

MEMORANDUM

CITY OF GRAND RAPIDS

DATE: December 28, 2020

TO: Max Frantz, Comptroller
Ruth Lueders, Deputy City Comptroller

FROM: Erica Bills, Internal Auditor

SUBJECT: Audit & analysis of funds disbursed to the Grand Rapids Community Media Center.

Objective: This report contains a detailed analysis of the franchise fees and equipment reimbursements disbursed by the City to the Grand Rapids Community Media Center (GRCMC or Media Center). To determine the funds disbursed to the GRCMC are utilized in accordance with the contractual agreements.

Scope & Methodology: Obtained disbursements and supporting documentation from the City's financial system. Met with Executive Director and Board Members of the GRCMC to discuss review process and requested financial information including general operational information, bank statements, reconciliations, equipment grant requests, and transaction details. Reviewed processes, traced funds disbursed by the City to GRCMC accounts, analyzed supporting invoices and/or documentation for select transactions for the period of July 1, 2016 to June 30, 2020. Reviewed contractual agreements, verified funds disbursed were accounted for correctly and utilized in accordance with the contractual agreements between the City and GRCMC.

Background: The Media Center provides multimedia assistance to organizations in and around the Grand Rapids, Michigan area. Outlets include GRTV, WYCE Radio, Wealthy Theatre, The Rapidian, and more. As the City has multiple public, educational, and governmental access cable channels, and to provide support for the operations of these channels, the City has entered into an agreement with the GRCMC who operates two of the City's channels. On January 1, 2015, the City and GRCMC entered into an agreement to disburse a portion of revenues collected from franchise fees on local cable television and video service providers to the media center for operation of the City's channels. This agreement was automatically renewed on December 31, 2017 for three (3) years and is expected to automatically renew again on December 31, 2020 for three (3) years. A second agreement was entered into on October 17, 2019 to address funding for capital equipment and facilities. Per the agreement, the City will reimburse the GRCMC for the purchase of cable programming related equipment up to the annual budgeted appropriation established by the City Commission. GRCMC will submit invoices and supporting documentation along with a formal request to the City for reimbursement. This agreement is in effect for a period of three (3) years.

Background (continued):

Recently, questions have come to light regarding the GRCMC and its operations. As a result, a request was made by City Management to review the funds disbursed to the GRCMC and to ensure the funds being disbursed were utilized in accordance to the agreements. Below are the findings based on the audit and scope.

Findings:

1. Internal Controls

The Media Center has established various processes for processing cash receipts, accounts payable, and equipment purchases.

- a. Cash Receipts – All receipts are logged under dual control and turned over to finance department. Monthly a designated Manager/Director (separate from Finance Department) will open the bank statements and compare to the receipt log & deposit slips; they will then initial the statements and provide to Finance Department and one other Manager/Director for review and reconciliation. Initials are provided upon completion for a total of three (3) different sets of initials.
 - i. All bank statements, reconciliations reviewed by Internal Auditor contained three (3) different sets of initials and also included date of review, which appeared reasonable to date of statement.
- b. Accounts Payable – All bills are distributed to the applicable department Manager or Director for review and approval. Once approved, the bills are sent to the Finance Department for processing. Bills with payment checks are submitted to the Executive Director for review & signature. Checks greater than \$200 require a 2nd signature; two of the Department Managers/Directors are authorized as 2nd signers.
 - i. All check images viewed on bank statements showed two (2) signatures for items greater than \$200, and one (1) signature on items less than \$200. Checks written to the Executive Director for mileage & phone reimbursements were signed by one of the authorized Department Managers.
- c. Equipment Purchases – See Finding #4 for details.

Based on the review of the processes and the supporting documentation provided during the audit, the Media Center has proper internal controls with appropriate separation of duties. No discrepancies in these processes were noted and the Media Center appears to be adhering to these controls in place. This information is verified by the Media Center's auditors Seber Tans, who have found no deficiencies in their internal controls for the period under review.

2. Separated Funds

According to the January 1, 2015 agreement, Section 2, Part E - Financial Records, "The Media Center shall establish a separate fund to account for the funds provided by the City."

The City disburses franchise fees to the Media Center on a quarterly basis per the agreement. The Media Center has three (3) bank accounts: Operations MM, Operations Checking, and GRTV Franchise Fees MM account. All quarterly franchise fees disbursed by the City to the GRCMC were traced to the GRTV Franchise Fees account. There were two (2) instances where

the disbursements were deposited into the wrong bank account but were immediately corrected either that same day or the subsequent day. No other deposits were made into this account other than franchise fees from the City.

The franchise fees are being receipted appropriately and in accordance with the agreement.

3. Use of Franchise Fees

As the January 1, 2015 agreement, Section 2, Part E - Financial Records continues, "These separate funds shall be used to finance only those aspects of the Media Center's operations that relate to operations, management, and administration of the public service channels allocated in this agreement"

The Media Center typically transfers a portion of the franchise fees collected once per year (June or July) for the year's expenses related to GRTV & EDU channels. Expenses are tracked by program (channel) and a portion of shared expenses such as personnel and utilities are allocated by percentages across all programs the Media Center operates.

To evaluate the expenses related to the GRTV & EDU channels, the following information was compiled using the Media Center's audited financial reports, which is supported by transaction details & expense allocations.

FY		Fees Disbursed by City	Total Program Channel Expenses	Transfers from Franchise Fee Acct to Operations	Balance in Franchise Fee Bank Account at FYE
2017	July - June	607,459.60	564,172.00	455,594.67	121,650.95
2018	July - June	625,683.32	508,595.00	614,883.36	133,337.96
2019	July - June	644,453.80	401,879.00	-	779,210.61
2020	July - June	663,787.40	324,520.00	497,840.55	788,989.82
Total		2,541,384.12	1,799,166.00	1,568,318.58	

Total fees disbursed by the City to the Media Center were \$2,541,384.12 and total expenses for the GRTV & EDU channels per supporting documentation provided by the Media Center were \$1,799,166 for a difference of \$742,218.12 in unspent funds disbursed to the Media Center. The current balance in the Media Center's Franchise Fee Bank account at June 30, 2020 was \$788,989.82.

A review of transaction details and miscellaneous expenses was performed by the Internal Auditor, who found no unusual expenses or purchases; all expenses selected had proper supporting documentation and correct approvals. Based on this information, it appears the Media Center is utilizing the funds disbursed for GRTV & EDU operations appropriately and are properly maintaining any unspent funds in the separate bank account. No other discrepancies were noted.

4. Equipment Grant

According to the October 17, 2017 agreement, the City of Grant Rapids (City) and Grand Rapids Cable Access Center (Channel or GRCCM) agree to the following:

- a. "The City agrees to reimburse the Channel for capital equipment and the Channel agrees to use the equipment grant for purchase of cable programming related equipment."
- b. "The Channel shall submit the appropriate forms and documentation to the City, including sales receipts from each purchase. The Channel agrees not to submit request for reimbursements more than once per quarter."
- c. "The Channel agrees to properly maintain and repair any equipment purchased and keep a log."

Once per fiscal year, the GRCCM Station Manager submits an equipment reimbursement request to the City's Cable Television Administrator detailing all equipment purchases made for operations. Attached with the request are purchase receipts and/or check stubs for checks issued to vendors providing detail as to the type of transaction. These requests are reviewed and approved at the City's discretion prior to a reimbursement being disbursed. The reimbursements do not have to be deposited or maintained in a separate fund, therefore, the GRCCM typically deposits these reimbursements into the operations checking account from where the purchases were originally made.

Examined four (4) equipment reimbursement requests and supporting receipts/documentation. Items purchased included monitors, stage lighting, cameras, camera mounts, lenses, and a variety of cables/cords. Receipts and/or supporting documentation tie to the total request and all items purchased were within the scope of the agreement.

The Media Center maintains an inventory list of all equipment, which is reviewed and updated at least once per year by the Station Manager.

Equipment purchases made and being reimbursed through the City's equipment grant are in accordance with the requirements highlighted in the agreement. No other discrepancies or internal control issues noted.

Conclusion

Based on the review and analysis of the GRCCM's processes, financial information, supporting documents, and contractual agreements it appears the Media Center is properly reporting and utilizing the franchise fees disbursed from the City in accordance with the contractual agreements. No discrepancies or misuse of the funds were noted, no other additional work is deemed necessary for the scope of this audit.

If you have any questions or comments, please reach out to Erica Bills, Internal Auditor. Phone: 456-3126.

Appendix: Pages 5-8 include the Statement of Functional Expenses directly from the Media Center's audited financial reports. These statements detail the breakout of program expenses.

**Grand Rapids Cable Access Center
d/b/a Community Media Center
Statement of Functional Expenses
For the Year Ended June 30, 2020**

	GRTY		Venue Services		WYCE		IT Services		Education		Rapidid		Other Programs		Total Program Services		Management and General		Fund-raising		Totals	
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$	
Compensation	90,009		129,213		84,971		93,490		2,037		17,813		(1,303)		416,230		93,456		107,589		617,275	
Payroll taxes	6,465		9,266		6,047		6,726		147		1,281		-		29,932		5,999		8,228		44,159	
Employee benefits	6,727		13,994		6,772		14,285		-		1,786		5,410		48,974		15,096		-		64,070	
Contract labor	1,614		9,787		12,833		408		871		817		1,793		28,123		2,246		-		30,369	
Facility maintenance	123		7,686		464		4,033		25		74		365		12,770		203		-		12,973	
Equipment maintenance	(914)		1,541		190		2		1		4		1,847		2,671		11		-		2,682	
Telephone and internet	5,085		8,029		3,276		4,979		806		6,413		280		28,868		6,646		-		35,514	
Staff and board development	208		257		4		3		2		5		929		1,408		13		-		1,421	
Rent	1,000		800		450		300		200		600		-		3,350		1,650		-		5,000	
Supplies	129		49,656		7,931		37		25		74		431		58,283		201		-		58,484	
Utilities	4,103		39,094		16,131		1,231		821		2,462		-		63,842		6,770		-		70,612	
Insurance	808		150		-		-		-		-		9,594		10,552		99		-		10,552	
Membership and dues	3,401		1,074		6,578		220		12		36		2,303		13,624		99		-		13,723	
Miscellaneous expense	1,751		1,784		5,224		525		350		1,051		(8,942)		1,743		2,890		-		4,633	
License and permits	-		2,143		-		-		-		-		-		2,143		-		-		2,143	
Postage and freight	165		118		564		41		27		81		178		1,174		222		-		1,396	
Printing	557		484		1,739		153		102		306		442		3,783		842		-		4,625	
Professional fees	3,769		12,548		4,824		1,145		746		2,250		1,770		27,052		6,157		-		33,209	
Promotions	893		330		3,481		44		29		87		700		5,564		239		-		5,803	
Travel and lodging	73		274		33		22		15		44		1,514		1,975		119		-		2,094	
Vehicle expense	86		69		39		26		17		52		147		436		143		-		579	
Minor equipment purchases	44,014		2,792		1,053		353		2		7		846		49,067		20		-		49,087	
Major equipment purchases	13,358		-		-		-		-		-		-		13,358		-		-		13,358	
Bad debt expense	-		25		-		752		-		-		-		777		-		-		777	
In kind programmer	48,000		-		307,300		-		-		400		-		355,700		-		-		355,700	
In kind contract labor	-		24,000		-		-		-		-		-		24,000		-		-		24,000	
Total Expenses	231,424		315,114		469,904		128,775		6,235		35,643		18,304		1,205,399		143,022		115,817		1,464,238	
Before Depreciation																						
Depreciation expense	86,849		68,144		259		12		12		-		-		155,276		134		-		155,410	
Total Expenses	\$ 318,273		\$ 383,258		\$ 470,163		\$ 128,787		\$ 6,247		\$ 35,643		\$ 18,304		\$ 1,360,675		\$ 143,156		\$ 115,817		\$ 1,619,648	

See Accompanying Notes to Financial Statements

**Grand Rapids Cable Access Center
d/b/a Community Media Center
Statement of Functional Expenses
For the Year Ended June 30, 2019**

	Venue		WYCE		IT Services		Education		Rapidian		Other Programs		Total Program Services		Management and General		Totals	
	GRTV	Services																
Compensation	\$ 143,261	\$ 86,673	\$ 90,493	\$ 85,511	\$ 32,338	\$ 50,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 716,872
Payroll taxes	10,890	6,586	6,874	6,500	2,458	3,968	-	-	-	-	-	-	-	-	-	-	-	54,250
Employee benefits	17,661	7,052	6,385	16,494	(864)	1,990	-	-	-	-	-	-	-	-	-	-	-	67,233
Contract labor	2,386	14,048	22,732	620	1,870	1,241	600	-	-	-	-	-	-	-	-	-	-	46,378
Consulting expense	1,445	1,120	630	420	280	840	-	-	-	-	-	-	-	-	-	-	-	7,045
Facility maintenance	300	12,861	429	90	64	180	43	-	-	-	-	-	-	-	-	-	-	14,461
Equipment maintenance	309	503	570	174	116	380	388	-	-	-	-	-	-	-	-	-	-	3,395
Telephone and internet	5,011	8,062	2,850	4,827	1,019	3,938	-	-	-	-	-	-	-	-	-	-	-	32,137
Staff and board development	333	312	828	76	51	152	306	-	-	-	-	-	-	-	-	-	-	2,473
Rent	1,000	800	450	300	200	600	-	-	-	-	-	-	-	-	-	-	-	5,000
Supplies	234	58,054	13,076	45	337	90	-	-	-	-	-	-	-	-	-	-	-	72,083
Utilities	5,399	44,693	15,892	1,620	1,080	3,239	-	-	-	-	-	-	-	-	-	-	-	80,831
Insurance	2,997	1,853	2,063	564	376	1,127	-	-	-	-	-	-	-	-	-	-	-	12,080
Membership and dues	3,380	1,423	6,808	30	395	616	888	-	-	-	-	-	-	-	-	-	-	13,707
Miscellaneous expense	1,930	1,586	4,992	579	386	1,158	-	-	-	-	-	-	-	-	-	-	-	13,815
License and permits	-	3,309	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,309
Postage and freight	103	82	858	31	21	62	322	-	-	-	-	-	-	-	-	-	-	1,647
Printing	599	1,212	3,947	180	120	432	(14)	-	-	-	-	-	-	-	-	-	-	7,464
Professional fees	3,814	15,472	5,099	1,124	779	2,257	1,451	-	-	-	-	-	-	-	-	-	-	36,123
Promotions	133	113	1,123	(1)	45	93	252	-	-	-	-	-	-	-	-	-	-	1,754
Travel and lodging	60	1,169	27	18	34	36	12	-	-	-	-	-	-	-	-	-	-	1,455
Vehicle expense	258	205	119	140	214	141	8	-	-	-	-	-	-	-	-	-	-	1,474
Minor equipment purchases	4,624	5,081	1,730	550	-	-	-	-	-	-	-	-	-	-	-	-	-	11,985
Major equipment purchases	6,235	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,235
Bad debt expense	2,694	-	600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,294
In kind programmer	58,800	-	237,675	-	-	600	-	-	-	-	-	-	-	-	-	-	-	297,075
In kind contract labor	-	23,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,400
Total Expenses	273,856	295,669	426,250	119,892	41,319	73,921	3,569	1,234,476	153,137	149,362	1,536,975	1,403,457	168,981	1,234,476	153,137	149,362	1,536,975	1,706,408
Before Depreciation																		
Depreciation expense	86,663	81,768	468	41	41	-	-	-	-	-	-	-	-	-	-	-	-	169,433
Total Expenses	\$ 360,519	\$ 377,437	\$ 426,718	\$ 119,933	\$ 41,360	\$ 73,921	\$ 3,569	\$ 1,403,457	\$ 153,589	\$ 149,362	\$ 1,706,408	\$ 1,403,457	\$ 168,981	\$ 1,234,476	\$ 153,137	\$ 149,362	\$ 1,536,975	\$ 1,706,408

See Accompanying Notes to Financial Statements

**Grand Rapids Cable Access Center
d/b/a Community Media Center
Schedule of Functional Expenses
For the Year Ended June 30, 2018**

	GRTV	Venue Services	WYCE	IT Services	Education	Rapidian	Other Programs	Total Program Services	Management and General	Fund-raising	Totals
Compensation	\$ 211,708	\$ 121,898	\$ 127,576	\$ 55,997	\$ 42,205	\$ 129,775	\$ (150)	\$ 689,009	\$ 40,234	\$ 54,970	\$ 784,213
Payroll taxes	17,014	9,985	10,103	4,518	3,388	10,412	-	55,420	4,542	-	59,962
Employee benefits	21,729	9,745	9,563	15,711	11,625	3,185	-	71,558	3,547	423	75,528
Contract labor	3,353	17,672	14,882	930	1,595	1,860	-	40,292	5,113	-	45,405
Consulting expense	10	8	5	3	2	6	-	34	16	-	50
Facility maintenance	666	14,715	509	124	83	248	-	16,345	681	-	17,026
Equipment maintenance	(2,338)	1,422	274	123	830	227	(25)	513	536	114	1,163
Telephone and internet	5,082	8,422	2,950	4,719	1,131	3,869	-	26,173	6,351	-	32,524
Staff and board development	379	284	374	94	63	189	-	1,383	519	-	1,902
Rent	1,000	800	450	300	200	610	-	3,360	1,650	-	5,010
Supplies	3,892	46,431	16,357	262	554	3,311	55	70,862	1,441	40	72,343
Utilities	5,883	37,970	15,845	1,765	1,177	3,530	-	66,170	9,707	-	75,877
Insurance	3,023	1,478	4,279	299	199	598	-	9,876	1,645	-	11,521
Membership and dues	623	947	6,704	51	301	870	-	9,496	219	50	9,765
Miscellaneous expense	3,444	3,456	7,021	1,033	689	2,067	-	17,710	5,683	-	23,393
License and permits	-	3,020	-	-	-	-	-	3,020	-	-	3,020
Postage and freight	123	112	1,459	37	25	74	222	2,052	203	-	2,255
Printing	835	751	765	226	151	1,548	-	4,276	1,245	-	5,521
Professional fees	3,900	11,366	5,203	1,152	834	2,361	1,064	25,880	6,306	-	32,186
Promotions	719	794	5,801	66	40	661	(3)	8,078	168	53	8,299
Travel and lodging	211	3	2	1	5	2	-	224	5	-	229
Vehicle expense	201	120	88	45	192	97	31	774	247	-	1,021
Minor equipment purchases	10,480	4,970	2,198	23	290	116	-	18,077	127	827	19,031
Major equipment purchases	7,916	-	-	-	-	-	-	7,916	-	-	7,916
Bad debt expense	-	2,979	-	4,060	-	-	-	7,039	-	-	7,039
In kind programmer	39,200	-	227,860	-	-	690	-	267,750	-	-	267,750
In kind contract labor	-	8,900	-	-	-	-	-	8,900	-	-	8,900
Total Expenses	339,053	308,248	460,268	91,539	65,579	166,306	1,194	1,432,187	90,185	56,477	1,578,849
Depreciation expense	103,814	93,464	959	149	149	-	-	198,535	1,638	-	200,173
Total Expenses	\$ 442,867	\$ 401,712	\$ 461,227	\$ 91,688	\$ 65,728	\$ 166,306	\$ 1,194	\$ 1,630,722	\$ 91,823	\$ 56,477	\$ 1,779,022

See Independent Auditors' Report on Financial Statements

**Grand Rapids Cable Access Center
d/b/a Community Media Center
Schedule of Functional Expenses
For the Year Ended June 30, 2017**

	Venue Services		WYCE	IT Services	Education	Rapidian	Other Programs	Total Program Services	Management and		Totals
	GRTV								General	Fund-raising	
Compensation	\$ 217,735	\$ 135,440	\$ 111,180	\$ 69,069	\$ 46,760	\$ 119,737	\$ -	\$ 699,921	\$ 36,750	\$ -	\$ 780,581
Payroll taxes	17,169	10,793	8,731	5,440	3,680	9,469	-	55,282	3,811	-	59,093
Employee benefits	24,714	21,923	9,447	22,281	17,752	3,047	-	99,164	2,906	905	102,975
Contract labor	1,463	19,797	45,470	13,325	285	225	-	80,565	617	-	81,182
Consulting expense	-	-	-	-	-	-	6,000	-	-	500	6,500
Facility maintenance	583	5,832	298	146	97	292	44	7,292	804	-	8,096
Equipment maintenance	792	320	2,892	255	80	240	52	4,631	662	729	6,022
Telephone and internet	5,479	10,516	2,838	4,649	1,088	3,849	11	28,430	5,964	-	34,394
Staff and board development	518	904	213	142	95	284	580	2,736	780	199	3,715
Rent	1,000	800	450	300	200	635	-	3,385	1,650	-	5,035
Supplies	3,873	42,028	962	27	142	54	95	47,181	147	12	47,340
Utilities	5,831	45,487	15,093	1,749	1,166	3,498	-	72,834	9,621	-	82,455
Insurance	2,829	2,151	3,920	535	357	1,821	-	11,613	2,944	-	14,557
Membership and dues	792	610	6,776	111	23	600	63	8,975	398	-	9,373
Miscellaneous expense	3,463	2,771	16,339	1,039	693	2,078	-	26,383	5,714	-	32,097
License and permits	-	1,873	-	-	-	-	-	1,873	-	-	1,873
Postage and freight	175	127	856	48	32	4,936	-	6,174	261	404	6,839
Printing	796	1,068	499	158	119	371	44	3,055	832	98	3,985
Professional fees	3,994	10,402	4,983	1,189	806	3,092	494	24,960	6,494	-	31,454
Promotions	1,305	1,045	5,058	117	41	842	4,527	12,935	179	1,793	14,907
Travel and lodging	39	4	602	4	1	49	136	835	7	1,141	1,983
Vehicle expense	-	987	-	-	217	-	327	1,531	-	230	1,761
Minor equipment purchases	30,806	3,160	118	1,483	53	-	-	35,620	-	25	35,645
Major equipment purchases	32,021	-	-	-	-	-	-	32,021	-	-	32,021
Bad debt expense	-	2,355	500	200	-	-	-	3,055	-	-	3,055
In kind programmer	39,200	-	227,860	-	-	2,080	-	269,140	-	-	269,140
In kind contract labor	-	8,900	-	-	-	-	-	8,900	-	-	8,900
Total Expenses	395,564	328,316	465,085	122,267	73,687	157,199	12,373	1,554,491	80,541	49,946	1,684,978
Before Depreciation											
Depreciation expense	93,784	96,592	3,548	1,137	1,137	-	-	196,198	12,499	-	208,697
Total Expenses	\$ 489,348	\$ 424,908	\$ 468,633	\$ 123,404	\$ 74,824	\$ 157,199	\$ 12,373	\$ 1,750,689	\$ 93,040	\$ 49,946	\$ 1,893,675

See Independent Auditors' Report on Financial Statements