



Corporation
for Public
Broadcasting

January 21, 2020

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Mr. Scott Finn
President and CEO
Vermont Public Radio
365 Troy Avenue
Colchester, VT 05546

Dear Mr. Finn,

RE: Audit of Community Service Grants awarded to Vermont Public Radio, Colchester,
Vermont for the Period October 1, 2016 through September 30, 2018, Report No. ASR1908-1907

The audit referenced above concluded that Vermont Public Radio (Vermont) complied with its CSG Certifications of Eligibility, the numerous provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act), CPB's Guidelines¹ concerning non-federal financial support (NFFS), and the terms of its community service grants (CSG), with some exceptions. Namely, that there were errors in the amount the station reported as NFFS resulting in a CSG underpayment, and that it did not fully comply with the Act and CPB's open meeting requirements and CPB's discrete accounting requirement.

The specific findings and CPB's determinations Vermont follow.

I. Recommendation 1: NFFS

The audit found that Vermont misreported its NFFS, resulting in a net understatement as explained below.

- A. Stations may report as NFFS certain investment income from passive investments and endowments without reducing them by investment fees and loan premiums, according to CPB's Guidelines². Vermont made these reductions, understating its NFFS in 2017 and 2018. The 2017

¹ Financial Reporting Guidelines for Preparing the Annual Financial Report (AFR) & Financial Summary Report (FSR), Fiscal Year(s) 2017 and 2018.

² Part III AFR and FSR line item instructions. Schedule A, Line 15A and 17B-D.

understatement was partially offset by its overstated NFFS related to proceeds from the sale of shares.

- B. CPB's Guidelines require stations to follow Internal Revenue Service (IRS) guidance which provides that the value of a contribution must be reduced by the fair market value of any "thank you" gifts provided to the donor. The audit found that Vermont understated the fair market value of its gifts in 2017 and 2018, resulting in a CSG overstatement.

Since CPB was reviewing Vermont's NFFS when these errors were identified, the station was able to make corrections to its 2018 financial report, leaving only a 2019 CSG underpayment of \$6,199. Vermont cannot recoup this underpayment, because CPB distributes the amount of its appropriation allocated to CSGs pursuant to the Communications Act, in the fiscal year received.

Vermont agreed with the findings, and attributed them to a lack of training, misunderstanding CPB's Guidelines, and errors it made in applying the Guidelines, in its August 28, 2019 correspondence. The audit recommended that CPB require Vermont to identify the corrective actions and controls it will implement to ensure future compliance with NFFS reporting. Vermont indicated that it will take several steps to ensure future compliance, including budgeting for an additional person in accounting to help relieve understaffing, requiring all accounting members participate in more internal training and CPB provided web training, sending a staff member to Public Media Business Association's 2020 conference, providing training to the staff responsible for calculating the value of "thank you" gifts, and having management review those calculations. We agree with this finding and, based on these plans, we will not require the station to provide any additional documentation.

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 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. However, because there was no overpayment involved, CPB will not assess a penalty.

Action: No action is required.

II. Recommendations 2 and 3: Discrete Accounting

The Radio General Provisions and Eligibility Criteria³ (General Provisions) require that stations track their CSG funds in separate general ledger accounts in their accounting system, i.e. discrete accounting. The audit found that although Vermont discretely accounted for restricted CSG revenues and expenditures, it did not do so for its 2017 and 2018 unrestricted CSG revenues. Consequently, it recommended that CPB require Vermont to identify the processes it has implemented to ensure compliance with discrete accounting requirements and that CPB verify that Vermont properly identified its unrestricted radio revenues and expenditures accounting codes in its 2020 grant application.

We agree with this finding. However, because Vermont has adopted an account code for unrestricted CSG revenues and discretely accounted for those restricted, we do not believe additional documentation or verification is warranted and will assess a reduced penalty. The CSG Non-compliance Policy provides for a penalty of \$1,000 for each instance of noncompliance with the General Provisions, which includes

³ Section 3D, Recordkeeping Requirements – Discrete Accounting Requirement for 2017 and 2018.

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the discrete accounting requirement. Considering the factors above, we are assessing a reduced penalty of \$500 against Vermont.

Action: Vermont must provide the \$500 penalty to CPB within 45 days of the date of this correspondence.

III. Recommendation 4: Communication Act Compliance

The open meetings category in the Communications Act requires that stations provide advance notice of open board and its committee meetings, and document and make available to the public the reasons for closing them. CPB requires that the notice be at least seven days and that the reasons for closing be documented within ten days of the meeting.

The audit found that Vermont was not compliant with these requirements. Specifically, that three of the 51 board and committee meetings tested, either lacked adequate notice or the station was unable to provide a screenshot evidencing notice. As for closed meeting documentation, it found that the station did not make the documentation available for three of 14 meetings. We agree that Vermont was not compliant in those instances, which appear to be an oversight. Considering this and that Vermont identified the steps it will take to meet the requirements in the future, we will not require that it take any further. While the CSG Non-compliance Policy provides for a penalty \$5,000 for each instance of noncompliance with the Communications Act, under these circumstances, we do not consider a penalty appropriate.

Action: No further action is required of Vermont.

Within 45 days of the date of this correspondence, please forward a check in the amount of \$500, for the noncompliance 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 Vermont 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
Assistant General Counsel & Vice President, Compliance

CC: VIA ELECTRONIC MAIL

Charlie Browne, Chair, Board of Directors, Vermont Public Radio
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