

## **INFORMATION ON CPB'S OFFICE OF INSPECTOR GENERAL AUDIT PROCESS**

### ***Establishment of the Office of the Inspector General at CPB***

The Office of Inspector General (OIG) at the Corporation for Public Broadcasting (CPB) was established pursuant to the Inspector General Act of 1978 (the IG Act). The IG Act created OIGs in 12 federal agencies to promote economy, efficiency, effectiveness, and integrity of federal programs. CPB was made subject to the IG Act through a 1988 amendment that established IGs in certain "Designated Federal Entities," which included some non-governmental organizations, such as CPB, that administer federal appropriations. This amendment increased the number of IGs from 12 to 33. There are now 73 IGs under the IG Act.

### ***OIG Responsibilities***

Under the IG Act, CPB's IG reports directly to CPB's Board of Directors (not to CPB management) and has responsibility to:

- Conduct independent audits and investigations of CPB programs and operations;
- Review existing and proposed legislation and regulations related to CPB programs and operations;
- Recommend policies designed to promote economy, efficiency, and effectiveness in the administration of CPB programs and operations and designed to prevent and detect fraud, waste, and abuse; and
- Keep Congress and CPB's Board and management informed about problems and deficiencies relating to the administration of CPB programs and operations.

### ***OIG Authorities***

The IG Act gives CPB's OIG certain authorities to help it fulfill these responsibilities, including access to all information available to CPB and the authority to issue subpoenas to obtain documents from entities other than CPB, such as CPB grantees and contractors. CPB's OIG does not have law enforcement authority but may arrange for another OIG with such authority to assist in its criminal investigations when necessary.

### ***OIG Reporting Requirements***

The IG Act requires OIG to report on its activities in the six-month periods ending March 31 and September 30 (known as Semiannual Reports to Congress or SARs). SARs must include a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations disclosed by OIG audits and investigations, including a description of recommendations for corrective action made during the reporting period. In addition, the report must include information on recommendations made in previous reports where corrective action has not been completed, as well as the total dollar value of questioned and unsupported costs and of recommendations that funds be put to better use. (See the attached Addendum for the Act's definition of these terms.)

The Act also requires that CPB report on its resolution of OIG audit recommendations within 30 days after OIG's SAR. Due to our small size, at CPB we combine these two reports into one and send it to Congress by the ends of May and November of each year. OIG posts these SARs on its website at <http://www.cpb.org/oig/>.

### ***OIG Audit, Review, and Evaluation Process***

OIG conducts risk-based audits, evaluations, and other reviews of CPB grantees, contractors, vendors, and operations to improve the integrity of CPB's programs and operations. In addition to conducting a risk analysis, OIG also solicits suggestions from Congress and CPB's Board and management of specific issues and entities to audit. The IG Act directs OIG to follow the standards for auditing government entities, the *Government Auditing Standards*, which are established by the Government Accountability Office. When conducting evaluations or investigations, OIG adheres to standards adopted by the Council of the Inspectors General on Integrity and Efficiency.

OIG's audit criteria are the CPB grant or contract requirements, CPB's guidelines, and the Communications Act. (Please see the Addendum for a list of CPB guidelines.) The IG Act governs how OIG reports monetary findings as either questioned costs or funds put to better use. Further, the *Government Auditing Standards* require auditors to determine the cause of reported findings to facilitate corrective actions.

CPB OIG audits and evaluations generally follow these steps:

1. Notification: Before undertaking an audit, OIG notifies the auditee and CPB of its intent to audit and the subject matter of the audit.
2. Conference: OIG holds an entrance conference with the auditee to discuss the objectives, scope, and timing of the audit.
3. Fieldwork: OIG sends auditors to the auditee's office to gather information for the audit. At the end of fieldwork, the auditors present their potential findings to the auditee at a meeting.
4. Preliminary Observations: After further analysis of the information, OIG sends the auditee a written document outlining its preliminary observations and asks for the auditee's comments and any additional pertinent information. OIG also shares these preliminary findings with CPB management if there are significant or complex issues.
5. Draft Audit Report: OIG provides the auditee and CPB with a draft of its audit report and gives the auditee the opportunity to provide an official written response within 30 days.
6. Exit Conference: After OIG issues its draft report, OIG may hold a formal exit conference with the auditee. OIG generally holds a formal exit conference when there are significant findings or complex issues.

7. **Final Audit Report:** After the expiration of the 30-day response period, OIG issues its final audit report, which takes into account the auditee's comments on the draft. The report includes OIG's findings, recommendations, and a copy of the auditee's response, if any. Pursuant to the IG Act, OIG must post its final report on its website within three days.
8. **CPB's Draft Determination Letter:** Within 90 days of OIG's final audit report, CPB gives OIG its draft determination letter responding to the audit's findings and recommendations.
9. **OIG's Response to Draft Determination Letter:** Within 15 days, OIG comments on CPB's proposed determinations. CPB and OIG often meet to discuss any disagreements.
10. **120 - 180 Day Resolution Process:** If CPB and OIG cannot reach an agreement on CPB's draft determination letter within 120 days, OIG has the option to appeal the decision to the CPB President. If the IG decides to appeal the decision, CPB and OIG develop a briefing package that they provide to CPB's President for her decision. If OIG does not concur with the President's decision, OIG may appeal to the Chair of the Board's Audit and Finance Committee for a final decision. CPB and OIG make every effort to complete these actions within 180 days from the date of OIG's final audit report.
11. **CPB Issues Determination Letter:** After CPB and OIG reach an agreement or agree to disagree about CPB's draft determination letter, CPB issues the final letter and the auditee has 30 days to appeal CPB's management decision.

### ***CPB Management Review of OIG Audits***

CPB management and OIG often meet to discuss preliminary, draft, or final OIG findings on significant or complex issues to ensure that CPB understands OIG's rationale for its findings and that OIG is aware of CPB's views. After OIG issues its final report, CPB management generally asks the auditee to provide any additional information or documentation regarding the findings and sometimes meets with the auditee multiple times to obtain the auditee's position regarding the findings. CPB can agree with OIG findings and recommendations completely or in part, or it may reject OIG's findings and recommendations.

### ***Penalty Assessments***

CPB has established a non-compliance policy to encourage stations receiving Community Service Grants (CSGs) to comply with applicable provisions of the Communications Act of 1934 and CPB's General Provisions and Eligibility Criteria. You can review the policy at <http://www.cpb.org/stations/non-compliance.html>. Under that policy, CPB may assess a penalty of up to \$5,000 or 10 percent of the CSG overpayment for each infraction. Therefore, CPB final determinations of OIG audits may also include penalty assessments for non-compliance.

***Tracking Open Recommendations and Corrective Actions***

In its final determination, CPB will direct the auditee to undertake certain action(s) to correct the problems that OIG found. Sometimes CPB will order repayment of money; sometimes it will require an administrative action. OIG considers a recommendation open until the auditee completes its corrective actions, including making final payment.

When CPB sustains a monetary finding, it may require immediate repayment from the grantee, or it may choose to offset the amounts due against the auditee's future grant payments from CPB. Because a recommendation is not closed until all corrective actions are completed, in the instances where CPB permits recovery through offset against future grants, the recommendations may remain open for a number of years.

As we noted above, OIG and CPB must report regularly to Congress on open recommendations and corrective actions.

## **ADDENDUM**

### ***Definition of Terms***

Based upon the definitions in the IG Act, these terms mean:

- “questioned costs” involve alleged violation of law, regulation, contract, grant, or other agreement governing the expenditure of funds; costs not supported by adequate documentation (“unsupported costs”); or where the expenditure of funds was unnecessary or unreasonable.
- “unsupported costs” are ones found by OIG at the time of the audit to be not supported by adequate documentation.
- “recommendation that funds be put to better use” means a recommendation by OIG that funds could be used more efficiently if management implemented the IG’s recommendation. They may include, among other things, reductions in outlays; deobligation of funds from programs or operations; cost not incurred by implementing recommended improvements related to the operations of CPB, a contractor or grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract, or grant agreements; or any other savings that are specifically identified.

### ***CPB Guidelines OIG Applies in Audits and Evaluations***

CPB’s guidelines include:

- *Communications Act Certification Requirements for Community Service Grant Recipients*, [http://www.cpb.org/stations/certification/cpb\\_certification\\_req.pdf](http://www.cpb.org/stations/certification/cpb_certification_req.pdf);
- *Financial Reporting Guidelines for Preparing the Annual Financial Report (AFR) & Financial Summary Report (FSR)*, [http://www.cpb.org/stations/frg/2015\\_cpb\\_frg.pdf](http://www.cpb.org/stations/frg/2015_cpb_frg.pdf);
- *Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities*, <http://www.cpb.org/stations/principles/principlesofaccounting050818.pdf>;
- *CPB Guidelines for Indirect Costs*, <http://www.cpb.org/grants/indirectcosts/Indirect-Cost-Guidelines-3-20-2014-revisions.pdf>;
- *CPB Terms and Conditions for Television, Radio, and Other Media Production Grants* <http://www.cpb.org/grants/termsandconditions/cpb-terms-and-conditions.pdf>;
- *2016 Television Community Service Grant General Provisions and Eligibility Criteria*, <http://www.cpb.org/stations/grants/tv/generalprovisions/FY-2016-TV-General-Provisions.pdf>,
- *2016 Radio Community Service Grant General Provisions and Eligibility Criteria* <http://www.cpb.org/stations/grants/radio/generalprovisions/FY-2016-Radio-General-Provisions.pdf?120215>; and
- Discrete accounting requirements, <http://www.cpb.org/stations/discrete.html>.