

I. CREATING A CULTURE OF HONESTY AND HIGH ETHICS

A. Setting the Tone at the Top

Company Programs and Controls

- The “tone at the top” is set by management through the voice of the UEN Executive Director. The Executive Director holds quarterly staff meetings in which he addresses all of the employees regarding UEN-TV (KUEN- the station) news, goals, strategies, and planned events. The Executive Director purposefully makes reference to the station’s mission during these speeches to emphasize to employees the importance of conducting operations in an ethical manner and communicating openly within the organization.
- The station’s employees are University of Utah employees and as such are required to adhere to University Policies and Procedures and provide good stewardship of University resources.
- All employees are required to become familiar with the Station’s Employee Handbook and adhere to the University of Utah’s Policies and Procedures, which address a broad array of ethical and legal standards that have been set as guidelines for the employees. The inclusion of all employees makes it evident that all employees will be treated equally, regardless of their position.
- The senior managers of UEN meet on a weekly basis to discuss business. Any recent changes in the operating environment of the station or external legal environment are discussed. The CFO discusses University financial/purchasing guidelines that are communicated to her and her staff by the University Financial and Business Services Department. Anything that needs to be communicated to the Station staff is done so through email or during the next quarterly staff meeting.
- The University Policies and Procedures address the following topics, among others:
 - Conflicts of interest – The Policies and Procedures prohibit an employee, manager, or director from taking actions or having interests that may make it difficult to perform his or her station work objectively and effectively. Policies prohibit an employee, manager, or director, or a member of his or her family, from receiving improper personal benefits as a result of his or her position at the Station. Loans to, or guarantees of obligations of such persons are of special concern.
 - Station opportunities – employees, manager, and directors are prohibited from (a) taking personal advantage of opportunities that are discovered through the use of Station property, information, or position; and (b) using Station property, information, or position for personal gain.
 - Confidentiality – Employees, managers, and directors are required to maintain the confidentiality of information entrusted to them by the Station or its viewers/listeners, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be harmful to the Station or its viewers/listeners, if disclosed.
 - Fairness – Each employee, manager, and director is required to deal fairly with the Station’s customers, suppliers, competitors, and employees. This includes not taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.
 - Protection and proper use of company assets – All employees, managers, and directors are required to protect the Station/University’s assets and ensure their efficient use. All Station/University assets must be used for legitimate business purposes.
 - Travel and entertainment expenses – The University provides guidelines and reimbursement ceilings for major expense categories. The Station budgets annual entertainment, travel, and training expense amounts for each Station department.

- The Policies and Procedures manual is readily-available on the University's Human Resources website and the University of Utah's website. Any concerns or questions employees may have regarding the Policies and Procedures of the University can be directed to the Human Resources department or Station management.

B. Creating a Positive Workplace Environment

Station/University Programs and Controls

- The University's Internal Audit website refers employees to an Ethics and Compliance Hotline (ECH). The ECH is available to all employees of the Station/University and provides a channel through which individuals can express concerns; ask questions, or make observations regarding misconduct, unethical behavior, and/or noncompliance directly and anonymously (if desired) to the Station/University's Internal Audit Department at: (801) 585-1593. The Internal Audit website explicitly states that retaliation will not be allowed by the University for reports made in good faith. As a means of publicizing the ECH, the Station sends an annual email providing the ECH number and instructions to inform Station supervisors and/or managers of any misconduct, unethical behavior, and/or noncompliance.
- The Station's employees are fairly compensated, as determined by industry compensation studies that compare the Station's employee compensation to those in similar positions throughout the industry. The Station's Human Resources manager works with the University Human Resources department to perform these studies on an ongoing basis.
- The Station holds periodic training sessions that are provided by the University Human Resources department at the Eccles Broadcast Center or at the Human Resources headquarters which focus on team building, knowledge sharing, and communication exercises. All employees are encouraged to participate in these retreats. Breakout sessions and team exercises include a mix of employees at all levels of the organization. There are certain training sessions that managers and supervisors are required to attend which specifically address policy issues, employment laws and federal regulations.
- During quarterly staff meetings, significant events and changes that may impact the Station and its employees are discussed. These sessions are designed to encourage open communication of concerns and questions employees may have.

C. Hiring and Promoting Appropriate Employees –

Station Programs and Controls

- The Employee Handbook is located on our intranet R drive. During Station orientation, new employees are referred to the handbook as well as the University Policies and Procedures manual, which is on the University of Utah's website.
- The Station checks references for applicants of open positions. We do not conduct drug tests but we do conduct criminal background checks.
- The achievement of compliance goals is considered during employee annual evaluations.

D. Training and Confirmation

Station Programs and Controls

- At the time of hiring, all full-time new-hires are required to attend a University orientation session during which they are informed of the Employee Handbook and the University's Policies and Procedures. Some Station/University policies are discussed or highlighted during the Station orientation, including information on the University Office of Equal Opportunity, the disciplinary process, and leaves of absence.

- The CFO reminds employees via email or in a staff meeting annually of the University's Expenditure Guidelines and policies detailing Financial Accountability and Control. The CFO also communicates to employees any changes or enhancements to these guidelines that are communicated to her by the University.

F. Discipline

Station Programs and Controls

- Senior management is responsible for the enforcement of the Station's ethical and compliance standards. Upon the discovery and initial investigation of a potential offense of the Policies and Procedures, the potential violator discusses his or her case with the immediate supervisor and the Station Human Resources manager. The department head may also participate. Disciplinary action, if any, is determined by conferring with the University Human Resources department. The violation of federal or state law may result in immediate termination.
- When disciplinary action is taken against an employee who violates the Policies and Procedure or other compliance areas, the Station Manager will inform all of the managers of the action if it affects the entire Station. If the entire Station isn't affected, only the manager of the department will be informed. The identity of the employee who was in violation may not be disclosed. The sections of the Policies and Procedures that were violated will be reemphasized and, when appropriate, the Station Manager, CFO or Human Resources manager will introduce new programs or controls that have been created to help prevent and deter similar actions in the future. Station employees will be informed as necessary. If these steps are taken at the University level, all employees will be informed.

II. EVALUATING ANTIFRAUD PROCESSES AND CONTROLS

A. Identifying and Measuring Fraud Risks

Station Programs and Controls

- Senior management has primary responsibility for establishing and monitoring all aspects of the Station's fraud risk assessment and prevention activities.
- All employees at the Station have been instructed to be aware of misconduct and potential behavior that could be considered fraudulent. The Station managers/supervisors review and approve all purchases before they are made to make certain they are reasonable, necessary and are for legitimate Station business. The accounting department reviews all expenditures on a monthly basis using the management reports that are issued by the University. Supporting documentation for all expenditures is retained by the Station for possible review by internal or external auditors.
- The General Manager and CFO sign a representation letter every year confirming the accuracy of the reported financial results of the Station.

B. Mitigating Fraud Risks

Station/University Programs and Controls

Budgets, controls, and our fund accounting system are reviewed by the University Finance Office and University of Utah Audit Office. All of the station's purchasing, payroll, accounting reports, etc. are integrated into the University of Utah financial system. UEN-TV (the station) undergoes periodic reviews and audits by the University of Utah audit department in addition to KPMG.

The Station follows the University guidelines for Financial Accountability and Control that are outlined in the following Financial Accountability and Control memorandum from Arnold Combe, Vice President for Administrative Services at the University of Utah, and the University of Utah Expenditure Guidelines. The Station does not have a separate audit committee, nor does the UEN Steering Committee have an oversight role in our financial accountability and control.

THE UNIVERSITY OF UTAH

Vice President Memorandum for Administrative Services

To: University Employees

From: Vice President Arnold B. Combe

Date: November 11, 2003

Subject: Financial Accountability and Control

A series of financial frauds in recent years at companies such as Enron and Worldcom have focused public attention on the quality of financial accountability and control in business organizations. Congress has imposed strict new requirements for public companies that are also "raising the bar" for non-profit organizations such as the University of Utah. Regents, trustees, legislators, credit rating agencies, insurers, and regulators are increasingly soliciting information regarding the University's policies and procedures in this area, *along with evidence that they are adhered to.*

The purposes of this communication are to emphasize lines of responsibility for financial accountability and control at the University and to discuss fraud deterrence.

Lines of Responsibility

Stewardship of the University's financial resources is the responsibility of all employees. For every financial activity or project, a faculty or administrative person is designated as the "account executive," or "principal investigator." This individual bears primary responsibility for maintaining financial accountability and control for funds under his/her jurisdiction. Such responsibilities include:

Learning, following, and upholding financial policies established by the University and external agencies.

Preparing and using budgets based on a thorough analysis of need that conforms to University budgetary guidelines and processes.

Establishing basic internal controls to ensure that transactions are appropriately executed and recorded, including segregation of duties to maintain appropriate checks and balances.

Being alert to control weaknesses that can lead to waste, misuse, misappropriation or destruction of assets (including data and data integrity) and taking action to correct such weaknesses.

The account executive has authority to expend University funds to accomplish assigned responsibilities, and is accountable for all transactions recorded in his/her activities/projects. This includes ensuring that transactions are:

Reasonable and necessary

Consistent with established University policies and practices

Consistent with sponsor or donor restrictions

Expenditures that are solely for personal benefit or purposes other than those that benefit the university are prohibited.

A key element in the University's system for maintaining control is review and approval of the monthly accounting statements. The statements should be reviewed and approved by a person with supervisory responsibility for the individual(s) who initiate transactions. The account executive should not seek to delegate this function, and may do so only when there is no practical alternative. If review and approval authority must be delegated, it is imperative that the account executive remain sufficiently involved to be knowledgeable about financial matters and exert meaningful oversight.

Approval must be evidenced by the signature of the person who completes the review, along with the date. Approval should ordinarily be completed within one month of receipt of the management reports. Approval indicates agreement that:

Transactions are accurate, or that necessary corrections are in process. Expenditures are reasonable, necessary, and are for legitimate University business.

Expenditures and other charges are allowable and consistent with donor or sponsor restrictions.

Supporting documentation exists and is retained by the department for possible review by internal or external auditors.

Fraud Deterrence

The University has recently dealt with several situations involving dishonest acts by employees, ranging from careless handling of funds to systematic schemes to defraud the University. Although such cases involve a very small number of employees, their detrimental impact on the University should not be minimized or underestimated.

All employees share the responsibility for preventing, detecting, and reporting these types of problems. The University investigates suspected problems thoroughly, with careful consideration to the rights of all affected individuals. Disciplinary or legal action is taken where warranted; willful misconduct is not tolerated.

There are several indicators of possible problems that supervisors and employees should be alert to:

1. Poor attitude or example by those in authority. Management's attitude and actions greatly influence the potential for fraud. Those in authority must communicate high expectations concerning ethical behavior, compliance with law, and financial accountability. Dishonesty and waste are much more likely to occur in situations where there is little or no such communication.
2. Indifference about, or disregard of official University policies. Official policies should be referred to as questions arise or important decisions are considered. Compliance with the policies is expected. Repeated infractions or blatant disregard of University policy is, in itself, very serious. It can also be a warning sign of fraudulent activity.
3. Lack of effective oversight. Some of the most serious problems have occurred where oversight was absent or ineffective. High levels of trust and considerable freedom for employees often characterize university workplaces. Even so, every employee should expect to be held accountable for his/her actions. Department heads and supervisors must provide diligent oversight over all employee activities, particularly those involving financial duties.
4. Use of University resources for personal purposes. Use of University resources for personal purposes is prohibited. All University accounts, regardless of their funding source, represent public funds that may be used only as allowed by University policy. University equipment may be used only for approved purposes. Time and effort reporting must accurately reflect the work performed--reporting time spent on personal business or other activities as work time is not allowed.

Any dishonest or improper act by an employee (i.e. that violates the law, wastes money, or endangers public health or safety) is of great concern to the University. All employees are encouraged to report suspected improprieties to their supervisor, or directly to a higher level if the supervisor is involved. If you suspect a crime has been committed, you should report it immediately to University Police. The University Internal Audit Department may also be contacted.

The University is committed to protect employees who, in good faith, report suspected improprieties or illegal activities. In fact, it is unlawful in Utah to discharge, threaten, or otherwise bring a personal action against an employee who reports a violation of law or waste of public funds, property, or manpower unless the employee knows the report is malicious, false, or frivolous.

The public rightfully expects University personnel to meet high standards of ethics and integrity. We thank those who are conscientious stewards of the University's financial resources.

Guidelines for Meals/Incentive Awards/Flowers/Retirement Gifts

All expenditures for meals, incentive awards, flowers, or retirement gifts must be reasonable and business related as defined below:

A. Reasonable: An expenditure is considered reasonable if:

1. The nature of the goods or services acquired and the amount involved reflect the actions of a prudent person under the circumstances,
2. The expenditure is appropriate given the purpose of the University, and
3. Reimbursement for or direct payment of the expenditure is not otherwise prohibited by any University policy.

B. Business-Related: An expenditure is considered business-related if:

1. It reflects an ordinary and necessary transaction incurred to conduct University business;
2. The underlying activity is able to bear scrutiny that it is being made to further the mission of the institution, i.e., that it is necessary to carry out the objectives of instruction, research, or public service -or the supporting administrative functions surrounding these objectives; and
3. A public purpose is served in expending institutional funds for such goods or services.

All expenditures should be properly documented. Those that may appear to an independent reviewer to be personal or non-business related must especially be supported by a complete written explanation of why and how they are reasonable and business related.

More restrictive standards apply to expenditures from federal funds and/or state-appropriated funds. Many expenditures described in these guidelines are prohibited from federal funds and some are prohibited from state-appropriated funds. For instance, alcohol must not be purchased using either federal or state- appropriated funds. Where no specific prohibitions apply, there is nevertheless a strong presumption it is inappropriate to use these funds for meals, incentive awards, flowers, or retirement gifts. Where non-state appropriated funds are available, they should always be expended instead of state-appropriated monies. If there is no alternative to using state-appropriated funds, the circumstances and reasons must be carefully and fully documented.

Business Meals:

The purchase of business meals may be appropriate if the main focus of the activity is business and consumption of food is incidental to the purpose of the meeting and if the meal generally involves at least one external party to the University.

The purchase of business meals using LPC's, LPO's or reimbursed using Check Requests may be allowed if documentation demonstrating that the expenditures are reasonable, necessary and are for legitimate University business is included and satisfies IRS tax requirements. These requirements are included on the instructions to each of these forms.

Business meals are not allowed on P-cards. However, exceptions have been granted in a very limited number of cases where there are documented needs demonstrating that such expenditures are reasonable, necessary and are for legitimate University business. In such cases, a formal exception request form must be submitted to Purchasing describing the need for the business meal exemption and must be approved by the dean, director, or department chair and by the director of purchasing. All documentation will be subject to audit and must be retained with the P-card statements.

Business meals that are attended only by University employees should be infrequent, and must meet a higher documentation standard -demonstrating what other options were considered rather than meeting for lunch/dinner, etc.

Other Business Functions including Food:

Food and beverage items purchased for extended training meetings, involving institutional teams or committees, or other business related functions may occasionally be necessary. Discretion should be used when purchasing these items to ensure that the costs are reasonable and necessary.

University funds should not be used for employee socials where the primary focus is on consumption of food, rather than conducting business, with the exception of one social per year as currently recognized by University policy 3-6.

Retirement Gifts/Functions:

The cost of retirement gifts should not exceed the approved cost of gifts for service awards recognizing years of service (i.e. if an employee retires after 20 years of service, the gift should not exceed the amount spent on the 20 year service award). Contact the Benefits Office <http://www.hr.utah.edu/ben/staff/> (581-7447) for the authorized amounts for retirement/service awards.

Reception costs related to employee retirement functions may be appropriate, but should be reasonable and should generally not exceed \$15 per attendee.

Retirement Gifts are not allowed on the P-card. Food and reception costs may be allowed on the P-card.

Incentive Awards /Employee Recognition:

The University recognizes the need to recognize exceptional performance and/or achievement. Occasional tangible personal property may be given to employees as incentive awards/employee recognition benefits. The value of such benefits should not exceed the limits imposed by the University (currently \$75).

Documentation is required to be maintained for all expenditures related to awards/recognitions providing detail of the purpose of the expenditures.

These types of expenditures are not allowed on the P-card.

The University's Tax Services website provides additional guidelines for these types of expenditures <http://www.tax.utah.edu/> (581-5414).

Other: The use of University funds to purchase food or related items for birthdays, showers, weddings, etc. is not permitted.

Floral arrangements and similar items may not be purchased for employees and their immediate family members (as defined by University policy 2-22), except for funeral/condolence arrangements purchased using non-federal and non-state funds.

Additional Guidelines: Additional guidelines are provided at:

<http://www.ap.admin.utah.edu/PaymentMethod.pdf> and

<http://www.purchasing.utah.edu/purchase/index.html>

C. Implementing and Monitoring Appropriate Internal Controls

Company Programs and Controls

- We are subject to periodic reviews from the Internal Audit department from the University of Utah. Through our monthly reconciling of management reports we are continually watching for fraudulent purchases and misuse of Station resources. The CFO and accountant review the reconciling of the monthly management reports.
- As we are informed by the University of new internal controls that we need to implement, we implement them. As we become aware of any lapses in the Station's internal control we take steps to correct them.
- The Company has certain monitoring controls in place, which are designed to deter and/or detect fraudulent financial reporting. The Station CFO prepares monthly budget reports that are reviewed by the General Manager and other station managers. Unusual fluctuations in the results of particular departments are watched for.

III. DEVELOPING AN APPROPRIATE OVERSIGHT PROCESS

A. Audit Committee or Board of Directors

Company Programs and Controls

The Station is subject to the University's audit committee. UEN-TV is governed by the Utah Education and Telehealth Network (UETN) Governing Board, which is thirteen (13) members representing: the Utah System of Higher Education, the Utah System of Public Education, the Utah State Board of Education, the Utah College of Applied Technology, the Utah State Library Division, rural and urban hospitals, and the Utah Governor's Office. Governing Board members serve 4-year term appointments. UETN Governing Board Chair responsibilities are jointly shared by Public and Higher Education leadership. The UEN-TV General Manager is the Executive Director of UETN and reports directly to the UETN Governing Board. The UETN Governing Board approves all policies, annual strategic plan, and annual budget and meets on a monthly basis. By state law, the UETN Governing Board has established a UETN Advisory Council for effective community input on programming and services. The Advisory Council, consisting of 22 representatives from UETN stakeholder institutions, meets six times per year. The Advisory Council also has two elected co-chairs representing public and higher education institutions.

Information and reports for all UETN Governing Board and Advisory Council meetings are posted online at <http://www.uen.org/board/materials/>.

- The UETN Governing Board has oversight of the finances of the Station. KUEN is also subject to the University's financial management controls.
- The Station does not have a compensation committee. All hiring and salary decisions are approved by the University Human Resources department.
- As discussed above, the Ethics and Compliance Hotline is available to all employees of the Station.
- The University Policies and Procedures include travel and entertainment requirements as described above. Travel expenditures of senior management are reviewed monthly during the monthly budget report preparation process by the accounting staff and CFO.

B. Management

Company Programs and Controls

- The Station is subject to audit from the University's Internal Audit department. Fraudulent activities of senior management or fraudulent financial reporting involving the override of internal controls or collusion as described above would first be discovered at the Station level. If not caught at the Station level, it would be caught by the Internal Audit department.
- The Station includes a statement in the annual report or an issue of the monthly program guide management's responsibility for the preparation of the financial statements and for establishing and maintaining an effective system of internal control.

C. Internal Auditors

Company Programs and Controls

- The Internal Audit department is a department of the University of Utah, not a department of the Station.

D. Certified Fraud Examiners

Company Programs and Controls

- The Station does not have certified fraud examiners.
- Typically, when a fraud occurrence or allegation surfaces, internal investigations suffice in concluding on the facts and extent of the misconduct or fraud. If the fraud occurrence or allegation can't be handled by the Station, the University's Internal Audit department can be called in to assist. There have been no fraud cases at the Station in the last three years.