Corporation
for Public
Broadcasting

June 21, 2019

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Mr. Moss Bresnahan
Chief Executive Officer
Illinois Public Media
300 North Goodwin Ave
Urbana, IL 61801

Dear Mr. Bresnahan,

RE: Audit of Community Service Grants Awarded to Illinois Public Media - Urbana, Illinois, for the Period July 1, 2016 through June 30, 2017, Report No. ASJ1903-1902

The audit concluded that Illinois Public Media (WILL, WILL-FM and WILL-TV) generally complied with its CSG Certification of Eligibility (CSG Agreement), CSG Legal Agreement, Annual Financial Report signature page and the applicable provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act or Act), except for the discrete accounting requirement and misreported non-federal financial support (NFFS) that resulted in a $67,575[1] overpayment of its $1,513,747 CSGs.

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

I. Recommendations 1 & 2

The audit recommended that CPB recover the CSG overpayments detailed below and require WILL to identify the corrective action and controls it will implement to ensure future compliance with the related reporting requirements.

Disallowed NFFS	WILL-FM CSG Overpayment[2]	WILL-TV CSG Overpayment[3]	Total
Overstated IAS[4]	$31, 796	$42,023	$73,819
Insufficient Documentation	$8,959	($18,512)	($9,533)
Ineligible Appropriations	$422	$1,232	$1,654
Other	$415	$596	$1,011
Premium Adjustments	$18	$626	$644
Total	$41,610	$25,965[5]	$67,575

[1] CSG overpayments totaled $86,087, before any offsets (see Section I (B)).
[2] Incentive rate of return (IRR): .0521.
[3] IRR: .1245.
[4] Indirect Administrative Support.
[5] See Section I (B) below.

A. Overstated Indirect Administrative Support

The report found and we agree that WILL included the following expenses in its IAS, that are not permitted, when using the Basic Method as provided in CPB's Financial Reporting Guidelines (Guidelines). Accordingly, WILL overstated its IAS resulting in a $73,819 CSG overpayment and we agree.

- Cost Pools: Under the Guidelines, institutional and physical plant support cost pools may be included in the IAS calculation if they provide an essential and continuous benefit to the station (Section 6). The audit found WILL included costs that did not meet this requirement;

- Physical Plant Support: The Guidelines provide that an amount may be included in the IAS calculation for physical plant support that a licensee provides its station (Section 6). The amount is calculated by determining the net square footage occupied by the station as a percentage share of the station's licensee's total net assignable square footage. The rate is then multiplied by the licensee's physical plant support costs that benefit the station's operations. WILL used square footage numbers that were not current; and

- Institutional Support Rate: The Guidelines allow stations to calculate an institutional support rate using net direct expense as a percentage of the licensee's net direct expenses (Section 6). WILL did not include all the licensee's direct costs.

Action: WILL agreed with this finding[6] and we require that it return the resulting $73,819 CSG overpayment to CPB as explained below.

B. Insufficient Documentation

When a joint licensee, like WILL, 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 WILL's documentation supported only a portion of its allocation and we agree. As a result, WILL's radio NFFS was overreported resulting in an $8,959 CSG overpayment and its television NFFS was underreported resulting in an $18,512 CSG underpayment, as detailed below. Because WILL underreported and overreported its television NFFS within the same year, the amount overreported may be offset by the underreported amount.[7]

- WILL allocated 45 percent of its membership revenues to radio and 55 percent to television; however, the audit found that 42 percent should have been allocated to radio and 58 percent to television. This resulted in an overpayment of its radio CSG and an underpayment of its television CSG;

- WILL allocated 71 percent of its underwriting revenues to radio and 29 percent to television; however, the audit found that 70 percent should have been allocated to radio and 30 percent to television. This resulted in an overpayment of its radio CSG and an underpayment of its television CSG; and

[6] Audit report, page 4.
[7] Offsetting television CSG over/or underpayments of NFFS against those of radio or vice versa is not permitted by the Act.

- WILL allocated several gifts between the radio and television stations although the audit found that all of them should have been allocated to television. This resulted in a radio CSG overpayment and a television CSG underpayment.

Action: WILL agreed[8] with this finding and must return the $8,959 radio CSG overpayment to CPB as explained below, and we will offset its television CSG overpayment by $18,512.

C. Ineligible Appropriations

CSG recipients may report appropriations that they receive to support their public television and radio operations as NFFS pursuant to the Guidelines (Section 2). However, the audit found that WILL's radio and television stations used $17,996 of their appropriation purchase equipment for another station resulting in a $1,654 CSG overpayment and we agree.

Action: WILL[9] agreed with this funding and must return the $1,654 CSG overpayment to CPB as explained below.

D. Other

Payments received in exchange for cash or goods, i.e. exchange transaction, may not be reported as NFFS pursuant to the Guidelines (Section 2.3.2). WILL erroneously reported $8,203 it received for vinyl record sales as NFFS, and we agree.

Special fundraising revenues must be reduced by the associated direct expenses pursuant to the Guidelines (Section 2.3.2). WILL reported $4,540 in special fundraising revenues but did not reduce that amount by the associated direct expenses.

Action: WILL[10] agreed with this finding and WILL must return the CSG overpayment of $1,011 to CPB, as explained below.

E. Premium Adjustments

The fair market value of high-end premiums must be deducted from the associated donation, pursuant to the Guidelines, and the remainder may be reported as NFFS consistent with the IRS rules[11]. The audit found that WILL had not deducted $5,377 in premiums associated with donations it received as membership revenues, resulting in a $644 CSG overpayment. We agree.

Acton: WILL must return the CSG overpayment of $644, as explained below.

[8] Audit report, Exhibit H, page 30.
[9] Audit report, page 7
[10] Audit report, page 4.
[11] Charitable Contributions-Substantiation and Disclosure Requirements, IRS Publication 1771 (Rev. 3-2016).

F. CSG Non-compliance Policy, CSG Overpayments & 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 require that WILL return the CSG overpayments totaling $25,965 for television and $41,610 for radio and are assessing a penalty of $6,757 for the NFFS reporting errors. CPB will obtain the overpayments through an adjustment to WILL's fiscal year (FY) 2018 NFFS when that information is due. Its FY 2020 CSGs will be calculated using the adjusted NFFS. [12]

Regarding the recommendation that CPB require WILL to provide it with a description of the corrective actions and controls it has implemented to ensure CSG compliance, we are confident that WILL understands that requirements and in light of the amounts involved and the prompt action it undertook to correct the errors discovered throughout the audit, and we will not require additional documentation.

Action: Will must provide the $6,757 penalty to CPB within 45 days of the date of this correspondence and CPB will obtain the CSG overpayments through an adjustment to WILL's FY 2018 NFFS.

II. Recommendation 3

The Television and Radio General Provisions and Eligibility Criteria[13] (collectively General Provisions require that stations comply with discrete accounting, i.e. track CSG funding in separate general ledger accounts in the station's accounting system so that CPB and an auditor can discretely identify those funds within the grantee's accounting system. The audit found that WILL discretely accounted for CSG television revenues but not the restricted and unrestricted CSG radio revenues or expenditures.

The report notes that WILL revised its practice to discretely account for restricted radio revenues and expenditures, and it recommends that CPB verify that WILL properly identifies its restricted radio revenues and expenditures accounting codes in its FY 2020 CSG Legal Agreement and Certification of Eligibility. Since WILL has taken corrective steps, we will not require this and instead, will impose a penalty. 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 WILL discretely accounted for its CSG revenues and promptly updated its practice, we will assess a reduced penalty of $500 against WILL.

Action: WILL must provide their account codes and the $500 penalty to CPB within 45 days of the date of this correspondence.

Within 45 days of the date of this correspondence, please send $7,257 for the assessed 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.

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[12] Because the IRR varies each year, the 2020 calculations may produce a slight overpayment or underpayment. If so, CPB will make the necessary adjustment.
[13] Section 3D, Recordkeeping Requirements – Discrete Accounting Requirement.

Mr. Moss Bresnahan
Chief Executive Officer
Illinois Public Media

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 WILL 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 Livesay

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

CC: VIA ELECTRONIC MAIL
Avijit Ghosh, Licensee Official, WILL-TV/FM
Bill Richardson, Deputy Inspector General, CPB
Michael Levy, Executive Vice President & Chief Operating Officer, CPB
Steven J. Altman, Executive Vice President & Chief Policy & Business Affairs Officer, CPB
J. Westwood Smithers, Jr., Senior Vice President & General Counsel, CPB
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB
Kathy Merritt, Senior Vice President, Journalism & Radio, CPB
Ted Krichels, Senior Vice President, System Development and Media Strategy, CPB
Erika Pulley-Hayes, Vice President, Radio, CPB
Greg Schnirring, Vice President, CSG & Station Initiatives, CPB
Nick Stromann, Vice President, Controller, CPB
Katherine Arno, Director, TV CSG Policy & Review, CPB
Andrew Charnik, Director, Radio CSG Policy & Administration, CPB
Nadine Feaster, Director, Grants Administration, CPB