



November 23, 2023

VIA ELECTRONIC MAIL

Ms. Jill Hubbs  
General Manager  
WSRE-TV  
Pensacola State College  
1000 College Blvd.  
Pensacola, FL 32504

Dear Ms. Hubbs,

RE: Audit of Community Service and Other Grants Awarded to WSRE-TV, Licensed to Pensacola State College, Pensacola, Florida for the period July 1, 2019, through June 30, 2021, Report No. AST2209-2310

The Corporation for Public Broadcasting (CPB) awarded \$3.67 million in grants, including television Community Service Grants (CSG); Interconnection Grants; Universal Service Support Grants; Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds; and American Rescue Plan Act (ARPA) funds to Pensacola State College (PSC), licensee of WSRE-TV (WSRE), over a two-year period. The audit report referenced above concluded that WSRE complied with its CSG Certification of Eligibility, the numerous provisions in the Communications Act of 1934, 47 U.S.C. §396, et seq. (Communications Act), CPB's Financial Reporting Guidelines (Guidelines) concerning non-federal financial support (NFFS), and the terms of its CSG with three exceptions. Namely, that WSRE did not record CSG expenditures in the allowable spending periods, overstated its NFFS, and overreported CPB expenditures in its Annual Financial Reports (AFR).

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

**I. Recommendations 1 and 2: Questioned Costs for Unspent Funds**

The audit found that WSRE did not record all CSG expenditures in the station's official accounting records within the permitted two-year spending periods and recommended that CPB require WSRE to return \$57,990 as detailed below.

**A. Questioned Costs for Unspent Funds**

CPB's General Provisions stipulate that there is a two-year spending period for CSG

funds and a one-year spending period for Interconnection Grant funds.<sup>1</sup> The audit was unable to confirm that WSRE spent \$52,967 and \$5,023 in CSG funds during the appropriate spending periods, and it found that the funds were not recorded in WSRE's general ledger. WSRE acknowledged the recording errors and argued that the \$52,967 should be allowed as the expenses were made during the appropriate period as shown in its licensee's general ledger, which WSRE provided to the auditors. Since the expenditures were not included in the station's accounting system and audited financial statements and the Office of the Inspector General's (OIG) audit was based on the station's accounting system, and not that of the station's licensee, Pensacola State College, which provides over 50% of operating costs for the station, the OIG's audit questioned these costs.

Although the station failed to record the \$52,967 in its general ledger during this period, we accept WSRE's explanation and its licensee's general ledger as sufficient evidence that the funds were expensed for the station's benefit during the appropriate period. As for the remaining \$5,023, the station did not dispute the finding and we agree with the audit recommendation and require WSRE return these funds to CPB.

Because of these issues, the audit also recommends that WSRE identify the corrective actions and controls it will implement to reconcile the station's financial records to those of its licensee by September 30 of each year to ensure that CPB funds are expended within the appropriate spending period, and we agree.

CPB adopted the CSG Non-compliance Policy to encourage grantees to comply with the applicable provisions governing their CSG and the Communications Act. Failure to comply with a CPB imposed requirement subjects the recipient to a penalty of \$1,000 for each misreporting. Therefore, we are assessing a penalty of \$1,000 for the station's general ledger misreporting.

Action: WSRE must return \$5,023 in CSG funds, which CPB will recover through an adjustment to its FY 2025 CSG award. Within 45 days of the date of this correspondence, the station must provide CPB with the \$1,000 penalty and the documentation on the corrective actions and controls it will implement to reconcile the stations financial statements to those of its licensee by September 30 of each year to ensure that CPB funds are expended within the proper spending periods.

## **II. Recommendations 3 and 4: Overstated NFFS**

### **A. Ineligible Capital Contributions**

CPB Guidelines prohibit television stations from reporting capital contributions as NFFS.<sup>2</sup> The audit found that the station's reporting was not consistent with this requirement as it claimed funds solicited for its television facilities and equipment as NFFS in FY 2020, which resulted in \$633 in CSG overpayments.

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<sup>1</sup> FY 2019 and FY 2020 TV CSG General Provisions, Part I. CSG Program, Section 12. Spending Period and Section 13. Expenditure of CSG Funds.

<sup>2</sup> Guidelines, Part III: AFR and FSR Line Item Instructions, Schedule A – Direct Revenue, Line 18 – Capital fund contributions from individuals, TV Grantees (2020).

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WSRE does not dispute this finding and we agree that the funds were misreported and WSRE must return the resulting \$633 in CSG overpayments to CPB.

Additionally, the audit recommended CPB require WSRE identify the corrective actions and controls it will implement to ensure that NFFS is properly reported on Schedule A in compliance with CPB's Guidelines and we agree.

In accordance with CPB's CSG Non-compliance Policy, failure to comply with these applicable provisions governing a station's CSG, which results in a CSG overpayment subjects the recipient to a ten percent penalty of the amount of the overpayment, in addition to refunding the overpayment. Therefore, we are assessing a penalty of \$63 based on the overpayments.

Action: WSRE must return the \$633 CSG overpayments, which CPB will recover through an adjustment to its FY 2025 CSG award. Within 45 days of the date of this correspondence, WSRE must provide to CPB the \$63 penalty and the documentation describing the corrective actions and controls it will implement to ensure capital contributions are properly excluded from NFFS on Schedule A of the AFR.

#### B. Ineligible Purpose

CPB Guidelines permit stations to report their licensee's appropriations<sup>3</sup> as NFFS including the value of costs paid on their behalf.<sup>4</sup> The audit found that the station's appropriation included payments made for the station's utility costs. The utility costs were allocated based on occupied square footage, including a small portion of the station's building which was occupied by non-station personnel. The portion attributed to the non-station personnel should have been deducted from NFFS, resulting in CSG overpayments in FY 2020 and FY 2021. In FY 2020, the station also underreported direct utility expenditures due to an accounting error. After offsetting the over and underreported expenses, the audit found that the station's NFFS was overstated, resulting in \$56 in CSG overpayments.

WSRE acknowledged errors and expressed its commitment to correctly allocating the square footage in the future in its April 2023 correspondence. We agree with the finding.

Additionally, the audit recommended CPB require WSRE identify the corrective actions and controls it will implement to ensure that NFFS is properly reported on Schedule A in compliance with financial reporting requirements. We agree.

In accordance with CPB's CSG Non-compliance Policy, we are assessing a penalty of ten percent on the CSG overpayments.

Action: WSRE must return the \$56 CSG overpayments, which CPB will recover through an adjustment to its FY 2025 CSG award. Within 45 days of the date of this

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<sup>3</sup> Guidelines, Part II: NFFS (2020 and 2021) identify the NFFS exclusions.

<sup>4</sup> Guidelines, Part II: NFFS, II. Contribution vs. Payment. (2020 and 2021).

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correspondence, WSRE must provide to CPB the \$6 penalty and the documentation describing the corrective actions and controls it will implement to ensure ineligible funds, when the purpose criteria are not met, are excluded from NFFS on Schedule A of the AFR.

### C. Understating In-Kind Contributions

CPB Guidelines provide step by step instructions on how to calculate indirect administrative support using CPB's Standard Method.<sup>5</sup> The audit found that WSRE erroneously reported a portion of in-kind contributions in the occupancy value section of the calculation resulting in a \$90 CSG overpayment.

WSRE attributed the error to a late accounting adjustment. We agree with the finding and WSRE must return the resulting \$90 in CSG overpayment to CPB.

Additionally, the audit recommended CPB require WSRE identify the corrective actions and controls it will implement to ensure that NFFS is properly reported on Schedule B in compliance with financial reporting requirements. We agree.

As provided in CPB's CSG Non-compliance Policy, we are assessing a ten percent penalty of \$9 on the CSG overpayments.

Action: WSRE must return the \$90 CSG overpayments, which CPB will recover through an adjustment to its FY 2025 CSG award. Within 45 days of the date of this correspondence, WSRE must provide to CPB the \$9 penalty and the documentation describing the corrective actions and controls it will implement to ensure indirect administrative support is calculated accurately.

## III. Recommendation 5: AFR Reporting

### A. Overreporting CPB Expenditures

CPB's Guidelines<sup>6</sup> provide instructions for completing the AFR. The audit found that WSRE overstated CPB expenses totaling \$24,047 on its FY 2020 and FY 2021 AFRs Schedule E. Consequently, the audit recommends that CPB require WSRE to identify the corrective actions and controls it will implement to ensure future compliance with AFR Schedule E reporting requirements and we agree. The audit did not question the use of these funds nor does the overstatement impact the reporting of NFFS or the station's CSG award. Therefore, no penalty will be assessed, but we require the station to document how they will improve their reporting going forward.

Action: WSRE must provide the required documentation detailing corrective actions and controls it will implement to ensure future compliance with AFR Schedule E

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<sup>5</sup> Guidelines, Part III: AFR and FSR Line Item Instructions, Schedule B – Indirect Administrative Support, Worksheet: Standard Method. (2020).

<sup>6</sup> Financial Reporting Guidelines, Part III, Completing AFR Schedule A - Direct Revenues and Completing AFR Schedule E – Expenses (2020 and 2021).

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reporting requirements to CPB, within 45 days of the date of this correspondence.

CPB will recover \$5,802 (\$5,023 in questioned costs and \$779 in CSG overpayments) through an adjustment to WSRE's FY 2025 CSG award, and we will alert the station when we make those adjustments. Within 45 days of the date of this correspondence, please forward a check in the amount of \$1,078 for the non-compliance penalties, 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 send the required documentation to Tim Bawcombe, Director of TV CSG Policy and Review, at [tbawcombe@cpb.org](mailto:tbawcombe@cpb.org).

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. Otherwise, CPB will consider these determinations final and WSRE 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*

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

CC: VIA ELECTRONIC MAIL

Edward Meadows, President, Pensacola State College  
Michael Levy, Executive Vice President & Chief Operating Officer, CPB  
J. Westwood Smithers, Jr., Senior Vice President & General Counsel, CPB  
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB  
Kimberly Howell, Inspector General, CPB  
William J. Richardson, III, Senior Director & Deputy Inspector General, CPB  
Kathy Merritt, Senior Vice President, Journalism & CSG Services, CPB  
Katherine Arno, Vice President, Community Service Grants and Station Initiatives, CPB  
Nick Stromann, Vice President, Controller, CPB  
Tim Bawcombe, Director, Television CSG Policy & Review, CPB  
Forrest Lillibridge, Director, Grants Administration, CPB  
Pat Saks, Director, Business & Administration, CPB