Corporation
for Public
Broadcasting

February 2, 2018

VIA ELECTRONIC MAIL, HARD COPY TO FOLLOW

Mr. John LaBonia
General Manager
WLRN-TV/FM
172 NE 15th Street
Miami, FL 33132

RE: Evaluation of WLRN-TV/FM's Restatement of Its Underwriting Revenue Split between Television and Radio for the Period July 1, 2007 through June 30, 2015 (Report No. ESJ1708-1710)

Dear Mr. LaBonia:

We appreciate WLRN-TV/FM (WLRN) promptly notifying us when it discovered that it had misreported a considerable amount of underwriting revenues and, consequently, received significantly higher community service grants (CSG) than it was entitled to under our grant program. Our Office of Inspector General's (OIG) review, made at our request, found that WLRN correctly restated its underwriting revenues. The OIG's individual findings and our determinations follow.

I. Recommendations 1 and 2

The OIG verified that WLRN correctly restated its underwriting revenues resulting in television CSG overpayments totaling $1,128,247, as shown in Exhibit A. It recommends that we recover the overpayments and apply a penalty pursuant to our CSG Non-compliance Policy.

> CPB Determination: We agree in part with the OIG's recommendations and require WLRN to return the overpayments to CPB. However, we believe under the circumstances, a penalty is not appropriate. Our policy provides a list of factors we consider when determining whether a penalty is appropriate and whether it should be increased or decreased. We drafted the policy purposefully so that we might consider all relevant facts in making our determination. The following factors are relevant to WLRN's situation.
>
> - Whether the recipient acted in good faith, voluntarily disclosed its non-compliance;

- Whether the recipient implemented substantive corrective action once the non-compliance was disclosed to ensure future compliance;
- The amount of the penalty in relation to the recipient's station revenue; and
- Other relevant factors.

WLRN acted in good faith disclosing the error to us and its auditors, when the issues involved significant dollars and risks. It went a step further in accepting responsibility and engaged a forensic auditor to review the misreporting. In addition, we acknowledge that WLRN recently faced considerable expenses from damage caused by Hurricane Irma and providing exceptional 24/7 reporting throughout the disaster. Moreover, WLRN implemented substantive changes to address the issues by obtaining its fundraising entity's, The Friends of WLRN (Friends), audited financial statements with a breakdown of television and underwriting revenues, which was in part the reason for the misreporting.

Perhaps even more important in our determination is the fact that with the erroneous reporting, WLRN must absorb a substantial loss of $583,547 for its radio CSG. While it has requested that we allow it to offset the television CSG overpayment by the radio underpayment, the Communications Act prohibits this. The Act establishes the amount of our annual appropriation that must be distributed to public television and radio stations. Any funds allocated to television stations cannot, by statute, be reallocated to radio stations, and vice versa. In addition, since we distribute 100% of the funds each year, there are no undistributed radio funds that could be provided to WLRN to cover the underpayment.

Action: Within 45 days of the date of this letter, WLRN must return the $1,128,247 CSG overpayment to CPB. Please make the check payable to CPB and send to the attention of Nick Stromann, Vice President, Controller, Corporation for Public Broadcasting, 401 Ninth Street N.W., Washington, D.C. 20004-2129.

II. Recommendation 3

Friends raises underwriting and other revenues for WLRN. While Friends' financial information is audited, it combined WLRN's television and radio revenues, and the amount attributed to each is not addressed by the audit. CPB needs a breakdown of the revenues that were raised for television and those for radio, to calculate WLRN's CSGs. Friends provides the breakdown to WLRN in an unaudited supplemental schedule. For the years in question, WLRN relied on the breakdown of revenues identified in those schedules and reported those amounts as non-federal financial support (NFFS) to CPB, via its annual financial report (AFR). The OIG found that Friends provided WLRN with erroneous information for several years.

To limit the chance of this type of error occurring in the future and to ensure WLRN's compliance with the Financial Reporting Guidelines going forward, the OIG recommends that CPB require WLRN to identify the corrective actions and controls it will implement, to include at a minimum:

A. a certification from Friends that the supplemental schedule it prepares and provides to WLRN agrees with the Friends' financial records, particularly radio and television underwriting revenues;

B. require WLRN's licensee staff who prepare WLRN's financial statements and AFRs to reconcile WLRN's revenues and expenses to the Friends' and the licensee's general ledgers; and

C. require WLRN's AFR attestations include testing to ensure that Friends' reports WLRN's revenues and expenses according to CPB's Financial Reporting Guidelines.

CPB Determination: We appreciate the steps WLRN has undertaken to date to put into place controls to ensure this issue does not occur again, including attending our financial reporting training in December 2017.

Regarding Recommendation A, in November, WLRN provided CPB a copy of Friends' audited annual financial statement that separately reported radio and television revenues. The audit includes an opinion on the validity and reliability of Friends' financial statements. Instead of requiring a certification from Friends, which is not our grantee, WLRN must provide us with the steps it will take to ensure this error does not occur in the future as explained below. Therefore, we consider Recommendation A closed.

Since WLRN is now obtaining an audited breakdown of revenues for television and radio from Friends and an independent auditor will annually audit WLRN's financials, we will not require WLRN to reconcile its revenues and expenses to its licensee's or Friends' general ledgers. Therefore, we consider Recommendation B closed.

Our Financial Reporting Guidelines require that AFR attestations include testing to ensure that revenues reported as NFFS meet the Guidelines' criteria. Therefore, we will not require that WLRN provide us with the additional attestation suggested in Recommendation C and consider this Recommendation closed. Alternately, we require that WLRN describe the process and controls it will put into place to assure that underwriting and other revenues raised for it by Friends is reported in accordance with those Guidelines. Nonetheless we want to emphasize that it is WLRN's responsibility to review the Friends' financial information to identify those revenues that may be reported as non-federal financial support pursuant to the Financial Reporting Guidelines.

Action: Within 45 days of the date of this letter, WLRN must document for CPB the process and controls it will put into place to ensure that underwriting and other revenues raised by Friends is reported to us as NFFS, consistent with our Financial Reporting Guidelines. Please send the documentation to Katherine Arno, Director of Television CSG Policy and Review at karno@cpb.org.

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. Failing that, CPB will consider these determinations final and WLRN will be required to comply with the actions set forth above. CPB reserves the right to take any other action CPB 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
Alberto Carvalho, Superintendent, Miami-Dade-County Public School
Daisy Gonzalez-Diego, Chief Communications Officer, Miami-Dade County Public School
Mary Mitchelson, Inspector General, CPB
William J. Richardson, Deputy Inspector General, CPB
Michael Levy, Executive Vice President & Chief Operating Officer, CPB
Steven J. Altman, Executive Vice President & Chief Policy & Business Affairs Officer, CPB
J. Westwood Smithers, Jr., Senior Vice President & General Counsel, CPB
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB
Ted Krichels, Senior Vice President, System Development & Media Strategy, CPB
Kathy Merritt, Senior Vice President, Journalism and Radio, CPB
Erika Pulley-Hayes, Vice President, Radio, CPB
Greg Schnirring, Vice President, CSG & Station Initiatives, CPB
Nick Stromann, Vice President, Controller, CPB
Katherine Arno, Director, TV CSG Policy & Review, CPB
Andrew Charnik, Director, Radio CSG Policy & Administration, CPB
Nadine Feaster, Director, Grants Administration, CPB

Exhibit A

Misreported Television Underwriting Revenues

AFR Reporting Year	CSG Award Year	TV IRR	Over-Reported TV Underwriting Revenues	Overpaid TV CSG[1]
2015	2017	0.11953763480	$1,225,956	$165,842
2014	2016	0.13219333790	905,190	119, 660
2013	2015	0.13480837760	1,003,222	135,243
2012	2014	0.12199900000	1,471,575	179,531
2011	2013	0.109712	1,259,093	144,078
2010	2012	0.114860	1,249,650	143,535
2009	2011	0.108054	1,286,855	138,707
2008	2010	0.094188	1,075,598	101,308
		Total	**$9,477,139**	**$1,128,247**

[1] The totals are calculated based on the amount of misreported NFFS (underwriting revenues) to which a program differentiation incentive has been applied.