

March 7, 2019

Corporation for Public Broadcasting  
Jackie J. Livesay  
Assistant General Counsel & Vice President, Compliance

Re: Audit of Community Service Grants at Milwaukee PBS, Milwaukee, Wisconsin, for the Period  
July 1, 2015 through June 30, 2017, (Report No. AST1805-1808)

Dear Ms. Livesay,

Thank you for the opportunity to respond to CPB's determinations for the Office of Inspector General's Audit findings for the above-mentioned audit of Milwaukee PBS Community Service Grants. Milwaukee PBS (the station) has worked side by side with the Office of Inspector General audit team and appreciates the professionalism and thoroughness of the auditors.

We understand that the Audit Report presents the conclusions of the Office of Inspector General and that the final determination of the audit findings will be made by CPB officials in accordance with established CPB audit resolution procedures.

With this communication Milwaukee PBS is exercising its privilege, as extended by CPB, to provide additional information for CPB to consider relating to this matter.

The station respectfully requests CPB officials to consider additional information relating to CPB determinations regarding the following audit findings: **1. Overstated Indirect Administrative Support (IAS)** and **2. Discrete Accounting**

- 1. CPB's Determination on Overstated IAS:** *When calculating IAS, only those cost group that provide an essential and continuous benefit to the station may be reported as NFFS pursuant of the Financial Reporting Guidelines. The report found that WMVS-TV included the following cost groups that did not meet these criteria: alumni relations, college events, and student accounts. WMVT-TV agreed with the finding regarding alumni relations and argued that it receives the required benefits for the other cost groups. For college events, WMVS-TV explained that it collaborated with the college on events; however, the events were university events that did not*

*provide an essential and /or continuous benefit to the station. As for the student accounts cost pool, its main responsibility is to process financial aid for students attending the university. WMVS-TV argued that the payment processing the student accounts handled for its multi-day auction, constitutes an essential and continuous benefit amounting to approximately \$100,000 per year.*

**Stations Response to CPB's IAS Determination:** The station upholds its position in that the student accounts and college events cost pools should be included in the general institutional cost group. Student accounts and college events cost pools meet the criteria in that they both provide essential and continuous benefit to the station. The station believes its explanation related to these cost pools is misinterpreted and wants to further clarify.

Student accounts directly benefits the station in that the college's cashiers, which are a part of this cost pool, securely receipt and deposit station-related customer wire transfers, and station-related transactions for the sale of goods and services. Student accounts processes all institutional deposits and receipts, of which financial aid for students is a portion of. To disallow the student accounts cost pool because its main responsibility is to process financial aid for students does not align with CPB's IAS guidance. It clearly states in the CPB guidance that cost groups that provide an essential and continuous benefit to the station may be reported as NFFS pursuant of the Financial Reporting Guidelines. Therefore, the station upholds its position that the student account cost pool should be included in the general institutional cost group.

College events plays a direct role in supporting Milwaukee PBS (MPBS) events. MPBS hosts events in which college events join forces with MPBS to collaborate and promote MPBS event. This is a two-way relationship that benefits both MPBS and college events. Therefore, the station upholds its position in that the college events cost pool should be included in the general institutional cost group.

In conclusion, the station believes that it has complied, in good faith, with CPB guidance, in including the student accounts and college events cost pools in the general institutional administrative cost group.

## **2. CPB's Determination on Discrete Accounting: *The General Provisions and the CSG Agreement***

require that stations comply with discrete accounting, i.e., track CSG funding in separate general ledger accounts in the station's accounting system. The report indicated that WMVS-TV complied with this requirement for all CSG funding, except the portion of the CSG attributed to the Interconnection Grant and the Universal Service Support Grant. WMVS-TV contends that the guidance permits recipients to combine their CSG funds with non-CSG funds in general ledger accounts if the CSG transactions can be identified. We disagree as the requirement is clear. Accordingly, we require that WMVS-TV provide us with a description of the corrective actions and controls it implemented to ensure future compliance.

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 WMVS-TV discretely accounted for all revenues and most expenditures, we will assess a reduced penalty of \$500 against WMVS-TV.

**Stations Response to CPB's Discrete Accounting Determination:** The station upholds its position that it utilizes unique discrete accounting codes for all CSG expenditures (interconnection grant, universal service support grant, and the community service grant) and that it does not combine CSG funds with non-CSG funds. The station believes it's being misunderstood as to how it utilizes unique discrete accounting codes for all CSG expenditures and needs to further clarify.

The station tracks all CSG funded expenditures in separate general ledger accounts in the station's accounting system. The station disagrees with CPB's determination that it discretely accounted for most expenditures except the portion of the CSG attributed to the interconnection grant and the universal service support grant. The station utilizes unique discrete accounting codes for the interconnection grant and the universal service support grant expenditures the same way it discretely accounts for the community service grant. All CSG identified expenditures relate only to CSG funded expenditures and are coded to unique CSG accounting codes. In fact, the CSG expenditures in these accounts exceed CPB-CSG funding. So, to indicate there are non-CSG funds in a CPB discrete expenditure accounts is incorrect. Only CSG expenditures are discretely tracked in CPB-CSG coded accounts. Therefore, the station believes that it has complied, in good faith, with CPB's discrete accounting requirements.

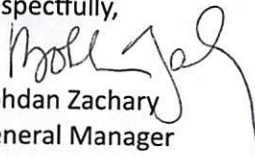
In our good faith interpretation of CPB's Discrete Accounting Requirements, detailed expenditure sub-accounts were established for the very purpose of making it easy for transactions to be

identified and tested. Our good faith interpretation of the essence of the guidance is that our accounting system must allow an auditor or grantor to easily identify CSG-funded expenditures at the *transactional* level. We believe that our discrete accounting accomplishes this objective.

In closing, we wish to thank CPB for giving Milwaukee PBS this additional opportunity to maintain the stations position regarding overstated IAS calculation and discrete accounting requirements. We appreciate this opportunity to enhance our understanding of CPB's guidelines and to improve our internal processes.

Milwaukee PBS believes that it has consistently, in good faith, made efforts to comply with AFR/NFFS reporting guidelines, open meeting statutory requirements of the Communications Act and CSG discrete accounting requirements.

Respectfully,



Bohdan Zachary  
General Manager  
Milwaukee PBS