



Corporation
for Public
Broadcasting

December 4, 2018

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Ms. Kathleen Pavelko
President and CEO
WITF-TV/FM
4801 Lindle Road
Harrisburg, PA 17111-2444

Dear Ms. Pavelko,

RE: Audit of Community Service Grants at WITF TV/FM Inc., Harrisburg, PA, for the Period
July 1, 2015 through June 30, 2017 (Report No. ASJ1806-1806)

The audit referenced above found that WITF's television and radio stations spent the combined \$2,248,057 grant funds awarded it by the Corporation for Public Broadcasting (CPB) as prescribed by the grant requirements, and that both complied with their CPB Certification of Eligibility and the applicable provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act or Act). In addition, the audit identified that the \$1,778,406 community service grants (CSGs) CPB awarded to the stations for fiscal years 2016 and 2017 were overpaid by \$42,598¹, because of misreported non-federal financial support (NFFS). The specific audit findings and CPB's determinations for them follow.

Recommendations 1 & 2: The OIG recommends that CPB recover the CSG overpayments² resulting from the findings below and require that WITF identify the corrective actions and controls it will implement to ensure future compliance. It also indicates that WITF's proposed corrective actions are responsive to the recommendations and, consequently, it considers both recommendations resolved but open pending the receipt of CPB's final management decision.

Category	NFFS Overstated	CSG Overpayment
High Value Premiums Not Deducted	\$121,050	\$15,072
Premiums Reported at Cost	\$193,853	\$18,954
Ineligible Exchange Payments	\$64,930	\$7,475
Uncollected Underwriting Pledges	\$8,557	\$838
Uncollectible Membership Pledges	\$2,651	\$259
Total	\$391,041	\$42,598

¹The NFFS overpayment is slightly different than the \$41,311 in the OIG's report because the 2019 incentive rate of return used to calculate the CSG was not available at the time the report was issued.

² The audit report was issued on September 19, 2018, leaving insufficient time for CPB to work with the station to correct the misreporting before CPB finalized the 2019 CSG amounts.

CPB Determination: CPB's determinations for each reporting error identified in the table above follows.

1. **High Value Premiums Not Deducted:** Donors who pledged \$250 and \$300 to WITF received a ticket to attend the Antiques Road Show. Before WITF may report these donations as NFFS, they must be reduced by the fair market value (FMV) of the ticket pursuant to the Financial Reporting Guidelines (Guidelines). Since WITF assigned an FMV equal to the donation, there was nothing to report as NFFS. The OIG found that this resulted in a \$15,072 overstatement of its CSG. We agree with this finding and require that WITF return the overpayment to CPB.

It is not often that stations determine that the FMV of premiums is exactly equal to the donations received. To avoid any misunderstanding in making those determinations, we want to reiterate that stations must follow the Internal Revenue Service guidance, as the Guidelines direct, when determining the FMV of premiums that are not commercially available such as Antiques Road Show tickets. Specifically, the guidance requires that the FMV be determined by identifying closely comparable items. Any questions about the application of this provision should be reviewed with the station's independent public accountant or tax advisor.

2. **Premiums Reported at Cost:** As explained in #1 above, the Guidelines require that donations be reduced by the FMV of any high-end premiums that the station provided to the donor. In this instance, the audit found that WITF reduced the donation by the cost of the premium instead of its FMV resulting in an \$18,954 CSG overpayment. We agree with this finding and require that WITF return the overpayment to CPB.
3. **Ineligible Exchange Payments:** The audit found that the payments below did not meet one or more of the source, form, and purpose criteria detailed in the Guidelines and we agree. Accordingly, WITF must return a total of \$7,475 in CSG overpayments to CPB.
 - WITF reported \$38,000 paid by a university for recording its commencement ceremony as NFFS. The OIG disallowed the payment and we agree because, although it came from the appropriate source, it did not meet the purpose criterion that requires the payment be used to produce educational or instructional programs broadcast on public television or radio pursuant to the Act³.
 - WITF reported \$15,490 paid by a child care provider for creating online professional development training events for child care practitioners as NFFS. The OIG disallowed the payment for two reasons, it did not meet the purpose criterion since the training was not an educational or instructional program broadcast on public television or radio and because the payment was not from an allowed source, i.e. a degree granting institution. We agree with this finding since the training did not meet the purpose criterion. As for the source criteria, the FY 2017 Guidelines limited educational institutions to those granting degrees. However, after reviewing this provision, CPB recognizes that the Communications Act does not limit educational institutions to those granting degrees and we have updated the Guidelines to reflect the same.

³ 47 U.S.C. §397 (9).

- WITF reported \$10,000 paid by a bar association for creating an instructional CD as NFFS. The OIG disallowed that amount because it did not meet the source criterion, i.e. it was not provided by a degree granting educational institution and it did not meet the purpose criterion, i.e. it was not an educational or instructional program aired on public radio or television. As we explained for child care practitioner training above, the source criterion is met; however, since the training was not broadcast on public radio or television, the payment does not meet the purpose criterion and we agree with this finding.
 - WITF received a \$1,440 payment for office rent, which the OIG found does not meet the purpose criterion, and we agree as the payment was provided in exchange for office space and not for educational or instructional programming broadcast on public radio or television.
4. **Uncollected Underwriting Pledges:** Under the Guidelines, grantees must deduct from NFFS any previously reported pledges that were included in a prior year's NFFS but subsequently not collected. WITF did not deduct \$8,557 in pledges not collected during 2016 and 2017 resulting in an \$838 CSG overpayment. The OIG recommends that CPB recover the resulting overpayment and we agree.
 5. **Uncollectible Membership Pledges:** WITF incurred \$7,105 in bad debt expense for uncollectible membership pledges reported as NFFS in 2016 and 2017, but inadvertently deducted a lesser amount. As a result, its NFFS was overstated by \$2,651. The OIG recommends that CPB recover the resulting \$259 CSG overpayment and we agree.

We 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 \$4,259 for the NFFS reporting errors.

Regarding the OIG's recommendation that WITF implement corrective actions and controls, WITF explained⁴ the steps it has taken to ensure that similar reporting errors are not repeated and demonstrated its understanding of the reporting requirements. Therefore, we will not require any further action.

Action: WITF must return to CPB the CSG payments above totaling \$38,548 for television and \$4,050 for radio by adjusting WITF's 2018 NFFS. We will provide specific instructions when the information is due. As for the \$4,259 penalty, WITF must provide it to CPB within 45 days of the date of this correspondence. Please make the check payable to CPB and forward to the attention of Nick Stromann, Vice President, Controller, Corporation for Public Broadcasting, 401 Ninth Street N.W., Washington, D.C. 20004-2129.

⁴ Exhibit F of the audit report.

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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 WITF will be required to comply with the action 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

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