



Corporation
for Public
Broadcasting

May 24, 2024

VIA ELECTRONIC MAIL: alisan.sweet@ttu.edu

Alisan Sweet
Interim General Manager/Director of Finance
KTTZ-TV and KTTZ-FM
Texas Tech University
3406 18th Street
Lubbock, TX 79409

Dear Alisan Sweet,

RE: Audit of Community Service and Other Grants Awarded to KTTZ-TV and KTTZ-FM, Licensed to Texas Tech University, Lubbock, Texas for the Period September 1, 2019 Through August 31, 2021, Report No. ASJ2213-2403

The Corporation for Public Broadcasting (“CPB”) awarded \$5.17 million in grants, including television and radio Community Service Grants (“CSG”); Interconnection Grants; Universal Service Support Grants; Healthy Network Initiative; Collaborative Operations and Services Grants; Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) funds; and American Rescue Plan Act (“ARPA”) funds to Texas Tech University, licensee of KTTZ-TV and KTTZ-FM (collectively “KTTZ”), over a two-year period. The audit report referenced above concluded that KTTZ complied with its CSG Certification of Eligibility, the numerous provisions in the Communications Act of 1934, 47 U.S.C. §396, et seq. (“Act”), CPB’s Financial Reporting Guidelines (Guidelines) concerning non-federal financial support (“NFFS”), and the terms of its CSG with several exceptions. Namely, that KTTZ overstated its NFFS, erroneously charged FM broadcast equipment to the television Interconnection Grant, did not provide seven days advance notice to the public for meetings of the licensee’s governing board and committees involving public broadcasting business, failed to post current CPB annual financial reports (“AFRs”) on the stations’ websites, and did not discretely account for radio restricted expenditures.

The specific findings and CPB’s determinations for KTTZ follow.¹

I. Overstated NFFS

The audit found that KTTZ overstated NFFS in fiscal years (FY) 2020 and 2021 and recommended that CPB require KTTZ to return the resulting CSG overpayment of \$25,179 (\$23,957 for television CSG and \$1,222 for radio CSG) as detailed below and identify corrective actions to avoid misreporting going

¹ Note: This determination letter summarizes a more detailed audit report already provided to KTTZ. Accordingly, this letter should be considered with such audit report and the details it contains.

Alisan Sweet
Interim General Manager/Director of Finance
KTTZ-TV and KTTZ-FM

forward.

A. Duplicate Electricity Charges

CPB's Guidelines instruct grantees that report indirect administrative support (IAS) from their licensee to include physical plant costs (if they are provided) in the calculation of IAS on Schedule B of their AFR.² The audit found that KTTZ correctly included electricity costs of \$153,727 (\$80,219 in FY 2020 and \$73,508 in FY 2021) paid on its behalf by its licensee to calculate physical plant costs on Schedule B. However, KTTZ duplicated the charges, reporting the same amounts as direct revenues from its licensee, on Schedule A in its television AFR. As a result, KTTZ-TV's CSG funds were overstated by \$19,521. The audit recommended that CPB require KTTZ repay these CSG overpayments and identify corrective actions to avoid misreporting going forward.

KTTZ acknowledged the error. We require that KTTZ return the CSG overpayments and are assessing the penalty as explained in paragraph D below. Based on KTTZ's response to the draft report,³ we believe it understands the error and will properly follow CPB instructions on reporting IAS going forward. Therefore, we require no additional documentation.

Action: KTTZ must return \$19,521 in CSG funds, which CPB will recover through an adjustment to its FY 2025 television CSG award.

B. AFR Revenue Not Supported by the Station Accounting Records

CPB's Guidelines provide that a grantee may report as NFFS direct appropriations, transfers, and payments from an institutional licensee, as well as any direct costs incurred or absorbed by its licensee specifically for the station.⁴ KTTZ reported that its licensee covered a total of \$46,214 in underwriting, payroll, and direct costs but the audit found that neither the station nor its licensee had supporting documentation. Therefore, KTTZ's CSGs were overpaid by \$4,193 (\$2,971 for KTTZ-TV and \$1,222 for KTTZ-FM). The audit also found for KTTZ employees supporting television and radio operations, that KTTZ did not have either time records or an allocation methodology in place to apportion their time as required by CPB's Guidelines. The audit recommended that CPB recover these CSG overpayments and identify the corrective actions and controls the station will implement to ensure future compliance.

KTTZ explained that the revenues reported on its audited financial statement and AFRs represented the total amount its licensee budgeted for KTTZ to use and it asked for further guidance from CPB as to how to report these revenues.⁵ We believe CPB's Guidance is clear on this issue, allowing actual and not budgeted amounts. Regarding the lack of documentation or an allocation methodology for staff working with television and radio, KTTZ indicated that it is in the process of formally documenting the process.

We agree with the audit findings and require KTTZ to return the CSG overpayments to CPB along

² FY 2020 and FY 2021 CPB Financial Reporting Guidelines, Part III, AFR and FSR line-item instructions, Completing AFR Schedule B – Indirect Administrative Support – Worksheet: Standard Method.

³ Exhibit F of the audit report.

⁴ FY 2020 and 2021 CPB Financial Reporting Guidelines, Part III, NFFS Exclusions, AFR and FSR line-item instructions for line 5.1.C.

⁵ Exhibit F of the audit report.

with the documentation detailing the methodology it will use going forward to allocate payroll expenses of personnel supporting television and radio operations and addressing the process it will follow to record revenues covering actual and not budgeted expenses. Further, we are assessing the penalty as explained in paragraph D below.

Action: KTTZ-TV must return \$2,971 and KTTZ-FM must return \$1,222 in CSG funds, which CPB will recover through adjustments to their FY 2025 CSG awards. Within forty-five days of the date of this correspondence, the station must provide CPB with the documentation of the corrective actions and controls it will implement to ensure future compliance with all NFFS reporting requirements, specifically addressing the methodology for allocating payroll expenses of staff who support television and radio operations and the process it will follow to record revenues covering actual and not budgeted expenditures.

C. Endowments - Unrealized Gains

CPB's Guidelines provide that contributions to a grantee's endowment principal, as well as interest and dividends earned on that principal, can be reported as NFFS. Realized and unrealized gains and endowment distributions cannot be reported as NFFS.⁶

KTTZ-TV did not comply with these requirements by including unrealized gains from endowments as NFFS, resulting in an FY 2023 CSG overpayment of \$1,364. The audit recommended that CPB recover the overpayment and obtain documentation from KTTZ identifying corrective actions and controls to avoid misreporting going forward.

The station agreed with the finding.⁷ We also agree and require KTTZ return the CSG overpayment to CPB and provide CPB with documentation on the corrective actions and controls KTTZ will implement to ensure future compliance with CPB NFFS reporting requirements concerning endowment revenues. In addition, we are assessing a penalty as explained in paragraph D below.

Action: KTTZ must return \$1,364 in CSG funds, which CPB will recover through an adjustment to its FY 2025 television CSG award. Within forty-five days of the date of this correspondence, the station must provide CPB with documentation detailing the corrective actions and controls it will implement to ensure future compliance with all CPB NFFS reporting requirements, specifically addressing endowment revenues.

D. Revenue from Ineligible Source

CPB's Guidelines require that revenues must meet recipient, form, source, and purpose criteria to be reported as NFFS. Public broadcasting entities, including licensees of other public television or radio stations, are not eligible sources.⁸

The audit found KTTZ-TV did not comply with this requirement by reporting as NFFS on its FY 2021 AFR, \$800 it received from an ineligible source, a licensee of another CSG radio grantee, resulting in a FY 2023 CSG overpayment of \$101.

⁶ FY 2021 CPB Financial Reporting Guidelines, Part III, AFR and FSR line-item instructions Schedule A, line 17.

⁷ Exhibit F of the audit report.

⁸ FY 2021 CPB Financial Reporting Guidelines CPB Guidelines, Part II NFFS, II. Contribution vs. Payment, A.2 and B.3.

Alisan Sweet
Interim General Manager/Director of Finance
KTTZ-TV and KTTZ-FM

The station agreed with the finding, explaining that it did not realize the funds were provided by a public broadcasting entity.⁹ We also agree with the finding and require KTTZ-TV to return the overpayment to CPB and provide CPB with documentation detailing the corrective actions and controls KTTZ will implement to ensure future compliance regarding ineligible sources. In addition, we are assessing the penalty as explained below.

Action: KTTZ must return \$101 in CSG funds, which CPB will recover through an adjustment to its FY 2025 television CSG award. Within forty-five days of the date of this correspondence, the station must provide CPB with documentation explaining the corrective actions and controls it will implement to ensure future compliance with all CPB NFFS reporting requirements, specifically addressing revenue from ineligible sources.

In accordance with CPB's CSG Non-compliance Policy, failure to comply with the 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 for misreported NFFS of \$2,518, based on the CSG overpayments set forth in this Section I.

Action: Within forty-five days of the date of this correspondence, KTTZ must provide CPB with the \$2,518 penalty.

II. Questioned Costs

A. Ineligible Television Interconnection Expenses

CPB General Provisions state that the television Interconnection Grant is provided to support public television station's interconnection expenses.¹⁰ The audit questioned \$1,544 KTTZ used to purchase a radio broadcast processor with its FY 2021 television Interconnection Grant. The audit recommended that CPB require KTTZ to return these funds and require the station to identify and implement corrective actions and controls to ensure that radio and television activities are appropriately charged against the correct grant funding source.

KTTZ acknowledged that the misreporting was a coding error and indicated that it would review its existing process to ensure the error is not repeated. We agree that the funds should have been charged to another funding source and require KTTZ to return \$1,544 to CPB and provide CPB with the required documentation to ensure compliance going forward.

In accordance with the CSG Non-compliance Policy, the station is subject to a penalty of \$1,000 for noncompliance with the Television General Provisions. Considering KTTZ's response and the amount involved, we are assessing a reduced penalty of \$500.

Action: Within forty-five days of the date of this correspondence, KTTZ must return to CPB the \$1,544 in television Interconnection Grant funds used for the questioned costs, the \$500 Non-compliance penalty, and the documentation describing the corrective actions and controls it will implement to ensure that radio and television activities are appropriately charged against the correct grant funding source.

⁹ Exhibit F of the audit report.

¹⁰ CPB FY 2021 TV CSG, General Provisions and Eligibility Criteria, Part III. TV-IC

III. Compliance with CPB General Provisions Requirements

A. Advance Notice of Meetings

The Communications Act requires that stations provide advance notice of the open meetings of their governing body, governing body's committees, and Community Advisory Board (CAB). CPB finds stations compliant if they provide at least seven-days advance notice by using one of four methods provided.¹¹

The audit found that KTTZ was not fully compliant with CPB requirements to provide the required advance notice of governing body meetings that included public broadcasting business. Specifically, during the audit period, fourteen of sixteen notices did not meet the seven-days advance notice requirement, as well as notice for a governing body meeting held following the audit period. Additionally, some of the notices did not include the meeting time, date, and location. KTTZ's websites provided notice via a link to board calendars on its licensee's website. The audit recommended CPB require KTTZ identify corrective actions and controls to ensure the public receive at least seven days advance notice for all upcoming meetings discussing public broadcasting activities.

While KTTZ disagreed with the finding, it indicated that it would comply with the seven-days advance notice requirement. We agree with the finding and caution KTTZ that notice must include the required information even if it is provided via a link to its licensee's website. In April 2024, we examined the licensee's updated meeting calendar and found it included the required advance notice and meeting information. Therefore, we do not require KTTZ to provide us with the additional documentation regarding corrective actions and controls.

In accordance with CPB's CSG Non-compliance Policy, stations are subject to a penalty of \$5,000 for failure to comply with a category in the Communications Act. Given KTTZ's prompt response in addressing the noncompliance and its express commitment to complying with this requirement, CPB will assess a reduced penalty of \$2,500.

Action: Within forty-five days of the date of this correspondence, KTTZ must provide CPB the \$2,500 Non-compliance penalty.

B. AFR Not Posted to Website

The Communications Act requires stations to make available to the public their annual financial and audit reports and other financial information they are required to provide to CPB. CPB also requires that each CSG recipient post its most recent AFR on its station website.¹²

The audit found that KTTZ-TV's 2021 AFR was not posted to the website when the audit was conducted on July 27, 2022, and KTTZ-FM's 2021 AFR was not posted to its website when its audit was conducted on August 9, 2022. The audit recommended CPB require the station

¹¹ CPB's Communications Act Compliance requirements, 1. Open Meetings, E. Notice of Open Meetings (June 2021).

¹² CPB's Communications Act Compliance requirements, 3. E. The Public's Access to Financial Information (June 2021).

Alisan Sweet
Interim General Manager/Director of Finance
KTTZ-TV and KTTZ-FM

to identify corrective actions and controls to ensure the most recent AFRs are posted to the stations' websites.

KTTZ agreed with the finding and as of October 10, 2022, the non-compliance had been corrected and the most recent AFRs for KTTZ-TV and KTTZ-FM were available on the stations' websites. KTTZ represented that it will formalize a process it has put into place to ensure compliance going forward.¹³

We agree with the finding and require KTTZ to provide CPB with documentation of its process and procedures to ensure compliance going forward.

Stations are subject to a penalty of \$5,000 for failure to comply with a category in the Communications Act, pursuant to CPB's Non-compliance Policy. Given that the stations corrected the issue during the audit period, CPB will assess a reduced penalty of \$2,500.

Action: Within forty-five days of the date of this correspondence, KTTZ must provide to CPB the \$2,500 penalty and the required documentation detailing corrective actions and controls it will implement to ensure the most recent AFRs are posted to its websites.

IV. General Provisions and Eligibility Noncompliance

A. Discrete Accounting

The General Provisions require that grantees comply with the discrete accounting requirement and use unique accounting codes for CSG revenues and expenses – restricted and unrestricted – to facilitate an audit.¹⁴ Specifically, grantee's accounting systems must be able to generate a report showing CSG revenues and expenses and how those funds were expended, using unique accounting codes. Those accounts may not include non-CSG revenues or expenses.

The audit found that during FYs 2020 and 2021, KTTZ-FM did not discretely account for radio restricted CSG expenditures although it was able to determine that KTTZ-FM fully expended its FY 2020 and FY 2021 restricted radio CSG funds on allowable expenditures. Further, the audit observed the codes provided on its 2020 and 2021 CSG Agreement and Certification of Eligibility (COE)¹⁵ were prior year codes. The audit recommended CPB require KTTZ-FM to identify and implement corrective actions and controls to ensure compliance with the discrete accounting requirements.

KTTZ agreed with the finding that it did not use discrete accounting. Regarding the audit report's observation that KTTZ did not identify the correct account codes in its COEs, KTTZ explained that the codes are not available until after the CSG awards.¹⁶ In this situation, CPB does not require grantees provide to CPB the updated account codes, but grantees must comply with each discrete accounting requirement.

¹³ Exhibit F of the audit report.

¹⁴ Radio General Provisions, Part II. Definitions S. Discrete Accounting Requirement (2020), T. Discrete Accounting Requirement (2021).

¹⁵ The COE is the agreement signed annually by grantees containing the terms and conditions of their CSG.

¹⁶ Exhibit F of the audit report.

Alisan Sweet
Interim General Manager/Director of Finance
KTTZ-TV and KTTZ-FM

We agree with the audit finding that KTTZ did not maintain discrete accounting for restricted radio CSG funds and remind the station that restricted radio CSG expenditures must be posted to a unique accounting code. Accordingly, we require KTTZ to provide documentation detailing corrective actions and controls it will implement to ensure discrete accounting of CSG funds.

Stations are subject to a penalty of \$1,000 for failure to comply with a category in the General Provisions pursuant to CPB's Non-compliance Policy. Considering that KTTZ-FM did not discretely account for radio restricted CSG expenditures, we are assessing a penalty of \$1,000.

Action: Within forty-five days of the date of this correspondence, KTTZ must provide to CPB the \$1,000 penalty and the required documentation detailing corrective actions and controls it will implement to ensure discrete accounting of CSG funds.

CPB will recover \$25,179 in CSG overpayments through deductions of \$23,957 to KTTZ-TV's FY 2025 CSG award and \$1,222 to KTTZ-FM's FY 2025 CSG award and will alert the stations when these adjustments are made. Within forty-five days of the date of this correspondence, please forward a check in the amount of \$10,562 (including \$9,018 for the non-compliance penalties and \$1,544 in questioned television Interconnection Grant expenditures) 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 Television CSG Policy and Review, at tbawcombe@cpb.org.

If you wish CPB to consider additional information relating to this matter, please provide the same in writing within thirty days of the date of this letter. Otherwise, CPB will consider these determinations final and KTTZ 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

Noel Sloan, Vice President and CFO, Texas Tech University (Noel.A.Sloan@ttu.edu)
Michael Levy, Executive Vice President & Chief Operating Officer, CPB
Evan Slavitt, Senior Vice President & General Counsel, CPB
Nick Stromann, Interim CFO, Controller, CPB
Kimberly Howell, Inspector General, CPB
William J. Richardson, III, Senior Director & Deputy Inspector General, CPB
Kathy Merritt, Senior Vice President, Radio, Journalism & CSG Services, CPB
Katherine Arno, Vice President, Community Service Grants and Station Initiatives, CPB
Andrew Charnik, Director, Radio CSG Policy & Administration, CPB
Tim Bawcombe, Director, Television CSG Policy & Review, CPB
Forrest Lillibridge, Director, Grants Administration, CPB

Alisan Sweet
Interim General Manager/Director of Finance
KTTZ-TV and KTTZ-FM

Pat Saks, Director, Business & Administration, CPB