



Corporation  
for Public  
Broadcasting

August 13, 2019

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Mr. Chuck Roberts  
Executive Director & CEO  
West Virginia Public Broadcasting  
600 Capital Street  
Charleston, WV 25301

Dear Mr. Roberts,

RE: Audit of Community Service Grants awarded to West Virginia Public Broadcasting, Charleston, West Virginia for the period July 1, 2016 through June 30, 2018, Report No. ASJ1901-1904

The audit concluded that West Virginia Public Broadcasting (WVPB) generally complied with its CSG Certification of Eligibility (CSG Agreement), the numerous provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act), the reporting of non-federal financial support (NFFS) on its annual financial reports in accordance with CPB Financial Reporting Guidelines (Guidelines), and the terms of its community service grants (CSG). However, the report found that WVPB overstated its NFFS, resulting in a 2019 CSG overpayment of \$48,754, a potential 2020 CSG overpayments of \$54,803<sup>1</sup>, did not comply fully with the discrete accounting requirement, and did not document salary costs under the American Graduate grants awarded to it by CPB.

The specific findings and CPB's determinations for WVPB follow.

I. Recommendations 1 & 2

The report recommended that CPB recover the CSG overpayments detailed below and require WVPB to identify the corrective actions and controls it will implement to ensure its future compliance with the NFFS reporting requirements.

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<sup>1</sup> Potential because the 2020 CSGs will not be awarded to WVPB until late 2019.

Disallowed NFFS	FM CSG Over/Under Payment <sup>2</sup>	FM Potential CSG Overpayment <sup>3</sup>	TV CSG Overpayment <sup>4</sup>	TV Potential CSG Overpayment <sup>5</sup>	Total
Unsupported NFFS	\$5,056	\$6,382	\$17,112	\$30,913	\$59,463
Premiums	\$3,007	\$2,768	\$7,178	\$6,611	\$19,564
Exchange Payments	\$3,492	\$3,492	\$1,544	\$0	\$8,528
Federal Funds	\$1,600	\$1,369	\$623	\$2,645	\$6,237
State Appropriations	\$916	\$0	\$4,063	\$0	\$4,979
Public Broadcasting	\$1,525	\$0	\$0	\$623	\$2,148
Radio Funds	(\$1,900)	\$0	\$4,538	\$0	\$2,638
Total	\$13,696	\$14,011	\$35,058	\$40,792	\$103,557

A. Unsupported NFFS

The audit did not accept as NFFS the following revenues, which resulted in CSG overpayments of \$22,168 and potential CSG overpayments of \$37,295. We agree with these findings as explained below.

1. Membership: The Guidelines explicitly prohibit stations from reporting any revenues as NFFS if they are not reflected on its audited financial statements (Section 2.1). In addition, the station must have sufficient documentation to support an audit, i.e. the supporting documentation required by the Television and Radio General Provisions and Eligibility Criteria (General Provisions, Section 3(A)). The audit disallowed \$230,426 in membership revenues that the station reported on its audited financial statements because it could not produce the supporting documentation. WVPB must return the resulting \$21,670 CSG overpayments to CPB.

Action: WVPB must return the \$21,670 CSG overpayments (\$5,056 for radio and \$16,614 for television) to CPB.

2. Interest, Dividends and Other Revenues: Although WVPB reported the following revenues as NFFS which were included on its audited financial statement, it did not have supporting documentation as required by the General Provisions: interest and dividends on endowment funds totaling \$325,342 and pass-through royalties of \$45,367. In addition, it appears the station inadvertently recorded \$4,000 in underwriting revenues twice. Consequently, the audit disallowed these revenues. WVPB must return the resulting \$498 CSG overpayments to CPB and to avoid potential CSG overpayments in 2020, reduce its 2018 NFFS by \$370,709.

Action: WVPB must return the \$498 television CSG overpayment to CPB. To avoid a 2020 CSG overpayment, WVPB must reduce its 2018 NFFS by \$370,709 (\$248,265 for television and \$122,444 for radio).

<sup>2</sup> Incentive rate of return (IRR): .0521.

<sup>3</sup> Until the fiscal year 2020 IRR is finalized, the potential overpayment is calculated using the 2019 IRR.

<sup>4</sup> IRR: .1245.

<sup>5</sup> Until the fiscal year 2020 IRR is finalized, the potential overpayment is calculated using the 2019 IRR.

## B. Premiums

The fair market value of high-end premiums must be deducted from the associated donation, pursuant to the Guidelines (Part III, Line 10.1 Instructions, page 41-42), and the remainder may be reported as NFFS consistent with the IRS rules<sup>6</sup>. The audit found that WVPB did not deduct the premiums associated with donations it received as membership revenues, resulting in CSG overpayments of \$10,185 and potential CSG overpayments in 2020 of \$9,379.

WVPB explained in its 2019 correspondence<sup>7</sup> that it recognized the mistake and has taken steps to ensure it will make the necessary deductions going forward. WVPB must return the \$10,185 CSG overpayment to CPB. To avoid potential CSG overpayments in 2020, WVPB must reduce its 2018 NFFS by \$106,194.

Action: WVPB must return the CSG overpayments of \$10,185 (\$3,007 for radio and \$7,178 for television) to CPB. To avoid potential CSG overpayments in 2020, WVPB must reduce its 2018 NFFS by \$106,194 (\$53,097 for radio and \$53,097 for television).

## C. Exchange Payments

The Guidelines provide that a payment to a station may be reported as NFFS if they are made by a state or local government or educational institution, i.e. the source criteria, and provided in exchange for educational or instructional television or radio programs, i.e. the purpose criteria (Section 2.2). The audit found that WVPB reported payments of \$146,400 as NFFS which did not meet one or more of these criteria. We agree with these findings as explained below.

1. Local Universities: Two local universities paid WVPB to operate a news bureau at or near their campuses. However, a portion of the payments also covered the time a station employee spent working as an adjunct professor at the universities. Although these payments meet the source criteria, only the hours associated with operating the news bureau that were supported by documentation, satisfies the purpose criteria. Therefore, WVPB must return the resulting \$3,492 CSG overpayment to CPB, and to avoid potential CSG overpayments in 2020, reduce its 2018 NFFS by \$67,000.

Action: WVPB must return the \$3,492 radio CSG overpayment to CPB. To avoid a potential radio CSG overpayment in 2020, WVPB must reduce its 2018 radio NFFS by \$67,000.

2. Health Education and Research Institute: WVPB was unable to locate its agreements with the Health Education and Research Institute to verify that the payment it received was to produce an educational or instructional video. Additionally, the station indicated during the audit that the video was not broadcast on public television, i.e. it did not meet the purpose criteria. Accordingly, WVPB must return the resulting \$623 CSG overpayment to CPB.

Action: WVPB must return the \$623 television CSG overpayment to CPB.

3. Local School: The audit found that a payment WVPB received from a local school for providing training did not meet the purpose criteria because it was not broadcast on public television. Thus, WVPB must return the resulting \$249 CSG overpayment to CPB.

Action: WVPB must return the \$249 television CSG overpayment to CPB.

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<sup>6</sup> Charitable Contributions-Substantiation and Disclosure Requirements, IRS Publication 1771 (Rev. 3-2016).

<sup>7</sup> Exhibit H of the audit report.

4. West Virginia Division of Culture and History: WVPB received a payment from the West Virginia Division of Culture and History to provide online training via the internet, for students producing art projects on science, technology, engineering, and math. Because it was unable to provide any supporting documentation, WVPB must return the resulting \$672 CSG overpayment to CPB.

Action: WVPB must return the \$672 television CSG overpayment to CPB.

#### D. Federal Funds

The Guidelines provide that payments and contributions provided by the federal government may not be reported as NFFS (Section 2.3.2). WVPB erroneously included in NFFS funds it received from two federal agencies: the West Virginia Humanities Council<sup>8</sup> and the Appalachian Regional Commission<sup>9</sup>. This resulted in a CSG overpayment of \$2,223 and potential CSG overpayments in its 2020 CSGs. We and WVPB agree.<sup>10</sup>

Action: WVPB must return the \$2,223 CSG overpayment (\$1,600 for radio and \$623 for television). To avoid potential CSG overpayments in 2020, WVPB must reduce its 2018 NFFS by \$47,500 (\$21,250 for television and \$26,250 for radio).

#### E. State Appropriations

The audit found that WVPB overstated the amount it received as a state appropriation resulting in CSG overpayments of \$4,979. We agree and WVPB must return the resulting overpayment to CPB.

Action: WVPB must return the \$4,979 CSG overpayment (\$916 for radio and \$4,063 for television) to CPB.

#### F. Public Broadcasting Entities

Stations are not permitted to report funds they receive from public broadcasting entities as NFFS pursuant to the Guidelines (Section 2.3.2). The audit found that WVPB included such funds in its NFFS, resulting in a CSG overpayment of \$1,525 and a potential 2020 CSG overpayment of \$623. WVPB and we agree.

Action: WVPB must return the \$1,525 radio CSG overpayment to CPB. To avoid a potential CSG overpayment in 2020, WVPB must reduce its 2018 television NFFS by \$5,000.

#### G. Radio Funds

1. Allocating Gifts: When a joint licensee, like WVPB, receives both a radio and television CSG, the Guidelines require that it establish a methodology for allocating gifts and donations that are not assigned by the donor or contributor and apply it consistently (Section 5). The audit found that WVPB did not have a methodology in place and allocated 100% of a grant it received from a foundation as television NFFS. However, in the prior year, the audit found that the station allocated a grant from the same foundation equally between television and radio. Considering this, the audit permitted 50-50 allocation, resulting in a television CSG overpayment of \$3,113 and a radio CSG underpayment of \$1,303. We agree with the

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<sup>8</sup> Federal Funds under a program for the National Endowment for the Humanities.

<sup>9</sup> Federal state partnership created by federal law.

<sup>10</sup> June 10, 2019 WVPB response to the draft audit report.

finding and require WVPB to return the television overpayment. As for the radio underpayment, we will allow WVPB to use it to offset its radio CSG overpayments because the over and underreporting occurred in the same fiscal year.

Action: WVPB must return the \$3,113 television CSG overpayment to CPB and we will offset its radio CSG overpayments by \$1,303.

2. Interest and Dividends: WVPB misallocated interest and dividends between its radio and television stations, i.e., it reported all the interest and dividends it received on an endowment for its television and radio stations as television NFFS. This resulted in a \$1,425 television CSG overpayment and a \$597 radio CSG underpayment. We agree with the finding and require WVPB to return the television overpayment. As for the radio underpayment, we will allow WVPB to use it to offset its radio CSG overpayments because the over and underreporting occurred in the same fiscal year.

Action: WVPB must return the \$1,425 television CSG overpayment to CPB and we will offset its radio CSG overpayments by \$597.

#### H. Penalty, Returning CSG Overpayments and Corrective Actions

CPB adopted the CSG Non-compliance Policy to encourage stations to comply with the applicable provisions governing their CSG and the Communications Act. Failure to comply with these requirements which results in an overpayment of the recipient's CSG subjects the recipient to a penalty of ten percent of the amount of the overpayment, in addition to refunding the overpayment. Therefore, we are assessing a penalty of \$4,875 against WVPB.

Instead of submitting a check to CPB for the CSG overpayments totaling \$48,754 detailed in this Section, CPB will deduct them from WVPB's 2020 CSG, the first installment is scheduled for the fall of 2019. Regarding the adjustments to avoid a potential CSG overpayment in 2020, WVPB must reduce its 2018 television NFFS by \$327,612 and its radio NFFS by \$268,791.

The OIG recommended that CPB require WVPB to identify the corrective actions and controls it has implemented to ensure compliance with each of the reporting requirements above. We agree with this recommendation and require that the corrective actions and controls be submitted to CPB in writing and signed by WVPB's general manager and licensee official. Further, considering the number and type of errors identified by the audit, we require WVPB's financial staff responsible for reporting NFFS complete CPB's live online financial reporting training that is scheduled to occur in October 2019.

Action: WVPB must provide the \$4,875 penalty and the corrective actions documentation, signed by WVPB's general manager and licensee official, to CPB within 45 days of the date of this correspondence. To recoup the \$48,754 in CSG overpayments, CPB will reduce WVPB's 2020 CSGs (\$13,696 for radio and \$35,058 for television). To avoid any 2020 CSG overpayments, WVPB must reduce its 2018 television NFFS by \$327,612 and its radio NFFS by \$268,791, instructions to follow. The NFFS adjustments must be completed by September 15, 2019 to enable CPB to issue the 2020 CSGs timely. As for the training, the responsible staff must complete the CPB training in October 2019.

## II. Recommendations 3 and 4

The audit examined the television and radio CSG awards and two other grants CPB awarded to WVPB. Each grant required that WVPB discretely account for its use of funds. While the station did not comply with this requirement, the auditors were able to verify the costs and did not identify any misspending.

The report recommends that CPB ensure WVPB discretely accounts for CSG expenditures and other CPB grants in accordance with grant requirements and require WVPB to identify the corrective actions and controls it will implement to ensure compliance with grant recordkeeping requirements. The discrete accounting requirements in CPB's grants are clear and we agree with this finding.

Additionally, the CSG Non-compliance Policy provides for a penalty of \$1,000 for each instance of noncompliance with the General Provisions and CSG Agreement, which includes the discrete accounting requirement. Taking into consideration that WVPB discretely accounted for most of its CSG revenues and expenses and that the audit did not identify any misspending, we will assess a reduced penalty of \$1,000 against WVPB.

Action: WVPB must provide CPB with a document, signed by its general manager and licensee official, identifying the corrective actions and controls it will implement to ensure compliance with the discrete accounting requirements and must submit the \$1,000 penalty to CPB within 45 days of the date of this correspondence.

## III. Recommendations 5 and 6

CPB awarded WVPB an American Graduate Phase Three Grant in January of 2018. The grant required the station to "keep books, records, and accounting ... to substantiate labor costs with timesheets or other relatively contemporaneous record-keeping documents, consistent with the representation of those costs within the budget ... and permit an effective audit."<sup>11</sup> The station did not comply with this requirement, admitted that it was unaware of the requirement, and instead, allocated the \$61,568 budgeted for salaries evenly over the grant term. The audit report recommends that CPB: determine the reasonableness of or recover those costs and require WVPB to identify the corrective actions and controls it will implement to ensure future compliance with CPB labor timekeeping requirements.

When we evaluated this project for funding, we required that WVPB provide us with a detailed breakdown of its salary costs. These costs were reviewed internally by CPB staff with decades of experience evaluating project budgets, including those for two prior American Graduate initiatives and found to be reasonable. Therefore, we will recognize the expenses. Since WVPB indicated that it instituted a timesheet system in March 2019, we will not require that it identify any corrective actions or controls.

Action: No further action is required of WVPB.

Within 45 days of the date of this correspondence, please send the payments totaling \$5,875 for penalties by check payable to CPB to the attention of Nick Stromann, Vice President, Controller, Corporation for Public Broadcasting, 401 Ninth Street N.W., Washington, D.C. 20004-2129 and the documentation referenced above to Katherine Arno, Director of TV CSG Policy and Review, at [karno@cpb.org](mailto:karno@cpb.org).

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<sup>11</sup> November 2015 Edition, Section (4) (G).

Mr. Chuck Roberts  
Executive Director and CEO  
West Virginia Public Broadcasting

If you wish CPB to consider additional information relating to this matter, please provide the same in writing within 30 days of the date of this letter. Failing that, CPB will consider these determinations final and WVPB must comply with the actions set forth above. CPB reserves the right to take any other action it deems appropriate until these issues are resolved to CPB's satisfaction.

Kind regards,



Jackie J. Livesay  
Assistant General Counsel & Vice President, Compliance

CC: VIA ELECTRONIC MAIL

William File III, Chair, Educational Broadcasting Authority  
Tammy Treadway, Chief Financial Officer, WVPB-TV/FM  
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