



Corporation For Public Broadcasting

Office of Inspector General

REPORT OF REVIEW

Review of Alleged Actions Violating
The Public Broadcasting Act of 1967, as Amended

Report No. EPB503-602

CORPORATION FOR PUBLIC BROADCASTING

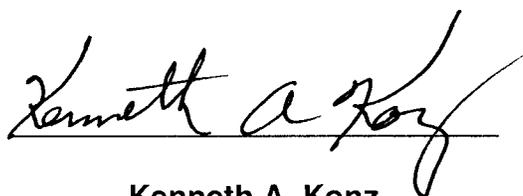
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November 15, 2005

A handwritten signature in black ink, appearing to read "Kenneth A. Konz", written over a horizontal line.

**Kenneth A. Konz
Inspector General**

NOTICE

This report contains the findings that describe problems that the Office of Inspector General has identified and the corrective actions recommended. This report represents the opinion of the Office of Inspector General and the recommendations presented may not necessarily represent CPB's final actions. CPB officials will make a final determination on matters in this report in accordance with established CPB audit resolution procedures.

EXECUTIVE SUMMARY

The Corporation for Public Broadcasting, Office of Inspector General, has conducted a review of alleged violations of the Public Broadcasting Act of 1967, as amended.

We found evidence that the Corporation for Public Broadcasting (CPB) former Chairman violated statutory provisions and the Director's Code of Ethics by dealing directly with one of the creators of a new public affairs program during negotiations with the Public Broadcasting Service (PBS) and the CPB over creating the show. Our review also found evidence that suggests "political tests" were a major criteria used by the former Chairman in recruiting a President/Chief Executive Officer (CEO) for CPB, which violated statutory prohibitions against such practices.

Our review of the hiring of a consultant to review program content for objectivity and balance showed that such reviews were consistent with Section 19(2)(B) of the Public Telecommunications Act of 1992, however problems occurred when the former Chairman initiated such actions without informing the Board and signed the contract without Board authorization. Further, CPB has never developed a policy for how such reviews should be conducted and what would be acceptable criteria for evaluating program content. Had a policy been established and developed in conjunction with the public broadcasting community, the community would have understood the purpose and use of such a review to ensure accountability to Congress and the American people, as envisioned by the statutory requirement.

Our review of the creation of the ombudsman function showed that by expanding the public's ability to have issues of objectivity and balance addressed, CPB's actions were consistent with their responsibilities under the Public Telecommunications Act of 1992. Problems arose by the way the function was created. Our review of public concerns about White House officials' involvement disclosed that a White House employee briefly did some work on the ombudsman press release and related talking points just prior to joining CPB. This work appeared to be advisory in nature and she did not provide the ombudsmen with guidelines on how to operate or interfere with their functioning.

Our review of the alleged hiring of lobbyists to assist CPB in addressing a proposed amendment to the reauthorization bill to change the composition of the Board found that the consultants provided only strategic advice to CPB about the legislative process and how to handle requests for information from committee staff. CPB's actions to seek professional advice were consistent with their responsibilities; however executive management's contracting for the consultant's services was not handled in accordance with CPB's contracting procedures.

While we believe the aforementioned violations were primarily the result of the former Chairman's personal actions to accomplish his various initiatives, our review also identified serious weaknesses in the corporate governance system. CPB's internal control mechanisms did not function to protect the CPB Board of Directors (Board) and

the Corporation. Potential problems in procurement and new policy initiatives should have been raised up the chain-of-command to the former Chairman and the full Board. Specifically, established procurement and contracting practices were bypassed in processing actions for consultant services initiated by the former Chairman and executive management, (e.g., in contracting with a consultant to evaluate program content and to identify and select two ombudsmen candidates without competition). Further, CPB management allowed consultants to begin work before contracts were executed and, in some instances, months before these activities were entered into the accounting system. In addition, the lack of formal personnel policies governing executive recruitment practices left CPB managers vulnerable to congressional criticism over hiring decisions.

Our review found an organizational environment that allowed the former Chairman and other CPB executives to operate without appropriate checks and balances. Many factors helped to create this environment, including:

- the lack of specificity in CPB's By-Laws regarding the roles and responsibilities of the Board and CPB management;
- top management's attitude towards internal controls; and
- the lack of transparency in decision-making within the Board, between CPB leadership and the Board, and within CPB's management structure.

The former Chairman told us that he relied on CPB management to ensure that established procurement practices were followed and he assumed proper procedures had been utilized.

Finally, our observations should not be generalized to the wide ranging activities conducted by CPB or their Community Service Grant making responsibilities. Our review had a very narrow scope, looking at selected consultant contracts and programming grants, as well as executive recruitment actions over the last 34 months.

In response to our report the CPB Board of Directors has made a serious commitment to update and improve the governance and operations of CPB. They will be implementing many of the recommendations in this report and will be studying others, as well as taking other steps beyond those contemplated in the report. The Board's response is attached as Appendix B. At their request, we have provided comments received from the former Chairman as Appendix C and the former President/CEO as Appendix D.

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CHAPTER I

INTRODUCTION

At the request of the Ranking Members of the House of Representatives, Committee on Appropriations and the Committee on Energy and Commerce, the Office of Inspector General (OIG) conducted a review of actions allegedly taken by the Corporation for Public Broadcasting (CPB) that may have been in violation of the CPB's authorizing statute, the Public Broadcasting Act (PBA) of 1967, as amended. This request asked us to focus on specific limitations placed on the roles of CPB and its Board of Directors (Board) in programming development and programming decisions made by individual public television entities. The PBA also forbids CPB from using "political tests or qualifications" in making employment decisions and prohibits interference by federal officials with public telecommunications or the content or distribution of public programming.

In addition, we expanded our review into two other issues which arose during our review. At the request of Senator Dorgan we reviewed the selection process for CPB's new President/CEO. We were also contacted by the Government Accountability Office regarding media reports that CPB had hired lobbyists to oppose a proposed amendment to CPB's 2004 reauthorization legislation.

This report organizes these issues into seven chapters. Chapters I and II provide an introduction and background. Chapter III discusses CPB efforts to address objectivity and balance in public broadcasting. This chapter discusses reviews of program content, efforts to fund balancing programs, the establishment of CPB's ombudsman function, and the annual "Open to the Public" report. Chapter IV examines the allegations that "political tests" were applied in making selected personnel decisions. This chapter reviews selected personnel decisions made by CPB officials, as well as the circumstances surrounding the decision not to renew the former President/CEO's contract and the hiring of her replacement. Chapter V provides an analysis of the circumstances related to news reports of alleged CPB lobbying of Congress and alleged comments made by the former Chairman at an Association of Public Television Stations (APTS) dinner in Baltimore, Maryland, in November 2004. Chapter VI discusses organizational causes that contributed to conditions identified during our review. Chapter VII discusses our recommendations for improving CPB practices.

In addition to this report, we have prepared detailed responses to the specific questions submitted by the Ranking Members of the House Appropriations and the Energy and Commerce Committees. These responses, along with copies of the documents requested, will be submitted under separate cover to the committees.

During the course of this review, a new Chairman of the Board was elected in September of 2005 and our use of the term former Chairman, refers to the Chairman

during the period October 2003 – September 2005. Similarly, a new President/CEO was appointed in June 2005 and our use of the term former President/CEO, refers to the President/CEO during the period July 2004 – April 2005.

Finally, with respect to any violations identified during our review, we provided a separate investigative report, along with specific evidence indicating possible wrongdoing, to the Board for their disposition.

We performed this review in accordance with the *Quality Standards for Inspections, Evaluations, and Reviews*, contained in the “Principles and Standards for Offices of Inspector General,” promulgated by the Association of Inspectors General in May 2001. Our results are based on extensive interviews and review of available documents, including official CPB records, staff members’ personal files and notes, as well as e-mail correspondence. Our review covered the period February 2003 – June 2005. (See Appendix A for a full discussion of our methodology, scope, and scope limitations encountered in conducting our review.) In this regard, it should be noted that we had to place significant reliance on information gathered in interviews based on people’s recollection of events, because we were often unable to independently corroborate the information provided. Further, we may not have received all requested information from non-CPB sources. For example, we were not permitted to interview White House personnel regarding allegations raised in the Ranking Members’ request.

CHAPTER II

BACKGROUND

Congress created CPB in 1967 as a private nonprofit corporation that would not be an agency or establishment of the United States Government. In this regard, CPB was chartered in the District of Columbia to promote non-commercial public telecommunications. In authorizing CPB, Congress clearly intended that noncommercial television and radio in America, even though supported by Federal funds, must be absolutely free from any Federal Government interference beyond mandates in the legislation.

A nine-member Board of Directors (the Board) was established to govern CPB, set policy, and establish programming priorities. No more than five members of the Board may be members of the same political party. The Board is expected to have broad representation throughout the country. Board members are selected from among citizens of the United States who are eminent in fields such as education, cultural and civic affairs, or the arts, including television and radio. One member shall be selected from among individuals who represent public television stations and one member shall represent public radio stations.

Each member of the Board is appointed by the President and confirmed by the Senate for a 6 year term. Each year, the Board elects one of its members to be Chairman and another to be Vice Chairman.

Overall, CPB was charged with facilitating the full development of public telecommunications to encourage programs of high quality, diversity, creativity, excellence, and innovation. These programs were to be made available to public telecommunications entities, with strict adherence to objectivity and balance in all programs or series of programs of a controversial nature. Further, CPB was charged with carrying out its purposes and functions and engaging in its activities in ways that most effectively assured the maximum freedom of the public telecommunications entities and systems from interference with, or control of, program content or other activities.

To carry out these purposes, CPB was given very broad general powers usually conferred upon a nonprofit corporation by the District of Columbia Nonprofit Corporation Act. These powers include the authority to enter into contracts, conduct affairs, and carry on operations, except that CPB is prohibited from:

- owning or operating any television or radio broadcast station, system, network, etc., and

- producing programs, scheduling programs for dissemination, or disseminating programs to the public.

As a nonprofit corporation, CPB was not subject to the Federal Acquisition Regulations, the U.S. Office of Personnel Management personnel practices, Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, or the Sarbanes-Oxley Act of 2002. As a result, CPB's management was responsible for the design and implementation of its own procurement and personnel practices, and related controls, with oversight by the Board.

It is also important to understand CPB's complex and sometimes contradictory role in carrying out its responsibility to act as a "heat shield," to prevent political interference, and to address objectivity and balance issues in public broadcasting programming. The 1978 amendments to the PBA prohibited CPB from producing programs, scheduling programs for dissemination, or disseminating programs to the public. Further, the amendment clarified CPB's role as system planner and overseer rather than day-to-day operator of the public broadcasting system. The amendments to the Public Telecommunications Act of 1992 required CPB to implement additional procedures to enhance public broadcasting's accountability to Congress and the American people regarding the quality, diversity, objectivity and balance of public broadcasting programming.

A review of a 1978 House committee report and House floor statements regarding the 1978 amendments, show that Congress removed the Board from programming decisions because of allegations the Board had become directly involved in programming decisions. The amendments required CPB to form peer review panels to review programming.

Subsequently in 1988, the Board passed a resolution adopting a "Statement of Principles, Editorial and Artistic Integrity in CPB-Funded Programs," which removed the Board from any direct involvement in programming decisions. The resolution recognized CPB as a trustee of public funds, but stated that the Board's proper role in programming was to adopt clear policies for developing programs with the CPB professional staff implementing those policies.

The Senate floor debate on June 2, 1992, provided insight into specific provisions of the amendments in the Public Telecommunications Act of 1992. Section 19(2)(B) of the amendment required CPB to review, on a regular basis, national broadcasting programming for quality, diversity, creativity, excellence, innovation, objectivity and balance. Senator Inouye offered the following comments regarding CPB reviews of national programming discussed in the amendment.

"[This legislation] assures that, in addition to giving the public opportunities to present comments to the board, the board will form its own judgment about the extent to which national public broadcasting programming serves the needs of

the American people and achieves the goals reflected in 396(g).”
(Congressional Record, June 2, 1992, p. S. 7342).

This amendment required CPB to not rely solely on public comments to assess objectivity and balance, but to also conduct their own reviews of national programming on a regular basis.

Further, Section 19(2)(C) required CPB to act on the basis of the information received from public comment and from CPB’s own reviews and to take steps to award program grants when it finds it necessary in accordance with Section 396(g)(1)(A) of the PBA. Regarding this section of the amendment Senator Inouye said:

“... is intended to assure that, to the extent that the Board identifies... areas in which the Corporation could do more [to] facilitate the full development of public telecommunications, it takes those areas into account in awarding certain programming grants... For example, if the Board’s review of national public broadcasting programming or its analysis of public comments reveal a dearth of programs on a particular issue, from a particular perspective, or serving a particular audience, the Board can direct the Corporation to solicit proposals or fund programs under these program funds that will fill the hole or correct the imbalance...” (Congressional Record, June 2, 1992, p. S. 7342).

This amendment requires that when the Board finds a lack of objectivity and balance in national programming the Board can direct CPB management to take action to fund balancing programs.

CHAPTER III

OBJECTIVITY AND BALANCE

Over the last two years, the Board has become increasingly concerned with objectivity and balance issues, focusing on the “NOW with Bill Moyers” program. As a result, CPB took a number of actions that included evaluating “NOW with Bill Moyers” and three other programs for content. In an effort to balance the Public Broadcasting Service’s (PBS) public affairs program line-up, CPB provided funding to create “Tucker Carlson: Unfiltered” and “The Journal Editorial Report,” and created an ombudsman function within CPB. Additionally, CPB belatedly issued its 2004 “Open to the Public” report in August 2005 instead of January, as required by statute. The “Open to the Public” report provides accountability to Congress and the American public about the quality, objectivity, and balance of public broadcasting programming.

Our review found that the former Chairman was extensively involved in the above referenced issues discussed in this chapter, often exceeding the oversight role of a Board member in making procurement and programming decisions. Further, CPB’s internal controls did not function to ensure that the Board was fully informed about new policy initiatives being implemented and whether CPB operating procedures were being followed.

On January 26, 1993, the Board adopted a resolution to address implementation of the Public Telecommunications Act of 1992, but it did not specifically address how objectivity and balance could be evaluated. The memorandum attached to the resolution, dated January 23, 1993, stated that CPB would conduct a general review of national programming for quality, diversity, creativity, excellence, and innovation, but it also did not specifically address the review of objectivity and balance.

In a November 19, 2002 resolution, the Board reaffirmed its commitment to objectivity and balance. The resolution indicated that the PBA recognizes the need to treat subjects of a controversial nature in a fair and balanced way. The resolution stated:

That CPB Management must ensure that programming CPB funds comports with this statutory mandate [for objectivity and balance]. Management also must continue to work with the system to collectively ensure that all programming is produced in a manner consistent with the high editorial standards that the public expects of public broadcasting.

In reviewing both policy statements, neither resolution specifically addressed how CPB would conduct periodic reviews of national programs for objectivity and balance. Our review disclosed that the contract to evaluate “NOW with Bill Moyers” and three other programs was the first time an attempt was made to evaluate multiple episodes of a program and compare different programs’ content for objectivity and balance. A prior

attempt to conduct a content analysis of public broadcasting programs in 1986 created a furor within the community, the Congress, and the media. The project was abandoned after considerable discussion and CPB research because:

- “The research findings would not be what is expected;
- The findings would at best illustrate, and not substantially help to resolve, divergent or conflicting views; and
- Many people have tried, but no one has yet determined how to measure objectivity and balance properly.”

Their research concluded that while most people would agree that objectivity and balance are desirable norms, they would not agree on the terms’ meaning. Without broad consensus on the meaning of objectivity and balance, it is impossible to measure whether it was being achieved.

Our review of the legislative history clearly shows that CPB has the statutory authority to conduct regular reviews of national programs for objectivity and balance, however, CPB never developed specific procedures for conducting such reviews or established agreed upon criteria for measuring objectivity and balance. The 1992 amendments required CPB to review its procedures and to establish additional procedures that would enhance public broadcasting’s accountability to Congress and the American people, which the former Chairman did by evaluating “NOW with Bill Moyers” and the other public affairs programming. Further, the creation of the ombudsman function expanded the public’s ability to have issues of objectivity and balance addressed. Finally the legislation directed CPB to fund balancing programs when it identified the need based on either public comments or CPB’s regular reviews of national programming, which CPB did in creating “The Journal Editorial Report.”

Evaluating “NOW with Bill Moyers”

In an effort to address CPB’s statutory responsibilities to review programming for objectivity and balance, the former Chairman initiated actions to evaluate the program content of “NOW with Bill Moyers.” These actions were consistent with the requirements of Section 19(2)(B) of the Public Telecommunications Act of 1992, even though CPB had not formalized specific procedures for conducting such reviews. While CPB had the authority to conduct such reviews, the manner in which they were conducted created problems because the former Chairman did not get appropriate authorization from the Board to conduct such a review, did not establish agreed upon criteria to conduct such a review, did not communicate his plans to review public affairs programs with the public broadcasting community, and did not obtain appropriate authorization to sign the consulting contract. Further, CPB’s executive management did not raise these concerns to the former Chairman or elevate his actions to the full Board.

Our review showed that the former Chairman hired a consultant to determine whether “NOW with Bill Moyers” achieved objectivity and balance in its programs. The results of the consultant’s evaluation were to be used to demonstrate to PBS that “NOW with Bill Moyers” was not balanced. However, when PBS took steps to balance their schedule of public affairs programming with the addition of “Tucker Carlson: Unfiltered” and “The Journal Editorial Report,” the former Chairman decided not to extend the study. A final overall report was not prepared by the consultant. The former Chairman said that he no longer had a need to use the results of the consultant’s work. Further, he thought that publicly distributing the results would be damaging to public broadcasting.

We discuss the consultant’s evaluation of program content, the selection of the contractor, and the contract approvals in the following subsections.

Evaluating Program Content

We reviewed the consultant’s methodology to gain an understanding of how he addressed the issue of objectivity and balance. The methodology he used was not sophisticated; it was characterized more as a common sense interpretation of the perspectives expressed by the guests on the topics being discussed. The expertise needed to conduct the evaluation was described by the former Chairman as having an understanding of contemporary politics and whether the views expressed on the show reflected conservative or liberal perspectives.

The former Chairman asked the consultant to record the topics covered and characterize the guests’ points of view. The consultant confirmed this and explained that he was also asked to see whether the guest’s comments supported the host’s views or presented contrary views. He was also asked to characterize the views as either conservative or liberal. Depending upon a show’s topic, the consultant also characterized the guest’s views as pro-administration versus anti-administration, pro-Bush versus anti-Bush, or pro-DeLay versus anti-DeLay.

The consultant’s instructions were to initially evaluate “NOW with Bill Moyers.” Subsequently, the consultant was asked to expand his review to include: 1) “The Tavis Smiley Show;” 2) “The Diane Rehm Show;” and 3) “Tucker Carlson: Unfiltered.” The shows reviewed were selected from the period October 2003 through June 2004. Our analysis of the consultant’s work is presented in the following table. We did not attempt to validate the consultant’s characterization of the views expressed on the various programs.

SUMMARY OF PROGRAMS EVALUATED BY THE CONSULTANT

Name of Show	Period Reviewed	Number of Episodes	Number of Topics	Number of Guests
“NOW with Bill Moyers”	10/10/03 – 6/27/04	38	95	164
“The Tavis Smiley Show”	2/20/04 – 6/30/04	23	42	43
“The Diane Rehm Show”	5/26/04 – 6/25/04	15	28	54
“Tucker Carlson: Unfiltered”	6/19/04 – 6/25/04	2	5	8

Note: Statistics taken from consultant’s raw data, without reconciliation to summary data prepared by the consultant or CPB that was posted on the NPR website on June 30, 2005.

In our judgment, CPB’s lack of definitive policies and procedures for reviewing national programming for objectivity and balance, the lack of a public debate to define agreeable criteria to measure objectivity and balance, and the secrecy over conducting the review contributed to the controversy that ensued over evaluating the content of “NOW with Bill Moyers.”

Consultant Selection Process and Contract Approvals

Our review of the consultant selection process and approval of the contract revealed the following:

- The former Chairman selected the consultant, describing him as a journalist who had exceptional knowledge of contemporary American politics. The former Chairman said he was highly recommended by the founder of the National Journalism Center, where the consultant had worked for over 20 years. The consultant said he knew the former Chairman from his work at the National Journalism Center, but they were not social friends. Further, our interview of the consultant revealed that, while he worked for the National Journalism Center, his job was not directly related to journalism. He helped students find employment, established a job bank, did job placements, reviewed writing samples, and set-up networking social events. He was not a full time journalist, but over the years he had written some magazine articles on campaign and election analysis.
- The former Chairman said that he did not consider other journalists to conduct this review; however CPB’s former General Counsel indicated that she had researched the availability of other contractors. However, in the final analysis she considered the consultant identified by the former Chairman as qualified because of his journalistic experience and availability. She said that the other consultants considered were not immediately available. The documentation of her research of other consultants was not found in her records provided to us by CPB.
- The consultant started work on January 4, 2004, prior to full execution of the contract by the former Chairman on February 4, 2004. The CPB budget official

signed off that funds were available on February 25, 2004, 21 days after the contract was executed. The contract ended on June 30, 2004.

- CPB By-Laws state that the Board may specifically authorize the Chairman to execute a contract; however, we found no evidence that the Board authorized the former Chairman to execute this contract. Further, the former Chairman did not inform the Board that he had engaged a consultant to evaluate program content. The former Chairman told us that CPB management often hired consultants without informing the Board. Most Board members indicated that they first learned about the contract when they read about it in the newspapers.
- CPB's former General Counsel worked with the Office of Business Affairs (OBA) to prepare the contract. The contract file contained a concurrence statement signed by the Chief Operating Officer (COO) stating that in selecting the contractor other qualified individuals were considered. The file also contained a cost justification statement on the reasonableness of the costs.
- The former General Counsel told us that she saw no problem with the former Chairman signing the contract, because she assumed the Board had given him approval. She said that the previous Chairman had signed a contract for an executive search firm to recruit a CEO and that made sense to her. She believed this was consistent with CPB's authority to review programs for objectivity and balance.
- The "CPB Funds Custody, Obligation and Disbursement" policy which addresses procuring consulting services and provides guidance on sole source procurements was not applicable to this contract because it totaled \$20,200, well below the competitive procurement threshold of \$50,000.
- The "CPB Contracts Policy" discourages contractors from beginning work prior to contract execution. However if this does occur, the policy provides that OBA should be notified. In this situation, OBA was working with the former General Counsel on drafting the contract. OBA said there was a legitimate business reason for the services and the costs were reasonably priced, so they worked with the front office to get a contract in place.
- Some payments to the consultant were based solely on documentation of hours worked without written assurance from the former Chairman that the deliverables were received and adequate, as required by the "CPB Funds Custody, Obligation and Disbursement" policy. The former General Counsel said that the former Chairman would write her a note or call her confirming that the deliverables were provided and the services were adequate, however, this information was not always documented for the record.
- The agreement called for the consultant to evaluate the shows for compliance with journalistic practices and principles, such as apparent accuracy, fairness and

balance, and presence or absence of misleading or inflammatory statements. However, the consultant only addressed the issue of balance by reviewing the views expressed by the guests, based on the oral guidance given to him by the former Chairman.

To put the processing of this contract in context, the initial contract was let for only \$10,800 and was characterized as a program research project. It did not identify that “NOW with Bill Moyers” or the other three public affairs programs were to be reviewed. The contract was let during a period of transition in CPB’s procurement and contracting policies and procedures. During this time, CPB was operating under a draft set of policies, and the new contracting policies were not put into place until June 2004. Further, the development of a new automated procurement approval system, the Ultimus System, was not complete. Finally, our interviews of the key executives, involved in processing the contract, disclosed that they assumed the former Chairman had been authorized by the Board. However, our interviews also disclosed that OBA raised this question, but their concerns were not raised up the chain-of-command to the former Chairman or to the full Board.

Funding and Approval of “Tucker Carlson: Unfiltered” and “The Journal Editorial Report”

In response to concerns over the balance of the PBS Friday night line-up of public affairs programs, PBS and CPB added two programs to PBS’ program line-up. The “Tucker Carlson: Unfiltered” program was added to PBS’ public affairs programming in June 2004. This program was followed by the addition of “The Journal Editorial Report” in September of 2004.

Our review of the selection and funding of these programs disclosed evidence suggesting the former Chairman violated his fiduciary responsibilities and statutory prohibitions against Board member involvement in programming decisions related to creating “The Journal Editorial Report.”

“Tucker Carlson: Unfiltered”

Our interviews of PBS officials indicated that during 2002 they decided to add another program to their Friday night line-up. PBS contacted a select number of producers to solicit program ideas for a new public affairs program. CPB participated with PBS in evaluating the proposals. The “Tucker Carlson: Unfiltered” program was selected from this process. It was jointly funded by PBS and CPB. Based on our review, the former Chairman was not involved in the selection or funding decisions for “Tucker Carlson: Unfiltered.”

“The Journal Editorial Report”

Our review disclosed that CPB officials and the former Chairman encouraged PBS to explore adding a former PBS commentator to the “NOW with Bill Moyers” program, as a

counterbalance. When those efforts were unsuccessful they encouraged PBS to give him his own show, which later became “The Journal Editorial Report.”

While these events were confirmed by our interviews of both CPB and PBS officials, our review also showed that the former Chairman had been dealing directly with the former PBS commentator during this same time period. The former Chairman advised him about strategies for getting his own show and even suggested a format modeled after “NOW with Bill Moyers,” including a panel and remote reporting. At the same time, he admonished CPB senior executive staff not to interfere with his deal to bring a balancing program to PBS. These actions raise questions about the extent of the former Chairman’s involvement in selecting and funding of “The Journal Editorial Report.” Specifically, the questions involve whether he breached his fiduciary responsibilities, was directly involved in programming decisions, influenced the program format increasing the cost of the program, and exceeded his role as a Board member in directing the actions of CPB staff.

The former Chairman said he was a strong supporter of bringing “The Journal Editorial Report” to PBS. He said he informally pushed hard for the creation of a balancing program. He wanted to fulfill the mandate of the law and bring real balance to “NOW with Bill Moyers” in the Friday night line-up. He said PBS needed political balance to represent the contemporary conservative perspectives. He said he had discussions with PBS officials about program content to balance their public affairs line-up but got involved because he lacked the confidence that PBS and CPB staff could bring a true balancing program to the air.

While the former Chairman’s direct dealings with PBS encouraged them to balance their public affairs line-up, his internal e-mails told CPB staff to threaten to withhold National Program Service (NPS) funds from PBS, if they didn’t balance their programming. However, CPB had no authority to withhold NPS funds without advising Congress of their intentions. While our review found no evidence that CPB ever actually discussed withholding NPS funds with PBS, we also saw no evidence that this strategy was ever discussed with the Board or that the former Chairman was acting at their direction.

Further, in analyzing the evidence, we believe the former Chairman’s program format suggestions may have led to the decision to create a program format that included a panel of commentators with remote reporting to enable the program to better compete with “NOW with Bill Moyers,” resulting in a more costly program than CPB normally recommended. The first season of the program cost \$4.1 million and was 100 percent funded by CPB. This total figure included start-up costs, the pilot program, and 35 episodes.

Our review of the negotiations between CPB and “The Journal Editorial Report” producer disclosed that there were internal CPB concerns over the high cost of the program. One internal e-mail said the initial cost budgets for the program were out of scale with public broadcasting production costs and out of line with what CPB has been advocating to the system (cost efficiency, production value in digital age, etc.). Further,

CPB staff attributed the high costs to the program's format, which was based on a network model of chasing many stories to come up with a few they could use, which required using more producers and associate producers.

In describing the cost of the program to the Board the former President/CEO wrote, in a July 29, 2004, e-mail:

“The cost of the series is approximately \$4.5 million. The show is costlier than many public affairs programs because of the high-profile of the Wall Street Journal and the expedited timetable for bringing such a show to the air in time for the election. Following the initial 26 episodes, CPB will assess carriage, ratings, costs, relevance, and other factors to determine the benefits of renewing the series for another season.”

During the current second season “The Journal Editorial Report” made changes and costs were reduced to \$2.3 million for 26 episodes. The second season is jointly funded by a corporate underwriter and CPB. CPB is funding only \$746,684 of the second season's costs.

Ombudsmen

In an effort to better address concerns over objectivity and balance in public broadcasting, the former Chairman and the former President/CEO began exploring the idea of creating an ombudsman for public broadcasting in the fall of 2004. This initiative was started in part to build upon CPB's Public Forum held in September of 2004, where the public presented comments directly to the CPB Board. The Board believed an ombudsman was one method they could use to implement the objectivity and balance requirements of the law. While CPB's efforts to create an ombudsman function were consistent with their statutory responsibilities, the way they created the function has raised public concerns. Specifically, questions were raised about whether officials in the White House were involved in creating the ombudsman function, how the ombudsmen were selected, and how the ombudsmen would operate.

White House Employee Involvement

Our review concluded that a White House employee briefly did some work on the ombudsmen press release and related talking points. While she worked on these documents, we found no evidence that she directed the actions of the ombudsmen in any manner.

In March 2005, the former Chairman recommended that the former President/CEO hire an individual employed at the White House, as her Senior Advisor for a six-month period. The former Chairman had worked with this individual in his role at the Broadcasting Board of Governors. He believed she understood his views and could assist the former President/CEO. According to the former Chairman, this individual was

preparing to leave the White House because her job was being moved to an executive branch department.

Prior to her coming to work for CPB, the former Chairman asked her to begin working on implementing the ombudsman function and requested the former President/CEO to forward her the resumes of the two ombudsmen candidates and other related documents. The former President/CEO told us that she did not forward any information to her about the ombudsmen while she still worked at the White House. While the former Chairman told us that this individual advised him that she couldn't work on CPB business at the White House, she did transmit two documents from her White House e-mail account to the former President/CEO. One document was a draft press release about the ombudsmen and the other was related talking points. This e-mail was dated March 22, 2005; her last day at the White House was March 24, 2005.

Based upon our review, this individual briefly did some work on the ombudsmen press release and related talking points, which appeared to be advisory in nature and did not provide the ombudsmen with any guidelines on how they should perform their duties. We saw no evidence that in her official White House capacity, she interfered in any programming decisions. According to a White House ethics official, as a commissioned officer at the White House, she was not required to take leave for working on other than official White House business during working hours. She was free to take time off as necessary to take care of personal business. There was also a "de minimus" rule on the use of White House equipment for personal business, (e.g., the use of e-mail, etc.). This individual advised us that she did not discuss her work on the two documents with anyone at the White House or receive any guidance from them. We could not confirm this with her immediate supervisor because we were advised that as a matter of policy the White House does not make staff available to talk with Offices of Inspector General.

Once she arrived at CPB on March 25, 2005, she began working on the establishment of the ombudsman function. She helped document the procurement of their services, developed their contracts, assisted in establishing their website, and generally facilitated their work, as requested.

Selection and Procurement of Ombudsmen Services

Based on our review, the procurement of the ombudsmen services does not appear to comply with established CPB procurement processes for consulting services exceeding \$50,000. First, the announcement by the Board of the two ombudsmen was made on April 5, 2005, two days before OBA was first contacted about contracting for the ombudsmen services. Second, in violation of CPB policies, the official requesting the contract did not consider a competitive bidding process, including issuing a Request for Proposal (RFP) to identify an appropriate pool of consultants. A RFP was not used to identify the journalists selected, because the former Chairman had already selected them.

Even though selections were made without a RFP, the procurement justification stated: “The Board considered other teams but believes that these two journalists have all of the qualifications.” However, we found no evidence that other teams were actually considered or were presented to the Board for a decision. At least one Board member indicated that he assumed that the recommendation of the two ombudsmen was made by the former President/CEO, following a search for qualified candidates. The Board was not fully informed about how the two ombudsmen were identified prior to approving their selection.

There is no evidence that there was a search beyond the former Chairman’s selection of the two journalists. One of the ombudsmen said he was called by the former Chairman and asked if he would be interested in becoming one of two ombudsmen at CPB. He advised the former Chairman that he would have to think about it and subsequently agreed to it. The other said he got a call from the first journalist and was asked if he would be interested in the position. He subsequently got a call from the former Chairman. The former Chairman admitted he did not consider other candidates and suggested we check with staff to see what other candidates they considered. The staff was unable to identify that any other candidates were actually considered.

The former Chairman told us that in early 2005 he decided to move forward on the ombudsmen and selected two journalists he believed would fill the jobs well. He also told us that one ombudsman was a retired publishing executive and former colleague. The other ombudsman was a university visiting professor of journalism. The former Chairman said he selected both men because of their qualifications. He said it was hard to find candidates who were either retired or working in a position with the time to take on the responsibilities of a part-time ombudsman. The former Chairman said they both knew journalism and politics, making them qualified to address objectivity and balance issues.

When asked, both ombudsmen asserted that they considered their roles to be non-partisan. One made it quite clear that during his years as a political correspondent he kept his political views strictly to himself and out of his reporting. He said that it was necessary for the CPB ombudsmen to operate in a non-partisan manner. He described this as a job of journalism, not politics.

We could not determine whether any “political test” was used to select the ombudsmen. While the former Chairman initially considered having the ombudsmen represent different political perspectives, he stated that he came to realize that it was more important to have two respected journalists just expressing their views and opinions.

The former Chairman said that he advised both men that their selection as ombudsmen was subject to approval by the CPB Board. The Board approved the ombudsmen at their April 2005 Board meeting. Their first reports on National Public Radio’s (NPR) coverage of Mosul were posted on their website on April 26, 2005, prior to when one of the ombudsmen had signed his contract with CPB.

While the former Chairman initiated the action to identify the ombudsmen, we found no evidence that CPB management raised concerns to him about the process used to select the ombudsmen. Neither the former Chairman nor former President/CEO disclosed to the Board how the ombudsmen were identified. Finally, the former Chairman did not recuse himself from voting on the selection of the ombudsmen, even though he had previously worked with one of the candidates.

Design of Ombudsmen Activities

There was limited interaction with the public broadcasting community in designing and implementing the ombudsman function or consideration as to how it should work, and whether coordination was necessary between the ombudsmen and PBS and NPR. Further, the CPB Board's discussion of the design of the ombudsman function was discussed in a private Board session, without minutes. In our judgment, the Board's discussions about the ombudsman function should have been subject to the open meeting requirements of the PBA because it led to the Board's resolution creating the function.

After preliminary discussions with the Board about the ombudsman concept, the former President/CEO began researching the idea. Discussions were held with the former Chairman and former Vice Chairman of the Board about what needed to happen. The former Vice Chairman suggested developing a mission statement with operating policies and procedures. Following these initial discussions the former Vice Chairman said that his involvement was minimal.

In response to this guidance, the former President/CEO initiated discussions with the Canadian Broadcasting Corporation about the ombudsman concept. She also discussed the idea with the NPR ombudsman and explored with both NPR and PBS the general idea of creating an ombudsman for public broadcasting. She also discussed the idea with station representatives as she traveled to various functions. Finally, she hired a consultant to do general research on the topic and draft strategies for how the ombudsman function could work. When the former Chairman learned that she had hired a consultant without his knowledge, she was admonished and the contract was terminated.

The information developed by the consultant was not shared with the Board in their deliberations on how the ombudsman function could work. Portions of the consultant's work were incorporated into the Code of Ethics and the Ombudsmen Charter produced by CPB. However, the consultant's suggestion for involving public broadcasting stakeholders in the development of the concept was not fully adopted.

The full Board didn't discuss the specifics of how the ombudsmen would operate until they met in private on April 4, 2005, the day before the public meeting. At the April 5, 2005 public board meeting, the Board voted on creating the Office of Ombudsmen and made a public announcement rolling out their plans.

At the public meeting, the Board adopted the Ombudsmen Charter, which stipulated that there would be two ombudsmen, who would serve two-year terms, and report to the President/CEO and the Board. The ombudsmen would receive and respond to complaints from the public, as well as initiate their own reports on public broadcasting programming. The ombudsmen would be bound by the traditions that govern journalistic excellence, by evaluating programs against journalist standards, and confine their writing to material that had already been broadcast, refraining from commenting on pre-broadcast material. They would adhere to the CPB employee Code of Ethics. Except for those restrictions, the ombudsmen were free to make their own decisions on how to do their jobs and what programs to review. CPB set up a website and a telephone hotline to receive public comments, which were funneled directly to the ombudsmen.

Outside of the CPB Board's resolution establishing the ombudsmen program, the charter, press release, code of ethics, and the CPB ombudsmen website, the design of the ombudsmen activities has been left to the ombudsmen themselves to develop independent of CPB. Based on our interviews with the ombudsmen, they regularly listen to and watch public broadcasting. They have written some articles for the CPB website and answered e-mail complaints. However, they have not yet decided how they will operate in the future. CPB officials indicated that the future design would include how the ombudsman function integrates into CPB's comprehensive policy to review programming under Section 19 of the Public Telecommunications Act of 1992.

CPB's 2004 "Open to the Public" Report

The 2004 "Open to the Public" report was initially drafted in January 2005. However, the former Chairman indicated that he was not satisfied with the report's presentation and asked that the report be revised. The finalization of the report was delayed with the departure of the former President/CEO. A copy of the draft report was provided to the Senior Advisor to the President in April, but she advised us that she was not responsible for revising the report.

An additional section was added to the final report, titled *A Renewed Focus on Objectivity and Balance*. This section outlined the following CPB actions:

- Supports a PBS independent review to vet its programming "quality, integrity, and independence" and update its editorial standards;
- Plans to staff appropriately for CPB's "Open to the Public" initiative, so as to help it better meet its mission to "make public broadcasting more accessible, more open to the public it serves;" and
- Explore the creation of an Office of the Ombudsmen to ensure CPB's standards are as high as the public expects. The primary goal of this office is to act as the public broadcasting system's evaluator of fairness, balance, accuracy, and good taste; to comprehensively review public complaints of bias;

and to ensure that CPB is fulfilling its statutory “objectivity and balance” obligations.

The final 2004 “Open to the Public” report was issued on August 18, 2005.

Chapter IV

EVALUATION OF RECENT CPB SENIOR EXECUTIVE PERSONNEL ACTIONS

Because recent news reports suggested that CPB was making personnel decisions based on political ideology, we were asked to review personnel actions to determine whether, contrary to PBA Section 396(e)(2), “political tests” or qualifications were being used to fill senior executive positions. While our review found no evidence that personnel decisions were based solely on “political tests,” we did find evidence that politics may have influenced some decisions. Specifically, we identified e-mails between the former Chairman and staff in the Executive Office of the President that, while cryptic in nature, their timing and subject matter gives the appearance that the former Chairman was strongly motivated by political considerations in filling the President/CEO position.

CPB By-Laws give the Board responsibility to hire and oversee the President/CEO of CPB. The former Chairman was heavily involved in the employment decisions related to the former and current President/CEO. The CPB President/CEO and executives are responsible for hiring of the corporation’s employees. We found that inquiries were made to one job candidate about who the candidate had contributed monies to during the last election. Additionally, our review found that the former Chairman was instrumental in the hiring of two staff members, who had political credentials along with their other qualifications. The former Chairman also strongly recommended a third job candidate who was not chosen for an executive position. The candidate was subsequently considered for another position, but declined further consideration because he had found other employment.

While CPB has personnel policies for recruiting managers and staff, it does not have formal policies for recruiting executive staff. We were advised by the Senior Director, Human Resources Management and Development that CPB’s goal was to hire from a diverse pool of candidates, but this was not always possible in recruiting executive staff. Executive staff positions are often filled based on personal knowledge, referrals, and executive searches. These decisions are made on a case-by-case basis.

The recruitment of the two President/CEO’s was done by executive search firms. Our review showed that of the remaining seven executive and management/senior positions reviewed, six were filled through personal knowledge of the individual’s experience or referrals. Only one of the positions was filled using an executive search firm.

Additionally, our review disclosed that CPB did not have formal policies for providing executive signing bonuses or buyouts when executive staff members joined or left CPB. Finally, our review of the procurement of the three executive search firms used by CPB

disclosed that their contract periods began before the contracts were signed by CPB officials.

President/CEO July 2004-April 2005

During 2003, the previous CPB President/CEO informed the Board that he wished to leave CPB when his contract expired later that year. As a result, the Chairman, at that time, contracted with an executive search firm to find a replacement. In order not to signal a change in CPB leadership, the Board kept the search contract confidential. As a result of this decision, the contract was not recorded in the contracts database and was not immediately recorded in the accounting system.

Following the executive search the Board decided to offer the position to the existing COO after considering a number of qualified candidates. One candidate withdrew because the salary wasn't competitive and another candidate decided to remain at her current position with an executive branch department and withdrew her name from consideration before a formal offer was made. During this decision-making process the former Chairman was in communication with staff in the Executive Office of the President about identifying additional candidates to consider for the position of President/CEO.

To facilitate the COO's transition into the President/CEO job, the Board convinced the previous President/CEO to stay on for an additional nine months until July 2004. The new President/CEO was given a one year contract and immediately encountered a number of challenges that tested her leadership and strained her relations with the Board. These challenges led to a deteriorating relationship with the former Chairman and her ultimate resignation after only 9 months in office.

Initially, she encountered a split within the public broadcasting community. APTS proposed amending the Public Broadcasting Act to increase station representation on the CPB Board without coordinating their proposal with the Board. The Board was surprised by the amendment and was disappointed that CPB management had not known about it and alerted them. This caused a strain between the Board and CPB's executive staff.

In September of 2004, at CPB's open public meeting, critics of public broadcasting raised concerns regarding the objectivity and balance of some programming and the lack of response by public broadcasting. In commenting on this event and the handling of the complaints about the "Extreme Oil" program on PBS, the former Chairman said he was not satisfied with CPB's response. This incident was followed by a January 2005 disagreement between the former Chairman and the former President/CEO over the use of a new executive search firm to recruit a Senior Vice President for Corporate and Public Affairs. The former Chairman did not understand how a job candidate he had referred for the job did not make the final list of applicants presented for interviews.

Simultaneously, in January 2005, the former Chairman communicated with a job candidate from the previous search, from an executive branch department, about her interest in the position, if it became available. The former Chairman told us that he often saw her in his role as Chairman of the Broadcasting Board of Governors.

In early 2005, in response to the concerns raised over objectivity and balance, the former Chairman and former President/CEO worked to develop an ombudsman function for public broadcasting. It was during this time that the former Chairman recommended that the former President/CEO hire the Senior Advisor, who would soon be leaving the White House. The relationship between the former Chairman and former President/CEO became further strained when he learned that she had hired a consultant in early March to work on developing a framework for implementing the ombudsman concept without informing him.

In early April of 2005, the Board decided not to renew the former President/CEO's contract. Following the April 2005 board meeting, the former Chairman informed the former President/CEO that her contract would not be renewed and she resigned on April 8, 2005, three months before her contract expired on June 30, 2005. The former Chairman agreed to a generous interpretation of the former President/CEO's payout terms under her employment contract. The payout was in excess of three times her salary, which included her accrued vacation, sick leave, other fringe benefits, and tax liabilities. In discussing the urgency of finalizing this matter on April 8, 2005, the former Chairman said that it was desirable to get the matter resolved. He said it was the Board's desire to close this matter in an amicable way. Further, he said that if the General Counsel or any other CPB executive had requested more time to resolve this issue, he would not have objected to a delay. He said he agreed to the payout amount on the advice of the General Counsel.

Discussions of the payout amount between the former Chairman, CPB's General Counsel, the Acting President/CEO, and other senior officials were not documented, particularly their discussions of the reasonableness of the computation of "total compensation." Our interviews of the parties involved disclosed conflicting accounts of what was discussed and the basis for the final decision. Given the unusual nature of this transaction and its sum, in our judgment, it would have been appropriate to document the authorization as CPB would for any large payment, with appropriate sign-offs and concurrences from authorized officials. Further, the resolution of any questions raised about the reasonableness of specific items as compensation should have been memorialized for the record to meet fiduciary responsibilities. In this case, the only documentation we have is the Chief Financial Officer's and Controller's approval of the initial wire transfer payment made on April 8th and the Acting President/CEO subsequent approval. The balance due amount, for payment in the new fiscal year, was approved by the former Chairman in a written agreement with the former President/CEO dated April 8, 2005. The Board was not advised of the planned payout amount and how "total compensation" was arrived at.

While CPB may have been bound by the former President/CEO's employment agreement to pay her one year's total compensation if she left before the end of her contract without cause, the term "total compensation" was not defined as it was in another executive's contract reviewed. This lack of specificity resulted in a very generous interpretation of total compensation. Further, the former President/CEO's contract also contained a provision that she would receive one year's "total compensation" if her contract was not renewed at the end of one year. We didn't find this contract term in any other executive contract reviewed. The inclusion of this new contract term, coupled with the lack of a definition of "total compensation," raises concerns about the prudent negotiation of executive contracts.

After the resignation of the President/CEO, the former Chairman was again in communication with staff in the Executive Office of the President about shaking up CPB following the Board's decision not to renew the President/CEO's contract.

Selection of New President/CEO

When the former President/CEO resigned in April of 2005, the former Chairman proposed hiring the job candidate identified from the previous search who worked at an executive branch department. He pointed out that they had done an extensive search during 2003, so they could expedite the process and get the new President/CEO on board quickly. While it appeared at the time that the former Chairman had sufficient support on the Board to make such a decision, several Board members thought that it would not be appropriate. They indicated that a new search should be undertaken and efforts should be made to seek a more diverse universe of candidates. Given these concerns, the former Chairman told us it would have been divisive not to conduct a new search.

While the Board ultimately decided to conduct an executive search, prior to this decision the former Chairman discussed a candidate to fill the vacant President/CEO position with staff of the Executive Office of the President.

To conduct the search, the Board decided to utilize the same executive search committee that had overseen the previous President/CEO search. The search committee included the former Chairman, along with the two board members who had previously served as Chairman. They arranged for an international executive search firm to conduct the search and requested the same consultant who conducted the 2003 search to conduct the new search. During 2003, the consultant had worked for another executive search firm.

The consultant worked with the Board to define the job responsibilities and identify the core competencies sought for the position. The search firm identified the following competencies in their Position and Candidate Specifications: *leadership, relationship building, and strategic execution*. In addition the candidates were expected to have the following personal characteristics:

- integrity;
- honest broker with good judgment;
- strong verbal and written communication;
- objective;
- results-oriented; and
- personal presence and stature with the ability to command the respect of key opinion leaders.

The search committee advised the consultant that they were looking for candidates who were at least, if not more, qualified than the ones they considered in the previous search.

The consultant then set out to find qualified candidates with public broadcasting experience. They identified an initial pool of 200 potential candidates and directly spoke with 80 candidates to explore their interest in the position. Of these candidates, 28 submitted resumes and were interviewed by the consultant. Following these interviews, the consultant narrowed the pool and presented five candidates to the CPB executive search committee. The full Board interviewed four candidates and after considerable discussion the Board made a selection.

While some Board members expressed concern over the time frame established to conduct the search (79 days), the search firm indicated that a normal nonprofit executive search only takes 3 to 4 months. The consultant believed there was sufficient time to identify a diverse pool of highly qualified candidates.

Subsequent interviews of Board members, following the selection, confirmed that the search firm had identified a diverse group of highly qualified candidates. While some Board members favored one candidate, the majority party members selected the candidate identified in the previous search who worked at an executive branch department. The candidate selected by the Board was the same candidate previously discussed with staff of the Executive Office of the President.

The former Chairman defended the Board's decision to hire a candidate with strong political ties because of her qualifications and the need to build relationships with Congress to secure future funding. He pointed out that other executives within public broadcasting had strong political affiliations and some had even run for political office before they took positions in public broadcasting.

Senior Executives and Managers

The Congressional request asked us to review the hiring of the Executive Vice President & Chief Operating Officer and the Senior Vice President, TV Programming. Additionally, we reviewed the hiring of three other executives, a director, and a senior advisor, as well as the departure of three executives that occurred within the last 12 months.

Our review found that the former Chairman was involved in three hiring decisions, to varying extents. In one case he was aware that inquiries were made about a job candidate's political contributions during the last election. Additionally, he was instrumental in the hiring of two staff members with political credentials, along with their other qualifications. He also recommended a third job candidate who was not chosen for an executive position, but was subsequently considered for another position. The candidate declined consideration for the second position because he had found other employment.

Our review of the remaining hiring decisions did not reveal any indications of "political tests" or the Board's involvement in recommending individuals for the positions. In reviewing the departures of the three former executives, we found no indications that their resignations were related to "political tests."

We discuss in detail the hiring of the two individuals identified in the Congressional request. We also discuss in detail the circumstances surrounding the inquiry about a job candidate's political contributions, the two employees hired at the request of the former Chairman, and a job candidate recommended for hire by the former Chairman that was not selected for the position. We believe these examples demonstrate the extent of the former Chairman's involvement in staffing decisions of the former President/CEO.

Executive Vice President and Chief Operating Officer

In July 2004, when the incumbent COO accepted her 1 year contract to become CPB's President/CEO, she did not immediately fill her vacant COO position. At the suggestion of the previous President/CEO, she met and discussed job opportunities at CPB with a Federal Communication Commission (FCC) executive. While this executive was not ready to make a job change at that time, they resumed discussions in January of 2005 and he was subsequently hired to fill the COO position in March 2005. This position was filled without a job announcement or formal candidate search.

The former President/CEO said she hired this executive because he was well qualified with his legal background in communications and his executive experience at the FCC. The former Chairman and the former Vice Chairman of the Board individually met with him prior to his being hired. The remainder of the Board was advised of his selection after he was hired as COO on March 28, 2005. He became acting CEO two weeks later

with the resignation of the former President/CEO. We found no evidence that the Board influenced the former President/CEO's hiring decision.

Senior Vice President, TV Programming

We discussed the hiring of this executive with the previous President/CEO, who made the selection in February 2003. This executive was hired without a job announcement or candidate search, because he was known by the previous President/CEO and was a successful independent producer who had produced programs for public broadcasting before. The previous President/CEO stated that this individual was hired because he had an excellent background and demonstrated the ability to produce the kind of programs people were interested in, the kind of things public television needed to address.

The previous President/CEO explained that he wanted to change how CPB was using their program funds and have CPB become more involved with independent programming. He hired this individual to make a change in that direction. He felt that CPB had to demonstrate the value of public television by making it more distinctive and more relevant, by helping to better define America's role in the world today. The previous President/CEO explained that the fact that this individual had good conservative credentials was a collateral benefit. He said his selection was not based on his politics, but on his credentials as an independent producer.

Only four of the current Board members were on the Board when the candidate was hired, three said that they were advised of his hiring by the previous President/CEO. The fourth Board member, the former Chairman, said that it was the President/CEO's decision and he supported it. We found no direct evidence that the Board influenced the previous President/CEO's hiring decision.

Senior Vice President, Corporate and Public Affairs

In late 2004, the former President/CEO decided that the corporation needed to restructure their Congressional and Public Affairs operations. Accordingly, she had the Human Resources Office retain an executive search firm to identify potential candidates.

Early in 2005, the former President/CEO narrowed the field down to one candidate and arranged for her to have lunch with the former Chairman and another Board member. Our interview of the job candidate disclosed that following her lunch meeting and prior to starting to work for CPB, she received a call from a Board member, who inquired about the candidate's political contributions in the last election. While we were unable to ascertain which Board member made this inquiry, we discussed this matter with the former Chairman. He told us that he couldn't recall whether he asked such a question or was told about it. He said the inquiry was made in an effort to learn whether the candidate had current contacts in Congress to help CPB obtain future funding.

Senior Advisor to the President

As previously discussed, in early March of 2005, the former Chairman suggested that an individual in the Executive Office of the President be hired in a temporary position at CPB for up to six months. This individual was hired on March 25, 2005, to help both the former President/CEO and the former Chairman. Previously, this individual had worked with the former Chairman in his role as Chairman of the Broadcasting Board of Governors when she worked at the Executive Office of the President.

While this position was not advertised, the former Chairman indicated that he made the recommendation to help the former President/CEO get the type of person on board who would be of assistance in dealing with the Congress and the public at large. The former President/CEO was originally going to place this individual in the Government Affairs Office, but at the strong suggestion of the former Chairman she was hired as a Senior Advisor to the President/CEO. The former Chairman advised the former President/CEO that he told the White House that her title was to be Senior Advisor to the President. In discussing this hiring with the Senior Director, Human Resources Management and Development she explained that it was not uncommon to seek out individuals with unique skills and abilities without advertising when filling positions of such sensitivity.

Director, Government Affairs

In November of 2004, the former Chairman referred to the former President/CEO the resume of a Congressional staffer that he had received from a mutual acquaintance. This individual separately met with the former Chairman and the former President/CEO. The former President/CEO decided that he should be hired to be CPB's Director, Governmental Affairs, and brought him on board in January of 2005. While this position was filled without internal posting or advertising to recruit qualified candidates, the former President/CEO said that the decision to hire him was logical because they needed to have better contacts on the Hill with the majority party. The candidate had developed those contacts while working for a Senator.

Chairman Recommended Job Candidate

Additionally, during CPB's search for a Senior Vice President, Corporate and Public Affairs executive, the former Chairman submitted the resume of an individual he knew was looking for a senior public affairs job. He said he was being referred with the strong support of the White House. His resume was provided to the search firm and was considered along with other qualified candidates. While this individual was not selected for the job, CPB considered him for another position but learned that he had found other employment.

Procurement of Search Firm Services

Our review of the procurement of the three search firms disclosed that all three firms' contract periods began before the contracts were signed by CPB. The two search firms

utilized for the President/CEO position were sole source procurements. One was executed before the sole source procurement policy went into effect in October of 2003. The other had a written justification prepared but was not entered in the automated approval database, the Ultimus System. The third search firm's contract was let following a search for qualified firms using a RFP.

CHAPTER V

OTHER MATTERS

Our review also included addressing the allegations that CPB used lobbyists to defeat the proposed amendment to the reauthorization bill to change the composition of the Board. Additionally, we reviewed the press accounts of statements attributed to the former Chairman at a dinner sponsored by APTS in November of 2004.

CPB's Alleged Use of Lobbyists

Earlier this year, newspaper accounts alleged that CPB had paid two lobbyists a total of \$15,000 to assist the Corporation in dealing with a proposed amendment to increase station representation on the CPB Board. Further, they reported that the contracting for these services was not disclosed to the Board. Our interviews of CPB management disclosed that the two consultants did not approach lawmakers about the merits of the amendment, but rather provided strategic advice to CPB on how to deal with the legislative processes and requests for information from committee staff. We confirmed this in our interviews and from internal e-mail correspondence. Our review also identified that in the rush to obtain the consultants' services, CPB didn't document the sole source procurement of their services, in accordance with CPB procedures.

In the following sections, we discuss how the proposed amendment originated and CPB's actions to deal with it, as well as how CPB contracted for the consultants' services.

Proposed Amendment and CPB Actions

In a June 2004 meeting between CPB executives and representatives from APTS to discuss alternatives being considered for returning the balance of television future funds to the stations, APTS representatives also mentioned having given some thought to proposing to Congress that there was a need for additional system representation on the CPB Board. CPB executives advised them that if they were going to pursue this change, it was something that would have to be discussed with the CPB Board.

In subsequent meetings of the public broadcasting legislative group, APTS representatives made no further mention of proposing changes to the composition of the CPB Board. Additionally, they did not provide CPB with any advance copies of draft legislative proposals or advise CPB of meetings held with Congressional officials over the proposed amendment.

CPB first learned of the proposed amendment when reviewing the draft legislative proposal on the Friday before the July 2004 Board meeting. When the Board was

advised of this proposal, they indicated that prompt action was needed to point out the potential problems which would result from adopting this proposal.

Because CPB's key government relations staff member was away on vacation when this occurred, management and the Board needed immediate assistance on how to deal with the legislative process. The former President/CEO talked to Board members and staff about where they could obtain advice. One consultant was suggested by the former Chairman and another was suggested by his predecessor. In talking with one of the consultants, he said the former Chairman contacted him in early August about retaining his services.

The former President/CEO subsequently contacted both consultants and discussed the needed services. She requested that they proceed to gather background information and learn where the amendment stood in the process. At the same time, the former President/CEO initiated sole source contracts with their respective firms to provide strategic advice.

Based upon our interviews with CPB executives and the consultants, it was made clear that everyone understood CPB's legislative prohibitions against lobbying. The consultants only provided advice to CPB and its Board regarding the legislative process, how events proceeded, and how CPB should deal with Congressional requests for information. We were advised that meetings between CPB and Congressional staff on these matters were handled primarily by CPB management and the former Chairman. Other Board members discussed the proposed amendment with legislators they knew. One consultant setup a meeting with Senator Conrad Burns' staff to educate them about CPB responsibilities.

Procurement of Consultant Services

Our review of the procurement of the consultant services disclosed that established CPB procurements practices were not followed. CPB management officials explained that it was an emergency situation that required they act immediately.

Our review disclosed that the consultants were hired on a sole source basis, without the required written justifications. Both consultants began work before their contracts were executed. Neither contract contained an execution date; we reconstructed the signature dates based on other information contained in the contract files and e-mails. The contracts did not provide for specific services to be provided or for any written deliverables. The contracts were not entered into CPB's procurement database, the Ultimus system. Because these contracts were not handled in the normal process and were not executed in a timely manner, months elapsed before the contracts were recorded in the contracts database and CPB accounting records. The consultants didn't submit invoices for their services until November and December of 2004, months after their services were provided. As a result, the \$15,000 paid to the consultants (\$5,000 and \$10,000) was charged to the wrong fiscal year.

While a few Board members were aware of the consulting contracts, the Board as a whole was never advised the consultants were hired to help CPB.

CPB Former Chairman's Remarks at APTS Dinner

A New York Times article reported that the former Chairman had made a statement that PBS programming should reflect "the Republican mandate." This statement was allegedly made at a November 2004 dinner in Baltimore, Maryland, sponsored by APTS shortly after the national election. At the dinner, the former Chairman did not deliver a prepared speech. Instead he and several other attendees simply made some general after dinner remarks. He indicated that although he mentioned the results of the recent election, he had no memory of making a statement that public broadcasting should reflect the Republican mandate. He did remember saying something about being proud to bring Republican support to public broadcasting.

We interviewed several attendees to better determine the nature of the former Chairman's comments. One individual from PBS remembered general references to the results of the election which bothered her because she felt that the remarks were not appropriate, given CPB's role as a heat shield. Two other individuals indicated that the former Chairman's comments were not hostile. They described it as a light-hearted evening and nothing in the former Chairman's remarks raised their eyebrows or bothered them.

CHAPTER VI

CONTRIBUTING ORGANIZATIONAL CAUSES

In analyzing how these things occurred, we found many contributing factors including the transition in CPB leadership, which created the opportunity for the former Chairman to assert his authority and accomplish his various initiatives. However, our review also revealed underlying organizational causes that created an environment that allowed the former Chairman and other CPB executives to operate without appropriate checks and balances.

In analyzing organizational causes, we believe the ineffectiveness of the internal control mechanisms to function as envisioned are rooted in the statute and culture of CPB. The statute limits CPB to only five percent of funds appropriated to administer all of its activities. As a nonprofit corporation, CPB has the freedom to design its operations without the structure and controls found in government organizations. As a result, CPB historically operated with a lean administrative organization without cumbersome centralized processes. A review of the implementation of formal procurement and contracting processes identified that formal written policies and procedures are a relatively recent management action dating back to only 1994. Current contracting practices include reviews of business needs, legal review, and budget and accounting, among other things.

The CPB culture that developed in this lean administrative environment was one that found ways to get the job done, often as quickly as possible. We define organizational culture as the norms, values, beliefs, and practices used by the organization to carry out its activities. As more formality was introduced into the operations of CPB, people still operated based on their underlying beliefs about how the organization actually worked and how people were recognized and rewarded for their contributions. These underlying assumptions, which guide behavior, are powerful forces that have to be overcome through the discipline of adhering to established policies and procedures. The power of group norms is discussed in organizational theory and group dynamics. Johnson and Johnson wrote about it in their book "Joining Together, Group Theory and Group Skills." They wrote:

"Group norms control the behavior of high-power as well as low-power members and set limits on the use of power. Group members give up part of their personal power to the norms to protect themselves from the capricious or inconsistent use of power and the need to constantly check on each other's behavior to make sure everyone is behaving appropriately. Individuals let themselves be influenced by norms in ways that they would never permit themselves to be influenced by others, for norms often take on the characteristics of moral obligations (they have a specific "ought to" and "must"

quality). At the very least, conforming to group norms is a requirement for continued membership in the group. (page 265)”

As our interviews disclosed, evidence of this behavior was exhibited by the fact that contracts initiated by the front office or the Board of Directors were often treated differently from contracts initiated by program offices. Front office contracts were readily processed as long as they were for a legitimate business need and were reasonably priced, in spite of the fact that procedures and controls may not have been followed. The belief expressed to us by management officials was that the President/CEO had authority to elect to follow the procedures or not, particularly if other considerations outweighed following the policy requirements.

Our review identified multiple examples of corporate officers not exercising their inherent responsibilities to ensure procurement procedures were followed. Further, they did not keep the Board adequately informed about unusual situations they were encountering. Even when OBA officials raised concerns about the former Chairman’s authority to sign the contract to evaluate program content, the General Counsel did not elevate this concern to the Chairman or the Board. In our judgment, when corporate officers did not follow established procedures, they did not send the right message about the importance of internal controls.

To further illustrate management’s attitude towards internal controls, in response to our preliminary observations of procurement policy exceptions, senior management wrote:

“The President and the Board each have inherent discretion not to be compelled to comply with policies adopted by staff. This is both a reflection of traditional principles of corporate law and also provides CPB with the necessary flexibility to respond to the company’s business needs.”

This statement provides insight into the prevailing management attitude towards internal controls and what was the operating norm within CPB during the period reviewed. We believe such group norms were a strong contributing factor to internal controls not working as effectively as designed.

Theoretically, control systems have been put in place to minimize operational risks identified by management. Control systems can include written justifications and signature approvals by authorized individuals before actions can be taken. Top management has to set the tone about the importance of controls and accountability and must reinforce the need to follow procedures to minimize risks.

To put this in proper perspective, we need to acknowledge that this was a time of significant transition for top management. The previous President/CEO had announced his intention to leave CPB and leadership responsibilities were being shifted to the COO. Once the new President/CEO took over in July 2004, her previous position as COO remained vacant until March of 2005. Further, during this time period the procurement system was being revised to incorporate a more structured automated

approval and sign-off process. Finally, the new President/CEO was being pulled in multiple directions as she attempted to meet the needs of a demanding Board Chairman. During her nine months as President/CEO, she dealt with the proposed amendment to increase the size of the CPB Board, helped create the ombudsman function, coordinated with PBS on their review of their editorial guidelines, visited system stations, and worked towards putting her management team together in addition to her day-to-day management responsibilities.

Based on our review, in this environment top management did not consistently enforce the new procurement processes. As a result, the system did not work effectively in raising objections to the former Chairman about signing the contract to evaluate program content without Board authorization and the system did not question the former Chairman's selection of two ombudsmen identified without conducting a formal search to identify a pool of qualified candidates.

Group theory also provides us with some insights about what may have happened regarding the power dynamic between the former Chairman and CPB executive staff. Johnson and Johnson wrote:

“When a person has legitimate power, group members believe the person ought to have influence over them because of his or her position in the group or organization (such as an employer) or because of his or her special role responsibilities (such as those of a police officer). Legitimate authorities are obeyed by members who accept the norms of the group and therefore comply through a sense of duty, loyalty, or even moral obligation. Group members believe it is their duty to follow the commands of a person with legitimate power, even when it means limiting their own behaviors.”

In this case, the former Chairman was viewed as having legitimate power and CPB management and staff worked to facilitate his initiatives. We believe that the internal CPB discussions and resulting large payout of the former President/CEO's contract was an example of the influence of legitimate power, as staff acquiesced to the Chairman's desire to have the matter resolved that day and issue a joint press release announcing the President/CEO's resignation.

Within the control environment established by CPB, we believe the system contains gaps that need to be addressed. It starts with vaguely written By-Laws, which did not sufficiently spell out Chairman and officer responsibilities, the Board's oversight responsibilities beyond the Audit and Finance Committee, or address remedies when directors and officers exceeded their authorities. The Code of Ethics for Directors does not contain provisions to address violations of the Code, as are contained in the Code of Ethics and Business Conduct for Employees. Further, the design of the control environment didn't ensure that Board members were sufficiently informed about new policy developments (e.g., contracting to evaluate program content) and other potentially sensitive non-routine actions being taken by the corporation (e.g., hiring consultants to assist CPB to address the proposed amendment to change the

composition of the Board). In this regard, the Board has only one established committee, the Audit and Finance Committee, which primarily focuses on the finances of the corporation. Based on our review, we believe additional oversight was needed over new policy initiatives and executive compensation, for the Board to be able to effectively oversee current operations.

Our review also identified deficiencies in the design and operations of current procurement and contracting practices for consulting services. Contracting for these services is not centralized and is fragmented between the OBA and the Office of General Counsel. It operated this way to facilitate top management's need for confidentiality, but such practices have led to the lack of transparency in other CPB's activities that are not personnel related or proprietary and contributed to the criticism the corporation has received over recent events. Further, the current policies are not clear on what should be documented to support sole source procurements and did not require that the qualifications of potential contractors be verified. Finally, in seven of eight consultant contracts reviewed, the consultants started work before a contract was executed by CPB. We attribute this to the lack of transparency in decision-making within the Board of Directors, between CPB management and the Board, and within CPB's management structure, e.g., approving the selection of the two ombudsmen before OBA was even advised that they needed to procure such services. Further, the programming agreement to fund the second season of "The Journal Editorial Report" was only recently executed on September 13, 2005, while the agreement started on June 1, 2005. Allowing contractors/grantees to begin work before contract details are finalized is not a good business practice and it leaves CPB in a difficult negotiating position.

In addition, our review identified a lack of personnel policies to address various practices regarding CPB executive staff. Such matters include having policies to address executive:

- recruitment;
- employment contracts;
- signing bonuses;
- deferred compensation;
- contract payouts; and
- other fringe benefits.

Further, there is no mechanism in the current executive recruitment process to identify that "political tests" were used to select individuals for leadership positions. Even establishing a more structured merit or competency based system would not

necessarily provide any assurance that experienced and capable executives wouldn't be selected for political reasons.

Finally, CPB has never established procedures for conducting regular reviews of national programming for objectivity and balance under Section 19(2)(B), as part of CPB comprehensive procedures for objectivity and balance. Had such policies been established and in place, the controversy over the lack of transparency of the contract to evaluate "NOW with Bill Moyers" and other public affairs programs may have been avoided. Had a policy been established and developed in conjunction with the public broadcasting community, the community would have understood the purpose and use of this tool to ensure accountability to Congress and the American people, as envisioned by the statutory requirement.

From a public policy perspective, the lack of transparency over the contract to evaluate "NOW with Bill Moyers" contributed to the distrust expressed by the public broadcasting community about why the programs were being evaluated. Likewise, similar distrust was expressed over the creation of the ombudsman function, because the concept was not sufficiently developed in conjunction with key stakeholders in the public broadcasting community.

CHAPTER VII

RECOMMENDATIONS

We recommend that the Board of Directors take the following actions to improve CPB's governance processes.

- 1) Revise CPB's By-Laws to:
 - a) Clarify the Board of Directors' and President/CEO's roles and responsibilities (e.g., Board of Directors are responsible for development and oversight of high level public policy issues and CEO is responsible for managing professional staff in implementing policy).
 - b) Develop Board of Director processes to investigate and discipline Board members when they are found to violate the CPB By-Laws, Directors Code of Ethics, CPB's operating policies and procedures, and the Public Broadcasting Act.
 - c) Establish standing policy and executive compensation committees to develop new policies and oversee their implementation.
 - d) Establish procedures for the Board of Directors to assign additional duties to the Chairman or other Board members under Section 2.03. The assignment of additional duties should only be authorized by a Board resolution.
 - e) Establish procedures for the Board of Directors to authorize, where appropriate, the Chairman to execute contracts under Section 5.01, e.g., in contracting for executive search firms, employment contracts, etc., in full accordance with CPB procurement and contracting procedures. This authority should be authorized by a Board resolution.
- 2) Revise the Code of Ethics for Directors to include provisions for the Board of Directors to discipline members who violate the Code of Ethics provisions.
- 3) Establish a policy that sets the tone about the importance of internal controls and ethical behavior to begin to change the culture of CPB. Adopt a formalized risk management program, incorporating concepts from the Sarbanes-Oxley Act of 2002, into CPB corporate governance processes that require CPB management to:
 - a) Conduct a risk assessment of all major CPB activities and implement appropriate internal controls to minimize identified risks. The risk assessment should identify vulnerabilities to operations, develop appropriate internal control objectives, and

implement internal control techniques to minimize risks.

- b) Annually report to the Board of Directors whether internal controls provide reasonable assurance of achieving their intended control objectives, identify material weaknesses in internal controls, and when material weaknesses are identified develop corrective actions with a time table for implementing corrective actions. The CEO and CFO must certify to the accuracy of the annual report on internal controls.
 - c) Bi-annually test internal controls for effectiveness. Report the results of testing in the annual report to the Board of Directors.
 - d) Require the independent public accountant to attest to the accuracy of management's annual report to the Board of Directors on internal controls, as part of their annual financial statement audit.
 - e) Request the Office of Inspector General to:
 - i) Provide technical assistance in conducting risk assessments, including inventorying activities to be assessed, developing control objectives, and designing control techniques.
 - ii) Conduct periodic reviews of significant activities to ensure effectiveness of internal controls.
 - iii) Conduct reviews of alleged violations of CPB By-Laws, Directors Code of Ethics, CPB's operating policies and procedures, and the Public Broadcasting Act by Board members and CPB staff.
- 4) Establish formal policies and procedures for conducting regular reviews of national programming for objectivity and balance. This policy should be developed in conjunction with all significant stakeholders in the public broadcasting community to ensure transparency and agreement on the criteria to be used to evaluate objectivity and balance.
- 5) Provide policy guidance to CPB management for designing personnel practices and procedures to prevent personnel decisions from being made based on "political tests," e.g., fully documenting how employees are recruited and the basis for the hiring decision.
- 6) Evaluate executive employment contracts and other executive compensation packages for reasonableness and the prudent use of CPB funds.
- 7) Review practices for determining what items are put on the Board's agenda for public meetings, executive sessions, and private informational or project status update meetings, to ensure that deliberations leading to Board actions are always

held in public meetings. This will ensure that Board decision-making is transparent and affords the public the opportunity to be heard about important matters of the corporation.

- 8) Establish a policy to require corporate officers to inform the full Board of all new policy initiatives, significant deviations from accepted operating practices, and any inappropriate actions or behaviors by any CPB official (Board members, executives, directors, and employees) involving the commitment or expenditure of CPB funds.

We recommend that CPB management take the following actions to improve CPB's operating policies and procedures.

- 9) Centralize the procurement and contracting for consultant services within OBA to ensure that all consultant services are procured in accordance with established policies and procedures.
- 10) Ensure that all consultant services are procured in accordance with established policies, including procurements initiated by the Board and CPB's front office. Consider requiring that all procurements that do not follow established procurement practices be immediately reported to the Board's Audit and Finance Committee.
- 11) Revise CPB Contract Policy, Section 1.4.3, Procurement to include addressing the qualifications and expertise of consultants, including verification of uniquely qualified consultants.
- 12) Revise CPB Corporate Funds, Custody, Obligation and Disbursement Policy, Section 2.6.1 (ii), Consulting to clarify that all sole source consulting procurement decisions, including procurements of less than \$50,000, must be documented with a written justification for the decision. The documentation should identify the consultants considered, their availability, qualifications, expertise, and costs.
- 13) Consider reporting regularly to the Board's Audit and Finance Committee all sole source procurement decisions, including justifications supporting the decision.
- 14) Enforce existing requirements that invoice approvals include sign-offs by appropriate officials that deliverables have been received and were accepted by CPB. Discontinue the practice of stamping the approval form with the "Signature on File" stamp.
- 15) Reinforce CPB Contracts Policy, Section 2.4, When Work May Begin for consulting contracts to ensure contracting departments understand that only in emergency situations should contractors begin work before a contract is executed and consider reporting to the Board's Audit and Finance Committee all instances where work begins before a contract is signed with an explanation of the urgency in starting the work.

- 16) Establish personnel policies to address executive recruitment, employment contracts, signing bonuses, and buyouts provided employees when operations are not being downsized or reorganized to ensure consistency and transparency of operations.
- 17) Incorporate into corporate officers' job performance expectations (job elements) responsibilities to ensure policies and procedures (procurement and personnel) are followed and to report deviations from established practices to the General Counsel, who will report such deviations to the Board of Directors.

APPENDIX A

METHODOLOGY AND SCOPE

To answer the Ranking Members' questions, we performed the following procedures covering the period February 2003 – June 2005:

- Reviewed official CPB procurement contract and accounting records for approvals, justifications, amendments, deliverables, and invoices for the following nine consultant contracts and two programming grant agreements:
 - Contract with Korn/Ferry to recruit a new President/CEO during FY 2003;
 - Contract with Fred W. Mann to evaluate four programs for journalistic integrity, "NOW with Bill Moyers," the "Tucker Carlson: Unfiltered," "The Tavis Smiley Show," and "The Diane Rehm Show;"
 - Contracts for consultant services with ML Strategies, LLC and Alexander Strategy Group to provide general strategic consulting services related to S. 2645, the Public Broadcasting Reauthorization Act of 2004;
 - Contract with Russell Reynolds Associates to recruit for the Senior Vice President, Corporate and Public Affairs;
 - Contract with RheemMedia to assist in the development of the ombudsman function;
 - Contracts for ombudsmen services with William Schulz and Kenneth Bode;
 - Contract with Spencer Stuart to recruit for a new President/CEO during FY 2005;
 - CPB National Programming Service contract with PBS to fund the "Tucker Carlson Unfiltered" program; and
 - CPB contract with Dow Jones, Inc. to fund "The Journal Editorial Report."
- Reviewed official CPB internal and external correspondence related to the Congressional questions, including letters, memorandum, and e-mails (including e-mails provided from non-CPB e-mail accounts). CPB e-mails were requested from 18 employees and Board members.

- Reviewed records and notes provided by CPB staff members related to the Congressional questions.
- Reviewed CPB Board of Directors' minutes for both public and executive board meetings, as well as Board resolutions for any discussions or decisions related to the Congressional questions.
- Reviewed CPB's "Articles of Incorporation" and "By-Laws" to gain an understanding of Board members' and officers' responsibilities and authorities.
- Reviewed the following CPB policies and procedures:
 - "CPB Contracts Policy;"
 - "CPB Funds, Custody, Obligation and Disbursement;" and
 - "Human Resources Policy."
- Reviewed the "Code of Ethics for Directors of the Corporation for Public Broadcasting" and "Code of Ethics and Business Conduct for Employees of the Corporation for Public Broadcasting."
- Interviewed staff to obtain an understanding of what additional operating practices were in place to supplement the written CPB policy guidelines.
- Reviewed delegations of authority resolutions to ensure contracts were appropriately authorized.
- Interviewed 42 individuals to address Congressional questions. These individuals included members of the CPB Board of Directors, current and former CPB staff members, CPB contractors, PBS officials, and APTS officials.
- Reviewed CPB practices for carrying out their responsibilities under Section 19 of the Public Telecommunications Act of 1992, to gain an understanding how CPB has historically addressed objectivity and balance responsibilities for controversial national programming, as well as report CPB efforts to solicit the views of the public about public broadcasting programming in their annual "Open to the Public" report.

In conducting our review we encountered limitations in the documentation that was available to us, as well as the nature of the information gathered, which limited our ability to conclusively answer specific questions posed in the Ranking Members' request. Examples of these limitations follow:

- Procurement and contract records were incomplete and were filed in varying locations (e.g., Office of Business Affairs, Office of Finance, Office

of Corporate Secretary, Office of Human Resources, and Office of TV Programming).

- Different procurement and contracting policies and procedures were applicable during our review period.
- We had no assurance that all information requested from non-CPB sources was provided.
- We relied extensively on interviews of CPB officials and others to gather the information needed to answer the Congressional questions, but we often could not independently corroborate what was told to us during the interviews.
- We were advised by a White House official that it was White House policy not to make White House employees available for interview by Inspectors General. She said this was not a written policy but has been their practice. She said that Congress could ask for an interview, and then they would negotiate with Congress. As a result, we were unable to make any inquiries about White House officials' knowledge about CPB work performed by a White House employee.

As part of this review, we did not attempt to validate the classifications made by the consultant hired to evaluate program of the views expressed by the guests on the shows evaluated.

We conducted our fieldwork from May 12, 2005 through October 28, 2005. Our review was conducted under the "Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspector General," promulgated by the Association of Inspectors General in May 2001. The CPB Office of Inspector General is a designated Federal entity and the Inspector General's Office is independent from the Corporation for Public Broadcasting, however the Inspector General was hired by and reports to the CPB Board of Directors.



Corporation
for Public
Broadcasting

November 8, 2005

Kenneth Konz
Inspector General
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

Dear Mr. Konz:

This letter reflects the comments and responses of the Board of the Corporation for Public Broadcasting to your draft Report of Review. As you can see from the signature page, these comments and responses are the views of all of the present members of the Board.

Background

In May 2005, various newspapers ran articles concerning the Corporation and its former Chairman Kenneth Y. Tomlinson. In response to these articles, three members of Congress requested that your office undertake an investigation into the matters that were the subject of such articles.

On the evening of November 1, 2005, you delivered the initial results of your investigation, some of which were still in draft form. Beginning that evening, the Board commenced an intensive two and a half day retreat, studying and discussing the documents prepared by your office. To assist us in that exercise, we retained outside counsel experienced in both investigatory and corporate governance matters. We asked you to return on November 2 to respond to questions and to provide clarification, and you did so. We interviewed Kenneth Tomlinson about various issues raised in both documents regarding his activities during his tenure as Chairman. The Board retreat was adjourned on November 3 and reconvened on November 7 by conference call to discuss this letter. All of such meetings were held in closed session, as permitted by Sections 396(g)(4) and (k)(4) of the Public Broadcasting Act.

Your draft Report of Review has both backward-looking and forward-looking aspects. Accordingly, we have organized our comments and responses under the captions "Prior Events" and "Looking Forward." Additional comments and responses appear at the end under "Other Comments."

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Appendix B
Report No. EPB503-602
CPB Board of Directors Response
Page 1 of 13

Prior Events

The draft Report of Review calls into question the prior actions of (i) Kenneth Tomlinson during his tenure as Chairman and (ii) various former officers of the Corporation. Those actions center on five different matters: the development of the Wall Street Journal Program; the hiring of a consultant to review programming content for balance and objectivity; the hiring of ombudsmen; whether there was a "political test" in the hiring of the current CEO; and the severance payment to a prior CEO.

As you know, on November 3, 2005, the Corporation issued a press release announcing that Mr. Tomlinson had resigned from the Board. We have attached the press release as Exhibit A to this letter. In light of Mr. Tomlinson's resignation, the need for the Board to respond in detail to particular allegations concerning his actions as Chairman has been largely mooted.

It is appropriate to note at this point, however, that our current CEO has the full support of our Board, notwithstanding the questions raised in your Report regarding Mr. Tomlinson's role in her hiring. Although Pat Harrison has been in office less than five months, she has conducted herself in an exemplary fashion and made significant contributions in the discussions at our Board retreat.

One further note is in order: the issues raised in your reports about prior behavior cover a period of slightly longer than one year. It should be made clear to the readers of your reports that this is but a small fraction of the nearly forty-year history of the Corporation's contributions to public broadcasting.

Looking Forward

Our discussion of future operations began with our review of the recommendations beginning on page 35 of the draft Report of Review, which made a valuable contribution to our discussions and deliberations. Independently of receiving your recommendations, we had intended to spend a portion of our retreat discussing corporate governance.

The Board is now making a serious commitment to updating and improving the governance and operation of the CPB. We will be implementing many of the changes that are reflected in your draft Report of Review, will be studying others (but have some concerns about expense, especially in light of our 5% administrative expense cap), and will be taking other steps that go beyond those contemplated by your draft. We will also be taking into account suggestions that we expect to receive from Pricewaterhouse Coopers. We look forward to working with you in the coming months as we move forward with this program. Our preliminary responses to the recommendations made in your draft Report of Review are set forth below. For ease of reference, we will follow your numbering scheme.

Recommendation 1 – Guidelines/Committees.

a. We will develop and adopt guidelines that will address the responsibilities and authority of the Board of Directors, on the one hand, and senior management, on the other. These guidelines will also address the responsibility and authority of the Chairman of the Board. We prefer to accomplish this objective through the adoption of guidelines rather than through changes to our By-laws.

b. We will establish a Corporate Governance Committee of the Board of Directors. The Charter for the newly-established Committee will give the Committee the authority to investigate alleged violations of the Corporation's governing documents. Authority to discipline directors will continue to reside with the full Board.

c. We will establish a Compensation Committee of the Board of Directors. The charter for this newly-established committee will grant it authority over, among other things, senior officer compensation. We will not establish a policy committee. The responsibility for the setting of policy should continue to reside with the entire Board.

d. As per 1(a), we will adopt guidelines that will address, among other things, the appropriate roles and responsibilities for the Chairman and other directors. Changes to such guidelines will be able to be made only by the full Board, acting under the leadership of the Corporate Governance Committee.

e. The charter for the Compensation Committee will give that Committee authority with respect to the approval of the engagement of executive search firms and employment contracts with senior officers.

Recommendation 2 – Code of Ethics. See response to 1(b) above.

Recommendation 3 – Internal Controls/Risk Assessment. We will continue to study these recommendations. Cost-effectiveness, particularly in light of our statutorily-imposed 5% cap on administrative expenses, will be a particular focus of our review. We note your reference to the Sarbanes-Oxley Act of 2002. As you know, the Securities and Exchange Commission has repeatedly extended the deadline by which smaller public companies (*i.e.*, those most directly comparable to the Corporation) must comply with the most onerous requirements of that legislation and has convened an Advisory Panel to, among other things, examine the impact of the Act on smaller companies.

Recommendation 4 – Review of Statutory Missions. The Board will adopt this recommendation and will also engage in an ongoing review of the Corporation's fulfillment of all of the missions that it is required by statute to undertake. It will do so in appropriate consultation with its partners in the public broadcasting community.

Recommendation 5 – Political Tests. Responsibility for developing policies and procedures designed to prevent the use of political tests in hiring will be assigned to the Compensation Committee pursuant to its Charter.

Recommendation 6 – New Compensation Arrangements. Responsibility for evaluating new executive employment contracts and other executive compensation packages will be lodged with the Compensation Committee pursuant to its Charter. The Compensation Committee, and the entire Board, will review any additional recommendations made by you in the report on executive compensation that you have indicated that you will prepare and deliver to us.

Recommendation 7 - Transparency. The Board recognizes the importance of transparency. Responsibility for oversight of the Corporation's compliance with open-meeting requirements, as well as oversight of transparency concerns generally, will be lodged with the Corporate Governance Committee pursuant to its Charter. The Board is currently, with the assistance of its new General Counsel, undertaking a review of its practice in this area. The Board will consider whether additional voluntary website disclosures, including of this letter, would be appropriate.

Recommendation 8 – Notifications to Board. As noted in 1(a), the Board will adopt guidelines that will address, among other things, the responsibility and authority of senior management. Those guidelines will include an identification of certain matters about which the Board will expect to be informed. Please note that the Corporation already has in place "whistle-blower" procedures.

Recommendations 9-17 – Directive to Management. We have directed management to review these recommendations and make an appropriate report to the Board regarding same.

In addition to the specific recommendations set forth in your draft Report of Review, the Board has determined that it will undertake the following additional measures:

1. Enhance the task-based calendars already in place for the Board and its Audit and Finance Committee and adopt similar calendars for the Board's new committees.
2. Enhance the Board's programs for the orientation and continuing education of Directors.
3. Engage in an ongoing review of the Board's fulfillment of the goals articulated in its Goals and Objectives policy document.

Other Comments

We understand that the draft Report of Review is not yet final and that you will be considering changes to reflect our comments as set out above. We respectfully suggest that you also consider the following comments.

- In our view, the Executive Summary would be a better summary if it also described issues that were raised but dismissed as non-problems (e.g., alleged use of lobbyists and whether the hirings of (i) a consultant to

review program content for objectivity and balance and (ii) the ombudsmen were consistent with the Public Telecommunications Act of 1992). At present, we believe the Executive Summary does not fully reflect the range of findings made throughout the draft Report of Review.

- We believe that insufficient focus was given in the draft Report of Review to activities of certain former officers other than Kenneth Tomlinson (e.g., the former CEO and the former general counsel), particularly with respect to their role in the approval of Kathleen Cox's severance arrangements.

We wish to make one other comment. The avoidance of premature or inappropriate public disclosures of confidential information is important to the Corporation and required by our codes of ethics. The appearance of statements in the press (i) attributable to you (*i.e.*, the Bloomberg article that ran in September 2005) and (ii) immediately prior to our retreat, attributed to an unidentified Board member, was deeply troubling to the Board. We note in this regard that all employees and directors are subject to a Code of Ethics that prohibits the disclosure of confidential information.

* * *

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Conclusion

As difficult as the past months have been, we believe we will all look back upon your investigation and our response as a positive watershed event for the Corporation. We thank you for the hard work of you and your staff.

We are excited about the prospects of improved governance and operations in the future. We are unified in our commitment to promoting the ideals and excellence of public broadcasting and in our belief that the Corporation has played, and will continue to play, a pivotal role in that regard.

Very truly yours,


Cheryl Halpern
Chairman

Clay Hart Gaines
Vice Chairman

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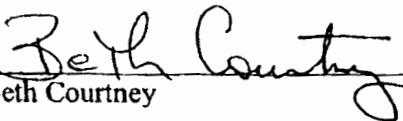
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Ernest J. Wilson III

Conclusion

As difficult as the past months have been, we believe we will all look back upon your investigation and our response as a positive watershed event for the Corporation. We thank you for the hard work of you and your staff.

We are excited about the prospects of improved governance and operations in the future. We are unified in our commitment to promoting the ideals and excellence of public broadcasting and in our belief that the Corporation has played, and will continue to play, a pivotal role in that regard.

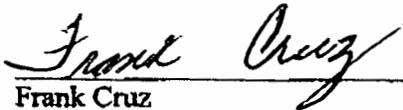
Very truly yours,

Cheryl Halpern
Chairman

Gay Hart Gaines
Vice Chairman

Katherine Milner Anderson

Beth Courtney


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Conclusion

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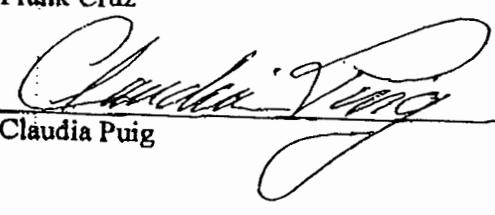
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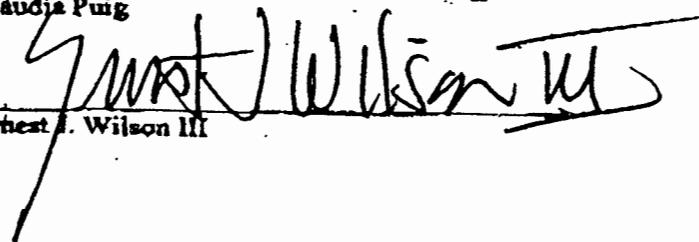
Gay Hart Gaines
Vice Chairman

Katherine Milner Anderson

Beth Courtney

Frank Cruz

Cláudia Puig


Ernest J. Wilson III

CHI 3372400-2

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Statement of the CPB Board

November 3, 2005

The Corporation for Public Broadcasting Board of Directors today announced that its former chairman Kenneth Y. Tomlinson has resigned from the CPB board. The board does not believe that Mr. Tomlinson acted maliciously or with any intent to harm CPB or public broadcasting, and the board recognizes that Mr. Tomlinson strongly disputes the findings in the soon-to-be-released Inspector General's report. The board expresses its disappointment in the performance of former key staff whose responsibility it was to advise the Board and its members. Nonetheless, both the board and Mr. Tomlinson believe it is in the best interests of the Corporation for Public Broadcasting that he no longer remain on the board. The board commends Mr. Tomlinson for his legitimate efforts to achieve balance and objectivity in public broadcasting.

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Steven J. McCool (DC & MD)
Joseph T. Mallon, Jr. (MD & DC)

November 7, 2005

VIA FACSIMILE (202-879-9699) & U.S. MAIL

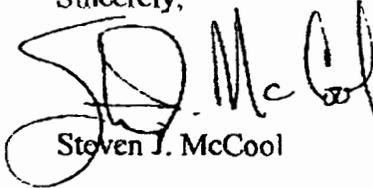
Kenneth A. Konz
Inspector General
Corporation for Public Broadcasting
401 Ninth Street, N.W.
Washington, D.C. 20004-2129

Re: *Kenneth Y. Tomlinson, Chairman*
Corporation for Public Broadcasting (CPB) Board of Directors

Dear Mr. Inspector General:

Along with this letter, please find Kenneth Y. Tomlinson's response to Report No. EPB503-XXX. Please attach this to your final report. Thank you for your consideration.

Sincerely,



Steven J. McCool

Enclosure

Appendix C
Report No. EPB503-602
Former Chairman Response
Page 1 of 2

Response of Kenneth Y. Tomlinson
Corporation for Public Broadcasting
Office of Inspector General
Report No. EPB503-XXX

I am disappointed, but not surprised, by the Inspector General's report. It was apparent early on that Inspector General Kenneth A. Konz would opt for politics over good judgment. Mr. Konz, in direct violation of his Code of Ethics, told Bloomberg News that his report would be critical of me six weeks before he released his report to the CPB Board. He obviously reached his conclusion prior to completing his investigation – neither a sequence I would have hoped for, nor one that the public deserves.

Any suggestion by Mr. Konz that I violated my fiduciary duties, the Director's Code of Ethics or relevant statutory provisions is malicious and irresponsible. All of my actions were open, lawful, and were taken after consulting and receiving advice from CPB's General Counsel, its President, or the CPB Board of Directors. Even the most cursory and objective examination of the evidence would have demonstrated this.

The Inspector General's reliance on "Joining Together, Group Theory and Group Skills" by Johnson and Johnson to support his fiduciary duty charge, is a desperate device to link New Age rhetoric and 1960's-era encounter group ideology to essentially argue that the General Counsel was sufficiently oppressed by a patriarchal society that she could not render sound judgment that was the cornerstone of her job. This notion is reflective of the Inspector General's audacious and grasping approach to this matter as a whole.

My lawful and sincere objective from the outset in my role at CPB was to help bring balance and objectivity in public broadcasting. I am proud of all that I did to bring the Journal Editorial Report to public television. Public broadcasting should not be the domain of any particular ideology or party. The voices of America should be heard on public television – across the political spectrum. Unfortunately, the Inspector General's pre-conceived and unjustified findings will only help to maintain the status quo and other reformers will be discouraged from seeking change. Regrettably, as a result, balance and objectivity will not come soon to elements of public broadcasting.

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DAVID WACHTEL ◊

◊ ADMITTED IN MD ALSO
◊ ADMITTED IN NY ALSO
◊ ADMITTED IN CA ALSO
◊ ADMITTED IN NY ONLY

By Telecopier and First-Class Mail
November 11, 2005

Inspector General Kenneth Konz
Office of Inspector General
Corporation for Public Broadcasting
401 9th Street, N.W.
Washington, D.C. 20004-2129

Re: Inspector General Report

Dear Mr. Konz:

Thank you for the opportunity to review the report of the Office of Inspector General ("IG") yesterday with our client, Kathleen Cox, the former President and Chief Executive Officer of the Corporation for Public Broadcasting ("CPB"). I am writing to comment about several of the IG's findings which require further clarification. Specifically, the IG report concludes that CPB officers, including Ms. Cox, did not adequately keep the full board apprised of a number of the activities of Kenneth Tomlinson, CPB's former Chairman of the Board, which the IG has now concluded were improper. Ms. Cox takes strong exception to this suggestion. As explained below, Ms. Cox faithfully followed the chain-of-command instructions Mr. Tomlinson dictated as a condition of her employment.

After being hired as CPB's incoming President and Chief Executive Officer in December 2003, Ms. Cox signed an employment agreement on January 23, 2004. The employment agreement states that the Board's determination as to whether or not to renew Ms. Cox's term as President and CEO at the end of her first year would be determined, in part, by "how well [she has] developed a close and productive working relationship with the Board." The agreement also states that "[y]ou will serve at the pleasure of the Board." The employment contract does not give any guidance, however, as to how the Board would determine Ms. Cox's performance relative to this subjective standard.

A few weeks after she had begun as President and CEO, Ms. Cox desired to open lines of communication with the Board and to seek guidance from the Board regarding its view of how she could best promote the interests of CPB. In late August, 2004, shortly before a scheduled meeting of the CPB Board, Ms. Cox thus reached out to each member of the Board by telephoning them

Appendix D
Report No. EPB503-602
Former President/CEO Response
Page 1 of 4

individually, hoping to engage them in discussions about their goals and expectations of her as CPB's President and CEO. Only a few members of the Board returned Ms. Cox's telephone calls.

In September, 2004, following the CPB board meeting, Mr. Tomlinson, along with two other members of the Board, Frank Cruz, the Vice-Chair of the Board, and Ms. Anderson, a past Chair of the Board, approached Ms. Cox. Mr. Tomlinson berated Ms. Cox for attempting to communicate with individual members of the Board without his prior approval. He instructed Ms. Cox not to communicate with individual members of the Board without his prior approval, and insisted that it was crucial for her to obtain "clearance" from the "Board leadership," i.e. Mr. Tomlinson, Ms. Anderson, and Mr. Cruz, before communicating with either other members of the Board or the full Board. Using a stern and intimidating manner, Mr. Tomlinson made it clear to Ms. Cox that he would not tolerate her efforts to communicate to the Board directly. Later that night, September 20, 2004, at a CPB dinner, Mr. Tomlinson again berated Ms. Cox for her attempts to communicate directly with members of CPB's Board without the prior clearance of the Board leadership, telling her that it was "stupid" for her to have made her calls to Board members in late August. Mr. Tomlinson again instructed her to direct her communications to the Board only through him, Mr. Cruz, and Ms. Anderson, or after receiving clearance from them. This demand by Mr. Tomlinson obviously interfered with Ms. Cox's ability to address all matters directly with the Board, as opposed to through Mr. Tomlinson. It also allowed Mr. Tomlinson to direct and apparently distort the flow of information to the Board and provide what appears now to be false assurances to Ms. Cox that the Board was properly informed about his activities.

For example, in the Fall of 2004, Ms. Cox raised with Mr. Tomlinson and Mr. Cruz the idea of creating an Ombudsman position in order to serve as a liaison for public concerns or complaints about public broadcasting programming content, to review the programs about which the public had complained, and to issue recommendations about whether the programs did or did not present a balanced and objective viewpoint or were otherwise consistent with high journalistic standards. Ms. Cox thereafter engaged in extensive research concerning the feasibility of creating such a program. The concept was explored with the full Board at its late-January Board meeting at which time the Board endorsed the idea of further developing the proposed Ombudsman program. In or about February 2005, Mr. Tomlinson informed Ms. Cox that he had identified two persons to fill the Ombudsmen position, and that he had already offered them the positions without consulting with her and without a competitive search process. He further advised Ms. Cox that he had discussed his selection with other members of the Board. Accordingly, the report's finding that "[n]either the former Chairman nor former President/CEO disclosed to the Board how the ombudsmen were identified for the Board's consideration" is not fully accurate, as other members of the Board besides Mr. Tomlinson were aware of how the two candidates for the Ombudsmen positions were identified. For example, Mr. Tomlinson instructed Ms. Cox to email the resumes of the two Ombudsman candidates to Mr. Cruz and Ms. Anderson, and told Ms. Cox that he would telephone Mr. Cruz and Ms. Anderson to discuss the candidates and the proposed Ombudsman program with them. When the Board met on April 4, 2005, to vote on the Ombudsmen program, it reviewed the

resumes of the Ombudsman candidates Mr. Tomlinson had identified, as well as the press release and talking points previously produced regarding the matter. Later that day, it passed a resolution approving the Ombudsman program with relatively little discussion about the particulars of the program. Ms. Cox does not recall any discussion or questions from the Board regarding the manner in which the particular Ombudsman candidates had been identified.¹

We are also concerned that statements in the IG's report regarding the circumstances surrounding Ms. Cox's departure from CPB do not accurately capture the tenor of discussions regarding Ms. Cox's forced resignation from CPB. The IG report states that "[f]ollowing the April 2005 board meeting, [Mr. Tomlinson] informed [Ms. Cox] that her contract would not be renewed and she resigned on April 8, 2005, three months before her contract expired on June 30, 2005." On April 6, 2005, Mr. Tomlinson approached Ms. Cox and told her that the Board had decided that it wanted "different leadership" at CPB and that it wished her to step down from her position as CEO. Mr. Tomlinson told Ms. Cox that she was "not political enough" for the job and had failed to sufficiently align her positions as CEO with the desires of the Board leadership. He candidly told Ms. Cox that ultimately it was her "personal integrity" that got in the way of her continued employment. While Mr. Tomlinson did not elaborate on this comment, given their prior history, we can only assume that he was referring to Ms. Cox's objections to some of his questionable conduct as Chairman of the CPB Board, as discussed in depth in the IG report.

When Ms. Cox asked Mr. Tomlinson about the Board's intent regarding the timing of her departure, i.e. whether it wished her to leave immediately or at the expiration of her one-year contract, Mr. Tomlinson informed her that the Board wished her to leave immediately so that it could announce her departure before the annual meeting of the Public Broadcasting System ("PBS") a few days later. Mr. Tomlinson told Ms. Cox that he already had a candidate for the President and CEO position and that she was ready to start right away. Mr. Tomlinson told Ms. Cox that he was anxious to issue a press announcement about her departure the next day and exerted considerable pressure on her to inform him at once as to whether she was willing to accede to his resignation demand.

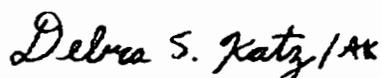
¹ While we have not attempted to comprehensively address the full scope of the report's factual findings, it warrants mentioning that there are other factual conclusions of the IG's report with which we disagree. For example, while the report suggests that the Board was unaware of Mr. Tomlinson's hiring of two consultants to provide advice to CPB on the legislative process, Ms. Cox was led to believe by Mr. Tomlinson that Board members Ms. Anderson, Mr. Cruz, and Cheryl Halpern were aware of and did not object to their hiring. Also, while the report indicates that Ms. Cox was involved in identifying and contracting with these consultants, in fact it was the former General Counsel of CPB, and not Ms. Cox, who initially contacted these consultants, negotiated their fees, and drafted their contracts.

During this meeting, Mr. Tomlinson assured Ms. Cox that CPB would honor the severance provisions of its employment contract with her. Subsequently, CPB's Human Resources department prepared a detailed calculation of the severance owed to Ms. Cox, which listed each component of Ms. Cox's total compensation and a final amount due to her. Ms. Cox was informed that CPB's Vice President of Finance and Administration at the time reviewed and approved the numbers, and Ms. Cox also met with Mr. Tomlinson and Donna Gregg, CPB's former General Counsel, who also both reviewed and approved this calculation of her severance. Mr. Tomlinson expressed concern to Ms. Cox about how much of her severance would appear on publicly-disclosed tax forms at the end of the fiscal year and asked Ms. Cox to have a sizable portion of her severance paid out during the next fiscal year. Ms. Cox reluctantly agreed to this arrangement, which was memorialized in a letter-agreement drafted by Ms. Gregg listing the amount still owed to Ms. Cox. Although this remaining severance was due to be paid by October 31, 2005, CPB has thus far refused to honor its contractual agreement to make this payment.

The IG report concludes with a discussion of CPB culture but fails to address the full context and impact of Mr. Tomlinson's actions on CPB and the public broadcasting system. Mr. Tomlinson's actions were taken under the guise of seeking balance in programming. Seeking balance in programming is an unassailable goal, one that the CPB staff and the system as a whole have always strived to achieve, while recognizing that more can always be done. The IG report focuses on the illegitimate means chosen by Mr. Tomlinson: content-based reviews pursuant to his own definitions of bias and with his own choice of reviewers; his direct involvement in programming decisions; and his interference with the selection and hiring of senior staff, based in large part upon the recommendations of senior staff in the White House's Executive Office, to assure that key CPB positions would be held by conservative Republican loyalists. These and other actions have had a devastating effect on CPB, whose once highly energized and impassioned staff are now fewer in number and demoralized by what has transpired. At a time when CPB and public broadcasting face and must address the extraordinary opportunities and challenges presented by today's media environment, it has instead spent endless hours distracted by these events.

We hope that this gives further context to some of the events detailed in the IG report. We appreciate your investigation of this matter and the opportunity to submit this letter.

Sincerely,



Debra S. Katz

cc: Kathleen A. Cox, Esq.



Corporation
for Public
Broadcasting

401 Ninth Street, NW
Washington, DC 20004
(202) 879-9600
www.cpb.org/oig