

**Columbus City Schools
Office of Internal Audit**



**COLUMBUS
CITY SCHOOLS**

**WCBE Radio – NPR and Other Vendors
Special Review**

Report Date: June 27, 2019

Table of Contents

Title	Page
Executive Summary	3
Audit Objectives	5
Audit Scope	5
Methodologies	5
Background	5
Report Issues and Management Responses	6

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Executive Summary

The Columbus City Schools (District) Office of Internal Audit (OIA) completed a special review of WCBE Radio (WCBE). OIA predicated the special review on notification by WCBE management to District upper management in late January 2019 that WCBE owed a significant sum to National Public Radio (NPR) for past due unpaid invoices. WCBE management advised District upper management the unpaid past due amount totaled approximately \$870,000.

OIA's special review objectives focused only on quantifying the amount owed NPR and other WCBE vendors as of January 30, 2019. Our special review noted the amount of past due unpaid NPR invoices totaled \$869,463. On March 29, 2019, the District paid \$10,125 for one outstanding invoice. On June 5, 2019, the District paid the remaining \$859,338 to NPR. OIA noted one other vendor with one unpaid past due invoice at January 30, 2019, for goods/services which totaled \$15,939. The District paid this invoice on March 18, 2019.

The WCBE general manager modified a significant number of NPR invoices presented as supporting documentation for payments made. The general manager also modified invoices of four other specific vendors and an unknown number of other vendors.

OIA noted other significant results which included:

- Significant risk related to WCBE's funding model;
- Significant risks related to WCBE operations;
- Use of personal funds, undeposited cash receipts, or a combination thereof for payment of WCBE operating expenses;
- Incompatible duties related to modifying vendor file standing data; and
- Opportunity to improve control and reduce risk through electronic vendor invoice submission.

OIA appreciates the cooperation and assistance provided by management and staff during the special review.

OIA noted the following issues during the review:

<p>Risk Ratings, defined:</p> <p>1 – High/unacceptable risk requiring immediate corrective action;</p> <p>2 – Moderate/undesirable risk requiring future corrective action;</p> <p>3 – Low/minor risk that management should assess for potential corrective action.</p>			
Issues	Risk Rating		
	1	2	3
Objective 1: Calculate the amount due and outstanding to NPR for goods and/or services received.			
Issue No. 1 – Unpaid NPR past due invoices at January 30, 2019, for goods/services totaled \$869,463.	X		
Issue No. 2 – The WCBE general manager modified a significant number of NPR invoices presented as supporting documentation for payments made. The WCBE general manager also modified invoices of four other specific vendors and an unknown number of other vendors.	X		
Issue No. 3 – The District’s self-funding operating model for WCBE created significant pressure on revenue generation for WCBE’s continued existence which created significant risk.	X		
Issue No. 4 – WCBE’s operations represent significant risks to the District.	X		
Objective 2: Determine whether vendors other than NPR existed for which there were significant amounts due and outstanding for goods and/or services received.			
Issue No. 5 – One unpaid invoice to other vendors at January 30, 2019, for goods/services totaled \$15,939. The District paid the invoice on March 18, 2019.		X	
Issue No. 6 - The WCBE general manager used personal funds, undeposited cash receipts, or a combination thereof to pay WCBE operating expenses. At least one vendor paid in this manner was not an approved District vendor and payments in this manner were not recorded in the District’s accounting system.		X	

Issue No. 7 – The accounts payable supervisor possess privileges to modify vendor file standing data.	X		
Issue No. 8 – The District would improve internal control and reduce risk through electronic vendor invoice submission.	X		

Audit Objectives

The objectives of the special review were:

- Calculate the amount due and outstanding to NPR for goods and/or services received; and
- Determine whether vendors other than NPR existed for which there were significant amounts due and outstanding for goods and/or services received.

Audit Scope

OIA applied its procedures to all known vendors for which the District or WCBE had record of doing business since July 1, 2017. NPR provided billing and payment history data and records from July 1999, through January 2019 which OIA used as the period for Objective 1. OIA set the period for Objective 2 as July 1, 2017, through January 30, 2019. The end of both periods coincided with the date the District removed the WCBE general manager from his duties and reassigned him.

Methodologies

To accomplish our stated objectives, OIA performed the following tasks as they related to those objectives:

- Obtained invoice and payment history data, and related documentation directly from NPR;
- Examined invoice and payment history data and related documentation for NPR and other WCBE vendors;
- Examined MUNIS invoice and payment data and documentation for NPR and certain other WCBE vendors; and
- Contacted certain other WCBE vendors and requested they identify any outstanding past due invoice amounts.

Background

In January 2019, NPR contacted the WCBE general manager to inform the WCBE general manager the station risked losing NPR membership and programming due to a significant amount of unpaid past due invoices. NPR advised the WCBE general manager the past due amount totaled approximately \$870,000. On January 29, 2019, the WCBE general manager advised the Executive Director of Strategic Communications and Public Relations of the NPR contact and demand for payment. Upon notification, the District removed the WCBE general manager from his WCBE duties and reassigned him. The Executive Director of Strategic Communications and Public Relations notified the OIA which initiated this special review on February 4, 2019.

Results of the WCBE Radio Special Review – Issues and Recommendations:

Issues No. 1 and No. 5 – WCBE Unpaid Past Due Invoices – NPR and Other Vendors.

Unpaid past due NPR invoices at January 30, 2019, for goods/services totaled \$869,463. On March 29, 2019, the District paid \$10,125 for one outstanding invoice. On June 5, 2019, the District paid the remaining \$859,338 to NPR. OIA noted one other vendor with one unpaid past due invoice at January 30, 2019, for goods/services which totaled \$15,939. The District paid this invoice on March 18, 2019.

Specific to NPR we identified 44 invoices supporting payments made for which OIA could calculate certain metrics regarding timeliness of payment. Those metrics were as follows:

DAYS/MONTHS BETWEEN INVOICE DATE AND CHECK DATE			
0 – 30 days	31 – 60 days	61 – 90 days	Greater than 90 days
9	5	3	27
Average Days		426 days	
Average Months		14 months	
Range of Days		12 – 1,491 days	
Range of Months		0.4 – 49.0 months	

Recommendation

No recommendation was offered because the District paid the total outstanding invoices amount during the special review.

Management Response: No management response or corrective action plan is expected.

Process Owner: Not applicable.

Implementation Date: Not applicable.

Issue No. 2 – Modified Invoices Supporting Payments to NPR and Other Vendors.

The WCBE general manager modified a significant number of NPR invoices presented as supporting documentation for payments made. The WCBE general manager also modified invoices of four specific vendors and an unknown number of other vendors. Specific to NPR, OIA noted the following related to payments recorded:

- 45.0% (36 of 80) invoices presented as support for payments had no such invoice number in NPR invoice data/information/images provided.
- 59.1% (26 of 44) invoices for which an NPR invoice with the same number existed did not agree in amount and/or invoice date to NPR invoice data/information/images provided.

Recommendation

1. We recommend management assess the risks associated with payment support documentation accuracy, completeness, and authenticity. Using the assessment results, management should design and implement internal control procedures which address significant risks.

Management Response: The Treasurer's Office sent letters to all vendors that WCBE did business with and requested that they inform the Treasurer's Office of any outstanding balances over 90 days old. The Treasurer's Office also requested that they submit their invoices to Accounts Payable at 270 East State Street instead of the Jack Gibbs address moving forward.

It should be noted, that at no time was the Treasurer's Office ever contacted by NPR and notified that there was an issue with payments. They would only contact the station manager.

Process Owner: Stan Bahorek, Treasurer

Implementation Date: February 19, 2019

Issue No. 3 – WCBE's Operations Funding Model Creates Significant Risk.

Since 2000, funding for WCBE operating costs was expected to be self-generated and WCBE was expected to be financially self-sufficient. This self-funding operating model created significant pressure on revenue generation to fund the station's operating costs. The model essentially required a radio station to also be a fundraising organization in order to provide for its very existence. As a fundraising organization WCBE was placed in direct competition with all other charitable and fundraising causes. Under the current model and with current resources WCBE will likely continue to struggle financially leading to additional issues and risks related to programming and financial operations.

Recommendation

2. We recommend management conduct a formal evaluation to conclude whether operating WCBE aligns with the District's vision, mission, and strategic objectives; and warrants continuing as a District asset and operation. Using the results, management should develop and implement strategies to achieve the conclusions reached.

Management Response: The challenges of self-sufficiency and revenue generation are common for the majority of radio stations across the country; those issues, however, are not typical for a division or office within Columbus City Schools. The competition for listeners' time (which for WCBE has a direct effect on the ability to attract advertisers/underwriting, memberships, and donations) has changed dramatically in the radio industry due to new business models from satellite and digital radio, podcasts, and online on-demand services. All radio stations are competing for listeners in order to meet their budgets.

For WCBE and the public radio station model it has operated for years, the rising threat from podcasting is further exacerbated by projections from National Public Radio that younger listeners under age 44 will make up only 30% of the overall audience in the next couple of years, compared with 60% in 1985. Conversely, more than 80% of podcast listeners are under age 55, according to data released by Edison Research and Triton Digital.

The Office of Strategic Communications has begun implementation of a one-year Stabilization-Reimagination Plan for WCBE which would include the formal evaluation recommended by the Office of Internal Auditor. Under this plan, the District has stabilized the station's operations, so as not to interrupt current broadcasting or programming (including the payment to NPR to ensure no interruption in service). During the 2019-20 school year, the Communications leadership team will lead the Reimagination phase with a full discussion and evaluation about how the operation of the station fits within the District's mission and Strategic Plan, how we might give our students more access and airtime as part of our educational efforts, how the station might contribute to the District's overall communications strategy, and how best to fund the station's operations moving forward. An honest discussion should also be had about outsourcing the operation of the station to another party.

Any plan would need to be finalized prior to the Board's approval of the FY 2021 budget.

Process Owner: Scott Varner, Executive Director of Strategic Communications

Implementation Date: June 1, 2020

Issue No. 4 – WCBE's Current Operations Represent Significant Risks.

Current operations of WCBE represent significant risks to the District. Those risks include but are not likely limited to the following:

- Regulatory compliance related to grant funds, annual financial audit presentation and other financial reporting, station operation and/or programming requirements;
- Legal related to litigation for current or future significant unpaid invoices due to insufficient funds;
- Financial reporting integrity related to WCBE and District annual financial reporting;
- Financial data integrity related to the validity and accuracy of WCBE financial data included in the District's accounting system;
- Strategic related to effective use of a significant District asset to further the District's vision and mission; and WCBE as a going concern;
- Reputational related to media reporting of financial difficulties, station issues and problems, and ineffective and inefficient use of a significant District asset; and
- Fraud related to modified invoices and other information supporting payments to WCBE vendors.

Recommendation

3. We recommend management assess risks associated with continued WCBE operations and design and implement procedures, internal controls, and strategies to mitigate the significant risks identified by its assessment.

Management Response: The license for WCBE is a valuable asset to the District. The Office of Strategic Communications has begun implementation of a one-year Stabilization-Reimagination Plan. During this time of transition, we will prioritize that no action is taken that risks diminishing the value of the station's license or creates other undue liabilities for the District. The goal will be to find a solution that exponentially increases the return on that value for the District and for our students.

In addition to assessing the programming and operation of the station, this Reimagination phase will include conversations about appropriate staffing and investment to manage regulatory compliance, legal obligations, financial data integrity and reporting, and other appropriate administration risks and needs.

Process Owner: Scott Varner, Executive Director of Strategic Communications

Implementation Date: June 1, 2020

Issue No. 6 – Use of Personal Funds, Undeposited Cash Receipts and Unapproved District Vendor.

The WCBE general manager used personal funds, undeposited cash receipts, or a combination thereof to pay at least two vendors for WCBE operating expenses. One of the two vendors noted during the review was not an approved District vendor. None of the payments made in this manner were recorded in the District's accounting system.

Recommendations

4. Management should assess the impact of the unrecorded expenses on past financial reporting and determine whether reissuance, amendment, or other action is warranted to remedy inaccurate reporting related to WCBE.
5. Management should examine the transactions paid with undeposited cash receipts to gain assurance the transactions were related to the operation of WCBE and for a proper public purpose.

Management Response: We will work with outside auditors to determine if any financial restatements may need to be reported due to past unreported transactions as well as have outside auditors conduct a further examination of transactions paid with undeposited cash receipts and opine on their relationship to WCBE operations and proper public purpose.

Process Owner: Stan Bahorek, Treasurer

Implementation Date: November 30, 2019

Issue No. 7 – Accounts Payable Supervisor Privileges to Change Vendor File Standing Data.

We noted one instance whereby the accounts payable supervisor modified a vendor's name and one instance whereby the accounts payable supervisor modified a vendor's address in the vendor file. We noted no approval of these changes by a supervisor or other responsible person. While the changes we noted were not significant, nor appear for an improper purpose, the accounts payable supervisor's access and ability to make changes to the vendor file represents a significant risk.

Recommendation

6. We recommend management remove the accounts payable supervisor's ability to make changes to vendor file standing data. Management should conduct a review of MUNIS rights and privileges assigned to other Treasurer's Office employees to ensure there exists a proper segregation of duties and ensure they are commensurate with the employees' duties and responsibilities.

Management Response: Discussions have begun on a process for the Purchasing Department to assume responsibility for vendor address and name changes. We will also need to discuss a process for adding employee vendors. IT already sends out MUNIS rights and privileges to managers for review each year. This is a recommendation that already exists.

Process Owner: Stan Bahorek, Treasurer

Implementation Date: August 31, 2019

Issue No. 8 – Opportunity to Improve Internal Control and Reduce Risk Through Electronic Vendor Invoice Submission.

MUNIS functionality allows for the electronic submission of vendor invoice information. Taking advantage of such functionality will improve internal control, reduce risks, and improve efficiency. Currently, the Treasurer's Office manages a dedicated electronic mail inbox to which vendors can submit electronic images of invoices directly to Accounts Payable.

Recommendation

7. We recommend management formally evaluate implementing the vendor electronic invoice submission functionality available in MUNIS and report out management's findings.

Management Response: Accounts payable will investigate and test this functionality for performance and see which, if any, vendors this process could work.

Process Owner: Stan Bahorek, Treasurer

Implementation Date: September 30, 2019

