,459,808	 \$5,095,863	 line 2c.3
 3) Licensee square footage	 FY 2017	 FY 2018	
Licensee square footage reported on AFR	10,200,586	9,700,586	line 3b.
Licensee square footage from documentation support	10,036,097	9,767,873	
Variance in licensee square footage	(164,489)	67,287	
 4) Occupancy Value			
Occupancy value calculations were not supported with documentary evidence.			

Scope and Methodology

We performed an attestation examination to determine WCBE'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 station on its AFRs and reconciled to audited financial statements for the years ending June 30, 2017 and 2018;¹⁹ grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on WCBE's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed membership and underwriting receipts and supporting documentation, grant agreements, in-kind donations, and indirect administrative support. Specifically, we tested NFFS revenue transactions and indirect support totaling \$1,203,571 (45percent) of \$2,694,923 claimed in FYs 2017 and 2018.

We reviewed the allowability of expenses charged to CSGs. To determine that expenditures were incurred in accordance with the grant terms, we reviewed \$278,525 of expenses (100 percent) reported on the CSG grants. Due to our prior knowledge that the former general manager altered invoices for payment, we independently verified expenditures with vendors.

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; and provide documents supporting compliance with donor lists and political activities prohibitions. We also reviewed the station's website and policies to determine its compliance with CPB's transparency requirements for eligibility. Furthermore, we reviewed the independent public accountant's (IPA) audit planning, internal controls, and attestation working papers. Our procedures included interviewing station officials and its IPA.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of WCBE'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 October 2019 through January 2020 and our examination was performed in accordance with the *Government Auditing Standards* for attestation engagement.

¹⁹ We reported on Act and General Provisions compliance through the date we completed our audit fieldwork.



WCBE 90.5 FM
A Broadcast Service of Columbus City Schools

540 Jack Gibbs Blvd.
Columbus, OH 43215-1720
614.365.5555 www.wcbe.org

March 19, 2020

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

**RE: Audit of Community Service Grants awarded to Columbus City School District,
WCBE-FM, Columbus, Ohio, for the period July 1, 2016 through June 30, 2018, Report No.
ASR1912-XXXX**

Dear Mr. Richardson,

Thank you for this opportunity to respond to the Office of Inspector General audit in the matter indicated above. Staff from Columbus City Schools and WCBE appreciated the professionalism and patience of your staff throughout the audit process.

The leadership of Columbus City Schools, the license holder for WCBE-FM (90.5FM), has an unwavering commitment to the highest levels of accountability, transparency, and sound fiscal stewardship of the public dollars and resources placed in our care by the taxpayers of Columbus, our state, and our federal partners. As such, our District takes seriously the shortfalls and risks identified by the Office of Inspector General at the Corporation for Public Broadcasting, and we appreciate the additional insight and scrutiny shared as part of the special review and this audit report.

For the 65 years since WCBE 90.5 FM first began broadcasting from the basement of our District's main offices, the radio station has held a unique and somewhat isolated position within Ohio's largest school district. To this day, it is still unique for a public K-12 school system to own a radio station. All but one of the station's employees hold job classifications and titles that are not seen in any other department or office throughout the District. Staff work hours are far different than the normal school day and school year. There is not a non-classified/non-certificated administrator specifically dedicated to oversee day-to-day station operations. It is one of only three cost centers within our accounting system to have a separate enterprise-style fund. And for the past decade-and-a-half, the station's operations have received no direct general fund support, relying solely on fundraising, underwriting, and grants.

Though not an excuse, these uncommon aspects of WCBE's role within Columbus City Schools were part of a station environment which contributed to the risk of neglectful or fraudulent activity by one employee going undetected for an extended period of time. As this audit by the Office of Inspector General details - and is supported by a previous special review conducted by the District's own Office of Internal Audit - the shortfalls and mistakes at WCBE in meeting the expectations and standards of the Corporation for Public Broadcasting were rooted in one employee's failure to provide accurate information (and instead sharing misleading information or withholding important information on several

occurrences) to a list of station stakeholders: vendors, staff, district management, donors, and funders, including the Corporation for Public Broadcasting.

When the inappropriate actions of the former station manager were first revealed, Columbus City Schools took swift and immediate action to investigate and implement change. The employee was held accountable, both professionally and criminally, for his actions that violated District policy and state law (as noted in the Office of Inspector General's report). Further investigation and scrutiny by District leadership over the past year have provided greater insight to the types of changes necessary to implement corrective action, reduce the risk of future mistakes, and ensure that WCBE is meeting the standards of accountability, transparency, and stewardship set by our Superintendent and Board of Education.

In response to the specific shortfalls identified in this Audit of Community Service Grants Awarded to WCBE (July 1, 2016 - June 30, 2018) by the Office of Inspector General, this correspondence details the multiple action steps already taken or put in place by the station's management and by District leadership. Please note that the District's leaders and its Board of Education are in serious deliberations that could fundamentally alter how the station is managed and how the station's role better fits into the overarching academic mission of Columbus City Schools and in service to the Columbus and Central Ohio community. It's hoped that all of these measures would be considered by the leadership of the Corporation for Public Broadcast in determining any type of punitive action against WCBE or any potential restrictions placed upon this station for the future.

Thank you again for the opportunity to share our responses to this audit, and WCBE looks forward to a continued and strengthened relationship with the Corporation for Public Broadcasting.

Sincerely,



Scott Varner
Executive Director of Strategic Partnerships
Columbus City Schools

**AUDIT OF COMMUNITY SERVICE GRANTS
AWARDED TO COLUMBUS CITY SCHOOL DISTRICT,
WCBE-FM, COLUMBUS, OHIO.
FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2018**

REPORT NO. ASR1912-XXXX

RESPONSE FROM COLUMBUS CITY SCHOOLS

**RESPONSE TO FINDING I:
INACCURATE AND INCOMPLETE FINANCIAL INFORMATION SUBMITTED TO CPB**

As noted in the audit by the Office of the Inspector General - and by the District's own special review conducted by our Office of Internal Audit - WCBE's former station manager altered numerous vendor invoices and managed an "off the books" ledger, which had a cascading effect on the financial information submitted to the Corporation for Public Broadcasting and the financials reviewed by the station's independent public accountant, the District's Chief Financial Officer, and our Office of the Treasurer. After self-reporting the overdue liabilities owed to National Public Radio in January 2019, the employee was immediately placed and remained on administrative leave during the special review by the Office of Internal Audit and leading up to the administrative hearing to determine his employment. It should be noted that the employee resigned his position prior to the determination on his termination. In addition to being removed from the management of the station, the employee was criminally convicted and sentenced for his actions.

The transitional management team at WCBE has been made fully aware of the expectations, policies, proper reporting procedures, and potential penalties - those set by our Board of Education, through state law, and as part of our agreements with the Corporation for Public Broadcasting - to reduce the risk of similar improper action moving forward.

In addition, all station invoices are now directly sent to the Treasurer's accounts payable office for review and proper payment, following a standard approval process. During the special review by our Office of Internal Audit, the Treasurer's Office contacted all of the station's known vendors to inquire about past due amounts and to request that all future concerns about billing be directed to the Treasurer's Office. This includes a change with National Public Radio to expand the list of "A-Rep" contacts so that communication is no longer routed to just one person (previously, NPR only spoke with the station manager and would not contact other individuals who served in administrative roles).

The station no longer maintains any kind of "petty cash" account, with all incoming cash deposited with the Treasurer's Office in an immediate and timely fashion. While the former station manager's "off the books ledger" detailed all expenses and revenues - and led investigators to believe that no dollars were used for the employee's personal gain - clear guidance has been given to all station staff that this type of arrangement is not permitted.

As it relates to underwriting contracts and invoicing, station management is currently developing better procedures to monitor accounts, including the review of agreements on total billing and whether certain accounts have become delinquent in payments. As noted in this report by the Office of Inspector General, WCBE has changed its internal underwriting order and billing

system software to be more user-friendly and provide updated reports on vendor payments. To be clear, the station did have a procedure for maintaining records as required by Ohio law and the expectations of the Corporation for Public Broadcasting. However, those records were stored in a manner known only by the former station manager. The current underwriting staff is better educated now on which records must be maintained and where they are located to address any type of records request.

Finally, for those contracts/vendors that represent some of the station's largest expenses (including National Public Radio), the station will begin including copies of contracts (when possible) with the authorizing legislation presented to the Board of Education for approval. It should be noted that these attached documents in the legislation become public record, which can then be viewed by a full-range of internal staff as well as the public at large.

RESPONSE TO FINDING II: QUESTIONED CSG FUNDS SPENT AFTER GRANT TERM

Based upon a review of financial records, there is no dispute that WCBE spent \$90,923 of its Community Service Grant funding outside of the two-year grant spending term as detailed in the grant expectations set by the Corporation for Public Broadcasting. However, it should be noted that the funds were spent on eligible expenses (national programming with National Public Radio) and there is no allegation that funds were misspent on any inappropriate costs.

On an annual basis, Columbus City Schools receives more than \$130 million in federal funding, with the majority coming through the U.S. Department of Education (Title Funds) and the U.S. Department of Agriculture (food service). As such, the District's Budget Office and Treasurer's Office have an expansive process for monitoring and tracking federal funds to ensure that spending is both appropriate and timely. Information about the grant expectations set by the Corporation for Public Broadcasting were not shared by the former station manager with the Budget and Treasurer teams, which prevented normal scrutiny.

To reduce this risk moving forward, detailed expectations about the Community Service Grants will be shared with the District's Budget and Treasurer's Office teams and these grant dollars will be tracked using more traditional processes that account for the deadlines on use.

It should be noted that the former station manager was admonished in his annual evaluation for the late filing of important financial reports, including the Annual Financial Report required by the Corporation for Public Broadcast.

Also of note, WCBE has not yet received its current-year Community Service Grant, pending the finalization of this audit by the Office of Inspector General.

RESPONSE ON FINDING III: OVERSTATED NFFS AND OTHER AFR REPORTING ERRORS OR OMISSIONS

When the Office of Inspector General first contacted Columbus City Schools regarding the launch of this audit, it was anticipated that some of the potential findings would be the result of a lack of knowledge by current station and District staff, not solely the misdeeds of the former station manager. This particular finding regarding calculations of Non-Federal Financial Support and data used as part of the station's Annual Financial Report is mostly a result of current

station and/or District staff not being made aware of the expectations and proper calculation models set by the Corporation for Public Broadcasting in awarding Community Service Grants, which led to a modest overpayment in FY 2019. WCBE has not yet received its FY 2020 Community Service Grant.

It is unclear if the former station manager was aware of these expectations and proper calculation models and then either ignored or withheld the information from others. Throughout and following the audit by the Office of Inspector General - and to mitigate the risk of these infractions from being repeated moving forward - the information has been shared with current staff, the station's independent public accountant, and the District's Office of the Treasurer.

Specific to the findings, guidance has been given to the underwriting staff to denote contracts with the station's university partners who operated public broadcasting entities. As noted previously, WCBE has changed its internal underwriting billing software to provide updated reports on vendors. Specific to any organizations which would fall under this specific guidance, the station's current underwriting prospect list includes only The Ohio State University and Ohio University.

We appreciate that the Office of Inspector General recognized that many guidelines and instructions are predominantly designed for institutional stations licensed to universities, which have different licensee functional expense categories than school districts.

Additionally, certain calculations used by the station and independent public accountant to determine WCBE's non-federal financial support were based on data that had been used in previously unchallenged Annual Financial Reports (and perhaps based on past guidelines that were changed). Where identified during this audit, data and calculations have been collected and updated, including square footage and occupancy values.

Also updated is the station's procedures for awarding high-end membership premiums. A new software system for tracking membership and donation information will allow for improved recordkeeping on premiums provided to membership donors as thank you gifts. Station staff who are directly involved in awarding these types of gifts have been given clear guidance on recognizing that certain premiums might still be considered "high-end" - and thus require additional tracking and reporting back to the donor - even if the gifts are donated to the station at no cost. During the station's current transitional period, the station avoided awarding any of these types of "high-end premiums" to donors as a precautionary measure.

RESPONSE TO FINDING IV: ACT COMPLIANCE

We appreciate that the Office of Inspector General's audit recognizes that "management turnover and lack of staff training on CPB Act requirement compliance" contributed to these specific findings. WCBE has already been able to address the three concerns noted in this finding.

As it relates to Open Meetings, it must be noted that Columbus City Schools follows all open meeting requirements as outlined in Ohio law; there is no accusation that the Columbus Board of Education met or made decisions in violation of Ohio law. To address the concerns that an additional notice be given for any Board of Education meetings in which decisions about WCBE might be made, WCBE has created a link on its website to the Board of Education's meeting

notice page. Previously, the station's web manager would copy information from the Board's page. However, this process did not account for changes in meeting dates. Thus, the link will prevent any missed information.

As it relates to Open Financial Records and the Employment Statistical Report, again it must be noted that Columbus City Schools follows all public record requirements under Ohio law; there is no accusation that the station or District failed to provide either report as part of a public records request. To address the concerns that past financial records and employment statistics were not accessible on the station's website, WCBE has uploaded copies of its current audited financial statements, Annual Financial Report, and Station Activity Survey (which includes the employment statistical information in Section 1) on its website.

RESPONSE TO FINDING V: GENERAL PROVISIONS AND ELIGIBILITY COMPLIANCE

We again appreciate that the Office of Inspector General's audit recognizes that management turnover and lack of staff training on certain compliance requirements contributed to these specific findings. WCBE has already been able to address the five concerns noted in this finding.

As it relates to the establishment of a Diversity Statement, WCBE is no different than any other office within Columbus City Schools, following the same Board policies on diversity and local/state laws on discrimination. During the Office of Inspector General's audit, it was suggested that WCBE adopt a broader Diversity Statement, which has been done and posted on the station's website. The WCBE Diversity Statement reads:

A Commitment to Diversity

WCBE and Columbus City Schools District are committed to recognizing and celebrating the diversity of our Central Ohio community. We do not discriminate based upon sex, race, color, national origin, religion, age disability, sexual orientation, gender identity/expression, ancestry, familial status with regard to admission, access, treatment or employment. This policy is applicable in all District programs and activities.

Columbus City Schools is an equal opportunity employer. We actively recruit to promote diversity and inclusion in our workforce. WCBE supports and follows all Columbus City Schools' nondiscrimination and diversity policies. WCBE is committed to recruiting from a broad pool of candidates, enabling us to hire and promote qualified staff and management who represent a variety of backgrounds, personal experiences and characteristics, and talents.

WCBE is dedicated to the production, promotion, and airing of programming and information that is reflective of the diverse voices in the Central Ohio community and supports compelling, honest, and compassionate newsgathering. As a public radio station and a community asset, WCBE believes that cultivating an inclusive environment through our programming, staff, and leadership is essential to understanding Central Ohio's unique communities and to delivering relevant programming that engages our audiences and helps listeners achieve their full potential.

The Columbus City Schools Division of Diversity, Equity, and Inclusion leads the District's efforts to increase diverse representation, create and sustain equality of opportunity, and intentionally foster an inclusive and equitable environment. For more information or to ask a question, click here. (link to <https://www.ccsdoh.us/domain/2611>)

Any member of the Columbus City Schools and WCBE community who believes that s/he has been subjected to unlawful discrimination, harassment, or retaliation may seek resolution by filling out the Anti-Discrimination/Harassment complaint. Click here for the complaint form. (link to <https://tinyurl.com/ccsequitycomplaints>)

As it relates to transparency, it must be noted that Columbus City Schools follows all public record requirements under Ohio law; there is no accusation that the station or District failed to provide its local content and service report as part of a public records request. WCBE has posted the station's most recent Station Activity Survey (which includes the local content and service information in Section 6) on its website. Additionally, all documents posted online are available in a printed format at the station's front desk for public viewing.

As it relates to Discrete Accounting, we appreciate that the audit verifies that WCBE properly used all Community Service Grant fund- both restricted and unrestricted - on the allowable expenditure of national programming. Detailed expectations about the discrete accounting of Community Service Grants will be shared with our Budget and Treasurer teams and those grant dollars will be tracked using more traditional processes. Unless budget projections change, it's anticipated that WCBE's restricted and unrestricted Community Service Grant funds would continue to be used on the allowable expenditure of national programming.

As it relates to harassment prevention training, it must be noted that WCBE follows all Board policies and local/state laws related to workplace harassment. Annual training on harassment prevention for all WCBE employees is now including in the District's Public School WORKS Online Training system, which provides more than 400 online training programs, including courses needed to fulfill state and federal mandates. Reminders to complete the required courses are sent through email to both the individual employees and to the proper supervisor, who can monitor and note which employees must still complete the course.

Lastly, as it relates to retaining records for audit, we appreciate that the Office of Inspector General's audit recognized that WCBE has upgraded its software systems for underwriting, traffic, and membership/development to better document station activity. During the transition to these new platforms, certain records may have become more difficult to access if not lost. Additionally, certain records were likely stored in a manner known only by the former station manager - again making them more difficult to access if not lost. Throughout the auditing processes undertaken by the federal Office of Inspector General and the local Office on Internal Audit, current station staff have become better educated on which records must be maintained and where they are located to address any type of future records request.