

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I09040019

Page 1 of 1

We conducted a joint investigation with the OIGs of the National Endowment for the Arts and the National Endowment for the Humanities, involving WGBH, a public broadcasting company in Boston, Massachusetts for allegedly failing to properly track or account for the expenditure of federal grant funds.

Our investigation resulted in a settlement agreement requiring WGBH to reimburse the federal government over \$300,000 and to enter into a five-year compliance plan. The settlement agreement, compliance plan and associated press release are attached.

Accordingly, this case is closed.

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the United States of America, acting through the United States Department of Justice (the United States) on behalf of the National Science Foundation (NSF) Office of Inspector General, the National Endowment of the Arts (NEA) Office of Inspector General, and the National Endowment for the Humanities (NEH) Office of Inspector General, and the WGBH Educational Foundation (WGBH) (hereafter collectively referred to as the Parties), through their authorized representatives.

RECITALS

A. WGBH is a 501(c)(3) corporation headquartered in Boston, Massachusetts, which operates public broadcasting stations and creates educational programming. WGBH has been the recipient of grants from the NSF, NEH, and NEA (collectively, the Federal Grantors) for creating and producing educational programming.

B. Specifically, for the period of WGBH's fiscal years 2003 through 2010, WGBH was awarded more than sixty million dollars in grants from the Federal Grantors, including more than \$54,000,000 from NSF, over \$5,000,000 from NEH, and over \$330,000 from NEA (the Subject Federal Grants).

C. The United States examined records regarding a sampling of the Subject Federal Grants focused on the period 2005 through 2008 (the Examination). Based on the Examination, the United States contends that WGBH, in violation of the award terms, administrative policies and procedures in effect for the Subject Federal Grants, as well as federal regulations codifying applicable uniform administrative requirements and cost principle circulars issued by the Office of Management and Budget (OMB), maintained an accounting system for tracking grant expenditures that permitted mistakes in WGBH's accounting for grant expenditures and

disbursements, or that permitted WGBH to make inaccurate quarterly and other reports to the federal grantors of the actual disbursements made and charged to the Subject Federal Grants during each reporting period. As a result, for the 2005 through 2008 period, WGBH's accounting system was insufficient to ensure, or to permit WGBH to readily demonstrate, that project costs charged to certain of the Subject Federal Grants were reasonable, allowable, and allocable to the Subject Federal Grants. The conduct described above shall be referred to as the "Covered Conduct."

D. The United States contends that the deficiencies constituting the Covered Conduct resulted in overcharges, unsupported expenses, insufficient documentation of expenditures, and inappropriate charges for certain of the Subject Federal Grants. The United States contends that it has certain civil claims against WGBH based on common law or equitable theories of negligent misrepresentation, breach of contract, mistake of fact, and unjust enrichment, as well as for certain injunctive and prospective relief arising from the Covered Conduct. WGBH contends that beginning in 2009, prior to the Examination, it began enhancing its compliance systems, and that they are currently compliant with federal requirements.

E. This Settlement Agreement is neither an admission of liability by WGBH nor a concession by the United States that its claims are not well founded. The Parties agree that no provision of this Settlement Agreement constitutes an admission by any person or entity with respect to any issue of law or fact.

F. In order to avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

In consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. Within thirty (30) business days of the effective date of this Agreement, WGBH shall pay to the United States \$ 300,173.00 (Settlement Amount) by electronic funds transfer pursuant to written instructions to be provided by the United States Attorney's Office for the District of Massachusetts.
2. In order to ensure that WGBH continues to bring its accounting systems, policies, training, reporting, and oversight into full compliance with the award terms, administrative policies and procedures governing federal grants, and federal regulations and OMB circulars, WGBH shall implement and adhere to the Compliance Agreement attached hereto as Exhibit A.
3. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, and conditioned upon WGBH's full payment of the Settlement Amount, the United States releases WGBH from any civil or administrative monetary claim the United States has for the Covered Conduct, including under the common law theories of negligent misrepresentation, breach of contract, payment by mistake, or unjust enrichment.
4. Notwithstanding the release given in Paragraph 3 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:
 - a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
 - b. Any criminal liability;
 - c. Any False Claims Act liability;

- d. Any nonmonetary administrative liability, including mandatory and permissive exclusion from federal grant programs;
 - e. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
 - f. Any liability based upon obligations created by this Agreement;
- and
- g. Any liability of individuals.

5. WGBH waives and shall not assert any defenses WGBH may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

6. Nothing in this Paragraph or any other provision of this Agreement constitutes an opinion or agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

7. WGBH fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that WGBH has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

8. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or reexamine WGBH's books and records to determine that expenses

charged to any open federal grants are reasonable, allowable and allocable, and that no unallowable costs have been claimed or charged.

9. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity, except to the extent provided for in Paragraph 17, below.

10. WGBH warrants that it has reviewed its financial situation and that it currently is solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and shall remain solvent following its payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to WGBH, within the meaning of 11 U.S.C. § 547(c)(1); and (b) conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value that is not intended to hinder, delay, or defraud any entity to which WGBH was or became indebted, on or after the date of this transfer, all within the meaning of 11 U.S.C. § 548(a)(1).

11. Each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

12. Each Party and signatory to this Agreement represents that it freely and voluntarily entered in to this Agreement without any degree of duress or compulsion.

13. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District

Court for the District of Massachusetts. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

14. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

15. The individuals signing this Agreement on behalf of WGBH represent and warrant that they are authorized by WGBH to execute this Agreement. The United States signatories represent that they are signing this Agreement in their official capacity and that they are authorized to execute this Agreement.

16. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

17. This Agreement is binding on WGBH's successors, transferees, heirs, and assigns.

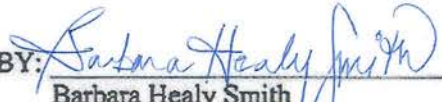
18. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

19. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

[SIGNATURE BLOCKS ON FOLLOWING PAGE]

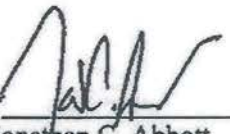
THE UNITED STATES OF AMERICA

DATED: 12/20/2012

BY: 
Barbara Healy Smith
Assistant United States Attorney
District of Massachusetts

WGBH

DATED: 12/20/12

BY: 
Jonathan C. Abbott
President and Chief Executive Officer
WGBH Educational Foundation

DATED: 12/20/12

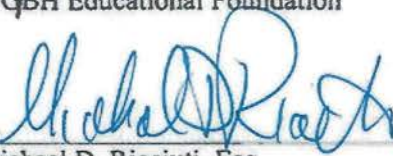
BY: 
Michael D. Ricciuti, Esq.
K&L Gates LLP
Counsel for WGBH

EXHIBIT A

Compliance Agreement

I. Preamble

1. WGBH Educational Foundation, its predecessors and successors (collectively, "WGBH") agree, as a term of its attached Settlement Agreement with the United States to which this is incorporated by reference, to implement a "Compliance Enhancement Plan" to maintain and enhance its Compliance Program to ensure compliance with the terms and conditions applicable to any National Science Foundation ("NSF"), National Endowment for the Humanities ("NEH"), and National Endowment for the Arts ("NEA") (collectively, the "federal grantors") awards; to further ensure compliance with all relevant laws, regulations, and conditions governing NSF, NEH and NEA awards ("Covered Awards"), as now or hereafter amended; and to demonstrate WGBH's continued commitment to the prevention of i) mistakes and inaccuracies in tracking grant expenditures; ii) misrepresentations, fraud, or false statements in reporting charges and disbursements to the federal grantors, and iii) misuse of funds related to Covered Awards by WGBH, its officers, and relevant employees. WGBH agrees to devote adequate financial and human resources so as to ensure that WGBH and each of its officers, and relevant employees maintain the integrity required of a recipient of Covered Awards.
2. Relevant employees are Principal Investigators ("PIs"), co-PIs, Project Directors, Institutional Grant Administrators, and any other person employed by WGBH, as well as entities or individuals with whom WGBH contracts as consultants, independent contractors, and subrecipients who are responsible for the design, conduct, administration, or other activity funded or supported by Covered Awards.
3. Covered Awards herein mean any cooperative agreement, grant, contract, sub-contract or other instrument whereby WGBH receives NSF, NEH and NEA funds.

II. Requirements

4. The obligations assumed by WGBH under this Compliance Agreement will commence on the date the final signatory executes the Settlement Agreement to which this Compliance Agreement is attached and incorporated (the "Effective Date") and will be complete after receipt and written approval of the fifth (5th) and final annual report ("the Compliance Enhancement Term").
5. The scope of this Compliance Agreement shall be limited to any NSF, NEH and NEA-funded activities taking place during the Compliance Enhancement Term and

NSF, NEH and NEA funds awarded or disbursed during the Compliance Enhancement Term. NSF Office of Inspector General ("OIG"), NEH OIG, and NEA OIG (hereafter, "Covered OIGs") shall monitor compliance with the requirements of this Compliance Agreement as it pertains to Covered Awards.

6. All reports and notifications required under this Compliance Agreement shall be sent electronically to the NSF OIG Assistant Inspector General for Investigations, via email to oig@nsf.gov, and NSF OIG will distribute to the Covered OIGs.

A. Compliance

7. WGBH agrees to maintain the following measures or, for those not already part of WGBH's existing Compliance Program to implement the following measures within one hundred twenty (120) calendar days of the Effective Date, unless otherwise specified below:

i. Policies

8. The Compliance Enhancement Plan shall identify all WGBH employees who are working on Covered Awards. Each of those employees' roles and responsibilities shall be described so that their relationship to WGBH's responsibilities under Covered Awards is clear. The lines of responsibility shall be clearly established from each individual position up to and including WGBH's responsible signatory officials. All individuals in such positions will be provided with (or have electronic access to) written policies and/or procedures applicable to their positions for:
 - (a) WGBH's Code of Ethics and Conduct, holding WGBH personnel to high ethical standards of professional conduct and integrity, including addressing conflicts of interests;
 - (b) WGBH's Time Reporting Policy, requiring accurate time and effort reporting;
 - (c) WGBH's Cost Accounting Manual for Federally-Funded Projects, requiring accurate charging of costs and accurate monitoring, managing, and reporting of cost sharing (which shall mean costs as shared among funders, including the Covered Agencies, but not limited to them);
 - (d) WGBH's Subrecipient Monitoring Policy, requiring accurate monitoring of sub-recipients and consultants, and sub-recipient and consultant charges;
 - (e) WGBH's Cost Accounting and Procurement Policies and Procedures manuals, requiring accurate reconciliation of accounting records; and

- (f) WGBH's Document Retention Policy, requiring document management and retention.

Individuals in such positions are responsible for the effective implementation of the aforementioned policies and procedures.

ii. Compliance Officer

- 9. WGBH will appoint a senior level administrator to serve as the Compliance Officer for the Compliance Enhancement Plan, and shall ensure that that position continues to be filled by a senior level administrator. The Compliance Officer shall be responsible for Compliance Enhancement Plan operations including, where appropriate, review of awards, development of training programs, and submission of comprehensive written annual reports to NSF OIG on the status of compliance under the Compliance Enhancement Plan. The Compliance Officer shall monitor WGBH's internal controls to ensure compliance with all applicable federal laws, regulations, and conditions regarding the use and expenditure of funds under Covered Awards.

iii. Compliance Committee

- 10. The Compliance Officer shall chair a Compliance Committee that shall be responsible for ensuring implementation of the Compliance Enhancement Plan throughout WGBH. In addition to the Compliance Officer, the members of the Compliance Committee shall include appropriately screened officers and employees.

iv. Written Policies

- 11. Within one hundred twenty (120) calendar days of the Effective Date, WGBH shall provide to NSF OIG copies of the written policies listed in paragraph 8 regarding its commitment to ensure compliance with all laws, regulations, and conditions related to the receipt of Covered Awards, which have been adopted by WGBH and distributed to all WGBH officers and employees, and made accessible through the Human Resources Office or the Chief Compliance Officer to any contractors or consultants associated with the Covered Awards who regularly work on-site at WGBH's facilities. Such policies shall be included as part of WGBH's annual training, and any policies modified during the term of the Compliance Enhancement Plan shall be included as part of the annual report sent to NSF OIG. Such policies shall be updated to reflect any changes in WGBH's policies or practices. WGBH's compliance policies shall continue to include disciplinary procedures for dealing with employees who fail to comply with the policies.

v. Posting and Displaying Fraud Hotline Posters

12. During the Compliance Enhancement Term, WGBH shall:
- a. Prominently display the fraud hotline posters from Covered OIGs in common work areas in which WGBH personnel are performing work under any Covered Awards;
 - b. Post on its public website and its internal website, Innertube, an electronic version of these fraud hotline posters in a manner easily accessible; and
 - c. Request that subrecipients within the scope of WGBH's Subrecipient Monitoring Policy working on Covered Awards post these fraud hotline posters in their common areas.
13. The Covered OIGs agree to receive from WGBH written requests for clarification regarding ambiguities or other difficulties in applying federal regulations and other federal standards governing federal awards, and to respond to such requests for clarification in writing within thirty (30) calendar days.

B. Audit and Review Requirements

14. In order to meet its requirements under this Compliance Agreement, WGBH shall engage a qualified, independent external audit firm to annually perform an attestation engagement in accordance with Generally Accepted Government Auditing Standards (GAGAS) and produce an annual report (Annual Report) in a similar form as that attached as Appendix A on WGBH's compliance with this agreement, including the requirements contained in Paragraph 16 (a) – (g) below, as well as the terms and conditions of the Covered Awards, OMB Circular A-110 (2 C.F.R. Part 215), and OMB Circular A-122 (2 C.F.R. Part 230) regarding the use and expenditure of funds under the Covered Awards (Compliance Examination).
15. This requirement is separate and distinct from the audit requirements contained in OMB Circular A-133. The annual Compliance Examination shall not duplicate any of the testing conducted as part of the A-133 audit.
16. The annual Compliance Examination shall test a sample of transactions from the covered awards, not otherwise tested as part of the A-133 audit. The independent external audit firm will perform a risk assessment in selecting a sample of items to be tested. The Annual Report shall include each component of WGBH that receives or has oversight responsibility with respect to Covered Awards, and shall

pay special attention to risk assessment and internal controls designed to ensure compliance with NSF, NEH, and NEA requirements, including the certifications made on applications, progress reports, financial reports, and other reports related to Covered Awards. The Annual Report shall also include an assessment of WGBH's internal controls designed to address the following:

- a. WGBH has maintained compliance standards and procedures to help prevent and detect violations of law that have a direct and material effect on the covered program as defined in OMB Circular A-133 Compliance Supplement, Part 3;
- b. WGBH's leadership is trained about such standards and procedures;
- c. WGBH has made efforts to exclude from substantial authority any individual who WGBH knew has a history of engaging in violations of law or other conduct inconsistent with an effective program to prevent and detect violations of law, and that WGBH's Compliance Officer remains a high-level person who is assigned or retained to have responsibility to ensure the implementation and effectiveness of the standards and procedures;
- d. WGBH continues to take steps to communicate its compliance standards and procedures to relevant employees through effective training programs and/or other means of disseminating information appropriate to such individuals' respective roles and responsibilities;
- e. WGBH continues to take steps to ensure that its program to prevent and detect violations of law is followed, to continue to evaluate the effectiveness of the compliance standards and procedures, and to continue to provide a system whereby WGBH's employees and agents may report or seek guidance regarding potential or actual violations of law without fear of retaliation, including mechanisms that allow for anonymous reporting;
- f. WGBH's program to prevent and detect violations of law continues to be enforced consistently through disciplinary measures for employees engaging in violations of law or failing to take reasonable steps to prevent or detect violations of law; and
- g. WGBH continues to take steps, when a violation of law is detected, to respond promptly and to prevent future violations of law, including implementation of any necessary changes to the program to prevent and detect violations of law.

17. WGBH shall provide the first Annual Report (12) months after the implementation of the Compliance Enhancement Plan specified above. WGBH shall provide all subsequent Annual Reports on the anniversary of the first Annual Report.
18. WGBH shall provide a copy of the engagement letter and a copy of the plan for the Compliance Examination to NSF OIG no later than thirty (30) days prior to the Independent Audit Firm's initiation of the first annual Compliance Examination. The Compliance Examination shall be designed to: (1) provide assurance concerning compliance with the terms and conditions applicable to any Covered Awards, and (2) assess the efficacy of the Compliance Enhancement Plan as outlined above. The Covered OIGs will have the right to require additional procedures or information if they determine, within ten (10) working days after receiving a copy of the engagement letter and an advance working copy of the Compliance Examination plan, that it lacks sufficient detail to ensure accomplishment of (1) and (2) above. WGBH shall submit to NSF OIG a copy of the Annual Report in addition to any other written reports required elsewhere in this Compliance Agreement. WGBH consents to the right of inspection by the Covered OIGs of any final reports or work papers resulting from the Compliance Examination as described above.
19. Any and all reviews conducted at WGBH, which reveal situations that might constitute or indicate noncompliance with NSF, NEH, and/or NEA requirements, are to be timely disclosed to the independent audit firm conducting the Compliance Examination and the Compliance Officer.
20. A "material violation or weakness" is one that has a significant adverse impact on the administrative, financial, or programmatic aspects of Covered Awards. WGBH shall:
 - a. Promptly report to NSF OIG every material violation or weakness discovered during any audit or review, remedy the material violation or weakness within thirty (30) calendar days of learning of it, and provide to NSF OIG a written summary of the actions that were taken to correct it; or
 - b. If WGBH is unable to remedy the material violation or weakness within thirty (30) calendar days, WGBH shall so inform NSF OIG immediately, provide regular status reports thereafter until the material violation or weakness is cured, and provide to NSF OIG a written summary of the actions that were taken to correct it.

C. Annual Written Reports

21. As stated above, WGBH shall annually provide NSF OIG with the Annual Report and the corrective actions WGBH has undertaken to address noted deficiencies. Such report shall be due one (1) year after the implementation of the written procedures referred to above, and on the same date for each year during the Compliance Enhancement Term. Each Annual Report shall include a certification by the Compliance Officer that all deficiencies have been addressed to ensure WGBH's compliance with all requirements of federal laws, regulations, conditions, and the Compliance Agreement.
22. All work papers for the Compliance Examination and Annual Report and other supporting documents for audits or reviews of compliance with the Compliance Agreement shall be retained by WGBH for three (3) years after the expiration date of the Compliance Enhancement Term and shall be made available to Covered OIGs upon written request.

D. Training

23. WGBH shall continue to maintain a comprehensive training program designed to ensure that each WGBH officer and employee working on any Covered Awards is aware of all applicable laws, regulations, and standards of conduct that such individual is expected to follow with regard to Covered Awards, and the consequences both to the individual and WGBH that will ensue from any violation of such requirements. Each WGBH officer and employee shall receive at least two (2) hours of initial training that shall include a discussion of the contents of the Compliance Enhancement Plan as well as the relevant award requirements, and shall receive additional compliance training of at least two (2) hours on an annual basis. A schedule and topic outline of the training shall be included in the Annual Report. The Compliance Officer will maintain a list of each WGBH officer and employee who has completed training, stating the employee's name, date, topic and hours of training received. This list would be available for inspection by the Covered IGs pursuant to Paragraph 25.

E. Confidential Disclosure

24. WGBH has established and will continue to support a confidential disclosure mechanism enabling WGBH and relevant employees to disclose anonymously to the Compliance Officer any practices, procedures, or acts related to Covered Awards deemed by the employee to be inappropriate. WGBH shall continue to make the confidential disclosure mechanism known to each officer and relevant employee who is working on any Covered Awards. WGBH shall require the internal review by the Compliance Officer of all such credible disclosures and

ensure that proper follow-up is conducted. WGBH shall include in its Annual Report to the Covered OIGs a summary of communications received under the confidential disclosure program, and the results of the internal review and follow-up of such disclosures.

III. Inspection, Audit, and Review Rights

25. In addition to any other right that Covered OIGs have pursuant to applicable award conditions or other authority, they may examine and copy WGBH's records for the purpose of verifying and evaluating: (a) WGBH's compliance with the terms of the Compliance Enhancement Plan; and (b) WGBH's compliance with any NSF, NEH, and NEA requirements during the Compliance Enhancement Term. WGBH shall make the records available at any reasonable time for inspection, audit, and/or reproduction. Furthermore, WGBH agrees to make any employee available to the Covered OIGs for interview at the employee's place of business during normal business hours or at such other place and time that may be mutually agreed upon.
26. In the event that any of the Covered OIGs believes WGBH has breached any of its obligations under the Compliance Agreement, NSF OIG shall notify the Compliance Officer of the alleged breach electronically or by other appropriate means, specifying the nature and extent of the alleged breach. WGBH will have thirty (30) calendar days from receipt of the notice to: (a) cure said breach; or (b) otherwise satisfy the Covered OIGs that (1) it is in full compliance with the Compliance Agreement or (2) the breach cannot be reasonably cured within thirty (30) days, but WGBH has taken effective action to cure the breach and is pursuing such action with diligence.
27. If, at the end of the time period described in paragraph 26, the Covered OIGs determine that WGBH continues to be in breach of any of its obligations under the Compliance Agreement, NSF OIG shall inform the Compliance Officer of the conclusion that WGBH is in default. The Covered OIGs may also take one or both of the following actions: (1) refer the matter to their respective agencies to initiate proceedings to undertake appropriate administrative action, including but not limited to the suspension or termination of any or all NSF, NEH, and NEA awards and/or suspension or debarment of WGBH; and/or (2) refer the matter to the United States Attorney's Office for civil enforcement, pursuant to the terms of the Settlement Agreement.
28. Should any action to enforce or interpret the Compliance Agreement or to resolve any dispute hereunder be required, the Parties acknowledge the jurisdiction of the federal courts. The parties agree that, absent a breach of the Compliance Agreement and/or the Settlement Agreement to which it is attached and

incorporated by reference, the execution of the Settlement Agreement shall be final as to all matters alleged in the Settlement Agreement.

IV. Costs

29. WGBH shall bear its own costs, expenses, and fees in relation to implementation of the Compliance Agreement.
30. All costs, whether direct or indirect, incurred by or on behalf of WGBH in connection with the following are unallowable costs (hereafter, "Unallowable Costs") under the cost principles applicable to government awards (2 C.F.R. Parts 215 and 230): (1) the implementation of the matters covered by this Compliance Agreement after the effective date; (2) the negotiation of this Compliance Agreement and the Settlement Agreement between WGBH and the United States (including attorney's fees); and (3) any payments made pursuant to the Settlement Agreement. These Unallowable Costs shall be separately estimated and accounted for by WGBH and WGBH shall not charge such Unallowable Costs directly or indirectly to any federal awards.
31. Notwithstanding the foregoing, WGBH may be permitted to charge certain allowable costs associated with the administration of the Compliance Agreement incurred after the Effective Date as "Indirect Costs", pursuant to 2 C.F.R. Part 230, Appendix A, in conjunction with a federally approved Indirect Cost Rate.

V. Modification

32. Any modification to the Compliance Agreement shall not be effective until a written amendment is signed by representatives duly authorized to execute such amendment.

VI. Integration Clause

33. This Compliance Agreement and the Settlement Agreement to which it is attached and incorporated by reference embody the entire Settlement Agreement and understanding of the Parties with respect to the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings other than those expressly set forth or referred to in the Compliance Agreement and the Settlement Agreement. The Compliance Agreement and the attached Settlement Agreement to which it is incorporated by reference, supersedes any and all prior versions of this Settlement Agreement and understandings between the Parties with respect to this subject matter.

Appendix A

[PwC Office Letterhead]

Report of Independent Accountants

To WGBH Educational Foundation:

We have performed the procedures enumerated below, which were agreed to by WGBH Educational Foundation and National Scientific Foundation ("NSF"), National Endowment for the Humanities ("NEH") and National Endowment for the Arts ("NEA") (collectively "Federal Grantors"), solely to assist you in evaluating WGBH Educational Foundation's compliance with the Compliance Agreement, dated XXXX covering NEH, NSF and NEA Awards ("Covered Awards") during the fiscal year ended June 30, 201X and the effectiveness of WGBH Educational Foundation's internal control over compliance with the aforementioned compliance requirements as of June 30, 201X. Management of WGBH Educational Foundation is responsible for WGBH Educational Foundation's compliance with those requirements and for WGBH Educational Foundation's internal control over compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and results thereof are as follows.

Procedure #1: Obtain a listing of expenditures charged to each of the NSF, NEH and NEA Awards during the fiscal year ended June 30, 201X from management. Select the top 75 dollar value individual expenditures and haphazardly select 25 additional individual expenditures, with the haphazard selection to include at least one expenditure from each individual grant for each Federal Grantor. If the expenditure was selected as part of the annual OMB Circular A-133 audit, exclude this expenditure from the population and select a different expenditure. If there are less than 100 individual expenditures, all individual expenditures should be selected.

For the selected expenditure, obtain the supporting documentation for the expenditure (e.g., timecards, payroll summaries, invoices, purchase orders), the budget included in the respective grant agreement, the cash request worksheet, the grant agreement from management. Perform the following procedures:

- Agree the individual expenditure amount charged to the Award to the supporting documentation
- Compare the individual expenditure description per the supporting documents to the budget's description field
- Observe that the individual expenditure date per the supporting documentation is within the budget period defined in each respective grant agreement
- Agree each individual expenditure to the related cash request worksheet
- Observe that there is a manual or electronic signature on the supporting documents (e.g. timecards, payroll summaries, invoices, purchase orders) on each individual expenditure, which management stated indicates that the expenditure was approved by a supervisor

Results: To be completed by the independent auditor once procedure is performed.

Procedure #2: Obtain a listing of all reports submitted to each Federal Grantor, within the fiscal period ended June 30, 201X from management and haphazardly select 5 reports for each Federal Grantor (if there are less than 5 submitted to a Federal Grantor select all reports). Observe that there is a signature in the certification field and that the title of Director of Compliance or Chief Financial Officer is typed/handwritten below the signature.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #3: Inspect WGBH's internal website from a WGBH employee's computer to determine whether or not compliance policies related to funding received from the federal government exist.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #4: Obtain the "we comply" annual certification for the Chief Financial Officer and Chief Compliance Officer from management and observe the certification has a signature in the signature field and that the training date is in the fiscal year ended June 30, 201X.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #5: Obtain the Chief Compliance Officer's letter, which includes their signature that a quarterly compliance update email was distributed to all WGBH's employees, which includes a copy of the email, for each quarter of the fiscal year ended June 30, 201X (July through September, October through December, January through March, April through May) from management and see the Chief Compliance Officer's signature on the document.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #6: Obtain the criminal background checks on the Chief Financial Officer and Chief Compliance Officer performed in the fiscal period ended June 30, 201X from management. Observe the Vice President of Human Resources signature on the background check documents.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #7: Obtain the Cash Draw Down Listing for each Federal Grantor for the fiscal year ended June 30, 201X from management and select 5 cash draw downs (if there are less than 5 draw downs, select all draw downs) for each of the Federal Grantors. Observe the Managing Director of Production Finance and Chief Financial Officer signature on the binder.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #8: Call the Whistleblower hotline at [insert phone number] on a date during the fiscal year ended June 30, 201X and say "This is an independent auditor test call". Obtain the Whistleblower hotline call log for the fiscal period ended June 30, 201X and the audit committee meeting minutes for the fiscal year ended June 30, 201X from management. Agree the date the independent auditor called the Whistleblower hotline to the call log and to the audit committee meeting minutes.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #9: Using the Whistleblower hotline call log and the audit committee minutes for the fiscal period ended June 30, 201X obtained in procedure 8. Agree the "This is an independent auditor test call" to the description and the date of the independent audit test call to the date included in the call log to the audit committee to the audit committee meeting minutes.

Results: To be completed by the independent auditor once procedure is performed.

Procedure #10: Obtain the Human Resources and Compliance policies in effect for the fiscal period ended June 30, 201X from management. Observe there is a signature of the Chief Financial Officer and Chief Compliance Officer.

Results: To be completed by the independent auditor once procedure is performed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on WGBH Education Foundation's compliance with the Compliance Agreement and on the effectiveness of WGBH Educational Foundation's internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the WGBH Educational Foundation, National Scientific Foundation, National Endowment for the Humanities and National Endowment for the Arts and is not intended to be and should not be used by anyone other than these specified parties.

Signature of the Independent Auditor

City, State if not in the letterhead
Date



Department of Justice

United States Attorney Carmen M. Ortiz
District of Massachusetts

FOR IMMEDIATE RELEASE

December 20, 2012

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WGBH PAYS \$300,170 TO SETTLE CLAIMS THAT ITS ACCOUNTING SYSTEMS DID NOT PROPERLY ACCOUNT FOR FEDERAL GRANT MONEY

Boston - The United States announced today that it has reached a civil settlement with WGBH, under which WGBH will pay \$300,170 to resolve allegations that it failed to properly track and account for federal grant monies from the National Science Foundation, the National Endowment for the Humanities, and the National Endowment for the Arts. WGBH will also enter into a five-year Compliance Agreement in order to settle the allegations against it.

The United States contended that during the period from 2005 to 2008, WGBH, in violation of the terms of its grants and regulatory requirements, maintained an inadequate accounting system for tracking grant expenditures. As a result, WGBH could not adequately ensure and demonstrate that project costs charged to federal grants from the three agencies were reasonable, allowable, and allocable to the grants. Today's settlement will recover for damages incurred by the affected federal programs, as well as providing substantial future oversight to prevent future deficiencies.

"This settlement underscores that recipients of federal grant money must be scrupulous in their accounting for how those funds are spent, and in making accurate reports to federal grantors," said United States Attorney Carmen M. Ortiz.

U.S. Attorney Ortiz announced the settlement today along with Allison C. Lerner, Inspector General of the National Science Foundation, Laura M.H. Davis, Acting Inspector General for the National Endowment for the Humanities, and Tonie Jones, Inspector General for the National Endowment for the Arts. The case was handled by Assistant U.S. Attorney Barbara Healy Smith of Ortiz's Civil Division.

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