



Corporation  
for Public  
Broadcasting

December 9, 2021

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Ms. Julie Overgaard  
Executive Director  
South Dakota Public Broadcasting  
P.O. Box 5000  
Vermillion, SD 57069-5000

Dear Ms. Overgaard,

RE: Audit of Community Service and Other Grants Awarded to South Dakota Public Broadcasting and KUSD-FM, Vermillion, South Dakota, for the Period July 1, 2017 through June 30, 2019, (Report No. ASJ2007-2109)

The Corporation for Public Broadcasting (CPB) awarded \$3.33 million in grants, to the South Dakota Board of Directors for Educational Telecommunications, licensee of South Dakota Public Television (SDPTV) and KUSD-FM, over a two-year period. The audit report referenced above concluded that SDPTV and KUSD-FM complied with the CSG Certification of Eligibility, the numerous provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act), CPB's guidelines concerning non-federal financial support (NFFS), and the terms of their community service grants (CSGs), with three exceptions. Namely, that SDPTV misspent TV CSG funds on KUSD-FM activities, and that both stations overstated their non-federal financial support (NFFS) resulting in CSG overpayments of \$5,024 and did not fully comply with advance notice requirements.

The specific findings and CPB's determinations for SDPTV and KUSD-FM follow.

**I. Recommendations 1, 2 and 3: SDPTV Misspent CSG Funds**

**A. Questioned Costs**

The audit found that SDPTV misspent \$24,300 of its TV CSG funds on radio expenses and recommended that CPB recover the same, require SDPTV to identify the corrective actions it will take to ensure that this mistake does not occur going forward, and require it to document and retain the allocation methodologies it uses to distribute costs between TV or radio activities.

SDPTV acknowledged the errors and to address this issue, indicated in its correspondence of August 5, 2021 that the Director of Engineering and the Finance

Manager will assist in coding expenditures going forward. Accordingly, we are confident that the station understands the requirements and we will not require 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. Stations that fail to comply with a requirement in the General Provisions and Eligibility Criteria (General Provisions) subjects the recipient to a \$1,000 penalty per incident. Considering the overall results of the audit, we will assess a reduced penalty of \$1,000.

Action: SDPTV must return \$24,300 in misspent funds and the \$1,000 penalty to CPB within 45 days of the date of this correspondence.

## **II. Recommendations 4 and 5: CSG Overpayment of \$5,024 and Financial Reporting Errors**

### **A. Endowment Revenues**

CPB Guidelines<sup>1</sup> provide that station may report contributions to endowments as NFFS, but endowment distributions are excluded. The audit found that the stations overstated their endowment revenues by including distributions, which resulted in total CSG overpayments of \$1,701. Consequently, it recommended that CPB recover these overpayments and require SDPTV and KUSD-FM to identify the corrective actions they will implement to ensure compliance with CPB Guidelines going forward.

SDPTV and KUSD-FM agreed with the findings and confirmed in their August 5, 2021 correspondence, that as of January 2021, The Friends of South Dakota Public Broadcasting (Friends), which processes their endowment gifts, will comply with the Guidelines.

We also agree with the findings concerning NFFS and considering the information provided, are confident that the stations understand the requirements and will comply going forward. No further documentation is required.

Action: SDPTV and KUSD-FM must return \$1,438 and \$263, respectively, in CSG overpayments which CPB will collect through an offset to their 2023 CSG.

### **B. Misclassification of Appropriations**

CPB Guidelines<sup>2</sup> allows appropriations to be reported as NFFS. The audit found a portion of KUSD-FM's appropriation was misreported as part of SDPTV's appropriation, resulting in TV CSG overpayments of \$2,061.

The audit recommended that CPB recover these overpayments and require SDPTV to identify corrective actions it will implement to ensure that appropriated revenues are

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<sup>1</sup> CPB FY 2018 and FY 2019 Financial Reporting Guidelines, Part III AFR and FSR line-item instructions for Schedule A, line 17.

<sup>2</sup> CPB FY 2018 and FY 2019 Financial Reporting Guidelines, Section 2.3.2, NFFS Contributions, Purpose Criteria.

correctly reported. Additionally, it recommended that CPB require SDPTV to identify the corrective actions it will implement to ensure that all allocation methodologies used to claim NFFS are documented and retained and explain how its allocations were determined, periods covered, and the source documentation used.

The stations agreed with the finding, and we agree that SDPTV should return the overpayment. Regarding the other recommendations, considering the checks and balances and additional processes described in their correspondence of August 5, 2021, we are confident that the stations understand the issue and the requirements in CPB Guidelines. Therefore, we will not require any additional documentation.

Action: SDPTV must return \$2,061 in CSG overpayments to CPB, which CPB will collect through an offset to its 2023 CSG.

#### C. Ineligible or Unsupported Underwriting Revenues

CPB Guidelines<sup>3</sup> specify the underwriting revenues that stations may report as NFFS and the required documentation. The audit identified several transactions that either included disallowed revenues or lacked sufficient documentation, resulting in CSG overpayments of \$763<sup>4</sup>. As a result, the audit recommended that CPB recover these funds and require the stations to identify corrective actions they will implement to ensure that underwriting is reported in the Friends accounting records consistent with CPB Guidelines.

SDPTV, per its response letter dated August 5, 2021, agreed with the findings concerning the overstatement. We also agree and considering the overall audit results and the amount of the misreporting, no further documentation is required.

Action: SDPTV and KUSD-FM must return the CSG overpayments which CPB will collect by an offset to their 2023 CSG (\$323 for SDPTV and \$440 for KUSD-FM).

#### D. Unsupported Gifts and Bequests from Major Donors

The audit found that a portion of SDPTV's major gifts reported as NFFS were not documented by Friends as required in the CPB Guidelines<sup>5</sup>, resulting in CSG overpayments of \$499. It recommended that CPB recover these funds and require SDPTV to identify corrective actions it will implement to ensure that major gifts have documentation consistent with CPB's Guidelines.

SDPTV, per its response letter dated August 5, 2021, agreed with the overstatement as do we. However, considering the amounts involved and the overall audit results, we will not require additional documentation.

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<sup>3</sup> CPB FY 2018 and FY 2019 Financial Reporting Guidelines, Part III AFR and FSR line-item instructions for Schedule A, line 7.1.A and 9.1.A.

<sup>4</sup> This amount differs slightly from the final audit report, possibly due to the IRR.

<sup>5</sup> CPB FY 2019 Financial Reporting Guidelines, Part III AFR and FSR line-item instruction for Schedule A, line 19.

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Action: SDPTV must return \$499 in CSG overpayments to CPB, which CPB will collect through an offset to its 2023 CSG.

E. CSG Non-compliance Policy

The CSG Non-compliance Policy provides for a ten percent penalty of any CSG overpayment. Considering the CSG overpayments of \$5,024 set forth above, a ten percent penalty is \$502.

Action: SDPTV and KUSD-FM must provide the \$502 penalty to CPB within 45 days of the date of this correspondence.

**III. Recommendation 6: Open Meetings - Communications Act and General Provisions Compliance**

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<sup>6</sup>. The audit found that the stations provided inadequate notice for three of six SDPTV open meetings reviewed during the audit period. The audit recommended that CPB require SDPTV and KUSD-FM to identify the corrective actions they will implement to ensure the public receives notice of upcoming meetings of the station at least seven days in advance.

The stations' management agreed with the findings. Within its response letter dated August 5, 2021, it identified the actions that it will take to correct the issue, including posting an announcement on the stations' website at least two weeks in advance of any scheduled meetings and broadcasting promotional TV and radio announcements at least eight days prior to the same.

We agree that the stations' notice was inadequate. However, based on the August 5, 2021 response letter, we are satisfied that the stations understand the requirements and will be compliant going forward. Therefore, we will not require that they provide any additional documentation. However, in accordance with CPB's CSG Non-compliance Policy, failure to comply with a category in the Act subjects the station to a penalty of \$5,000. Because the open meeting requirements are one of several components in a category in the Act and considering the prompt steps SDPTV and KUSD-FM took to correct this and the overall audit findings, we will assess a reduced penalty of \$2,500.

Action: SDPTV and KUSD-FM must provide the non-compliance penalty of \$2,500 to CPB, within 45 days of the date of this correspondence.

CPB will recover the TV CSG overpayments of \$4,320 and the radio CSG overpayments of \$704 through a reduction to SDPTV and KUSD-FM's FY 2023 CSG awards and will notify the grantees when the grant adjustments are made.

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<sup>6</sup> CSG 2021 Compliance Document, Section 1.E. Notice of Open Meetings

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Within 45 days of the date of this correspondence, please forward a check in the amount of \$28,302, including the \$24,300 in misspent TV CSG funds and \$4,002 for the non-compliance penalties. The check should be made 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 SDPTV and KUSD-FM 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

Jeff Clines, Commissioner, South Dakota Board of Directors for Educational Telecommunications  
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  
Kathy Merritt, Senior Vice President, Radio, 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  
Andrew Charnik, Director, Radio CSG Policy & Administration, CPB  
Forrest Lillibridge, Director, Grants Administration, CPB  
Pat Saks, Director, Business & Administration, CPB