



# Corporation For Public Broadcasting

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## Office of Inspector General

### EVALUATION OF CPB RESPONSE TO THE OIG REPORT OF REVIEW

Review of CPB Corrective Actions Related to  
Report No. EPB503-602, dated November 15, 2005,  
Review of Alleged Actions Violating  
The Public Broadcasting Act of 1967, as Amended

Report No. EPB503-606

**CORPORATION FOR PUBLIC BROADCASTING**

**OFFICE OF INSPECTOR GENERAL**

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**Report No. EPB503-606**

**June 9, 2006**

  
**Kenneth A. Konz  
Inspector General**

## ***OVERVIEW OF CPB CORRECTIVE ACTIONS***

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We have prepared this report in response to the House and Senate Committees on Appropriations conferees' request that the Corporation for Public Broadcasting (CPB) Inspector General review the actions taken by CPB management and its Board of Directors in response to our report, titled "Review of Alleged Actions Violating the Public Broadcasting Act of 1967, as Amended," Report No. EPB503-602, dated November 15, 2005. The Board of Directors' formal response to our report, dated May 3, 2006, summarized their actions to date, as well as, planned future actions. This document served as the basis for our review. This review was not an audit conducted under generally accepted government auditing standards. The scope of our review only addressed the design of policies and procedures to ensure that CPB has reasonably addressed our recommendations.

We are encouraged that the Board of Directors and the Chief Executive Officer (CEO) have taken such a comprehensive approach, often exceeding the scope of our recommendations, to evaluate major CPB processes. Since the issuance of our report in November the corporation has invested a considerable amount of time and resources on these initiatives. Initially, CPB has established policy direction for how CPB will operate in the future. They have focused on improving corporate governance, accountability, and transparency, while working on creating a culture of continuous improvement. We support leadership's commitment to such a long-term cultural transformation to improve CPB operations.

Last summer, while we were still conducting our review, the Board of Directors initiated their own review of selected CPB processes using an outside consultant. The consultant reviewed human resources management, contracts management, and information security, as well as, related internal controls, which was a far more comprehensive review than we were doing within the scope our review. Based on the results of both reviews, the Board of Directors and CEO initiated a comprehensive review of CPB's internal operations, with the goal of improving overall governance. Additionally, the Board established a corporate governance committee and an executive compensation committee to provide Board oversight to these efforts.

In response to this initiative, the CEO put together a team to address the executive compensation issues identified during our review. This work was done by CPB management in conjunction with outside counsel to specifically address the executive practices identified during our review. Our advice was sought in planning how these issues could be addressed. The actual work of the CPB team was supplemented by outside legal counsel and their draft legal opinions were shared with our office to advise us of their interpretations regarding these matters. Additionally, as part of the overall review of executive compensation, we conducted an independent audit of executive leave recordkeeping. We issued this report in draft, but it has not yet been finalized and is not covered in this report.

In December 2005, the Board of Directors and CEO initiated the Champion Project to examine and strengthen policies and procedures in four major areas of CPB's operations

(i.e., procurement, contracting, human resources, and payment processing). The Champion Project team consists of CPB staff members working with an outside consultant. Our office participated in the Champion Project as a member of the “Advisory Group” and “Executive Group.” The Advisory Group met weekly with the project team to discuss the various policies and procedures they were currently evaluating. To maintain our independence, our role was limited to providing technical advice and assistance, as needed. As part of this role, we reviewed and commented on draft documents being considered by the corporation to address our recommendations. We did not participate in the decisions made regarding the final policies adopted by the Board of Directors.

The Office of Human Resources worked with outside consultants to address various personnel management issues identified during both reviews. Initially, they designed a hiring process that provided safeguards to prevent making personnel decisions based on “political tests.” Currently, they are working on establishing policies and procedures to address executive personnel management practices and developing a comprehensive performance management system.

Our report contained 17 recommendations, 2 of the recommendations had multiple sub-parts for a total of 28 recommendations to track CPB’s progress in taking corrective actions. Overall, actions have been initiated by the Board of Directors and senior management to address each of our recommendations. Based on our review of CPB’s specific actions, we consider 9 recommendations fully resolved and closed, 4 recommendations resolved but open pending additional work by CPB and 15 recommendations as work in process and unresolved pending executive decisions regarding the development or approval of detailed policies and procedures.

To elaborate further on the 15 recommendations classified as unresolved, detailed policies and procedures have been drafted for 3 recommendations related to procurement and payment processing responsibilities and they are only awaiting final executive approval before being implemented. Another 8 recommendations are sub-components of our recommendation to develop a risk management program for CPB, which the Board of Directors has committed to addressing. However, this recommendation will require further planning and scoping of the work to be done before decisions can be made on how to best implement such a program. Three recommendations dealing with executive compensation policies are under development in conjunction with outside consultants. The remaining recommendation deals with developing policies to address statutory responsibilities to periodically assess objectivity and balance in national programming. This initiative is in the preliminary planning stages to determine how best to develop public policy to address these responsibilities with the full participation of the public broadcasting community.

Our analysis of each of our specific recommendations is presented in the following section. Under each recommendation we have provided a brief discussion of the actions CPB has taken or are planning to take, as well as, our assessment of their actions. In developing our presentation of CPB’s actions, we drew information from CPB’s May 3, 2006 response. This document was not organized by our recommendations, but rather focused on CPB’s activities in four major areas – Leadership, Corporate Governance and the Role of the

Board, Human Resources, and Operations. Often, CPB's corrective actions relating to our specific recommendations overlapped these groupings and we had to draw from different portions of their report to summarize their actions.

As with all of our other work, we will report CPB's progress in resolving each of our recommendations and implementing corrective actions in our future Semiannual Reports to Congress.

## **ANALYSIS OF RECOMMENDATIONS AND CORRECTIVE ACTIONS**

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We recommended 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).

### **CPB's Corrective Actions**

In response to this recommendation, the CPB Board of Directors, in conjunction with senior management and outside counsel, developed and adopted guidelines outlining the responsibilities of the Board of Directors and the President in directing the affairs of the corporation. The guidelines clarify that the Board is responsible for providing "clear direction on the course it wishes management to pursue" and management is responsible for deciding how to implement the Board's directives (Attachment A). Additionally, the Board of Directors adopted Guidelines Regarding Required Board Approvals and Notifications, which consolidates relevant policies and procedures dealing with human resources, procurement, ethics, finance, and legal matters (Attachment A, page 5). Further, the Board of Directors revised the By-Laws to prohibit the Board from assigning additional duties to the Chairman, other Board members, or officers, except by resolution (Attachment B), and require Board members and executives to follow all CPB procurement and contracting policies and procedures (Attachments C).

### **OIG Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board established a Corporate Governance Committee and subsequently adopted a Charter for the Committee to guide its operations. The Charter responsibilities include conducting investigations of the

Board and its members, in conjunction with the Office of the Inspector General and the Audit Committee, as appropriate. Further, the committee must report to the Board any credible allegations that individuals have violated the Corporation's governance practices, the Public Broadcasting Act, or any other applicable law (Attachment D). Additionally, a revised Code of Ethics for Directors was adopted (Attachment E), which includes provisions for disciplining Board members who are found to have engaged in misconduct or violations of corporate rules. The Code of Ethics for Directors also includes a revised conflict of interest policy (Attachment F). Finally, in adopting the CPB Whistleblower Policy (Attachment G), the Board established an overall framework for CPB's General Counsel and the Office of Inspector General working together to investigate and take appropriate actions in areas where allegations have been raised regarding any CPB official (i.e., Board member, officer, executive, or other staff member).

### **OIG Review and Conclusion**

Based on the Board and management's corrective actions, we consider this recommendation resolved but open pending further discussions between the Office of General Counsel and the OIG, over the next quarter, regarding whether any additional guidance is needed. If necessary, a Memorandum of Understanding can be established between the offices. Further, we recommend that CPB consult with appropriate Congressional oversight committees and leaders in the Executive Branch to explore the options available under the statute to discipline Board members for violations of the statute, the Code of Ethics for Directors, or CPB policies and procedures. For example, consideration could be given to amending the Public Broadcasting Act to specify authority, the procedure and basis for removal of Board members by the United States President, in the event of malfeasance by these presidential appointees.

- c) Establish standing policy and executive compensation committees to develop new policies and oversee their implementation.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors established an Executive Compensation Committee and subsequently adopted a Charter for the Committee to guide its operations (Attachment H). The Compensation Committee assumed responsibility for reviewing the performance and compensation of the president, as well as, other officers and employees of the Corporation. Additionally, the Committee continues to work with the CEO, the Human Resources Department, and outside consultants to design and implement executive compensation and evaluation policies through the end of the fiscal year. The Board of Directors decided not to establish a policy committee and said that the responsibility for setting CPB policy directions will continue to reside with the full Board of Directors.

### **OIG Review and Conclusion**

Based on the Board and management's corrective actions, we consider this recommendation resolved and closed. Although we recommended establishing a policy committee to address such issues as developing policies for conducting regular reviews of objectivity and balance in national programming, we have no objection to the Board's decision to leave these responsibilities with the full Board. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors revised Section 2.10 of the By-Laws, which now prohibits the Board from assigning additional duties to the Chairman, other Board members, or officers without passing a resolution. Section 2.10, Quorum, Manner of Acting and Adjournment, was amended to specify that: "The Board may assign and delegate to the Chairman, Vice Chairman, President and other officers of the Corporation additional duties and authority not conferred pursuant to these By-Laws only by resolution of the Board, which resolution shall be set forth in the minutes of the meeting at which it was adopted." (Attachment B)

### **OIG Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors revised the By-Laws to require the Chairman and other Board members to follow all CBP procurement and contracting policies and procedures (Attachment C).



### **OIG Review and Conclusion**

Based on the Board and management's corrective actions, we consider this recommendation resolved and closed. We acknowledge that the Board's action is broader than we recommended (i.e., limiting the Chairman's authority to only execute contracts to engage a search firm to recruit a President/CEO or to enter into an employment contract with the President/CEO). We are satisfied that the Board's decision to assign additional duties (including contracting) to the Chairman or other Board members by resolution will provide the necessary transparency to such Board actions. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors revised the Code of Ethics for Directors (Attachment E), which now includes provisions for disciplining Board members who are found to have engaged in misconduct or violations of corporate rules. The Code of Ethics for Directors also includes a revised conflict of interest policy (Attachment F).

### **OIG Review and Conclusion**

Based on the Board and management's corrective actions, we consider this recommendation resolved but open until the General Counsel and Inspector General determine whether additional procedures are necessary to govern the investigative process. Further, we recommend that CPB consult with appropriate Congressional oversight committees and leaders in the Executive Branch to explore the options available under the statute to discipline Board members for violations of the statute, the Code of Ethics for Directors, or CPB policies and procedures, including the advisability of amending the Public Broadcasting Act, as discussed in 1) b).

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board committed to studying this recommendation to determine how to best approach it in a manner that is compatible with the CPB statutory administrative budget cap. During the summer and fall of 2005, the Board of Directors engaged an outside consultant to evaluate and document selected aspects of CPB operations. CPB is continuing to evaluate these practices to ensure internal controls minimize risks and CPB complies with statutory responsibilities. CPB is examining the current inventory of internal controls and reviewing options for establishing a systematic method of categorizing controls that are already in place. Project staff have analyzed and evaluated major CPB policies and procedures, as well as, supporting systems and controls, to develop recommendations for long-term improvements. CPB has requested the assistance of the OIG to document and classify current control activities as part of the analysis. CPB plans to establish a comprehensive risk management program by September 2006.

CPB has also increased the oversight responsibilities of the Board of Directors by updating the Code of Ethics for Directors (Attachment E). In a section discussing fiduciary duties it specifically recognizes the Board's duty to oversee operational risks to the Corporation: "The Duty of Care also requires Directors to take adequate steps to see that senior officers of the Corporation are properly managing the Corporation's business and affairs."

### **OIG's Review and Conclusion**

While the Board of Directors has committed to addressing this recommendation and planning is underway, we have classified this recommendation as unresolved until management decides on how they will implement a risk management program for the Corporation, including their considerations of the 8 sub-parts to this recommendation. If the Board decides to implement a comprehensive risk management assessment, the OIG will continue to work with management in assessing processes and controls not previously addressed to improve accountability, transparency, and the effectiveness of CPB operations.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors committed to an ongoing review of the Corporation's fulfillment of all of its statutory responsibilities. Such reviews will be conducted in consultation with CPB's partners in the public broadcasting community. The Board continues to explore their options for conducting regular reviews of national programming for objectivity and balance. As part of these options, the Board requested the Corporate Governance Committee to review the role of the Office of the Ombudsmen. The Committee requested CPB management to conduct research on the role of the ombudsmen in public journalism.

### **OIG's Review and Conclusion**

While the Board of Directors has committed to addressing this recommendation and preliminary internal discussions are underway on how to proceed, we have classified this recommendation as unresolved until management develops a more definitive plan for establishing a policy to conduct regular reviews of national programming for objectivity and balance. We suggest that CPB establish an overall timeframe for developing a policy, as well as, interim milestone dates for involving the public broadcasting community in the development of the policy (e.g., reaching consensus with stakeholders on the definition of objectivity and balance and developing a methodology for evaluating

national programming for 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).

#### **CPB’s Corrective Actions**

In response to this recommendation, the Board of Directors endorsed a framework for preventing “political tests” in personnel decisions, which includes new language prohibiting the use of “political tests” in employment and personnel decisions and encourages recruiting from a wide range of sources to attract diverse candidates for vacant positions. The policy would involve Human Resources in all job recruitment, promotion, and hiring efforts, including vice president level and above, to ensure policies and procedures are followed. The framework would also provide for review of the qualifications of candidates, including the use of an internal hiring panel, certification by various executive staff members that the process has been followed, and selection was made based on job qualifications (Attachment I).

#### **OIG’s Review and Conclusion**

Based upon the Board of Directors and management’s corrective action, we consider this recommendation resolved but open until CPB revises their existing personnel policies and procedures, incorporating these concepts into new operating procedures, and training has been provided to managers and executives on how this process will operate. CPB management has estimated that these procedures will be revised and training rolled out by August 2006.

- 6) Evaluate executive employment contracts and other executive compensation packages for reasonableness and the prudent use of CPB funds.

#### **CPB’s Corrective Actions**

In response to this recommendation, CPB conducted an internal review of past practices regarding executive compensation. This internal review included obtaining expert legal and accounting services to determine the tax and reporting implications of past executive compensation payments. Based on the work performed by outside counsel, CPB is now in a position to set clear benchmarks on its salary cap and use of deferred compensation. During the next four months the Compensation Committee with be working with Human Resources, outside counsel, and senior management to implement improved compensation policies. This review was coordinated with the Office of Inspector General, who conducted a review of executive leave recordkeeping, as part of this overall effort.

### **OIG's Review and Conclusion**

While considerable work has been done to research past practices regarding executive employment contracts, deferred compensation practices, post employment contracts, and the salary cap, we have classified this recommendation as unresolved until a decision is made regarding what new executive personnel policies will result from this research. Further, we believe the results of this review should be discussed with the appropriate Congressional oversight committees to inform them regarding proposed future practices.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board Governance Committee and CPB management developed and adopted guidelines for open meetings and maintenance of public records of Board decisions. These guidelines are contained in Practices and Procedures for Ensuring Open Board and Committee Meetings (Attachment J). The guidelines were formally adopted at the May 1, 2006 Board meeting, but were initially put into place during January 2006 when they were first developed.

### **OIG's Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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 (e.g., Board members, executives, directors, and employees) involving the commitment or expenditure of CPB funds.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors and CPB management developed and adopted Guidelines Regarding Required Board Approvals and Notifications (Attachment A, page 5), which included requirements for reporting to the Board significant activities and deviations from CPB policies and procedures. Further, the Board of Directors adopted a Whistleblower Policy (Attachment G) that encourages all directors, officers, and employees to report suspected waste, fraud, abuse,

mismanagement, violations of law, and violations of CPB Code of Ethics and Business Conduct or Code of Ethics for Directors (Attachment E). Upon completion of an investigation of alleged violations and corrective actions the Chair of the Board shall be notified. Finally, the Whistleblower Policy will be incorporated into ethics training for employees by September 2006.

### **OIG's Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved but open until employees have been trained in the Whistleblower Policy and Investigation-Related Records Policy. Compliance with these corrective actions will be verified in future audits of CPB activities.

We recommended 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors revised the Corporation's By-Laws to require that all contracts be developed in accordance with CPB contract policies (Attachment C). This revision will require Board members to use standard procurement and contract systems. Further, the procurement policies and procedures have been amended to centralize procurements in the Office of Business Affairs (OBA) to oversee and approve all procurements.

### **OIG's Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors revised the Corporation's By-Laws to require that all contracts be developed in accordance with CPB contract policies (Attachment C). This revision will require Board members to use standard procurement and contract systems. Further, the procurement policy was amended to require the Board of Directors and officers to follow procurement policies. Finally, the contracts policy was amended to require that violations of the procurement or contracts policies and procedures be reported to the Office of General Counsel and, as appropriate, handling such cases as provided in CPB's Whistleblower Policy.

### **OIG's Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors directed CPB management to review the recommendation and report back to the Board. CPB management amended the contract's policy to add provisions to document the qualifications of consultants, including the basis for identifying uniquely qualified consultants.

### **OIG's Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors directed CPB management to review the recommendation and report back to the Board. CPB management

amended the contract's policy to require that sole source procurements provide written documentation of the consultants considered and their availability, expertise, and costs. Further, the policy was also amended to require that procurements of consulting services of less than \$50,000 but more than \$2,500 be documented with a written justification, as practicable.

### **OIG's Review and Conclusion**

Based on the Board's and management's corrective actions, we consider this recommendation resolved and closed. Compliance with these corrective actions will be verified in future audits of CPB activities.

- 13) Consider reporting regularly to the Board's Audit and Finance Committee all sole source procurement decisions, including justifications supporting the decision.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors directed CPB management to review the recommendation and report back to the Board. The project team has developed a sole source report based on data captured during the contracts approval process for reporting to the Audit & Finance Committee. The sole source report will be included on the agenda for the July Audit and Finance Committee meeting.

### **OIG's Review and Conclusion**

We acknowledge that a sole source report has been developed; however, we have classified this recommendation as unresolved until the Board approves the use of the report.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors directed CPB management to review the recommendation and report back to the Board. The project team has worked with the Controller and senior management to address this issue. Management will not accept invoice approvals stamped with "Signature on File." Additionally, the project team has completed improvements to the signature authority processes. These improvements include revised signature documentation and an improved system for maintaining the current authority. This policy will be revised in August of 2006.



### **OIG's Review and Conclusion**

We acknowledge that new procedures have been drafted; however, we have classified this recommendation as unresolved until a decision is finalized by management accepting these changes to the payment processing policies and procedures.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Board of Directors directed CPB management to review the recommendation and report back to the Board. The project team has drafted revised language for Contracts Policy, Section 2.04, reinforcing the importance of work being performed only after a contract has been executed. Procuring departments will still need to notify the Office of Business Affairs when a contractor begins work before a contract is signed. This policy should be revised by August 2006.

### **OIG's Review and Conclusion**

We acknowledge that revised policies have been drafted; however, we have classified this recommendation as unresolved until a decision is finalized by management accepting the changes to the procurement and contracting policies and procedures.

- 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.

### **CPB's Corrective Actions**

In response to this recommendation, the Executive Compensation Committee has been working with senior management and an outside consultant to design and implement improvements to CPB's processes for executive compensation and performance evaluations. CPB management is developing a compensation framework and an improved performance evaluation program for officers and staff. Specific milestones for accomplishing these objectives were not specified in management's response.

### **OIG's Review and Conclusion**

We acknowledge the ongoing work to formulate an executive compensation framework, however, we have classified this recommendation as unresolved until a decision is made

by the Board of Directors adopting a framework and incorporating it into the personnel policies and procedures.

- 17) Incorporate into corporate officers' job performance expectations (job elements) responsibilities to ensure policies and procedures (i.e., 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.

### **CPB's Corrective Actions**

In response to this recommendation, CPB has begun the process of incorporating procurement and personnel responsibilities into the performance expectations of corporate officers. The Human Resources Department is working with the executive office, Executive Compensation Committee, and expert counsel to develop a compensation philosophy and evaluation plan tied to specific performance expectations. As a part of the development of performance expectations, the Board has adopted additional policy regarding matters which must be reported to the Board by management, as well as, the Whistleblower Policy which requires management and staff to report reasonable suspicion of waste, fraud, abuse, material mismanagement, violations of law, or the codes of ethics at CPB. The development and implementation of an enhanced compensation philosophy and performance evaluation system is expected to require the remainder of the fiscal year.

### **OIG's Review and Conclusion**

We acknowledge that additional responsibilities have been incorporated into the performance expectations of corporate officers by the adoption of the Whistleblower Policy; however, we have classified this recommendation as unresolved until a decision is made by management adopting new job expectation standards in concert with the overall development of a compensation philosophy and evaluation plan.

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*Attachment A*

*Roles and Responsibilities of the Board of Directors,  
Chair of the Board, President in Directing the Affairs  
of the Corporation for Public Broadcasting*

**Roles and Responsibilities of the  
Board of Directors, Chair of the Board, and President  
in Directing the Affairs of the  
Corporation for Public Broadcasting**

The Board of Directors (the “Board”), the Chair of the Board (the “Chair”) and the President and Chief Executive Officer (the “President”) each have distinct responsibilities in overseeing the affairs of the Corporation for Public Broadcasting (“Corporation”). This memorandum sets forth the Board’s understanding of those distinct responsibilities. It does so by first describing, as a matter of general principles, the respective responsibilities of the Board, the Chair and the President. It then describes how those general principles would be applied in certain specific situations that regularly recur at the Corporation.

General Principles

***Board of Directors***

The By-Laws of the Corporation provide that the “property, affairs and business of the Corporation shall be managed by the Board of Directors.” This is consistent with the District of Columbia Nonprofit Corporation Act, which provides that the “affairs of a corporation shall be managed by a board of directors.” As such, the Board has general oversight responsibility for the management of all of the Corporation’s affairs. Board Committees have specific roles in the fulfillment of general oversight responsibilities: the Audit and Finance committee provides oversight of the Corporation’s finances; the Governance committee supervises development of and compliance with governance practices and guidelines; the Compensation committee has responsibilities relating to compensation and evaluation of the Corporation’s officers and other employees.

The Board satisfies this responsibility by providing active leadership regarding important issues facing the Corporation. In particular, the Board is expected to provide leadership in:

- (i) defining the Corporation’s mission and strategy designed to achieve that mission;
- (ii) appointing and planning for succession of the President; and
- (iii) ensuring the Corporation’s compliance with the law.

In addition, the Board is responsible for approving all “Matters Requiring Board Approval” as set forth in the Guidelines Regarding Board Approvals and Notification attached hereto as Exhibit A (the “Approvals/Notifications Guidelines”).

The Board’s responsibility is to provide clear direction on the course it wishes management to pursue regarding these and other critical matters. It is the responsibility of management to determine the manner in which such directives are achieved and implemented.

The Board, and its individual directors, each owe certain fiduciary duties to the Corporation. These duties (i.e., the duties of care, loyalty and candor), are described in the memorandum that is attached hereto as Exhibit B.

### ***Chair of the Board***

The Chair is responsible for leading the Board in its activities and for serving as the principal liaison between management and the Board.

With respect to leading the Board in its activities, the Chair is primarily responsible, with the input of committee chairs and other directors, for setting the agenda for regularly-scheduled Board meetings and for determining whether and when special meetings should be held. The Chair presides at all meetings of the Board. The Chair will coordinate Board representation at events and functions. The Chair is expected to keep the Board apprised of his or her activities.

In the absence of the Chair of the Board, the Vice Chair of the Board shall act in all respects in the stead of the Chair during such absence.

With respect to serving as the principal liaison between management and the Board, the Chair is expected to stay in regular contact with the President in the periods between meetings. The Chair is also expected to keep the Board apprised on important issues he or she discusses with management.

The Chair operates in a capacity as a member of the Board and not as a member of the Corporation's management and is expected to respect and reinforce the appropriate roles of the Board and management.

### ***President***

The President leads management's efforts in implementing and achieving the priorities that are adopted by the Board. He or she has discretion in determining the most appropriate means to achieve those priorities.

The President is also responsible for keeping the Board appropriately informed regarding the Corporation's significant activities and undertakings. The President is responsible for providing the Board with information regarding the Corporation that is relevant both to specific decisions that the Board is required to make and to the Board's effective fulfillment of its general responsibility for oversight of the Corporation's affairs. In particular, the President is responsible for ensuring that the Board is notified of the items identified under the caption "Matters About Which the Board Must be Notified" in the Approvals/Notifications Guidelines.

## **Specific Situations**

The language above defines the general roles and responsibilities of the Board, the Chair, and the President and will guide the parties in their respective roles. What follows is a description of how these roles and responsibilities are to be applied in regularly occurring matters affecting the Corporation.

### ***Budget-Setting***

Each year the President, working with his or her senior staff and in consultation with the Chair, will develop a proposed annual budget. The proposed budget represents the Corporation's plans for fulfilling the Board's annual priorities and will be presented to the Board (or if the Board so chooses, a committee of the Board) for consideration and approval. Additionally, as part of the President's long-term budget planning, each year the President, in consultation with the Board, the public broadcasting system, and CPB senior staff, will develop a proposed appropriations request. The proposed request will be presented to the Board for approval prior to submitting the request to the Federal government. Any request for appropriations outside of the annual cycle (i.e., emergency requests) will be conducted in a similar fashion.

### ***Personnel Decisions Regarding the President and CEO; Executive Vice President and COO; Treasurer/CFO; and General Counsel***

In accordance with Corporation's governance documents and human resources policies, the Board of Directors as a body will evaluate and make decisions regarding the hiring and termination of the Corporation's President.

The Board will also be responsible for approving the hiring and termination of the Corporation's Executive Vice President and Chief Operating Officer, Treasurer/Chief Financial Officer and General Counsel. It will make these decisions, however, only after the President has presented his or her recommendations regarding the same.

The Board delegates to the President the authority to hire, fire, promote, and set compensation and bonuses for all staff other than the Corporation's Executive Vice President and Chief Operating Officer, Treasurer/Chief Financial Officer and General Counsel, in accordance with CPB policies, procedures, and board committee charters.

### ***Programming Grants***

The Board will set programming priorities through the annual budget process. CPB management will make programming and content decisions, including delivery, strategies, program strands, and individual programs, in accordance with CPB policies and procedures.

### ***Station Grants***

As required by CPB's authorizing legislation, CPB management will conduct consultations with the public broadcasting system regarding operational grants to public broadcasting stations. Management will then summarize the results of these consultations, and having considered them, present them along with its recommendations to the Board for consideration and approval.

### ***Communications/Press***

The President acts as the chief spokesman for the Corporation to the public, press, legislative bodies and other related organizations.

### ***Annual Schedule of Standing Agenda Items***

Each year the Board and its committees will be presented with a list of standing agenda items that reflect the matters referenced above and other recurring matters that require the consideration and approval of the Board.



**Exhibit A****CORPORATION FOR PUBLIC BROADCASTING****GUIDELINES REGARDING REQUIRED  
BOARD APPROVALS AND NOTIFICATIONS****Matters Requiring Board Approval**

1. Contracts and grants of and over \$1 million in total contemplated payments for non-“program funding or program related” activities unless
  - a. The contracts and grants are specifically included in corporate budget approved by the Board; or
  - b. The grant is to a public radio or television station and is calculated in accordance with eligibility criteria or awarded according to priorities that were established after consultation with representatives of the public broadcasting system and approved by the Board.
2. Hiring and employment separation decisions regarding any of the Corporation’s Senior Officers, provided that in extraordinary circumstances the Corporation’s President and Chief Executive Officer (the “President”) may, after consultation with the Chairman, if practicable, fire any such officer without prior Board approval. For purposes of these Guidelines, the Senior Officers of the Corporation shall be deemed to be the Corporation’s President, Executive Vice President and Chief Operating Officer, Treasurer/Chief Financial Officer, and General Counsel.
3. Engagement of consultants to review or analyze the content of public broadcasting programming for the purpose of monitoring compliance with the Corporation’s responsibilities under 47 U.S.C. Section 396(g)(1)(A) to “facilitate the full development of public telecommunications in which programs of high quality, diversity, creativity, excellence, and innovation, which are obtained from diverse sources, will 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.”
4. Any reduction-in-force or layoff involving more than 15% of the Corporation’s employees.

**Matters About Which the Board Must be Notified**

1. Contracts over \$250,000 in total contemplated payments.
2. Any event of defalcation (i) by any employee involving amounts in excess of \$10,000 or (ii) by any officer of the Corporation, regardless of amount.

3. Any determination of a valid claim of harassment or discrimination lodged against a director, officer or vice president of the Corporation.
4. Any waiver of a requirement under the Corporation's Code of Ethics for Directors or Code of Ethics and Business Conduct for Employees.
5. Resignation by any officer or director of the Corporation.
6. Any issue characterized as material by outside auditors with respect to the Corporation's financial statements.
7. Any issue characterized as material by outside auditors with respect to the Corporation's internal controls.
8. Any findings of an internal investigation conducted by the management of the Corporation relating to possible material misconduct on the part of any employee or director.
9. The commencement of litigation by the Corporation involving (i) estimated legal fees in excess of \$100,000 in any year or \$300,000 over the course thereof or (ii) a potential counterclaim in excess of \$100,000
10. The commencement of litigation against the Corporation seeking amounts in excess of \$100,000.

*As adopted by the Board of Directors on January 9, 2006*

**Exhibit B****Fiduciary Duties of Directors**

Members of the Board of Directors of the Corporation for Public Broadcasting owe fiduciary duties to the Corporation. The principal duties are the duty of care, the duty of loyalty and the duty of candor.

*Duty of Care*

Directors owe to the Corporation a duty to exercise reasonable care when making corporate decisions and when performing their corporate responsibilities. Directors are obligated to perform their duties in good faith, in a manner reasonably believed to be in the best interests of the Corporation, and with the care that an ordinarily prudent person would reasonably be expected to exercise under similar circumstances. When making decisions, the duty of care requires directors to put forth a good faith effort to inform themselves of all material information reasonably available and to exercise appropriate judgment. The duty of care also requires directors to take adequate steps to see that the senior officers of the Corporation are properly managing the Corporation's business and affairs. This includes instituting (i) information and reporting systems reasonably designed to provide them and senior management with timely, accurate information sufficient to allow them to reach informed judgments concerning the Corporation's performance and (ii) compliance policies reasonably designed to ensure that the Corporation and its officers comply with laws applicable to the Corporation.

*Duty of Loyalty*

The duty of loyalty is a director's duty not to benefit personally at the expense of the Corporation. In order for a director to satisfy this obligation, the director must not allow personal or partisan political interests to prevail over the interests of the Corporation. Furthermore, directors may not use assets of the Corporation (including information) for personal gain or to the detriment of the Corporation.

*Duty of Candor*

The duty of candor requires that a director disclose to the other directors all facts of which the director is aware that could be material to the Board's consideration of the matters before it. The duty of candor is of particular relevance in those instances in which the director has a conflict of interest or a potential conflict of interest regarding a matter before the Board. Where there is such a conflict or potential conflict, the duty of candor requires that the director disclose the director's self-interest so that the disinterested directors can make an informed decision.

*Attachment B*

*Revised By-Laws, Section 2.10, Quorum,  
Manner of Acting and Adjournment*

**RESOLUTION  
BOARD OF DIRECTORS  
CORPORATION FOR PUBLIC BROADCASTING  
WASHINGTON, DC  
Thursday, June 1, 2006**

*4 in favor, 2 absent*

RESOLVED,

That the Board of Directors of the Corporation for Public Broadcasting amends the By-Laws of the Corporation as follows:

**Section 2.10. Quorum, Manner of Acting and Adjournment** shall be amended to include:

**Any action which can be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, in the form of a resolution setting forth the action so taken, shall be signed by all of the Directors. Each such resolution shall be reported at the next meeting of the Board and set forth in the minutes of that meeting. The Board may assign and delegate to the Chairman, Vice Chairman, President and other officers of the Corporation additional duties and authority not conferred pursuant to these By-Laws only by resolution of the Board, which resolution shall be set forth in the minutes of the meeting at which it was adopted.**

*Attachment C*

*Revised By-Laws, Section 5.01,  
Contracts and Appointments of Agents in Connection Therewith*

**RESOLUTION  
BOARD OF DIRECTORS  
CORPORATION FOR PUBLIC BROADCASTING  
WASHINGTON, DC  
Monday, May 8, 2006**

*5 in favor, 1 absent*

RESOLVED,

That the Board of Directors of the Corporation for Public Broadcasting amends the By-Laws of the Corporation as follows:

**Section 5.01. Contracts and Appointments of Agents in Connection Therewith** shall be amended to read:

*To the extent the Board of Directors may specifically authorize, the Chairman of the Board, the Vice Chairman of the Board, the President, or any other officer, may, in the name of the Corporation and on its behalf, execute and deliver, or appoint agents with power to execute and deliver, **in full compliance with the Corporation for Public Broadcasting's Contract Policy**, bids and proposals for contracts with any person or entity, corporate or otherwise, contracts between the Corporation and any such person or entity, bonds and undertakings required for the faithful performance of such contracts, and vouchers and receipts in connection therewith.*

*Attachment D*

*Charter of the Corporate Governance Committee  
of the Board of Directors of the Corporation for Public  
Broadcasting*



**CHARTER OF THE  
CORPORATE GOVERNANCE COMMITTEE OF  
THE BOARD OF DIRECTORS OF  
THE CORPORATION FOR PUBLIC BROADCASTING**

**Purpose**

The purpose of the Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of the Corporation for Public Broadcasting (the “Corporation”) is to assist the Board in developing corporate governance practices and guidelines, including guidelines regarding the proper role of management, the Board and individual directors, for the Corporation.

**Composition of Committee**

After each Annual Meeting of the Board of Directors, the Chair shall appoint, subject to the approval of the Board, three or more directors to serve on the Committee, including one to serve as chair. Members of the Committee shall serve for such terms as the Board may determine, or until their earlier resignation or removal by the Board.

**Meetings**

The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (i) any provision of this Charter, (ii) any provision of the By-Laws of the Corporation or (iii) the laws of the United States of America or the District of Columbia applicable to the Corporation. The Committee will maintain copies of minutes of each meeting of the Committee, and each written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Committee. A copy of the minutes of each meeting and all consents will be placed in the Corporation’s minute books.

**Authority**

The Corporation will provide the Committee with the resources necessary to discharge its duties and responsibilities, including retaining, at the Corporation’s expense, outside counsel or other experts or consultants, as it deems appropriate. The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

The Committee shall report annually to the Board and at such other times as it deems appropriate or when requested to do so by the Board.

## **Duties and Responsibilities**

The principal responsibilities and functions of the Committee are as follows:

1. The Chair of the Corporate Governance Committee will participate in the Executive Compensation Committee's leading of the Board's annual review of the performance of the President and Chief Executive Officer (the "President").
2. Review periodically the Corporation's By-Laws, Code of Ethics for Directors, Code of Ethics and Business Conduct for Employees, Mission Statement, and Guidelines Regarding Required Board Approvals and Notifications (collectively, the Corporation's "Governance Documents"), as well as its corporate governance practices more generally, and recommend any proposed changes to the Board for approval.
3. Investigate, in conjunction with the Office of the Inspector General and the Audit Committee, as appropriate, and report to the Board on any credible allegation that the Corporation, the Board, or any individual officer of the Corporation or director, has violated, or taken action inconsistent with, the Corporation's Governance Documents, the Public Broadcasting Act of 1967 (the "Act"), or any other law applicable to the Corporation.
4. Oversee the compliance by the Corporation with the public meeting requirements of the Act and consider, periodically, transparency concerns more generally.
5. Oversee the Board's program for the orientation of new directors and recommend any proposed changes to the Board for approval.
6. Oversee the Board's program for the continuing education of directors and recommend any proposed changes to the Board for approval.
7. Review size and composition of the committees of the Board and recommend any proposed changes to the Board for approval.
8. Review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
9. Conduct an annual performance evaluation of the Committee and identify opportunities for improved effectiveness.
10. Lead an annual review of the Board's performance and effectiveness.
11. On a regular basis, discuss with the President and other members of senior management their views regarding corporate governance at the Corporation. This discussion should include a review of the Corporation's compliance with the various statutory mandates applicable to it.
12. Report to the Board on a regular basis and make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
13. Perform such other duties and responsibilities, consistent with this Charter, delegated to the Committee by the Board.

*As adopted by the Board of Directors on January 9, 2006*

*Attachment E*

*Code of Ethics for Directors of the Corporation for Public  
Broadcasting*

**CODE OF ETHICS  
FOR DIRECTORS  
OF THE  
CORPORATION FOR PUBLIC BROADCASTING**

*Revised May 1, 2006*

## INTRODUCTION

The purpose of this Code of Ethics is to assure that directors of CPB act in the best interest of public broadcasting, without being partial to any particular organization or their own personal interests; devote to CPB their loyalty and uncompromised integrity; and give the appearance as well as the fact of such impartiality, devotion and integrity.

Directors are responsible for reflecting on this code with respect to their individual situations and current duties, adhering to this code while conducting their official duties, and taking any questions about compliance to the General Counsel.

## BACKGROUND

CPB makes grants to and contracts with stations, producers and others to advance the cause of public broadcasting. It is essential that those in a position to influence the allocation of CPB funds consider only what is best for public broadcasting, without being partial to any particular organization within public broadcasting or influenced by their own personal interest. Because CPB uses taxpayer dollars and is a highly visible organization, the appearance as well as the fact of impartiality is important.

Accordingly, this code seeks to provide clear and conservative guidance for those serving CPB. By acceptance of service with CPB, each director acknowledges these responsibilities and agrees to regulate his or her conduct in a manner that assures CPB of loyalty and uncompromised integrity.

## THE CODE

1. **Directors' Fiduciary Duties.** Members of the Board of Directors owe fiduciary duties to the Corporation. The principal duties are the duty of care, the duty of loyalty and the duty of candor.

### *Duty of Care*

Directors owe to the Corporation a duty to exercise reasonable care when making corporate decisions and when performing their corporate responsibilities. Directors are obligated to perform their duties in good faith, in a manner reasonably believed to be in the best interests of the Corporation and with the care that an ordinarily prudent person would reasonably be expected to exercise under similar circumstances. When making decisions, the duty of care requires directors to put forth a good faith effort to inform themselves of all material information reasonably available and to exercise appropriate judgment. The duty of care also requires directors to take adequate steps to see that the senior officers of the Corporation are properly managing the Corporation's business and affairs. This includes instituting (i) information and reporting systems reasonably designed to provide them and senior management with timely, accurate information sufficient to allow them to reach informed judgments concerning the Corporation's performance and (ii) compliance policies reasonably designed to ensure that the Corporation and its officers comply with laws applicable to the Corporation.

### *Duty of Loyalty*

The duty of loyalty is a director's duty not to benefit personally at the expense of the Corporation. In order for a director to satisfy this obligation, the director must not allow personal or partisan political interest to prevail over the interests of the Corporation. Furthermore, directors may not use assets of the Corporation (including information) for personal gain or to the detriment of the Corporation.

### *Duty of Candor*

The duty of candor requires that a director disclose to the other directors all facts of which the director is aware that could be material to the Board's consideration of the matters before it. The duty of candor is of particular relevance in those instances in which the director has a conflict of interest or a potential conflict of interest regarding a matter before the Board. Where there is such a conflict or potential conflict, the duty of candor requires that the director disclose the director's self-interest so that the disinterested directors can make an informed decision.

2. **Avoidance of Conflict of Interests.** While it is recognized that directors appointed to the Board of CPB are to be representative of many fields, including education, cultural and civic affairs, business, the arts, and radio and television, directors will perform their CPB duties in an objective manner so their performance will not cause or create the appearance of a conflict of interests. To that end, directors shall comply with CPB's Conflict of Interests Policy for the Board of Directors. Directors may not engage, directly or indirectly, in financial, business, trade or professional transactions as a result of, or in primary reliance upon, information obtained through the discharge of the corporate responsibilities.
3. **Invitation to Disclose Possible Conflicts of Interest.** The agenda for every meeting of the Board of Directors of CPB will include, immediately after the approval of the agenda, an item entitled "Invitation to Disclose Possible Conflicts of Interest." This agenda item will consist of the Chairman's oral invitation to Board members to disclose any conflicts of interest they believe they or other Board members may have concerning any items on the agenda. Upon the disclosure by any Board member of any such potential conflict of interest, the Board shall satisfy itself that no Board member will take any action during the deliberations of the meeting that would give the appearance of a conflict of interest, and, if necessary, will recuse himself or herself from the discussion and vote on the item in question.
4. **Prohibition Against Use of Confidential and Nonpublic Information.** No director shall disclose to others, make personal use of, or permit others to make use of, any information obtained as a result of his or her relationship with CPB, which information is not generally available to the public or is otherwise confidential, whether for direct personal gain or for advice to others with whom he or she has family, business, financial, or professional ties.
5. **Stewardship of CPB Resources.** In carrying out his or her duties as a member of the Board, each director has an obligation to protect and conserve corporate money, property and other resources by adhering to policies adopted by the Board and procedures established by CPB.

6. **Campaign Contributions.** No director may, through any means whatsoever, make or be reimbursed for any contributions to political parties or candidates for public office on behalf of CPB. This requirement does not preclude lawful individual contributions not reimbursed by CPB.
7. **Loss of Public Confidence.** Beyond the specific policies above, each director shall avoid any conduct that might result in the loss of public confidence in CPB's programs and activities, the impairment of corporate efficiency or economy, or might reasonably give the appearance of: (a) the extension of preferential treatment to any person, group, organization, or other entity; or (b) the compromise or loss of complete impartiality of judgment and action; or (c) the making or implementation of a corporate decision outside of standard corporate policies and procedures.
8. **Violations.** Apparent or alleged violations of this Code by any director shall be referred to the Corporate Governance Committee of the Board of Directors which shall, after appropriate inquiry and investigation of the relevant facts, communicate its findings and recommendations to the Board. If the Board concludes that a director has knowingly violated the Code, it may impose such disciplinary measures as are appropriate and permissible under the circumstances, including but not limited to a resolution of censure.

By Resolution adopted May 1, 2006, the Board of Directors of Corporation for Public Broadcasting has adopted this Code of Ethics and Business Conduct for Directors.

*Attachment F*

*Conflict of Interests Policy for the Board of Directors*



## **CORPORATION FOR PUBLIC BROADCASTING**

### **Conflict of Interests Policy for the Board of Directors**

The Corporation for Public Broadcasting (CPB) is a private nonprofit corporation created by Congress to facilitate the development of, and ensure universal access to, high-quality noncommercial programming and telecommunications services. CPB makes grants to and enters into contracts with stations, producers and others to advance the cause of public broadcasting. It is the duty of each member of CPB's Board of Directors to serve the Corporation's mission, and not to advance his or her personal interests or those of other private parties. This conflict of interests policy is intended to permit CPB and its Board members to identify, evaluate, and address any real, potential, or apparent conflicts of interests that might, in fact or in appearance, call into question their duty of undivided loyalty to CPB.

#### 1. Covered Persons

This policy applies to all members of CPB's Board of Directors ("Covered Persons"). Each Covered Person shall be required to acknowledge, not less than annually, that he or she has read and is in compliance with this policy.

#### 2. Covered Transactions

This policy applies to all transactions between CPB and a Covered Person, or between CPB and another party with which a Covered Person has a significant relationship ("Covered Transactions"). A Covered Person is considered to have a significant relationship with another party if:

- (a) the other party is a member of the Covered Person's family or household, including a spouse, parent, sibling, child, stepchild, grandparent, grandchild, great-grandchild, in-law, or domestic partner;
- (b) the other party is an entity in which the Covered Person and/or a family member has, directly or indirectly, more than a 10% ownership interest; or
- (c) the Covered Person and/or a family member is an officer, director, trustee, fiduciary, partner or employee of the other party.

A Covered Transaction also includes any other transaction in which there may be an actual or perceived conflict of interests, including any transaction in which the interests of a Covered Person may be seen as competing with the interests of CPB.

### 3. Disclosure, Refrain from Influence, and Recusal

When a Covered Person becomes aware of a proposed Covered Transaction, he or she has a duty to take the following actions:

- (a) immediately disclose the existence and circumstances of such Covered Transaction to the Corporate Governance Committee of the Board of Directors in writing;
- (b) refrain from using his or her personal influence to encourage CPB to enter into the Covered Transaction;
- (c) remove himself or herself from participation in any discussions regarding the Covered Transaction with Directors, officers and employees of CPB, whether formal or informal, or at meetings of the Board or its committees, except to respond to requests for information about the Covered Transaction; and
- (d) recuse himself or herself from voting on the Covered Transaction or on any matter relating to or affected by it.

In order to assist CPB in identifying potential Covered Transactions, each Covered Person annually shall complete a Conflict of Interests Questionnaire provided by CPB, and shall update such Questionnaire as necessary to reflect changes during the course of the year. Completed Questionnaires shall be available for inspection by any Board member, and may be reviewed by CPB's General Counsel.

### 4. Standard for Approval of Covered Transactions

CPB may enter into a Covered Transaction where the Board determines, acting without the participation or influence of the Covered Person and, if applicable, based on comparable market data, that such transaction is fair, reasonable and in the best interest of CPB. The Board shall document the basis for this determination in the minutes of the meeting at which the Covered Transaction is considered.

### 5. Administration of Policy

This policy shall be administered by the Corporate Governance Committee of the Board of Directors, which shall be responsible for the following:

- (a) reviewing reports regarding the Conflict of Interests Questionnaires;
- (b) receiving disclosures of proposed Covered Transactions;

- (c) reviewing proposed Covered Transactions to determine whether they meet the above-described standard;
- (d) maintaining minutes and such other documentation as may be necessary and appropriate to document its review of Covered Transactions;
- (e) reviewing the operation of this policy and recommending changes to the Board of Directors from time to time as it may deem appropriate; and
- (f) addressing and making recommendations to the Board of Directors concerning the failure of any Covered Person to complete a Conflict of Interests Questionnaire, disclose any conflict of interests, or otherwise fail to comply with this policy.

This Conflict of Interests Policy was adopted by the Board of Directors on May 1, 2006.

*Attachment G*

*Whistleblower Policy*

## **Whistleblower Policy**

### **Purpose**

To establish a “Whistleblower Policy” that encourages CPB directors, officers and employees to report suspected waste, fraud, abuse, mismanagement, violations of law, and violations of the CPB Code of Ethics and Business Conduct or the Code of Ethics for Directors of the Corporation for Public Broadcasting (the “Codes”), and to prevent retaliation against those who report such occurrences in good faith. This Whistleblower Policy is further intended to encourage the reporting and resolution of such issues within CPB prior to seeking resolution outside CPB.

### **Policy**

Directors, officers and employees expected to report any reasonable suspicion of waste, fraud, abuse, material mismanagement, or violations of law or the Codes at CPB, and to cooperate in the investigation of the same by the CPB Inspector General or other authorized entities. It is further CPB’s policy that there shall be no retaliation of any kind against those who, in good faith, appropriately report such occurrences.

### **Implementation**

Under this Whistleblower Policy, CPB directors, officers, supervisors, and employees are required to report any good faith reasonable belief or suspicion of waste, fraud, abuse, or mismanagement with respect to CPB resources or violations of law or the Codes. At the same time, CPB will endeavor to maintain the confidentiality of those who report and witness such occurrences and to protect them from retaliation. Reports of any wrongdoing contemplated by this policy shall be deemed made in good faith if the person reporting the same had reasonable grounds to believe or suspect that the wrongdoing occurred, even if that belief or suspicion should later prove unsubstantiated.

### **Reporting Procedure**

Directors, officers and employees may report occurrences under this policy on a confidential basis or they may submit them anonymously. Ordinarily, officers and employees should report occurrences to their supervisors, and members of the Board should submit them to the Board Chair. If these reporting relationships are impractical or inappropriate under the circumstances, then reports shall be made directly to the General Counsel, and if that is impractical or inappropriate, then to the Inspector General. All reports by whomever received shall be forwarded to the General Counsel for an initial evaluation, or if inappropriate under the circumstances then directly to the Inspector General. The General Counsel shall submit the report with his or her evaluation and recommendations to the Inspector General for further evaluation or investigation as the Inspector General deems appropriate, with a copy of the same to the President and CEO unless inappropriate under the circumstances.

Upon completion of his or her consideration of the matter, the Inspector General shall submit a Report of Investigation to the General Counsel, or the Chairman of the Board if

the General Counsel or the President and CEO is the subject of the Report. The General Counsel shall submit a copy of the Report of Investigation, with any recommendations about the Report, to the President and CEO for determination of appropriate corrective action. Once corrective action has been taken, the Chair of the Board shall be so notified.

All reports shall be kept confidential to the fullest extent possible by CPB and its directors, officers and employees, consistent with the need to conduct an adequate investigation, prosecute any criminal charges that may arise, and to inform the Board and management of weaknesses in internal controls and the need for corrective measures.

### **Retaliation**

No director, officer or employee who, in good faith, reports waste, fraud, abuse, mismanagement or a violation of law or the Codes shall be subjected to any harassment, adverse employment consequences or other form of retaliation by CPB. Retaliation includes, but is not limited to, adverse job actions such as termination; denial of any bonus, benefit or training; reduction of salary or decrease in hours; or change in or transfer to a lesser position. An officer or employee who retaliates against someone who has reported such an occurrence in good faith shall be subject to disciplinary action, up to and including termination of employment. Likewise, anyone who is found by the General Counsel to have intentionally submitted a report knowing the same to be false and not in good faith shall be subject to appropriate disciplinary action.

### **Approvals:**

CFO \_\_\_\_\_ Date: \_\_\_\_\_

General Counsel \_\_\_\_\_ Date: \_\_\_\_\_

COO \_\_\_\_\_ Date: \_\_\_\_\_

President & CEO \_\_\_\_\_ Date: \_\_\_\_\_

## **Investigation-Related Records Policy**

### **Purpose**

To establish a CPB policy preventing the destruction of documents in reasonable anticipation of and during the course of an investigation.

### **Policy**

It is CPB's policy that during or in reasonable anticipation of an investigation, inquiry or other official proceeding by law enforcement authorities, the Office of Inspector General, or CPB management, no CPB director, officer or employee shall destroy or otherwise compromise any CPB records, documents or other evidence relevant to the proceeding with the intent to impair their integrity or availability. It is further CPB's policy that no director, officer or employee shall otherwise obstruct, influence, or impede any such proceeding, or attempt to do so, or publicly disclose confidential evidence relevant to the proceeding.

### **Implementation**

No CPB director, officer or employee shall knowingly alter, destroy, mutilate, conceal or remove from CPB premises any record, document, object or other evidence in any form, whether electronic or written, with the intent to obstruct, influence or impair the integrity or availability of such evidence for use in an investigation, inquiry or other official proceeding by law enforcement authorities, the Office of Inspector General or CPB management, whether such proceeding is under way or can reasonably be expected to occur. In addition, no director, officer or employee shall otherwise obstruct, influence, or impede any such proceeding, or attempt to do so, or publicly disclose confidential evidence that is relevant to the proceeding.

Any director, officer or employee who is found to have intentionally violated this policy shall be subject to disciplinary action, up to and including termination of employment with respect to officers and employees. CPB will cooperate with any law enforcement activities that arise from a violation of this policy.

### **Approvals:**

CFO \_\_\_\_\_ Date: \_\_\_\_\_

General Counsel \_\_\_\_\_ Date: \_\_\_\_\_

COO \_\_\_\_\_ Date: \_\_\_\_\_

President & CEO \_\_\_\_\_ Date: \_\_\_\_\_

*Attachment H*

*Charter of the Executive Compensation Committee of  
the Board of Directors of the Corporation for Public  
Broadcasting*



**CHARTER OF THE  
EXECUTIVE COMPENSATION COMMITTEE OF  
THE BOARD OF DIRECTORS OF  
THE CORPORATION FOR PUBLIC BROADCASTING**

**Purpose**

The purpose of the Executive Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of the Corporation for Public Broadcasting (the “Corporation”) is to assist the Board in discharging its responsibilities relating to compensation of the Corporation’s officers and other employees.

**Composition of Committee**

After each Annual Meeting of the Board of Directors, the Chair shall appoint, subject to the approval of the Board, three or more directors to serve on the Committee, including one to serve as chair. Members of the Committee shall serve for such terms as the Board may determine, or until their earlier resignation or removal by the Board.

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

**Meetings**

The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (i) any provision of this Charter, (ii) any provision of the By-Laws of the Corporation or (iii) the laws of the United States of America or the District of Columbia applicable to the Corporation. The Committee will maintain copies of the minutes of each meeting of the Committee, and each written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Committee. A copy of the minutes of each meeting and all consents will be placed in the Corporation’s minute books.

**Authority**

The Corporation will provide the Committee with the resources necessary to discharge its duties and responsibilities, including retaining, at the Corporation’s expense, outside counsel or other experts or consultants, as it deems appropriate.

The Chair of the Committee shall, with the consent of a majority of the Committee, have the authority to retain and terminate executive search firms and compensation consultants to be used by the Corporation in connection with the hiring and compensation of the Corporation’s President and Chief Executive Officer (the “President”), including authority to approve the fees and other retention terms of such firms and consultants, in accordance with appropriate CPB policies.

With respect to the hiring and compensation of the Corporation's Senior Officers other than the President, the Committee shall have the authority, in consultation with the President, to direct management to retain and terminate executive search firms and compensation consultants to be used by the Corporation, including authority to approve the fees and other retention terms of such firms and consultants. For purposes of this Charter, the Senior Officers of the Corporation shall be deemed to be the Corporation's President, Executive Vice President and Chief Operating Officer, Treasurer/Chief Financial Officer, and General Counsel.

The Committee shall report annually to the Board and at such other times as it deems appropriate or when requested to do so by the Board.

### **Duties and Responsibilities**

The principal responsibilities and functions of the Committee are as follows:

1. In conjunction with the Chair of the Corporate Governance Committee, lead the Board's annual review of the performance of the President.
2. Review and recommend to the Board on an annual basis the compensation of the President. The Committee's recommendation will be considered by the Board when setting the President's compensation.
3. In consultation with the President, review and recommend to the Board on an annual basis the compensation of the Corporation's Senior Officers other than the President.
4. In consultation with the President, make recommendations to the Board concerning any compensation packages for new Senior Officers and termination and/or severance packages for departing Senior Officers.
5. In consultation with the President, develop and make recommendations to the Board concerning policies and procedures designed to prevent the use of political tests or qualifications in connection with personnel decisions at the Corporation, as required by the Public Broadcasting Act of 1967 (the "Act").
6. Provide oversight regarding the Corporation's compliance with any limits imposed by applicable law on the compensation to be paid to the Corporation's employees, including any such limits imposed by the Act or the Internal Revenue Code.
7. Review management's decisions regarding the compensation of senior staff (all employees at the vice president and officer level and above).
8. Provide oversight of management's decisions concerning the compensation programs for all officers and employees.
9. Oversee the Corporation's compliance with its policies and procedures applicable to the retention of consultants and other independent contractors who are engaged by the Corporation.

10. Review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
11. Report to the Board on a regular basis and make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
12. Perform such other duties and responsibilities, consistent with this Charter, delegated to the Committee by the Board or required under the provisions of any compensation or benefit plan maintained by the Corporation.

*As adopted by the Board of Directors on January 9, 2006*

*Attachment I*

*Prevent Political Tests in Employment Decisions*

## SUMMARY

### Preventing Political Tests in Employment Decisions

CPB's current personnel policies prohibit discrimination in employment on the basis of a number of factors, including political affiliation. This complies with the D.C. Human Rights Act. In addition, Section 396(e)(2) of the Communications Act states "...no political test or qualification shall be used in selecting, appointing, promoting, or taking other personnel actions with respect to officers, agents, and employees of the Corporation."

After reviewing our policies and practices, and having consulted with Inspector General Konz, we will ensure compliance at CPB through the following recommended steps:

1. **Enhance personnel policies** – CPB has a number of policies that we have already begun to update. The following principles will apply to hiring and personnel policies. As we revise hiring and personnel policies we will incorporate these principles and require that they be followed. We will also be clear as to who has decision-making authority in hiring.
  - a. New language will be added to the personnel policy that expressly prohibits the use of political tests in employment and personnel decisions. Such language will also ban discrimination on the basis of political affiliation.
  - b. Vacant jobs will be posted widely in order to attract a diverse candidate pool. For VP level jobs and above, CPB will maintain flexibility to decide when the use of a search firm adds value to the search process and is cost effective; if a search firm is not used, a minimum of five external recruiting sources will be used.
  - c. Human Resources will be responsible for coordinating all job recruitment, promotion, and hiring efforts, including vice president level and above, and for assuring that policies and procedures are followed.
  - d. Candidates (both internal and external) will be reviewed and selected by those who have direct knowledge of the duties to be performed by the position and the qualifications required to perform the duties of the job. For all vice president level jobs and above, and when it is deemed appropriate by the hiring manager and Human Resources for other staff positions, an internal hiring panel may be used to review the candidates and make recommendations on the selection to the hiring manager.
  - e. The hiring decision requires a number of approvals: the hiring manager, vice president or officer to whom the hiring manager reports, the Senior Director of Human Resources, and the Office of the General Counsel. For director level

jobs and above, approval is also required by the COO; for vice president level jobs and above, the CEO will also review and approve the hiring decision.

The Senior Director of Human Resources will review the process for each job placement and certify that the process was rigorous and that the decision was based on job qualifications. The review information is then to be passed on to those who make the hiring approvals. They must also certify that the decision was made in accordance with CPB's recruitment and selection policies.

- f. The CEO can override the decisions of those reviewing the hire, however, the Executive Compensation Committee of the Board must be notified.

2. **Conduct related training** – Following the implementation of these revised policies and procedures, CPB will conduct separate training for those in managerial/supervisory roles and the rest of staff. The training will review and reinforce our hiring and personnel policies, including the policy regarding political tests. CPB's outside employment attorney, who has experience training on these topics, will conduct our training. He will review all aspects of the law in which discrimination is prohibited, with particular emphasis on political affiliation.

Attachment

*Attachment J*

*Practices and Procedures for Ensuring  
Open Board and Committee Meetings*

## SUMMARY

### **Subject: Practices and Procedures for Ensuring Open Board and Committee Meetings**

Transparency is a central goal of the improvements that CPB has been implementing. The Board supports these goals and has already implemented practices that ensure that the Board's deliberations are as open as possible and that board members and corporate officers are mindful of their responsibilities in this regard. These practices include:

- Both the General Counsel and the Corporate Secretary will review agendas for board and committee meetings and provide a written statement to the Board delineating which matters, if any, fall within the exceptions to the open meeting requirements under the Public Broadcasting Act.
- The Chair of the Board (or Committee) will call for a vote before closing any portion of the meeting.
- Advance public notice of closed meetings, and of closed sessions within open meetings, will be given in the same manner as for open meetings.
- CPB will continue its practice of:
  - Posting the Board's annual schedule of regular meetings on the CPB website
  - Posting notice and agendas for the Board's regular, special and committee meetings, approximately one week in advance, on the CPB website and in a local newspaper of general circulation
  - Issuing an e-mail advisory to the press for the Board's regular, special and committee meetings approximately one week in advance.
- CPB will continue to make available on the CPB website an archive of the resolutions of the Board.
- Audio files of all open meetings of the full Board will be posted on the CPB website.





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