



Broadcasting  
Board of  
Governors

FISCAL YEAR 2016

PERFORMANCE AND ACCOUNTABILITY REPORT





## Message from the BBG Chairman and CEO

On behalf of the Broadcasting Board of Governors, we are pleased to present the BBG's Performance and Accountability Report (PAR) for Fiscal Year (FY) 2016. This report includes the results of this year's audit of the Agency's financial statements; measures our performance against our FY 2016 objectives; highlights the accomplishments of the past year; and identifies the challenges that lie ahead.

The mission of the BBG is to inform, engage, and connect people around the world in support of freedom and democracy. The BBG broadcast services include two federal entities: the Voice of America (VOA) and the Office of Cuba Broadcasting (OCB); and three BBG-sponsored grantees: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN).

The BBG upholds freedom of expression and information as universal human rights. The BBG fosters and sustains free and democratic societies by exemplifying and supporting free media. The BBG networks pursue this mission through their own engaging content on television, radio, Internet, social and mobile platforms, and also by working closely with media partners around the world that bring our content into local markets, establishing valuable connections to critical institutions that support civil society and democratic principles.

With media sources proliferating around the world, information is more powerful than ever. But the existence of more media does not yield more press freedom. According to Freedom House, Press Freedom declined in 2016 to its lowest point in the last twelve years. Well-funded state and non-state media outlets inundate audiences with disinformation about global events and depict the United States in a downward social spiral.

Using professional journalism, BBG networks provide an alternative to disinformation and extremist propaganda. RFE/RL and VOA have stepped up their Russian social media outreach and are engaging bigger audiences than ever with balanced information and rigorous fact-checking. Specifically, on October 3, 2016, RFE/RL and VOA jointly launched a new Russian-language 24/7 television and digital network *Current Time* that aims to provide audiences in Lithuania, Latvia, Estonia, Moldova, Georgia, Ukraine, and elsewhere across Eastern Europe and the Former Soviet Union (30 media outlets total, in nine countries) with real-time fact-checking of false narratives, factual news and information on a daily basis. In the Middle East, MBN's Raise Your Voice initiative encourages audience members to speak out and address extremism and the underlying causes of terrorism.

With programming in 61 languages, thousands of media partners, and on-the-ground reporting capabilities around the world, BBG networks are also well poised to react quickly in crisis situations. In FY 2016, BBG networks provided extensive coverage of the refugee crisis in the Middle East and Europe, produced on-the-ground reports from demonstrations in Venezuela, stayed on the air when private radio stations were closed during a counter-coup in Burkina Faso, and intensified coverage of the conflict in eastern Ukraine.

In order to have impact with audiences, the BBG must provide quality programming and earn the trust of audiences. We are monitoring our progress through our impact model, which tracks engagement, connection, and being influential with audiences, media institutions, and governments through a range of quantitative, qualitative, digital, and anecdotal indicators. With high levels of impact on a range of measures, the BBG is reaching larger audiences than ever. The programming of BBG networks is consumed by a record worldwide audience of 278 million people in 61 languages each week, an unprecedented year-to-year increase of 52 million.

FY 2016 marked BBG's first full year under leadership by a dedicated, full-time CEO, able to foster greater coordination and cooperation among the BBG networks. Through the CEO-chaired U.S. International Media Coordinating Committee, the leaders of the five BBG global networks collaborated on strategic and operational issues to move the agency forward.

Today, the BBG is focused on several key initiatives to increase our impact in a challenging environment. We are:

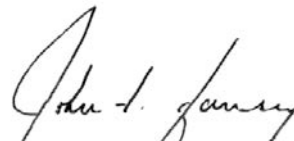
- Targeting resources to cover key regions of strategic interest;
- Aggressively continuing a shift to digital platforms;
- Increasing strategic cooperation across BBG networks;
- Enhancing the curation and acquisition of mission-relevant content; and
- Ensuring impact by measuring progress and success.

The financial and performance data presented in this report are fundamentally complete and reliable. We are pleased that the independent auditors have given our financial statements an unmodified opinion for the twelfth year. We recognize that there are a number of significant items identified by the external audit that will require our continued attention, diligence, and improvement. We are committed to addressing these items and meeting these challenges.

We are proud to report the achievements of the Broadcasting Board of Governors during FY 2016. We strive to wisely and effectively use the resources entrusted to us by the Administration, Congress, and the public to further our mission.



Jeffrey Shell  
Chairman



John F. Lansing  
Chief Executive Officer and Director

November 15, 2016

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# Introduction

## PURPOSE OF THE PERFORMANCE AND ACCOUNTABILITY REPORT

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This FY 2016 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) twelfth report providing performance and financial information. This integrated presentation of the Agency's

program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

This report satisfies the reporting requirements of the following legislation:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- Government Performance and Results Act of 1993 (GPRA)
- Government Management Reform Act of 1994 (GMRA)
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Improper Payments Information Act of 2002
- Improper Payments Elimination and Recovery Act of 2010
- Improper Payments Elimination and Recovery Improvement Act of 2012
- Government Performance and Results Modernization Act of 2010 (GPRAMA)

## STRUCTURE OF THE PERFORMANCE AND ACCOUNTABILITY REPORT

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The report includes the following sections:

### Management's Discussion and Analysis (MD&A)

The MD&A is an overview of the BBG, its organizational structure, and mission. It includes a summary of the Agency's program highlights and accomplishments for FY 2016 and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2016 FMFIA internal control review and a section on management assurances.

### Performance Information

The performance section presents annual program performance information as required by GPRA and GPRAMA and describes the Agency's progress in meeting its operational strategic goals. A summary of the FY 2016 performance objectives is presented, as well as information about the outcome of specific performance indicator targets and a summary

explanation of the verification and validation of performance measures used in the report.

### Financial Information

The financial section contains BBG's financial statements for the federal entities and the related Independent Auditor's Report. In this section, the BBG has prepared and presented all four statements as required by the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

### Other Information

This section contains the Inspector General's statement on management and performance challenges along with the BBG's response. It also contains a summary of financial statement, audit, and management assurances and improper payments information.

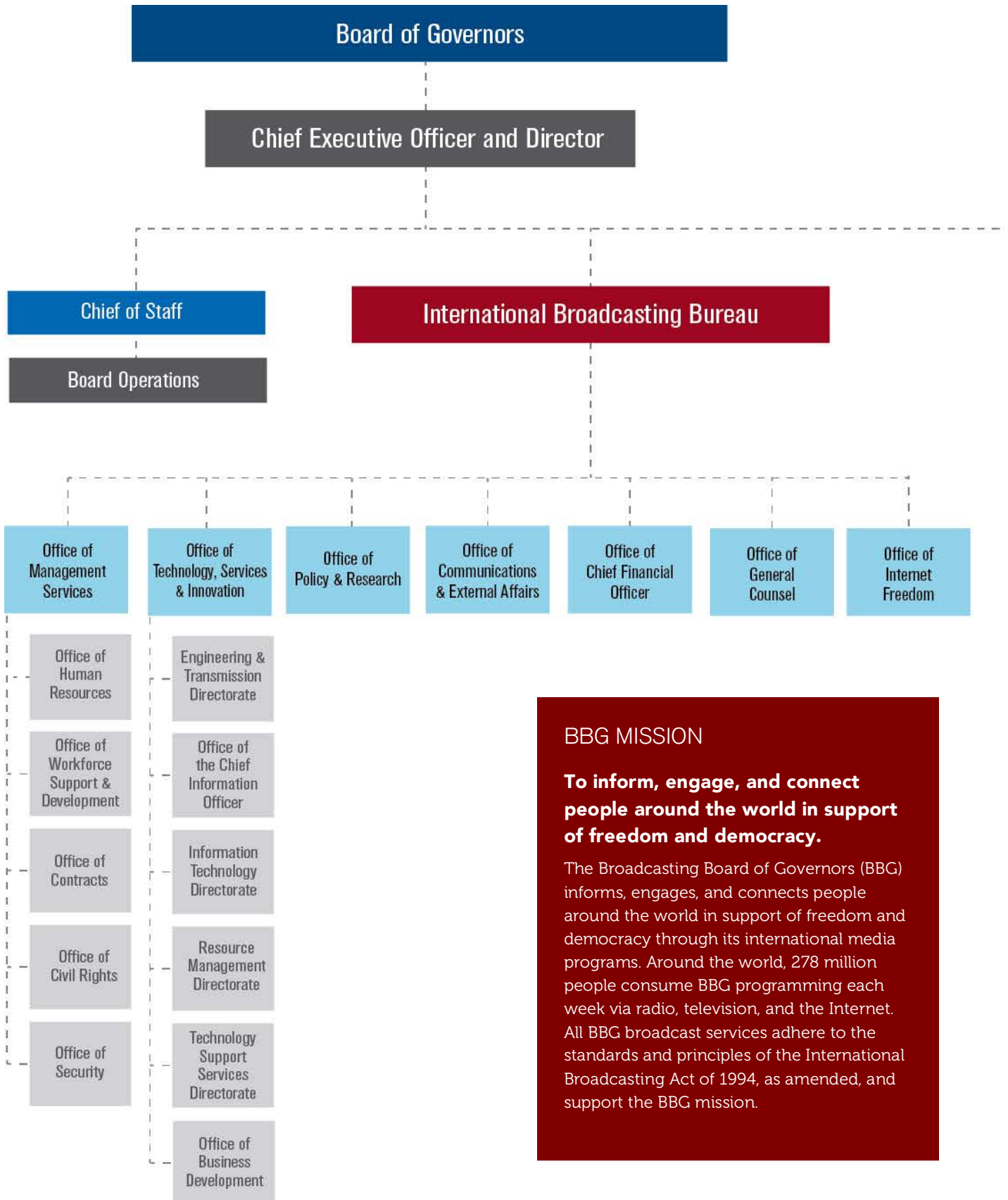


# Section 1: Management's Discussion and Analysis

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# Organizational Structure and Mission

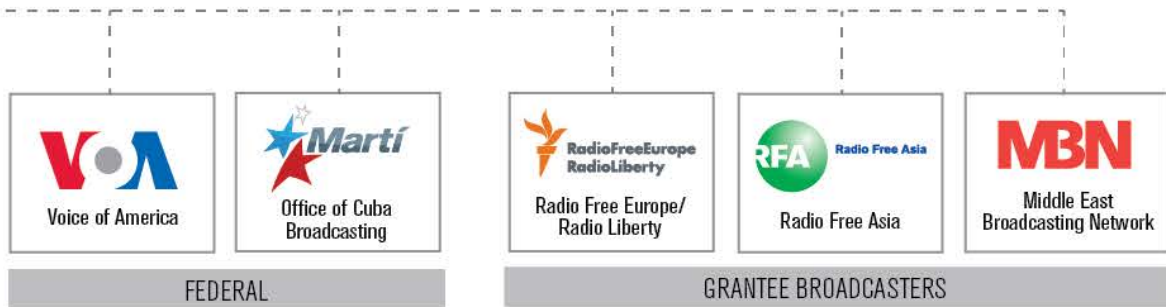


**BBG MISSION**

**To inform, engage, and connect people around the world in support of freedom and democracy.**

The Broadcasting Board of Governors (BBG) informs, engages, and connects people around the world in support of freedom and democracy through its international media programs. Around the world, 278 million people consume BBG programming each week via radio, television, and the Internet. All BBG broadcast services adhere to the standards and principles of the International Broadcasting Act of 1994, as amended, and support the BBG mission.

BBG networks report to the Board through the CEO.



## BBG ORGANIZATION

The Broadcasting Board of Governors (BBG) became an independent federal entity on October 1, 1999, as a result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-277). The BBG administers civilian international media funded by the U.S. Government in accordance with the U.S. International Broadcasting Act of 1994, as amended. As set forth in the enabling legislation, a bi-partisan, presidentially appointed board serves as head of the Agency. BBG is the name of both the Agency and the Board that governs the Agency. The Board sets the priorities and overall strategic direction of U.S. international media, allocates resources, manages relationships with the other executive branch agencies and Congress, reviews and evaluates the effectiveness of the broadcast language services, and safeguards journalistic integrity. This last function is of key importance to the Board, which has a vital role as a “firewall” between BBG journalists and those who would seek to influence news coverage. In FY 2015, the Board hired a Chief Executive Officer (CEO) and Director to manage the day-to-day operations of the agency and its networks.

The BBG networks include the Voice of America (VOA), the Office of Cuba Broadcasting (OCB), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN), as well as management and support offices in the International Broadcasting Bureau (IBB).

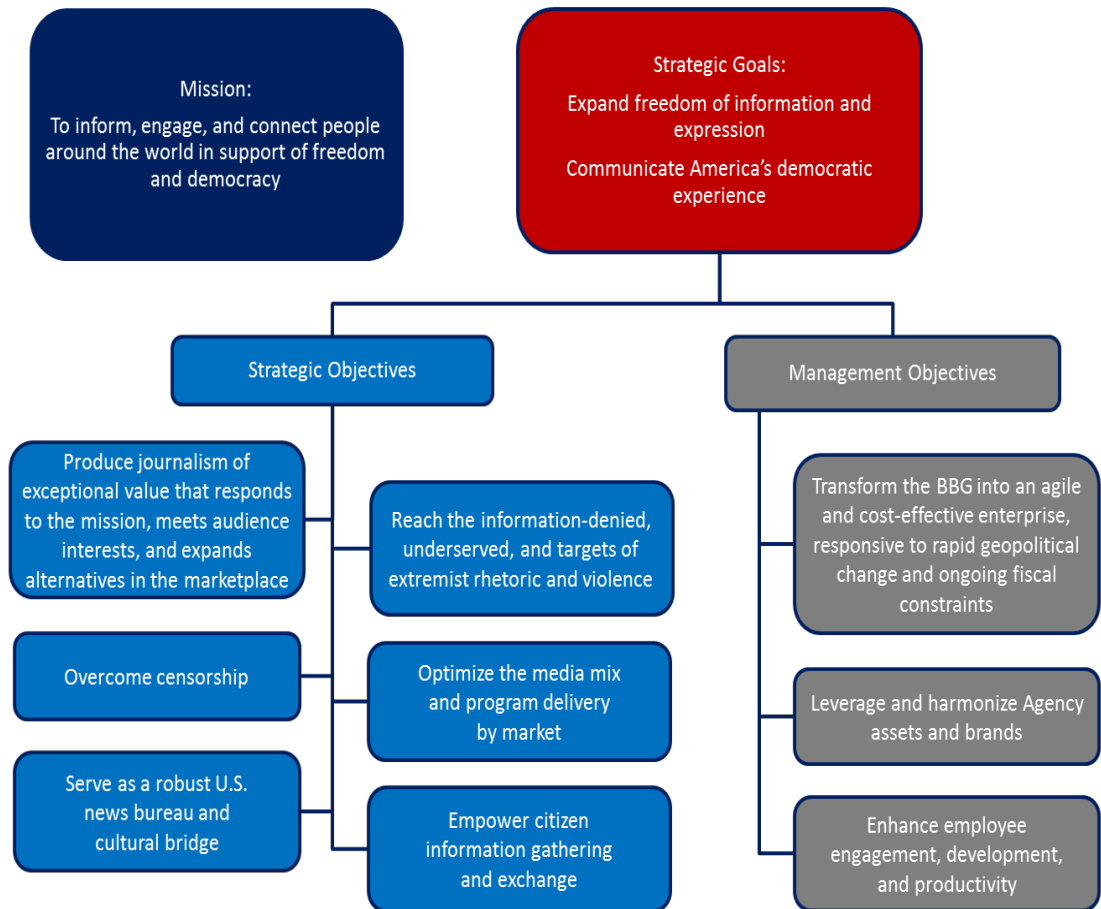
VOA, OCB, RFE/RL, RFA, and MBN, while under the direction of the BBG, have varied legal and organizational frameworks. VOA and OCB are part of the federal government. RFE/RL, RFA, and MBN are surrogate networks that receive funding from the federal government but are organized and managed as private non-profit corporations.

# FY 2016 Goals and Objectives

In the Strategic Plan covering FY 2014-2018, the BBG has set two strategic goals:

- **Expand freedom of information and expression**
- **Communicate America's democratic experience**

In support of these goals, the Strategic Plan sets out six Strategic Objectives and three Management Objectives:

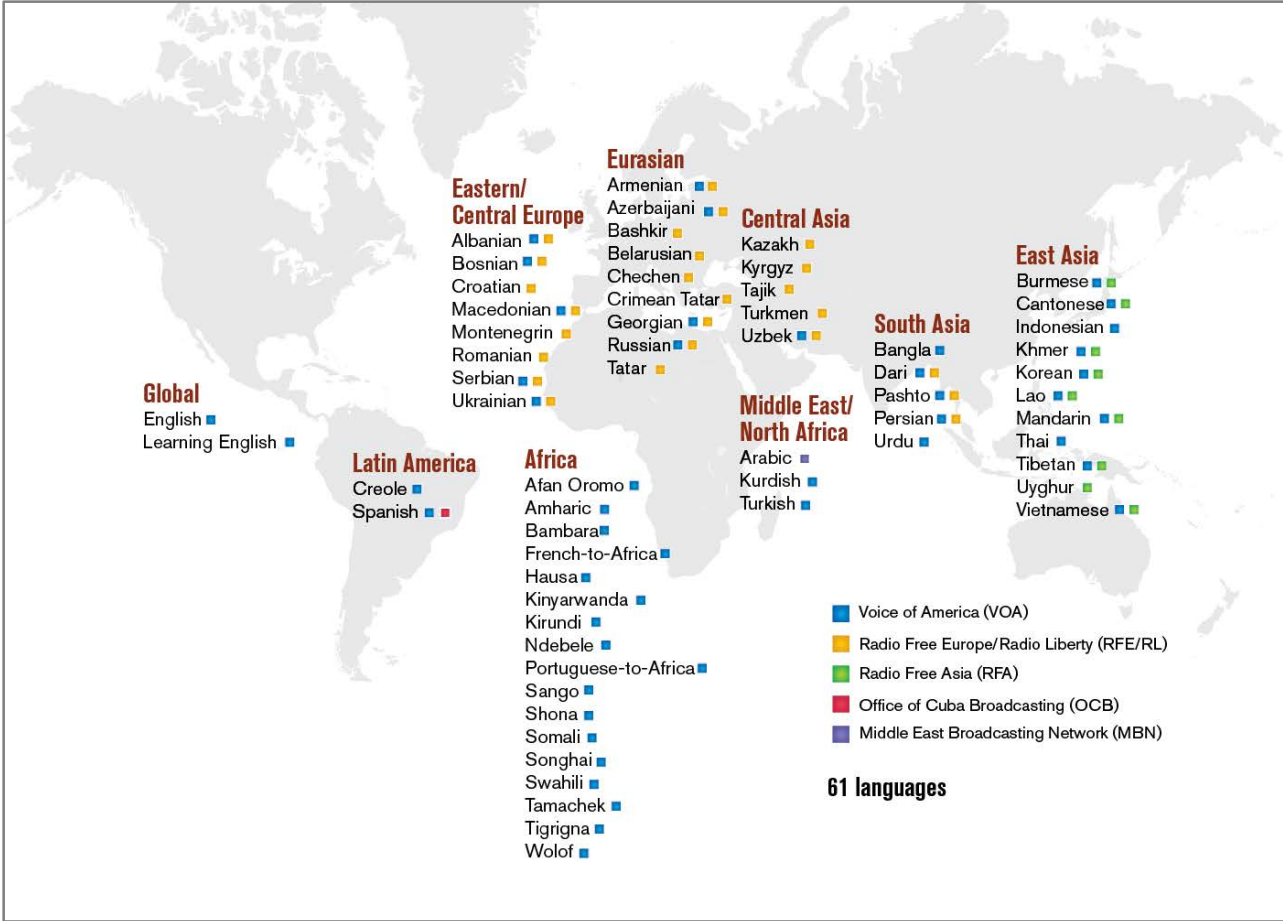


The Agency set performance goals supporting each of the Strategic and Management Objectives. Highlights of BBG's performance in FY 2016 are presented on the following pages. Full performance results are presented in Section Two.

# Performance Highlights

Over the past year, the BBG has effectively distributed breaking news, in-depth reporting and reasoned analysis on traditional and new media platforms, illustrating that international media is the most effective U.S. tool to provide accurate news and information and relevant discussions to those who do not receive this from their own media.

**Around the world, 278 million people consume BBG programming each week in 61 languages.**



**Key accomplishments in FY 2016 include:**

- MBN's Raise Your Voice-Iraq developed new television programs encouraging Iraqis to share their thoughts and opinions on extremism and the underlying causes of terrorism. This programming provides firsthand accounts of the realities of life under ISIL, including the pain and suffering of families and communities.
- RFE/RL and VOA actively engaged online in providing alternatives to Russian disinformation. In FY 2016, RFE/RL's DIGIM, the social media arm of *Current Time*, received 120,000 average weekly engagement actions on Facebook and VOA Russian averaged 45,000 per week.
- VOA and RFA ramped up social media outreach in Southeast Asia with huge gains in video viewing and engagement on Facebook and YouTube. VOA Vietnamese averaged 2.7 million video views weekly on YouTube, and RFA averaged over 600,000.
- VOA hosted a live town hall meeting connecting the Somali president in Mogadishu with Somali diaspora in Minnesota. The program aired on Somali National Television and was streamed on the web and Facebook, where it received 300,000 views and over 18,000 engagement actions.
- OCB hosted a two-day conference on internet freedom in Cuba. The event convened a broad spectrum of digital innovators and independent journalists from Cuba and elsewhere to exchange ideas and provided important information about the situation of the internet in Cuba.

STRATEGIC OBJECTIVE 1:

**Produce journalism of exceptional value that responds to the mission, meets audience interests, and expands alternatives in the marketplace**

**Performance Goal 1: Reach significant audiences**

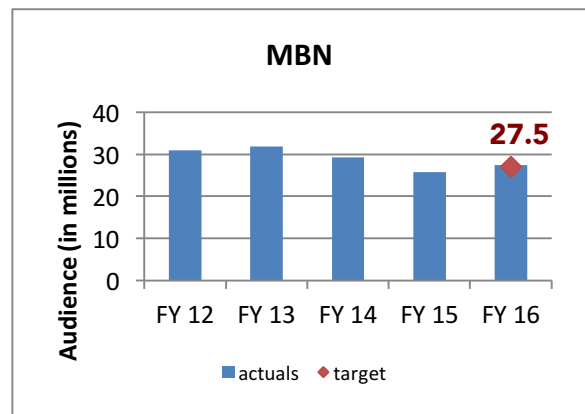
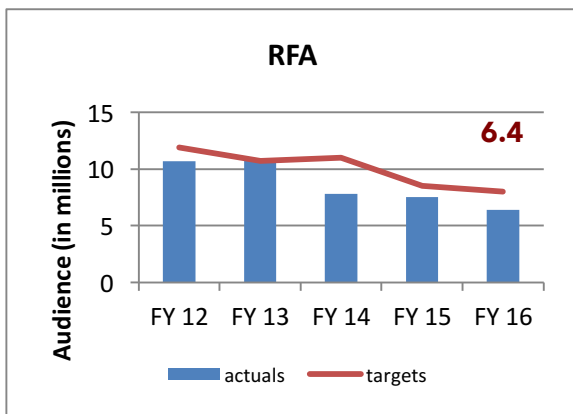
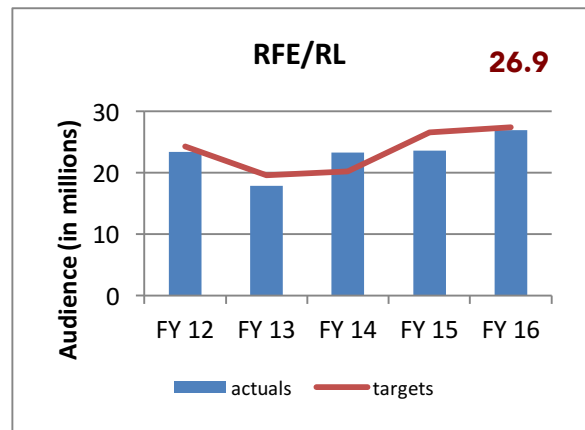
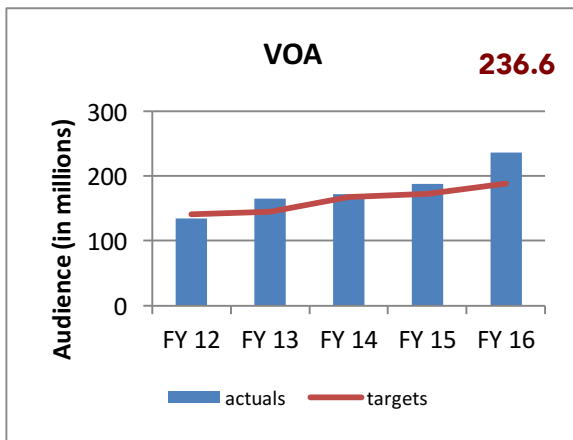
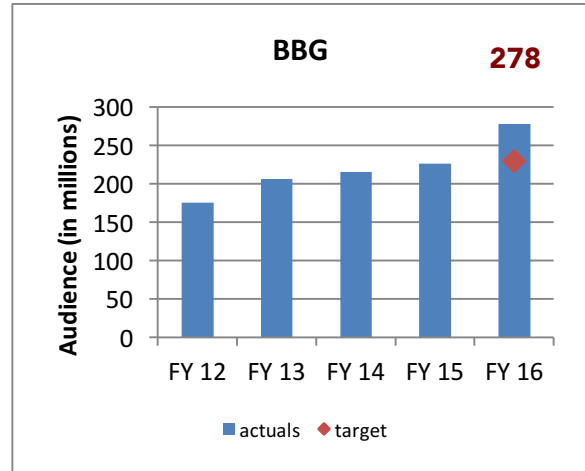
A key measure of BBG’s success is its weekly audience. These charts present weekly audience for BBG broadcasters from FY 2012 to FY 2016, along with the targets set by the Agency.

Impact cannot be reduced to a single quantitative factor. The BBG has developed an Impact Model, supported by a robust set of performance indicators to gauge success. All of the performance indicators for BBG Strategic Objectives come from the Impact Model.

Further discussion of these figures and results for the other performance goals and indicators are presented in Section Two: Performance Information.

\* BBG began setting overall annual audience targets for FY 2016; prior to that, targets were set for the individual networks only. FY 2016 is also the first year for which MBN set an overall audience target, rather than individual targets for Alhurra and Radio Sawa.

National estimates of audience reach for OCB in Cuba are not available. For more information, please see page 33.



# Ongoing Challenges

## MEDIA ENVIRONMENT

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Major factors shaping the global political and security context for BBG activities include barriers to freedom of information, the changing nature of communications, sophisticated disinformation operations by state and non-state actors, and threats to security from extremism and instability. Extremist rhetoric and incitement to violence directly threaten U.S. national security interests in Iraq, Syria, Afghanistan, Yemen, Somalia, and elsewhere, while the adroit adoption of digital and social media by actors around the world, including the Islamic State and others, threatens core U.S. values of freedom, democracy, and respect for human rights. Meanwhile, sophisticated state propaganda sponsored by Russia, China, and other authoritarian regimes propagates false narratives and disinformation, confusing audiences in order to subvert democratic ideals. The BBG brands' credible, factual, and locally relevant journalism challenges these lies and half-truths, in order to support democratic values, open debate, and the peaceful resolution of conflicts.

To respond to this challenging environment, the BBG is focused on targeting key spheres of influence aligned to U.S. foreign policy and on having and demonstrating impact.

The foremost challenge for the BBG is to deliver programming to audiences via the media and the formats they prefer, despite the instabilities and evolution of various media markets. The BBG is aggressively moving to formats and platforms that audiences use, including FM radio, satellite or cable TV, and digital platforms. In FY 2016, the BBG established new FM transmitters in Niamey, Niger; and Lubumbashi, Bukavu, Goma, and Kisangani, Democratic Republic of Congo. VOA developed new content appropriate for these FM streams in French, Hausa, Swahili and English.

To reach audiences, the BBG is constantly working to overcome jamming and censorship. The BBG has been at the forefront of the battle against satellite jamming, working closely with other concerned parties and through international forums to fight satellite jamming. On behalf of its broadcasters, the BBG's Internet Anti-Censorship program counteracts activities undertaken by governments such as China and Iran to restrict Internet access, constantly revising and updating its approaches and techniques to thwart Internet censorship.



Alhurra reporter Jordan Hayder reports on the Syrian refugees trapped at the border between Jordan and Syria. May 2016.

The BBG responds to crises and political changes worldwide with surges in broadcasting. BBG language services add additional coverage and create rich content to effectively and accurately inform people affected by crises and turmoil with very little lead-time and often with no defined end of surge. In FY 2016, BBG provided extensive coverage of the refugee crisis in the Middle East and Europe, produced on-

the-ground reports from demonstrations in Venezuela, stayed on the air when private radio stations were closed during a counter-coup in Burkina Faso, and intensified coverage of the conflict in eastern Ukraine. Moving forward, the BBG seeks to increase its ability and authority for crisis broadcasting.

## AUDIENCES

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Within this challenging environment, the BBG has an unprecedented weekly audience of 278 million people. BBG networks are focused on expanding their audiences and increasing their impact by targeting programming and delivery methods to engage key, strategic audiences in spheres of influence aligned with U.S. interests. Through the Strategy Review process initiated in FY 2014 and continued in FY 2015 and 2016, BBG language

services identified key target audiences and associated impact goals and performance targets.

The Agency's International Audience Research Program assists in this endeavor, both through market research to determine audience interests and assessment of key impact measures. In addition to 16 full surveys and 23 omnibus surveys, the BBG commissioned over 30 qualitative studies in FY 2016. On the qualitative



side, in addition to focus group, in-depth interview and audience monitoring panel studies, the BBG commissioned several studies aiming to better understand individual markets'

media environments. The BBG also conducted several online research projects designed to elicit feedback on the networks' performance on their own websites and on social media.



BBG research feeds strategic and programming decisions at the networks and fosters conversations with policy makers and academics.

## INFRASTRUCTURE

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The BBG requires powerful and reliable infrastructure and equipment to fulfill its mission. BBG customers – audiences and affiliate stations around the world – often have a number of news choices. To ensure these programs engage target audiences, the BBG must find ways to effectively deliver high quality programs in a format that is preferred by and accessible to the target audience. The BBG must manage a mix of media and technologies from traditional shortwave radio to satellite TV, internet, and mobile devices.

The rapidly evolving broadcast information technology (IT) market

impacts much of the BBG's broadcast and transmission equipment. Different areas of the world depend on different types of broadcast technology, requiring the BBG to maintain a traditional transmission network, while investing in new media technology to support programming efforts such as news delivery via SMS or mobile devices. New infrastructure must be established and maintained along with existing infrastructure, and this maintenance is complicated by the advent of digital technology with shorter replacement cycles. Given these constraints, the BBG strives to judiciously allocate resources to address the most critical

infrastructure requirements as well as recurring technical infrastructure requirements and one-time projects.

The BBG is aggressively shifting to digital platforms, targeting future leaders and influencers. Efforts include expanding and enhancing its Pangea content management infrastructure, increasing mobile apps, and implementing agile workflows for the digital age.

On broadcast platforms, the BBG must carefully manage its transmission infrastructure to maintain a strong

presence in critical markets, ensuring signal strength and reliability of broadcasts to vital areas throughout the world. The BBG works to meet this challenge by conducting in-depth analysis to meet the constant challenge of maintaining an effective and efficient transmission network.

BBG's Office of Technology, Services, and Innovation has spearheaded a process of migration away from less-effective transmission to platforms that audiences prefer and transfer of transmission from costly facilities to lower-cost options.



New media technologies make it possible to reach audiences with news delivery via smartphones or SMS.

## MANAGEMENT

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While audience preferences and research dictate the strategies of individual language services across the BBG, the Agency must remain flexible and capable of adapting to changes in regional priorities and broadcast strategies. The BBG must continually assess how best to scale and shape

operations, including the right mix of language services, to meet the new challenges while enhancing performance.



Leaders of each of the five BBG networks, collectively known as the U.S. International Media Coordinating Committee (ICC), presented key initiatives and collaborative activities aimed at maximizing their impact in today's challenging media environment during the February 2016 board meeting.

Unpredictable global events and changing media consumption habits make it important that the Agency continually improve its ability to respond to events with agility and focus. As audience preferences in target broadcast areas have changed, the BBG has transitioned from radio-only broadcasts to multimedia news and information distribution, including television, the Internet, text messaging, and mobile applications. Like surge broadcasts, these changes in distribution availability and audience preferences evolve quickly and require that the BBG be innovative to respond effectively and decisively.

In FY 2016, through the CEO-chaired International Media Coordinating Committee (ICC), the leaders of the five BBG global networks have planned coordinated coverage and content

sharing, exchanged best practices, de-conflicted challenges, and coordinated on strategic issues.

Internally, the quality, competence, and morale of the BBG workforce is critical to mission achievement. As such, the Agency has made the development and motivation of its workforce a key component of its Strategic Plan for meeting future challenges. Issues of federal employee morale and satisfaction, made apparent in the results of federal employee surveys, are being addressed through a comprehensive Workplace Engagement initiative.

# Financial Highlights

The BBG financial statements are included in the Financial Section of this report.

The independent accounting firm, Kearney & Company, conducted our FY 2016 financial statement audit and issued an unmodified opinion on our Principal Financial Statements.

Preparing these statements allows the BBG to improve financial management and provide accurate and reliable information to Congress, the President, and the public. BBG management is

responsible for the integrity and objectivity of the financial information presented in the statements.

The financial statements and financial data presented in this report have been prepared from the accounting records of the BBG in conformity with accounting principles generally accepted in the United States of America and incorporate the application of the standards as prescribed by the Federal Accounting Standards Advisory Board.

<b>Financial Highlights (in thousands)</b>	<b>2016</b>	<b>2015</b>
At End of the Year:		
<b>Condensed Balance Sheet Data:</b>		
Fund Balance with Treasury	\$ 208,276	\$ 204,609
Accounts Receivable	605	1,656
Advances to Surrogate Broadcasters	54,000	44,800
Property, Plant and Equipment	105,627	111,176
Other	1,799	962
<b>Total Assets</b>	<b>\$ 370,307</b>	<b>\$ 363,203</b>
Accounts Payable and Other	\$ 33,350	\$ 34,789
Retirement and Payroll	43,412	44,666
<b>Total Liabilities</b>	<b>\$ 76,762</b>	<b>\$ 79,455</b>
Unexpended Appropriations	\$ 203,567	\$ 194,975
Cumulative Results of Operations	89,978	88,773
<b>Total Net Position</b>	<b>293,545</b>	<b>283,748</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 370,307</b>	<b>\$ 363,203</b>
For the Year:		
<b>Condensed Statement of Net Cost Data:</b>		
Total Cost	\$ 754,084	\$ 756,070
Total Earned Revenue	(4,009)	(5,878)
<b>Total Net Cost of Operations</b>	<b>\$ 750,075</b>	<b>\$ 750,192</b>

# Management Assurances

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

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The Federal Managers' Financial Integrity Act (FMFIA) of 1982 (Public Law 97-255) is designed to provide reasonable assurance that agencies institute management accountability and internal controls that support five objectives:

- **Programs achieve their strategic objectives,**
- **Resources are effectively used consistent with the Agency's mission,**
- **Programs and resources are properly safeguarded against waste, fraud, and mismanagement,**
- **Information is reliable and timely to support decision making, and**
- **Agency complies with applicable laws and regulations.**

For compliance with the FMFIA of 1982 and the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, revised on July 2016; the Agency head of BBG will provide the annual assurance statement on the status of:

- **Effectiveness of internal control over financial reporting**
- **Effectiveness of internal control over operations**
- **Conformance with federal financial management system requirements**
- **Any material weakness found in the financial statements, which are derived from independent audits, Government Accountability Office (GAO), Office of the Inspector General (OIG) reviews, inspections or audits, and self-assessments conducted by BBG's management**

FMFIA Section 4, 3512(d) (2) (B) Section 4-31 U.S.C. 3512(d) (2) (B), commonly referred to as Section 4 of the Integrity Act, requires Senior Management to prepare an annual statement that includes a separate report on whether the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General. If the agency's accounting system does not substantially conform to the requirements listed above, the report must list the non-conformance and discuss the agency's plans for bringing its system into compliance. Based on this requirement, BBG has to be in compliance with the Federal Information Security Management Act

(FISMA). The OIG's FY 2016 FISMA report found that although the BBG had made progress, it continued to have risk management and monitoring deficiencies in its enterprise-wide security program.

During FY 2016, BBG started to implement the Enterprise Risk

Management and Internal Control Program as required by the OMB Circular A-123 that expands and reinforces the purpose of the FMFIA. Due to time constraints, BBG was unable to complete the implementation of the Program. As a result, BBG has decided to report no assurance.

## FINANCIAL MANAGEMENT SYSTEMS AND REPORTING INTERNAL CONTROL REVIEW

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Each year, the Broadcasting Board of Governors receives an Independent Audit Report containing an opinion on our financial statements, a report on internal control over financial reporting, and a report on compliance with laws, regulations, contracts and grant

agreements. In addition to safeguarding resources and complying with laws and regulations, the BBG strives to fairly and accurately present financial reports that have a material effect on spending, budgetary, or other financial decisions.

## FINANCIAL MANAGEMENT SYSTEMS STRATEGIES

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The BBG continues to update its Momentum financial system interfaces to provide increased functionality and a framework for future enhancements. Performing these updates enabled BBG to comply with mandatory Federal Government procurement, accounting, and external reporting changes, particularly Treasury's Payment Application Modernization, Governmentwide Treasury Account Symbol initiatives, as well as GSA's System for Award Management initiative. BBG continues to convert vendors to the Treasury Invoice

Processing Platform for vendor invoice processing. BBG completed the conversion to the E2 Travel Solution, as well as the interface between the financial and E2 travel system. BBG began the conversion of employees to the self-entry time and attendance system of WebTA. BBG continues to implement greater processing efficiencies, a solid framework for upcoming requirements, and increased capabilities to remain accurate and accountable.

## IMPROPER PAYMENTS PROGRAM

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The BBG is dedicated to continuing to strengthen its improper payments program to ensure payments are legitimate, processed correctly and efficiently. The Program utilizes an experienced and trained staff, a financial management system that is designed with control functions to mitigate risk, and an analysis process to review transactions and procedures.

The BBG conducts the following steps to comply with the Improper Payments Information Act of 2002 (IPIA), as amended and OMB Circular A-123 Appendix C, Part 1:

- 1. Review all programs and activities and identify those that are susceptible to significant improper payments.**
- 2. Obtain a statistically valid estimate of the annual amount of improper payments for those programs that are identified as susceptible to significant improper payments.**
- 3. Implement a plan to reduce improper payments.**
- 4. Report estimates of the annual amount of improper payments in programs and activities and progress in reducing them.**

More information on BBG's activities safeguarding against improper payments can be found in Section Four.

# FY 2016 Statement of Assurance



BROADCASTING BOARD OF GOVERNORS  
UNITED STATES OF AMERICA

## FY 2016 STATEMENT OF ASSURANCE

The Broadcasting Board of Governors (BBG) management team is responsible for establishing and maintaining an effective Enterprise Risk Management and Internal Control Program that meets the objectives of the Federal Managers' Financial Integrity Act (FMFIA). During Fiscal Year 2016 (FY 2016), the BBG launched the program as required by the Office of Management and Budget (OMB), Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* revised per OMB Memorandum of July 15, 2016, by hiring dedicated personnel and contract support. BBG is still in the process of conducting an entity-level risk assessment based on strategic objectives that will enhance existing internal controls, and implement new ones, as necessary to mitigate the risks related to operations, reporting, and compliance. Because the implementation of the program was not completed, the BBG is unable to provide assurance that internal control over operations and compliance objectives were operating effectively.

The BBG has completed substantial work documenting the internal controls around the financial reporting objective. We are finalizing the test plan of these controls to evaluate the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123. Because the testing of the effectiveness of internal controls was not completed, the BBG cannot provide conclusive assurance that as of June 30, 2016 its internal control over financial reporting was operating and that no material weaknesses were found in the design or operation of internal control over financial reporting.

For FY 2015, BBG reported one material weakness condition based on concurrence with the independent financial audit report. During FY 2016, BBG made significant progress to address this area by mitigating invalid unliquidated obligations (ULOs). The Office of the CFO continued to allocate a dedicated position to focus on resolving expired ULOs and fully implementing a Standard Operating Procedure to streamline the process. These efforts resulted in a substantial ULO adjustment reduction totaling more than \$5 million, as well as a substantial reduction in the overall population of outstanding obligations across all fiscal years. These improvements notwithstanding, this material weakness has not been completely remediated by the close of FY 2016. By maintaining our committed efforts, BBG leadership is confident that, in collaboration with the OIG, we will successfully address the remaining concerns.

  
John F. Lansing  
CEO and Director  
Broadcasting Board of Governors



## Limitations of Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Broadcasting Board of Governors (BBG), pursuant to the requirements of 31 U.S.C. 3515 (b). While the financial statements have been prepared from its books and records in accordance with Generally Accepted Accounting Principles for Federal entities and the formats prescribed by the Office of

Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

## Section 2: Performance Information

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# FY 2016 Goals, Objectives, and Results

## SUMMARY OF THE 2014-2018 BBG STRATEGIC PLAN

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The BBG's 2014-2018 strategic plan continues an ambitious roadmap to refine and expand the reach and impact of U.S. international media in support of U.S. strategic interests. The plan informs the BBG budget requests and supports the integration of performance, budget planning, and management of the BBG.

The mission of the Broadcasting Board of Governors remains to inform, engage, and connect people around the world in support of freedom and democracy.

This mission is achieved through two strategic goals:

- **Expand freedom of information and expression**
- **Communicate America's democratic experience**

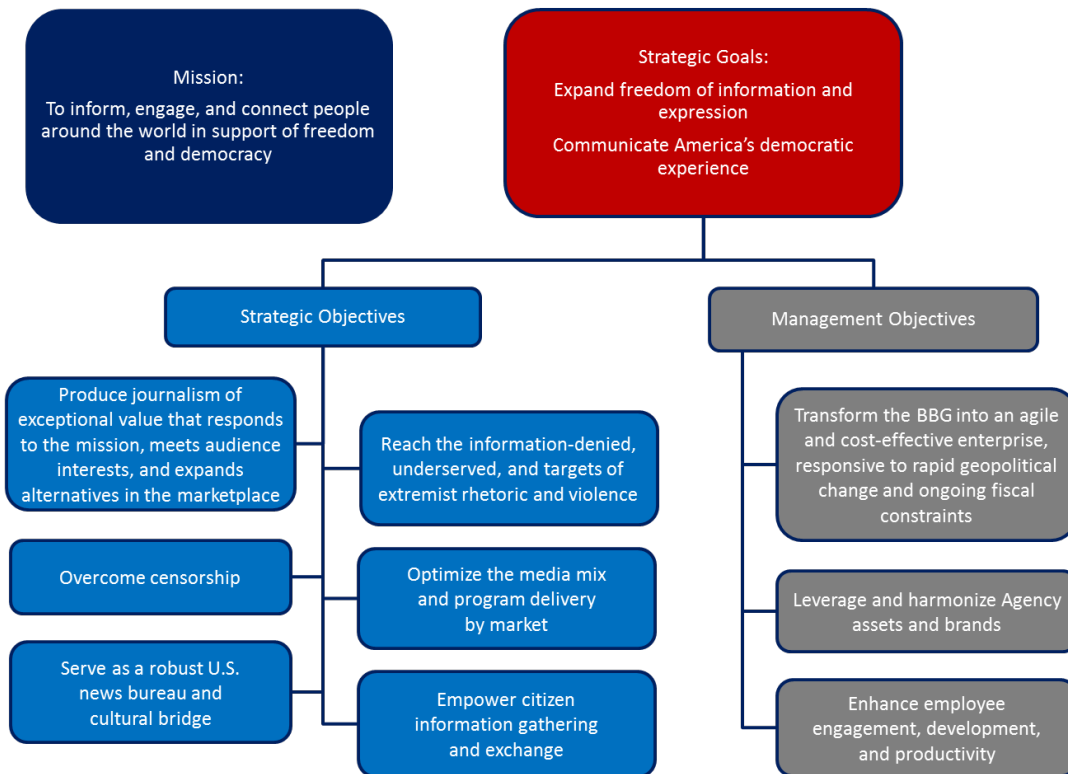
Both of these strategic goals serve to further the BBG mission of supporting freedom and democracy. The purpose of communicating America's democratic experience is not merely public diplomacy or improving America's image; rather, by presenting a case study in the American experience, we seek to help other countries navigate their own governance challenges.

The BBG's two strategic goals are supported by six strategic objectives and three management objectives, each of which has supporting performance goals. All of the performance indicators supporting the strategic objectives come from the BBG impact model. These objectives and goals map out Agency priorities over the next two years.

Woven into these objectives are five BBG priorities that will position the networks for success in the rapidly changing media environments:

- Targeting resources to cover key regions of strategic interest
- Aggressively continuing a shift to digital platforms
- Increasing strategic cooperation across BBG networks
- Enhancing the curation and acquisition of mission-relevant content
- Ensuring impact by measuring progress and success

## STRATEGIC AND MANAGEMENT OBJECTIVES



### STRATEGIC OBJECTIVE 1:

#### **Produce journalism of exceptional value that responds to the mission, meets audience interests, and expands alternatives in the marketplace**

Journalism is the daily work of the BBG broadcasters, and producing fact-based, verifiable news and information must be preeminent in Agency strategy. To have impact, BBG journalism must meet audiences' interests along the breadth of subjects that matter to their lives and, at the same time, must add value in expanding the range of media alternatives. Our aim is not just to follow the 24-hour news cycle but to drive the news agenda through original reporting, in-depth analysis, and a unique cross-

cultural perspective that helps our audiences become sophisticated consumers of news and media.

- As Congressionally mandated, provide news and other programming that is accurate, objective, and comprehensive and in accordance with the highest professional standards of broadcast journalism.
- Produce news and information, consistent with audience

- Offer non-news content that research, web analytics, and audience and affiliate feedback show are of vital interest to audiences, such as health, science, and technology.
- Produce enterprise reporting through deep and lasting exploration of critical issues in the countries we target.
- Co-create content with reputable partners, as appropriate and consistent with broadcasting standards and editorial guidelines.

STRATEGIC OBJECTIVE 1: Produce journalism of exceptional value that responds to the mission, meets audience interests, and expands alternatives in the marketplace

**Performance Goal 1: Reach significant audiences.**

Measured Weekly Audience (in millions)	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
BBG	175	206	215	226	230	278
VOA	134.2	164.6	171.6	187.7	188.0	236.6
RFE/RL	23.4	17.9	23.3	23.6	27.4	26.9
RFA	10.7	10.8	7.8	7.5	8.0	6.4
MBN	30.9	31.8	29.3	25.7	27.0	27.5
Radio Sawa	13.4	11.1	11.3	10.9	NA	NA
Alhurra	22.9	21.9	20.9	17.6	NA	NA
OCB	NA	NA	NA	NA	NA	NA

Notes:

- FY 2016 targets are from the FY 2017 Congressional Budget Request.
- Audience estimates do not include data for Cuba, Eritrea, North Korea, or Tibetan and Uyghur regions of China, because political risk has made it impossible to carry out representative surveys in the target regions. This represents a significant portion of the countries and regions targeted by RFA language services. BBG expects to conduct a survey for Cuba in FY 2017.
- Since the FY 2015 PAR, BBG is reporting performance indicators for MBN overall, rather than reporting separately on Radio Sawa and Alhurra. This move brings them in line with the other broadcast entities and allows inclusion of MBN’s Afia Darfur audiences.

IMPACT INDICATOR:

**Measured Weekly Audiences:**

This indicator measures the number of people in target areas listening to or viewing BBG programming or online materials in the past week. The measure is obtained for each language service (except Spanish-to-Cuba, Korean, Uyghur, and Tibetan) and for the countries served by the BBG that were surveyed within the past five years. It is based upon the measurement of the “regular listening audience,” a statistical standard long used to report international radio audience measurement. Regular listening or viewing audience (radio, TV or Internet) has over the years been consistently defined as all adults listening or viewing at least once a week, as determined by

an audience survey that has an adequately designed sample. The BBG weekly audience is unduplicated, i.e., a member of the audience is counted only once, regardless of the number of times, platforms, or networks they consume each week. The BBG does not conduct surveys in every country every year, so audience figures may in some cases reflect weekly audience measures collected from up to five years in the past. This may result in an over or underestimation of actual audience. Additionally, political volatility in certain markets may prevent the measurement of current audiences for services broadcasting to these areas.

**Analysis of Results:**

**VOA – Target: 188.0 million Actual: 236.6 million**

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With a weekly audience of 236.6 million, VOA exceeded its FY 2016 target of 188.0 million. VOA’s customized affiliation strategy is a major audience driver, in particular for TV. The bulk of VOA’s growth comes from large audience increases in Indonesia, Mexico, Peru, and Argentina, where VOA partners with leading TV and radio stations. VOA also achieved significant audience growth in Nigeria, South Africa, and Burundi. Other increases in VOA’s audience stem from increased survey coverage in some countries (Taiwan, Hong Kong, Mozambique).

**RFE/RL – Target: 27.4 million Actual: 26.9 million**

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RFE/RL’s weekly audience continued to rise in FY 2016, growing to 26.9 million just short of RFE/RL’s target of 27.4 million. Audience growth was driven by strong interest in *Current Time*, which attracted new audiences to RFE/RL in Russia. The availability of *Current Time* on local affiliates in the Baltic States resulted in measuring U.S. International Media (USIM) audiences there for the first time since research for vernacular languages in the region ended in 2002. RFE/RL also posted dramatic audience growth between surveys in Moldova, following the introduction of *Current Time* as well the introduction of TV programming by the Moldovan Service. The introduction of RFE/RL TV programming in Ukraine also helped to attract new

audiences to RFE/RL but the growth fell short of forecasts since radio reach fell. Measured audiences in a few RFE/RL markets were dropped from the audience estimate after passing the five-year cut off, which further contributed to the target not being met.

**RFA – Target: 8.0 million Actual: 6.4 million**

RFA’s weekly audience decreased from 7.5 million to 6.4 million in FY 2016, falling short of its target of 8.0 million. Audience gains in Taiwan and newly measured audiences in Hong Kong failed to offset the slide in audience numbers in Burma, where rapid political and media changes provided Burmese people with exciting new options. RFA did not obtain hoped for domestic radio and television distribution, a critical element to obtaining its target. With a still-small pool of Internet users and a shrinking audience for traditional shortwave, Burma presents significant challenges for RFA.

**MBN – Target: 27.0 million Actual: 27.5 million**

With a measured audience of 27.5 million, MBN slightly exceeded its target of 27.0 million. The increase in reach for MBN is due to MBN’s new irfaasawtak website, which attracted almost one million new MBN users in Libya and Morocco.

**OCB (Radio and TV Martí) – Target: NA Actual: NA**

Because of the historical limitations of reliable survey data in Cuba, it has not been possible to reliably measure weekly audience for OCB. BBG anticipates conducting a survey and reporting results in FY 2017 and will set future targets at that time.

**Performance Goal 2: Provide programming that audiences find trustworthy.**

STRATEGIC OBJECTIVE 1: Produce journalism of exceptional value that responds to the mission, meets audience interests, and expands alternatives in the marketplace

<b>Program Credibility – percent of weekly audience who consider information to be very or somewhat trustworthy</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
VOA	92	89	89	86	86	86
RFE/RL	93	92	92	88	92	87
RFA	92	89	87	84	87	86
MBN	NA	NA	NA	86	86	82
Radio Sawa	89	85	83	NA	NA	NA
Alhurra	84	84	84	NA	NA	NA
OCB	NA	NA	NA	NA	NA	NA

IMPACT INDICATOR:

**Program Credibility:**

This indicator is determined by the survey question about trustworthiness of news and information of those sampled respondents who listened to or viewed each station at least once a week. The answers are registered on a four-point scale – Trust a great deal, Trust it somewhat, Do not trust it very much, Do not trust it at all. The

credibility index is the percent of those answering the question in the survey (excluding those who did not respond or did not know) who endorsed trust a great deal or somewhat. Credibility estimates are not included for countries where the number of regular listeners/viewers/online users is so small (n = <50) that the estimate is unreliable.

**Analysis of Results:**

**VOA – Target: 86 Actual: 86**

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VOA's program credibility score of 86 percent in FY 2016 was right on target. VOA continues to hold a high level of credibility among its audience with 86 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.

**RFE/RL – Target: 92 Actual: 87**

---

RFE/RL's program credibility score of 87 percent in FY 2016 missed the target of 92 percent. RFE/RL continues to hold a high level of credibility among its audience with 87 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.

**RFA – Target: 87 Actual: 86**

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RFA's program credibility score in FY 2016 was two points higher than its 84 percent score in FY 2015, but slightly lower than its target of 87 percent. RFA continues to hold a high level of credibility among its audience with 86 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.

**MBN – Target: 86 Actual: 82**

---

MBN's program credibility score of 82 percent in FY 2016 missed the target of 86 percent. MBN continues to hold a high level of credibility among its audience with 82 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.



**OCB – Target: NA Actual: NA**

Due to historical limitations of reliable survey data in Cuba, it has not been possible to reliably measure credibility for OCB. BBG anticipates conducting a survey and reporting results in FY 2017 and will set future targets at that time.

**Performance Goal 3: Provide programming that increases the audiences’ understanding of current events.**

STRATEGIC OBJECTIVE 1: Produce journalism of exceptional value that responds to the mission, meets audience interests, and expands alternatives in the marketplace

<b>Understanding – percent of weekly audience who report that the broadcasts have increased their understanding of current events somewhat or a great deal</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
VOA	88	90	90	85	85	86
RFE/RL	91	90	86	84	88	81
RFA	92	97	88	80	85	NA
MBN	NA	NA	NA	81	81	80
Radio Sawa	70	80	77	81	NA	NA
Alhurra	72	79	77	81	NA	NA
OCB	NA	NA	NA	NA	NA	NA

IMPACT INDICATOR:

**Understanding of current events:**

This indicator is determined by the survey question asking weekly listeners/viewers/online users of [language] whether the broadcasts have “increased their understanding of current events.” The answers are registered on a four-point scale – a

great deal, somewhat, very little, or not at all. The understanding indicator measures the percent of those answering the question in the survey (excluding those who did not respond or did not know) who chose “a great deal” or “somewhat.”

**Analysis of Results:****VOA – Target: 85 Actual: 86**

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VOA's understanding score of 86 percent in FY 2016 slightly exceeded the target of 85 percent. These findings testify to the value that VOA provides to its audience, with 86 percent of all users reporting that its programs increased their understanding of current events.

**RFE/RL – Target: 88 Actual: 81**

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RFE/RL's understanding score of 81 percent in FY 2016 did not meet the target of 88 percent. RFE/RL continues to increase the understanding of current events among a significant portion of its audience with 81 percent of weekly listeners, viewers, or online users reporting that its programs increased their understanding of current events.

**RFA – Target: 85 Actual: NA**

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Historically, RFA's understanding scores have been based on data from Burma and Cambodia, where audiences have been robust. In FY 2016, BBG had no new data for Cambodia. In Burma, the understanding question was not asked using the standard language from previous years, meaning answers were not comparable with past data or with those used for other broadcasters.

**MBN – Target: 81 Actual: 80**

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MBN achieved an understanding score of 80 percent in FY 2016, falling just short of their target of 81.

**OCB – Target: NA Actual: NA**

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Due to historical limitations of reliable survey data in Cuba, it has not been possible to reliably measure understanding for OCB. BBG anticipates conducting a survey and reporting results in FY 2017 and will set future targets at that time.

STRATEGIC OBJECTIVE 1:  
Produce journalism of exceptional value that responds to the mission, meets audience interests, and expands alternatives in the marketplace

**Performance Goal 4: Provide exceptional news and information.**

Uniqueness – percent of weekly audience reporting that broadcaster presents information they cannot get from other broadcasters	FY 2012-2014 Actuals	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
VOA	Question has been incorporated into core questionnaire	25	25	25
RFE/RL		32	34	25
RFA		NA	NA	NA
MBN		NA	NA	NA
OCB		NA	NA	NA

Note: This was a new measure in FY 2015. Actuals for FY 2012-2014 are not available. Baselines are based on a small subset of countries, those surveyed since 2013. There was insufficient data to report uniqueness scores for RFA, MBN and OCB.

IMPACT INDICATOR:

**Uniqueness:**

This indicator is determined by the survey question asking weekly listeners/viewers/online users of any language how much of the information provided by the entity is also available from other sources on the radio, TV, or Internet. The answers are registered on a four-point scale – All of it is available

elsewhere, Some of it is available elsewhere, Very little of it is available elsewhere, None of it is available elsewhere. The unique information indicator measures the percent of those answering the question in the survey who chose “very little” or “none.”

## **Analysis of Results:**

### **VOA – Target: 25 Actual: 25**

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VOA's uniqueness score of 25 percent is consistent with its target for FY 2016. These findings suggest that a significant portion of the audience finds VOA's content to be substantially different from that offered by other sources. In most countries in which this question has been asked, a plurality of VOA users – typically between 40 and 60 percent – opines that "some" of the information provided by VOA can be obtained from other sources, reflecting the fact that most important news stories are carried on multiple outlets, even if VOA provides a unique perspective.

### **RFE/RL – Target: 34 Actual: 25**

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RFE/RL's uniqueness score of 25 percent did not meet the target of 34 percent. RFE/RL continues to provide unique information to a significant portion of its audience with 25 percent of weekly listeners, viewers, or online users reporting that "very little" or "none" of the information provided by RFE/RL is available elsewhere.

## STRATEGIC OBJECTIVE 2:

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### **Reach the information-denied, underserved, and targets of extremist rhetoric and violence**

In deciding where to broadcast, BBG considers the local media situation and prioritizes countries that lack a free or developed press. Special consideration is given to populations at risk of violence due to extremist rhetoric. In all target countries, BBG broadcasters seek to grow their audience base and reach those traditionally underserved by our broadcasts. Populations in our target countries are overwhelmingly young – a challenge but also a chance for us to connect with a demographic that in the main has never even heard of us. Our current audiences are approximately 60 percent male and 40 percent female – an imbalance ripe for correcting. We understand that to reach and be relevant with these audiences we need to provide them with content that not only informs them of international and local news, but assists them in building and participating in a civil society. BBG pays special attention to audiences in areas plagued by extremism, as extremist forces espouse a violent ideology and execute campaigns of terror that threaten U.S. and regional security and stymie free, open, democratic societies. Support for programming to these audiences is in the interests of U.S. national security.

- Prioritize countries lacking freedom and democracy or faced with extremism where accurate, credible news and information are lacking; boost service to these areas, where feasible.
- Introduce service in selected new languages to reach sizeable new audiences in important countries where our products are urgently needed.
- Reach out to women and youth with the kinds of content and conversation they wish to have beyond traditional news and information paradigms.
- Sharpen audience segmentation and targeting to drive content strategies and better address gender and age demographics, as well as psychographic segments.
- Create country-specific content streams in existing languages to augment news and information for priority countries, e.g., Egypt, Mali.
- Serve as a conduit for the transmission of reporting from inside closed societies to outside audiences.
- Ensure strong local news coverage, as warranted by events, to meet urgent audience needs in areas of crisis.
- Draw on the experiences of the world's many models of free societies, in particular the U.S., to present a broad array of political views and debates.

**Performance Goal 1:  
Achieve significant audience reach in environments subject to  
extremist violence.**

STRATEGIC  
OBJECTIVE 2:  
Reach the  
information-denied,  
underserved, and  
targets of extremist  
rhetoric and  
violence

	<b>FY 2014 Baseline<sup>1</sup></b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Maintain significant audience in Iraq <sup>2</sup>	35.5%	42.4%	43.5%	42.6%
Maintain significant TV audience in the Persian Gulf <sup>3</sup>	3.9 million	4.0 million	4.0 million	6.8 million
Increase weekly audience in Francophone Sub-Saharan Africa <sup>4</sup>	8.9 million	8.9 million	10.0 million	12.9 million
Increase weekly audience in Anglophone Sub-Saharan Africa <sup>5</sup>	33.0 million	34.6 million	35.0 million	47.2 million
Increase weekly audience in Kenya	6.0% (Oct 2013)	12.1% (Aug 2015)	13.1%	No new data available
Increase weekly audience in Tanzania	20.3% (Sep 2012)	17.8% (Jun 2015)	18.8%	31.0% (Feb 2016)
Increase weekly audience in Nigeria	16.9% (Mar 2014)	18.1% (Jun 2015)	19.1%	21.0% (Feb 2016)
Increase weekly audience in Niger	16.0% (Dec 2013)	16.0% (Dec 2013)	17.0%	No new data available

<sup>1</sup> Multi-country estimates are presented in real numbers, rather than percentages, because of the potential high variations in percentages across covered countries.

<sup>2</sup> Iraq includes audience for Alhurra, Radio Sawa, and VOA Kurdish.

<sup>3</sup> Survey dates: Bahrain (Dec 2014); Kuwait (Jan 2014); Qatar (Jun 2014); Saudi Arabia (Nov 2012); UAE (Oct 2015); Yemen (Nov 2015); Total surveyed population in 5 countries = 35.6 million (*footnotes continued on page 38*)

<sup>4</sup> Survey dates: Benin (Jun 2013); Burkina Faso (May 2015); Burundi (Jan 2016); Cameroon (Apr 2013); Central African Republic (Jul 2016); Chad (Oct 2012); Congo, Brazzaville (Jun 2013); Congo, Kinshasa (Nov 2012); Cote d'Ivoire (Jun 2015); Gabon (June 2016); Guinea (Jun 2014); Madagascar (Mar 2016); Mali (Oct 2015); Rwanda (May 2014); Senegal (May 2015).

<sup>5</sup> Survey dates: Botswana (May 2016), Ghana (Nov 2013); Kenya (Aug 2015); Liberia (Sep 2012); Malawi (Oct 2014), Nigeria (Feb 2016); Sierra Leone (Apr 2015); Somalia (Feb 2013); South Africa (Aug 2016); South Sudan (Dec 2015); Tanzania (Feb 2016); Uganda (Nov 2015); Zambia (Dec 2014).

IMPACT INDICATOR:

**Weekly audience is defined under Strategic Objective 1,  
Performance Goal 1.**

**Analysis of Results:**

Audience targets were met in FY 2016 in Iraq (the difference is not statistically significant), the Persian Gulf, Francophone Africa, Anglophone Africa, Tanzania and Nigeria. New data was not available for Kenya and Niger.

**Performance Goal 2:**

**Increase audiences in environments lacking information.**

STRATEGIC  
OBJECTIVE 2:  
Reach the  
information-denied,  
underserved, and  
targets of extremist  
rhetoric and  
violence

	<b>FY 2014 Baseline</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Expand weekly audience in Burma	11.2% (Mar 2014)	11.2% (Mar 2014)	13.2%	7.1% (Dec 2015)
Expand weekly audience in Cambodia	30.8% (Jun 2014)	39.5% (May 2015)	41.5%	No new data available
Expand weekly audience in Vietnam	1.9% (Mar 2013)	3.6% (Mar 2015)	4.1%	No new data available
Expand digital audience in China	0.03% (Nov 2009)	0.25% (Jun 2014)	0.5%	No new data available

IMPACT INDICATOR:

**Weekly audience is defined under Strategic Objective 1,  
Performance Goal 1.**

**Analysis of Results:**

The FY 2016 audience target for Burma was not met due to the increasingly competitive media market in Burma, the more open domestic news environment and challenges obtaining domestic broadcast distribution for both RFA and VOA. (RFA has had no domestic distribution; VOA has had only minimal distribution of very limited editorial content.) However, the dramatic growth in the audience for VOA's Burmese Facebook page suggests that the digital audience may largely make up for losses in broadcast audiences in the near future. New data was unavailable for Cambodia, Vietnam, and China.



STRATEGIC  
OBJECTIVE 2:  
Reach the  
information-denied,  
underserved, and  
targets of extremist  
rhetoric and  
violence

**Performance Goal 3:  
Reach audiences with fact-based, credible information in environments  
targeted by state-sponsored misinformation campaigns.**

	FY 2015 Baseline	FY 2016 Target	FY 2016 Actual
Increase audience in the Russian Federation	2.7% (Dec 2013)	3.7%	4.9% (Jun 2016)
Increase audience in Ukraine	20.8% (Apr 2014)	Reach 24% of adults on all platforms	18.0% (Jun 2016)
Increase audience in Moldova	8.3% (Oct 2010)	Reach 14% of adults on all platforms	32.1% (Feb 2016)
Increase audience in Kazakhstan	0.9% (Jan 2011)	Reach 1.5% of adults on all platforms	No new data available
Increase audience in Tajikistan	6.8% (Nov 2014)	Reach 10% of adults on all platforms	11.4% (Jun 2016)
Attract audiences in Estonia	5.2% (Aug 2015)	Reach 6% of adults on all platforms	No new data available
Attract audiences in Latvia	No data	Reach 3% of adults on all platforms	7.2% (Aug 2015)
Attract audiences in Lithuania	No data	Reach 3% of adults on all platforms	10.0% (Aug 2016)
Provide programming that audiences find trustworthy	Russia: 91.9% (Dec 2013) Ukraine: 93.4% (Apr 2014) Moldova: 88.8% (Oct 2010) Kazakhstan: no data Tajikistan: 87.8% (Nov 2014) Estonia: no data Latvia: no data Lithuania: no data	80% of weekly audience in each market consider information to be very or somewhat trustworthy	Russia: 67.2%* (Jun 2016) Ukraine: 68.4% (June 2016) Moldova: 90.4% (Feb 2016) Kazakhstan: no data Tajikistan: 87.8% (Nov 2014)—no new data Estonia: no data Latvia: no data Lithuania: 71.7% (for <i>Current Time</i> , Aug 2016)

\* VOA only; both RFE/RL and *Current Time* do not have a sufficiently large regular audience sample for analysis.

IMPACT INDICATOR:

**Weekly audience is defined under Strategic Objective 1, Performance Goal 1.**

**Analysis of Results:**

Targets for FY 2016 were met for audience increases in Russian Federation, Moldova, Tajikistan, Latvia, and Lithuania. No new data was available for Kazakhstan and Estonia. The previous Ukraine survey (2014) was conducted shortly after the Crimea referendum, during a time of heightened news interest among the vast majority of Ukrainians. As is often observed in times of prolonged crises, interest in and consumption of news tends to level again after a certain period of times, which is a likely reason why the audience target for Ukraine was not met in the 2016 survey.

While trust targets were not met in Russia, Ukraine, and Lithuania, it should be observed that the extreme hostility towards “Western influences” now prevalent in Russian media – and by extension in many of the former Soviet states – undoubtedly colors public attitudes regarding information emanating from American sources, and may also affect survey respondents’ willingness to provide frank answers to interviewers’ questions on this topic. In these difficult circumstances, the fact that more than two thirds of the audiences in the region continues to repose confidence in BBG broadcasts may be regarded as a positive sign. No data was available for Kazakhstan, Estonia, and Latvia.

**Contextual Indicators:**

2016 Freedom House Rankings	# of BBG target countries ranked		
	Not Free	Partly Free	Free
Freedom of the Press	62	52	10
Freedom in the World (political)	50	50	24

## STRATEGIC OBJECTIVE 3: **Overcome Censorship**

For almost 70 years U.S. international broadcasting has fought censorship in all its forms. Today, as the global media environment undergoes a dynamic revolution, access to a truly free press is actually in decline. Jamming of radio and TV broadcasts, including our own, continues in a number of countries. Journalists suffer harassment and violence daily. Media laws often restrict free flows of information, limiting the ability of international news organizations to distribute their content. The Internet in particular is under assault. The Agency upholds the universal right of citizens everywhere to receive and impart information without restriction. We work on many fronts to make news and information accessible to our global audiences with the aim of enabling not only unfettered access to our own products but also the full spectrum of independent news sources on the Internet.

- Lead in assisting the world's citizens to gain access to information on all platforms, advocating on the international stage and coordinating within the U.S. government and with international broadcasters and other allies.
- Help audiences understand through journalistic reports the practices and policies of Internet censorship and circumvention.
- Fund technologies that counter Internet censorship and Internet blocking.
- Increase effective use of social media and digital platforms to combat censorship.
- Provide in-house digital expertise to address real-time censorship and jamming issues in targeted regions.

STRATEGIC OBJECTIVE 3:  
Overcome censorship

### **Performance Goal 1: Increase traffic through Internet Anti-Censorship products**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Increase proxy traffic through Ultrasurf	19,210 TB	20,000 TB	21,900 TB	18,250 TB	23,000 TB	21,900 TB
Increase proxy traffic through Psiphon	420 TB	1,961 TB	4,125 TB	8,900 TB	9,000 TB	11,048 TB
Increase Satellite Internet traffic to Cuba	24 GB	138 GB	17 GB	9 GB	10 GB	NA
Number of messages sent via Piramideo	NA	3.1 million	5 million	6.9 million	8 million	8.2 million

Note: Internet anti-censorship products supported by RFA's Open Technology Fund are not represented here. Performance goals for these products are being established.

IMPACT INDICATORS:

**Proxy Traffic through Ultrasurf:**

This indicator measures the volume of Internet traffic through Ultrasurf, a BBG-supported proxy tool for circumventing Internet censorship.

**Proxy Traffic through Psiphon:**

This indicator measures the volume of Internet traffic through Psiphon, a BBG-supported proxy tool for circumventing Internet censorship.

**Satellite Internet Traffic to Cuba:**

This indicator measures the volume of Internet traffic through BBG’s satellite Internet link to Cuba.

**Number of Messages Sent via Piramideo:**

This indicator measures the number of messages sent through OCB’s social networking tool, Piramideo.

**Analysis of Results:**

**Proxy Traffic through Ultrasurf – Target: 23,000 TB Actual: 21,900 TB**

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Proxy traffic through Ultrasurf increased from 18,250 TB in FY 2015 to 21,900 TB in FY 2016, but fell short of its target of 23,000 TB.

**Proxy Traffic through Psiphon – Target: 9,000 TB Actual: 11,048 TB**

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With 11,048 TB of traffic in FY 2016, proxy traffic through Psiphon greatly exceeded its target of 9,000 TB.

**Satellite Internet Traffic to Cuba – Target: 10 GB Actual: NA**

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The Satellite Internet to Cuba project was discontinued in FY 2016. OCB programming reaches audiences in Cuba through various means, including the distribution of DVDs in Cuba. In FY 2015, OCB distributed 170,000 DVDs in Cuba and in FY 2016, 135,500 DVDs. DVD distribution shows a decline in FY 2016 due to lack of logistical support on island and a number of DVDs that were compromised in transit during and after the President’s visit to Cuba. These issues were addressed by the end of FY 2016 and FY 2017 should return to FY 2015 levels or higher.

**Number of Messages Sent via Piramideo –  
Target: 8 million Actual: 8.2 million**

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The number of messages sent via Piramideo in FY 2017 was 8.2 million, meeting its target of 8 million.

**Contextual Indicator:**

2016 Freedom House Rankings	# countries targeted by BBG Internet Freedom activities ranked	
	Not Free	Partly Free
Freedom on the Net	10	2

STRATEGIC OBJECTIVE 4:

**Optimize the media mix and program delivery by market**

It is essential that we reach audiences on their preferred media platforms. Yet the Agency’s distribution methods and means have lagged shifts in media use. We must therefore align how we deliver our content with how consumers access it now and in the future. We must accelerate our investment into growing and enhancing new distribution methods, with specific attention to social and mobile platforms. For traditional media, we must migrate to the most effective broadcast channels, including satellite TV, and FM radio. And considering we have one of the world’s largest affiliate networks, we must aggressively expand and improve our affiliations and syndication of content in effective formats. Ultimately, the Agency is platform-agnostic. We seek to do what works best for the market at hand to get our content to as many users as possible.

- Increase distribution on platforms that we know audiences are using – FM, satellite TV, and mobile devices – migrating away from legacy platforms where they do not reach audiences.

- Find creative ways to penetrate closed societies, through flash drives, DVDs, and other alternative delivery means.
- Expand local distribution through affiliation with strong digital outlets, local television and FM radio stations and, where possible, installation of FM transmitters.
- Draw on research and other inputs to tailor format and presentation styles to audience needs and media usage habits, creating content that can break through ever increasing clutter.
- Exploit the falling cost of video production by updating our broadcasting facilities to support growing audience appetite for TV and video. Support audience’s growing appetite for social media, TV, and video by purchasing equipment and rebuilding aging infrastructure and broadcasting facilities.
- Integrate and digitize all content – e.g. text, audio, photos, graphics, and video – on a common content management system to facilitate use across platforms, support on-demand needs of the audience, and increase use via syndication.

**Performance Goal 1: Increase web and mobile traffic.**

<b>Average weekly visits to web and mobile sites</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
VOA	4,948,200	5,990,400	6,589,400	6,957,800
RFE/RL	5,911,900	7,890,400	7,890,400	7,500,200
RFA	922,700	764,700	764,700	848,700
MBN	NA	249,400	274,300	490,300
Radio Sawa	243,000	NA	NA	NA
Alhurra	147,200	NA	NA	NA
OCB	75,000	119,200	131,100	162,800

STRATEGIC OBJECTIVE 4: Optimize the media mix and program delivery by market

Note:

- Numbers do not include some proxy visits and apps. Traffic to apps is not included because it was not available for the full fiscal year for all broadcasters. Traffic to social media sites (Facebook, Twitter, etc.) is also not included here.
- Data in the chart above should be compared across years and not across broadcasters, in part because broadcasters are measuring different numbers of web and mobile sites and languages.
- In FY 2014, the BBG made an investment in enterprise-quality digital analytical systems to provide a digital measurement and insights across all of its websites and mobile applications. This switch resulted in data discontinuity that required rebaselining in FY 2014. For FY 2014, VOA, RFE/RL, RFA, and OCB numbers are based on the initial configuration of the new analytics tool; MBN numbers are from the legacy analytics tool. In FY 2015 and 2016, all numbers are from the new analytics tool.

IMPACT INDICATOR:

**Average weekly visitors:**

This indicator measures the number of visits to BBG websites and mobile sites over a 52 week period and creates an average based on 52 weeks of data coinciding with the fiscal year.

**VOA – Target: 6,589,400 Actual: 6,957,800**

VOA’s web and mobile traffic exceeded the target set for FY 2016.

**RFE/RL – Target: 7,890,400 Actual: 7,500,200**

RFE/RL’s web and mobile traffic did not meet the target set for FY 2016, due to a strategic shift to meeting its audience on social media. While falling slightly short of its target to maintain traffic to its websites, RFE/RL achieved significant success with digital engagement. RFE/RL saw nearly 224 million engaged users on Facebook in FY 2016, which represents a 60 percent increase from the previous year. RFE/RL also garnered 300 million views on YouTube in FY 2016, which represents an 88 percent increase from FY 2015.

**RFA – Target: 764,700 Actual: 848,700**

RFA’s web and mobile traffic exceeded the target set for FY 2016.

**MBN – Target: 274,300 Actual: 490,300**

MBN’s web and mobile traffic exceeded the target set for FY 2016.

**OCB – Target: 131,100 Actual: 162,800**

OCB’s web and mobile traffic exceeded the target set for FY 2016.

STRATEGIC OBJECTIVE 4: Optimize the media mix and program delivery by market

**Performance Goal 2: Build strong affiliate relationships.**

Number of affiliations (broadcast, online, and mobile)	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
VOA	383	2,252	1,838	2,088	2,192	2,265
RFE/RL	81	759	528	577	606	761
RFA	14	29	23	30	35	35

Note: In FY 2013, the BBG changed its methodology for counting affiliates. This stemmed, in part, from an upgrade to its affiliate database to promote better

communication with affiliates, as well as the growing importance of digital outlets. Where previously only high impact, high quality radio and TV affiliates with signed contracts were tallied, the affiliation indicator now counts all stations or outlets that regularly retransmit content from BBG networks. The methodology for counting affiliates was further refined in FY 2014. Previous estimates for RFE were undercounted.

#### IMPACT INDICATOR:

##### **Affiliations:**

Affiliates are a primary gatekeeper between the BBG networks and their end users – the audiences that listen, watch, and read their content online, on mobile and by broadcast outlets. Counting the number of affiliates, then, offers a measure of the appeal of the programming to these vital gatekeepers

and distributors of the BBG networks' content. As shortwave usage wanes in parts of the world, the importance of affiliations with local medium wave and FM radio and television stations grows. With the growth of digital and mobile technology, there are new forms of affiliations, including online and mobile.

#### **Analysis of Results:**

##### **VOA Affiliates – Target: 2,192 Actual: 2,265**

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With 2,265 VOA affiliates, BBG exceeded its target of 2,192 affiliations in FY 2016.

##### **RFE/RL Affiliates – Target: 606 Actual: 761**

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With 761 RFE/RL affiliates, BBG exceeded its target of 606 affiliations in FY 2016.

##### **RFA Affiliates – Target: 35 Actual: 35**

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With 35 RFA affiliates, BBG exactly met its target for affiliations in FY 2016.

#### STRATEGIC OBJECTIVE 5:

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##### **Serve as a robust U.S. news bureau and cultural bridge**

Representing American society and presenting and discussing U.S. policy are legislated mandates for the Agency and thus constitute mission imperatives. BBG coverage of the U.S. is comprehensive across all elements of society but aims overall to convey the

practice of democracy in all of its complexity. It is not about persuading audiences to like us; it is about helping them see how we manage the challenges of our democratic society – from economic growth to fiscal crises to race relations to educating our youth



to addressing environmental change. These topic areas find ready comparisons in our target countries and resonate with our audiences in practical, meaningful ways. Carrying them out requires sensitivity and creativity. Currents of anti-Americanism still run strong in some parts of the world, necessitating deft outreach on our part that stresses dialogue not monologue. The way people interact with media today, with emphasis on interaction, further affirms this approach. At the same time, America's still dominant role on the global stage makes our country a focal point of international attention, and our national language is the one that tens of millions of people around the world seek to learn. VOA, in particular, is uniquely mandated and positioned to leverage these advantages to connect with diverse international audiences, serving as a U.S. news bureau for our affiliate partners and providing English-learning programming.

- Serve as a U.S. bureau for media outlets across the world that wish to engage with us for news, analysis, and perspectives from the United States – on the model that has succeeded in Ukraine, Turkey, Latin America, Nigeria, Indonesia, and others.
- Emphasize English learning as a vehicle for positive audience engagement and interaction as well as information on American society and culture.
- Meet the global interest in American politics with in-depth coverage and analysis of national elections and coverage of other political events to impart the news and to elucidate the democratic process, with stories localized to make them interesting to specific target regions.
- Satisfy the world's growing appetite for learning English through TV and radio programs, online instruction, printed instructional materials, and innovative short-form videos posted on the Web

STRATEGIC OBJECTIVE 5: Serve as a robust U.S. news bureau and cultural bridge

**Performance Goal 1: Provide programming that increases audiences' understanding of the United States.**

<b>Understanding of American society – percent of weekly audience who report that the broadcasts have increased their understanding of American society somewhat or a great deal</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
VOA	66	60	62	62

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available. Baselines for this measure are based on a very small sample of countries—mainly those surveyed since 2013.

Understanding of U.S. foreign policy – percent of weekly audience who report that the broadcasts have increased their understanding of U.S. foreign policy somewhat or a great deal	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
VOA	64	61	62	60

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available. Baselines for this measure are based on a very small sample of countries—mainly those surveyed since 2013.

IMPACT INDICATORS:

**Understanding of American Society:**

This indicator is determined by the survey question asking weekly listeners/viewers/online users of a BBG entity’s broadcasts in a particular language whether the broadcasts have “increased their understanding of American society.” The answers are registered on a four-point scale – a great deal, somewhat, very little, or not at all. The understanding indicator measures the percent of those answering the question in the survey (excluding those who did not respond or did not know) who chose “a great deal” or “somewhat.”

**Understanding of U.S. Foreign Policy:**

This indicator is determined by the survey question asking weekly listeners/viewers/online users of a BBG entity’s broadcasts in a particular language whether the broadcasts have “increased their understanding of U.S. foreign policy.” The answers are registered on a four-point scale – a great deal, somewhat, very little, or not at all. The understanding indicator measures the percent of those answering the question in the survey (excluding those who did not respond or did not know) who chose “a great deal” or “somewhat.”

**Analysis of Results:**

**Understanding of American Society – Target: 62 Actual: 62**

VOA’s score for understanding of U.S. American society was 62 percent for FY 2016, precisely meeting its target for the year. These findings suggest that roughly two thirds of VOA’s audience regards the service’s content as contributing substantially to their understanding of American life and institutions.

## Understanding of U.S. Foreign Policy – Target: 62 Actual: 60

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VOA's score for understanding of U.S. foreign policy was 60 for FY 2015, falling marginally short of the target of 62. Typically the percentage of survey respondents who answer this question affirmatively is smaller than the percentage who state that VOA has enhanced their understanding of current events; this simply reflects the fact that for many users, VOA is seen first and foremost as a news source, and interest in U.S. foreign policy is not necessarily a driving motivation to listen to or watch the programming.

### STRATEGIC OBJECTIVE 6:

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#### **Empower citizen information gathering and exchange**

New and powerful web, mobile, and social media tools are enabling increasingly diverse voices to be heard around the world. These tools have made media personal, moving the power from centralized broadcasters to a new class of bloggers, activists, videographers, and a content-generating public. They are using media not only to tell their stories on a digital world stage but also to connect with one another to chart the future of their communities and build new forms of civil society. Social media are also changing the way news is gathered and distributed, requiring news organizations to adopt new work flows that allow them to use multiple platforms to deliver content to a global audience. Our Agency must aggressively pursue an innovation agenda that develops the next generation of content, tools, and distribution platforms.

- Nurture citizen journalism and channel user-generated content from inside repressive states.
- Link citizens within repressive societies and to external audiences through social media networks.
- Facilitate dialogue across religious, national and ethnic groups.
- Enter into a "global conversation" with our audiences by using social media tools to identify, source, and distribute news content into the channels where people are having conversations about their community and the world.
- Build new partnerships to create tools that help us more efficiently and effectively translate content for a global audience around high-quality news and information.
- Pursue partnerships with technologists around the globe who are building the next generation of digital media technology through mobile and social media.
- Develop a suite of new media products that can be easily deployed by language services based on market consumption data, with an eye toward maximizing opportunities for user generated content, peer-to-peer sharing, and audience interactivity.

**Performance Goal 1: Increase audience interaction via social media.**

Digital Engagement Impact Index	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
VOA	System for automated collection of social media data rolled out in Q4 FY 2014.	Not reported this year due to a required reconfiguration of data collection tool.	Establish baselines.	Baselines not established.
RFE/RL				
RFA				
MBN				
OCB				

STRATEGIC OBJECTIVE 6: Empower citizen information gathering and exchange

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available.

**IMPACT INDICATOR:**

**Digital Engagement Impact Index:**

This indicator measures the total number of engagement actions on currently measurable platforms, currently Facebook and Twitter. Engagement actions include measurable actions that demonstrate an

activity beyond just consuming content: liking or favoriting a BBG post, commenting on a BBG post, sharing a BBG post, @mentioning a BBG account (Twitter only), liking or following a BBG account or profile.

**Analysis of Results:**

The BBG did not meet the goal of establishing baselines during FY 2016, due to prolonged acquisition difficulties of a third-party social media tracking tool capable of tracking all BBG languages across multiple social media sites. This tool has now been acquired and baselines will be established in the first quarter of FY 2017.

STRATEGIC  
OBJECTIVE 6:  
Empower citizen  
information  
gathering and  
exchange

## Performance Goal 2: Increase sharing of BBG programming.

Percent of weekly audience who shared something heard/read/seen on broadcaster weekly	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
VOA	54	52	53	55
RFE/RL	48	54	56	44
RFA	55	56	57	64
MBN	NA	NA	Set baseline	52
OCB	NA	NA	NA	NA

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available. Baselines for this measure are based on a very small sample of countries—mainly those surveyed since 2013.

### IMPACT INDICATOR:

#### Sharing of programming:

This indicator is determined by the survey question asking weekly listeners/viewers/online users in any language how often they share news that they have heard, seen, or read from a BBG entity with friends or relatives, or with their social network. The answers are registered on a five-point range –

Daily or most days per week, At least once a week, At least once a month, Less than once a month, Never. The sharing indicator measures the percent of those answering the question in the survey who chose "Daily or most days per week" or "At least once a week."

#### Analysis of Results:

##### VOA – Target: 53 Actual: 55

VOA exceeded its FY 2016 target of 53 percent by 2 percentage points.

##### RFE/RL – Target: 56 Actual: 44

RFE/RL's score for sharing of programming was 44 percent in FY 2016, not meeting its target of 56 percent. Responses from users of RFE/RL in Moldova indicated an extremely low level of sharing of RFE/RL content, which negatively impacted overall figures for the network. The findings in Moldova were investigated extensively before the dataset was finalized and appear to be accurate although strikingly at odds with the increased size of the RFE/RL audience in Moldova. More investigation is necessary to understand if the findings are part of a trend or were an anomaly in this particular study.

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**RFA – Target: 57 Actual: 64**

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RFA exceeded its FY 2016 target of 57 percent by 7 percentage points.

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**MBN – Target: NA Actual: 52**

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MBN set its baseline at 52 percent for sharing in FY 2016. Targets will be established for subsequent years.

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**MANAGEMENT OBJECTIVE 1:**

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**Transform the BBG into an agile and cost-effective enterprise, responsive to rapid geopolitical change and ongoing fiscal constraints**

By virtue of historical circumstance, today's BBG is a complex amalgam of diverse media outlets and respective support organizations, operating under different legal and administrative frameworks. The result is an organization lacking the agility essential to operate in a rapidly evolving global media environment and the standardization that enables rational resource allocations. Going forward, the Agency must undergo rapid and fundamental transformation in order to appropriately fulfill its charter amidst growing geo-political instability and substantial budgetary challenges.

- Enhance the Agency's technological platforms and workflows enabling it to continually adapt to global standards in content acquisition, manipulation, distribution, and audience consumption behaviors.
  - Transform workplace and increase collaboration by leveraging open space concepts.
  - Make innovation a core value of how we work and interface with audiences and other stakeholders.
  - Automate and streamline business processes and work flows.
-

MANAGEMENT OBJECTIVE 1: Transform the BBG into an agile and cost-effective enterprise, responsive to rapid geopolitical change and ongoing fiscal constraints

**Performance Goal 1: Enhance the Agency’s technological posture**

	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Execute seamless transition to Internet and fiber optic content distribution to stations and uplinks	MPLS infrastructure put in place to facilitate satellite optimization. MPLS has replaced leased fiber optic cables. 80% of owned uplink facilities have MPLS connectivity.	80% of BBG owned/operated uplink facilities have MPLS connectivity. 100% of satellite based circuits used for agency data (non-broadcast content) moved from satellite to terrestrial circuits. 15% of satellite-based distribution feeds have been transferred to terrestrial circuits.	OCB, VOA Persian and VOA China TV (approx. 13%) of satellite-based distribution feeds transferred to terrestrial circuits (by end of 1Q).  40% of satellite-based distribution feeds transferred to terrestrial circuits.	100% of BBG owned/operated uplink facilities have MPLS or internet connectivity for content distribution.  40% of satellite-based distribution feeds (including OCB, VOA Persian, and VOA China TV) have been transferred to terrestrial circuits.

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available.

INDICATOR:

**Satellite uplinks fed by MPLS:**

This indicator measures the percentage of satellite uplinks in the global BBG network that are fed by MPLS (Multiprotocol Label Switching).

**Analysis of Results:**

**Satellite uplinks fed by MPLS – Target: 40% Actual 40%**

The BBG has made great progress on this goal and met its target of 40 percent of satellite-based distribution feeds being transferred to terrestrial circuits. Furthermore, all BBG owned and operated uplink facilities now have MPLS or internet connectivity for content distribution.

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**Performance Goal 2: Transform workplace and increase collaboration**

MANAGEMENT  
OBJECTIVE 1:  
Transform the BBG  
into an agile and  
cost-effective  
enterprise,  
responsive to rapid  
geopolitical change  
and ongoing fiscal  
constraints

	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Leverage open space concepts	41% of total footprint	42% of total footprint	61% of total footprint	59% of total footprint

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available.

**INDICATOR:**

**Open space:** This indicator measures the percentage of the total footprint of BBG headquarters that is configured as open space.

**Analysis of Results:****Open space – Target: 61% Actual 59%**

With 59 percent of the headquarters configured as open space in FY 2016, BBG narrowly missed the target of 61 percent. Two planned renovations were required to maintain some office space for work requirements.

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MANAGEMENT OBJECTIVE 1: Transform the BBG into an agile and cost-effective enterprise, responsive to rapid geopolitical change and ongoing fiscal constraints

**Performance Goal 3: Automate and streamline key business processes**

	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Complete business process reengineering and automation of business and media workflows	Automated Time and Attendance system has been delayed due to unavailability of funds; Analysis of Financial, HR and Payroll systems substantially underway and on track for completion in Q1 FY 2015	Automated Time and Attendance System in testing phase. Pilot to roll-out in Q1 FY 2016;  Integration of HR and Payroll delayed due to planning and funding issues;  80% of Procure to Pay analysis completed.	Automated Time and Attendance System rolled out to all federal entities and incorporated into existing payroll (DFAS) system; Completion of Procure to Pay analysis; Begin integration of financial, HR, payroll, and time and attendance systems.	Automated Time and Attendance System rolled out to 85% of federal entities, with a projected completion in Q1 FY 2017. Automated Time and Attendance system now being incorporated into existing payroll (DFAS) system.  Procure to Pay has been put on hold, pending funding.

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available.

INDICATOR:

**Business process reengineering and automation:**

This goal presents milestones related to reengineering and automating key business processes.

**Analysis of Results:**

**Time and attendance system automation**

The automated time and attendance system has been rolled out to 85 percent of the federal workforce, with a projection completion by the first quarter of FY 2017.

**Financial, HR, and Payrolls systems integration**

The automated time and attendance system is currently being incorporated into the existing payroll system.

**Invoice submission and processing**

Procure to Pay automation has been put on hold pending funding.

## MANAGEMENT OBJECTIVE 2:

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### **Leverage and harmonize Agency assets and brands**

The BBG is one of the world's largest news-gathering and reporting enterprises with more than 80 language services, 50 overseas news bureaus, 4,000 employees, and 1,500 stringer reporters. Each of the Agency's five broadcasters generates original reporting every day from and around the world's hotspots – the Sahel and Central Africa, Afghanistan-Pakistan border region, Burma, China, Egypt, Iran, North Korea, Russia, Syria, Yemen, et al – primarily in vernacular languages for target audiences in these areas. Too little of this rich content is translated and shared across the BBG to augment international news coverage for other BBG vernacular services or made available to other global audiences in English. BBG will remedy this by facilitating coordination between broadcast entities and reinforcing their unique and respective mission-driven legislated roles in areas served by multiple broadcasters.

- Ensure coordinated and complementary mission-driven operations and content served by two BBG media entities.
- Build the internal content-sharing network, aligning internal editorial support and coordination, as needed.
- Channel original reporting from the language services to the central newsrooms and across the BBG to get maximum mileage out of the content we currently produce.
- Harmonize news gathering, including stringer and correspondent networks, across the BBG to ensure required editorial coordination and avoid redundancy.
- Use BBG's coordinated news gathering and reporting structures as assets to provide affiliates with greater value, through interactive segments and other special offerings.
- Complement original BBG reporting through curation, commissioning, and acquisition of external content.

MANAGEMENT  
OBJECTIVE 2:  
Leverage and  
harmonize agency  
assets and brands

**Performance Goal 1:  
Develop coordinated strategies, operational plans, and budgets for BBG  
language services in countries/regions served by more than one network**

	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
Establish coordinated goals and strategies for each target country/region	Launched BBG-wide Strategy Review, developing goals and targets for each country/region	Refined Strategy Review process with goals and targets tied to BBG Impact Model	Continue and refine Strategy Review process, aligning to Agency priorities and impact	Integrated Strategy Review with annual Language Service Review and budget formulation

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available.

INDICATOR:

**Coordination:**

This goal marks progress in coordinating goals and strategies across BBG entities that serve the same countries or regions.

**Analysis of Results:**

The FY 2016 Strategy Review continued to improve agency coordination through integration with Language Service Review and the FY 2018 budget formulation process.

**Performance Goal 2:**

**Increase the quantity of original reporting shared across language services**

MANAGEMENT OBJECTIVE 2: Leverage and harmonize agency assets and brands

	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Share content across language services	Various systems in place for sharing among language services and entities (e.g., News Share, VOA Insights, RFE/RL Editorial Agenda). Tracking systems and baselining moved to FY 15 target.	Tracking mechanisms for shared content have not been established	Increase coordination and content sharing, as assessed by Office of Performance Review, in key areas: <ul style="list-style-type: none"> <li>• Reporting on Russia</li> <li>• Covering violent extremism</li> <li>• Influence of Iran</li> <li>• China and South China Sea</li> <li>• Cuba</li> </ul>	IBB performance analysts monitored the BBG networks and found growing coordination in all five areas.

Note: This was a new measure in FY 2014. Actuals from FY 2012-2013 are not available.

INDICATOR:

**Content shared across language services:**

This indicator examines the coordination and sharing of BBG content shared across language services, both within and across entities.

**Analysis of Results:**

The Office of Performance Review (now integrated into the Office of Policy and Research) monitored activities among all the BBG networks throughout FY 2016 as part of the Strategy Review Process, and found the USIM Internal Coordinating Committee (ICC) conferred on a regular basis, setting up communication systems to improve sharing of content and coordination of coverage in many target areas. The editorial departments of all the BBG networks participate in a weekly call to discuss upcoming coverage. The networks have also made some space-sharing agreements to economize resources while maximizing coverage and distribution in target areas.

In the absence of tracking mechanisms, it is difficult to quantify the improvements. However, observations by OPR analysts showed strong progress in most of the key areas:

### **Reporting on Russia**

Amid a full-scale information war waged by Kremlin-sponsored media over the crisis in Ukraine and Russian President Vladimir Putin's intensified campaign against critics at home and abroad, the RFE/RL and VOA Russian Services coordinated their resources to support a unified response to Russian disinformation with programming aimed at new audiences in countries bordering Russia. RFE/RL and VOA collaborated on a daily TV news program *Current Time*, and expanded cooperation to serve additional post-Soviet Russian-speaking markets in Ukraine, Central Asia, and the Baltics.

### **Covering Violent Extremism**

BBG networks share content on a routine basis to offer objective and balanced reporting on the spread of violent extremism and to counter disinformation promulgated by extremist movements. VOA's Extremism Watch Desk shares content in 13 languages with the other BBG networks. MBN shared its critically acclaimed series *Delusional Paradise* with the other networks, who are airing and adapting the material. RFA's English language site has a section with a robust selection of articles from sister entities on extremist unrest and terrorism.

### **China and South China Sea**

VOA and RFA conduct weekly content-sharing calls, use each other's original reports when appropriate, and have limited cross-linking of website content. They coordinated to expand coverage of the November 2015 Burmese elections on radio and television. Editors and managers from both networks exchanged coverage plans daily, and the networks coordinated broadcast schedules to maximize coverage and dissemination of news on election day.

### **Influence of Iran**

VOA and RFE/RL coordinated Persian language coverage on major issues including the 5+1 nuclear deal negotiations with Iran, the U.S.-led international effort to fight ISIL and the conflict in Syria, simultaneously putting strong emphasis on human rights and women's rights issues in Iran. Both VOA Persian and Radio Farda also covered major speeches and statements by President Obama and Secretary Kerry, key congressional hearings, and major international events. VOA's Capitol Hill and State Department correspondent reports, and special coverage of the Democratic and Republican National Conventions were shared with RFE/RL Radio Farda on a daily basis, and a reporter from Radio Farda appeared as a weekly guest-commentator in VOA's New Horizon show. The extended in-depth coverage further strengthened a robust social media presence for BBG in the target area.

### **Cuba**

OCB and VOA Spanish showed strong improvements in cooperation and coverage coordination on multiple fronts by sharing reports, staff, and facilities to cover special events to mutual benefit. Collaboration included VOA reporters filing to OCB from the Republican and Democratic National Conventions, the reopening of the U.S. embassy in Havana, President Obama's and the Pope's visits to Cuba, and the Rio Olympic Games. OCB shared facilities, equipment, and studio space in Miami with visiting VOA reporters, including from the VOA Creole Service.

MANAGEMENT OBJECTIVE 3:

**Enhance employee engagement, development, and productivity**

Our diverse, multi-cultural, and multi-talented workforce offers a rich range of experience and expertise to carry out the Agency’s mission. Key to success in a rapidly changing, highly competitive global media environment is flexibility to develop innovative products for our target countries consistent with emerging priorities, programming formats, and advances in technology. Enhanced skill sets are required to program for and transmit via multiple media platforms – radio, TV, Internet, mobile, and through social media. Our employees are most effective when they are well motivated, trained, and led. Continued efforts to equip and energize the entire BBG workforce are critical as we confront mounting competitive pressures worldwide.

- Promote human capital planning and management as a top priority for senior executives, managers, and supervisors throughout the agency.

- Consistently communicate organizational goals, objectives, priorities, and performance expectations in a timely manner to staff at all levels in the agency.
- Ensure a safe and secure work environment for all employees.
- Implement manager training curriculum focusing on performance management, human capital planning and processes, communication, and financial and administrative management.
- Improve the consistency and credibility of agency performance management processes.
- Develop cross-training and internal development standards and procedures, as applicable.
- Foster employee participation in agency health and wellness programs.

**Performance Goal 1: Improve performance culture of agency.**

Results-oriented performance culture index (from Federal Employee Viewpoint Survey)	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
BBG	46	46	44	47	48	47
Government-wide (for comparison)	52	51	51	52	NA	53

MANAGEMENT OBJECTIVE 3: Enhance employee engagement, development and productivity

INDICATOR:

**Results-oriented Performance Culture Index:**

This indicator is an index derived from the Federal Employee Viewpoint Survey and combines questions dealing with recognition, supervision, safety, work connection, and performance.

**Analysis of Results:**

**Results-oriented Performance Culture Index – Target: 48 Actual: 47**

The BBG nearly met the target for results-oriented performance culture index in FY 2016, achieving 47 versus the target of 48.

MANAGEMENT  
OBJECTIVE 3:  
Enhance employee  
engagement,  
development and  
productivity

**Performance Goal 2: Improve employee training and development.**

<b>Percentage of employees who believe that the workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals (from Federal Employee Viewpoint Survey)</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Target</b>	<b>FY 2016 Actual</b>
BBG	53	55	53	55	57	53
Government-wide (for comparison)	72	70	69	69	NA	69

INDICATOR:

**Workforce Knowledge and Skills:**

This indicator is taken from the Federal Employee Viewpoint Survey and measures the percentage of employees with positive responses to the statement that the workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.

**Analysis of Results:**

**Workforce Knowledge and Skills – Target: 57 Actual: 53**

The BBG did not meet the target for knowledge and skills in FY 2016, achieving 53 percent versus the target of 57 percent.

## Verification and Validation of Performance Measures

The performance indicators are a best effort to measure each broadcast entity's performance level. To achieve maximum objectivity, measurements are performed independently of the elements being evaluated whenever possible. The VOA, RFE/RL, RFA, and MBN audience research for the fiscal years reported was carried out by outside research providers under contract to the BBG, currently Gallup. Network-wide performance values are computed by the IBB Office of Policy and Research and verified by each network's research director.

The standards of the Conference of International Broadcasting Audience Researchers and other standards-setting organizations are followed for the design and conduct of sample surveys. A technical report is produced for every survey which describes the sampling plan, the problems encountered in the field and the methods of resolution, and these are being improved to allow computation of margins of error that include design effects where feasible.



# FY 2016 Performance Objectives and Outcomes

The BBG Agency-level performance objectives and measures are further supported and linked to language service goals, tactics, and targets. Listed below are the BBG annual performance objectives, including key initiatives supported by the FY 2015 and 2016

investments, with summaries of the current status. Detailed accomplishments by regional performance objectives are also presented in the accomplishments in the following pages.

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## REACH CRITICAL AUDIENCES IN THE MIDDLE EAST AND NORTH AFRICA.

### **Expand programming and on-the-ground reporting to the Maghreb region to attract and engage audiences in this important North African region.**

In 2016, MBN completed its bureau in Rabat and initiated its office in Tunis to expand critical on-the-ground reporting of issues that resonate with viewers from the region, allowing for more guests and programming that reflect and expand views from and in the Maghreb.

### **Build mobile and social media audiences in the Middle East and North Africa by producing original content targeted to emerging news audiences.**

MBN has accelerated its production of original digital content designed for distribution on mobile web and social media platforms and has seen a resulting increase in traffic on social media sites

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## EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS IN THE NEAR EAST, SOUTH, CENTRAL ASIA AND EURASIA

### **Provide solid journalism on television and social media to refute propaganda in Russia and the surrounding regions.**

VOA and RFE/RL continued joint production of *Current Time*, a daily Russian-language television news program now used by 30 affiliates throughout the region, and extensive related social media efforts.

### **Leverage the newsgathering assets of VOA and RFE/RL and increase coordination in countries where both entities broadcast.**

VOA and RFE/RL continued coordination and cooperation on the *Current Time* project; conducted several joint projects in Afghanistan and Pakistan; and collaborated closely on coverage for Ukraine, the Balkans, and the Caucasus.

## FOCUS BROADCASTING TO AUDIENCES OF STRATEGIC PRIORITY IN EAST ASIA.

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### **Expand video and digital initiatives for Burma, Cambodia and Vietnam as well as social media outreach inside the Chinese firewall.**

VOA and RFA have seen great impact with digital and social outreach in Burma, Cambodia, and Vietnam. RFA and VOA have found success using domestic social media to connect with audiences in China, despite the firewall.

### **Leverage the newsgathering assets of VOA and RFA and increase coordination in countries where both entities broadcast.**

VOA and RFA had extensive coordination in coverage of the November 2015 elections in Burma, including sharing coverage plans and coordinating broadcast schedules.

## REACH NEW AUDIENCES WITH INCREASED ENGAGEMENT IN AFRICA.

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### **Provide compelling local content for FM audiences in Africa.**

VOA began new FM broadcasts in Niamey, Niger; and Lubumbashi, Bukavu, Goma, and Kisangani, Democratic Republic of Congo. VOA now has 23 dedicated FM stations in sub-Saharan Africa, offering a mix of local, regional, and international content.

### **Develop video content focused on countering violent extremism and targeting youth in Hausa, French, Swahili, Somali and English for distribution on satellite, affiliates, online and mobile in Africa.**

VOA offered targeted programming in all of these languages that featured entrepreneurship, development opportunities for women, and moderate clerics rejecting extremism.

## EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS OF LATIN AMERICA.

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### **Begin the process to establish a new de-federalized Spanish language international media organization that would consist of the present OCB and VOA Latin American division, excluding the Creole service.**

While this proposal was not approved by Congress, coordination between OCB and VOA Spanish continued to increase, particularly on President Obama's trip to Cuba and on the U.S. Presidential election.

## ALIGN ESSENTIAL SUPPORT FUNCTIONS WITH BROADCASTING IMPLEMENTATION STRATEGIES AND PERFORMANCE GOALS.

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### **Realign BBG transmissions to maximize the effectiveness of program delivery resources.**

The BBG continued to optimize its delivery network, shifting shortwave resources and migrating from expensive, dedicated transoceanic satellite and fiber circuits to more flexible and less expensive digital Multi-Protocol Label Switching (MPLS) circuits.

### **Provide cutting-edge circumvention tools to audiences and independent media outlets in countries that restrict and censor Internet access.**

In FY 2016, the BBG created the Office of Internet Freedom and increased the use of anti-censorship tools, including proxy products and private messaging.

### **Provide enterprise-wide technical support for digital and social media innovation.**

RFE/RL's Pangea team converted all VOA, RFE/RL, MBN, and OCB websites to responsive design, allowing audiences to get the news when they want it and on their preferred platforms.

### **Build strong and collaborative relationships with affiliate partners in target markets.**

The Office of Business Development, now integrated into TSI, initiated and supported affiliate partnerships in key markets, including the Russian periphery, Burma, Nigeria, and Venezuela.

### **Use research to identify appropriate target audiences and their preferred media, with the formats and content that would appeal to them.**

Comprehensive audience research and analysis was available to BBG language services and managers for planning and measuring performance.

### **Maintain the firewall and continuously monitor programming quality in line with modern broadcast journalism principles through annual performance reviews of all broadcast services.**

Annual program reviews were conducted by BBG broadcast networks. No firewall violations were reported.

### **Support initiatives to improve financial, performance, and budget integration, as well as financial and acquisition processes.**

BBG continued to improve integration of budget and performance management with the alignment of Strategy Review, Language Service Review, and budget formulation. IBB launched an electronic time and attendance system, which allows remote access and standardizes processes throughout the federal workforce.

**Carry out BBG's mission and goals with a workforce that is agile, skilled, diverse, well-led, and motivated.**

IBB's Office of Workplace Support and Development supported the training and professional development of employees, launching a new electronic Learning Management System with access to thousands of courses across diverse disciplines.

**Address BBG's most critical infrastructure maintenance and repair requests.**

The Office of Technology, Services, and Innovation addressed critical infrastructure issues including office space consolidation, realignment of transmission assets, and migration from satellite to fiber delivery.

# Summary of FY 2016 Performance Accomplishments

## **FY 2016 Performance Objective**

REACH CRITICAL AUDIENCES IN THE MIDDLE EAST AND NORTH AFRICA  
WEEKLY AUDIENCE: 27.4 MILLION <sup>1</sup>

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MBN's Raise Your Voice team interviews a woman at a school in Iraq.

## **FY 2016 Accomplishments**

**COUNTERING VIOLENT EXTREMISM**  
In FY 2016 Raise Your Voice-Iraq developed new television programs encouraging Iraqis to share their thoughts and opinions on extremism and the underlying causes of terrorism. By identifying and discussing the issues ISIL is exploiting, Iraqis can propose solutions that will help undermine ISIL's narrative. The social media properties, call-in radio and television shows, and television programming provide forums for activists, youth and others to share their ideas on topics such as the rights of women, sectarianism, religious freedom and government corruption.

The new Alhurra programming provides firsthand accounts of the realities of life under ISIL, including the pain and suffering of families and communities.

VOA Kurdish developed new television programming focused on US policies toward the region and addressing ISIL disinformation for key affiliates in northern Iraq and Turkey, as well as expanded Kurdish social media content for its web and Facebook sites. As a result, VOA Kurdish has seen more than 600 percent growth in Facebook "likes" in FY 2016, and growth in audience share in Iraqi Kurdistan.

<sup>1</sup>Data from Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, UAE, Yemen.

### SHOWING DEMOCRACY THROUGH ELECTIONS

As the U.S. started focusing on the presidential election, Alhurra and Radio Sawa started their coverage with the Iowa Caucus and continued through the primary season, debates and the political conventions. Through news reports, discussion programs and analysis, the networks explained the U.S.'s electoral process, as well as highlighting the issues driving voters. Additionally, Alhurra and Radio Sawa closely followed elections in Saudi Arabia, Egypt, and Jordan.



Alhurra interviews Senator Bob Corker, the Chairman of the Senate Foreign Relations Committee.

### CRISIS REPORTING

In covering the refugee crisis, Alhurra visited a refugee camp in Bar Elias in Lebanon. A special episode of *Hunna* (Women's Views) focused on the living conditions of women and children in the camp and how they are dealing with the psychological struggles they face. Alhurra-Iraq reported from refugee camps in the Iraqi Kurdistan region and explored how they are dealing with the harsh environment and lack of services. When the crisis spilled over into Europe, Alhurra was there to report on the influx of refugees.



Alhurra's *Hunna* (Women's Views) portrays the human impact of the refugee crisis.

### OPEN LINE OF COMMUNICATION OF U.S. FOREIGN POLICY

Alhurra and Radio Sawa provide context and analysis of U.S. foreign policy to the Middle East and North Africa. The networks explain policy through interviews with policymakers, think tank representatives and American activists; along with reports from dedicated correspondents at the White House, State Department, Congress and the Pentagon. Over the past year Alhurra frequently covered events that are not shown on other pan-Arab networks including: Senate Foreign Relations Hearing on the Global Efforts to Defeat ISIL; remarks by President Obama on at the White House Summit on Global Development; and Secretary Kerry's remarks on World Press Freedom Day.

### EMPOWERING WOMEN

MBN regularly shows the challenges that women face in the region, as well as Arab women who are fulfilling their dreams. In FY 2016, Alhurra launched a new reality program that followed four successful Egyptian women as they worked in traditionally male dominated jobs. Viewers followed the women as they struggled taking on new

businesses and celebrated as these determined women prevailed. Additionally, Alhurra and Radio Sawa's

newscasts and magazine programs profile women who make a difference in their communities.



Radio Sawa reporter interviews an Iraqi woman.

**EXPANDING RADIO SAWA'S IRAQ STREAM**  
Radio Sawa's Iraq stream has been expanded with the consolidation of all BBG-funded Arabic-language radio broadcasts in Radio Sawa. Preserving the best of Radio Free Iraq's former

programming, Radio Sawa has added a live morning show and other feature programming to its broad array of current affairs segments focusing on rule of law, political debate and citizen concerns.

## FY 2016 Performance Objective

EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS  
IN THE NEAR EAST, SOUTH, CENTRAL ASIA AND EURASIA  
WEEKLY AUDIENCE: 54.3 MILLION <sup>2</sup>

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### FY 2016 Accomplishments

#### COVERING UKRAINE

VOA and RFE/RL have intensified their reporting on the conflict in eastern Ukraine as tensions rose in Crimea. Ukraine's ambassador to the UN, Volodymyr Yelchenko, appeared live on VOA Ukrainian's *Chas-Time* program, stating that Security Council members did not support the Kremlin accusations that Ukrainian agents were engaging in terror attacks in the city of Armyansk. The interview was watched by more than 21,000 VOA Ukrainian Facebook fans with 250 engagements on the interview, and was carried live by Ukraine's Channel 5 TV and picked up by RFE/RL and several other Ukrainian news outlets.



RFE/RL's *Schemes* investigates corruption.

RFE/RL Ukrainian's flagship investigative TV program, *Schemes*, has become one of the leading media platforms in Ukraine for holding public officials to account. In April 2016, the country's newly-appointed Finance Minister was

forced to publicly apologize after *Schemes* named him as a director of two undeclared offshore companies. Ukraine's newly-established National Anti-Corruption Bureau is now reviewing materials gathered by the *Schemes* team on 15 cases.

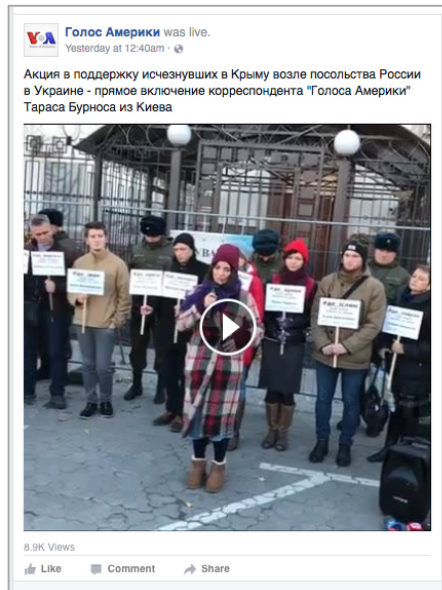
IBB supported the government of Ukraine with the donation of three-rapidly deployable FM systems, a transmission tower, and two medium wave transmitters.

#### COUNTERING RUSSIAN DISINFORMATION

In September 2016, *Current Time*, a daily Russian-language television news program co-produced by RFE/RL and VOA for Russian-speaking audiences in and around Russia, aired its 500<sup>th</sup> episode. *Current Time* provides informed and up-close coverage of major news and events that are not reported, or are misreported, by the Kremlin-affiliated media. *Current Time* is currently carried by 30 affiliates; by web portals in the Baltics, Azerbaijan, Belarus, and Ukraine; and via mobile apps and social networks. BBG research shows that *Current Time* was watched each week by 8.2 percent of adults in Lithuania (2016), and 4.3 percent of adults in Latvia (2015). In Russia, where the program can only be seen via satellite or Internet, *Current Time* is watched by an estimated 1.9 million adults.

<sup>2</sup> Data from Abkhazia, Afghanistan, Albania, Armenia, Azerbaijan, Bangladesh, Belarus, Bosnia, Chechnya, Dagestan, Estonia, Georgia, Iran, Kosovo, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Pakistan, Pakistan FATA, Russia, Serbia, South Ossetia, Sri Lanka, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan





This Facebook post about a protest outside of the Russian embassy in Ukraine included Facebook Live coverage that was viewed 8,900 times and received 108 comments.

#### DIGITAL DISINFORMATION

VOA and RFE/RL are actively engaged online in providing alternatives to disinformation. RFE/RL's DIGIM, the social media arm of *Current Time*, produces "Footage vs. Footage," which makes the audience the fact-checker, juxtaposing video reports produced by pro-Kremlin media outlets with those distributed by Western media on the same events. In FY 2016, DIGIM received 120,000 average weekly engagement actions on Facebook and DIGIM videos were viewed more than 120 million times across platforms over the year. VOA Russian has responded with agility to a massive shift in viewing of digital video from owned-and-operated Web sites and video portals to social and mobile platforms. VOA Russian Twitter registers more than 2,500 likes, replies

and re-tweets every week. VOA Russian Facebook had more than 45,000 engagements (likes, comments and shares) per week; some of the most popular content was related to stories about America and other relevant issues from Ukraine to Syria that were misreported by Russian propaganda.

#### CENTRAL ASIA

In late-2015, RFE/RL launched an experimental wire service directed at Central Asia with the objective to produce daily news on Central Asia and the region, including Russia. The service provides news in the Kazakh, Kyrgyz, Tajik, Uzbek, and Russian languages to more than 600 media outlet subscribers, as well as a large number of Central Asian media professionals. Expanding RFE/RL's partnership network in the region allows RFE/RL to help foster a positive, pluralistic media environment in a region where media otherwise are subject to influence by both Russian and extremist forces.



RFE/RL's Kazakh Service is just one of the services providing content to affiliates across Central Asia through the new RFE/RL wire service.

#### AFGHANISTAN AND PAKISTAN

VOA and RFE/RL have expanded their collaboration on Afghan and Pakistan coverage beyond the routine daily sharing of reports, topics and exclusive interviews, both in Washington and Kabul. Coordination in FY 2016 included a joint seminar on the current and future status of media in Afghanistan; extensive shared coverage of key events, including the NATO summit and Orlando massacre; close coordination on the shared Kabul bureau; and joint journalism trainings and exchange fellowships.

#### COMBATTING CENSORSHIP IN IRAN

VOA Persian launched *Tablet*, a new, edgy weekly current affairs talk show, hosted by Masih Alinejad, an award-winning investigative journalist, who is a founder of a popular Facebook group that supports the rights of Iranian women to choose whether or not to wear the hijab. The VOA Persian News Channel was launched on Telegram, the most popular mobile messenger in Iran, enabling VOA to reach over 57,000 subscribers.



VOA *Tablet* focuses on cultural and social issues affecting young people in Iran and the United States.

## FY 2016 Performance Objective

FOCUS BROADCASTING TO AUDIENCES OF STRATEGIC PRIORITY  
IN EAST ASIA | WEEKLY AUDIENCE: 66.2 MILLION <sup>3</sup>

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## FY 2016 Accomplishments



VOA reporters were able to cover the Burmese elections on the ground for the first time since the Burma bureau was established in 2012.

### COVERING ELECTIONS IN BURMA

RFA and VOA coordinated to expand coverage of the November 2015 Burmese elections on radio and television. Editors and managers from both networks, in Rangoon and Washington, exchanged coverage plans daily. VOA and RFA broadcast schedules were coordinated to maximize coverage and dissemination of news throughout the day. Radio programs aired back to back several times during the day allowing audiences to tune in to both shows.

### DIGITAL OUTREACH IN CAMBODIA

The VOA Khmer Facebook page has maintained its position in the top two Facebook pages in Cambodia since October 2014, according to Socialbakers.

As of September 2016, VOA Khmer has over 4.35 million fans worldwide including 3.26 million fans based in Cambodia. VOA Khmer remains the top Twitter page in Cambodia, ahead of many local English-media publications, targeting Cambodia's English-speaking influencers and tech-savvy youth, according to Socialbakers. While the RFA Cambodian Service has not been able to get terrestrial TV broadcast rights in the country, its regular Cambodian TV program has solid viewership on Facebook Live. Daily consumption of its TV show ranges between 23,000 and 34,000 with an average of 500-600 shares and comparable numbers of comments daily.

<sup>3</sup> Data from Burma, Cambodia, China, Hong Kong, Indonesia, Laos, Mongolia, Philippines, Taiwan, Thailand, Vietnam

#### EXPANDING SOCIAL VIDEO FOR VIETNAM

With the emergence of Facebook as a new video platform, VOA's Vietnamese Service has expanded its offering of short-form videos. The initiative has brought a 687 percent increase of video views, as compared to 2015, on the social media platform. For the year, the service averaged 2.7 million video views weekly on YouTube. And while it is still a newer platform, Facebook videos have shown significant engagement, averaging almost 99,000 reactions, comments, or shares weekly during FY 16. During President Barack Obama's visit to Vietnam in May, the service received nearly 5 million video views daily on its Facebook page. RFA Vietnamese increased its Facebook fans by 63 percent in FY 2016 and added 12 regular weekly video features for a total of 33 regular features.

#### COMBATTING CHINESE CENSORSHIP

As the Chinese government tightened censorship of the web and social media, VOA and RFA used domestic social media connections, including the public WeChat messaging service, to get reporting tips, ask questions, and provide content links. RFA's Mandarin TV team used WeChat groups to solicit citizen videos to be used in its special TV series on the 50th Anniversary of the Cultural Revolution. Young people used WeChat to send RFA videos of themselves asking questions for historians to answer in the RFA studio. VOA Mandarin published more than fifty articles on WeChat in November and early December, which attracted hundreds of thousands of hits. The articles were widely re-published on dozens of websites inside China,

including the state-run Xinhua News Agency. VOA Mandarin also produced over 40 online interactive lectures on U.S. elections, the Constitution, the labor movement and U.S.-China relations on WeChat via groups at the prestigious Beijing and Qinghua universities, that were simultaneously shared with participants in over 100 other WeChat groups.

#### REACHING TIBETAN AUDIENCES

VOA Tibetan is taking advantage of the growing use of VPNs and other circumvention tools that allow digital distribution of information to reach audiences within Tibet. VOA Tibetan began adding links to its programs on WeChat that Tibetan users have been sharing within their own circles and has received connection requests from over 300 WeChat users as a result. RFA's Tibetan team has been particularly active in sharing unblocked SoundCloud links and RFA Tibetan TV programming within multiple WeChat groups. RFA's stringers also have been getting videos and photos from inside Tibet using WeChat – including exclusive coverage of illegal fishing in Qinghai Lake, the suicides of three nuns, and the demolition of Larung Gar Monastery.

#### COUNTERING VIOLENT EXTREMISM

In 2015, RFA launched an online news operation, BenarNews, to reach Muslim audiences in India, Bangladesh, Malaysia, Thailand, and Indonesia, with interagency funding secured by BBG. These communities often lack access to accurate and balanced journalism but are exposed to a proliferation of extremist narratives supporting the ideology of terrorist groups like ISIL. BenarNews counters and provides

crucial context to those narratives by publishing credible domestic news, features, analysis, and commentary in multiple formats – text, video, and pictures – and in five languages – Indonesian, Malay, Thai, Bengali, and English. Among its inaugural coverage in 2015, BenarNews launched the series *Torn Lives*, which told personal stories of the cost of violent extremism. Since its inception, BenarNews has broken stories about efforts to end an

insurgency in southern Thailand that has resulted in the deaths of more than 6,000 people since 2004, and provided extensive coverage of the ISIL-claimed terrorist attack in Dhaka in July 2016; the January 2016 ISIL attack in Jakarta; and the August 2015 shrine bombing in Bangkok. The BBG is working to integrate BenarNews into its strategy and performance processes moving forward.

## FY 2016 Performance Objective

REACH NEW AUDIENCES WITH INCREASED ENGAGEMENT IN AFRICA  
WEEKLY AUDIENCE: 68.4 MILLION <sup>4</sup>

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Somali President Hassan Sheikh Mohamud took part in a town hall hosted by VOA's Somali service.

## FY 2016 Accomplishments

### VOA CONNECTS SOMALI PRESIDENT, DIASPORA

Somali President Hassan Sheikh Mohamud participated in a live VOA town hall, connecting the president in Mogadishu with Somali diaspora in Minnesota. The program aired on Somali National Television and was streamed on the VOA Somali webpage as well as on the service's Facebook, where it received 300,000 views and over 18,000 engagement actions. The President said the event "started a new dimension of dialogue between the youth inside Somalia and the youth outside Somalia with their leadership."

### CRISIS IN BURKINA FASO

When violence from a counter-coup in Burkina Faso closed private radio stations, VOA's Ouagadougou FM stayed on the air with live reports from correspondents under fire and an on-air surrender from the mutinous presidential guard surrounded by loyalist troops. "As others around the world who listen to your radio must know, if we put an emphasis on strengthening peace and social cohesion it is because without this base nothing can work," said Burkina Faso Ombudsman Alima Traoré, recognizing the contribution of VOA coverage with an African Youth Award for Peace.

<sup>4</sup> Data from Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo Brazzaville, Cote d'Ivoire, DR Congo, Ethiopia, Gabon, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, South Africa, South Sudan, Tanzania, Uganda, Zambia, Zimbabwe

#### REACHING AUDIENCES IN AFRICA

BBG continued its efforts to expand program availability on FM by establishing several new FM stations in Africa in FY 2016. These FM stations reach a younger audience on a preferred platform in areas critical to meeting BBG program objectives. This

includes new BBG FM stations in: Niamey, Niger; and Lubumbashi, Bukavu, Goma, and Kisangani, Democratic Republic of Congo. VOA developed new content appropriate for these FM streams in French, Hausa, Swahili and English.



VOA French to Africa host Roger Muntu interviews a woman on the street in D.R.C. Muntu's *RM Show* is a popular call-in and music show on VOA's FM stations.

#### PRAISE FOR CRISIS COVERAGE

Former president of Burundi, Domitien Ndayizeye, told VOA's Central Africa Service, "Burundians were so lucky to have VOA at the very moment they needed balanced views on issues after several independent radio networks were destroyed. We cannot thank you enough for the excellent job you are doing." All three living former presidents of Burundi chose VOA to air their comments on the first round of inter-Burundi peace talks in Tanzania.

#### REPORTING ON HUMAN TRAFFICKING

African Union Goodwill Ambassador for the Campaign to End Child Marriage Nyaradzayi Gumbonzvanda said VOA reporting on Zimbabwean women trafficked to Kuwait has helped mobilize efforts to secure their return. "I truly attribute the inspiration and sustained confidence to do my part through your quality and consistent programs," she wrote to VOA Zimbabwe's *Studio 7* program. Zimbabwe President Robert Mugabe named a five-member committee to investigate how more than 200 Zimbabwean women, lured to Kuwait to work as domestic servants, wound up being free laborers or prostitutes.

## FY 2016 Performance Objective

EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS  
IN LATIN AMERICA | WEEKLY AUDIENCE: 61.8 MILLION<sup>5</sup>

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Radio and TV Marti broadcast live from the Cuba Internet Freedom Conference.

## FY 2016 Accomplishments

### CUBA INTERNET FREEDOM CONFERENCE

In September 2016, OCB hosted the first ever Cuba Internet Freedom Conference, a two-day event that brought together digital innovators and independent journalists from Cuba with other individuals focused on improving digital rights and fostering uncensored access for the island. A group of developers, policy makers, nonprofit professionals, entrepreneurs, concerned citizens and others shared a space with Cuban Internet innovators and exchanged ideas and provided information about the situation of the internet in Cuba.

### PRESIDENTIAL VISIT TO CUBA

During President Obama's historic trip to Cuba, VOA Central News filed for the U.S. radio pool, supplying reports used throughout the BBG and by radio stations across the country. VOA Spanish, working alongside Central News, provided live reports for OCB and for 36 affiliates throughout Latin America. Radio and TV Marti provided comprehensive coverage of the trip for their audiences. Television alone aired 22½ hours of live transmission to Cuba, including a groundbreaking live broadcast from Havana and hours of exclusive video was received from Cuban stringers and from the OCB and VOA teams on location.

<sup>5</sup> Data from Argentina, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela





VOA Spanish reports from a demonstration in Venezuela following the suspension of the recall referendum against President Nicolas Maduro.

**DEMONSTRATIONS IN VENEZUELA**

VOA provided on-the-ground reporting from demonstrations in Venezuela. As police stopped demonstrators from reaching downtown Caracas, VOA Spanish reports from the scene soared in popularity on the service’s Facebook page. One report reached more than a half million people, and generated more than 6,000 reactions. The service shot

video from the rooftop of a building where a VOA Spanish reporter hid from members of the armed forces, who were harassing journalists covering the protest.

**U.S. ELECTION COVERAGE**

VOA Spanish produced a four-part series on Hispanic voters in the U.S., which was promoted and aired on thirty-two national and many more regional television and radio affiliates across Latin America. VOA Spanish affiliate Cable Noticias produced a special two-hour program using the entire series, followed by a discussion on the U.S. presidential election that featured a VOA Spanish reporter. VOA provided live coverage of major speeches from both political conventions for Radio and TV Martí and affiliates in 16 countries.



VOA Spanish provided comprehensive coverage of the Democratic and Republican National Conventions to affiliates across Latin America.

## FY 2016 Performance Objective

ALIGN ESSENTIAL SUPPORT FUNCTIONS WITH BROADCASTING IMPLEMENTATION STRATEGIES AND PERFORMANCE GOALS

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## FY 2016 Accomplishments



VOA's Extremism Watch Desk produces content on radio, television and Internet focused on ISIL.

### EXTREMISM WATCH DESK

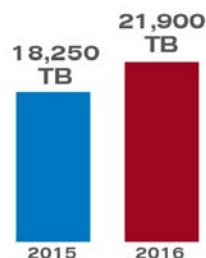
VOA launched the Extremism Watch Desk in early FY 2016 to develop content that dispels the myths associated with ISIL. The desk is staffed with writers proficient in thirteen languages and produces content across all three platforms – radio, television and online. Content from the Desk is shared across BBG language services and videos have been published with attribution by independent and state media outlets in over a dozen countries.

### COUNTERING INTERNET CENSORSHIP

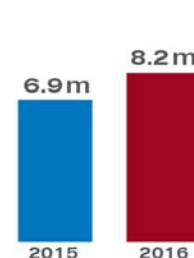
In July, the BBG named Dr. Nnake Nweke as the first Director of the newly created Office of Internet Freedom. This office will strengthen BBG's efforts to

counter censorship of BBG-funded, affiliated, or supported content, and other credible, independent news and information. Over the past year, BBG increased Internet traffic through anti-censorship proxy products (from 18,250 Terabytes to 21,900 Terabytes) and expanded the number of messages sent through anti-blocking techniques (from 6.9 million to 8.2 million).

Growth in Internet Traffic through Anti-censorship Proxy Products



Number of Messages Sent Through Anti-Blocking Techniques



The new office will permit BBG to further expand and coordinate the effectiveness of these efforts. Using BBG-funded circumvention tools, VOA advanced the content sharing model in a groundbreaking partnership with Psiphon, and built the first circumvention aggregator for Iran that pushed Radio Farda and VOA Persian content to Iranian audiences.

#### SUPPORTING DIGITAL OUTREACH

RFE/RL's Pangea content management system provides the backbone for most of USIM web operations. In FY 2016, RFE/RL completed the conversion of all VOA, RFE/RL, MBN, and OCB websites to responsive design. Responsive web design works seamlessly anywhere – across small screens and large; fast networks and slow; new devices and old. This conversion allows audiences to get the news when they want it and on their preferred platforms.

#### PROVIDING QUALITY RESEARCH

BBG's Office of Research and Assessment, now integrated into the Office of Policy and Research, working with Research Directors from each BBG network, designed and commissioned approximately 75 audience research studies during FY 2016. Survey data is used to provide strategic audience and platform use data for key markets.

#### IMPROVING CONTENT DELIVERY

The BBG made progress in improving its transmission capability. Major improvements to the shortwave transmission capability of the Kuwait Transmitting Station are in process, which will provide increased transmission capability to Iran, Central Asia, and Africa at very economical cost. These areas are of strategic importance and still have notable shortwave audiences. BBG ceased all transmissions from the Sri Lanka station in June 2016 and optimized the remaining network to focus shortwave transmissions where they are still effective.



Journalism training for women journalists from the Ivory Coast.

#### TRAINING JOURNALISTS

Supporting affiliate partners and training journalists is a key part of the BBG mission to inform, engage, and connect. The agency conducted over 30 media training programs for more than 700 people in FY 2016, including a water-focused seminar for journalists from across the Middle East; research-focused training for Russian-language partner stations; a polio-focused health journalism training in Afghanistan, Pakistan, and Ukraine; social media training in Cambodia; and TV production training in Burma.

# Use of Performance Data to Promote Improved Outcomes

The BBG undertakes quantitative, qualitative, evaluative, digital, and ad hoc research projects every year to directly support decisions on programming and strategy. Since FY 2002, the BBG has used a consolidated contract to procure audience and market research for all BBG broadcast services. The Agency maintains an extensive database of audience and market data that consolidates research

results. The archive covers over 100 countries and contains socioeconomic and demographic data as well as strategically important information on local media, competition, and audience preferences and needs. The research guides BBG strategic planning at all levels, specifically on-air program development, program reviews, and the Agency's comprehensive annual strategic review of all language services.

## LANGUAGE SERVICE REVIEW

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The Annual Language Service Review (LSR) is a Board directed, comprehensive assessment of the languages in which the BBG entities broadcast. The process fulfills the Congressional mandate in the U.S. International Broadcasting Act of 1994 to "review, evaluate, and determine, at least annually, after consultation with the Secretary of State, the addition or deletion of language services."

BBG analyzes data in key areas that shape priorities, including press freedom, political freedom, civil liberties, economic freedom and human development indices from

nongovernmental organizations (e.g., Freedom House, The Heritage Foundation and The Wall Street Journal, and the United Nations Development Programme). These indicators are combined into a prioritization index that enables BBG to evaluate changing conditions worldwide.

This year's LSR considered additional input from the State Department. Whereas in past years the State Department has provided prioritization by region, this year they provided a global ranking of BBG language services relative to U.S. foreign policy priorities.

## STRATEGY REVIEW

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In FY 2016, BBG completed its third comprehensive Strategy Review that considered how the Agency's mission is carried out by the networks in each target country and region. BBG language services set priority goals for the coming year in a series of regional meetings. Prior to the 2016 Strategy Review, the Office of Performance Review prepared mid-year assessments on progress against last year's goals. Each Strategy Review meeting began with a research briefing, giving everyone the latest available market and audience information. With these assessments and research briefings, language service directors and network leadership had extensive evidence available for making decisions on future strategy and direction.

The results of the Strategy Review include summaries of the political

context, media environments, target audiences, foreign policy elements, and BBG objectives in each country and region. It also includes goals and performance targets, based on the BBG Impact Model, for each BBG target area for FY 2016. Language and support services will be measured on progress toward these goals and targets, giving BBG an opportunity to define success, monitor performance, and take corrective actions when goals are not met.

In addition to Strategy Review, BBG networks conduct yearly reviews of their language services and their programming in order to maintain high quality broadcasts and to help the language services progress toward their strategic goals.

## IMPACT MODEL

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The BBG has developed a robust Impact Model, tied directly to its mission, which provides a comprehensive tool for measuring impact in the varied and complicated media environments in which BBG networks operate. The model looks beyond sheer audience size to assess the concrete change that the news and information BBG networks provided has made in the lives of audience members, in the local media sector, and among governments. The BBG has now aligned all internal and external reporting with this model. All of the indicators used in Strategy Review and for Strategic Objectives come from the Impact Model.

BBG CEO John Lansing has made impact a key priority for the Agency. In February 2016, he convened a two-day Impact Summit with key leaders and staff of all BBG networks to focus on impact – what it is, how to measure it, and how to plan for and execute it. Over the two-day meeting, all of the networks leaders bought into and endorsed the revised BBG Impact Model. BBG research and communications staff have followed up with extensive outreach to staff and stakeholders and are currently working to fully operationalize the model.

# Independent Program Evaluations

The BBG conducts several types of annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review conducted by the Board assesses the question of where the BBG should broadcast, fulfilling the congressional mandate to “review, evaluate, and determine, at least annually, after consultation with the Secretary of State, the addition and deletion of language services.” A new Strategy Review process was implemented in FY 2014 and refined in FY 2015, which identified target audiences and set country-level goals for each of BBG’s markets. Performance Reviews, conducted for the individual language services, assess progress against these goals. The individual networks conduct regular quality reviews based on field research and expert analysis. Taken together, these review processes are a significant source of information and analysis used for managing the BBG.

The Office of the Inspector General (OIG) provides the BBG and Congress with systematic and independent evaluations of the operations of the BBG, designed to prevent and detect waste, fraud, and abuse, including: whether resources are being used and managed with maximum efficiency; whether financial transactions and accounts are properly conducted, maintained, and reported; whether the administration of activities and operations meets the requirements of laws, regulations, contracts and grant agreements; whether internal management controls have been instituted to ensure quality of

performance and reduce the likelihood of mismanagement; and whether adequate steps for detection, correction, and prevention have been taken.

OIG inspections also generally review whether policy goals and objectives are being effectively achieved. However, 22 USC 6203(a)(3)(B) states that the OIG “shall respect the journalistic integrity of all the broadcasters and may not evaluate the philosophical or political perspectives reflected in the content of broadcasts.”

The Government Accountability Office (GAO) audits Agency operations to determine whether federal funds are being spent efficiently and effectively, including investigating allegations of illegal and improper activities, reporting on how well government programs and policies are meeting their objectives, and performing policy analyses and outlining options for Congressional consideration. GAO also advises Congress and the heads of executive agencies about ways to make government more efficient, effective, ethical, equitable, and responsive.

The BBG maintains a productive relationship with the OIG and GAO. The BBG works to ensure that the inspections, audits, and reviews produce reports that are based on relevant facts with an understanding of the programs and operations involved. The resulting recommendations assist the Agency in improving administration and management of its programs and operations.

During FY 2016, the Office of Inspector General issued ten final reports for the BBG; the GAO did not issue any focused exclusively on the BBG. The Agency will continue to implement and respond to

the recommendations of these evaluations.

OIG and GAO reports issued in FY 2016 are summarized below.

## AUDIT OF THE BBG INFORMATION SECURITY PROGRAM

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Through an external audit firm, the OIG conducted the annual evaluation of BBG's Information Security Program, to determine whether security practices in FY 2015 complied with applicable Federal laws, regulations, and information security standards. The audit found that BBG has taken some action to improve its information security program since its last assessment in FY 2014, but had not fully developed and implemented an

organization-wide risk management strategy to identify and monitor information security risk at all levels of the organization. The BBG concurred with the report's recommendations regarding the development of a strategy to realign information technology resources, and implementation of an organization-wide security risk management strategy.

## MANAGEMENT ASSISTANCE REPORT: MANDATORY DISCLOSURE LANGUAGE IN BROADCASTING BOARD OF GOVERNORS GRANTS AND ASSISTANCE AGREEMENTS

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The OIG's Office of Investigations performed an assessment of BBG's grant funding related to the government's implementation of Operation Inherent Resolve and countering the Islamic State of Iraq and the Levant. The OIG found that BBG grant agreements could be improved if the requirements related to mandatory disclosures were stated in full in the grant agreement, placing

grant recipients on notice of the requirement to report violations of Federal criminal law. BBG has revised its grant agreements, accordingly, and the OIG has closed the recommendations in this report.

## INFORMATION REPORT: BROADCASTING BOARD OF GOVERNORS 2015 PURCHASE CARD RISK ASSESSMENT

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Pursuant to the Government Charge Card Abuse Prevention Act of 2012, the OIG conducted an assessment of BBG's purchase and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments for use in determining the scope, frequency, and number of periodic audits of these programs. The OIG concluded in the 2014 risk

assessment that the risk of illegal, improper, or erroneous use in the BBG travel card program was "medium" and in the purchase card program was "very low." Based on the results of this assessment, the OIG did not recommend that an audit of BBG's purchase card program be included in the OIG's FY 2017-FY 2018 work plan.

## MANAGEMENT ASSISTANCE REPORT, BROADCASTING BOARD OF GOVERNORS INCIDENT RESPONSE AND REPORTING

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The OIG issued a management assistance report regarding an independent external auditor's report on the effectiveness of BBG's Incident Response and Reporting (IR&R) program for the period October 1, 2014 through May 26, 2015. The independent auditor determined that BBG's IR&R program was not operating effectively, primarily because BBG's policy and procedures were not finalized until May 7, 2015 near the end of the audit period. The auditor also reviewed the finalized policy and procedures and determined they were not fully aligned with US-CERT and NIST guidance. BBG concurred with the

OIG's recommendation that it amend and implement the Computer Security Incident Response Policy and the Computer Security Incident Response Procedure to reflect all elements of an effective incident response and reporting program. In June 2016, BBG responded to the OIG that all Agency Computer Security Incident Response Plans, Policies, and Procedures have been reviewed, approved, and signed by Office of Technology, Services, and Innovation (TSI) management and would be added to the Agency's Broadcasting Administrative Manual.



## MANAGEMENT LETTER REGARDING THE INDEPENDENT AUDITOR'S REPORT ON THE BROADCASTING BOARD OF GOVERNORS 2015 AND 2014 FINANCIAL STATEMENTS

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In performing its audit of BBG's consolidated financial statements for 2015, the independent external auditor identified matters involving internal controls that it brought to BBG's attention related to maintenance of time and attendance documentation, timely processing of personnel actions for separated employees, and

inadequate removal of separated users from the accounting system. The OIG closed four items identified in the FY 2014 Management Letter, relating accounting for leases, requirements for financial disclosure reports, timely documentation, and presentation of the statement of net cost.

## INSPECTION OF THE EDWARD R. MURROW TRANSMITTING STATION

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The OIG conducted an on-site inspection of the Edward R. Murrow Transmitting Station in Greenville, NC, from October 26 to October 30, 2015. The inspection found that the Station had effective internal control processes in place, that Station management was cognizant of internal controls, and provided effective oversight of operations. The Station complied with the applicable Federal regulations for contracting, property management, and

safety. The OIG made two recommendations regarding Station operations: that the Agency upload missing performance evaluations to employees' electronic official personnel folders, and that the Agency prepare a written cost/benefit evaluation of the Station to determine the future of its operations in light of overall declining demand for shortwave broadcasting in most of BBG's broadcast markets.

## AUDIT OF BROADCASTING BOARD OF GOVERNORS FY 2015 COMPLIANCE WITH IMPROPER PAYMENTS REQUIREMENTS

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The OIG conducted this annual audit to assess BBG's FY 2015 compliance with the Improper Payments Information Act, as amended. The OIG found that the BBG complied with the requirement to perform program-specific risk assessments in FY 2015, and disclose required improper payments information in its FY 2015 PAR. Specifically, the BBG elected to perform annual risk assessments of all key programs and performed quantitative risk assessment testing of Radio Free Europe/Radio Liberty, Middle East

Broadcasting Networks, and domestic payroll as part of its rotational testing. As a result of its quantitative risk assessment, the BBG is required to perform additional analysis of the domestic payroll program in FY 2016. The Agency is in the process of converting from a manual payroll process to the fully automated self-entry system, WebTA. Because the BBG was found to be in compliance with improper payments requirements for FY 2015, the OIG did not offer any recommendations as a result of this audit.

## MANAGEMENT ASSISTANCE REPORT: INACTIVE USER ACCOUNTS WITHIN THE BROADCASTING BOARD OF GOVERNORS ACTIVE DIRECTORY

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Through an external audit firm, the OIG conducted an audit to determine whether the BBG disabled inactive Active Directory user accounts after 45 days, as required by its internal policies. The BBG concurred with the three recommendations in the report, that the Chief Information Officer should: revise the Identification and

Authentication Policy to provide guidance on how to identify and segregate user and non-user accounts in Active Directory; define when privileged user accounts become inactive and must be disabled; and define when non-user accounts become inactive and must be disabled.

## INFORMATION REPORT: DESCRIPTION OF POLICIES AND COMPUTER SECURITY CONTROLS FOR SELECT BROADCASTING BOARD OF GOVERNORS COVERED SYSTEMS

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The Consolidated Appropriations Act for 2016, Section 406, Federal Computer Security, requires the Inspector General of each covered agency to submit a report that contains a description of controls utilized by covered agencies to protect sensitive information maintained, processed, and transmitted by a covered system. Pursuant to this Section, an

independent, external audit firm collected information describing relevant controls utilized by the BBG. The BBG will follow up with the OIG related to its recently issued and updated information security policies and procedures for managing contracted/hosted information systems that contain BBG PII data.

## INSPECTION OF U.S. INTERNATIONAL BROADCASTING TO EGYPT

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The OIG conducted an inspection of the Voice of America (VOA) and Middle East Broadcasting Networks' (MBN) operations in Cairo, Egypt, from October 12 to 29, 2015. The inspection found that BBG's two broadcasting operations in Egypt, VOA's Correspondent news bureau in Cairo and MBN's Cairo office, supported strategic objectives outlined in the Broadcasting Board of Governor's strategic plan. In addition, MBN's Cairo office complied with internal administrative procedures in financial management, contracting, and property

management. The Agency is taking action to comply with the report's single recommendation that VOA coordinate with Embassy Cairo to gain assistance in overseeing its cashing operations.



## Section 3: Financial Information

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## Message from the Chief Financial Officer

I am pleased to present the Fiscal Year 2016 (FY 2016) financial statements for the Broadcasting Board of Governors (BBG). BBG is firmly committed to the highest standards of financial accountability and reporting. We believe this level of commitment is required to sustain the Agency's mission to inform, engage, and connect people around the world in support of freedom and democracy. The Performance and Accountability Report (PAR) is our principal report to the President, Congress, and the American people on our stewardship of the public funds with which we have been entrusted and on the impact of BBG programs to achieve our global mission.

BBG received an unmodified audit opinion on the FY 2016 and FY 2015 financial statements. Throughout FY 2016, we worked diligently to address the material weakness that the auditors identified, making significant progress on the validity of unliquidated obligations. We assigned a dedicated resource and implemented an updated Standard Operating Procedures process.

BBG works diligently to meet the continued reporting, audit, and compliance requirements that OMB, the Treasury, and Congress deploy to improve federal business practices and increase transparency. In FY 2016, BBG hired a dedicated staff and contract support to begin implementation of an OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* program. We are also working diligently on the requirements to comply with the Digital Accountability and Transparency Act (DATA) of 2014. We have successfully created the data requirements file, and BBG is confident we will be able to validate the data file by the deadline. Additionally, BBG is converting to an automated employee time and attendance system and an automated interface file to improve accuracy, validity, and controls around domestic payroll processing.

As a result of the work of our dedicated staff, we are pleased with the progress we made in FY 2016. We acknowledge there is additional work to be done and improvements to be made. With our commitment to continued improvement and in partnership with the independent financial auditors and the Office of the Inspector General, we will successfully remediate the remaining areas of concern.



John W. Barkhamer  
Acting Chief Financial Officer  
November 15, 2016



# Independent Auditor's Report



**OIG** Office of Inspector General  
U.S. Department of State • Broadcasting Board of Governors

November 14, 2016

The Honorable Jeffrey Shell  
Broadcasting Board of Governors  
Chairman  
330 Independence Ave., SW  
Suite 3300  
Washington, DC 20237

Mr. John Lansing  
Broadcasting Board of Governors  
Chief Executive Officer and Director  
330 Independence Ave., SW  
Suite 3300  
Washington, DC 20237

Dear Mr. Shell and Mr. Lansing:

An independent certified public accounting firm, Kearney & Company, P.C., was engaged to audit the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of September 30, 2016 and 2015, and for the years then ended; to provide a report on internal control over financial reporting; and to report any reportable noncompliance with laws, regulations, contracts, and grant agreements it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance. In its report entitled *Independent Auditor's Report on the Broadcasting Board of Governors 2016 and 2015 Financial Statements* (AUD-FM-IB-17-14), Kearney & Company found

- the consolidated financial statements present fairly, in all material respects, the financial position of BBG as of September 30, 2016 and 2015, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America;
- one material weakness<sup>1</sup> in internal control over financial reporting related to the validity and accuracy of unliquidated obligations;

<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

U.S. Department of State, Office of Inspector General, Washington, DC 20520-0308



- two significant deficiencies<sup>2</sup> in internal control over financial reporting, specifically in the areas of grantee monitoring and information technology; and
- two instances of reportable noncompliance with laws, regulations, contracts, and grant agreements, specifically Federal grant regulations and the Federal Managers' Financial Integrity Act.

Kearney & Company is responsible for the enclosed auditor's report, which includes the Independent Auditor's Report, the Report on Internal Control Over Financial Reporting, and the Report on Compliance With Laws, Regulations, Contracts, and Grant Agreements, dated November 13, 2016, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on BBG's consolidated financial statements or conclusions on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements.

BBG's comments on the auditor's report are attached to the report.

OIG appreciates the cooperation extended to it and Kearney & Company by BBG managers and staff during this audit.

Sincerely,



Steve A. Linick  
Inspector General

Enclosure: As stated.

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<sup>2</sup> A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.



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## INDEPENDENT AUDITOR'S REPORT AUD-FM-IB-17-14

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Broadcasting Board of Governors (BBG), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as the "consolidated financial statements").

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion on the Consolidated Financial Statements***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BBG as of September 30, 2016 and 2015, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and Deferred Maintenance sections (hereinafter referred to as “required supplementary information”) be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by OMB Circular A-136, “Financial Reporting Requirements,” and the Federal Accounting Standards Advisory Board, which consider the information to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing it for consistency with management’s responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in the Message from the BBG Chairman and CEO, the Introduction, the Performance Information, and the Other Information sections, as listed in the Table of Contents of BBG’s Performance and Accountability Report, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated November 13, 2016, on our consideration of BBG’s internal control over



financial reporting and on our tests of BBG’s compliance with provisions of applicable laws, regulations, contracts, and grant agreements for the year ended September 30, 2016. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02, and should be considered in assessing the results of our audit.

A handwritten signature in blue ink that reads "Kearney &amp; Company".

Alexandria, Virginia  
November 13, 2016

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors

We have audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2016, and have issued our report thereon dated November 13, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

### Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered BBG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate under the circumstances for the purpose of expressing our opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of BBG's internal control. Accordingly, we do not express an opinion on the effectiveness of BBG's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following sections, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in BBG's internal control to be a material weakness.



## Material Weakness

### I. Validity and Accuracy of Unliquidated Obligations

Unliquidated obligations (ULOs) represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services ordered have not been received or the goods and services have been received but payment has not yet been made. BBG should record an obligation in its financial management system when it enters into an agreement, such as a contract or a purchase order, to purchase goods and services. Once recorded, the obligation remains open until it is fully reduced by disbursements, is deobligated, or the appropriation funding the obligation is canceled. BBG reported more than \$178 million in ULOs as of September 30, 2016.

Of a sample of 91 ULOs tested, we found 27 (30 percent) invalid ULOs. During FY 2016, BBG's Office of Chief Financial Officer (OCFO) assigned an analyst to focus on ULO reduction efforts in accordance with its draft Unliquidated Obligations Review Standard Operating Procedures (SOP). The analyst reviewed current and prior year ULOs and deobligated those that were determined to be invalid. The analyst's efforts reduced the amount of invalid ULOs in BBG's accounting records in FY 2016. However, we found that invalid obligations continued to exist because allotment holders outside OCFO were not always effectively monitoring the validity of obligations.<sup>1</sup> Although OCFO distributes monthly reports listing potentially invalid obligations, allotment holders are not always responsive in reviewing obligations and deobligating obligations found to be invalid. We also found that some allotment holders were unaware of their responsibility to deobligate invalid obligations that have been identified.

Although the draft SOP includes guidance for allotment holders to identify and deobligate invalid ULOs, the draft SOP has not been approved by BBG and distributed across the agency. Further, the draft SOP does not include a process for OCFO to confirm the receipt of responses from all allotment holders or to confirm that invalid ULOs identified by allotment holders were deobligated. In addition, BBG does not review overseas ULOs for validity and the draft SOP does not contain any guidance on reviewing ULOs for overseas program officers. As a result of invalid ULOs identified by our audit, BBG adjusted its financial statements. These funds could have been used for other purposes but remained in unnecessary obligations. Weaknesses in controls over ULOs were initially reported in our audit of BBG's FY 2013 financial statements.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the following deficiencies in BBG's internal control to be significant deficiencies.

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<sup>1</sup> Allotment holders include Contracting Officer's Representatives and other officials who are responsible for managing obligations relating to contracts, interagency agreements and other miscellaneous obligations, such as utility payments and travel.



## Significant Deficiencies

### I. Grantee Monitoring

BBG has three grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks. The grantees are responsible for developing broadcast content (radio and television news programs), which is distributed by BBG. In FY 2016, the three grantees received \$270 million, approximately one-third of BBG's total funding.

BBG is responsible for monitoring grantee use of BBG funds to ensure grantees adhere to applicable laws and regulations as well as all terms and conditions specified in the grant agreements. To aid in the monitoring process, BBG drafted a Grantee Handbook, which presents information and procedures that both BBG and its grantees will use during the life of a grant. We selected 14 control activities from the draft Grantee Handbook to test whether BBG had effectively implemented grantee monitoring. We found that 5 of the 14 controls tested were implemented during FY 2016, but the remaining 9 control activities were not implemented. For example, BBG had not performed risk assessments to finalize the scope and frequency of grantee site visits, issued site visit reports to communicate findings and needed improvements to its grantees, or obtained Performance Project Reports from its grantees. BBG officials stated that many oversight activities would not be initiated until the draft Grantee Handbook is fully approved and finalized.

Because BBG lacked effective grantee oversight, the risk of waste, fraud, and abuse of Federal funds increases. An organized and documented approach to oversight is needed to demonstrate accountability and mitigate the risk of waste, fraud, and abuse. We have identified weaknesses in controls over grantee monitoring since our audit of BBG's FY 2013 financial statements.

### II. Information Technology

BBG's information systems and sensitive information rely on the confidentiality, integrity, and availability of BBG's comprehensive and interconnected infrastructure. Managing information security risk effectively throughout the organization is critical to achieving BBG's mission. BBG uses several financial management systems to compile information for financial reporting purposes. BBG's main domestic financial management and accounting system is Momentum, which is provided by an external service provider that is also responsible for maintaining a number of IT controls. However, Momentum is accessed through BBG's general IT support system, which is a component of BBG's information security program. Therefore, security weaknesses noted in BBG's information security program could potentially impact Momentum as well. For overseas accounting and budget execution, BBG uses the Regional Financial Management System (RFMS) provided by the Department of State (Department). The Department is also responsible for maintaining an adequate information security program.

The Office of Inspector General (OIG) annually audits BBG's and the Department's information security programs' compliance with IT provisions as required by the Federal Information



Security Modernization Act of 2014 (FISMA). In the FY 2016 FISMA report for BBG,<sup>2</sup> OIG reported security weaknesses that had a significant impact on BBG's information security program. Specifically, OIG reported control weaknesses in all eight key FY 2016 Inspector General FISMA metric domains, which consist of risk management, contractor systems, configuration management, identity and access management, security and privacy training, information security continuous monitoring, incident response, and contingency planning.

OIG's FY 2016 FISMA report for the Department<sup>3</sup> identified information security program weaknesses that are similar to the weaknesses identified at BBG. OIG reported that the Department did not have an effective information security program. RFMS is hosted on the Department's general support system and is a component of the Department's information security program. Because of the security weaknesses noted with the information security program at the Department, BBG needs to implement additional controls to ensure that financial information is being processed accurately and completely by the Department.

Without an effective information security program, BBG is vulnerable to IT-centered attacks and threats. Information security program weaknesses can affect the integrity of financial applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered either accidentally or intentionally. Information security program weaknesses increase the risk that BBG will be unable to report financial data accurately. We have reported weaknesses in IT security controls as a significant deficiency since our audit of BBG's FY 2013 financial statements.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to BBG management in a separate letter.

#### **Status of Prior Year Findings**

In the Independent Auditor's Report on Internal Control Over Financial Reporting, included in the audit report on BBG's FY 2015 financial statements,<sup>4</sup> we noted several issues that were related to internal control over financial reporting. The status of these issues is summarized in Table 1.

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<sup>2</sup> OIG, *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-17-18, November 2016).

<sup>3</sup> OIG, *Audit of Department of State Information Security Program* (AUD-IT-17-17, November 2016).

<sup>4</sup> OIG, *Independent Auditor's Report on the Broadcasting Board of Governors 2015 and 2014 Financial Statements* (AUD-FM-IB-16-14, November 2015).





**Table 1. Status of Prior Year Findings**

Control Deficiency	FY 2015 Status	FY 2016 Status
<b>Validity and Accuracy of Unliquidated Obligations</b>	Material Weakness	Material Weakness
<b>Grantee Monitoring</b>	Significant Deficiency	Significant Deficiency
<b>Information Technology</b>	Significant Deficiency	Significant Deficiency

**BBG’s Response to Findings**

BBG management has provided its response to our findings in a separate letter included in this report as Appendix A. We did not audit management’s response, and accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the effectiveness of BBG’s internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02, in considering BBG’s internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia  
November 13, 2016



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors

We have audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2016, and have issued our report thereon dated November 13, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

### Compliance

As part of obtaining reasonable assurance about whether BBG's consolidated financial statements are free from material misstatement, we performed tests of BBG's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material impact on the determination of financial statement amounts. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BBG. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 15-02 and which are summarized as follows:

- *Federal Grant Regulations.* BBG is responsible for monitoring the use of funds provided to its grantees to ensure the grantees adhere to relevant laws and regulations. Since our FY 2013 audit of BBG's financial statements, we have identified substantial noncompliance with Federal grant regulations. As noted in our Independent Auditor's Report on Internal Control Over Financial Reporting, BBG took steps to strengthen its grantee monitoring program during FY 2016. Despite these efforts, BBG has not fully implemented many of its newly designed monitoring controls. As a result, BBG continued to be in substantial noncompliance with the Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which provides guidance to agencies for grant oversight.
- *Federal Managers' Financial Integrity Act.* The Federal Managers' Financial Integrity Act requires executive branch agencies to establish and maintain effective internal control. Heads of agencies must annually evaluate and report on the effectiveness of the



internal control and financial management systems that protect the integrity of Federal programs. BBG has made progress in FY 2016 by hiring staff and contractors to oversee and implement an internal control assessment program; however, controls testing and other procedures necessary for management to make an informed judgment as to the overall adequacy and effectiveness of internal control over operations, reporting, and compliance were not performed. Further, BBG did not complete its annual evaluation in FY 2016. Noncompliance with the Federal Managers' Financial Integrity Act was initially noted in our audit of BBG's FY 2013 financial statements.

During the audit, we noted certain additional matters involving compliance that we will report to BBG management in a separate letter.

#### **BBG's Response to Findings**

BBG management has provided its response to our findings in a separate letter included in this report as Appendix A. We did not audit management's response, and accordingly, we express no opinion on it.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on the effectiveness of BBG's compliance. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02, in considering BBG's compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney &amp; Company".

Alexandria, Virginia  
November 13, 2016

# Response to the Audit



BROADCASTING BOARD OF GOVERNORS  
UNITED STATES OF AMERICA

November 14, 2016

The Honorable Steve A. Linick  
Inspector General  
U.S. Department of State

Dear Mr. Linick:

The BBG is committed to transparency and accountability for the taxpayer funds provided by Congress to pursue its mission to inform, engage, and connect people around the world in support of freedom and democracy. The Performance and Accountability Report (PAR) is a key part of maintaining this commitment, providing a comprehensive account of the BBG's financial activities.

I am pleased to report that the BBG has received an unmodified opinion for this fiscal year's financial audit. For the one material weakness and two significant deficiencies that the audit identified, we are committed to building on the progress achieved in the past year to address them.

In FY 2017, we will apply rigorous dedication to achieving maximum compliance, transparency, and accountability, similar to our core mission. In order to have impact with audiences, the BBG must provide quality programming and earn the trust of audiences. We are monitoring our progress through an impact model, which tracks engagement, connection, and being influential with audiences, media institutions, and governments through a range of quantitative, qualitative, digital, and anecdotal indicators. We understand that achieving such impact relies on effectively managing the resources provided by Congress.

We would be remiss if we did not thank Kearney & Company for their sustained efforts and professionalism in working through the complex issues associated with the global nature of BBG's financial processes.

Sincerely,

A handwritten signature in black ink, reading "John Barkhamer", is positioned above the typed name.

John Barkhamer  
Acting Chief Financial Officer



# Financial Statements

**Broadcasting Board of Governors**  
**Consolidated Balance Sheet**  
**As of September 30, 2016 and 2015**  
*(in thousands)*

	<b>FY 2016</b>	<b>FY 2015</b>
<b>Assets (Note 2):</b>		
<b>Intragovernmental:</b>		
Fund Balance with Treasury (Note 3)	\$ 208,276	\$ 204,609
Accounts Receivable (Note 4)	106	52
Total Intragovernmental	208,382	204,661
Accounts Receivable, Net (Note 4)	499	1,604
Advances to Surrogate Broadcasters (Note 5)	54,000	44,800
General Property, Plant and Equipment, Net (Note 6)	105,627	111,176
Other (Note 7)	1,799	962
Total Assets	\$ 370,307	\$ 363,203
<b>Liabilities (Note 8):</b>		
<b>Intragovernmental:</b>		
Accounts Payable	\$ 920	\$ -
Accrued FECA Liability (Note 8)	1,730	1,631
Other (Note 11)	3,264	3,141
Total Intragovernmental	5,914	4,772
Accounts Payable	27,723	26,490
Actuarial FECA Liabilities (Note 8)	7,517	7,333
Accrued Payroll and Benefits	8,554	9,984
Foreign Service Nationals After-Employment Benefits (Note 8 and 9)	9,557	9,356
Environmental and Disposal Liabilities (Note 8 and 10)	1,079	1,079
Accrued Annual and Compensatory Leave (Note 8)	16,054	16,362
Contingent Liabilities (Note 8 and 13)	364	4,012
Other (Note 11)	-	67
Total Liabilities	\$ 76,762	\$ 79,455
<b>Net position:</b>		
Unexpended Appropriations	\$ 203,567	\$ 194,975
Cumulative Results of Operations	89,978	88,773
Total Net Position	\$ 293,545	\$ 283,748
Total Liabilities and Net Position	\$ 370,307	\$ 363,203

The accompanying notes are an integral part of these statements.

**Broadcasting Board of Governors**  
**Consolidated Statement of Net Cost**  
**For the Years Ended September 30, 2016 and 2015**  
*(in thousands)*

	<b>FY 2016</b>	<b>FY 2015</b>
<b>Voice of America (Note 14 and 19)</b>		
Gross Costs	367,413	361,707
Less: Earned Revenues	(2,602)	(5,837)
Net Program Costs	364,811	355,870
<b>Office of Cuba Broadcasting (OCB) (Note 14 and 19)</b>		
Gross Costs	40,926	40,344
Less: Earned Revenues	-	-
Net Program Costs	40,926	40,344
<b>Surrogate Broadcasters (Note 14 and 19)</b>		
Gross Costs	345,745	354,019
Less: Earned Revenues	(1,407)	(41)
Net Program Costs	344,338	353,978
Total Gross Costs	754,084	756,070
Less: Total Earned Revenues	(4,009)	(5,878)
Net Cost of Operations	750,075	750,192

The accompanying notes are an integral part of these statements.

**Broadcasting Board of Governors**  
**Consolidated Statement of Changes in Net Position**  
**For the Years Ended September 30, 2016 and 2015**  
*(in thousands)*

	<u>All Other Funds</u>	<u>Consolidated Total</u>	<u>Consolidated Total</u>
	<u>FY 2016</u>	<u>FY 2016</u>	<u>FY 2015</u>
<b>Cumulative Results of Operations:</b>			
Beginning Balances	\$ 88,773	\$ 88,773	\$ 89,598
Adjustments:			
Correction of Errors	(5)	(5)	-
Beginning Balance, as Adjusted	<u>88,768</u>	<u>88,768</u>	<u>89,598</u>
<b>Budgetary Financing Sources:</b>			
Other Adjustments	-	-	-
Appropriations Used	740,457	740,457	738,679
Non-Exchange Revenue	-	-	-
Other	-	-	52
<b>Other Financing Sources (Non-Exchange):</b>			
Donated Revenue-Nonfinancial Resources	25	25	-
Transfers In/Out Reimbursement	(176)	(176)	(432)
Imputed Financing	10,936	10,936	11,077
Other	43	43	(9)
Total Financing Sources	751,285	751,285	749,367
Net Cost of Operations	<u>(750,075)</u>	<u>(750,075)</u>	<u>(750,192)</u>
Net Change	<u>1,210</u>	<u>1,210</u>	<u>(825)</u>
<b>Cumulative Results Of Operations</b>	<u>89,978</u>	<u>89,978</u>	<u>88,773</u>
<b>Unexpended Appropriations:</b>			
Beginning Balance	\$ 194,975	\$ 194,975	\$ 196,694
Adjustments:			
Correction of Errors	5	5	-
Beginning Balance as Adjusted	<u>194,980</u>	<u>194,980</u>	<u>196,694</u>
<b>Budgetary Financing Sources:</b>			
Appropriations Received	749,587	749,587	742,067
Appropriations Transferred In/Out	-	-	-
Other Adjustments	(543)	(543)	(5,107)
Appropriations Used	<u>(740,457)</u>	<u>(740,457)</u>	<u>(738,679)</u>
Total Budgetary Financing Sources	<u>8,587</u>	<u>8,587</u>	<u>(1,719)</u>
Total Unexpended Appropriations	<u>203,567</u>	<u>203,567</u>	<u>194,975</u>
<b>Net Position</b>	<u>\$ 293,545</u>	<u>\$ 293,545</u>	<u>\$ 283,748</u>

The accompanying notes are an integral part of these statements.



**Broadcasting Board of Governors**  
**Combined Statement of Budgetary Resources**  
**For the Years Ended September 30, 2016 and 2015**  
*(in thousands)*

	<b>FY 2016</b>	<b>FY 2015</b>
<b>Budgetary Resources:</b>		
Unobligated balance, brought forward, Oct 1	\$ 57,849	\$ 62,244
Adjustment to unobligated balance brought forward, Oct 1	-	-
Unobligated balance brought forward, Oct 1, as adjusted	57,849	62,244
Recoveries of prior year unpaid obligations	13,939	16,019
Other changes in unobligated balance	2,666	(2,810)
Unobligated balance from prior year budget authority, net	74,454	75,453
Appropriations	750,055	742,535
Spending authority from offsetting collections	4,061	5,058
Total budgetary resources	\$ 828,570	\$ 823,046
<b>Status of Budgetary Resources:</b>		
New obligations and upward adjustments	\$ 770,692	\$ 765,197
Unobligated balance, end of year:		
Apportioned	21,645	16,689
Unapportioned, unexpired	9,092	12,980
Unexpired unobligated balance, end of year	30,737	29,669
Expired unobligated balance, end of year	27,141	28,180
Total unobligated balance, end of year	57,878	57,849
Total budgetary resources	\$ 828,570	\$ 823,046

The accompanying notes are an integral part of these statements.

(Continues on next page)

**Broadcasting Board of Governors**  
**Combined Statement of Budgetary Resources**  
**For the Years Ended September 30, 2016 and 2015**  
*(in thousands) (Continued)*

	FY 2016	FY 2015
<b>Change in Obligated Balance</b>		
<b>Unpaid Obligations:</b>		
Unpaid obligations brought forward, Oct 1	\$ 149,300	\$ 133,688
Adjustments to unpaid obligations, start of year	-	-
New obligations and upward adjustments	770,692	765,197
Outlays, gross	(752,208)	(733,566)
Recoveries of prior year unpaid obligations	(13,939)	(16,019)
Unpaid obligations, end of year	153,845	149,300
<b>Uncollected payments:</b>		
Uncollected payments, federal sources, brought forward, Oct 1	(3,782)	(5,835)
Change in uncollected payments, federal sources	(550)	2,053
Uncollected payments, federal sources, end of year	(4,332)	(3,782)
<b>Memorandum (non-add) entries:</b>		
Obligated balance, start of year	\$ 145,518	\$ 127,853
Obligated balance, end of year	<u>\$ 149,512</u>	<u>\$ 145,518</u>
<b>Budget Authority and Outlays, Net:</b>		
Budget authority, gross	\$ 754,115	\$ 747,593
Actual offsetting collections	(6,719)	(9,408)
Change in uncollected customer payments, federal sources	(550)	2,053
Recoveries of prior year paid obligations	3,209	2,297
Anticipated offsetting collections	-	-
Budget Authority, net	<u>\$ 750,055</u>	<u>\$ 742,535</u>
Outlays, gross	\$ 752,207	\$ 733,566
Actual offsetting collections	(6,719)	(9,408)
Outlays, net	745,488	724,158
Distributed offsetting receipts	-	-
Agency outlays, net	<u>\$ 745,488</u>	<u>\$ 724,158</u>

The accompanying notes are an integral part of these statements.

# Broadcasting Board of Governors

## Notes to Principal Financial Statements

**For the Years Ended September 30, 2016 and 2015**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

On October 1, 1999, the Broadcasting Board of Governors (BBG) became the independent, autonomous entity responsible for all U.S. Government and government-sponsored, non-military, international broadcasting. This was the result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-277). The federal agency is composed of four components:

- **Broadcasting Board of Governors (the Board)**
- **International Broadcasting Bureau (IBB)**
- **Voice of America (VOA)**
- **Office of Cuba Broadcasting (OCB)**

The Board and the IBB do not engage in the development of news content. The Board provides overall governance for the BBG and has authority to make grants to carry out its statutorily defined broadcasting mission. The IBB maintains the global distribution network over which all BBG-funded news and information programming is distributed. The IBB also provides administrative functions which are governed by federal laws and regulations. The VOA and OCB are the components of the agency that develop news content along with three surrogate broadcasters: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Network (MBN). Every week, over 278 million listeners, viewers, and Internet users around the world turn on, tune in, and log on to U.S. international broadcasting programs.

The surrogate broadcasters – RFE/RL, RFA, and MBN – are grantee organizations who receive the majority of their funding from the BBG. They are organized and managed as private, independent, not-for-profit corporations. Further information on these grantees can be found at:

- **Radio Free Europe/Radio Liberty – [www.rferl.org](http://www.rferl.org)**
- **Radio Free Asia – [www.rfa.org/english](http://www.rfa.org/english)**
- **Middle East Broadcasting Networks – [www.alhurra.com](http://www.alhurra.com)**

## **B. Basis of Presentation and Accounting**

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the BBG, consistent with the Chief Financial Officers' Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of the BBG in accordance with generally accepted accounting principles (GAAP) and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards issued by the Federal Accounting Standards Advisory Board (FASAB) which is the designated standard-setting body for the Federal Government.

Financial transactions are recorded in the financial system, using both an accrual and a budgetary basis of accounting. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements and mandated controls over the use of federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, and services received that will require payments during the same or future periods.

## **C. Assets and Liabilities**

Assets and liabilities presented on the BBG's balance sheets include both entity and non-entity balances. Entity assets are assets that the BBG has authority to use in its operations. Non-entity assets are held and managed by the BBG, but are not available for use in operations.

Intragovernmental assets and liabilities arise from transactions between the BBG and other federal entities. All other assets and liabilities result from activity with non-federal entities. Liabilities covered by budgetary or other resources are those liabilities of the BBG for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding.

## **D. Fund Balance with Treasury**

Fund Balance with Treasury (FBWT) includes several types of funds available to pay current liabilities and finance authorized purchases.

### **General Funds**

These consist of expenditure accounts used to record financial transactions arising from congressional appropriations, as well as receipt accounts.

## **Trust Funds**

These are used for the acceptance and administration of funds contributed from public and private sources and programs.

## **Other Fund Types**

These include miscellaneous receipt accounts, deposit and clearing accounts maintained to track receipts and disbursements awaiting proper classification.

The BBG does not maintain cash in commercial bank accounts for the funds reported in the balance sheet. Treasury processes domestic receipts and disbursements. Two Department of State financial service centers, located in Bangkok, Thailand and Charleston, South Carolina, provide financial support for the BBG operations overseas. The U.S. disbursing officer at each center has the delegated authority to disburse funds on behalf of the Treasury.

## **E. Accounts Receivable**

Accounts receivable consists of amounts owed to the BBG by other federal agencies and the public. Intragovernmental accounts receivable represents amounts due from other federal agencies for reimbursable activities. Accounts receivable from the public represent amounts due from common carriers for unused airline tickets, and from vendors for erroneous or duplicate payments. These receivables are stated net of any allowances for estimated uncollectible amounts. The allowance, if any, is determined by the nature of the receivable and an analysis of aged receivable activity. Aged receivables more than 180 days without payment arrangements in place are sent to Treasury for collection through the Treasury Offset Program (TOP).

## **F. Advances and Prepayments**

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments, and recognized as expenses when the related goods and services are received. Advances are made principally for: official travel to some BBG employees; salary advances to some BBG employees, often for employees transferring to overseas assignments; advance payments to other Federal entities as part of a reimbursable agreement; prepaid leases; and miscellaneous prepayments and advances to surrogate broadcasters for future services. Advances to surrogate broadcasters are described further in Note 5.

## **G. Personnel Compensation and Benefits Annual, Sick and Other Leave Program**

Annual, sick and other leave time are accrued when earned, reduced when taken, and adjusted for changes in compensation rates. An unfunded liability is recognized for earned but unused annual leave as these balances will be funded from future appropriations in the year that leave is taken. Sick leave is expensed when taken, and no liability is recognized as employees are not vested in unused sick leave.

## Retirement Plans

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7 percent of their salary; the BBG contributes 7 percent. Employees covered under CSRS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80 percent of their salary, with the BBG making contributions of 13.7 percent. FERS employees also contribute 6.20 percent to Old Age Survivor and Disability Insurance (OASDI) and 1.45 percent to Medicare insurance. The BBG makes matching contributions to both.

Effective January 1, 2013, pursuant to Public Law 112-96, Section 5001, new employees (as designated in the statute) pay higher FERS employee contributions (3.1 percent instead of 0.80 percent) with BBG making contributions of 11.9 percent. These employees are covered under the FERS as Revised Annuity Employees (RAE), FERS-RAE. Effective January 1, 2014, Section 401 of the "Bipartisan Budget Act of 2013," signed into law by the President on December 26, 2013, made another change to the Federal Employees' Retirement System (FERS). New employees (as designated by that statute) pay higher FERS employee contributions (4.4 percent instead of 0.80 percent) with BBG making contributions of 11.9 percent. These employees are covered under the FERS as Further Revised Annuity Employees (FRAE), FERS-FRAE.

Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's Thrift Savings Plan (TSP), administered by the Federal Retirement Thrift Investment Board. BBG makes a mandatory contribution of 1 percent of basic pay for FERS-covered employees. In addition, BBG makes matching contributions, of up to 5 percent of basic pay, for FERS employees who contribute to the Thrift Savings Plan. Contributions are matched dollar for dollar for the first 3 percent of pay contributed each pay period and 50 cents on the dollar for the next 2 percent of pay. There are no percentage limits on contributions for FERS participants. There are no percentage limits for CSRS participants, but there is no governmental matching contribution. The maximum amounts that either FERS or CSRS employees may contribute to the plan in calendar year 2016 is \$18,000. Those who are of age fifty and older may contribute an additional \$6,000 in catch up contributions.

Foreign Service employees participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS). The FSRDS is the Foreign Service equivalent of CSRS as described in chapter 83 of Title 5, U.S.C. Employees covered under FSRDS contribute 7.25 percent of their salary; the BBG contributes 7.25 percent. Employees covered under FSRDS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution.

The FSPS is the Foreign Service equivalent of the FERS, as described in chapter 84 of Title 5, U.S.C. In general, all Foreign Service eligible participants hired after December 31, 1983, participate in the FSPS. Most employees hired after December 31, 1983, are automatically covered by FSPS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FSPS or remain in FSRDS. Employees participating in FSPS contribute 1.35 percent of their salary, with the BBG making contributions of 20.22 percent. FSPS employees also contribute 6.20 percent to OASDI and 1.45 percent to Medicare insurance. The BBG makes matching contributions to both. A primary feature of FSPS is that it offers a TSP into which the BBG automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent. FSRDS-covered employees may make voluntary contributions to the TSP, but without the employer 1 percent contribution or employer-matching contributions. Effective January 1, 2013, pursuant to Public Law 112-96, Section 5001, new employees (as designated in the statute) pay higher FSPS employee contributions (3.65 percent instead of 1.35 percent) with BBG making contributions of 17.92 percent. These employees are covered under FSPS as Revised Annuity Employees (RAE), FSPS-RAE. The Department of State manages the FSRDS and FSPS plans.

### **Health Insurance**

Most of the BBG's employees participate in the Federal Employees Health Benefits Program (FEHB), a voluntary program that provides protection for enrollees and eligible family members in case of illness, accident, or both. Under FEHB, the BBG contributes the employer's share of the premium as determined by the U.S. Office of Personnel Management (OPM).

### **Life Insurance**

Unless specifically waived, employees are covered by the Federal Employees Group Life Insurance Program (FEGLI). FEGLI automatically covers eligible employees for basic life insurance in amounts equivalent to an employee's annual pay. Enrollees and their family members are eligible for additional insurance coverage, but the enrollee is responsible for the cost of the additional coverage. Under FEGLI, the BBG contributes the employer's share of the premium, as determined by OPM.

### **Workers' Compensation**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from federal agencies employing the claimants.

The FECA liability consists of two components. First is a current liability amount based on actual claims paid by DOL but not yet reimbursed by the BBG. Timing of the BBG's reimbursement to DOL is dependent on appropriated funds made available for this purpose and generally occurs two to three years after actual claims had been paid.

The second FECA component is the actuarial estimate of future benefit payments for death, disability, medical, and miscellaneous costs. This estimate is determined using a method that analyzes historical benefit payment patterns related to a specific period in order to predict the ultimate payments related to the current period. The estimated liability is not covered by budgetary resources and will require future funding.

### **Federal Employees Post-Employment Benefits**

The BBG does not report CSRS, FERS, FEHB or FEGLI assets, accumulated plan benefits, or unfunded liabilities applicable to its employees; OPM reports this information. As required by Statements of Federal Financial Accounting Standards (SFFAS) No.5, Accounting for Liabilities of the Federal Government, the BBG reports the full cost of employee benefits for the programs that OPM administers. The BBG recognizes an expense and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits, and life insurance for employees covered by these programs. The additional costs are not actually owed or paid to OPM, and thus are not reported as liabilities on the balance sheet. For each fiscal year the Office of Personnel Management (OPM) calculates the U.S. Government's service costs for covered employees, which is an estimate of the amount of funds that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. Government's estimated FY 2016 service cost exceeds contributions made by employer agencies and covered employees, the plan is not fully funded by the BBG and its employees. For FY 2016 BBG recognized \$10.9 million as an imputed cost and as an imputed financing source for the difference between the estimated service cost and the contributions made by BBG and its employees.

### **Foreign Service Nationals (FSN) After-Employment Benefits**

The BBG employs approximately 300 FSN employees at 24 overseas posts. Many of these posts offer after-employment benefits that are based on the employment laws and prevailing wage practices in that host country. These benefits may include annuity-based defined benefit plans, defined contribution plans, and lump sum voluntary severance and retirement benefits. Descriptions of these after-employment benefits and projected plan benefits are presented in fuller details in Note 9.



## **H. Contingent Liabilities**

Contingencies are accrued in the financial statements for claims where potential losses are probable and the cost is measurable. Cases for which the likelihood of an unfavorable outcome is less than probable but more than remote, the estimated range of loss is disclosed but not accrued, as presented in Note 13.

## **I. Revenues and Financing Sources**

The BBG operations are financed through congressional appropriations, reimbursement for the provision of goods or services to other federal agencies, transfers and donations. Financing sources are received in direct annual and no-year appropriations; these appropriations may be used, within statutory limits, for operating and capital expenditures.

Work performed for other federal agencies under reimbursable agreements is initially financed through either an advance of funds received or the Bureau providing the service and subsequently reimbursed. Reimbursements are recognized as revenue when earned, i.e., goods have been delivered or services rendered, and the associated costs have been incurred.

An imputed financing source is recognized to offset costs incurred by the BBG and funded by another federal source, in the period in which the cost was incurred. The types of costs offset by imputed financing are employees' pension benefits, health insurance, life insurance, and other post-retirement benefits for employees. Funding from other federal agencies is recorded as an imputed financing source.

## **J. Net Position**

The BBG's net position contains the following components:

### **Unexpended Appropriations**

This is the sum of undelivered orders and unobligated balances. Undelivered orders represent the amount of obligations incurred for goods or services ordered, but not yet received. An unobligated balance is the amount available after deducting cumulative obligations from total budgetary resources. As obligations for goods or services are incurred, the available balance is reduced.

### **Cumulative Results of Operations**

These include (1) the accumulated difference between revenues and financing sources less expenses since inception; (2) the BBG's investment in capitalized assets financed by appropriation; (3) donations; and (4) unfunded liabilities, for which liquidation may require future congressional appropriations or other budgetary resources.

**K. Management’s Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. Actual results could differ from these estimates.

**L. Statement of Net Cost Presentation**

The cost and revenue information presented in the Statement of Net Cost is aligned to the two federal entities, displayed separately, and the three grantees, or surrogate broadcasters, displayed in the aggregate. The two overarching strategic goals outlined in the Strategic Plan are (1) Expand freedom of information and expression, and (2) Communicate America’s democratic experience. Both federal entities and all three grantees carry out activities to achieve both goals. However, because VOA’s mission aligns directly with BBG’s second goal, its efforts are largely focused on achieving this goal and the other entities are primarily focused on achieving the first goal.

**M. Comparative Data**

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

**NOTE 2: ENTITY / NON-ENTITY ASSETS**

Assets of the BBG include entity assets and non-entity assets. Non-entity assets are currently held by but not available to the BBG. They are restricted by nature and consist of amounts in deposit and miscellaneous receipts held for others. The funds will be forwarded to Treasury or other entities at a future date. Non-entity assets as of September 30, 2016 and 2015 are summarized as follows:

<b>Entity / Non-Entity Assets (in thousands)</b>	<b>2016</b>	<b>2015</b>
Intragovernmental:		
Fund Balance with Treasury	\$ 852	\$ 1,034
Total Intragovernmental	852	1,034
Total Non-Entity Assets	852	1,034
Total Entity Assets	369,455	362,169
<b>Total Assets</b>	<b>\$ 370,307</b>	<b>\$ 363,203</b>

**NOTE 3: FUND BALANCE WITH TREASURY**

Treasury performs cash management activities for all federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of the BBG to draw down funds from Treasury for expenses and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2016 and 2015, consists of the following:

<b>Fund Balances (in thousands)</b>	<b>2016</b>	<b>2015</b>
General Funds	\$ 199,293	\$ 195,450
Trust Funds	8,097	7,917
Other Fund Types	886	1,242
<b>Total</b>	<b>\$ 208,276</b>	<b>\$ 204,609</b>

The status of Fund Balance with Treasury as of September 30, 2016 and 2015, consists of the following:

<b>Status of Fund Balance with Treasury (in thousands)</b>	<b>2016</b>	<b>2015</b>
Unobligated Balance		
Available	\$ 30,737	\$ 29,668
Unavailable	27,141	28,181
Obligated Balance Not Yet Disbursed	149,512	145,518
Non-Budgetary Fund Balance with Treasury	886	1,242
<b>Total</b>	<b>\$ 208,276</b>	<b>\$ 204,609</b>

The status of the fund balance may be classified as unobligated available, unobligated unavailable, obligated balance not yet disbursed, and non-budgetary Fund Balance with Treasury. Unobligated available funds, depending on budget authority, are generally available for new obligations in the current fiscal year. The unobligated unavailable amounts are those appropriated in prior fiscal years but not available to fund new obligations; however they are available to increase existing prior year obligations. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received, or goods and services received but for which payment has not yet been made.

Canceled funds returned to Treasury as of September 30, 2016 and 2015 totaled \$543 thousand and \$5.1 million, respectively.

**NOTE 4: ACCOUNTS RECEIVABLE, NET**

Accounts receivable as of September 30, 2016 and 2015, are as follows:

<b>Accounts Receivable (in thousands)</b>	<b>2016</b>	<b>2015</b>
Intragovernmental	\$ 106	\$ 52
Public	504	1,617
Allowance for Uncollectable Accounts	(5)	(13)
<b>Total Accounts Receivable, Net</b>	<b>\$ 605</b>	<b>\$ 1,656</b>

**NOTE 5: ADVANCES TO SURROGATE BROADCASTERS**

The advance to surrogate broadcasters (or grantees) represents an amount in which the BBG has disbursed funds but for which goods and services have not been delivered or performed. Grant funds are issued periodically throughout the year on an advance basis and liquidated based on actual expenses incurred by the grantee. The grant advance liquidation approach utilizes expenses as recorded in the grantee’s preliminary unaudited Trial Balances through September of the year being audited. In some instances, grantees provided estimates for expenses and year-end adjustments for activity incurred but not recorded in the preliminary trial balance due to timing and availability. The grantee advance accrual does not account for grantee executed vendor contracts awarded where services have not been received by the grantee as of year-end.

Advances to surrogate broadcasters for the years ended September 30, 2016 and 2015 are \$54.0 million and \$44.8 million, respectively.

**NOTE 6: PROPERTY, PLANT, AND EQUIPMENT, NET**

Property, plant, and equipment consist of equipment, buildings, vehicles, and land. There are no restrictions on the use of property, plant, and equipment. The BBG capitalizes property, plant, and equipment with a useful life of two years or more. The thresholds for capitalization are as follows: equipment costing \$25,000 or more, buildings and capital leases costing more than \$100,000, and other structures and facilities costing \$50,000 or more. In addition, ADP software costing over \$250,000, and all land, land rights, and vehicles are capitalized, regardless of cost.

Expenditures for normal repairs and maintenance are expended unless the expenditure is equal to or greater than \$25,000 and the improvement increases the asset’s useful life by two years or more, in which case the amounts are capitalized.

Depreciation or amortization is computed using the straight-line methodology over the assets’ useful lives ranging from six to thirty years. Amortization of capitalized software begins on the date it is put in service, if purchased, or when the module or component has

been successfully tested if developed internally. Amortization of capital leases is over the term of the lease.

Property, plant, and equipment consist of property used in operations and consumed over time. The following table summarizes cost and accumulated depreciation/amortization of property, plant, and equipment as of September 30, 2016 and 2015.

<b>PP&amp;E (in thousands)</b>		<b>2016</b>			<b>2015</b>		
<b>Property Category</b>	<b>Useful Life (Years)</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	N/A	\$ 3,416	\$ -	\$ 3,416	\$ 3,416	\$ -	\$ 3,416
Building	30	25,551	(18,833)	6,718	25,387	(18,092)	7,295
Other Structures	20	8,549	(7,005)	1,544	8,603	(6,903)	1,700
Construction-in-Progress	N/A	7,068	-	7,068	6,428	-	6,428
Equipment	6-30	318,869	(238,185)	80,684	316,214	(230,375)	85,839
Vehicles	6	6,096	(4,499)	1,597	5,967	(4,416)	1,551
Assets under Capital Lease	10	-	-	-	2,040	(2,040)	-
Leasehold Improvements	10	3,505	(486)	3,019	3,141	(288)	2,853
Software	6	5,148	(3,567)	1,581	5,148	(3,054)	2,094
Software-in-Development	N/A	-	-	-	-	-	-
<b>Total</b>		<b>\$ 378,202</b>	<b>\$ (272,575)</b>	<b>\$ 105,627</b>	<b>\$ 376,344</b>	<b>\$ (265,168)</b>	<b>\$ 111,176</b>

Depreciation and amortization expense as of September 30, 2016 and 2015 is \$12.3 million and \$12.9 million, respectively.

#### **NOTE 7: OTHER ASSETS**

Other assets consist of (a) general PP&E that is no longer in service and is awaiting disposal, retirement or removal from service, and is recorded at estimated net realizable value; (b) prepaid leases that are paid in advance; and, (c) advances and prepayments to BBG employees for official travel, miscellaneous prepayments, and salary advances to BBG employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2016 and 2015:

<b>Other Assets (in thousands)</b>	<b>2016</b>	<b>2015</b>
Inactive PP&E	\$ 7	\$ 7
Prepaid Leases	1,492	115
Travel & Salary Advances	300	840
<b>Total</b>	<b>\$ 1,799</b>	<b>\$ 962</b>

**NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The BBG’s liabilities are classified as covered or not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. They include the annual leave, workers compensation, pensions and other retirement benefits, and certain environmental matters as described in Note 10 – Environmental and Disposal Liability.

<b>Liabilities Not Covered by Budgetary Resources (in thousands)</b>	<b>2016</b>	<b>2015</b>
<b>Intragovernmental</b>		
Accrued FECA Liability	1,730	1,631
Total Intragovernmental	<u>1,730</u>	<u>1,631</u>
<b>Public</b>		
Actuarial FECA Liability	7,517	7,333
Accrued Annual and Compensatory Leave	16,054	16,362
Contingent Liabilities	364	4,012
Foreign Service National After-Employment Benefits	9,557	9,356
Environmental and Disposal Liabilities	1,079	1,079
Total Liabilities Not Covered by Budgetary Resources	<u>36,301</u>	<u>39,773</u>
Total Liabilities Covered by Budgetary Resources	<u>40,461</u>	<u>39,682</u>
<b>Total Liabilities</b>	<b><u>\$ 76,762</u></b>	<b><u>\$ 79,455</u></b>

**NOTE 9: FOREIGN SERVICE NATIONALS (FSN)  
AFTER-EMPLOYMENT BENEFITS**

The BBG operates overseas in 24 countries and employs approximately 300 local nationals known as Foreign Service Nationals (FSNs). FSNs do not qualify for any federal civilian benefits, and therefore cannot participate in any of the federal civilian retirement plans. Instead, FSN employees participate in a variety of plans established by the Department of State in each country based upon prevailing wage and compensation practices in the host country, unless the Department of State makes a public interest determination to do otherwise. In general, the BBG follows host country (i.e., local) practices and conventions in compensating FSNs. The end result is that compensation for FSNs is often not in accord with what would otherwise be offered or required by statute and regulations for federal civilian employees.

In each country, FSN after-employment benefits are included in the Post’s Local Compensation Plan (LCP). The LCP may include defined benefit plans, defined contribution plans, and retirement and voluntary severance lump sum payment plans. These plans are typically in addition to or in lieu of participating in the host country’s local social security system. These benefits form an important part of the BBG’s total

compensation and benefits program that is designed to attract and retain highly skilled and talented FSN employees. The BBG has implemented various local arrangements with third party providers for defined contribution plans for the benefit of FSNs.

### **Defined Benefit Plans**

The BBG has implemented various arrangements for defined benefit pension plans for the benefit of FSNs in 4 countries. Some of these plans supplement the host country's equivalent to U.S. social security and others do not. While none of these supplemental plans are mandated by the host country, some are substitutes for optional tiers of a host country's social security system. Such arrangements include (but are not limited to) conventional defined benefit plans with assets held in the name of trustees of the plan who engage plan administrators, investment advisors and actuaries, and plans offered by insurance companies at predetermined rates or with annual adjustments to premiums. The BBG deposits funds under various fiduciary-type arrangements, purchases annuities under group insurance contracts or provides reserves to these plans. Benefits under the defined benefit plans are typically based either on years of service and/or the employee's compensation (generally during a fixed number of years immediately before retirement). The range of assumptions that are used for the defined benefit plans reflects the different economic and regulatory environments within the various countries.

The net defined benefit liability is comprised of the present value of the defined benefit obligation less the fair value of plan assets. The change in liability was an increase of \$201 thousand in FY 2016.

### **Retirement and Voluntary Severance Lump Sum Payments**

In 11 countries, FSN employees are provided a lump-sum separation payment when they resign, retire, or otherwise separate through no fault of their own. The amount of the payment is generally based on length of service, rate of pay at the time of separation, and the type of separation.

The cost method used for the valuation of the liabilities associated with these plans is the Projected Unit Credit actuarial cost method. The participant's benefit is first determined using both their projected service and salary at the retirement date. The projected benefit is then multiplied by the ratio of current service to projected service at retirement in order to determine an allocated benefit. The Projected Benefit Obligation (PBO) for the entire plan is calculated as the sum of the individual PBO amounts for each active member. Further, this calculation requires certain actuarial assumptions be made, such as voluntary withdraws, assumed retirement age, death and disability, as well as economic assumptions. These are done by the Department of State and its actuaries whose results are provided to the federal agencies for their use. The BBG relies on the actuarial reports to obtain required financial information. The information presented for fiscal year 2016 relies on calendar year 2015 actuarial reports.

The economic assumptions used for the Retirement and Voluntary Severance Lump Sum Payment Liability as of September 30, 2016 and 2015 are:

<b>Economic Assumptions</b>	<b>2016</b>	<b>2015</b>
Discount Rate	3.48%	3.48%
Rate of Inflation	2.07%	2.07%
Salary Increase	3.19%	3.19%

The total liabilities reported for the FSN After-employment Benefits as of September 30, 2016 and 2015, respectively, are as follows:

<b>After-Employment Benefit Liability (in thousands)</b>	<b>2016</b>	<b>2015</b>
Defined Benefits Plans	\$ 4,794	\$ 4,385
Voluntary Severance	2,230	2,330
Supplemental Retirement Lump Sum	2,533	2,641
<b>Total After-Employment Benefit Liability</b>	<b>\$ 9,557</b>	<b>\$ 9,356</b>

**NOTE 10: ENVIRONMENTAL AND DISPOSAL LIABILITIES**

Environmental and disposal liabilities result from hazardous and potentially hazardous materials at current operating locations and abandoned facilities that create a public health or environmental risk. The related cleanup cost to remove, contain or dispose of any hazardous materials or properties is recognized as an environmental and disposal liability until the end of the useful life of the PP&E or until the operations at the PP&E locations cease either permanently, temporarily, or until a voluntary remediation approach is adopted.

Federal, state, and local statutes and regulations require environmental cleanup. Some of these statutes include the Comprehensive Environmental Response, Compensation, and Liability Act; The Resource Conservation and Recovery Act; as well as State and Local laws.

The BBG recognizes an estimated \$215 thousand in cleanup cost to remove hazardous materials from a transmitter facility. The estimate is based on recent disposal efforts.

Through an internal survey to comply with SFFAS 5, *Accounting for Liabilities of the Federal Government*, SFFAS 6, *Accounting for Property, Plant and Equipment*, FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-related Cleanup Costs* and Federal Financial Accounting and Auditing (FFAA) Technical Release 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, Technical Release 10, *Implementation Guidance on Asbestos*



*Cleanup Costs Associated with Facilities and Installed Equipment, and Technical Release 11, Implementation Guidance on Cleanup Costs Associated with Equipment,* the BBG identified offices and building facilities that contained non-friable and friable asbestos. Based on this survey, the BBG recognized an estimated asbestos cleanup liability in the amount of \$864 thousand in FY 2013 for four of its overseas facilities. This estimate was based on vendor quotes provided for asbestos clean-up efforts. During FY 2016 there was no material change to the cleanup estimate, therefore the total environmental liability for BBG in FY 2016 remains unchanged at \$1,079 thousands.

**NOTE 11: OTHER LIABILITIES**

Other liabilities consist of the following as of September 30, 2016 and 2015:

<b>Other Liabilities (in thousands)</b>	<b>2016</b>	<b>2015</b>
<b>Intragovernmental</b>		
Advances and Prepayments	\$ 1,421	\$ 3,141
Employer Contribution/Payroll Taxes	1,843	-
<b>Public</b>		
Deposit and Suspense Liabilities	-	67
<b>Total Other Liabilities</b>	<b>\$ 3,264</b>	<b>\$ 3,208</b>

**NOTE 12: OPERATING LEASE LIABILITY**

The BBG leases real property in overseas and domestic locations under operating leases that expire in various years. The threshold for operating lease review and disclosure is \$50,000. Minimum future lease payments under noncancellable operating leases having remaining terms in excess of one year as of September 30, 2016 for each of the next 5 years and in aggregate follows:

<b>Operating Leases (in thousands)</b>	
<b>Fiscal Year</b>	<b>Total</b>
2017	\$ 22,320
2018	21,952
2019	3,807
2020	789
2021	508
2022 and there after	874
<b>Total Future Lease Payments</b>	<b>\$ 50,250</b>

**NOTE 13: CONTINGENT LIABILITIES**

The BBG is a party in various administrative proceedings, legal actions, and tort claims that may ultimately result in settlements or decisions adverse to the Federal Government. These include legal cases that have been settled but not yet paid, and claims where the amount of potential loss is probable and estimable. No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable. The accrued and potential contingent liabilities as of September 30, 2016 and 2015 are as follows:

<b>Contingent Liabilities (in thousands)</b>				
		<b>Estimated Range of Loss</b>		
<b>FY 2016</b>	<b>Accrued Liabilities</b>	<b>Lower End of Range</b>	<b>Upper End of Range</b>	
Probable	\$ 364	\$ 364	\$ 364	
Reasonably Possible	-	-	230	
		<b>Estimated Range of Loss</b>		
<b>FY 2015</b>	<b>Accrued Liabilities</b>	<b>Lower End of Range</b>	<b>Upper End of Range</b>	
Probable	\$ 4,012	\$ 4,012	\$ 4,012	
Reasonably Possible	-	-	225	

**NOTE 14: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

The following table presents the BBG’s earned revenues and associated costs for providing goods and services to federal agencies and the public. Both earned revenues and related costs are allocated across the programs based on factors such as broadcasting hours and transmitting hours. Costs and exchange revenue for the years ended September 30, 2016 and 2015 consist of the following:

<b>Programs (in thousands)</b>	<b>2016</b>	<b>2015</b>
<b>Voice of America (VOA)</b>		
Intragovernmental Costs	\$ 66,626	\$ 79,307
Public Costs	300,787	282,400
Total VOA Costs	<u>367,413</u>	<u>361,707</u>
Intragovernmental Earned Revenues	(2,302)	(5,837)
Public Earned Revenues	(300)	-
Total VOA Earned Revenues	<u>(2,602)</u>	<u>(5,837)</u>
<b>Office of Cuba Broadcasting (OCB)</b>		
Intragovernmental Costs	6,993	4,614
Public Costs	33,933	35,730
Total OCB Costs	<u>40,926</u>	<u>40,344</u>
<b>Surrogate Broadcasters</b>		
Intragovernmental Costs	27,655	4,410
Public Costs	318,090	349,609
Total Surrogate Broadcasters Costs	<u>345,745</u>	<u>354,019</u>
Intragovernmental Earned Revenues	(1,407)	(41)
Public Earned Revenues	-	-
Total Surrogate Broadcaster Earned Revenues	<u>(1,407)</u>	<u>(41)</u>
<b>Total Intragovernmental Costs</b>	<b>\$ 101,274</b>	<b>\$ 88,331</b>
<b>Total Public Costs</b>	<b>652,810</b>	<b>667,739</b>
<b>Total Intragovernmental Earned Revenue</b>	<b>(3,709)</b>	<b>(5,878)</b>
<b>Total Public Earned Revenue</b>	<b>(300)</b>	<b>-</b>
<b>Net Cost of Operations</b>	<b><u>\$ 750,075</u></b>	<b><u>\$ 750,192</u></b>

**NOTE 15: APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED - DIRECT VS. REIMBURSABLE OBLIGATIONS**

The BBG incurs obligations directly in support of its own programs as well as reimbursable obligations in support of other federal agencies' program initiatives. The reimbursable obligations incurred by the BBG mainly support programs of the U.S. Agency for International Development and the Department of State.

Direct and reimbursable obligations for the years ended September 30, 2016 and 2015 are as follows:

<b>Obligation Incurred (in thousands)</b>	<b>2016</b>	<b>2015</b>
<b>Direct Obligations Incurred</b>		
CAT A	\$ 461,412	\$ 458,048
CAT B	304,075	302,384
<b>Total Direct Obligations Incurred</b>	<b>765,487</b>	<b>760,432</b>
<b>Reimbursable Obligations Incurred</b>		
CAT B	5,205	4,765
<b>Total Reimbursable Obligations Incurred</b>	<b>\$ 5,205</b>	<b>\$ 4,765</b>

**NOTE 16: UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Budgetary resources obligated for undelivered orders for the years ended September 30, 2016 and 2015 are \$171.4 million and \$159.5 million, respectively.

**NOTE 17: EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT**

A comparison between the FY 2016 Statement of Budgetary Resources and the FY 2016 actual numbers presented in the FY 2018 Budget cannot be performed as the FY 2018 Budget is not yet available. The FY 2018 Budget is due to be published in February 2017 and will be available from the Government Printing Office.

The BBG reconciled the amounts of the FY 2015 column on the statement of Budgetary Resources (SBR) to the actual amounts for FY 2015 in the FY 2017 President's Budget for budgetary resources, obligations incurred, distributed offsetting receipts and net outlays published in February 2016, as presented below.

<b>For the Fiscal Year Ended September 30, 2015 (in thousands)</b>	<b>Budgetary Resources</b>	<b>Obligations Incurred</b>	<b>Distributed Offsetting Receipts</b>	<b>Net Outlays</b>
Combined Statement of Budgetary Resources	\$ 823,046	\$ 765,197	\$ -	\$ 724,158
Expired Account	(34,275)	(16,095)	-	-
Undelivered Orders	(13,000)	-	-	-
<b>Budget of the United States Government</b>	<b>\$ 775,771</b>	<b>\$ 749,102</b>	<b>\$ -</b>	<b>\$ 724,158</b>

**NOTE 18: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

There are inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost and the budgetary accounting method used to report budgetary resources and obligations. The reconciliation of net cost to budgetary resources as of September 30, 2016 and 2015 is as follows:

	<i>(in thousands)</i>	
	<b>FY 2016</b>	<b>FY 2015</b>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations incurred	\$ 770,692	\$ 765,197
Less: Spending Authority from Offsetting		
Collections and Recoveries	18,000	23,374
Obligations Net of Offsetting Collections and Recoveries	752,692	741,823
Less: Offsetting Receipts	-	-
Net Obligations	752,692	741,823
Other Resources		
Donations and Forfeitures of Property	25	-
Transfers in/out Without Reimbursement	(176)	(432)
Imputed Financing from costs Absorbed by Others	10,936	11,077
Other	43	(9)
Net Other Resources Used to Finance Activities	10,828	10,636
<b>Total Resources Used to Finance Activities</b>	<b>763,520</b>	<b>752,459</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	13,108	4,954
Resources that Fund Expenses Recognized in Prior Periods	5,055	4,893
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	-	-
Resources That Finance the Acquisition of Assets	8,262	4,886
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	176	52
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<b>\$ 26,601</b>	<b>\$ 14,785</b>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>736,919</b>	<b>737,674</b>

**NOTE 18: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET  
(CONTINUED)**

<b>Components of Net cost of Operations That Will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	-	152
Increase in Environmental and Disposal Liability	-	-
Increase in Exchange Revenue Receivable From the Public	-	1,399
Other	484	996
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods	484	2,547
Components not Requiring or Generating Resources:		
Depreciation and Amortization	12,340	12,933
Revaluation of Assets or Liabilities	327	5,450
Other	5	(8,412)
<b>Total Components of Net Cost of Operations not Requiring or Generating Resources</b>	<b>12,672</b>	<b>9,971</b>
<b>Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period</b>	<b>13,156</b>	<b>12,518</b>
<b>Net Cost of Operations</b>	<b>\$ 750,075</b>	<b>\$ 750,192</b>

## NOTE 19: STATEMENT OF NET COST

The Consolidated Schedule of Net Cost categorizes costs and revenues by significant components that carry out the BBG's mission and whose managers communicate directly to top management.

The Schedule of Net Cost is presented by major broadcaster (VOA and OCB), program office (TSI), bureau (IBB) or grantee (RFA, RFE/RL, and MBN). The BBG believes this is consistent and transparent with its Congressional Budget submissions. The net cost of operations is the gross (i.e. total) cost incurred by the previously mentioned significant components less any exchange (i.e., earned) revenue. These significant components fully support the two overarching strategic goals outlined in the Strategic Plan in execution of the mission. The Agency's strategic goals were updated in 2015 and are outlined in the Management's Discussion and Analysis section.

Statement of Net Cost (in thousands)	FY 2016	VOA	OCB	TSI	IBB	RFA	RFE/RL	MBN
<b>Voice of America (VOA)</b>								
Gross Costs	\$ 367,413	\$ 283,748	\$ -	\$ 45,782	\$ 37,883	\$ -	\$ -	\$ -
Less: Earned Revenues	(2,602)	(2,602)	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>364,811</b>	<b>281,146</b>	<b>-</b>	<b>45,782</b>	<b>37,883</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Office of Cuba Broadcasting (OCB)</b>								
Gross Costs	40,926	-	29,669	6,268	4,989	-	-	-
Less: Earned Revenues	-	-	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>40,926</b>	<b>-</b>	<b>29,669</b>	<b>6,268</b>	<b>4,989</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surrogate Broadcasters</b>								
Gross Costs	345,745	-	-	73,425	9,480	47,025	106,968	108,847
Less: Earned Revenues	(1,407)	-	-	-	-	(447)	(960)	-
<b>Net Program Costs</b>	<b>344,338</b>	<b>-</b>	<b>-</b>	<b>73,425</b>	<b>9,480</b>	<b>46,578</b>	<b>106,008</b>	<b>108,847</b>
<b>Total Gross Costs</b>	<b>754,084</b>	<b>283,748</b>	<b>29,669</b>	<b>125,475</b>	<b>52,352</b>	<b>47,025</b>	<b>106,968</b>	<b>108,847</b>
<b>Less: Total Earned Revenues</b>	<b>(4,009)</b>	<b>(2,602)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(447)</b>	<b>(960)</b>	<b>-</b>
<b>Net Cost of Operations</b>	<b>\$750,075</b>	<b>\$281,146</b>	<b>\$29,669</b>	<b>\$125,475</b>	<b>\$ 52,352</b>	<b>\$46,578</b>	<b>\$106,008</b>	<b>\$108,847</b>

# Required Supplementary Information

## Deferred Maintenance and Repairs

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those needs originally intended to be met by the asset.

The BBG has an ongoing maintenance and repair plan for its PP&E that allows it to prioritize required maintenance on its assets and schedule that maintenance appropriately. The maintenance plan is developed and updated by an inspection of its assets to determine current conditions and to estimate costs to correct any deficiencies. It is the policy of BBG to maintain and preserve all PP&E regardless of recorded values and it does not differentiate between PP&E that is capitalized versus those that are expensed.

An amendment to SFFAS Deferred Maintenance and Repairs No. 42 was implemented in fiscal year 2015. It eliminates the requirement to report condition information and requires an explanation of significant changes in estimated costs from the prior year in this note.

The BBG reviewed its FY 2016 maintenance and repair plan and identified those projects where maintenance or repair had been planned and/or required but nevertheless was not performed in 2016. For those projects where maintenance was not performed and where the current condition level required maintenance to return them to an acceptable level, in accordance with the amended SFFAS Deferred Maintenance Repairs No. 42, the BBG estimates and discloses deferred maintenance cost.

The increase in estimated deferred maintenance and repairs for Equipment costs of \$250 thousand from FY 2015 to FY 2016 was caused by adding the overhaul of antenna towers at Cape Greco in Cyprus. The decrease in Other Structures & Facilities costs of \$519 thousand was caused by movement towards closing the station in Sri Lanka and thereby removing its deferred maintenance costs. Additionally, further reduction resulted from completion of the road paving at the station in Marathon, Florida, in FY 2016, which was included in the FY 2015 estimate.

<b>Deferred Maintenance and Repairs (in thousands)</b>			
<b>PP&amp;E Category</b>	<b>FY 2016 Estimated Cost to Return to Acceptable Condition</b>		<b>FY 2015 Estimated Cost to Return to Acceptable Condition</b>
Equipment	\$	465	\$ 215
Other Structures & Facilities		75	594
<b>Total</b>	<b>\$</b>	<b>540</b>	<b>\$ 809</b>





## Section 4: Other Information

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# Inspector General's Statement on Management and Performance Challenges



October 26, 2016

Mr. John F. Lansing  
Broadcasting Board of Governors  
Chief Executive Officer and International Broadcasting Bureau Director  
330 Independence Ave, SW, Room 3360  
Washington, DC 20237

Dear Mr. Lansing:

The Reports Consolidation Act of 2000 requires that the *Performance and Accountability Report* of the Broadcasting Board of Governors (BBG) include a statement by the Inspector General that summarizes the most serious management and performance challenges facing BBG and briefly assesses the progress in addressing them. This statement is enclosed.

In FY 2016, the Office of Inspector General (OIG) considers the most serious management and performance challenges for BBG to be in the following areas:

1. Information Security and Management
2. Financial and Property Management
3. Contracts, Acquisitions, and Grants Management

In prior fiscal years (2013–2015), OIG cited leadership problems, specifically the lack of effective management of day-to-day operations, as a management challenge. Because BBG has made progress addressing this challenge (namely, by hiring a permanent chief executive officer), we do not consider leadership a management challenge for FY 2016. A subcomponent of the organization has also made progress on several of these systemic challenges. In particular, during the March 2016 inspection of the Edward R. Murrow Transmitting Station, OIG found improvements in contracting and financial management.<sup>1</sup>

My office will continue focusing on the remaining challenges in FY 2017. I look forward to working with you to continue improving BBG's ability to address these issues and meet its mission effectively and efficiently.

Sincerely,

Steve A. Linick  
Inspector General

Enclosure: As stated.

<sup>1</sup> OIG, *Inspection of the Edward R. Murrow Transmitting Station* (ISP-IB-16-08, March 2016).  
U.S. Department of State, Office of Inspector General, Washington, DC 20522-0308

## Information Security and Management

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BBG depends on information systems and electronic data to carry out essential mission-related functions. These information systems are subject to serious threats that can have adverse effects on operations, organizational assets, and personnel by exploiting vulnerabilities to compromise the information those systems process, store, and transmit.<sup>2</sup> Though BBG has taken steps to improve its information security program in recent years, OIG continues to find deficiencies related to incident response and reporting, IT planning, and system-specific and enterprise-wide security. Of the three management assistance reports issued for BBG in FY 2016, two focused on significant issues in information security and management.

### Control Weaknesses in Enterprise-Wide Security

In the annual audit of BBG's information security program, OIG found that BBG remains non-compliant with the Federal Information Security Management Act of 2002, Office of Management and Budget, and National Institute of Standards and Technology requirements. In fact, of the 18 recommendations issued for the FY 2014 audit, only one-third (6 out of 18) had been implemented during fieldwork for the FY 2015 audit. BBG had not fully developed and implemented an organization-wide risk management strategy and, according to a senior BBG official, prioritized organizational resources on operations rather than information security.<sup>3</sup>

While BBG addressed issues with Active Directory (AD) account and asset management and security training, control deficiencies at the systems level remain. OIG has annually identified the same pervasive information security weaknesses across BBG's IT system since FY 2010, indicating an agency-wide problem. To date, BBG leadership has not been able to remedy all of the identified weaknesses in configuration management, identity and access management, incident response and reporting (IR&R), security training, plans of action and milestones, remote access management, contingency planning, and contractor systems. Without a sufficient risk management program, system owners cannot appropriately prioritize resources to manage information security risks to protect information systems and sensitive data.<sup>4</sup>

### Incident Response and Reporting

The overall purpose of an IT IR&R program is to allow an organization to detect cybersecurity incidents rapidly, minimize loss and destruction, identify weaknesses, and restore IT operations quickly in the event of a network failure. In a review of BBG's IR&R program,<sup>5</sup> an independent auditor found that BBG's IR&R program was not operating effectively from October 1, 2014 through May 26, 2015. Specifically, BBG's Computer Security Incident Response Team did not fully comply with categorization guidelines, reporting requirements, and remediation timelines as required by the U.S. Computer Emergency Readiness Team. These deficiencies may have occurred in the IR&R program because BBG did not finalize its IR&R policy and procedures until May 7, 2015. However, the independent auditor found that, even if the policy and

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<sup>2</sup> OIG, *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-16-17, November 2015).

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> OIG, *Management Assistance Report: Broadcasting Board of Governors Incident Response and Reporting* (AUD-IT-IB-16-25, January 2016).

procedures had been implemented during the evaluation period, the documents that were ultimately adopted did not achieve either the desired or federally required results. Without an effective IR&R program, BBG may be unable to properly identify and respond to unauthorized breaches, identify weaknesses, and restore IT operations in a timely manner. All of these deficiencies may impede BBG's ability to achieve its core mission. BBG concurred with the independent auditor's recommendation to amend and implement BBG's IR&R policy and procedures, including a defined process to correlate IT events and cybersecurity incidents.<sup>6</sup>

BBG needs to develop a strategy to realign information technology and resources and implement an organization-wide information risk management strategy. This strategy should identify, assess, respond to, and monitor information security at all levels of the organization in accordance with Federal standards and regulations. BBG's Office of Technology, Services, and Innovation should amend and implement the Computer Security Incident Response Policy and the Computer Security Incident Response Procedure to reflect all elements of an effective incident response and reporting program in accordance with National Institute of Standards and Technology standards and guidelines.

#### **Management of User Accounts**

Management of user accounts continues to be a challenge for BBG. This includes disabling non-user accounts and setting parameters for clear distinctions in account levels for access to information. Addressing these weaknesses is important—to prevent an intruder from gaining access to a privileged account with elevated administrative rights. If this were to occur, the risk that BBG's confidential information, including personally identifiable information, could be altered or stolen increases significantly. Further, ineffective AD account management of inactive accounts increases the risk of unauthorized access to BBG's information system applications and servers.<sup>7</sup>

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<sup>6</sup> *Ibid.*

<sup>7</sup> OIG, *Management Assistance Report: Inactive User Accounts Within the Broadcasting Board of Governors Active Directory* (AUD-IT-IB-16-36, May 2016).

## Financial and Property Management

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Financial management continues to be a challenge for BBG. In FY 2015, BBG received an unmodified opinion on its financial statements.<sup>8</sup> However, an independent auditor identified one material weakness related to the validity and accuracy of unliquidated obligations (ULOs) and significant internal control deficiencies related to grantee monitoring and information technology. Of the sample ULOs tested as part of the audit, 40 percent were invalid. While BBG has standard operating procedures that address ULOs, these were not distributed agency-wide to those responsible for monitoring obligations. Weaknesses in controls over ULOs were initially reported in BBG's FY 2013 financial statement audit.<sup>9</sup>

Additionally, the independent auditor found that BBG had not made progress in addressing compliance with time and attendance (T&A) policies and procedures outlined in the Broadcasting Administration Manual. During the FY 2015 financial statement audit, BBG officials stated that BBG had not modified processes to address deficiencies identified in the FY 2014 audit. Based on this information, the independent auditor did not perform timesheet testing during the FY 2015 financial statement audit. BBG planned to implement an electronic T&A approval system in FY 2016, however, the agency delayed implementation because of resource and personnel limitations. The independent auditor recommended that BBG develop and implement a process to ensure that responsible officials approve and retain T&A and leave records in accordance with policy. If delays in developing the automated time and attendance approval system continue, BBG should develop and implement a manual process to ensure compliance with T&A and leave policy.<sup>10</sup>

OIG found that the Voice of America (VOA) Correspondent Cairo news bureau's cashier operations did not comply with Department of State standards for unannounced cash counts and separation of duties.<sup>11</sup> OIG noted that VOA Correspondent Cairo news bureau lacked sufficient employees to allow for separation of duties. OIG recommended that VOA, in coordination with Embassy Cairo, re-designate the Cairo news bureau principal A cashier as an embassy sub-cashier and allow Embassy Cairo to oversee its cashiering operations.<sup>12</sup>

OIG also found issues concerning property management. In particular, OIG reviewed the VOA Correspondent Cairo news bureau's inventory records for FYs 2014-15 and found that some broadcasting items, such as cameras, televisions, and office equipment, were not properly documented.<sup>13</sup>

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<sup>8</sup> OIG, *Independent Auditor's Report on the Broadcasting Board of Governors 2015 and 2014 Financial Statements* (AUD-FM-IB-16-14, November 2015).

<sup>9</sup> *Ibid.*

<sup>10</sup> OIG, *Management Letter Related to the Audit of the Broadcasting Board of Governors 2015 and 2014 Financial Statements*, (AUD-FM-IB-16-15, January 2016).

<sup>11</sup> OIG, *U.S. International Broadcasting to Egypt* (ISP-IB-16-23, September 2016).

## Managing Contracts, Acquisitions, and Grants

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For the second year in a row, OIG has noted grantee monitoring as a management challenge for BBG. BBG has three grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks. During the FY 2013 financial statement audit, the independent auditor found that BBG did not sufficiently monitor its three grantees, and, in FY 2014, BBG management stated that there had been no significant changes to the grantee monitoring process. During FY 2015, BBG management made improvements in this process. For example, BBG hired a grants management specialist, updated sections of its Grantee Handbook, and designed and implemented several new control activities. The improvements, however, were not in place until late in the fiscal year, so they were not sufficiently mature to test during the audit. Further, not all planned improvements to the grantee monitoring process had been implemented due to delays in hiring the grants management specialist and competing priorities of existing personnel. This prevented BBG from implementing corrective actions in a timely manner. BBG anticipated that the agency would fully implement its planned grantee monitoring process during FY 2016. This lack of effective grantee oversight increases the risk of waste, fraud, and abuse of Federal funds and non-compliance with Federal grant oversight regulations. Also, as BBG is the sole source of funding for the grantees, an organized and documented approach to oversight is needed to demonstrate accountability and mitigate the risk of noncompliance.<sup>14</sup>

The lack of effective oversight of contracts is a continuing management challenge that has persisted for the past 3 years. In its inspection of U.S. International Broadcasting to Egypt, OIG identified several weaknesses in contract administration procedures. These weaknesses included missing file documentation as required by the Federal Acquisition Regulation.<sup>15</sup> OIG advised the VOA correspondent, who is the warranted contracting officer, to implement better contracting recordkeeping procedures, such as checklists, for purchase order and service contract files and to take refresher contracting training.

During the course of investigative work related to Lead Inspector General for Overseas Contingency Operations (LIG-OCO) efforts, OIG identified opportunities to strengthen the requirements for reporting fraud, waste, and abuse related to grants, cooperative agreements, and other Federal assistance awards. In connection with this work, OIG issued a management assistance report recommending that BBG expressly include mandatory disclosure language in BBG grants regarding violations of Federal criminal law involving fraud, bribery, or illegal gratuities potentially affecting the award. OIG also recommended that BBG implement a best practice, which is followed at the U.S. Agency for International Development, of modifying the mandatory disclosure language to require notification to OIG of all potential fraud related to a grant award. Last, OIG recommended that BBG amend all active grants, cooperative agreements, and other Federal assistance awards to include this language.<sup>16</sup> BBG agreed with OIG's recommendations and in April 2016, implemented this change.

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<sup>14</sup> OIG, *Independent Auditor's Report on the Broadcasting Board of Governors 2015 and 2014 Financial Statements* (AUD-FM-IB-16-14, November 2015).

<sup>15</sup> OIG, *Inspection of U.S. International Broadcasting to Egypt* (ISP-IB-16-23, September 2016).

<sup>16</sup> OIG, *Management Assistance Report: Mandatory Disclosure Language in Broadcasting Board of Governors Grants and Assistance Agreements* (INV-15-03, December 2015).





# Agency Response to the Management and Performance Challenges



**Broadcasting Board of Governors**  
United States of America

October 28, 2016

Mr. Steve A. Linick  
Inspector General  
Office of Inspector General  
U.S. Department of State

Dear Mr. Linick:

On behalf of the Broadcasting Board of Governors, I want to thank you and your team for the diligence and professionalism shown in working with the BBG in identifying Major Management and Performance Challenges. The BBG has reviewed the Office of Inspector General's Fiscal Year 2016 Statement. We greatly appreciate the Inspector General's recognition of Agency efforts to implement OIG recommendations over the past year, as well as noting ongoing progress toward enhancing information security, financial and property management, grantee monitoring, and acquisitions processes. The BBG appreciates OIG's statement that it no longer considers leadership a management challenge, given the establishment of a permanent Chief Executive Officer in September 2015.

#### **Managing Contracts, Acquisitions, and Grants**

Over the past year, BBG has worked to develop, establish, and refine policies and procedures to address weaknesses identified by OIG in contract administration and grantee monitoring, issuing and updating specific acquisition policies and procedures in its Broadcasting Administrative Manual (BAM) and its Grantee Handbook. The OIG's recognition of these and other efforts, such as Agency revisions to its grant agreements to include mandatory disclosure language, is gratifying. The BBG will continue this work during Fiscal Year 2017.

#### **Financial and Property Management**

Over the past few months, the Agency has initiated implementation of its automated time and attendance system, and anticipates full implementation and compliance with the policies and procedures outlined in the BAM by January 2017. BBG has assigned personnel to monitor the performance and to test the controls of the system as the implementation progresses.

With the recruitment of an experienced property management expert to assist in correcting deficiencies, the BBG's property office has enhanced its review and accounting for appropriate invoices and obligations and depreciation of equipment.



330 Independence Avenue, SW | Room 3300 | Cohen Building | Washington, DC 20237 | (202) 203-4545 | Fax (202) 203-4568

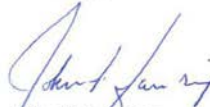
The BBG also concurred with the OIG's recent recommendation concerning the cashier operations at the Cairo news bureau, and is working with U.S. Embassy Cairo to implement the recommendation.

**Information and Security Management**

The BBG continues to take steps to improve its information technology and security program. In FY 2016, the Agency reviewed its Continuous Monitoring, Contingency Planning, and Computer Security and Incident Response Policies, and has dedicated resources to develop system-specific and entity-wide contingency plans. Server and workstation baseline procedures have been updated to include all U.S. Government Configuration Baseline settings required by NIST.

The Agency is committed to the further building and maintenance of its capacity to address the ongoing and changing threats to government information systems. We are currently establishing a risk management effort to prioritize resources and help manage information security risk to our systems and data. We will work in partnership with OIG to resolve these and other management issues raised by the Office of Inspector General.

Sincerely,



John F. Lansing  
Chief Executive Officer and Director

# Summary of Financial Statement Audit and Management Assurances

TABLE 1  
**Summary of Financial Statement Audit**

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Validity and Accuracy of Obligations</i>	<i>1</i>				<i>1</i>
<i>Total Material Weaknesses</i>	<i>1</i>				<i>1</i>

TABLE 2

**Summary of Management Assurances**

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Statement of No Assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	<i>N/A</i>					
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Statement of No Assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	<i>N/A</i>					
Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Statement of No Assurance					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>						

# Reporting on Improper Payment Information Act, as Amended

Improper payments are payments that should not have been made or were made in the incorrect amount, which can include duplicate payments, payments to ineligible recipients, payments made for goods or services not received, or payments made without sufficient supporting documentation to discern whether the payment was proper. To improve the integrity and accuracy of the federal Government's payments, Congress enacted the Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300). IPIA requires federal agencies to:

- Review their programs and activities annually;
- Identify programs that may be susceptible to significant improper payments;
- Estimate amounts improperly paid; and
- Report improper payment amounts and the actions taken to reduce them.

During July 2010, Congress passed the *Improper Payments Elimination and Recovery Act* (IPERA) which amended IPIA and Section 831 of the Defense Authorization Act of 2002, also known as the Recovery Auditing Act. IPERA strengthened IPIA by increasing management accountability and requiring additional efforts to recover improper payments.

In January 2013, Congress enacted the *Improper Payments Elimination and Recovery Improvement Act of 2012*, (IPERIA) "to intensify efforts to identify, prevent, and recover payment error, waste, fraud".<sup>1</sup> It reinforces and accelerates the "Do Not Pay" initiative, increases emphasis on high-priority programs, establishes performance targets, and clarifies guidance for estimating improper payments.

OMB Memorandum M-15-02 dated October 20, 2014 provides the latest guidance to agencies for implementing IPIA, IPERA, and IPERIA. This guidance is contained in Parts I and II of Appendix C to OMB Circular A-123, *Management's Responsibility for Internal Controls* which requires all executive branch agencies to determine whether the risk of improper payments is significant (exceeds both 1.5 percent of program annual payments and \$10 million, or exceeds \$100 million annually) and to provide valid annual estimates of improper payments for programs or activities that are susceptible to significant improper payments.

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<sup>1</sup> Public Law 112-248

In December 2015, Congress enacted the *Federal Improper Payments Coordination Act of 2015* to improve the sharing and use of data by government agencies to curb improper payments.<sup>2</sup>

## BBG'S PROCESS

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The BBG is dedicated to continuing to strengthen its improper payments program to ensure payments are legitimate, processed correctly and efficiently. The Program utilizes an experienced and trained staff, a financial management system that is designed with control functions to mitigate risk, and an internal analysis of processes and transactions. All executives and staff are required to comply with BBG's procurement and accounting policies and procedures, and Federal laws and regulations.

The BBG conducts the following steps to comply with the IPIA, IPERA, and IPERIA and OMB Circular A-123 Appendix C:

1. Reviews all programs and activities and identifies those that are susceptible to significant improper payments. OMB defines significant improper payments as "gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays)".
2. Obtains a statistically valid estimate of the annual amount of improper payments for those programs that are identified as susceptible to significant improper payments.
3. Implements a plan to reduce erroneous payments.
4. For those programs that are identified as susceptible to significant improper payments, reports estimates of the annual amount of improper payments in programs and activities and BBG's progress in reducing them.

The BBG's Office of Chief Financial Officer (OCFO) is responsible for reviewing and reporting the BBG's improper payments annually. The above four-step process began during fiscal year 2012 and continues into fiscal year 2017.

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<sup>2</sup> Public Law 114-109

## RISK ASSESSMENT

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The BBG's qualitative risk assessment methodology consists of ranking each of its programs based on operational risk, complexity, volume of payments, human capital risk, historical risk, IT risk, compliance risk and total dollar value. BBG assesses nine programs for risk each year: Middle Eastern Broadcasting Networks, Inc. (MBN); Radio Free Europe Radio Liberty, Inc. (RFE/RL); Voice of America (VOA); International Broadcasting Bureaus (IBB); Technology, Services and Innovation (TSI); Office of Cuba Broadcasting (OCB); Radio Free Asia (RFA); domestic payroll and overseas payroll. For good governance, the BBG also performs a quantitative risk assessment by conducting testing to estimate the potential improper payment rate of all programs on a rotational basis, currently testing each program once every three years.

For FY 2016, the BBG performed a quantitative risk assessment on three programs: IBB, OCB, and VOA, extracting the universe of payments from the BBG's financial system, Momentum, for the period of August 1, 2015 through July 31, 2016. The BBG reviewed a random sample of 145 payments for each of the three programs.

Based on the results of the BBG's FY 2016 qualitative and quantitative risk assessment, only domestic payroll is at risk for significant improper payments. BBG first identified domestic payroll as being susceptible to significant improper payments during the FY 2015 testing cycle.

## SAMPLING AND ESTIMATION

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The results of our FY 2015 quantitative risk assessment determined the domestic payroll program to be at significant risk for improper payments due to inconsistent maintenance and certification of timesheets, which prevented BBG from determining whether the hours paid were performed. BBG is in the process of implementing a new electronic time and attendance system, WebTA, which is expected to significantly eliminate or totally resolve this documentation issue. WebTA will be the system of record for all time and attendance records by recording the employees' validated time, leave requests, as well as, supervisor certification of the employee time worked and leave requested. WebTA is being implemented agencywide using a phased-in approach. The initial phases of WebTA implementation began in FY 2016 and all of BBG is projected to be using WebTA online by the end of FY 2017.

BBG proposed and OMB approved an alternative statistical sampling and estimation approach as described in M-15-02, Part I.A.14, alternate Scenario 2. Scenario 2 allows agencies with no baseline comprehensive improper payment rate to develop a statistically valid estimate within 3 years of when the plan was approved by OMB and to report a program component rate while a "comprehensive baseline rate" is being developed. BBG will report a component improper payment rate, from the population of employees using WebTA, in FY 2016 and 2017. Additionally, BBG is implementing an interface file to extract the payroll data directly from WebTA and interface into the



DFAS payroll processing system. The interface file project is also expected to be completed during FY 2017. Therefore, a program rate for all domestic payroll payments will be reported in FY 2018. Using this alternate approach will significantly reduce the number of payments BBG has to test to develop a statistically valid estimate, allowing BBG to focus resources on the full implementation of WebTA and interface file and verification that this corrective action resolves the documentation issue identified in our quantitative risk assessment. BBG is committed to ensuring our domestic payroll procedures are compliant with applicable rules and regulations and wants to ensure our resources are focused on the accelerated effort of training, implementation, interface and review of the fully automated WebTA process.

BBG used the sampling distribution of the proportion (sample's proportion of improper payments), and selected a sample size sufficient to yield an improper payment rate that estimates the population's rate with a 90 percent confidence interval of plus or minus 2.5 percentage points. BBG selected a random sample by employee by pay period without replacement.

## IMPROPER PAYMENT REPORTING

In FY 2016, BBG tested 145 samples, across four pay periods beginning with pay period ending July 9, 2016 and ending with pay period ending August 20, 2016. Testing of domestic payroll identified thirteen improper payments with an absolute value total of \$1,637 or an estimated improper payment rate of 0.28%. When projected to the population, the improper payment amount is \$604,681.

Table 1 below shows BBG's estimate of improper payments for domestic payroll based on FY 2016 testing and shows the FY 2016 Improper Payment Reduction Outlook for Domestic Payroll (in millions). BBG has set a performance target to reduce the improper payment rate for the domestic payroll program by twenty-five percent in FY 2017, an additional fifty percent in FY 2018, and 0% thereafter.

**Table 1: Improper Payment Reduction Outlook**  
(in millions)

Program Name	PY Outlays	PY IP%	PY IPS	CY Outlays	CY IP %	CY IP \$	CY Overpayments \$	CY Underpayment \$	CY + 1 Est. Outlays <sup>2</sup>	CY + 1 Est. IP %	CY + 1 Est. IP \$	CY + 2 Est. Outlays <sup>2</sup>	CY + 2 Est. IP %	CY + 2 Est. IP \$	CY + 3 Est. Outlays <sup>2</sup>	CY + 3 Est. IP %	CY + 3 Est. IP \$
Domestic Payroll <sup>5</sup>	NA	NA	NA	\$219.67	0.28%	\$0.61	\$0.53	\$0.08	\$211.47	0.21%	\$0.44	\$213.59	0.07%	\$ 0.15	\$215.72	0.00%	\$ -
Total	NA	NA	NA	\$219.67	0.28%	\$0.61	\$0.53	\$0.08	\$211.47	0.21%	\$0.44	\$213.59	0.07%	\$ 0.15	\$215.72	0.00%	\$ -

## IMPROPER PAYMENT ROOT CAUSE CATEGORIES

Timekeeper data entry errors of approved and certified timesheets from WebTA into the payroll processing system are the main cause of the improper payroll payments identified during FY 2016. Employee erroneous entries into WebTA have also been identified.

Table 2: Improper Payment Root Cause Category Matrix (\$ in millions)		
Reason for Improper Payment	Domestic	
	Overpayments	Underpayments
Program Design or Structural Issue		
Inability to Authenticate Eligibility		
Failure to Verify	Death Data	
	Financial Data	
	Excluded Party Data	
	Prisoner Data	
	Other Eligibility Data	
Administrative or Process Error Made by	Federal Agency	\$ 0.53
	State or Local Agency	
	Other Party (e.g. participating lender, health care provider, or any other organization administering Federal dollars)	
Medical Necessity		
Insufficient Documentation to Determine		
Other Reason (a) (explain)		
Other Reason (b) (explain)		
Monitoring		

## IMPROPER PAYMENT CORRECTIVE ACTION

The improper payment estimate reported for FY 2016 is based on testing from the population of employees using WebTA as their system of record for time and attendance. It demonstrates that the implementation of WebTA, as projected to the population, reduces the improper error rate for the domestic payroll program beneath the statutory thresholds for being at significant risk of improper payment. The root cause of improper payments identified from the population of employees using WebTA is attributed to administrative errors made by the BBG. This includes errors of time entry by BBG employees and timekeepers.

The Defense Finance and Accounting Service (DFAS) is responsible for the processing and disbursement of payroll payments to employees using the Defense Civilian Payroll System (DCPS). Currently, BBG's timekeepers manually enter the certified and approved timesheets, from WebTA and sign-in/out procedures, into DCPS for DFAS to process and disburse payroll. Timekeeper data entry errors into the DCPS are the main root cause of the improper payroll payments identified during FY 2016. During

FY 2017, BBG will implement an automated interface file which will extract certified payroll information from WebTA and interface it directly into the DCPS. BBG expects that implementation of this automated interface will address the main data entry issues that account for the majority of improper payments identified in FY 2016.

Root Cause Category	Error Cause	Corrective Action	Completion Date
Administrative or Process Error Made by Federal Agency	Employee entry of time incorrectly	Training and question/answer sessions and instruction aids to ensure employees are informed of WebTA procedures, payroll policy and work schedule information to correctly record their time in WebTA.	Jan-17
		Review, analysis and feedback of WebTA time and attendance entries with discrepancies to DCPS provided to timekeepers to research and follow-up with employees.	On-going
	Timekeeper entry of incorrect time into DCPS.	Review, analysis and feedback of WebTA time and attendance entries with discrepancies to DCPS provided to timekeepers to research and follow-up with employees.	On-going
		Development of interface file from WebTA into DCPS to process payroll time and activity without manual timekeeper entry to eliminate data entry errors.	Mar-17

## INTERNAL CONTROL OVER PAYMENTS

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Table 3 provides BBG's self-assessment of the five components required for an effective internal control system.

### **Control Environment**

Management has made reduction of improper payments a priority and fosters an atmosphere of ethical integrity and accountability. The agency has clearly defined areas of authority and responsibility and holds employees accountable for their internal control responsibilities.

### **Risk Assessment**

BBG's risk assessment process over payments is described above. BBG intentionally performs a qualitative risk assessment annually to ingrain within the agency's culture the evaluation of changing conditions, both external and internal, on program operations, and the application of resources on the areas where the greatest risk exists and return on investment can be maximized.

### **Control Activities**

BBG has implemented control activities to address risks identified during the risk assessment process. In the case of domestic payroll, the manual controls in place are not operating effectively to reduce the risk of improper payments to an acceptable level. Therefore, BBG is working to automate these controls, by implementing a timekeeping system with an interface to the payroll processing system. Removing the manual portion of these control activities should address the root cause of improper payments in domestic payroll.

### **Information and Communication**

BBG has provided training of the timekeeping system and payroll policy to employees, timekeepers, and supervisors so that the roles and responsibilities are clearly understood and any deviations in performance can be addressed. We provided a crosswalk of instructions between the WebTA system to the DCPS. Additionally, these sessions covered time and attendance policy and procedures, as well as, work schedules and OPM regulations.

## Monitoring

BBG tests the operating effectiveness of key controls over improper payments as part of the quantitative risk assessment and testing performed to develop improper payment estimates of its programs. Testing is performed annually for programs susceptible to significant improper payments and on a three-year rotational basis for all other programs. This approach allows BBG to confirm the corrective actions address the root cause of the improper payments and monitor performance over time.

Internal Control Standards	Domestic Payroll
Control Environment	4
Risk Assessment	4
Control Activities	3
Information and Communication	4
Monitoring	4

### Legend:

- 4 = Sufficient controls are in place to prevent improper payments
- 3 = Controls are in place to prevent improper payments but there is room for improvement
- 2 = Minimal controls are in place to prevent improper payments
- 1 = Controls are not in place to prevent improper payments

## ACCOUNTABILITY

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BBG's managers and accountable officials, including the agency head, are held responsible for reducing and recapturing improper payments, meeting improper payment reduction targets, and implementing and monitoring corrective actions. Any improper payments identified are quickly addressed, and the disposition is tracked to resolution. The cause of the improper payment is also identified to address any control weaknesses.

## AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

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BBG has sufficient resources, information systems, and internal controls needed to implement the WebTA and an automated interface to DCPS necessary to reduce improper payments in domestic payroll to the targeted level.

## BARRIERS

BBG has not identified any barriers which would limit its corrective actions in reducing improper payments.

## RECAPTURE OF IMPROPER PAYMENTS REPORTING

IPERA requires agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually, unless the agency determines that a payment recapture audit program would not be cost-effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments.

Based on the results of the BBG's qualitative and quantitative risk assessments, data mining efforts, and the BBG's payment composition (large volume, low dollar payments), the BBG determined that it would not be cost-effective to pursue a recapture audit for the following programs: MBN, RFE/RL, VOA, IBB, TSI, OCB, RFA, and domestic and overseas payroll. The BBG notified the OIG and the OMB on May 16, 2016 that a recapture audit would not be performed for FY 2016, and the OMB confirmed that the waiver granted for FY 2015 on June 2, 2015 remained in effect.

BBG identified nine improper payroll overpayments totaling \$1,434 and recovered all of the overpayments through corrected payroll actions processed. The BBG also identifies and recaptures improper payments during the normal course of its disbursement management process. During FY 2016, the BBG identified 17 erroneous trade payments totaling \$78,930 and recovered all but \$2,867. Recovered funds are returned to the original obligation. The amounts identified and recovered in FY 2016 are shown in Table 4.

Program or Activity	Overpayments Recaptured through Payment Recapture Audit						Overpayments Recaptured Outside of Payment Recapture Audit		
	Contracts, Grants, Benefits, Loans, Other					Total	2016 Amount Identified	2016 Amount Recaptured	
	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified			Amount Recaptured
Voice of America (VOA)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 0.01	\$ 0.01
International Broadcasting Bureau (IBB)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Technology, Services and Innovation (TSI)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 0.07	\$ 0.07
Middle East Broadcasting Networks (MBN/MN)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Office of Cuba Broadcasting (OCB)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ -	\$ -
Radio Free Europe Radio Liberty (RFE)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Radio Free Asia (RFA)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Overseas Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Domestic Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.08	\$ 0.08

Table 5 is only for money recaptured through payment recapture audits and is not for money recaptured outside of payment recapture audits. It is included below as it is a required disclosure, but it is not applicable to BBG as BBG does not conduct payment recapture audits.

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audits (\$ in millions)									
Program or Activity	Amount Recovered	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other
Voice of America	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
International	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Technology, Middle East	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Office of Cuba	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Radio Free Europe	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Radio Free Asia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Overseas Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Domestic Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Table 6 is only for overpayments identified through payment recapture audits and is not for overpayments identified outside of payment recapture audits. It is included below as it is a required disclosure, but it is not applicable to BBG as BBG does not conduct payment recapture audits.

Table 6: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits (\$ in millions)					
Program or Activity	Type of Payment	Amount Outstanding (0 - 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectable
Voice of America	n/a	n/a	n/a	n/a	n/a
International	n/a	n/a	n/a	n/a	n/a
Technology, Middle East	n/a	n/a	n/a	n/a	n/a
Office of Cuba	n/a	n/a	n/a	n/a	n/a
Radio Free Europe	n/a	n/a	n/a	n/a	n/a
Radio Free Asia	n/a	n/a	n/a	n/a	n/a
Domestic Payroll	n/a	n/a	n/a	n/a	n/a
Total	\$ -	\$ -	\$ -	\$ -	\$-

## ADDITIONAL COMMENTS

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The BBG believes that it has sufficient internal controls, human capital, and information systems to detect and prevent transactional improper payments. The BBG's accounts payable vouchers are processed within the financial management system (Momentum) by well-trained examiners and certifying officers prior to submission to the Department of the Treasury. The financial accounting system, Momentum, has built in controls to prevent duplicate invoice processing, ensure the availability of funds, require payment authorizations, and enforce access controls. Additionally, BBG uses the vendor self-entry invoice processing platform (IPP) offered by Treasury. During FY 2016, vendor invoices were received either directly from a vendor or through the IPP process which interfaces to Momentum once approved by the contracting officer representative (COR). IPP has similar controls in place that prevent duplicate invoice numbers, ensure funds availability and performance within the performance period, and provide for automated workflow approval. If an erroneous payment occurs the BBG takes immediate action to collect those funds.

The BBG's Improper Payment Program is functional and designed to prevent material, recurring, and illegitimate payments. The BBG standard operating procedures provide control processes to ensure that erroneous or fraudulent payments do not occur.

BBG holds the agency managers, accountable officers, including the agency head, and employees accountable for maintaining sufficient internal controls to effectively prevent or recapture any improper payments that are made.

## AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

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Do Not Pay is a Department of Treasury initiative that offers a centralized system for agencies to use to identify ineligible recipients and potential improper payments. Currently the BBG submits to Treasury batch files of vendor payments after processing for review and analysis. Table 7 provides the dollar amounts and the number of payments reviewed using the IPERIA specified databases as referenced in OMB Circular A-136 during the period October 1, 2015 through September 30, 2016. In FY 2016, five payments totaling \$154,254 were made to a vendor on GSA's Excluded Parties List as part of a GSA wide contract for utility power in an area with no utility power vendor alternative.

Disbursements involving payroll, intragovernmental transactions and Department of State overseas processed transactions are not included in the batch files submitted by BBG. BBG did not perform reviews with any other databases not listed in IPERIA as Do Not Pay databases.



Table 7: Results of the Do Not Pay Initiative in Preventing Improper Payments (\$ in millions)						
	Number (#) of payments reviewed for possible improper payments	Dollars (\$) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars (\$) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars (\$) of potential improper payments reviewed and determined accurate
Reviews with the Do Not Pay databases	11,776	\$ 411.27	-	\$ -	-	\$ -
Reviews with databases not listed in IPERIA as Do Not Pay databases	-	\$ -	-	\$ -	-	\$ -



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