



July 14, 2021

VIA ELECTRONIC MAIL

Ms. Courtney Pledger
Executive Director and General Manager
Arkansas Educational Television Commission
350 South Donaghey Ave.
Conway, AR 72034

Dear Ms. Pledger,

RE: Audit of Grants Awarded to Arkansas Educational Television Commission, Conway, Arkansas, from July 1, 2018, through June 30, 2020, (Report No. AST2008-2104)

The Corporation for Public Broadcasting (CPB) awarded \$4.46 million in grants, including community service grants (CSGs), Veterans Coming Home, and CARES Act stabilization funds to Arkansas Educational Television Commission (AETC), licensee of Arkansas Educational Television Network, over a two-year period. The audit report referenced above concluded that AETC complied with its CSG Certification of Eligibility, the numerous provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act), the CPB's guidelines concerning non-federal financial support (NFFS), and the terms of its CSG, as well as terms and conditions of the Veterans Coming Home grant, with three exceptions. Namely, that AETC did not comply with CPB transparency requirements for open meetings and financial records and reports, incurred questioned production grant costs, and recorded some amounts incorrectly in its Annual Financial Reports (AFR).

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

I. Recommendations 1 and 2: Act and General Provisions Compliance

A. Open Meetings

The Communications Act requires that stations provide advance notice of their open governing body meetings including their open committee meetings and CPB finds stations compliant if they provide at least seven-days' advance notice. The audit found that AETC did not give adequate notice for five of 19 open meetings reviewed during the audit period. We agree with this finding.

The audit recommended that CPB require AETC identify the corrective actions and

controls it will implement to avoid this error in the future. AETC acknowledged these lapses and explained that while it had experienced substantial turnover in the responsible department, that it has put procedures in place to ensure its future compliance, per its letter dated March 19, 2021. Considering the changes adopted by AETC, we are satisfied that it understands the requirements and will be compliant going forward, and we require no further documentation.

Action: No further action is required of AETC.

B. Closed Meetings

The Act requires stations to document and make available to the public the reason(s) a meeting was closed within a reasonable time after closing a meeting. CPB requires the documentation be completed within ten days of the meeting and made available for public inspection, either at the station's central office or posted on its website¹. The audit found that AETC did not have documentation for two of six closed committee meetings, the audit was unable to determine whether the reasons for closing a third meetings were made available to the public, nor could it determine whether three of 19 open meetings were closed, and the appropriate documentation made available.

The audit recommended that CPB require AETC identify the corrective actions and controls it will implement to avoid this error in the future. AETC assessed its process for providing the public with the reasons for closing a meeting or session of a meeting, as explained in its March 19, 2021, correspondence. Based on the steps undertaken by AETC to correct the same, we are confident that it has adopted sufficient controls to avoid this issue going forward and we require no further documentation.

Action: No further action is required of AETC.

C. Open Financial Records and Other Information

The Communications Act² requires that stations make available to the public their annual financial and audit reports and other financial information they are required to provide to CPB. CPB finds stations compliant if they post their most recent annual audited financial statements and AFR on their website. The Act also requires stations with more than five full-time employees to file annually with CPB an Employment Statistical Report - Equal Employment Opportunity (EEO) and make it available at their central office and each location with six or more employees. CPB requires that all stations make this report available to the public.

Further, CPB requires that stations make their Local Content and Service Report (LCSR) available to the public by posting it on the station's website or making a copy available at their central office.

The audit found that AETC had its prior year but not its most recent audited financial statement and AFR posted on its website and that neither its EEO report nor its LCSR were

¹ 2019 Compliance Document, Section C. Closed Meeting Documentation

² 2019 TV CSG General Provisions, Section 2C. Open Financial Records

available. It recommended that CPB require AETC identify the corrective actions and controls it will implement to avoid this error in the future. AETC acknowledged the shortcomings, explained that they were due in part to staff turnover and working remotely during the COVID 19 pandemic, and promptly corrected each issue before the audit's completion. Considering AETC's explanation and prompt action, we require no further documentation.

Action: No further action is required of AETC.

D. CSG Non-compliance Policy

CPB adopted the CSG Non-compliance Policy to encourage grantees to comply with the applicable provisions governing their CSG and the Communications Act. Stations that fail to comply with a category of the Act are subject to a penalty of \$5,000 per infraction and failure to comply with a requirement in the General Provisions subjects the recipient to a \$1,000 penalty per incident. Because the open and closed meeting requirements comprise one category in the Act and considering the prompt steps AETC took to correct this and the overall audit findings, we will assess a reduced penalty of \$2,500. Regarding the open financial requirements and availability of AETC's EEO report, since AETC had made the prior year's financial information available and promptly updated it with the most recent information, we will assess a combined reduced penalty of \$2,500. As for the station's non-compliance with CPB's requirement to make its LCSR available, given the other findings and the prompt corrective action undertaken by AETC to address all the issues identified by the audit, we will assess a reduced penalty of \$500.

Action: AETC must provide \$5,500 in penalties for these non-compliance issues, within 45 days of the date of this correspondence.

II. Recommendations 3, 4 and 5: Questioned Production Costs

A. Unsupported Costs

The Veterans Coming Home grant required that AETC's financial reports reconcile to its general ledger and that labor costs be supported by time sheets or other contemporaneous time records³. The audit found that \$5,985 in salaries included on AETC's financial report were not reflected in its payroll records nor were they supported by contemporaneous time records and that \$102 in marketing costs included on its financial report were not recorded in its general ledger. Consequently, the audit recommended that CPB recover these expenses and require AETC to identify corrective actions to maintain project records to account for all revenues and expenses, maintain contemporaneous labor records and submit financial reports reconcilable to its general ledger.

In response to the audit, AETC explained that the State of Arkansas accounting system does not track salary costs by grant project, and it is not feasible to set up cost

³ Terms and Conditions for Television, Radio and other Media Production Grants – November 2015 Edition, Section 4 Budget and Financial Reporting.

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allocations within that system. However, it established a method to track grant project costs in a spreadsheet and to make manual entries into the grant project modules of its accounting system to ensure that, going forward, all costs are included and can be reconciled to a grant's financial reports in the future.

We agree that AETC's financial reports should reconcile to its general ledger and that it should have maintained the required payroll documentation, however, after reviewing AETC's reconstructed payroll costs that it submitted to the auditors, we have determined that the costs are reasonable for the digital productions it created and accept the reconstructed payroll excel sheet, in lieu of contemporaneous timekeeping for this project. We also accept \$102 in marketing costs that were part of a larger social media buy as AETC represented.

Based on AETC's March 19, 2021, correspondence we are confident that it understands CPB's contemporaneous payroll tracking requirements and we will not require additional documentation from AETC. Since this audit has been completed and the payroll and marketing expenses documented, we will not require AETC to submit revised financial reports as the audit recommended.

Action: No further action is required of AETC.

B. Project Recordkeeping

While the grant requires that AETC's financial reports reconcile to its general ledger, the audit found that AETC's accounting records did not include \$1,500 in travel and rental costs incurred during the grant period because the purchase order and related invoicing were not completed until after the grant period expired. Further, it noted that these costs had not been posted to project costs because the project records were maintained on a cash basis

Even though these costs were not posted to the project account until after the spending period ended, there is no question that the expenditures are allowable and incurred during the project spending period. Given that and considering the amount involved, we will accept these expenditures.

The audit recommended CPB require AETC to identify corrective actions to comply with CPB requirements to maintain project records to account for all revenues and expenses and submit final reports reconcilable to the general ledger. Since AETC acknowledged the costs should have been recorded within the grant period and recognizing the controls it has put in place in its letter dated March 19, 2021, we are confident that it understands the reporting requirements and will not require that it take any further action.

Action: No further action is required of AETC.

C. Budget Reallocations

The audit identified a \$5,563 production budget overrun. However, the grant permitted AETC to reallocate \$5,000 for certain line items⁴, which we believe included the production line item covering freelance crews. Accordingly, only \$563 of the overrun required CPB approval which it arguably obtained through its discussions with CPB's project consultant, and by CPB's acceptance of its financial reports which highlighted the same. Therefore, we believe it is appropriate to recognize these expenses and we are confident that AETC, per its response letter dated March 19, 2021, understands the process for making budget reallocations. Therefore, we will not require AETC to provide additional documentation.

Action: No further action is required of AETC.

III. Recommendations 6 and 7: AFR Reporting Errors

CPB Guidelines⁵ provide instructions for completing the AFR and the audit found recording errors on several schedules as detailed below, although none of the errors affected the amount of AETC's CSGs.

On Schedule A, the audit found that AETC reported several contribution and underwriting sources for NFFS on the wrong lines. AETC agreed to make the necessary corrections going forward, in its March 19, 2021, correspondence.

On Schedule C, AETC reported NFFS for professional and general services received from other state agencies as in-kind services on its AFR, which the audit found should have been reported as indirect administrative support (IAS) on Schedule B. The audit recommended AETC establish a "Grantee-Developed Method" to calculate their IAS, subject to CPB's approval. AETC agreed and submitted the methodology to CPB which has been approved.

The audit field work also found Arkansas Educational Telecommunications Network Foundation (AETNF) did not receive all the required documentation for an in-kind trade totaling \$7,500 claimed in Schedule C in FY 2020. AETNF obtained appropriate documentation during the audit and established a procedure to ensure it receives all required documentation from donors in the future as explained in its March 19, 2021, correspondence.

Within Schedule E, AETC recorded CPB expenses incorrectly on its FY 2019 AFR and that AETC should have reported the \$25,000 in Veterans Coming Home grant funds as CPB funds. AETC agrees the amounts were recorded on the wrong line in its March 19, 2021, correspondence.

We agree that AETC made the above recording errors. However, based on the documentation it provided, we are confident that AETC has put in place adequate controls to ensure proper recording going forward. Because the errors did not result in a CSG overpayment, we will not require AETC to take further action.

⁴ Terms and Conditions for Television and Other Media Productions Grants – November 2015 Edition, Section 4 (D) Budget and Financial Reporting.

⁵ Financial Reporting Guidelines 2019 and 2020 – Part III

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Action: No further action is required of AETC.

Within 45 days of the date of this correspondence, please forward a check in the amount of \$5,500 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.

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 AETC 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

Skip Holland, Chair, Board of Trustees, AETC
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
Stephanie Aaronson, Senior Vice President, Engagement, 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
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