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) 2017. This report includes the results of this year’s audit of the Agency’s financial statements; measures our performance against our FY 2017 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’s Freedom of the Press 2017 report, press freedom declined to its lowest point in the last thirteen 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. At the beginning of FY 2017, RFE/RL and VOA jointly launched a new 24/7 Russian-language digital network Current Time that aims to provide audiences across Eastern Europe and the Former Soviet Union with access to factual news and information, and real-time fact-checking of false narratives on a daily basis. In less than a full year of operations, Current Time has 58 distributors in 22 countries carrying the full channel, as well as 38 stations in 13 countries carrying individual programs from the stream. 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. In FY 2017, RFE/RL expanded the Raise Your Voice initiative to Central Asia and the Balkans.

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 2017, BBG provided extensive coverage of the refugee crisis in the Middle East and Europe, Turkey’s descent towards authoritarianism, Burma’s Rohingya
refugee crisis, the crackdown on press freedom in Cambodia, and the deepening political and social crisis in Venezuela. BBG continued to cover ongoing violent extremism including an in-depth series on Boko Haram that provided an unprecedented look inside the terrorist group.

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 worldwide audience of 278 million people in 61 languages each week, holding steady after last year’s unprecedented increase of 52 million.

The Fiscal Year 2017 National Defense Authorization Act made several significant reforms to the management structure of the BBG. Some of these took immediate effect, others will come into force at a future date. Primarily, the act authorized the position of Chief Executive Officer (CEO). Under the new statutory structure, a CEO serves as agency head, assuming all leadership, management, and operational authorities, including the key duty of acting as the firewall against political interference in the networks’ journalism, ensuring the independence and integrity of BBG broadcasters. Currently, the BBG’s Governing Board remains in place. The legislation authorizes a new Presidentially-appointed, five-member, bipartisan Advisory Board, which includes the Secretary of State that would replace the existing Board. The currently serving CEO, John F. Lansing, was expressly retained by the legislation as the Agency’s inaugural CEO. Future CEOs will be presidentially nominated and, upon Senate confirmation, be appointed by the President.

The CEO exercises leadership with the support of the U.S. International Media Coordinating Committee (ICC), made up of the heads of the five BBG networks, and appointed by the CEO. Through the CEO-chaired ICC, 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:

- Aggressively continuing a shift to digital platforms;
- Increasing strategic cooperation across BBG networks;
- Enhancing the curation and acquisition of mission-relevant content;
- Targeting resources to cover key regions of strategic interest; 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 thirteenth 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 2017. We strive to wisely and effectively use the resources entrusted to us by the Administration, Congress, and the public to further our mission.

Kenneth Weinstein    John F. Lansing
Chairman    Chief Executive Officer and Director

November 15, 2017
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Introduction

PURPOSE OF THE PERFORMANCE AND ACCOUNTABILITY REPORT

This FY 2017 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors’ (BBG) thirteenth 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.

STRUCTURE OF THE PERFORMANCE AND ACCOUNTABILITY REPORT

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 2017 and the BBG’s management and performance challenges. The MD&A also includes the results of the Agency’s FY 2017 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 2017 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, management assurances, payment integrity and grants oversight and efficiency information.

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)
- Grants Oversight and New Efficiency Act (GONE)
Section 1:
Management’s Discussion and Analysis

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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 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. The Fiscal Year 2017 National Defense Authorization Act made several significant reforms to the management structure of the BBG. Some of these took immediate effect, others will come into force at a future date. Primarily, the act authorized the position of Chief Executive Officer (CEO). Under the new statutory structure, a CEO serves as agency head, assuming all leadership, management, and operational authorities, including the key duty of acting as the firewall against political interference in the networks’ journalism, ensuring the independence and integrity of BBG broadcasters. Currently, the BBG’s Governing Board remains in place. The legislation authorizes a new Presidentially-appointed, five-member, bipartisan Advisory Board, which includes the Secretary of State that would replace the existing Board. The currently serving CEO, John F. Lansing, was expressly retained by the legislation as the Agency’s inaugural CEO. Future CEOs will be presidentially nominated and, upon Senate confirmation, be appointed by the President.

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 2017 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 2017 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 2017 include:

- MBN continued to strengthen its *Raise Your Voice* platform for Iraq and launched a new targeted platform, *Maghreb Voices*. Both platforms provide objective coverage of and engagement on social, political, and cultural issues impacting the region, including those which have the potential to fuel radicalization.

- BBG formally launched the Current Time TV and digital network, led by RFE/RL in cooperation with VOA, providing Russian speakers globally with access to balanced, accurate, topical, and trustworthy information, and serving as a reality check on disinformation that is driving conflict in the region. Audience and impact data are not yet available for the Current Time network; BBG will begin collecting these data in FY 2018.

- VOA and RFA launched a joint video programming project for North Koreans. RFA-produced videos feature reality TV-style documentaries chronicling the lives of re-settled defectors living in Seoul, while VOA produced a documentary series focusing on Korean American immigrants living in Palisades Park, New Jersey.

- VOA’s Africa Division reported on terrorism with an interactive, exclusive multimedia report and video series, “Boko Haram: Terror Unmasked,” featuring 18 hours of video captured from the terrorist group showing the tactics and vulnerabilities of the ISIS-connected Boko Haram.

- For the first time, a BBG media survey was conducted in Cuba, and it showed that the Martí currently reach 11.1 percent of Cubans on a weekly basis. Regular users consider the content they get from Martí to be unique and 97 percent call it trustworthy. The vast majority (96 percent) say that Martí helps increase their understanding of current events and most users both share information they get from Martí and would recommend it to others.
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 networks from FY 2013 to FY 2017, along with the targets set by the Agency.

Impact cannot be reduced to a single quantitative factor. The BBG has implemented 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. FY 2017 is the first year that we have had national audience reach for OCB in Cuba, which has a measured weekly audience of 1.0 million.
Ongoing Challenges

MEDIA ENVIRONMENT

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 strategic areas aligned to U.S. foreign policy and on having and demonstrating impact.

A key 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 2017, the BBG completed contracting actions on the installation of five new FMs: three in the Democratic Republic of Congo and two in the Republic of Congo; installations will be completed in FY 2018.

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.
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 2017, BBG provided extensive coverage of the refugee crisis in the Middle East and Europe, Turkey’s descent towards authoritarianism, Burma’s Rohingya refugee crisis, the crackdown on press freedom in Cambodia, and the deepening political and social crisis in Venezuela. BBG continued to cover ongoing violent extremism including an in-depth series on Boko Haram that provided an unprecedented look inside the terrorist group. Moving forward, the BBG seeks to increase its ability and authority for crisis broadcasting.

AUDIENCES

Within this challenging environment, the BBG has maintained a record 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 annual Strategy Review process, BBG language services identify 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. More important, the BBG recompeted the overall research contract and awarded Blanket Purchase Agreements (BPAs) to 17 firms. This shift will allow greater flexibility and competitive bidding among vendors, bringing down costs for individual research studies and allowing a broader range of target countries studied. As a result of the contract recompetition in FY 2017, fewer studies were commissioned than in previous years: 11 full national surveys and 14 qualitative studies. The BBG plans to expand research activities in FY 2018 to make up for this decrease. 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. In addition, the BBG fine-tuned its deployment of multiple analytics tools to track usage metrics and performance of digital content across web, mobile and social platforms.
INFRASTRUCTURE

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 social media. 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 a new social media engagement tool to measure follows, likes, and comments for U.S. International Media (USIM) accounts on key platforms and new encryption and proxy tools to circumvent censorship.

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.
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.

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.

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. In FY 2017, BBG renegotiated usage contracts with three newswire providers to cover all five networks and remove obstacles to sharing content within BBG.

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 comprehensive Workplace Solutions initiatives.
Financial Highlights

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

The independent accounting firm, Kearney & Company, conducted our FY 2017 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 taxpayer. 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 in the United States of America and incorporate the application of the standards as prescribed by the Federal Accounting Standards Advisory Board.

<table>
<thead>
<tr>
<th>Financial Highlights (in thousands)</th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>At End of the Year:</strong></td>
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<tr>
<td><strong>Condensed Balance Sheet Data:</strong></td>
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<tr>
<td>Fund Balance with Treasury</td>
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<td>$208,276</td>
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<td>Cash and Other Monetary Assets</td>
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<tr>
<td>Accounts Receivable</td>
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<td>Advances to Surrogate Broadcasters</td>
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<td>Property, Plant and Equipment</td>
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<td>Other</td>
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<tr>
<td><strong>Total Assets</strong></td>
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<td>Accounts Payable and Other</td>
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<td>Retirement and Payroll</td>
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<td><strong>Total Liabilities</strong></td>
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<td>Unexpended Appropriations</td>
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<td>Cumulative Results of Operations</td>
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<td><strong>Total Net Position</strong></td>
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<td><strong>Total Liabilities and Net Position</strong></td>
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For the Year:

**Condensed Statement of Net Cost Data:**

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<th>2017</th>
<th>2016</th>
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<td>Total Cost</td>
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<tr>
<td>Total Earned Revenue</td>
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<td><strong>Total Net Cost of Operations</strong></td>
<td>$779,265</td>
<td>$750,075</td>
</tr>
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</table>
Management Assurances

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

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 2017, BBG started to implement the Enterprise Risk Management (ERM) and Internal Control Program as required by the OMB Circular A-123 that expands and reinforces the purpose of the FMFIA. BBG was able to complete the assessment of internal controls over the majority of financial reporting but due to resource constraints was unable to complete the implementation of the ERM portion of the Program.

FINANCIAL MANAGEMENT SYSTEMS AND REPORTING INTERNAL CONTROL REVIEW

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

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 Digital Accountability and Transparency Act (DATA) of 2014, as well as GSA’s System for Award Management initiative. BBG converted domestic vendors to the Treasury Invoice Processing Platform for vendor invoice processing and is continuing the effort with international vendors. BBG completed the conversion of employees to the self-entry time and attendance system of WebTA. In addition to all employees recording their time into WebTA, BBG also completed the system interface between WebTA and the payroll processing system, Defense Civilian Payroll System (DCPS). The interface systematically transfers the certified time and attendance data from WebTA into the DCPS system for processing and fundamentally replaces manual data entry of payroll. BBG continues to implement greater processing efficiencies, a solid framework for upcoming requirements, and increased capabilities to remain accurate and accountable.
PAYMENT INTEGRITY PROGRAM

The BBG is dedicated to continuing to strengthen its improper payments program to ensure payments are valid, 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 2017 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 (FY) 2017, 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.

In accordance with OMB Circular A-123, the BBG substantially completed the evaluation of the effectiveness of internal control over the majority of financial reporting processes. Because the testing of the effectiveness of internal controls was not fully completed for all processes, the BBG is providing limited assurance that, as of June 30, 2017, its internal control over financial reporting was operating effectively and that no material weakness was found in the design or operation of internal control over financial reporting. Continuing the progress begun in FY 2017, BBG will establish an Enterprise Risk Management (ERM) program during FY 2018 that will allow the Agency to provide the necessary assurance of effective risk management.

During FY 2017, the BBG continued to address the issue of identifying and mitigating invalid unliquidated obligations (ULOs). The Office of the Chief Financial Officer continued to allocate a dedicated position, who worked in concert with the Office of Contracts and the Program areas to focus on resolving expired ULOs. These efforts resulted in a substantial reduction in the overall population of outstanding obligations across all fiscal years. These improvements resulted in this material weakness finding being reduced to a significant deficiency. 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
Chief Executive Officer and Director
Limitations of Financial Statements

The principal financial statements are 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). The statements are prepared from its books and records in accordance with Federal Generally Accepted Accounting Principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.
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Section 2: Performance Information

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FY 2017 Goals, Objectives, and Results

SUMMARY OF THE 2014-2018 BBG STRATEGIC PLAN

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 BBG’s 2018-2022 Strategic Plan will be released in February 2018.

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 preferences and mission requirements, which are not addressed adequately by media in the target area, e.g., human rights and good governance.
- 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.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BBG</td>
<td>206</td>
<td>215</td>
<td>226</td>
<td>278</td>
<td>278</td>
<td>278</td>
</tr>
<tr>
<td>VOA</td>
<td>164.6</td>
<td>171.6</td>
<td>187.7</td>
<td>236.6</td>
<td>237.0</td>
<td>236.8</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>17.9</td>
<td>23.3</td>
<td>23.6</td>
<td>26.9</td>
<td>25.9</td>
<td>25.8</td>
</tr>
<tr>
<td>RFA</td>
<td>10.8</td>
<td>7.8</td>
<td>7.5</td>
<td>6.4</td>
<td>6.4</td>
<td>6.9</td>
</tr>
<tr>
<td>MBN</td>
<td>31.8</td>
<td>29.3</td>
<td>25.7</td>
<td>27.5</td>
<td>28.0</td>
<td>25.7</td>
</tr>
<tr>
<td>Radio Sawa</td>
<td>11.1</td>
<td>11.3</td>
<td>10.9</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Alhurra</td>
<td>21.9</td>
<td>20.9</td>
<td>17.6</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>OCB</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Notes:
- FY 2017 targets are from the FY 2018 Congressional Budget Request.
- Audience estimates do not include data for Eritrea, North Korea, Oman, Turkmenistan, 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.
- Since the FY 2015 PAR, BBG has been 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 comes from national surveys and measures the number of people in target areas listening to or viewing BBG programming or online materials in the past week. (The BBG also draws performance data from other sources, including digital analytics and social media metrics.) The measure is obtained for each language service (except 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:**

**BBG – Target: 278 million  Actual: 278 million**

With a weekly audience of 278 million, BBG met its target.

**VOA – Target: 237.0 million  Actual: 236.8 million**

VOA’s past-week global audience during FY 2017 was stable at 236.8 million users, meeting the target level. New audiences of 2 million or more—almost all via domestic partners—were measured in Turkey (for TV products), in Kenya (for radio and TV), and in Venezuela and Dominican Republic (for products on all media platforms). Decreases of two million or more in measured weekly audience for VOA came in Pakistan with lower general radio usage and a transition in its TV partners and products, and in Somalia where in the previous survey elections drove higher news interest and the sample included a significant portion of the population that could not be surveyed most recently due to civil disorder. Audience figures are not yet available for the Current Time channel, which launched in February 2017.
**RFE/RL – Target: 25.9 million  Actual: 25.8 million**

RFE/RL’s weekly audience of 25.8 million in FY 2017 is just shy of the target of 25.9 million. Compared to FY 2016, the weekly audience declined from 26.9 million. The main reason behind the decline in RFE/RL’s weekly audience was loss of audience in Afghanistan due to less listening to radio programming in urban areas as well as the elimination of TV news bulletins for audiences in Afghanistan despite sharp gains in usage of RFE/RL online in Afghanistan. Significant audience gains for RFE/RL in Kazakhstan did not fully offset the losses in Afghanistan. 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. Audience figures are not yet available for the Current Time channel, which launched in February 2017.

**RFA – Target: 6.4 million  Actual: 6.9 million**

RFA’s weekly audience grew from 6.4 million to 6.9 million in FY 2017, exceeding its target. Growth was fueled by audience expansion in Vietnam, primarily video audiences. RFA’s audiences in Cambodia, which were measured before the recent crisis that pushed RFA radio off of FM frequencies, also continued to be very strong.

**MBN – Target: 28.0 million  Actual: 25.7 million**

With a measured weekly audience of 25.7 million, MBN missed its target of 28.0 million in FY 2017. MBN’s past week audience is below target in large part because of the inability to collect reliable reach features for Sudan, where—in Darfur alone—MBN reached 1.7 million in 2012. Because BBG past week calculations only include data collected within the past five years, the 2012 survey for Darfur has been phased out of the MBN reach calculation for 2017. MBN’s past week reach for Radio Sawa in Morocco also declined by approximately 1.4 million and tracks with a decreased use of radio in recent years.

**OCB (Radio and TV Martí) – Target: NA  Actual: 1.0 million**

This is the first year that BBG has been able to conduct a representative survey in Cuba. OCB’s measured weekly audience in FY 2017 was 1.0 million, or 11.1 percent of the adult population. Targets for future fiscal years will be set in the FY 2019 Congressional Budget Justification.
Performance Goal 2: Provide programming that audiences find trustworthy.

<table>
<thead>
<tr>
<th>Program Credibility – percent of weekly audience who consider information to be very or somewhat trustworthy</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>89</td>
<td>89</td>
<td>86</td>
<td>86</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>92</td>
<td>92</td>
<td>88</td>
<td>87</td>
<td>82</td>
<td>84</td>
</tr>
<tr>
<td>RFA</td>
<td>89</td>
<td>87</td>
<td>84</td>
<td>86</td>
<td>85</td>
<td>93</td>
</tr>
<tr>
<td>MBN</td>
<td>NA</td>
<td>NA</td>
<td>86</td>
<td>82</td>
<td>86</td>
<td>76</td>
</tr>
<tr>
<td>Radio Sawa</td>
<td>85</td>
<td>83</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Alhurra</td>
<td>84</td>
<td>84</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>OCB</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>97</td>
</tr>
</tbody>
</table>

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 it 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: 87  Actual: 84**

VOA’s program credibility score of 84 percent in FY 2017 is nominally lower than the FY17 target. Attitudes measured in new surveys in areas with strong Russian media influence and in some majority-Muslim countries in Africa were reflected in lower—though overwhelmingly positive—scores on trust in VOA news.

**RFE/RL – Target: 82  Actual: 84**

RFE/RL’s program credibility score of 84 percent in FY 2017 modestly exceeded its target of 82 percent. RFE/RL continues to hold a high level of credibility among its audience with 84 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.
RFA – Target: 85  Actual: 93

RFA’s program credibility score of 93 percent in FY 2017 exceeded its target of 85 percent. It is based on surveys in Burma and Cambodia. At the time of both surveys, RFA was actively operating on the ground in both countries and had significantly expanded video offerings from previous years. (RFA closed its Phnom Penh bureau in September 2017.) New data from Laos, where old survey data had been included in previous calculations, did not reach enough RFA audience members to calculate this performance indicator.

MBN – Target: 86  Actual: 76

MBN’s program credibility score of 76 percent in FY 2017 missed the target of 86 percent. MBN continues to hold a high level of credibility among its audiences with 76 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy. The percentage of Saudis who find Alhurra trustworthy, however, has declined to 74 percent from 95 percent in 2013.

OCB – Target: NA  Actual: 97

This is the first year that BBG has been able to conduct a representative survey in Cuba. OCB’s program credibility score in FY 2017 was extremely high at 97 percent. Targets for future fiscal years will be set in the FY 2019 Congressional Budget Justification.

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

<table>
<thead>
<tr>
<th>Understanding – percent of weekly audience who report that the broadcasts have increased their understanding of current events somewhat or a great deal</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>90</td>
<td>90</td>
<td>85</td>
<td>86</td>
<td>86</td>
<td>84</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>90</td>
<td>86</td>
<td>84</td>
<td>81</td>
<td>82</td>
<td>81</td>
</tr>
<tr>
<td>RFA</td>
<td>97</td>
<td>88</td>
<td>80</td>
<td>NA</td>
<td>85</td>
<td>NA</td>
</tr>
<tr>
<td>MBN</td>
<td>NA</td>
<td>NA</td>
<td>81</td>
<td>80</td>
<td>81</td>
<td>69</td>
</tr>
<tr>
<td>Radio Sawa</td>
<td>80</td>
<td>77</td>
<td>81</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Alhurra</td>
<td>79</td>
<td>77</td>
<td>81</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>OCB</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>96</td>
</tr>
</tbody>
</table>
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: 86  Actual: 84**

VOA’s understanding score of 84 percent in FY 2017 was slightly below the target of 86 percent. Somewhat lower scores from new surveys in a few African and majority-Muslim countries lowered the overall average, although in almost all of these studies 70 to 80 percent of respondents felt that VOA programs increased their understanding of current events.

**RFE/RL – Target: 82  Actual: 81**

RFE/RL’s understanding score of 81 percent in FY 2017 remained stable and did not meet the target of 82 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**

Historically, RFA’s understanding scores have been based on data from Burma and Cambodia, where audiences have been robust. In FY 2016 and 2017, for Burma and Cambodia, 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: 69**

MBN’s understanding score of 69 percent in FY 2017 did not meet the target of 81 percent. MBN’s understanding score is below target primarily because of lower than expected understanding ratings for both Radio Sawa and Alhurra in Saudi Arabia. In 2013, 89 percent of past week Alhurra viewers in Saudi Arabia said the station increased their understanding of current events versus 68 percent in the most recent survey.
OCB – Target: NA  Actual: 96

This is the first year that BBG has been able to conduct a representative survey in Cuba. OCB’s understanding score in FY 2017 was extremely high at 96 percent. Targets for future fiscal years will be set in the FY 2019 Congressional Budget Justification.

Performance Goal 4: Provide exceptional news and information.

<table>
<thead>
<tr>
<th>Uniqueness – percent of weekly audience reporting that broadcaster presents information they cannot get from other broadcasters</th>
<th>FY 2013-2014 Actuals</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>Question has been incorporated into core questionnaire</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>32</td>
<td>25</td>
<td>27</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>RFA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>MBN</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>OCB</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>78</td>
<td></td>
</tr>
</tbody>
</table>

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 and MBN.

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: 27**

VOA’s uniqueness score of 27 percent is above its FY17 target. New surveys in FY 2017 showed over half of VOA users in Pakistan and close to half in Cambodia reporting that the network provides information they cannot get elsewhere, as did a third of VOA users in Afghanistan and Kenya.

**RFE/RL – Target: 27  Actual: 25**

RFE/RL’s uniqueness score of 25 percent did not meet the target of 27 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.

**OCB – Target: NA  Actual: 78**

This is the first year that BBG has been able to conduct a representative survey in Cuba. OCB’s uniqueness score in FY 2017 was extremely high at 78 percent. Targets for future fiscal years will be set in the FY 2019 Congressional Budget Justification.
STRATEGIC OBJECTIVE 2:

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.

- 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.
- 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.

<table>
<thead>
<tr>
<th>Performance Goal</th>
<th>FY 2014 Baseline¹</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain significant weekly audience in Iraq²</td>
<td>35.5%</td>
<td>42.4%</td>
<td>42.6%</td>
<td>43.5%</td>
<td>No new data available</td>
</tr>
<tr>
<td>Maintain significant weekly TV audience in the Persian Gulf³</td>
<td>3.9 million</td>
<td>4.0 million</td>
<td>6.8 million</td>
<td>5.0 million</td>
<td>5.9 million</td>
</tr>
<tr>
<td>Increase weekly audience in Francophone Sub-Saharan Africa⁴</td>
<td>8.9 million</td>
<td>8.9 million</td>
<td>12.9 million</td>
<td>13.0 million</td>
<td>15.4¹ million</td>
</tr>
<tr>
<td>Increase weekly audience in Anglophone Sub-Saharan Africa⁵</td>
<td>33.0 million</td>
<td>34.6 million</td>
<td>47.2 million</td>
<td>46.5 million</td>
<td>45.5 million</td>
</tr>
<tr>
<td>Increase weekly audience in Kenya</td>
<td>6.0% (Oct 2013)</td>
<td>12.1% (Aug 2015)</td>
<td>12.1% (Aug 2015)</td>
<td>15.0%</td>
<td>20.2% (Feb 2017)</td>
</tr>
<tr>
<td>Increase weekly audience in Tanzania</td>
<td>20.3% (Sep 2012)</td>
<td>17.8% (Jun 2015)</td>
<td>31.0% (Feb 2016)</td>
<td>31.0%</td>
<td>31.0% (Feb 2016)</td>
</tr>
<tr>
<td>Increase weekly audience in Nigeria</td>
<td>16.9% (Mar 2014)</td>
<td>18.1% (Jun 2015)</td>
<td>21.0% (Feb 2016)</td>
<td>21.0%</td>
<td>21.0% (Feb 2016)</td>
</tr>
<tr>
<td>Increase weekly audience in Niger</td>
<td>16.0% (Dec 2013)</td>
<td>16.0% (Dec 2013)</td>
<td>16.0% (Dec 2013)</td>
<td>20.0%</td>
<td>16.0% (Dec 2013)</td>
</tr>
</tbody>
</table>

¹ Multi-country estimates are presented in real numbers, rather than percentages, because of the potential high variations in percentages across covered countries.
² Iraq includes audience for Alhurra, Radio Sawa, and VOA Kurdish.
³ Survey dates: Bahrain (Dec 2014); Kuwait (Jan 2014); Qatar (Jun 2014); Saudi Arabia (Feb 2017); UAE (Oct 2015); Yemen (Oct 2016); Total surveyed population in 5 countries = 38.0 million
⁴ 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 (Feb 2016); Cote d’Ivoire (Feb 2017); Gabon (June 2016); Guinea (Jun 2014); Madagascar (Mar 2016); Mali (Aug 2017); Niger (Dec 2013); Rwanda (May 2014); Senegal (May 2015).

FY 2017 weekly audience in Francophone Sub Saharan Africa, includes Niger weekly audience figures, which have been previously excluded. The following previous annual figures show weekly audience for Francophone SSA with Niger included; FY 2016: 14.2 million; FY 2015: 10.1 million; FY 2014: 9.9 million.

Survey dates: Botswana (May 2016), Ghana (Nov 2013); Kenya (Feb 2017); Liberia (May 2016); Malawi (Oct 2014), Nigeria (Feb 2016); Sierra Leone (Apr 2015); Somalia (May 2016); South Africa (Aug 2016); South Sudan (Dec 2015); Tanzania (Feb 2016); Uganda (Aug 2016); Zambia (Jul 2016).

**IMPACT INDICATOR:**

**Weekly audience is defined under Strategic Objective 1,**

**Performance Goal 1.**

**Analysis of Results:**

Audience targets were exceeded in the Persian Gulf, Francophone Africa, and Kenya, though somewhat below the target in Anglophone Africa. New data was not available in FY17 for Iraq, Tanzania, Nigeria or Niger.

**Performance Goal 2:**

**Increase audiences in environments lacking information.**

<table>
<thead>
<tr>
<th>STRATEGIC OBJECTIVE 2: Reach the information-denied, underserved, and targets of extremist rhetoric and violence</th>
<th>FY 2014 Baseline</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand weekly audience in Burma</td>
<td>11.2% (Mar 2014)</td>
<td>11.2% (Mar 2014)</td>
<td>7.1% (Dec 2015)</td>
<td>9.1%</td>
<td>7.1% (Dec 2015)</td>
</tr>
<tr>
<td>Expand weekly audience in Cambodia</td>
<td>30.8% (Jun 2014)</td>
<td>39.5% (May 2015)</td>
<td>39.5% (May 2015)</td>
<td>29.5%</td>
<td>29.1% (June 2017)</td>
</tr>
<tr>
<td>Expand weekly audience in Vietnam</td>
<td>1.9% (Mar 2013)</td>
<td>3.6% (Mar 2015)</td>
<td>3.6% (Mar 2015)</td>
<td>4.1%</td>
<td>3.6% (July 2016)</td>
</tr>
<tr>
<td>Expand digital audience in China</td>
<td>0.03% (Nov 2009)</td>
<td>0.25% (Jun 2014)</td>
<td>0.25% (Jun 2014)</td>
<td>0.5%</td>
<td>0.25% (Jun 2014)</td>
</tr>
</tbody>
</table>
IMPACT INDICATOR:
Weekly audience is defined under Strategic Objective 1, Performance Goal 1.

Analysis of Results:
In Vietnam, USIM maintained audiences in this very challenging media market. The composition of USIM Vietnamese audiences, however, shifted somewhat away from radio and into television and video offerings. In Cambodia, while USIM’s 29.1 percent audience research was somewhat off its 29.5 percent target, the numbers are within the margin of error. Significantly, USIM audiences have remained at roughly a third of the adult population of Cambodia over many years (subsequent government measures against local affiliates and USIM journalists has since closed many avenues of access to BBG audiences there). Lack of new survey data for Burma and China prevented adequate measurement for targets in those countries. New data for China will be available in early FY 2018 and a new Burmese national survey is planned for later in the fiscal year.
Performance Goal 3: Reach audiences with fact-based, credible information in environments targeted by state-sponsored misinformation campaigns.

| STRATEGIC OBJECTIVE 2: Reach the information-denied, underserved, and targets of extremist rhetoric and violence |
|-------------------------------------------------|-------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| **Performance Goal 3:**                        | FY 2015 Baseline | FY 2016 Actual | FY 2017 Target | FY 2017 Actual |
| Increase audience in the Russian Federation    | 2.7% (Dec 2013)  | 4.9% (Jun 2016) | Maintain FY 16 audience reach | 4.9% (Jun 2016) |
| Increase audience in Ukraine                   | 20.8% (Apr 2014) | 18.0% (Jun 2016) | Reach 20% of adults on all platforms | 18.0% (Jun 2016) |
| Increase audience in Moldova                   | 8.3% (Oct 2010)  | 32.1% (Feb 2016) | Maintain FY16 audience reach | 32.1% (Feb 2016) |
| Increase audience in Kazakhstan                | 0.9% (Jan 2011)  | 0.9% (Jan 2011) | Reach 9% of adults on all platforms | 9.6% (Nov 2016) |
| Increase audience in Tajikistan                | 6.8% (Nov 2014)  | 11.4% (Jun 2016) | Reach 11% of adults on all platforms | 10.8% (Jun 2017) |
| Attract audiences in Estonia                   | 5.2% (Aug 2015)  | 5.2% (Aug 2015) | Reach 6% of adults on all platforms | 5.1% (Jun 2016) |
| Attract audiences in Latvia                    | No data          | 7.2% (Aug 2015) | Reach 6% of adults on all platforms | 5.2% (Jul 2016) |
| Attract audiences in Lithuania                 | No data          | 10.0% (Aug 2016) | Maintain FY16 audience reach | 10.0% (Jul 2016) |
| Provide programming that audiences find trustworthy | Russia: 91.9% (Dec 2013) | Russia: 67.2% (Jun 2016) | 80% of weekly audience in each market consider information to be very or somewhat trustworthy | Russia: 67.2% (Jun 2016) |
|                                               | Ukraine: 93.4% (Apr 2014) | Ukraine: 68.4% (June 2016) | | Ukraine: 68.4% (June 2016) |
|                                               | Moldova: 88.8% (Oct 2010) | Moldova: 90.4% (Feb 2016) | | Moldova: 90.4% (Feb 2016) |
|                                               | Kazakhstan: no data | Kazakhstan: no data | | Kazakhstan: 86.6% (Nov 2016) |
|                                               | Tajikistan: 87.8% (Nov 2014) | Tajikistan: 87.8% (Nov 2014) | | Kazakhstan: 86.6% (Nov 2016) |
|                                               | Estonia: no data | no new data | | Tajikistan: 72.2% (Jun 2017) |
|                                               | Latvia: no data | Estonia: no data | | Estonia: no data |
|                                               | Lithuania: no data | Latvia: no data | | Latvia: no data |

* VOA only; insufficient data for RFE/RL and Current Time.
IMPACT INDICATOR:

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

Analysis of Results:

Targets for FY 2017 were met for audience increases in Kazakhstan, while the weekly audience in Tajikistan remained steady. In Estonia and Latvia, measured audiences for USIM did not reach the 6 percent target but audiences have not been measured in either market since the launch of the Current Time TV channel, which is available in both countries on a number of different cable operators. No new data was available for the other markets but most are scheduled to be measured in FY 2018.

A large enough weekly audience for USIM was measured for the first time in Kazakhstan in November 2016 to set a baseline figure of trust in that market of 87 percent. In Tajikistan, trustworthiness among weekly users of USIM materials declined from 88 percent to 72 percent in the June 2017 study. No new data was available for the other markets but most are scheduled to be measured in FY 2018.

Contextual Indicators:

<table>
<thead>
<tr>
<th>2017 Freedom House Rankings</th>
<th># of BBG target countries ranked</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not Free</td>
</tr>
<tr>
<td>Freedom of the Press</td>
<td>61</td>
</tr>
<tr>
<td>Freedom in the World (political)</td>
<td>49</td>
</tr>
</tbody>
</table>
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.

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase proxy traffic</td>
<td>20,000 TB</td>
<td>21,900 TB</td>
<td>18,250 TB</td>
<td>21,900 TB</td>
<td>23,000 TB</td>
<td>NA</td>
</tr>
<tr>
<td>through Ultrasurf</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase proxy traffic</td>
<td>1,961 TB</td>
<td>4,125 TB</td>
<td>8,900 TB</td>
<td>11,048 TB</td>
<td>12,000 TB</td>
<td>15,402 TB</td>
</tr>
<tr>
<td>through Psiphon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

Analysis of Results:

Proxy Traffic through Ultrasurf – Target: 23,000 TB  Actual: NA
BBG’s contract for Ultrasurf ended during FY 2017, and has not been renewed. Due to a lack of independently verifiable metrics from Ultrasurf, BBG cannot confidently report on the performance of Ultrasurf in meeting its targets.

Proxy Traffic through Psiphon – Target: 12,000 TB  Actual: 15,402 TB
With 15,402 TB of traffic in FY 2017, proxy traffic through Psiphon greatly exceeded its target of 12,000 TB.

Contextual Indicator:

<table>
<thead>
<tr>
<th>2017 Freedom House Rankings</th>
<th># of countries with customized BBG-sponsored circumvention tools ranked as:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not Free</td>
</tr>
<tr>
<td>Freedom on the Net</td>
<td>10</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Average weekly visits to web and mobile sites</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>4,948,200</td>
<td>5,990,400</td>
<td>6,957,800</td>
<td>8,700,000</td>
<td>8,810,700</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>5,911,900</td>
<td>7,890,400</td>
<td>7,500,200</td>
<td>8,250,220</td>
<td>8,464,600</td>
</tr>
<tr>
<td>RFA</td>
<td>922,700</td>
<td>764,700</td>
<td>848,700</td>
<td>933,570</td>
<td>901,200</td>
</tr>
<tr>
<td>MBN</td>
<td>NA</td>
<td>249,400</td>
<td>490,300</td>
<td>539,330</td>
<td>1,092,400</td>
</tr>
<tr>
<td>Radio Sawa</td>
<td>243,000</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Alhurra</td>
<td>147,200</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>OCB</td>
<td>75,000</td>
<td>119,200</td>
<td>162,800</td>
<td>179,080</td>
<td>172,500</td>
</tr>
</tbody>
</table>

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 (ranging from one to over 40).

- 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. These data are collected using the Adobe Analytics tool.

**VOA – Target: 8,700,000  Actual: 8,810,700**

VOA’s web and mobile traffic exceeded the target set for FY 2017.

**RFE/RL – Target: 8,250,220  Actual: 8,464,600**

RFE/RL’s web and mobile traffic exceeded the target set for FY 2017.

**RFA – Target: 933,570  Actual: 901,200**

RFA’s web and mobile traffic continued to grow in FY 2017, though traffic fell short of its target. At the same time, RFA saw strong growth in social media traffic, which became a greater focus of online efforts. Recent surveys confirm that, for many online audience members, direct consumption of RFA via its branded websites has been outstripped by consumption of content on YouTube, Facebook, and other social media platforms.

**MBN – Target: 539,330  Actual: 1,092,400**

MBN’s web and mobile traffic exceeded the target set for FY 2017.

**OCB – Target: 179,080  Actual: 172,500**

OCB’s web and mobile traffic did not meet the target set for FY 2017. Martí has changed its digital strategy to embrace a social media-first approach since both Martí’s Facebook and YouTube accounts are accessible from Cuba.
Performance Goal 2: Build strong affiliate relationships.

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: 2,302 Actual: 2,411**

With 2,411 VOA affiliates, BBG exceeded its target of 2,302 affiliations in FY 2017.

**RFE/RL Affiliates – Target: 636 Actual: 798**


**RFA Affiliates – Target: 40 Actual: 39**

STRATEGIC OBJECTIVE 5:

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. MBN and OCB also serve this role of covering U.S. news, policy, and society in their respective markets.

- 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.
Performance Goal 1: Provide programming that increases audiences’ understanding of the United States.

<table>
<thead>
<tr>
<th>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</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>66</td>
<td>60</td>
<td>62</td>
<td>62</td>
<td>63</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>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</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>64</td>
<td>61</td>
<td>60</td>
<td>61</td>
<td>62</td>
</tr>
</tbody>
</table>

Note: This was a new measure in FY 2014. Actuals from FY 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: 63

VOA’s score for understanding of American society was 63 percent for FY 2017, above its target for the year. In more than half of the countries where data was gathered on the question, six in ten or more VOA users reported that its content contributed substantially to their understanding of American life and institutions, with new data from Cambodia, Kazakhstan, Bangladesh and Kosovo estimating that two-thirds to three-fourths of VOA users share this view.

Understanding of U.S. Foreign Policy – Target: 61  Actual: 62

VOA’s score for understanding of U.S. foreign policy was 62 for FY 2017, just topping its FY 2017 target. In new surveys, the highest percentages of VOA users reporting that its news increased their understanding of U.S. foreign policy were measured in key markets like Macedonia and Kosovo (where three-fourths of VOA users reported increased understanding), as well as Kazakhstan and Turkey (where two-thirds or more reported an increase).
STRATEGIC OBJECTIVE 6:

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.

<table>
<thead>
<tr>
<th>Digital engagement actions (average weekly)</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>System for automated collection of social media data rolled out in Q4 FY 2014.</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Baselines not established.</td>
<td>Establish baselines.</td>
<td>4,937,600</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Baselines not established.</td>
<td>Establish baselines.</td>
<td>2,106,100</td>
</tr>
<tr>
<td>RFA</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Baselines not established.</td>
<td>Establish baselines.</td>
<td>1,125,300</td>
</tr>
<tr>
<td>MBN</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Baselines not established.</td>
<td>Establish baselines.</td>
<td>646,700</td>
</tr>
<tr>
<td>OCB</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Not reported this year due to a required reconfiguration of data collection tool.</td>
<td>Baselines not established.</td>
<td>Establish baselines.</td>
<td>32,200</td>
</tr>
</tbody>
</table>

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

IMPACT INDICATOR:

**Digital engagement actions:**

This indicator measures the average weekly number of engagement actions on currently measurable platforms, currently Facebook, YouTube, and Twitter. Engagement actions include measurable actions that demonstrate an activity beyond just consuming content: liking, disliking, or favoriting a BBG post or video; commenting on a BBG post or video; sharing a BBG post; mentioning a BBG account (Twitter only); liking or following a BBG account or profile. These data are collected through Socialbakers.

Analysis of Results:

The BBG met the goal of establishing baselines during FY 2017. Targets for FY 2018 and 2019 will be set in the FY 2019 Congressional Budget Justification.
Performance Goal 2: Increase sharing of BBG programming.

<table>
<thead>
<tr>
<th>Percent of weekly audience who shared something heard/read/seen on broadcaster weekly</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>54</td>
<td>52</td>
<td>55</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>RFE/RL</td>
<td>48</td>
<td>54</td>
<td>44</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>RFA</td>
<td>55</td>
<td>56</td>
<td>64</td>
<td>60</td>
<td>48</td>
</tr>
<tr>
<td>MBN(^1)</td>
<td>NA</td>
<td>NA</td>
<td>52</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>OCB</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>56</td>
</tr>
</tbody>
</table>

\(^1\) The MBN sharing metric in FY 2017 includes the average of past week sharing for Radio Sawa and Alhurra in Lebanon and Alhurra in Egypt, Iraq, and Libya.

Note: This was a new measure in FY 2014. Actuals from FY 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: 55  Actual: 54**

VOA came close to reaching its FY 2017 target of 55 percent, suggesting overall stability in the engagement of VOA users who value and share its news.

**RFE/RL – Target: 50  Actual: 47**

RFE/RL’s score for sharing of programming was 47 percent in FY 2017, not meeting its target of 50 percent but up from 44 percent in FY 2016. 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.

**RFA – Target: 60  Actual: 48**

With 48 percent of its audience sharing content weekly, RFA missed its FY 2017 target of 60 percent. RFA missed its target for this indicator because larger audiences in Vietnam meant that data collected in that highly repressive country was included for the first time in FY 2017. In past years, RFA’s sharing indicator reflected the behaviors of audiences in Cambodia and Burma, where audiences were robust and sharing content has been less politically sensitive. Not surprisingly, because sharing of RFA content is illegal in Vietnam and the government has cracked down harshly, reported audience sharing in Vietnam was much lower than in the other two countries (25 percent).

**MBN – Target: 52  Actual: 48**

MBN’s score for sharing of programming was 48 percent, slightly below its target of 52 percent, but, considering the margin of error, a relatively small difference. Recent qualitative research in the Arab world has shown digital media users are reluctant to share news and political information via digital media, in part because of concerns about offending friends and family. As a result, sharing numbers are often low for the MENA region.

**OCB – Target: NA  Actual: 56**

This is the first year that BBG has been able to conduct a representative survey in Cuba. OCB’s sharing score in FY 2017 was 56 percent. Targets for future fiscal years will be set in the FY 2019 Congressional Budget Justification.
MANAGEMENT OBJECTIVE 1:

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 that has sometimes lacked the agility to operate in a rapidly evolving global media environment and the standardization that enables rational resource allocations. However, in recent years, the Agency has begun a fundamental transformation in order to appropriately fulfill its charter and meet the challenges of growing geopolitical 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.

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

<table>
<thead>
<tr>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execute seamless transition to Internet and fiber optic content distribution to stations and uplinks</td>
<td>Execute seamless transition to Internet and fiber optic content distribution to stations and uplinks</td>
<td>80% of BBG owned/operated uplink facilities have MPLS connectivity. MPLS has replaced leased fiber optic cables. 80% of owned uplink facilities have MPLS connectivity.</td>
<td>100% 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.</td>
<td>50% of satellite-based distribution feeds transferred to terrestrial circuits.</td>
</tr>
</tbody>
</table>

Note: This was a new measure in FY 2014. Actuals from FY 2013 are not available.
INDICATOR:
**Satellite uplinks fed by terrestrial circuits:**

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

**Analysis of Results:**

**Satellite uplinks fed by terrestrial circuits – Target: 50%  Actual: 50%**

The BBG achieved its target of 50 percent of satellite-based distribution feeds being transferred to terrestrial circuits.

---

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage open space</td>
<td>41% of total footprint</td>
<td>42% of total footprint</td>
<td>59% of total footprint</td>
<td>62% of total footprint, pending funding.</td>
<td>64% of total footprint</td>
</tr>
</tbody>
</table>

Note: This was a new measure in FY 2014. Actuals from FY 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: 62%  Actual: 64%**

With 64 percent of the headquarters building configured as open space, the BBG exceeded its target of 62 percent in FY 2017.
**Performance Goal 3: Automate and streamline key business processes.**

<table>
<thead>
<tr>
<th></th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete business process reengineering and automation of business and media workflows</td>
<td>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</td>
<td>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.</td>
<td>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.</td>
<td>Complete integration of payroll, and time and attendance systems. Integration financial and HR systems put on hold due to lack of funding.</td>
<td>Completed integration of payroll and time and attendance systems. Completed rollout of electronic performance management system. Deployed electronic invoice payment system for domestic invoices; foreign invoices to be added in FY 2018.</td>
</tr>
</tbody>
</table>

Note: This was a new measure in FY 2014. Actuals from FY 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:

Integration of payroll and time and attendance systems

The BBG completed the rollout of the electronic time and attendance system, and its integration with payroll, during FY 2017.

Electronic performance management system


Other business systems

Integration of financial and HR systems continues to be on hold due to lack of funding.

BBG deployed electronic invoice payment system for domestic invoices in FY 2017. Foreign invoices are expected to be added in FY 2018.

MANAGEMENT OBJECTIVE 2:

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.

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

<table>
<thead>
<tr>
<th>MANAGEMENT OBJECTIVE 2: Leverage and harmonize agency assets and brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish coordinated goals and strategies for each target country/region</td>
</tr>
</tbody>
</table>

Note: This was a new measure in FY 2014. Actuals from FY 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:
**Performance Goal 2:**

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

<table>
<thead>
<tr>
<th>Share content across language services</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
<td>Tracking mechanisms for shared content have not been established</td>
<td>IBB performance analysts monitored the BBG networks and found growing coordination in all five areas.</td>
<td>Increase coordination and content sharing as assessed by the Office of Performance Review, in key areas: • Reporting on Russia • Covering Violent Extremism • Influence of Iran • China and South China Sea • Cuba</td>
<td>IBB OPR observations of activities among the BBG networks found coordination and content sharing among the entities in key areas continued to improve.</td>
</tr>
</tbody>
</table>

Note: This was a new measure in FY 2014. Actuals from FY 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 Policy & Research tracked activities among the BBG networks throughout FY17 as part of the Strategy Review Process, and observed that language services at the networks participated in routine coverage calls and utilized various communication systems to share content and coordinate, especially on major events. Reporters, editors and digital teams from all five BBG entities again collaborated on a joint project, this time on internet freedom, “Online, Engaged and On-guard,” focused on challenges and opportunities in China, Russia, Cuba, Somalia and the Middle East.
In the absence of tracking mechanisms, it remains difficult to quantify the improvements. However, observations by OPR analysts showed the following progress:

**Reporting on Russia**

RFE/RL and VOA coordinated efforts on all fronts, cooperating and sharing content on the U.S. Presidential elections, telling America’s story, and countering Russian disinformation. In February 2017, RFE/RL, in cooperation with VOA, launched the Russian-language TV and digital network, Current Time, then expanded cooperation to serve additional Russian-speaking markets, such as countries in Central Asia and the Baltics. The services carried out multiple joint productions, including two video interviews with former U.S. Ambassador to Moscow John Tefft, and collaborated on the launch of a fact-checking project and website Polygraph.info (with its Russian language counterpart factograph.info), to serve as a resource for verifying the increasing volume of disinformation and misinformation being distributed and shared globally.

**Covering Violent Extremism**

Alhurra produced and shared the 13-part series *Exiting ISIS*, which interviews ISIS defectors to provide unique insights into life in the Islamic State, showing ISIS’s hypocrisy as it captivates its followers with the promise of a global Muslim caliphate. The series, which is being rebroadcast by VOA and RFE/RL, documents why ISIS militants joined the armed group and ultimately decided to escape. Defectors provide revelatory details about how foreign fighters were recruited; how they traveled to Iraq and Syria to join the fight; and how women were forced to torture other women who had committed “transgressions,” such as singing, listening to music, dressing with insufficient modesty, or leaving their homes without a male escort.

RFE/RL’s and VOA’s Afghanistan Services routinely exchange reports and information related to countering violent extremism (CVE) in Dari and Pashto programming, and branded reports from both can be found on each other’s websites – including a VOA interview with a NATO spokesman on counter-ISIS operations, video footage, and an RFE/RL interview with Afghan President Hamid Karzai on an Afghan-USA security agreement. Both services cooperate on live coverage as well, such as the United Nations General Assembly in September 2017. VOA Deewa and RFE/RL Mashaal, which broadcast to the Afghan/Pakistan border region, also shared interviews and collaborated on covering the two-day Countering ISIL and CVE Summit in March 2017 and the United Nations General Assembly in September 2017.

The VOA Albanian, Bosnian, Serbian, and Macedonian Services and RFE/RL Balkan Service are a model of sharing content on violent extremism and other issues, planning coverage and republishing reports online. The two networks produce a joint 20-minute Macedonian TV program, *Horizons*. RFE/RL benefits from the current U.S.
news and political affairs content produced by VOA, while VOA benefits from the comprehensive, investigative reporting by RFE/RL.

**China and South China Sea**
RFA and VOA increased coordination and content sharing on China and South China Sea issues. Most noteworthy are the cross-entity South China Sea special online reports produced by RFA and VOA. Through interactive maps, online graphics, and videos, each site provides important historical, geographical and up-to-date information on the issues, along with current news stories. RFA and VOA regularly update their sites with stories about the latest regional challenges, offering viewers cross-links to each other’s China and South China Sea reports.

**Influence of Iran**
VOA and RFE/RL coordinated Persian language coverage on major issues including U.S. elections and the nuclear deal, simultaneously putting strong emphasis on human rights and women’s rights issues in Iran. VOA’s Capitol Hill and State correspondent reports, special coverage, and American stories were shared with RFE/RL Radio Farda daily, while a reporter from Radio Farda appeared as a weekly guest-commentator in VOA’s economic show. Extended in-depth coverage further strengthened a robust social media presence for BBG in the target area. VOA Persian provided live coverage with simultaneous interpretation of major policy addresses of importance to Iran within Radio Farda programming, offering Iranian audiences direct, unfiltered live access whenever the U.S. government discussed Iran and the future of U.S./Iranian relations. Radio Farda provided VOA Persian with 90 minutes of TV news on a daily basis – a daily one-hour morning show and six news segments, five minutes each, which added local relevance to VOA’s international programs and focus on telling America’s story.

**Cuba**
Radio & TV Marti and VOA’s Latin American Division have developed a regular system for sharing content that includes at least two packages a week from VOA for use in TV Marti’s programming for Cuba, and sharing articles for each other’s websites. VOA provided broadcast material related to the U.S. elections in November 2016, including studio production, interviews, packages and live shots from the VOA rooftop into TV Marti’s programming. OCB provided studio support in Miami for coverage of President Trump’s shift in U.S. Cuba policy in June 2017, and also assisted VOA Creole and Spanish with studio and camera support during coverage trips to Miami.
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.

<table>
<thead>
<tr>
<th>Results-oriented performance culture index (from Federal Employee Viewpoint Survey)</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBG</td>
<td>46</td>
<td>44</td>
<td>47</td>
<td>47</td>
<td>50</td>
<td>48</td>
</tr>
<tr>
<td>Government-wide (for comparison)</td>
<td>51</td>
<td>51</td>
<td>52</td>
<td>53</td>
<td>NA</td>
<td>54</td>
</tr>
</tbody>
</table>
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: 50  Actual: 48

The BBG increased its score for the results-oriented performance culture index in FY 2017 to 48, but narrowly missed its target of 50.

Performance Goal 2: Improve employee training and development.

<table>
<thead>
<tr>
<th>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)</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
<th>FY 2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBG</td>
<td>55</td>
<td>53</td>
<td>55</td>
<td>53</td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Government-wide (for comparison)</td>
<td>70</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>NA</td>
<td>71</td>
</tr>
</tbody>
</table>

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: 56

In FY 2017, the BBG increased its score for workforce knowledge and skills by three percentage points to 56, but narrowly missed 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, MBN, and OCB audience research for the fiscal years reported was carried out by outside research providers under contract to the BBG, which was Gallup at the beginning of FY 2017. The contract was recompeted during FY 2017 and awarded to 15 firms. This shift will allow greater flexibility and competitive bidding among vendors, bringing down costs for individual research studies and allowing a broader range of methodologies to be employed and target countries studied. 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 2017 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 2016 and 2017 investments, with summaries of the current status. Detailed accomplishments by regional performance objectives are also presented in the accomplishments in the following pages.

REACH CRITICAL AUDIENCES IN THE MIDDLE EAST AND NORTH AFRICA.

Produce engaging programming to serve as a platform for moderate voices in the region, countering extremist narratives.

MBN continued to strengthen its Raise Your Voice platform for Iraq and launched a new targeted platform, Maghreb Voices. Both platforms provide objective coverage of and engagement on social, political, and cultural issues impacting the region, including those which have the potential to fuel radicalization.

Launch a digital channel for audiences in Egypt with programming specific to their lives and their future.

MBN is launching a new digital platform to instigate direct dialogue with the people of Egypt and engage Egyptians on relevant issues to expand perspectives as they chart their future. Key staff have been recruited and a launch is planned for early FY 2018.

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

MBN’s sustained focus on digital and social media content in FY 2017 led to a doubling of average weekly visits to the Alhurra website, compared to the prior fiscal year.

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

Expand Russian language programming, using digital and traditional means to engage audiences about Russian pressure being applied in the region.

In February 2017, BBG formally launched the Current Time TV and digital network, led by RFE/RL in cooperation with VOA, providing Russian speakers globally with access to balanced, accurate, topical, and trustworthy information, and serving as a reality check on disinformation that is driving conflict in the region.
Provide increased digital content for audiences in South and Central Asia and Iran, especially via social media, responding to terrorist inroads by ISIS.

VOA and RFE/RL engaged audiences throughout South and Central Asia and Iran with short, impactful digital videos produced for web and social media and saw corresponding increases in engagement metrics on these platforms.

Create a digital forum to engage youth in Central Asia and the Balkans.

RFE/RL soft launched two digital Raise Your Voice projects, for audiences in Central Asia and the Balkans, in September 2017; the projects will become fully operational in FY 2018. RFE/RL also soft launched a digital project, targeted to “Next Generation Influencers” in the Balkans, to counter Kremlin propaganda by providing a factual alternative to disinformation in the region.

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

VOA and RFE/RL coordinated and shared content across their broadcast regions, with particularly strong partnerships in Russian, Persian, Dari, and Pashto.

FOCUS BROADCASTING TO AUDIENCES OF STRATEGIC PRIORITY IN EAST ASIA.

Engage with and produce new video content for social/digital audiences in East Asia, especially in Burma, Cambodia, China, and Vietnam.

RFA and VOA experienced tremendous growth in digital and social engagement in China and throughout Southeast Asia, with new content, increased engagement, and high-ranking social media sites.

Leverage the newsgathering assets of VOA and RFA, and increase coordination in countries where both networks broadcast.

VOA and RFA continued their productive collaboration this year, including joint video projects for North Korea and journalism training in Cambodia.

REACH NEW AUDIENCES WITH INCREASED ENGAGEMENT IN AFRICA.

Provide strong coverage of violent extremism in Africa.

VOA’s Africa Division reported on terrorism with an interactive, exclusive multimedia report and video series, “Boko Haram: Terror Unmasked,” featuring 18 hours of video captured from the terrorist group showing the tactics and vulnerabilities of the ISIS-connected Boko Haram.
EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS OF LATIN AMERICA.

**Increase engagement with audiences in Cuba on all platforms, including greater use of user generated content and social media.**

Due to Martí’s web blockage in Cuba, OCB shifted to a social media first strategy. Radio Martí programs were also broadcast on video and streamed via Facebook Live along with the TV Martí programming.

**Expand affiliate partnerships in Latin America in support of free press and free expression.**

VOA and the Office of Business Development expanded and maintained strong relationships with affiliates in Latin America, adding key affiliates in Nicaragua and Ecuador. Despite worsening press freedom in the region, VOA maintained three strong affiliates in Venezuela and BBG trained hundreds of journalists in Venezuela, Ecuador, and Nicaragua.

**Increase coordination between VOA Latin America Division and OCB to maximize resources and avoid content overlapping.**

Coordination between OCB and VOA Spanish continued to increase, particularly on political coverage, including the presidential election, inauguration, and State of the Union address. VOA and OCB also collaborated to provide seamless coverage of Hurricane Irma as it hit Cuba and Miami.

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

**Use research to identify appropriate target audiences and their preferred media, with the formats and content that appeal to them, and assess the impact of BBG programming.**

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

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

The BBG continued to optimize its delivery network, shifting shortwave resources to more cost-effective locations and migrating from expensive, dedicated transoceanic satellite and fiber circuits to digital terrestrial circuits.
Provide cutting-edge circumvention tools to audiences and independent media outlets in countries that restrict and censor Internet access.

In FY 2017, the BBG Office of Internet Freedom increased the use of anti-censorship tools, including proxy products and private messaging.

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

The BBG Office of Policy and Research began utilizing a new enterprise social media engagement tool to measure follows, likes, and comments for USIM accounts on key platforms. RFE/RL’s Pangea team, which supports RFE/RL, VOA, MBN, and OCB, deployed new encryption and proxy tools to circumvent censorship.

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

The Office of Business Development initiated and supported affiliate partnerships in key markets, including placement of the Russian-language Current Time channel on 58 distributors in 22 countries.

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, budget formulation, and strategic plan development. IBB launched an electronic performance management system and integrated its time and attendance and payroll systems.

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 and relaunched the agency’s Mentoring Program. The BBG also instituted five-tier performance appraisals and an electronic performance management system.

Address BBG’s most critical infrastructure maintenance and repair requirements.

The Office of Technology, Services, and Innovation addressed critical infrastructure issues including office space consolidation, transition to high definition video capacity, realignment of transmission assets, and migration from satellite to fiber delivery.
Summary of FY 2017 Performance Accomplishments

FY 2017 Performance Objective

REACH CRITICAL AUDIENCES IN THE MIDDLE EAST AND NORTH AFRICA
WEEKLY AUDIENCE: 30.3 MILLION

FY 2017 Accomplishments

Maghreb Voices has generated nearly 5 million online reactions since Spring 2017.

MAGHREB VOICES
Maghreb Voices launched as a new MBN digital platform targeted to inform and engage the people of the Maghreb region. The new service provides objective coverage of social, political, and cultural issues impacting the region, including those which have the potential to fuel radicalization. It takes advantage of digital media’s two-way communication potential to engage audiences and expand the spectrum of ideas, opinions, and perspectives available in the region’s media. It provides a trustworthy source of balanced coverage on issues that influence the lives of the region’s people and their future, including human rights, corruption, human trafficking, minority rights, and immigration. Since its launch in the spring of 2017, Maghreb Voices has generated nearly 5 million reactions, nearly 800,000 comments, and more than 440,000 shares.

1 Data from Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE, Yemen. (In previous years, Turkey was included in the Near East, South, Central Asia, and Eurasia section.)
ENGAGING OPINION LEADERS
Alhurra has commissioned some of the most noted and outspoken authors to be a part of op-ed section on its website. “From A Different Angle,” includes commentary by featured journalists, intellectuals, and human rights advocates from across the Middle East and the U.S. Topics covered range from politics and religion to arts and culture. “From A Different Angle” also includes short video commentaries from a variety of American foreign policy experts who discuss op-eds that they have written in the Western press. The columns also appear on Alhurra’s Facebook page, providing an opportunity for readers to share their opinions and openly discuss the ideas brought forward by the authors.

PRESENTING AMERICAN DEMOCRACY AND POLICY
Alhurra and Radio Sawa had the most extensive Arabic-language coverage of the 2016 U.S. Election through the peaceful transition to a new President. From the time the results were announced to the Inaugural festivities, Alhurra, Radio Sawa and the corresponding digital properties covered events within their newscasts and updates. They also provided extensive analysis from across the political spectrum during the transition. Throughout this time, MBN’s coverage was repeatedly cited in the Arabic press.

HUMOR DISPLACING TERROR
In September, Alhurra debuted an original documentary, Laughter in the Time of Terrorism, which tells the story of Arab satirists who are using humor to fight ISIS. The two-part documentary highlights comedic Arab hosts who view ISIS’s ideology and barbarism through the lens of sarcasm and jest to expose the lies of the brutal organization. In interviews with the hosts of some of the most incisive satirical news programs across the Middle East and North Africa, Lebanese, Palestinian, Libyan, Tunisian, and Moroccan humorists explain how they believe that making people laugh at ISIS will help to cast their fears away and is worth the known risks.

EMPOWERING WOMEN
Alhurra launched a second season of Sit B’Mit Ragel (“A Woman is Worth 100 Men”), which tells the inspiring stories of four women making their dreams come true despite the odds, and sheds light on the obstacles they face throughout their journey. This season highlighted female entrepreneurs and women in traditionally male-dominated fields.
EXPOSING ISIS
To expose the brutal viciousness of ISIS, Alhurra produced a new documentary series titled, *Exiting ISIS*, that provided first-hand accounts from ISIS defectors who revealed the extremist group’s entrenched culture of hypocrisy, intimidation, cruelty, and abuse. Through rare interviews, the 13-part series tells the stories of former ISIS members who provide unique insights into life in the Islamic State. *Exiting ISIS* documents why ISIS militants joined the armed group and ultimately decided to escape.

Alhurra also produced a two-part documentary series featuring exclusive interviews with ISIS defectors and their families, filmed in Mitiga prison in Libya. The first documentary, *Women with ISIS*, tells the stories of two women who joined ISIS, one willingly, one led by her husband. The second documentary, *A Father’s Agony*, profiles a married couple who speak out about what drew them into ISIS and the pain caused by their separation from their family.

REACHING YOUNG KURDS
Driven in part by traffic to its exclusive, on-location coverage of the fight by Kurdish troops against ISIS in Syria, VOA Kurdish expanded its digital content targeting media-savvy young audiences. The service launched a website and social media platforms written in the Kurmanji dialect, now offering Kurds information and news in Kurmanji as well as Sorani dialects. VOA’s Sorani dialect Facebook is the second largest page in Iraqi Kurdistan.

CRACKDOWN IN TURKEY
VOA Turkish has chronicled the descent of Turkey into authoritarianism, including government crackdowns on freedom of expression. VOA’s continuing coverage was used on Turkish affiliates that faced censorship if they had produced the reports themselves. Exclusive on-the-ground coverage of the plight of more than two million refugees in Turkey was also shared on Turkish television and social media.

Illustration from *The Last Dance of Kocho*.

EXTREMISM WATCH DESK
VOA’s Extremism Watch Desk produced an innovative video report, *The Last Dance of Kocho*, that portrays the heart-wrenching plight of the Yazidi religious minority in Iraq, which faced genocide by ISIS. Through an artist’s evocative rendition, VOA told the story of a Yazidi wedding that became one of the village’s last celebrations before ISIS slaughtered the men and older women, and kidnapped hundreds of girls. The Watch Desk report on Syria’s gas attack on its citizens also drew wide attention.
FY 2017 Performance Objective

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

WEEKLY AUDIENCE: 50.4 MILLION

FY 2017 Accomplishments

The Current Time TV and digital network airs reaches audiences across the Russian-speaking world.

COUNTERING RUSSIAN DISINFORMATION
In February 2017, BBG formally launched the Current Time TV and digital network, providing Russian speakers globally with access to balanced, accurate, topical, and trustworthy information, and serving as a reality check on disinformation that is driving conflict in the region. Led by RFE/RL in cooperation with VOA, Current Time TV provides viewers with informed and up-close coverage of major news and events that are not reported, or are misreported, elsewhere. The network focuses foremost on news, but also offers a rich mix of feature and entertainment programming and documentaries that underscore the values of free and open societies. VOA supplies U.S.-based news, documentary, and talk programming in Russian, including a daily U.S.-based newscast, Current Time America, that complements RFE/RL’s regional coverage. The channel has been placed with 58 distributors in 22 countries.

Data from Abkhazia, Afghanistan, Albania, Armenia, Azerbaijan, Bangladesh, Belarus, Bosnia, Chechnya, Dagestan, Estonia, Georgia, Iran, Kazakhstan, Kosovo, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Nepal, Pakistan, Pakistan FATA, Russia, Serbia, Sri Lanka, Tajikistan, Turkey, Ukraine, Uzbekistan. (Note: Turkey has been moved to the MENA section.)
VOA Russian launched a 26-episode documentary series, *Our American Story*, built around Russian immigrants whose stories demonstrated the appeal of free-market capitalism and the role of citizens in a democracy. Offered as a counterpoint to everyday life in Russia, the series was distributed via the Current Time channel and VOA’s digital platforms. VOA also expanded its Russian language programming with digital-first products, including a daily digest and weekly news summary.

**ENGAGING AUDIENCES IN IRAN**

In FY 2017, RFE/RL’s Farda (Persian) Service introduced a new weekly program called *Taboo*, which discusses forbidden subjects inside Iran with social scientists, political scientists, and psychologists. Each edition of the program receives hundreds of website comments and thousands of Facebook reactions, allowing Farda to facilitate interaction among audiences in Iran. VOA Persian increased their live translation of major U.S. policy addresses on Iran, the only international news organization offering Iranian audiences direct, unfiltered live access to U.S. government discussions of Iran and the future of U.S.-Iranian relations.

Both RFE/RL and VOA Persian are shifting operations to focus even more on digital media with short, impactful digital videos produced for websites as well as for Facebook, YouTube, Instagram and Telegram. The Facebook pages for VOA Persian and RFE/RL Farda both rank among the top five largest audiences for media Facebook pages in Iran. VOA Persian Twitter ranked among the top five fastest growing Twitter accounts in Iran in mid-year 2017. RFE/RL engages more than two million people per month on Facebook and garners around 650,000 engagements per month on Instagram.

**REACHING PAKISTAN**

In April 2017, VOA Urdu launched a daily prime-time news magazine show to offer objective and impartial news, as well as analysis on national and international events. In 2017, VOA Urdu Service added half a million followers on Facebook and added 10,000 followers on Twitter and the Service now ranks among the top five media pages on Twitter in Pakistan.

**EXPANDING REPORTING TO FATA**

When Pakistan announced reforms for the Federally Administered Tribal Region (FATA), VOA Deewa expanded programming on radio and television, with a daily half-hour series about the potential impact of the changes, which promise to bring democracy for the first time to the estimated 45 million Pashtuns who live in the area known as the birthplace of Taliban terrorism. VOA Deewa also added local broadcaster Mashriq TV as an affiliate, taking news

![Mashaal reporter Rifat Anjum (left) interviews Rafia Qaseem Baig (right) Pakistan’s first female bomb disposal officer.](image-url)
and event coverage from VOA Deewa.

In 2017, RFE/RL's Radio Mashaal, which provides an alternative to extremist propaganda in Pakistan’s tribal regions, continued to build upon its social media success on Facebook and YouTube producing short format, impactful videos, which resonated with audiences, receiving many views and spurring action.

**ENGAGING AUDIENCES IN AFGHANISTAN**

RFE/RL's Afghan Service, known locally as Azadi, has the highest level of engagement on Facebook across RFE/RL, with a monthly average of 4.8 million engaged users. In total, Azadi recorded 57.5 million engaged users in FY 2017. Azadi journalists routinely harness their digital reporting skills to bring timely coverage of events to social media audiences.

In July 2017, Azadi published a special series of reports on how extremist groups use modern communications technologies, including social media and smartphone applications, to win over Afghan hearts and minds through a relentless propaganda campaign.

VOA’s Afghanistan-facing Facebook pages in Pashto and Dari were the #1 and #2 most-liked pages across Afghanistan’s media landscape. The two pages had a combined fan base of almost 7 million, a staggering achievement in a country where there are fewer than 10 million Internet users in total. Video views on the two Facebook pages rose to more than four million per week.

**NEW PROGRAMMING TO CENTRAL ASIA AND BALKANS**

RFE/RL's new digital Raise Your Voice project was soft launched for Central Asian and Balkan audiences in September 2017. RFE/RL expects that the projects will become fully operational in the next several months.

RFE/RL also soft launched a digital project under the Next Generation Influencers rubric, which is oriented toward countering Kremlin propaganda in the Balkans. The content is focused on providing a factual alternative to disinformation in the region, offering a reality check for youth audiences. VOA Bosnian broke ground with a digital documentary series on challenges posed by radicalization in the Bosnian Muslim community and the Salafi movement, viewed more than 1.2 million times on its Facebook page.
REACHING AUDIENCES IN UKRAINE
In September 2017, the RFE/RL Ukrainian Service’s Krym.Realii project launched a 24/7 FM radio broadcast stream to the northern and eastern parts of Crimea, which includes Ukrainian- and Russian-language content from the Ukrainian Service, RFE/RL’s Russian Service, and Current Time, as well as joint programs with Hromadske Radio. Partnering with RFE/RL on the FM stream is Radio of Crimean Communities, which received a license from Ukraine’s National TV and Radio Council to broadcast to Crimea from an FM transmitter located in the village of Chonhar, and the U.S. Embassy in Ukraine, which provided a grant to support the broadcast operation.

VOA Ukrainian introduced Chat-Time, a Facebook live expansion of Service’s popular TV program Chas-Time, allowing audiences to talk directly with VOA reporters and editors.
FY 2017 Performance Objective

FOCUS BROADCASTING TO AUDIENCES OF STRATEGIC PRIORITY IN EAST ASIA | WEEKLY AUDIENCE: 65.5 MILLION

FY 2017 Accomplishments

VIDEO PROGRAMMING IN KOREAN
In August 2017, VOA and RFA launched a joint video programming project for North Koreans. RFA-produced videos feature reality TV-style documentaries chronicling the lives of re-settled defectors living in Seoul, grappling with new lives, friends, and freedoms. VOA Korean produced a documentary series, Palisades Park People, focusing on Korean American immigrants living in Palisades Park, New Jersey, the town with the highest concentration of Korean-Americans in the U.S. Glimpsing life in a free country through the eyes of 10 Korean-Americans, the series explored such themes as adjusting to life in America, preserving home country culture, chasing the American dream, and overcoming adversity, all of interest to North Koreans having second thoughts about their government or situation.

IMPACT IN NORTH KOREA
Thae Young-ho, the highest ranking diplomat to defect from the DPRK, has repeatedly commented on the importance of U.S. international media’s Korean programming. He said, “When I was immersed in the regime of North Korea, I was encouraged by Radio Free Asia’s articles written by a defector and read every single one....These, I can say confidently, inspired me in making the decision to come to South Korea with my family.” He also stated, “The North Korean regime also pays great attention on the contents of VOA, so I think it is very important that VOA should further strengthen its activity, and also its contents so that, one day, I hope VOA is remembered by North Korean people as ... the main player who contributed a lot for the reunification of the Korean peninsula.”

MEDIA CRACKDOWN IN CAMBODIA
The Cambodian government launched a campaign against FM radio stations that carry VOA and RFA programs, attempting to silence independent news outlets ahead of its 2018 elections. In response to this crackdown, VOA Khmer added web and social media broadcasts,

3 Data from Burma, Cambodia, China, Hong Kong, Indonesia, Laos, Mongolia, Philippines, South Korea, Taiwan, Thailand, Vietnam
supplementing its Facebook presence – which has the largest number of fans inside Cambodia of any Facebook page – with content on other platforms, including YouTube, Twitter, and Instagram. In early September, amid the intensifying crackdown on free press and independent voices in Cambodia, RFA hosted a digital security training session for RFA and VOA Khmer Services’ staff. The session, which was led by a program manager with RFA’s Open Technology Fund, focused on educating journalists on tools to mitigate threats, surveillance, and hacking that compromise digital security.

In addition, the Office of Business Development secured placement for RFA programming on the Democratic Voice of Burma.

REACHING AUDIENCES IN CHINA
VOA Mandarin launched Eye on America, a daily morning newscast for China, taking advantage of the time difference to report U.S. activities that occurred during the day in the United States, while China slept. RFA Mandarin broke noteworthy exclusive stories that were picked up by many international media outlets, including a report on jailed former Chinese Politburo member Bo Xilai, a series of reports on Kazakhs of Xinjiang, and extensive coverage of Liu Xiaobo, from his cancer treatment to his funeral.

ROHINGYA CRISIS IN BURMA
With most Burmese media unwilling or won’t even use the name, calling them Bengalis instead), USIM networks provided important coverage of this humanitarian crisis. RFA Burmese increased its reporting of this oppressed group by producing reports that bring greater knowledge and acknowledgement of their plight and a deeper understanding of the inalienable human rights of all people. VOA
CIRCUMVENTING CHINESE CENSORSHIP
Despite vigorous censorship by the Chinese government, VOA Mandarin grew to be the third most popular Mandarin language media YouTube channel and seventh biggest Mandarin media site on Twitter. Traffic to VOACHinese.com from inside China using the circumvention software Psiphon more than doubled to 2 million pages per month in FY 2017. The RFA Cantonese Service has aggressively expanded its YouTube platform in the last 10 months, with a 445 percent increase in views in June and July 2017, compared to the same time period in 2016.

DIGITAL GROWTH IN SOUTHEAST ASIA
RFA and VOA experienced tremendous growth on digital platforms throughout Southeast Asia. RFA Vietnamese expanded its video and social media content from inside the country, especially relating to environmental issues, despite the arrest of one of its in-country videographers. With the crackdown on media in Cambodia, RFA’s Khmer Facebook page has seen a dramatic boost in engagement. Facebook Live broadcasts of the Khmer Service’s news program almost doubled in viewers from the week before the closings to the week after, and the average number of engaged users increased over 20 percent. VOA Burmese became the fourth largest Facebook site in Burma, VOA Indonesian became the 3rd fastest growing media Facebook site in Indonesia, and VOA Khmer’s Facebook page has the largest number of fans inside Cambodia. VOA Vietnamese’s Facebook site grew its fans by 36 percent in FY 2017. VOA Vietnamese is now the 10th largest media page in Vietnam, ahead of the BBC.

SOUTH CHINA SEA
VOA launched an ambitious, interactive web project revealing facts about the South China Sea that Chinese media would not report. In English, Mandarin, Cantonese, Indonesian, Khmer, Vietnamese, and Lao, the digital site tells the story of how the area came to be dominated by China, in violation of international law. Using sophisticated graphics and web overlays, the project explains clearly the complicated territorial disputes behind the murky, ongoing geopolitical dispute that has raised tensions in an important part of the world.

WINDOW ON AMERICA
Targeting Asians who dream of going to school in the United States, VOA produced a special online town hall, *Education Destination: USA*, exploring the challenges and opportunities facing international students in America. Nearly 300,000 users watched.
FY 2017 Performance Objective
REACH NEW AUDIENCES WITH INCREASED ENGAGEMENT IN AFRICA
WEEKLY AUDIENCE: 68.0 MILLION  

FY 2017 Accomplishments

COVERING VIOLENT EXTREMISM
VOA's Africa Division focused on the consequences of violent extremism, featuring interviews with defectors from extremist groups. The weekly Bambara language call-in show An Ba Fo hosted a series of unique debates about Mali’s constitutional review process, allowing supporters and opponents to discuss their religious and political differences respectfully. When three Kenyan women attacked a police post on orders from their husbands, VOA Swahili produced a series of reports from Mombasa about the dangers of radicalization through marriage. And controversy over accusations that Qatar funded Islamic extremism sparked a VOA investigation into the spread of Salafist ideology into Africa from Saudi Arabia.

BOKO HARAM
VOA’s Hausa Service obtained 18 hours of insider videos showing the tactics and vulnerabilities of the ISIS-connected Boko Haram terrorist group, and broke the news to African audiences in an interactive, exclusive multimedia report and video series Boko Haram: Terror Unmasked. Supplemental reporting by the service was mostly undercover in the Nigerian territory where Boko Haram is strongest. Translated into multiple languages and broadcast on VOA, the series received more than 17 million online video views.

4 Data from Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo Brazzaville, Cote d’Ivoire, Democratic Republic of 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
AL-SHABAB
VOA Somali has been active both in Somalia and the U.S. covering the fight against the terror group al-Shabab. In the wake of a knife attack by a Somali-born student that injured 11, the service reported from Columbus, OH, about the efforts of community leaders and parents to fight against online extremism and efforts to radicalize or recruit their children. From Somalia, the service produced special reports on the potential rehabilitation of al-Shabab fighters and their reintroduction into Somali society.

CONNECTING DIASPORA COMMUNITIES
VOA connects diaspora communities in the U.S. with their home countries focusing on common issues and challenges. In FY 2017, VOA Somali traveled to Minneapolis, home of the largest Somali diaspora, for a one-hour broadcast on Somali national television and radio on the importance of vaccination, something many Somalis have resisted, falsely believing it is linked to autism.

NEW FM STATIONS
Radio remains a very popular platform in many BBG markets, particularly Africa. While shortwave continues to be a relevant means of delivery in several African markets, in most countries rapid growth and competition in the media market have shifted radio habits almost entirely towards FM. The BBG provides 24/7 FM radio programming in over 30 markets across the continent. In FY 2017, the BBG completed contracting actions on the installation of five new FMs: three in the Democratic Republic of Congo and two in the Republic of Congo; installations will be completed in FY 2018.

VOA and the University of Minnesota’s Humphrey School of Public Affairs co-hosted a town hall to bring together members of the Somali community and experts in public health to discuss the importance of vaccinations and the early detection of autism.
FY 2017 Performance Objective
EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS IN LATIN AMERICA | WEEKLY AUDIENCE: 63.6 MILLION

FY 2017 Accomplishments

RESEARCH DATA FROM CUBA
For the first time, a BBG media survey was conducted in Cuba, allowing the Martís to better target audiences based on their interests and preferred distribution outlets. The Martís currently reach 11.1 percent of Cubans on a weekly basis with audio, video, and digital content delivered by radio, satellite TV, online, and on distinctly Cuban digital “packages” (paquetes) distributed via physical means, such as flash drives and DVDs. Regular users consider the content they get from Martí to be unique and 97 percent call it trustworthy. The vast majority (96 percent) say that Martí helps increase their understanding of current events and most users both share information they get from Martí and would recommend it to others.

COVERING MIGRATION ISSUES
OCB provided extensive coverage of migration issues in the region, including the end of the U.S.’s “wet foot, dry foot” policy and the resulting crisis of Cuban migrants in Panama. This coverage included several breaking news stories, as well as stories about migrants, hunger strikes, and living conditions, that were cited broadly by other news outlets.

PROFILING A POLITICAL PRISONER
To mark Internet Freedom Day in January, TV Martí aired an original special, Alan Gross: The Complete History. The documentary presented a candid conversation with Gross covering his arrest, imprisonment, and release, as well as interviews with his wife, who recounted the family’s suffering; a former cellmate, who described his experiences; and Senator Patrick Leahy, who detailed the U.S. government’s efforts to free Gross.

CRISIS IN VENEZUELA
VOA Spanish broke news covering the deepening political and social crisis in Venezuela, as audiences sought objective information from VOA about the situation in Venezuela and the U.S. government’s attitude toward it. The service added reporters on the ground to provide additional coverage for its in-country partner network and for its high-profile media affiliates throughout Latin America, and hosted a series of broadcast debates covering the political divide between Venezuela’s government and its opposition. The news director of TV Azteca, Mexico’s second-largest media network, praised VOA as “essential for our coverage of the crisis in Venezuela.”

5 Data from Argentina, Bolivia, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela
FY 2017 Performance Objective

ALIGN ESSENTIAL SUPPORT FUNCTIONS WITH BROADCASTING IMPLEMENTATION STRATEGIES AND PERFORMANCE GOALS

FY 2017 Accomplishments

COVERING U.S. ELECTIONS
VOA provided tailored reporting – much of it live – for hundreds of broadcast and web affiliates around the world and the other BBG networks, providing audiences with instant information to help them understand the outcome and impact for their regions. VOA broadcast multi-hour continuing coverage of the Presidential election night vote-counting and the Presidential inauguration in multiple languages live to its territories around the world, on satellite and Internet platforms. VOA’s Student Union web and social sites highlighted decisions faced by young voters through live video discussions streamed on Facebook, Twitter, Snapchat, and Instagram.

TELLING AMERICA’S STORY
VOA expanded its reporting of life in the U.S. in a way designed to connect with audiences around the world. Coverage stressed the intellectual and social diversity of the United States, and the opportunities U.S. systems hold for citizens and newcomers alike. VOA launched a new series, Off the Highway, which dispatched photojournalists to small town America to tell the story of the often-forgotten but inspirational people who live there – farmers, carpenters, truck drivers, and young people living in the countryside – many of whom told VOA they felt underrepresented in national discussions. To cover the U.S. technology beat, VOA opened a news bureau in Silicon Valley with a major launch event focusing on technology, immigration, and the tech incubators that nurture and finance technology entrepreneurs around the world. VOA invested in curation of video programming on a BBG-wide level, with acquired content from PBS, Bloomberg, National Geographic, and Story Corps.

COUNTERING INTERNET CENSORSHIP
The BBG Office of Internet Freedom (OIF) worked in coordination with USIM language services to extend the deployment of BBG-funded anti-censorship technologies in their broadcasting regions enabling citizens and journalists to safely access and share news, information, and other online content. OIF also developed training materials and conducted several anti-censorship educational and training exercises for BBG’s broadcasting and network services and affiliates. In addition, OIF created promotional materials in multiple languages for raising awareness and promoting BBG-funded circumvention tools across BBG broadcasting regions.

SUPPORTING DIGITAL OUTREACH
RFE/RL’s Pangea content management system provides the backbone for most of USIM web operations. In FY 2017, Pangea Digital deployed https, allowing for encrypted communications between
audiences’ browsers and Pangea websites, making it more difficult for governments and ISPs to selectively block USIM reporting. Pangea also integrated a proxy solution into its News application, helping audiences circumvent censorship. The BBG Office of Policy and Research began utilizing a new enterprise social media engagement tool to measure follows, likes, shares, and comments for USIM accounts on key platforms.

STRATEGIC COORDINATION AMONG NETWORKS
BBG, with VOA in the lead, renegotiated usage contracts with three newswire providers to remove obstacles to sharing content within BBG. Working closely with the IBB Office of Contracts and a team from each entity, VOA negotiated a master agreement covering all entities, providing additional content for BBG without the restrictions of the previous, separately-negotiated agreements. The new agreement, the value of which is in the millions of dollars, was also executed for no additional expense to BBG or any of the entities.

PROVIDING QUALITY RESEARCH
The BBG Director of Research, working with Research Directors from each BBG network, designed and commissioned approximately 25 audience research studies during FY 2017 – and also recompeted the agency’s research contract to bring down costs for individual research studies and allow a broader range of methodologies to be employed moving forward – with some 80 projects in the queue to be commissioned at the start of FY 2018.

TRANSITION TO HD
VOA and the Office of Technology, Services, and Innovation (TSI) jointly began the transition of VOA to high-definition video capacity, which requires upgraded digital production and storage infrastructure, as well as expanded global HD distribution capability. This transition will enable VOA to remain competitive by keeping up with affiliate and industry standards.

IMPROVING CONTENT DELIVERY
The BBG made progress in improving and streamlining its transmission capability. TSI continued expanding the Kuwait Transmitting Station, which has a strategic location and low operating costs; completed the closure of the Sri Lanka station; and is planning the closure of the Poro station in the Philippines in FY 2018.

TRAINING JOURNALISTS
Supporting affiliate partners and training international journalists is a key part of the BBG mission to inform, engage, and connect. In FY 2017, the agency conducted nearly 40 media training programs for more than 900 people in over 25 countries. Topics included media literacy, investigative reporting, digital journalism, broadcast management, and topical reporting, such as health and anti-narcotics.

IMPROVING PERFORMANCE MANAGEMENT
In FY 2017, the BBG rolled out five-tier performance appraisals for all federal employees. It also deployed an electronic performance management system, which will make it easier to ensure the timely completion of appraisals for all federal employees.
RISK MANAGEMENT AND CAPITAL PLANNING AND INVESTMENT CONTROL

In FY 2017, the Agency created a Risk Management division in the Office of the CIO. This unit developed policies and procedures to establish IT risk management evaluation processes for capital planning and investment control and agency enterprise risk management. TSI developed its Capital Planning and Investment Control program in FY 2017, which it will fully implement in FY 2018.
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

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. In recent years, LSR has incorporated into this prioritization the State Department’s global ranking of BBG language services relative to U.S. foreign policy priorities.
STRATEGY REVIEW

In FY 2017, BBG completed its fourth 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. In conjunction with the Strategy Review, the Office of Policy and Research prepares 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 2018. 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

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. The IBB research staff and network research directors continue to develop and refine the Impact Model and use it as a communications tool and accountability measure.
Independent Program Evaluations

The BBG conducts several types of annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review 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, which identified target audiences and set country-level goals for each of BBG’s markets. Performance scorecards 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 2017, the Office of Inspector General issued seven 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.

Key OIG reports issued in FY 2017 are summarized below. The previous financial statements audit is not included; this year’s financial statements audit is referenced in Section 3 of this document.

**AUDIT OF THE BBG INFORMATION SECURITY PROGRAM**

Through an external audit firm, the OIG conducted the annual evaluation of BBG’s Information Security Program, to determine whether security practices in FY 2016 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 2015, but had not fully developed and implemented an organization-wide risk management strategy to guard against IT-centered attacks and threats. The BBG concurred with the report’s recommendations that the Agency identify and devote resources to fully develop and implement an organization-wide risk management strategy, and establish a Risk Management Office to assist this process.

**MANAGEMENT LETTER REGARDING THE INDEPENDENT AUDITOR’S REPORT ON THE BROADCASTING BOARD OF GOVERNORS 2016 AND 2015 FINANCIAL STATEMENTS**

In performing its audit of BBG’s consolidated financial statements for 2016, the independent external auditor closed two of the three findings from the prior year (2015) audit. On the third finding, Time and Attendance documentation, auditors did not perform timesheet testing given the Agency’s transition to a new electronic system, WebTA. In 2017, WebTA is fully operational. Auditors also tested BBG’s property inventory system and found errors related to capitalized personal property assets, and identified a need for further training to ensure that procedures are understood and implemented. Subsequent to this audit, the BBG is adopting a new property system called Real Asset Management (RAM), which is being rolled out with all agency Accountable Officers (AOs) and their Property Control Officers (PCOs).
INFORMATION REPORT: BROADCASTING BOARD OF GOVERNORS  
2016 PURCHASE CARD RISK ASSESSMENT

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 that the risk of illegal, improper, or erroneous use in the BBG travel card program was “very low.” Based on the results of this assessment, the OIG did not recommend an audit of BBG’s purchase card program be included in the OIG’s FY 2018-FY 2019 work plan.

AUDIT OF BROADCASTING BOARD OF GOVERNORS FY 2016  
COMPLIANCE WITH IMPROPER PAYMENTS REQUIREMENTS

The OIG conducted this annual audit to assess BBG’s FY 2016 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 2016, and disclose required improper payments information in its FY 2016 PAR. Specifically, the BBG elected to perform annual risk assessments of all key programs and performed quantitative risk assessment testing for nine programs and quantitative risk assessment testing of the Voice of America, the Office of Cuba Broadcasting, the International Broadcasting Bureau, and domestic payroll. Domestic payroll was identified as a program susceptible to improper payments in BBG’s FY 2015 report. As a result, BBG performed additional testing in FY 2016. Because the BBG was found to be in compliance with improper payments requirements for FY 2016, the OIG did not offer any recommendations as a result of its FY 2016 audit.

INSPECTION OF THE BROADCASTING BOARD OF GOVERNORS’ MIDDLE EAST BROADCASTING NETWORKS

The OIG conducted an inspection of the Middle East Broadcasting Networks (MBN) from May 9 to June 10, 2016. The inspection found that MBN established a strong broadcasting campaign to counter the influence and messaging of ISIS, and that MBN had improved the methods it uses to measure its effectiveness and program impact. The report also issued a number of recommendations to improve MBN’s review of unliquidated obligations, its procedures for documenting property items, and its policies and standards relating to information technology. MBN is making progress on meeting the concerns raised by OIG on these issues.
INSPECTION OF RADIO FREE EUROPE/RADIO LIBERTY

The OIG conducted an inspection of Radio Free Europe/Radio Liberty (RFE/RL) from September 13 to December 2, 2016. The inspection found that RFE/RL advanced U.S. international broadcasting objectives by providing news to 23 countries in 26 languages. OIG made seven recommendations, including two in financial management and one in human resources policy. Additional recommendations focused on improvements in grant closeouts, updates to security policies, and requirements for information technology policies and standards. RFE/RL has closed several of the recommendations in this May 2017 report.
Section 3: Financial Information

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Message from the Chief Financial Officer

I am proud to present the Fiscal Year 2017 (FY 2017) financial statements for the Broadcasting Board of Governors (BBG). 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. FY 2017 has been a year of change for several of our financial processes thereby increasing our efficiencies and transparency of data.

BBG received an unmodified audit opinion on the FY 2017 and FY 2016 financial statements. BBG continued to work 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 2017, BBG completed an assessment of the OMB Circular A-123, Appendix A, Internal Control over Financial Reporting program for the majority of the financial processes; we did not address the enterprise risk management portion of the requirement this year, but will address going forward pending the availability of resources. We completed the data requirements and validated the files as required by the Digital Accountability and Transparency Act (DATA) of 2014. Additionally, BBG completed the conversion of all employees from a paper-based to an automated employee entry time and attendance system. We completed the automated payroll interface file with our payroll provider which directly interfaces the certified timesheet data for payroll processing. This process change has greatly improved accuracy, validity, timeliness and controls around domestic payroll processing.

It was through the dedication and hard work of our staff that we completed these major accomplishments in FY 2017. 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.

Grant K. Turner
Chief Financial Officer
November 15, 2017
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Independent Auditor’s Report

November 14, 2017

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

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

Dear Mr. Weinstein and Mr. Lansing:

An independent external auditor, Kearney & Company, P.C., was engaged to audit the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of September 30, 2017 and 2016, 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 Independent Auditor’s Report on the Broadcasting Board of Governors 2017 and 2016 Financial Statements (AUD-FM-IB-18-10), Kearney & Company found

- the consolidated financial statements present fairly, in all material respects, the financial position of BBG as of September 30, 2017 and 2016, 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;

- no material weaknesses\(^1\) in internal control over financial reporting;

- three significant deficiencies\(^2\) in internal control over financial reporting, specifically in the areas of validity and accuracy of unliquidated obligations, grantee monitoring, and information technology; and

\(^1\) 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.

\(^2\) 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.
• one instance of reportable noncompliance with laws, regulations, contracts, and grant agreements, specifically Federal grant regulations.

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, 2017, 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.
INDEPENDENT AUDITOR’S REPORT
AUD-FM-IB-18-10

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, 2017 and 2016, the related consolidated statements of net cost and changes in net position, 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. 17-03, “Audit Requirements for Federal Financial Statements.” Those standards and OMB Bulletin No. 17-03 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, 2017 and 2016, 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 Message from the Chief Financial Officer, 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. 17-03, we have also issued reports, dated November 13, 2017, 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, 2017. 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. 17-03, and should be considered in assessing the results of our audit.

Alexandria, Virginia
November 13, 2017
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, 2017, and have issued our report thereon dated November 13, 2017. 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. 17-03, “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. 17-03. 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was also not designed to identify deficiencies in internal control that might be significant. A significant deficiency is a deficiency, or a 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.
Significant Deficiencies

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 $192 million in ULOs as of September 30, 2017.

Of a sample of 118 ULOs tested, we found 38 (32 percent) invalid ULOs. During FY 2017, BBG’s Office of the Chief Financial Officer (OCFO) distributed monthly reports to respective allotment holders listing potentially invalid obligations. However, invalid ULOs continued to exist because some allotment holders were not responsive in researching and reviewing obligations and deobligating invalid obligations. We also found that some allotment holders were unaware of their responsibility to deobligate invalid obligations that had been identified. In addition, we found that BBG does not review overseas ULOs for validity because, according to OCFO officials, they have prioritized resolving domestic ULOs because those are the majority of the agency’s ULOs. We also found that BBG has updated its draft standard operating procedure for monitoring ULOs, but this document has not been approved and issued by BBG management.

As a result of invalid ULOs identified by our audit, BBG adjusted its financial statements. We have identified weaknesses in controls over ULOs in each audit since our audit of BBG’s FY 2013 financial statements.1

II. 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 2017, the three grantees received $292 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 Monitoring Standard Operating Procedure (SOP), which presents information and procedures that BBG will use during the life of a grant. We selected 15 control activities from the draft SOP to test whether BBG had effectively implemented grantee monitoring. We found that 9 of the 15 controls tested

1 During FY 2017 ULO testing, we found that BBG’s efforts resulted in a reduced error rate, warranting a downgrade from a Material Weakness to a Significant Deficiency.
were implemented during FY 2017 but that the remaining 6 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 SOP is fully approved and finalized.

Because BBG lacked effective grantee oversight, the risk of waste, fraud, and abuse of Federal funds is increased. An organized and documented approach to oversight should be implemented to improve accountability and mitigate the risk of waste, fraud, and abuse. We have identified weaknesses in controls over grantee monitoring each year since our audit of BBG’s FY 2013 financial statements.

III. 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) is responsible for the annual audits of BBG and Department information security programs’ compliance with IT provisions as required by the Federal Information Security Modernization Act of 2014 (FISMA). In the FY 2017 FISMA report for BBG, OIG reported security weaknesses that had a significant impact on BBG’s information security program. Specifically, OIG reported control weaknesses in all seven key FY 2017 Inspector General FISMA metric domains, which consist of risk management, configuration management, identity and access management, security training, information security continuous monitoring, incident response, and contingency planning.

OIG’s FY 2017 FISMA report for the Department identified information security program weaknesses that are similar to the weaknesses identified at BBG. OIG reported that the Department did not have an effective organization-wide information security program. As noted, RFMS is hosted on the Department’s general support system and is a component of the

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3 OIG, Audit of Department of State Information Security Program (AUD-IT-18-12, October 2017).
Department’s information security program. Because of the security weaknesses noted with the information security program at the Department, BBG should 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 each year since our audit of BBG’s FY 2013 financial statements.

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 2016 financial statements, we noted several issues that were related to internal control over financial reporting. The status of these issues is summarized in Table 1.

Table 1. Status of Prior Year Findings

<table>
<thead>
<tr>
<th>Control Deficiency</th>
<th>FY 2016 Status</th>
<th>FY 2017 Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validity and Accuracy of Unliquidated Obligations</td>
<td>Material Weakness</td>
<td>Significant Deficiency</td>
</tr>
<tr>
<td>Grantee Monitoring</td>
<td>Significant Deficiency</td>
<td>Significant Deficiency</td>
</tr>
<tr>
<td>Information Technology</td>
<td>Significant Deficiency</td>
<td>Significant Deficiency</td>
</tr>
</tbody>
</table>

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.

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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. 17-03 in considering BBG’s internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia
November 13, 2017
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, 2017, and have issued our report thereon dated November 13, 2017. 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. 17-03, “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 an instance of noncompliance that is required to be reported under Government Auditing Standards and OMB Bulletin No. 17-03. Each year since our FY 2013 audit of BBG’s financial statements, we have identified substantial noncompliance with Federal grant regulations. BBG is responsible for monitoring the use of funds provided to its grantees to ensure that they adhere to relevant laws and regulations. As noted in our Independent Auditor’s Report on Internal Control Over Financial Reporting, BBG has not fully implemented many of its designed grantee 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.

BBG’s Response to Findings

BBG management has provided its response to our finding 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. 17-03 in considering BBG’s compliance. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia
November 13, 2017
Response to the Audit

Appendix A

November 14, 2017

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

Dear Mr. Linick:

The BBG is committed to maintaining fiscal responsibility and transparency for the taxpayer funds entrusted by Congress to pursue its global 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. Our hard work and efforts have resulted in a down grade of one material weakness to a significant deficiency. We are committed to continue the hard work to resolve the three significant deficiencies that the audit identified and continue to build on the progress achieved in the past year to address them.

In FY 2013, BBG is committed to working towards greater efficiency, effectiveness, and accountability in its financial operations. With programming in 61 languages, thousands of media partners, and on-the-ground reporting capabilities around the world, BBG operates are global and complex. Well-funded state and non-state media outlets inundate audiences with disinformation about global events, and the ability of professional journalism to combat this disinformation and extremist propaganda requires the careful deployment of resources. BBG recognizes that our strength as an organization requires a strong fiscal foundation and effective stewardship over the resources entrusted to us by the American people.

We thank Keaney & Company for their continued efforts and dedication in working through the complex issues associated with the global nature of BBG’s financial processes.

Sincerely,

Grant K. Turner
Chief Financial Officer
The accompanying notes are an integral part of these statements.
<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice of America (VOA) (Note 15 and 20)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$384,873</td>
<td>$367,413</td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>(2,503)</td>
<td>(2,602)</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>382,570</td>
<td>364,811</td>
</tr>
<tr>
<td><strong>Office of Cuba Broadcasting (OCB) (Note 15 and 20)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>39,532</td>
<td>40,926</td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>39,532</td>
<td>40,926</td>
</tr>
<tr>
<td><strong>Surrogate Broadcasters (Note 15 and 20)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>359,700</td>
<td>345,745</td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>(2,537)</td>
<td>(1,407)</td>
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<tr>
<td>Net Program Costs</td>
<td>357,163</td>
<td>344,338</td>
</tr>
<tr>
<td><strong>Total Gross Costs</strong></td>
<td>784,105</td>
<td>754,084</td>
</tr>
<tr>
<td>Less: Total Earned Revenues</td>
<td>(4,840)</td>
<td>(4,009)</td>
</tr>
<tr>
<td><strong>Net Cost of Operations</strong></td>
<td>$779,265</td>
<td>$750,075</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
<table>
<thead>
<tr>
<th></th>
<th>Consolidated Total FY 2017</th>
<th>Consolidated Total FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cumulative Results of Operations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balances</td>
<td>$ 89,978</td>
<td>$ 88,773</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correction of Errors</td>
<td>-</td>
<td>(5)</td>
</tr>
<tr>
<td>Beginning Balance, as Adjusted</td>
<td>$ 89,978</td>
<td>$ 88,768</td>
</tr>
<tr>
<td><strong>Budgetary Financing Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations Used</td>
<td>756,925</td>
<td>740,457</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Non-Exchange):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated Revenue-Nonfinancial Resources</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Transfers In/Out Reimbursement</td>
<td>-</td>
<td>(176)</td>
</tr>
<tr>
<td>Imputed Financing</td>
<td>9,217</td>
<td>10,936</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>43</td>
</tr>
<tr>
<td>Total Financing Sources</td>
<td>766,156</td>
<td>751,285</td>
</tr>
<tr>
<td>Net Cost of Operations</td>
<td>(779,265)</td>
<td>(750,075)</td>
</tr>
<tr>
<td>Net Change</td>
<td>(13,109)</td>
<td>1,210</td>
</tr>
<tr>
<td><strong>Cumulative Results of Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>76,869</td>
<td>89,978</td>
</tr>
<tr>
<td><strong>Unexpended Appropriations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$ 203,567</td>
<td>$ 194,975</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correction of Errors</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Beginning Balance as Adjusted</td>
<td>$ 203,567</td>
<td>$ 194,980</td>
</tr>
<tr>
<td><strong>Budgetary Financing Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations Received</td>
<td>786,608</td>
<td>749,587</td>
</tr>
<tr>
<td>Appropriations Transferred In/Out</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>Other Adjustments</td>
<td>(7,156)</td>
<td>(543)</td>
</tr>
<tr>
<td>Appropriations Used</td>
<td>(756,925)</td>
<td>(740,457)</td>
</tr>
<tr>
<td>Total Budgetary Financing Sources</td>
<td>28,527</td>
<td>8,587</td>
</tr>
<tr>
<td>Total Unexpended Appropriations</td>
<td>232,094</td>
<td>203,567</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>$ 308,963</td>
<td>$ 293,545</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
# Combined Statement of Budgetary Resources

**For the Years Ended September 30, 2017 and 2016**

(in thousands)

## Budgetary Resources:

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unobligated balance, brought forward, Oct 1</td>
<td>$57,878</td>
<td>$57,849</td>
</tr>
<tr>
<td>Adjustment to unobligated balance brought forward, Oct 1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unobligated balance brought forward, Oct 1, as adjusted</td>
<td>$57,878</td>
<td>$57,849</td>
</tr>
<tr>
<td>Recoveries of unpaid prior year obligations</td>
<td>9,286</td>
<td>13,939</td>
</tr>
<tr>
<td>Other changes in unobligated balance</td>
<td>(6,021)</td>
<td>2,666</td>
</tr>
<tr>
<td>Unobligated balance from prior year budget authority, net</td>
<td>61,143</td>
<td>74,454</td>
</tr>
<tr>
<td>Appropriations (discretionary and mandatory)</td>
<td>793,076</td>
<td>750,055</td>
</tr>
<tr>
<td>Spending authority from offsetting collections (discretionary and mandatory)</td>
<td>3,389</td>
<td>4,061</td>
</tr>
<tr>
<td><strong>Total budgetary resources</strong></td>
<td>$857,608</td>
<td>$828,570</td>
</tr>
</tbody>
</table>

## Status of Budgetary Resources:

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>New obligations and upward adjustments (total)</td>
<td>$793,668</td>
<td>$770,692</td>
</tr>
<tr>
<td>Unobligated balance, end of year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apportioned, unexpired accounts</td>
<td>34,819</td>
<td>21,645</td>
</tr>
<tr>
<td>Unapportioned, unexpired accounts</td>
<td>2,744</td>
<td>9,092</td>
</tr>
<tr>
<td>Unexpired unobligated balance, end of year</td>
<td>37,563</td>
<td>30,737</td>
</tr>
<tr>
<td>Expired unobligated balance, end of year</td>
<td>26,377</td>
<td>27,141</td>
</tr>
<tr>
<td><strong>Unobligated balance, end of year (total)</strong></td>
<td>63,940</td>
<td>57,878</td>
</tr>
<tr>
<td><strong>Total budgetary resources</strong></td>
<td>$857,608</td>
<td>$828,570</td>
</tr>
</tbody>
</table>

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, 2017 and 2016  
(in thousands) (Continued)

<table>
<thead>
<tr>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Obligated Balance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Unpaid Obligations:</strong></td>
<td></td>
</tr>
<tr>
<td>Unpaid obligations, brought forward, Oct 1</td>
<td>$153,845</td>
</tr>
<tr>
<td>Adjustment to unpaid obligations, start of year</td>
<td>-</td>
</tr>
<tr>
<td>New obligations and upward adjustments</td>
<td>$793,668</td>
</tr>
<tr>
<td>Outlays (gross)</td>
<td>$(777,491)</td>
</tr>
<tr>
<td>Recoveries of prior year unpaid obligations</td>
<td>$(9,286)</td>
</tr>
<tr>
<td>Unpaid obligations, end of year</td>
<td>$160,736</td>
</tr>
<tr>
<td><strong>Uncollected payments:</strong></td>
<td></td>
</tr>
<tr>
<td>Uncollected pymts, Fed sources, brought forward, Oct 1</td>
<td>$(4,332)</td>
</tr>
<tr>
<td>Change in uncollected pymts, Fed sources</td>
<td>$947</td>
</tr>
<tr>
<td>Uncollected pymts, Fed sources, end of year</td>
<td>$(3,385)</td>
</tr>
<tr>
<td><strong>Memorandum (non-add) entries:</strong></td>
<td></td>
</tr>
<tr>
<td>Obligated balance, start of year</td>
<td>$149,512</td>
</tr>
<tr>
<td>Obligated balance, end of year</td>
<td>$157,351</td>
</tr>
<tr>
<td><strong>Budget Authority and Outlays, Net:</strong></td>
<td></td>
</tr>
<tr>
<td>Budget authority, gross (discretionary and mandatory)</td>
<td>$796,465</td>
</tr>
<tr>
<td>Actual offsetting collections (discretionary and mandatory)</td>
<td>$(5,471)</td>
</tr>
<tr>
<td>Change in uncollected pymts, Fed sources (discretionary and mandatory)</td>
<td>$947</td>
</tr>
<tr>
<td>Recoveries of prior year paid obligations (discretionary and mandatory)</td>
<td>1,135</td>
</tr>
<tr>
<td>Anticipated offsetting collections (discretionary and mandatory)</td>
<td>-</td>
</tr>
<tr>
<td>Budget Authority, net (total) (discretionary and mandatory)</td>
<td>$793,076</td>
</tr>
<tr>
<td>Outlays, gross (discretionary and mandatory)</td>
<td>$777,491</td>
</tr>
<tr>
<td>Actual offsetting collections (discretionary and mandatory)</td>
<td>$(5,471)</td>
</tr>
<tr>
<td>Outlays, net (total) (discretionary and mandatory)</td>
<td>$772,020</td>
</tr>
<tr>
<td>Distributed offsetting receipts</td>
<td>-</td>
</tr>
<tr>
<td>Agency outlays, net (discretionary and mandatory)</td>
<td>$772,020</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
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
mission of the Broadcasting Board of Governors is to inform, engage, and connect
people around the world in support of freedom and democracy. 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 in 100 countries and
61 languages 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 Asia – www.rfa.org/english
- Middle East Broadcasting Networks – 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, except for Imprest Funds under section E. 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. Imprest Fund

The BBG operates an imprest fund in the amount of $3,000 at the BBG Robert E. Kamosa Transmitting Station in the Commonwealth of the Northern Mariana Islands. Due to the remote location and 24 hour continuous operation of the mission, these funds are necessary and used to pay for time sensitive expenditures required to be paid in cash to local vendors. BBG has Treasury approved delegation of disbursing authority for the establishment and operation of the imprest fund.

F. 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).

G. 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 6.

H. Personnel Compensation and Benefits

Annual, Sick and Other Leave Program

Annual leave is accrued as it is earned by BBG employees, and the accrual is reduced as leave is taken. Throughout the year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. 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 and other types of non-vested leave are expensed as taken.

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. For CSRS participants, there is no governmental matching contribution. The maximum amounts that either FERS or CSRS employees may contribute to the plan in calendar year 2017 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.

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 FY2017 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 2017 BBG recognized $9.2 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 280 FSN employees at 26 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 10.

I. 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 14.

J. Revenues and Financing Sources

The BBG operations are financed through congressional appropriations, reimbursement for the provision of goods or services to other federal agencies and the public, 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. Occasionally, earned revenues occur when the BBG provides goods or services to the public in which case the revenue is recognized when collected.

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.

K. 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.

L. 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.

M. 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.

NOTE 2: ENTITY / NON-ENTITY ASSETS

Entity and Non-Entity assets of the BBG have been combined on the balance sheet. Non-entity assets relate primarily to state and local taxes and other employee payroll withholdings included under FBWT deposit accounts and are currently held by but not available to the BBG. The funds are restricted by nature and will be forwarded to Treasury or other entities at a future date.

Non-entity assets as of September 30, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th>Non-Entity Assets (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance with Treasury</td>
<td>$ 793</td>
<td>$ 852</td>
</tr>
<tr>
<td>Total Intragovernmental</td>
<td>793</td>
<td>852</td>
</tr>
<tr>
<td>Total Non-Entity Assets</td>
<td>793</td>
<td>852</td>
</tr>
<tr>
<td>Total Entity Assets</td>
<td>383,313</td>
<td>369,455</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 384,106</td>
<td>$ 370,307</td>
</tr>
</tbody>
</table>
NOTE 3: FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all federal agencies. The Fund Balance with Treasury (FBWT) represents the right of the BBG to draw down funds from Treasury for expenses and liabilities. The balances in Note 3 are reconciled to Treasury and primarily consist of appropriated, trust, deposit and clearing funds.

Appropriated funds are general fund expenditure accounts established to record amounts appropriated by law for the general support of Federal Government activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations.

Trust fund balances consist primarily of (1) Foreign Service National Separation Liability Trust; and (2) Miscellaneous Trust.

Other Fund types consist of Deposit and Clearing accounts with balances held but not available by BBG. Deposit fund examples are: Withheld State and Local Taxes (payroll); Other Federal Payroll Withholdings; Collections of receivables from Canceled Accounts; and General Funds Proprietary Receipts, Not Otherwise Classified. Clearing fund examples are: Proceeds of Sales, Personal Property; and Budget Clearing Account (Suspense).

Fund Balance with Treasury by fund type as of September 30, 2017 and 2016, consists of the following:

<table>
<thead>
<tr>
<th>Fund Balances (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Funds</td>
<td>$214,451</td>
<td>$199,293</td>
</tr>
<tr>
<td>Trust Funds</td>
<td>6,836</td>
<td>8,097</td>
</tr>
<tr>
<td>Other Fund Types</td>
<td>833</td>
<td>886</td>
</tr>
<tr>
<td>Total</td>
<td>$222,120</td>
<td>$208,276</td>
</tr>
</tbody>
</table>

The status of Fund Balance with Treasury as of September 30, 2017 and 2016, consists of the following:

<table>
<thead>
<tr>
<th>Status of Fund Balance with Treasury (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unobligated Balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available</td>
<td>$37,560</td>
<td>$30,737</td>
</tr>
<tr>
<td>Unavailable</td>
<td>26,377</td>
<td>27,141</td>
</tr>
<tr>
<td>Obligated Balance Not Yet Disbursed</td>
<td>157,350</td>
<td>149,512</td>
</tr>
<tr>
<td>Non-Budgetary Fund Balance with Treasury</td>
<td>833</td>
<td>886</td>
</tr>
<tr>
<td>Total</td>
<td>$222,120</td>
<td>$208,276</td>
</tr>
</tbody>
</table>

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, 2017 and 2016 totaled
$7.2 million and $543 thousand, respectively.

**NOTE 4: CASH AND OTHER MONETARY ASSETS**

Cash consists of funds held outside of Treasury and the Federal Reserve by authorized
fiscal officers or agents. Cash includes all monetary resources on hand or on deposit
with a financial institution, including coins, paper currency, and readily negotiable
instruments such as checks and money orders. The BBG’s use of unrestricted cash
consists of funds on deposit with a Treasury designated financial institution, for use by
the transmitting stations of the Commonwealth of the Northern Mariana Islands, as
delegated by Treasury.

Cash and Other Monetary Assets as of September 30, 2017, consists of the following:

<table>
<thead>
<tr>
<th>Cash and Other Monetary Assets (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$3</td>
<td>-</td>
</tr>
<tr>
<td>Total Cash and Other Monetary Assets</td>
<td>$3</td>
<td>-</td>
</tr>
</tbody>
</table>

**NOTE 5: ACCOUNTS RECEIVABLE, NET**

Accounts receivable as of September 30, 2017 and 2016, are as follows:

<table>
<thead>
<tr>
<th>Accounts Receivable (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental</td>
<td>$46</td>
<td>$106</td>
</tr>
<tr>
<td>Public</td>
<td>163</td>
<td>504</td>
</tr>
<tr>
<td>Allowance for Uncollectable Accounts</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Total Accounts Receivable, Net</td>
<td>$204</td>
<td>$605</td>
</tr>
</tbody>
</table>
NOTE 6: 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, 2017 and 2016 are $71 million and $54 million, respectively.

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment (PP&E) 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 that meet the established capitalization thresholds. In FY 2017, BBG updated the PP&E policy for capitalization. The thresholds for capitalization are as follows for property acquired on or after October 1, 2016: equipment costing $75,000 or more, buildings and capital leases costing $100,000 or more, and other structures and facilities costing $100,000 or more. In addition, ADP software costing $250,000 or more, and all land, land rights, and vehicles are capitalized, regardless of cost.

The thresholds for capitalization are as follows for property acquired before October 1, 2016: equipment costing $25,000 or more, buildings and capital leases costing $100,000 or more, and other structures and facilities costing $50,000 or more. In addition, ADP software costing $250,000 or more, 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 $75,000 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 three 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 consists 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, 2017 and 2016.

<table>
<thead>
<tr>
<th>Property Category</th>
<th>Useful Life</th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value</th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>N/A</td>
<td>$3,416</td>
<td>$-</td>
<td>$3,416</td>
<td>$3,416</td>
<td>$-</td>
<td>$3,416</td>
</tr>
<tr>
<td>Construction-in-Progress</td>
<td>N/A</td>
<td>$1,625</td>
<td>$-</td>
<td>$1,625</td>
<td>$7,068</td>
<td>$-</td>
<td>$7,068</td>
</tr>
<tr>
<td>Building</td>
<td>30</td>
<td>$25,169</td>
<td>(19,278)</td>
<td>$5,891</td>
<td>$25,551</td>
<td>(18,833)</td>
<td>$6,718</td>
</tr>
<tr>
<td>Other Structures</td>
<td>20</td>
<td>$7,946</td>
<td>(6,910)</td>
<td>$1,036</td>
<td>$8,549</td>
<td>(7,005)</td>
<td>$1,544</td>
</tr>
<tr>
<td>Equipment</td>
<td>6-30</td>
<td>$300,364</td>
<td>(231,790)</td>
<td>$68,574</td>
<td>$318,869</td>
<td>(238,185)</td>
<td>$80,684</td>
</tr>
<tr>
<td>Vehicles</td>
<td>6</td>
<td>$5,615</td>
<td>(3,902)</td>
<td>$1,713</td>
<td>$6,096</td>
<td>(4,499)</td>
<td>$1,597</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>10-20</td>
<td>$6,661</td>
<td>(876)</td>
<td>$5,785</td>
<td>$3,505</td>
<td>(486)</td>
<td>$3,019</td>
</tr>
<tr>
<td>Software</td>
<td>3-6</td>
<td>$5,149</td>
<td>(4,078)</td>
<td>$1,071</td>
<td>$5,148</td>
<td>(3,567)</td>
<td>$1,581</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$355,945</td>
<td>$266,834</td>
<td>$89,111</td>
<td>$378,202</td>
<td>$272,575</td>
<td>$105,627</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense as of September 30, 2017 and 2016 is $12.4 million and $12.3 million, respectively.

**NOTE 8: 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) 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, 2017 and 2016:

<table>
<thead>
<tr>
<th>Other Assets (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive PP&amp;E</td>
<td>$-</td>
<td>$7</td>
</tr>
<tr>
<td>Prepaid Leases</td>
<td>1,462</td>
<td>1,492</td>
</tr>
<tr>
<td>Travel &amp; Salary Advances</td>
<td>206</td>
<td>300</td>
</tr>
<tr>
<td>Total</td>
<td>$1,668</td>
<td>$1,799</td>
</tr>
</tbody>
</table>
NOTE 9: LIABILITIES COVERED / 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 11 – Environmental and Disposal Liabilities.

<table>
<thead>
<tr>
<th>Liabilities Covered / Not Covered by Budgetary Resources (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intragovernmental</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued FECA Liability</td>
<td>$1,638</td>
<td>$1,730</td>
</tr>
<tr>
<td>Total Intragovernmental</td>
<td>$1,638</td>
<td>$1,730</td>
</tr>
<tr>
<td><strong>Public</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial FECA Liability</td>
<td>9,000</td>
<td>7,517</td>
</tr>
<tr>
<td>Accrued Annual and Compensatory Leave</td>
<td>15,545</td>
<td>16,054</td>
</tr>
<tr>
<td>Contingent Liabilities</td>
<td>364</td>
<td>364</td>
</tr>
<tr>
<td>Foreign Service National After-Employment Benefits</td>
<td>6,656</td>
<td>9,557</td>
</tr>
<tr>
<td>Environmental and Disposal Liabilities</td>
<td>636</td>
<td>1,079</td>
</tr>
<tr>
<td>Total Liabilities Not Covered by Budgetary Resources</td>
<td>33,839</td>
<td>36,301</td>
</tr>
<tr>
<td>Total Liabilities Covered by Budgetary Resources</td>
<td>41,304</td>
<td>40,461</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$75,143</td>
<td>$76,762</td>
</tr>
</tbody>
</table>

NOTE 10: FOREIGN SERVICE NATIONALS (FSN) AFTER-EMPLOYMENT BENEFITS

The BBG operates overseas in 26 countries and employs approximately 280 local nationals known as Foreign Service Nationals (FSNs). FSNs do not qualify for 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 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 accordance with what would otherwise be offered or required by statute and regulations for federal civilian employees.
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.
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 economic assumptions used for the Retirement and Voluntary Severance Lump Sum Payment Liability as of September 30, 2017 and 2016 are:

<table>
<thead>
<tr>
<th>Economic Assumptions</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate</td>
<td>2.99%</td>
<td>3.48%</td>
</tr>
<tr>
<td>Rate of Inflation</td>
<td>1.63%</td>
<td>2.07%</td>
</tr>
<tr>
<td>Salary Increase</td>
<td>3.19%</td>
<td>3.19%</td>
</tr>
</tbody>
</table>

The total liabilities reported for the FSN After-employment Benefits as of September 30, 2017 and 2016, respectively, are as follows:

<table>
<thead>
<tr>
<th>After-Employment Benefit Liability (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefits Plans</td>
<td>$1,897</td>
<td>$4,794</td>
</tr>
<tr>
<td>Voluntary Severance</td>
<td>1,922</td>
<td>2,230</td>
</tr>
<tr>
<td>Supplemental Retirement Lump Sum</td>
<td>2,837</td>
<td>2,533</td>
</tr>
<tr>
<td>Total After-Employment Benefit Liability</td>
<td>$6,656</td>
<td>$9,557</td>
</tr>
</tbody>
</table>
NOTE 11: 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 was received in previous years and the facility disposition has not changed.

Cleanup Costs Associated with Facilities and Installed Equipment, and Technical Release 11, Implementation Guidance on Cleanup Costs Associated with Equipment, the BBG in FY 2013 identified offices and building facilities that contained non-friable and friable asbestos. Based on this survey, the BBG has recognized an estimated asbestos cleanup liability in the amount of $421 thousand for four of its overseas facilities. The total estimate is based on the vendor quotes provided for asbestos cleanup-efforts adjusted for September 30, 2017 currency exchange rates. The total environmental liability for BBG in FY 2017 is $636 thousand.
NOTE 12: OTHER LIABILITIES

Other liabilities consist of the following as of September 30, 2017:

<table>
<thead>
<tr>
<th>Other Liabilities (in thousands)</th>
<th>Non-Current</th>
<th>Current</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intragovernmental</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances and Prepayments</td>
<td>$</td>
<td>$ 465</td>
<td>$ 465</td>
</tr>
<tr>
<td>Employer Contribution/Payroll Taxes</td>
<td>-</td>
<td>2,024</td>
<td>2,024</td>
</tr>
<tr>
<td><strong>Total Other Liabilities</strong></td>
<td>$</td>
<td>$ 2,489</td>
<td>$ 2,489</td>
</tr>
</tbody>
</table>

NOTE 13: 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, 2017 for each of the next 5 years and in aggregate follows:

<table>
<thead>
<tr>
<th>Operating Leases (in thousands)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$23,412</td>
</tr>
<tr>
<td>2019</td>
<td>$5,684</td>
</tr>
<tr>
<td>2020</td>
<td>$1,214</td>
</tr>
<tr>
<td>2021</td>
<td>$636</td>
</tr>
<tr>
<td>2022</td>
<td>$543</td>
</tr>
<tr>
<td>2023 and there after</td>
<td>$833</td>
</tr>
<tr>
<td><strong>Total Future Lease Payments</strong></td>
<td>$32,322</td>
</tr>
</tbody>
</table>
NOTE 14: 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, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th>Contingent Liabilities (in thousands)</th>
<th>FY 2017</th>
<th>Estimated Range of Loss</th>
<th>FY 2016</th>
<th>Estimated Range of Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Lower End of Range</td>
<td>Upper End of Range</td>
<td>Lower End of Range</td>
</tr>
<tr>
<td>Probable</td>
<td>$364</td>
<td>$364</td>
<td>$364</td>
<td>$364</td>
</tr>
<tr>
<td>Reasonably Possible</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>230</td>
</tr>
</tbody>
</table>

The accrued liabilities as of September 30, 2017 and 2016 are as follows:

- Probable
- Reasonably Possible

The estimated range of loss for the accrued liabilities as of September 30, 2017 and 2016 are as follows:

- Probable: $364
- Reasonably Possible: 230
NOTE 15: 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, 2017 and 2016 consist of the following:

<table>
<thead>
<tr>
<th>Programs (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice of America (VOA)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intragovernmental Costs</td>
<td>$69,342</td>
<td>$66,626</td>
</tr>
<tr>
<td>Public Costs</td>
<td>315,531</td>
<td>300,787</td>
</tr>
<tr>
<td><strong>Total VOA Costs</strong></td>
<td>$384,873</td>
<td>$367,413</td>
</tr>
<tr>
<td>Intragovernmental Earned Revenues</td>
<td>(2,101)</td>
<td>(2,302)</td>
</tr>
<tr>
<td>Public Earned Revenues</td>
<td>(202)</td>
<td>(300)</td>
</tr>
<tr>
<td><strong>Total VOA Earned Revenues</strong></td>
<td>(2,303)</td>
<td>(2,602)</td>
</tr>
<tr>
<td><strong>Office of Cuba Broadcasting (OCB)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intragovernmental Costs</td>
<td>6,723</td>
<td>6,993</td>
</tr>
<tr>
<td>Public Costs</td>
<td>32,809</td>
<td>33,933</td>
</tr>
<tr>
<td><strong>Total OCB Costs</strong></td>
<td>39,532</td>
<td>40,926</td>
</tr>
<tr>
<td><strong>Surrogate Broadcasters</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intragovernmental Costs</td>
<td>27,144</td>
<td>27,655</td>
</tr>
<tr>
<td>Public Costs</td>
<td>332,556</td>
<td>318,090</td>
</tr>
<tr>
<td><strong>Total Surrogate Broadcasters Costs</strong></td>
<td>359,700</td>
<td>345,745</td>
</tr>
<tr>
<td>Intragovernmental Earned Revenues</td>
<td>(2,363)</td>
<td>(1,407)</td>
</tr>
<tr>
<td>Public Earned Revenues</td>
<td>(174)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Surrogate Broadcaster Earned Revenues</strong></td>
<td>(2,537)</td>
<td>(1,407)</td>
</tr>
<tr>
<td><strong>Total Intragovernmental Costs</strong></td>
<td>$103,209</td>
<td>$101,274</td>
</tr>
<tr>
<td><strong>Total Public Costs</strong></td>
<td>680,896</td>
<td>652,810</td>
</tr>
<tr>
<td><strong>Total Intragovernmental Earned Revenue</strong></td>
<td>(4,464)</td>
<td>(3,709)</td>
</tr>
<tr>
<td><strong>Total Public Earned Revenue</strong></td>
<td>(376)</td>
<td>(300)</td>
</tr>
<tr>
<td><strong>Net Cost of Operations</strong></td>
<td>$779,265</td>
<td>$750,075</td>
</tr>
</tbody>
</table>
NOTE 16: 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, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th>Obligation Incurred (in thousands)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Obligations Incurred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAT A</td>
<td>$464,931</td>
<td>$461,412</td>
</tr>
<tr>
<td>CAT B</td>
<td>324,917</td>
<td>304,075</td>
</tr>
<tr>
<td>Total Direct Obligations Incurred</td>
<td>$789,848</td>
<td>$765,487</td>
</tr>
<tr>
<td>Reimbursable Obligations Incurred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAT B</td>
<td>$3,820</td>
<td>$5,205</td>
</tr>
<tr>
<td>Total Reimbursable Obligations Incurred</td>
<td>$3,820</td>
<td>$5,205</td>
</tr>
</tbody>
</table>

NOTE 17: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders for the years ended September 30, 2017 and 2016 are $193.4 million and $171.4 million, respectively.

A comparison between the FY 2017 Statement of Budgetary Resources and the FY 2017 actual numbers presented in the FY 2019 Budget cannot be performed as the FY 2019 Budget is not yet available. The FY 2019 Budget is due to be published in February 2018 and will be available from the Government Printing Office.

The BBG reconciled the amounts of the FY 2016 column on the statement of Budgetary Resources (SBR) to the actual amounts for FY 2016 in the FY 2018 President’s Budget for budgetary resources, obligations incurred, distributed offsetting receipts and net outlays published in February 2017, as presented below.

<table>
<thead>
<tr>
<th>For the Fiscal Year Ended September 30, 2016 (in thousands)</th>
<th>Budgetary Resources</th>
<th>Obligations Incurred</th>
<th>Distributed Offsetting Receipts</th>
<th>Net Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Statement of Budgetary Resources</td>
<td>$ 828,570</td>
<td>$ 770,692</td>
<td>$ -</td>
<td>$ 745,488</td>
</tr>
<tr>
<td>Expired Accounts</td>
<td>(32,142)</td>
<td>(13,242)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Undelivered Orders</td>
<td>(8,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Budget of the United States Government</strong></td>
<td><strong>$ 788,428</strong></td>
<td><strong>$ 757,450</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ 745,488</strong></td>
</tr>
</tbody>
</table>
NOTE 19: 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, 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources Used to Finance Activities:</td>
<td></td>
</tr>
<tr>
<td>Budgetary Resources Obligated</td>
<td></td>
</tr>
<tr>
<td>Obligations incurred</td>
<td>$793,668</td>
</tr>
<tr>
<td>Less: Spending Authority from Offsetting Collections and Recoveries</td>
<td>13,810</td>
</tr>
<tr>
<td>Obligations Net of Offsetting Collections and Recoveries</td>
<td>779,858</td>
</tr>
<tr>
<td>Less: Offsetting Receipts</td>
<td>-</td>
</tr>
<tr>
<td>Net Obligations</td>
<td>779,858</td>
</tr>
<tr>
<td>Other Resources</td>
<td></td>
</tr>
<tr>
<td>Donations and Forfeitures of Property</td>
<td>-</td>
</tr>
<tr>
<td>Transfers in/out Without Reimbursement</td>
<td>-</td>
</tr>
<tr>
<td>Imputed Financing from costs Absorbed by Others</td>
<td>9,217</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
</tr>
<tr>
<td>Net Other Resources Used to Finance Activities</td>
<td>9,231</td>
</tr>
<tr>
<td>Total Resources Used to Finance Activities</td>
<td>$789,089</td>
</tr>
<tr>
<td>Resources Used to Finance Items not Part of the Net Cost of Operations:</td>
<td></td>
</tr>
<tr>
<td>Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided</td>
<td>23,759</td>
</tr>
<tr>
<td>Resources that Fund Expenses Recognized in Prior Periods</td>
<td>4,099</td>
</tr>
<tr>
<td>Resources That Finance the Acquisition of Assets</td>
<td>3,426</td>
</tr>
<tr>
<td>Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations</td>
<td>-</td>
</tr>
<tr>
<td>Total Resources Used to Finance Items not Part of the Net Cost of Operations</td>
<td>$31,284</td>
</tr>
<tr>
<td>Total Resources Used to Finance the Net Cost of Operations</td>
<td>757,805</td>
</tr>
</tbody>
</table>

(Continues on next page)
## Components of Net cost of Operations That Will not Require or Generate Resources in the Current Period:

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in FECA Actuarial Liability</td>
<td>1,483</td>
<td>484</td>
</tr>
<tr>
<td>Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods</td>
<td>1,483</td>
<td>484</td>
</tr>
<tr>
<td>Components not Requiring or Generating Resources:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>12,373</td>
<td>12,340</td>
</tr>
<tr>
<td>Loss on Disposal of Assets</td>
<td>7,536</td>
<td>327</td>
</tr>
<tr>
<td>Other</td>
<td>68</td>
<td>5</td>
</tr>
<tr>
<td>Total Components of Net Cost of Operations not Requiring or Generating Resources</td>
<td>19,977</td>
<td>12,672</td>
</tr>
</tbody>
</table>

### Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2017</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cost of Operations</td>
<td>$779,265</td>
<td>$750,075</td>
</tr>
</tbody>
</table>
NOTE 20: 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), Technology, Services and Innovation 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.

<table>
<thead>
<tr>
<th>Statement of Net Cost (in thousands)</th>
<th>FY 2017</th>
<th>VOA</th>
<th>OCB</th>
<th>TSI</th>
<th>IBB</th>
<th>RFA</th>
<th>RFE/RL</th>
<th>MBN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice of America (VOA)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$384,873</td>
<td>$293,402</td>
<td>$-</td>
<td>$52,356</td>
<td>$39,115</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>(2,303)</td>
<td>(2,303)</td>
<td>$-</td>
<td>$52,356</td>
<td>$39,115</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
<td>$382,570</td>
<td>$291,099</td>
<td>$52,356</td>
<td>$39,115</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Office of Cuba Broadcasting (OCB)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>39,532</td>
<td></td>
<td>28,024</td>
<td>6,477</td>
<td>5,031</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>$-</td>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
<td>39,532</td>
<td></td>
<td>28,024</td>
<td>6,477</td>
<td>5,031</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Surrogate Broadcasters</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>359,700</td>
<td></td>
<td>70,501</td>
<td>11,804</td>
<td>49,546</td>
<td>116,576</td>
<td>111,273</td>
<td></td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>(2,537)</td>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
<td>357,163</td>
<td></td>
<td>70,501</td>
<td>11,804</td>
<td>49,546</td>
<td>116,576</td>
<td>111,273</td>
<td></td>
</tr>
<tr>
<td><strong>Total Gross Costs</strong></td>
<td>784,105</td>
<td>293,402</td>
<td>28,024</td>
<td>129,334</td>
<td>55,950</td>
<td>49,546</td>
<td>116,576</td>
<td>111,273</td>
</tr>
<tr>
<td>Less: Total Earned Revenues</td>
<td>(4,840)</td>
<td>(2,303)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cost of Operations</strong></td>
<td>$779,265</td>
<td>$291,099</td>
<td>$28,024</td>
<td>$129,334</td>
<td>$55,950</td>
<td>$47,546</td>
<td>$116,576</td>
<td>$111,273</td>
</tr>
</tbody>
</table>
Required Supplementary Information

Deferred Maintenance

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.

The BBG reviewed its FY 2017 maintenance and repair plan and identified those projects where maintenance or repair had been planned and/or required but nevertheless was not performed in 2017. 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 decrease in estimated deferred maintenance and repairs net cost of $5 thousand from FY 2016 to FY 2017 was caused by a reclassification of air handling units replacement at the Sao-Tome’s transmitting station and an increase in repairs to fencing at the Transmitter Station in Marathon, Florida.

<table>
<thead>
<tr>
<th>Deferred Maintenance (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PP&amp;E Category</strong></td>
</tr>
<tr>
<td>Equipment</td>
</tr>
<tr>
<td>Other Structures &amp; Facilities</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
Section 4: Other Information

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Inspector General’s Statement on Management and Performance Challenges
INTRODUCTION

Each year, as required by law, the Office of Inspector General (OIG) for the Broadcasting Board of Governors (BBG) identifies the most serious management and performance challenges facing BBG and briefly assesses BBG’s progress in addressing those challenges. The resulting report is included in BBG’s annual performance and accountability report.

Based on our oversight work performed this year and in the past, research, and independent judgment, OIG concludes, as it did last year, that the following were the most important challenges that BBG faced in FY 2017:

- Information security and management
- Financial and property management
- Grants management

These issues go to the core of BBG’s programs and operations, and it is likely that they will be crucial challenges for the foreseeable future. Continued attention to these concerns will improve BBG’s operations and, accordingly, its ability to fulfill its underlying mission. We hope that this report, read together with the work OIG produces throughout the year, assists BBG in its efforts.

INFORMATION SECURITY AND MANAGEMENT

BBG depends on information systems and electronic data to carry out essential mission-related functions. These information systems are subject to serious threats that may exploit vulnerabilities to compromise the information those systems process, store, and transmit. This, in turn, can lead to adverse effects on operations, organizational assets, and personnel. Though BBG has taken steps to improve its information security program in recent years, OIG continues to find deficiencies.

In particular, during FY 2017, an external auditor performing the audit on OIG’s behalf and under OIG’s direction found that BBG did not have an effective information security program. Specifically, BBG lacked a fully developed and implemented organization-wide risk management strategy. Additionally, the auditor identified security weaknesses in all key metric domains that are required to be assessed, including risk management, configuration management, identity and access management, information security continuous monitoring, incident response, and contingency planning. To begin addressing the IT weaknesses identified, OIG recommended that BBG devote

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2 In two FY 2017 inspection reports, OIG identified information security and management deficiencies specific to two BBG grantees. Those findings are discussed in the “Grants Management” section.
3 OIG, Audit of the Broadcasting Board of Governors Information Security Program (AUD-IT-IB-17-18, November 2016).
resources to develop and implement an information security risk management strategy and develop a risk management office.

FINANCIAL AND PROPERTY MANAGEMENT

Financial management continues to be a challenge for BBG. During the FY 2016 audit of BBG’s consolidated financial statements, an external auditor performing the audit on OIG’s behalf and under OIG’s direction identified a material weakness related to the validity of unliquidated obligations (ULOs). ULOs represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services that were ordered have not been received or the goods and services have been received but for which payment has not yet been made. The external auditor identified a significant number of invalid ULOs that had not been identified by BBG’s review process. This occurred because not all personnel responsible for review were effectively monitoring the validity of obligations and because BBG’s policies were not sufficient.

OIG also noted various deficiencies related to property management. BBG owns significant physical assets, including equipment, buildings, vehicles, and land. In the audit of BBG’s FY 2016 consolidated financial statements, the external auditor performed various procedures to determine whether BBG’s property inventory was complete and accurately recorded. The auditor found that BBG’s processes to ensure that personal property was recorded in a complete, timely, and accurate manner were ineffective. Specifically, property management officials did not consistently follow BBG’s procedures and, moreover, did not receive training to ensure that they understood and implemented relevant procedures. The lack of effective controls decreases accountability over assets, which, in turn, could lead to undetected theft or waste. In addition, the untimely and inaccurate processing of property transactions resulted in misstatements to BBG’s financial statements. Although BBG corrected these errors, additional errors are likely unless BBG implements effective property management procedures.

GRANTS MANAGEMENT

Grants management presents an ongoing challenge for BBG. Because BBG uses grantees to perform significant operational activities, weaknesses in this area have a substantial effect on BBG’s overall operations. Without effective oversight of grantees, the risk of waste, fraud, and abuse of Federal funds increases.

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5 In addition, in one FY 2017 inspection report, OIG identified property management deficiencies specific to a BBG grantee. Those findings are discussed in the “Grants Management” section.

BBG’S ADMINISTRATION OF GRANTS

In the audit of BBG’s financial statements, an external auditor performing the audit on OIG’s behalf and under OIG’s direction found that BBG had not effectively implemented monitoring of grantees, even though grant payments consumed approximately one-third of BBG’s total funding. For example, the external auditor found that BBG had not performed risk assessments to finalize the scope and frequency of site visits, issued site visit reports to communicate findings and needed improvements, or obtained performance reports from grantees.

In two FY 2017 inspection reports, OIG noted improper close-out procedures related to two BBG grantees—the Middle East Broadcasting Network (MBN) and Radio Free Europe/Radio Liberty (RFE/RL). BBG had not closed out expired MBN grants since MBN’s inception in 2003, although governing regulations required that it do so. Additionally, BBG did not formally close out RFE/RL’s annual grants at their expiration; instead, BBG improperly accepted RFE/RL’s final monthly financial report for the fiscal year. Although BBG had compiled a draft grantee handbook that included close-out provisions, BBG had not approved or adopted the handbook at the time of the inspection.

Addressing these issues is important to ensure compliance with Federal grant oversight regulations and to account appropriately for U.S. Government funds (and to determine if the funds were spent in accordance with the grant agreement in the first place). Without close-outs of expired grants, BBG increases the risk that ineligible or unsupported grant award funds will not be returned to BBG to be put to better use or returned to the U.S. Treasury. To address these issues, OIG recommended that BBG finalize its draft grantee handbook and implement the grant close-out provisions.

OIG’s inspection of RFE/RL also identified problems with its contract management practices. Of the 45 RFE/RL contracts reviewed by OIG, 11 lacked required documentation. Additionally, eleven contracts—including contracts for food service, travel, and security—lacked written approval by BBG. Eight of those 11 contract renewals also lacked the vendor’s signature. OIG concluded that the absence of senior management oversight caused the deficiencies. As noted in the inspection, this issue is important to address, as failure to document financial transactions risks unauthorized expenditure of Federal funds and could invalidate the contracts. OIG recommended that BBG direct RFE/RL to document contract approvals in accordance with the grant agreement.

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7 OIG, Inspection of the Broadcasting Board of Governors’ Middle East Broadcasting Networks (ISP-IB-17-09, February 2017).
9 Ibid.
10 Ibid.
GRANTEE MANAGEMENT OF INFORMATION SECURITY ISSUES

Additionally, OIG found deficiencies related to information security and management in its inspections of MBN and RFE/RL. OIG’s review of MBN’s IT operating procedures showed they did not contain standards or establish responsibility for any IT operations, nor did they include version control or any evidence that senior management had approved the procedures.11 RFE/RL also lacked formal policy governance for its IT Division.12 Without policy documents establishing standards for IT operations, MBN and RFE/RL effectively had no criteria for measuring success, which creates risks of waste, mismanagement, and inefficiencies in IT operations. Furthermore, MBN did not have formal, written policies regarding information security. It also had no system security plan, and no specific employee was assigned responsibility for information systems security.13 Likewise, RFE/RL did not have an effective information security program. It lacked information security policies and procedures that addressed internal controls standards, including a risk management process to safeguard its systems and information.14 Without a formal and effective information security program, MBN and RFE/RL face increased risks of compromise to the availability, confidentiality, and integrity of their information and IT systems.

To begin addressing these vulnerabilities, OIG recommended that BBG revise its grant agreements with MBN and RFE/RL to require formal policies with standards to govern IT operations and information systems security. BBG should also include internal controls standards for its information security program in the grant agreement with RFE/RL.

GRANTEE FINANCIAL AND PROPERTY MANAGEMENT

Finally, OIG found deficiencies related to financial and property management in its inspection of MBN. OIG noted that BBG did not fully review MBN’s approximately $6.2 million in ULOs between FYs 2009 and 2012 because no one was responsible for monitoring grantees at that time.15 Monitoring programs are essential to ensure that the grantee meets its programmatic or fiscal responsibilities. Moreover, ULOs increase the risk of over-budgeting Federal funds and non-compliance with the grant agreement. Reviewing and deobligating MBN’s ULOs would allow BBG to recover these funds and put them to better use.

Regarding property management, OIG found that inventory standard operating procedures did not include a control system and safeguards to prevent loss,

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11 ISP-IB-17-09, February 2017.
13 ISP-IB-17-09, February 2017.
15 ISP-IB-17-09, February 2017.
damage, or theft of equipment. More robust standard operating procedures and a property control system would decrease these risks. MBN also did not have robust disposal processes and internal controls for excess property. Specifically, MBN disposal records, completed as part of the established disposition, did not document property cost and the market value method for disposal (including sale, donations to charity, or destruction), and they did not contain receipts from the party receiving the disposed items. Without effective procedures and internal controls over property disposal, MBN increases the risk of mismanagement and lack of accountability.

16 Ibid.
Agency Response to the Management and Performance Challenges

Broadcasting Board of Governors
United States of America

October 18, 2017

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

Dear Mr. Linick:

The BBG has reviewed the Office of Inspector General’s Fiscal Year 2017 Statement on the Agency’s Major Management and Performance Challenges. We greatly appreciate the OIG’s work as reflected in this summary, and its recommendations during FY 2017 to support BBG operational improvements. The Inspector General’s work this year and in the past has contributed to the Agency’s internal oversight, and prompted greater operational efficiencies at the BBG and its BBG-sponsored grantees.

The Agency has implemented a number of OIG recommendations related to information security and property and grant management that are cited in the Management and Performance Challenges letter. Other recommendations, some requiring further investment of resources to implement, will require sustained buildout beyond this fiscal year. However, the BBG is committed to both requesting these investment resources, and refining its administrative programs and processes as resources permit.

Information Security and Management

The BBG continues to take steps to improve its information technology and security program. OIG’s risk management assessment accurately reflects BBG’s current Cybersecurity Risk Management posture for those very few applications remaining in-house. To implement its risk management mitigation plan, the Agency has aggressively migrated applications and content distribution to the cloud, transferring risk to cloud service providers. In addition, BBG has consolidated applications and co-located data centers within the Agency, reducing system administration risk.

The Agency’s will work to implement a program that fulfills the NIST standards. To advance its cybersecurity program, the Agency has adopted the NIST Cybersecurity Framework and integrated the core principles in its draft IT-Enterprise Risk Management Strategy and is acquiring the appropriate software to support this effort.
Financial and Property Management
Improvements to the Agency’s financial and property management continued in Fiscal Year 2017, with strengthened processes for financial management, financial audits, budgetary transactions, procurement transactions, and internal control systems.

The BBG has updated its Standard Operating Procedures for Property, Plant and Equipment, and an additional property specialist has been engaged to assist in the review of expenditures and recording of assets in a timely manner. The Property Management Team is implementing an initiative to replace its current property management system with a modern, automated system. New software has been acquired to support the system, called Real Asset Management (RAM), which will be introduced to all Agency Accountable Officers and their Property Control Officers. Training will be provided to facilitate the updating of relevant Agency records and inventories.

Grants Management
BBG continues to refine its policies and procedures related to grantee monitoring and grant close-outs. The Agency has informed OIG that it expects to adopt and publish a Grants Management Standard Operating Procedure (SOP) for government guidelines, in lieu of its legacy Grantee Handbook, which we expect to be completed by December 2017. This SOP will support more uniform and timely monitoring of grants by the Agency.

In the interim, the Agency continues to work with its BBG-sponsored grantees to ensure compliance with its grant agreements. Specific to OIG’s recent findings on RFE/RL contract management practices, RFE/RL worked with the BBG to close OIG’s recommendation related to contract notifications. In a similar vein, in response to OIG findings on MBN’s information security policies, MBN adopted formal, written policies that placed it in compliance with OIG’s recommendation.

Finally, I would like to thank you and your team for your professionalism and willingness to work with the Agency to address its unique challenges. I look forward to working with you 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**

<table>
<thead>
<tr>
<th>Audit Opinion</th>
<th>Unmodified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restatement</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Weaknesses</th>
<th>Beginning Balance</th>
<th>New</th>
<th>Resolved</th>
<th>Consolidated</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validity and Accuracy of Obligations</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total Material Weaknesses</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>
TABLE 2
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

<table>
<thead>
<tr>
<th>Statement of Assurance</th>
<th>Statement of Limited Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Weaknesses</th>
<th>Beginning Balance</th>
<th>New</th>
<th>Resolved</th>
<th>Consolidated</th>
<th>Reassessed</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Material Weaknesses N/A

Effectiveness of Internal Control over Operations (FMFIA § 2)

<table>
<thead>
<tr>
<th>Statement of Assurance</th>
<th>Statement of No Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Weaknesses</th>
<th>Beginning Balance</th>
<th>New</th>
<th>Resolved</th>
<th>Consolidated</th>
<th>Reassessed</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Material Weaknesses N/A

Conformance with financial management system requirements (FMFIA § 4)

<table>
<thead>
<tr>
<th>Statement of Assurance</th>
<th>Statement of Limited Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Conformances</th>
<th>Beginning Balance</th>
<th>New</th>
<th>Resolved</th>
<th>Consolidated</th>
<th>Reassessed</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Non-Conformances N/A
Reporting on Payment Integrity

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”.

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 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.

---

1 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.²

In June 2016, Congress enacted the *Fraud Reduction and Data Analytics Act of 2015*, requiring agencies to identify and assess fraud risks and design and implement control activities to prevent, detect, and respond to fraud, including improper payments.

**BBG’s Process**

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 improper 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.

² Public Law 114-109
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 2018.

**Improper Payment Reporting**

The results of our FY 2015 quantitative risk assessment determined the domestic payroll program to be susceptible to significant improper payments due to inconsistent maintenance and certification of timesheets, which prevented BBG from determining whether the hours paid were performed. In FY 2017, BBG tested 145 samples, from pay period beginning August 21, 2016 through pay period ending August 19, 2017. Testing of domestic payroll identified twelve improper payments with an absolute total dollar value of $1.154 or an estimated improper payment rate of 0.19%. When projected to the population, the improper payment amount is $411,601.

Table 1 below shows BBG’s estimate of improper payments for domestic payroll based on FY 2017 testing and shows the FY 2017 Improper Payment Reduction Outlook for Domestic Payroll (in millions). In FY 2016, BBG set a performance target to reduce the improper payment rate for the domestic payroll program by twenty-five percent (from 0.28% to 0.21%) in FY 2017 and an additional fifty percent in FY 2018 (to 0.07%), and 0% thereafter. BBG met the FY 2017 target and expects to meet the FY 2018 projection due to the implementation of the WebTA interface on June 24, 2017.

1Future year outlays are estimated based on average outlay per pay period of $8 million, projected to increase at 1% per year, less expected retirements.
**Sampling and Estimation**

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 has implemented an interface file to extract the payroll data directly from WebTA and interface into the DFAS payroll processing system in FY 2017. Therefore, a program rate for all domestic payroll payments will be reported in FY 2018. Using this alternate approach significantly reduced the number of payments BBG had to test to develop a statistically valid estimate. This afforded BBG the ability to focus resources on the full implementation of WebTA and interface file. BBG had resources to verify that this corrective action resolved the documentation issues identified in our quantitative risk assessment. BBG is committed to ensuring our domestic payroll procedures are compliant with applicable rules and regulations. We are committed to focusing our resources 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 and an achieved precision of plus or minus 0.59 percentage points. BBG selected a random sample by employee by pay period without replacement.
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 and FY 2017. Employee erroneous entries into WebTA were also identified.

<table>
<thead>
<tr>
<th>Reason for Improper Payment</th>
<th>Overpayments</th>
<th>Underpayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Design or Structural Issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inability to Authenticate Eligibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Failure to Verify</td>
<td>Death Data</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Data</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Excluded Party Data</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prisoner Data</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Eligibility Data</td>
<td></td>
</tr>
<tr>
<td>Administrative or Process Error Made by</td>
<td>Federal Agency</td>
<td>$0.01</td>
</tr>
<tr>
<td></td>
<td>State or Local Agency</td>
<td>$0.40</td>
</tr>
<tr>
<td></td>
<td>Other Party (e.g. participating lender, health care provider, or any other organization administering Federal dollars)</td>
<td></td>
</tr>
<tr>
<td>Medical Necessity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient Documentation to Determine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Reason (a) (explain)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Reason (b) (explain)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Improper Payment Corrective Actions

The improper payment estimate reported for FY 2017 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. 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). For the majority of our testing period, BBG’s timekeepers manually entered the certified and approved timesheets, from WebTA into DCPS for DFAS to process and disburse payroll. To address timekeeper data entry errors, on June 24, 2017, BBG implemented an automated interface file which extracts certified payroll information from WebTA and interfaces it directly into the DCPS. BBG’s corrective action plan is presented in Table 3.

<table>
<thead>
<tr>
<th>Root Cause Category</th>
<th>Error Cause</th>
<th>Corrective Action</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative or Process Error Made by Federal Agency</td>
<td>Employee entry of time incorrectly</td>
<td>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.</td>
<td>Jan-17</td>
</tr>
<tr>
<td>Timekeeper entry of incorrect time into DCPS.</td>
<td>Review, analysis and feedback of WebTA time and attendance entries with discrepancies to DCPS provided to timekeepers to research and follow-up with employees and supervisors.</td>
<td>Ongoing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development of interface file from WebTA into DCPS to process payroll time and activity without manual timekeeper entry to eliminate data entry errors.</td>
<td>Jun-17</td>
<td></td>
</tr>
</tbody>
</table>

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 that it determined performing a payment recapture audit was not cost-effective, requested and was granted a waiver on June 2, 2015 which remains in effect unless circumstances change.
The BBG identifies and recaptures improper payments during the normal course of its disbursement management process. During FY 2017, the BBG identified two domestic payroll overpayments and twenty-six (26) erroneous trade payments totaling $344,559, and recovered all but $10,171. Recovered funds are returned to the original obligation. The amounts identified and recovered in FY2017 are shown in Table 4.

### Table 4: Overpayments Recaptured with and without Payment Recapture Audit Programs ($ in millions)

<table>
<thead>
<tr>
<th>Program or Activity</th>
<th>Overpayments Recaptured through Payment Recapture Audit</th>
<th>Overpayments Recaptured Outside of Payment Recapture Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount Identified in FY2017</td>
<td>Amount Recovered in FY2017</td>
</tr>
<tr>
<td>Voice of America (VOA)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>International Broadcasting Bureau (IBB)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Middle East Broadcasting Networks (MBN/MN)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Office of Cuba Broadcasting (OCB)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Radio Free Europe Radio Liberty (RFE)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Radio Free Asia (RFA)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Overseas Payroll</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Domestic Payroll</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>$  -</td>
<td>$  -</td>
</tr>
</tbody>
</table>

Source: Self-reported Improper Payments FY17 - F & T

### Agency Reduction of Improper Payments with the Do Not Pay Initiative

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 5 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, 2016 through August 31, 2017. In FY 2017, fifteen payments totaling $499,537 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.
Barriers

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

Accountability

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 internal controls to prevent, detect, and recapture improper payments. 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. Performance appraisal standards for accounts payable examiners and certifiers specifically includes identification and mitigation of processing improper payments.

Agency Information Systems and Other Infrastructure

BBG has sufficient resources, information systems, and internal controls needed to reduce improper payments in domestic payroll to the targeted level.

Additional Comments

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 the U.S. Treasury. During FY 2017, 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, 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.

More detailed information on improper payments and all of the information previously reported that is not included in the FY 2017 PAR is available at https://paymentaccuracy.gov.

**Fraud Reduction Report**

BBG is committed to combating fraud 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. BBG performs routine background checks on all employees and contractors with system accesses.

BBG has designed and implemented internal controls over major processes to mitigate fraud risk. These processes include payroll, grants, large contracts, and purchase and travel cards. Some of the major efforts to heighten awareness and reduce the risk of fraud include training, oversight efforts, and automated system controls. Our financial management and timekeeping system controls are designed to prevent unauthorized access, maintain segregation of duties, and set appropriate authorization levels using automated workflows.

BBG fully implemented an automated employee self-entry payroll system in FY2017 which greatly increased the transparency of payroll activity across the agency. Training sessions for both employees and supervisors were conducted on both the system’s functionality, as well as the employees’ responsibility to accurately and completely record their time, as well as the supervisors’ responsibility to review and certify the employee timesheet. BBG addresses the risk of inaccurate or fraudulent time reporting by requiring supervisors to review and approve employees’ timecards. Additionally, some automated controls in place are that WebTA restricts an employee from being able to certify their timesheet and DCPS, the payroll processing system, restricts the employee from accessing their own payroll records. Since WebTA is an automated system there is also an audit log that records information.
BBG addresses fraud risk related to its grants by reviewing the results of the Single audits performed on the grant recipients, and following up on any reported deficiencies. BBG addresses the fraud risk related to its procurement of large contracts by requiring the authorization of purchases by someone other than the requester, competitively bidding or negotiating awards, and removing employees with conflicts of interest from the procurement process. BBG addresses fraud risk related to its payment of invoices for large contracts by maintaining segregation of duties in the receipt, authorization, and payment of invoices received for goods or services. Additionally, in the accounts payable process the financial processing system automatically verifies that the vendor paid is the contracted vendor, that funds are available on the obligation and that the billing period is within the period of performance. BBG also submits the payment batch files to the Treasury’s Do Not Pay database to identify ineligible recipients.

For travel and credit card purchases, a variety of reports are available to supervisors and managers to assist in performing oversight, increasing activity awareness and detecting fraud. BBG reviews the Merchant Category Codes and places appropriate restrictions to prevent and deter unauthorized purchases on both the purchase and travel card. Routine reviews of travel card activity is done to determine if charges are occurring outside of the travel period dates. Additionally, travel voucher reviews are performed to ensure travel expenses are allowable and in accordance with the Federal Travel Regulation.

Another way the agency detects improper payments, including fraudulent payments, is through improper payment reviews which are systematically conducted on all of BBG’s programs on a rotating basis. These reviews verify that payments were for authorized purchases and processed for correct amounts. BBG has an OIG hotline for individuals to report suspected irregularities and fraud for further evaluation and action.

Regardless of the detection method, improper payments are recovered whenever feasible and evaluated for root cause to adapt control activities, including improving fraud risk management. Any suspected fraud is addressed through disciplinary actions such as demotions, pay decreases, suspension or termination of employment; debarment of contractors; and/or referral to the OIG for further investigation.
Report on Grants Oversight & New Efficiency (GONE) Act Requirements

Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and Middle East Broadcasting Networks (MBN) are surrogate networks that receive legislatively mandated grantee funding from the BBG each fiscal year. The grantees are organized and managed as private, independent, non-profit corporations. Grant funds are issued periodically throughout the year on an advance basis and liquidated based on actual expenses incurred by the grantee. The chart below denotes the number of open grants related to the three designated grantees.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>2-3 Years</th>
<th>&gt;3-5 Years</th>
<th>&gt;5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Grants/Cooperative Agreements with Zero Dollar Balances</td>
<td>6</td>
<td>6</td>
<td>34</td>
</tr>
<tr>
<td>Number of Grants/Cooperative Agreements with Undisbursed Balances</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Total Amount of Undisbursed Balances</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

If the grantee has carryover funds, they request approval from BBG to retain the funds. BBG reviews the request and makes a determination on the request. Because the nature of the grant is continuous, both for funding and execution of the mission, BBG does not close out these grant agreements even though there are no undisbursed balances to the grantee remaining.