

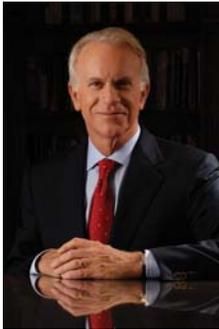
# **Broadcasting Board of Governors**

## **FY 2007 Performance and Accountability Report**

**November 15, 2007**

## BROADCASTING BOARD OF GOVERNORS

### Message From the Chairman



I am pleased to present the Broadcasting Board of Governors' (BBG) Performance and Accountability Report for Fiscal Year 2007. This is the BBG's fourth Performance and Accountability Report, and it includes the results of this year's audit of the Agency's financial statements. The report also measures our performance against the objectives we identified for FY 2007, highlights the accomplishments of the past year, and identifies the challenges that lie ahead.

The current mission of the BBG is to promote freedom and democracy and to enhance understanding by broadcasting accurate, objective and balanced news and information about the United States and the world to audiences abroad. The BBG broadcast services, including the Voice of America, Radio Free Europe/Radio Liberty, the Middle East Broadcasting Networks (Radio Sawa and Alhurra TV), Radio Free Asia, and Office of Cuba Broadcasting (Radio and TV Martí) pursue this single mission, reaching a worldwide audience of over 155 million in 60 languages via radio, television, and the Internet.

All BBG broadcast entities, including the grantees, adhere to the broadcasting standards and principles mandated by the International Broadcasting Act of 1994. All BBG broadcasts include accurate, reliable, objective, and comprehensive news; balanced presentations of United States institutions and policies; and information about developments throughout the world.

With the support of the Administration and Congress, the BBG has accomplished several key goals in FY 2007. VOA's Persian News Network expanded its broadcast to 6 hours daily of original television programming to Iran. Combined with acquired programming and repeats of original broadcast hours, VOA provides a 24-hour television stream to Iran. In addition, Radio Farda, a 24/7 Persian radio service, doubled its evening newscast to one hour and launched a revamped, news-oriented website.

VOA's *Deewa Radio*, a broadcast stream aimed at the more than 40 million Pashto-speaking people living in the Afghanistan-Pakistan border region, expanded its broadcast to six hours daily. VOA also launched a Somali Service to provide listeners with objective news and information not available from local sources via FM, medium wave and shortwave. Also in 2007, a new 800 kW medium wave transmitter strengthened Urdu broadcasts into Pakistan.

The BBG continued to work to reach audiences who have limited access to news and information. Despite continued broadcasting obstacles in North Korea due to jamming and government restrictions, the BBG has enhanced its reach to this critical region. VOA

and RFA Korean service expanded their broadcast of original programming to 5 ½ hours daily, and daily broadcasts, including repeats, to 7 ½ hours daily.

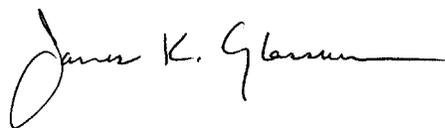
FY 2007 marked a number of achievements in BBG's efforts to reach out to Arabic-speaking audiences, a key BBG performance measure. Alhurra and Radio Sawa were the first to break major news stories, including the bombing of the Iraq parliament building and Saddam Hussein's execution. MBN continues to provide unique programming formats such as *Sawa Chat*, which provide an interactive discussion with its audience. Alhurra sponsored a town hall meeting in Washington with prominent Palestinian-Americans expressing their views of the Middle East Peace process. On Alhurra's *Free Hour*, an Israeli official and Saudi guest appeared at the same time – an unprecedented event.

In addition, the BBG met a number of unexpected challenges throughout the year. In June, responding to the Chavez Government's closing of RCTV, Venezuela's oldest and most popular broadcaster, VOA Spanish launched *VOA Noticias (VOA News)*, a daily 22-minute live television newscast. In late September VOA and RFA responded to the Burmese government's crackdown on demonstrations for democracy, by doubling their radio broadcasts to Burma.

Most recently, on November 7, VOA's Urdu Service expanded its radio news broadcasts to 12.5 hours daily from five hours in response to the crisis in Pakistan. VOA's Urdu Service is now broadcasting an all-news format and VOA's *Deewa Radio* broadcasts in Pashto to the border areas of Pakistan and Afghanistan, also switched to an all-news format to cover the crisis.

This report and the audit results demonstrate the BBG's ability to increase program impact through the prudent management of available resources and the use of modern communications tools and techniques. I am proud that the independent auditors have given our financial statements an unqualified ("clean") opinion for the fourth year in a row. The report reflects the progress the Agency has made to strengthen the implementation of performance management and to assure that our performance information is appropriate, complete, and reliable.

I am proud to report the achievements of the Broadcasting Board of Governors during FY 2007 in furthering our mission as well as wisely and effectively using the resources entrusted to us by the Administration, Congress, and the public.



James K. Glassman  
Chairman

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## **Introduction**

### **Purpose of the Performance and Accountability Report**

This FY 2007 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) fourth report providing consolidated performance and financial information. This integrated presentation of the Agency's program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

### **This report satisfies the reporting requirements of the following legislation:**

Accountability of Tax Dollars Act of 2002

Reports Consolidation Act of 2000

Federal Manager's Financial Integrity Act of 1982 (FMFIA)

Government Management Reform Act of 1982 (GMRA)

Government Performance and Results Act of 1993 (GPRA)

Federal Financial Managers Improvement Act of 1996 (FFMIA)

### **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 highlights and accomplishments for FY 2007, the progress made in implementing the President's Management Agenda, and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2007 FMFIA internal control review, and a section on management assurances.

#### **Performance Section**

The performance section presents annual program performance information as required by the GPRA and describes the Agency's progress in meeting its operational strategic goals. A summary of the FY 2007 performance objectives is presented, as well as information about the outcome of specific performance indicator targets.

#### **Financial Section**

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

#### **Other Accompanying Information Section**

The other accompanying information section contains a summary explanation of the verification and validation of performance measures used in the report. It also contains the Inspector General's (IG) statement on management and performance challenges along with the BBG's response.

***Section 1:  
Management's Discussion  
and Analysis***

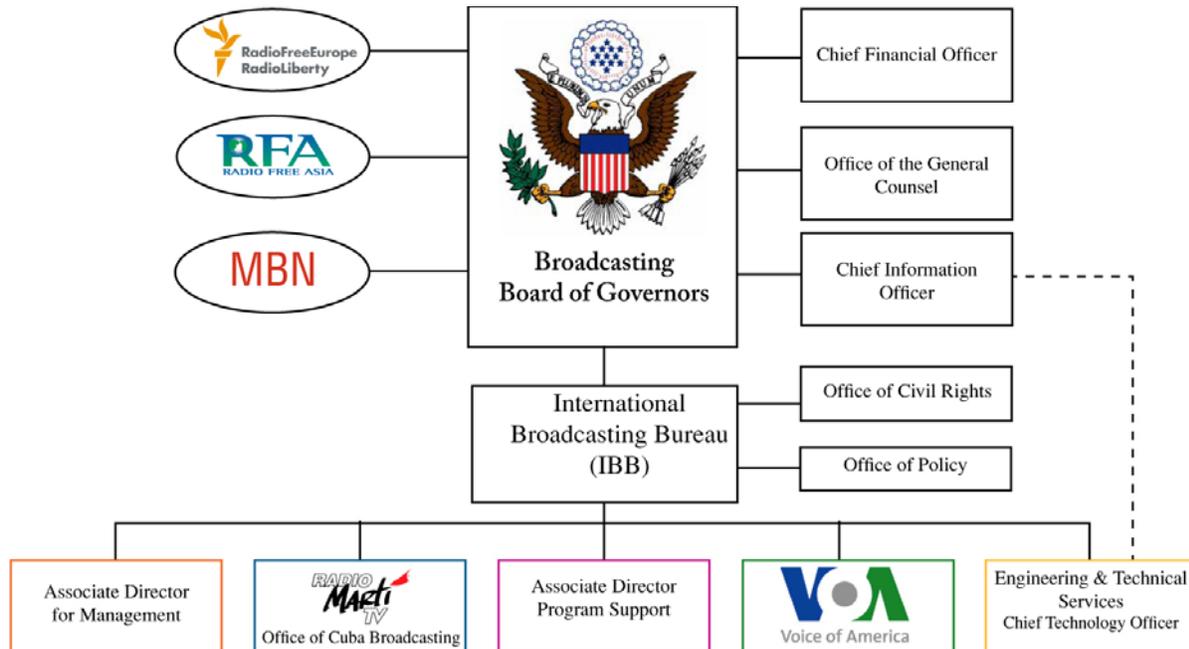
## Organizational Structure and Mission

### BBG Organization

The BBG became an independent Federal entity on October 1, 1999, and includes the non-military international broadcasting funded by the U.S. Government, in accordance with the 1998 Foreign Affairs Reform and Restructuring Act (P.L. 105-22). In accordance with its enabling legislation, a bi-partisan, presidentially appointed board, oversees the Agency. The Board sets the priorities and overall strategic direction of U.S. international broadcasting, allocates resources, manages relationships with the other executive branch agencies and Congress, reviews and evaluates the effectiveness of the broadcast language service, and safeguards journalistic integrity. This last function is of key importance to the Board, which sees as vital its role as a “firewall” between BBG journalists and those who would seek to influence news coverage.

The BBG broadcasting organizations include the Voice of America (VOA), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), the Middle East Broadcasting Networks (MBN- Radio Sawa and Alhurra TV) and the Office of Cuba Broadcasting (OCB-Radio and TV Martí), as well as support offices in the International Broadcasting Bureau (IBB). VOA, RFE/RL, RFA, OCB, and MBN, while under the supervision of the BBG, have varied legal and organizational frameworks. VOA and OCB are part of the U.S. government. RFE/RL, RFA, and MBN are grantee organizations that receive their funding from the government but are organized and managed as private non-profit corporations.

## Broadcasting Board of Governors



## **BBG Mission Statement**

To promote and sustain freedom and democracy by broadcasting accurate and objective news and information about the United States and the world to audiences overseas.

### **BBG Mission**

The Broadcasting Board of Governors (BBG) promotes freedom and fights extremism through its non-military international broadcasting programs. The BBG includes Voice of America (VOA), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), Radio and TV Marti, and the Middle East Broadcasting Networks (MBN), and reaches a worldwide audience of 155 million in 60 languages via radio, television, and Internet. All BBG broadcast services adhere to the broadcasting standards and principles of the International Broadcasting Act of 1994 and support the BBG mission: to promote and sustain freedom and democracy by broadcasting accurate and objective news and information about the United States and the world to audiences overseas.

Over the past year, the BBG has responded quickly and effectively to crises as they occur, illustrating that international broadcasting is the most effective U.S. tool for providing a worldwide audience with accurate news and information and relevant discussions to those who do not receive this from their own media.

In February 2007, VOA launched the Somali Service to provide listeners with objective news and information not available from local media sources, and enable Somali people to hear the voices of Somalis from all political persuasions and walks of life. Despite continued obstacles to reaching audiences in North Korea due to jamming or government restriction, the BBG has enhanced its reach to this critical region. By the end of FY 2007, VOA and RFA Korean service will have expanded their broadcast of original programming to 5 ½ hours daily, and daily broadcasts, including repeats, to 7½ hours daily. VOA's Persian News Network increased its broadcast to include 6 hours of original television programming to Iran. Combined with acquired programming and repeats of original broadcast hours, VOA-TV provides a 24-hour television stream. Radio Farda enhanced its coverage of Iran by doubling its evening newscast to one hour and launching a revamped, news-oriented website.

## **FY 2007 Performance Goals, Objectives and Results**

The BBG has one strategic goal for all entities - to create an increasingly effective and modern international broadcasting system that reaches significant audiences where most needed, in support of U.S. strategic interests - and progress towards meeting that goal is measured by the BBG performance indicators. Taken together, they provide a comprehensive accounting of the annual performance of the BBG. The resources applied to achieve these results by entity are also presented in the Statement of Net Cost (SNC).

Delivering accurate news and information to significant audiences in target countries is our core definition of success. This requires first that our programs reach large numbers of people on a regular basis, as measured by the weekly audience reach; and secondly, that our programs are attractive and endorsed as trustworthy to the audience, as measured by the program quality and program credibility. Both elements are equally important, and we report them at the entity level, together with other secondary measures that have a significant impact on the primary measures. The secondary measures include number of transmitters and affiliates, signal strength, satellite effectiveness and transmission network consumable expense.

All performance indicators for each language service are annual measures that are aggregated at the entity level to summarize the accomplishments of each entity. These common measures also serve as a foundation for internal review processes, including Language Service Review and Program Reviews, that ensure BBG priorities are being met and performance is meeting expectations of integrating resources with results. Further evaluations of the detailed level measures are also conducted through the Office of Management and Budget's annual Program Assessment Rating Tool process.



## FY 2007 Highlights and Accomplishments

Over the past year, the BBG has responded quickly and effectively to crises as they occur, illustrating that international broadcasting is the most effective U.S. tool to provide a worldwide audience with accurate news and information and relevant discussions to those who do not receive this from their own media. Key accomplishments in FY 2007 included:

### **Voice of America:**

- In FY 2007, VOA enhanced its worldwide television newsgathering capability. Since January, Central News television has doubled its output of TV stories. VOA has also increased its focus on the use of the Internet as a platform for distributing content with overall traffic to VOANews.com up 25% from May 2006 to May 2007. Overall, VOA's weekly multimedia broadcasts currently include more than 1,000 hours of programming on radio, television and the Internet.
- In February 2007, VOA launched the Somali Service to provide listeners with objective news and information not available from local media sources. Today, VOA's Somali program is available to millions of Somalis through some of the most widely listened-to FM stations in Somalia.
- VOA's Persian News Network began to broadcast 6 hours of original television programming to Iran. Combined with acquired programming and repeats of original broadcast hours, VOA-TV provides a 24-hour television stream.

- Geared to reach millions of listeners in Pakistan and northwest India between the ages of 15 and 39, VOA's *Radio Aap Ki Duniya* combines news, features, and music. A new 800 kW medium wave transmitter became operational in the UAE in March 2007, further strengthening Urdu broadcast service into Pakistan. GEO-TV, Pakistan's most widely watched satellite/cable television news channel continues to carry VOA's magazine show, *Beyond the Headlines*.
- VOA's *Radio Deewa* – a broadcast stream aimed at the more than 40 million Pashto-speaking people living in the Afghanistan-Pakistan border region, expanded its broadcast to six hours daily.
- In late September of 2007, VOA doubled its radio broadcast hours to Burma in response to the government's crackdown on demonstrations for democracy.
- In June 2007, responding to the Chavez Government's closing of RCTV, Venezuela's oldest and most popular broadcaster, VOA Spanish launched *VOA Noticias (VOA News)*, a daily 22-minute live television newscast.

#### **Radio Free Europe/Radio Liberty:**

- As of July 2007, RFE/RL broadcasts in 28 languages to Central, Eastern and Southeastern Europe; Russia; the Caucasus; Central Asia; Iraq; Iran; and Afghanistan. Each week, RFE/RL broadcasts more than 1,000 hours of radio programming and four hours of television from its operations center in Prague and bureaus. During the year ending June 30, 2007, RFE/RL's 19 Internet websites reached a monthly average of nearly 1.3 million unique visitors and logged more than 1.6 million requests to listen to radio content online—each of which reflects an increase of 26 percent over the previous year.
- Radio Farda, a joint 24/7 VOA-RFE/RL Persian radio service, continued to broadcast to Iran. The service covered major international stories with special relevance to the audience, including the standoff over Iran's nuclear program. To enhance its coverage, Radio Farda doubled its evening newscast to one hour and launched a revamped, news-oriented website.
- RFE/RL delivered breaking news, in-depth reporting, and nuanced analysis to the people of Afghanistan on the struggles their young democracy faces, including a resurgent Taliban.
- Radio Free Iraq provided objective, balanced coverage of Iraq's tumultuous transition to democracy with daily coverage of the activities of the Iraqi Cabinet and Parliament. The trial and execution of Saddam Hussein, the international conference on Iraqi reconstruction, and the Iraqi President's visit to Iran are among the events covered by Radio Free Iraq in the past year.
- In Russia, where the Kremlin controls nearly all electronic media, RFE/RL provided in-depth, balanced coverage on issues of global interest, including the murder of

Anna Politkovskaya, a vocal critic of President Vladimir Putin; the Russian government's violent crackdowns on opposition protests; the murder of former KGB agent Aleksandr Litvinenko in London and the subsequent investigation; and the protests and diplomatic furor that erupted in Moscow when the government of Estonia relocated a Soviet-era World War II memorial from downtown Tallinn.

### **Radio Free Asia:**

- RFA broadcasts in nine languages and four dialects to China (including Tibet and the Xinjiang Region of Western China), Burma, Cambodia, Laos, North Korea, and Vietnam, providing unbiased news to Asian countries that do not tolerate a free press, and filling the news gap created by state-controlled media. Through its network of reporters across Asia and its eight bureaus/offices, RFA frequently leads the world in breaking news and continues to cover stories not reported by other media. RFA broadcasts 252 hours of news and information weekly on shortwave and medium wave.
- Despite continued obstacles to reaching audiences in North Korea due to jamming or government restriction, RFA and VOA Korean services expanded their broadcast of original programming to 5 ½ hours daily, and daily broadcasts, including repeats, to 7 ½ hours daily.
- In late September of 2007, RFA also doubled its radio broadcast hours to Burma.

### **Middle East Broadcasting Networks (Alhurra, Alhurra Iraq, Alhurra Europe and Radio Sawa):**

- MBN works to broaden the range of perspectives and exchange of ideas on issues of significance to the lives and future of its audience and to provide objective, accurate information about America, American policies, and Americans. It currently operates three, 24/7 Arabic-language news and information television channels -- Alhurra, Alhurra-Iraq, and Alhurra Europe -- as well as Radio Sawa, which broadcasts 24/7 on seven programming streams in the Middle East. MBN broadcasts in more than 25 countries in the Middle East and around the world.
- In FY 2007, Alhurra and Radio Sawa were the first to break major news stories, including the bombing of the Iraq parliament building and Saddam Hussein's execution.
- MBN continued to provide unique programming formats such as *Sawa Chat*, which provide an interactive discussion and solicitation of opinions from its audience. Alhurra sponsored a town hall meeting in Washington with prominent Palestinian-Americans expressing their views of the Middle East Peace process.
- On Alhurra's *Free Hour*, an Israeli official and Saudi guest appeared at the same time -- an unprecedented event.

### **Engineering and Technical Services:**

The Office of Engineering and Technical Services provides engineering and technological support to BBG staff and facilities in Washington, D.C. and abroad. In addition to managing a complex, global network of over 70 transmitting sites delivering high frequency, medium wave (AM), FM, and TV broadcasts, Engineering leases broadcast time at nearly 20 transmitting facilities in over 10 countries. To meet the needs of its varied broadcast customers, Engineering is responsible for an extensive network of leased satellite and fiber optic circuits and other international telecommunication systems, which includes providing support to a worldwide array of hundreds of satellite receivers and earth stations and a rapidly growing Internet delivery system.

- Engineering continued to develop the BBG Continuity of Operations (COOP) disaster recovery plans and strategies to safeguard against catastrophic network loss. In April 20, 2007, the COOP facility was accepted for use, and additional technical tests were successfully conducted in July 2007
- A shortwave transmitter became operational in Tajikistan using reallocated resources from the Greece transmitting station. Installation of a medium wave transmitter commenced at the BBG's Kuwait Transmitting Station to enhance Radio Farda's broadcast capability also using equipment from Greece.
- In FY 2007, Radio Sawa began 24/7 broadcasting from three new FM transmitters in Iraq (one of which replaced a leased transmitter), two new leased transmitters in Lebanon, two new transmitters in Palestine, and one new temporary transmitter in Sudan.

### **Agency Direction:**

The BBG oversees all U.S. funded, non-military international broadcasting, including the operations of IBB, VOA, OCB, and the three grantees, RFE/RL, RFA, and MBN. The Office of the General Counsel, Office of the CFO, Director of the IBB, Office of Policy, and Office of Civil Rights supported Agency activities throughout FY 2007.

- The BBG submitted its FY 2006 PAR on time and underwent an independent audit of its financial statements, which received an unqualified ("clean") opinion.
- In FY 2007, an Agency travel center was established to assist Agency employees with using the E2 Solutions travel system and comply with federal travel regulations.
- The BBG conducted the 2007 Language Service Review, enabling the results of the review to inform the development of the FY 2009 budget request.
- The Agency's new payroll system was implemented in May 2007. The BBG converting to a new financial system in mid-FY 2008.

- The Office of Civil Rights sponsored-Mentoring Program increased from 13 partnerships in FY 2006 to 27 in FY 2007.

### **Management Directorate:**

Offices under the direction of the Associate Director of Management are responsible for administrative and support operations of the IBB and include the Office of Human Resources, Office of Contracts, and Office of Security.

In FY 2007, the functions and staff of the IBB's Office of Administration were realigned to create a more efficient organizational support structure in the IBB and align functions. As part of this action, the Office of Administration functions have been reassigned to the Office of Engineering and Technical Services, the Office of the Chief Financial Officer, the Office of Human Resources, and the Office of Director of IBB.

### **Program Support:**

Program Support includes the following offices: The Office of Marketing and Program Placement (OMPP), Office of Performance Review, and the Office of Public Affairs.

- OMPP continued to work toward increasing audiences in high-priority markets through placement of programs, and to increase awareness of those programs through advertising and promotional campaigns. In FY 2007, OMPP focused on the growing importance of Muslims in the global strategic balance. It also expanded placement opportunities in South and East Asia.
- During the first full year of operation (April 2006-2007) the VOA Studio Tour attracted more than 4,300 visitors. This represents a 145% increase in visitors from April 2005 to March 2006.
- In FY 2007, IBB research oversaw approximately 140 separate research projects, including surveys, focus groups, and monitoring panels around the world on behalf of VOA, OCB, and MBN.

### **Office of Cuba Broadcasting (Radio and TV Marti):**

The Office of Cuba Broadcasting (OCB) continued to provide coordinated management of Radio Martí and Television Martí. Radio and TV Martí continued to pursue their mission to provide a reliable source of news and information that is accurate and objective, and to promote freedom and democracy in Cuba. The all news and information format of Radio Martí, broadcast 24 hours a day, six days a week, and 18 hours a day, one day a week, has allowed Radio Martí to respond more quickly to breaking news, and to provide in-depth coverage of major events.

- In 2007, TV Marti produced two round-table discussion programs in coordination with the Ambassadors to the United States from Hungary, Poland, Slovakia, and the Czech Republic. The program features the Ambassadors discussing the promotion of a peaceful transition to democracy from their perspectives and experience in Eastern Europe.

## **President's Management Agenda**

In 2001, the President established the President's Management Agenda (PMA) for improving the management of the Federal government. This plan focuses on five areas targeted for improvement across the Federal government: human capital, competitive sourcing, e-government, financial management, and the integration of budget and performance. The BBG has made substantial progress on each PMA initiative. The following is a summary of our progress in FY 2007.

### **Strategic Management of Human Capital**

The BBG was able to change visa policies to enable the Agency to sponsor contractors for immigrant visas when the need for their services extended beyond 3 years. The Agency opened a buyout opportunity in January 2007, and more than 30 employees were approved for the buyout offer.

To enhance the leadership of the workforce, Human Resources provided leadership training, improved the Senior Executive Service performance management systems; developed a "pay for performance" compensation system for the Senior Foreign Service; resumed career VOA Foreign Service correspondent appointments; and strengthened VOA's management of the Foreign Service system.

Human Resources tailored broadcast training to support the use of television and the Internet, and allocated this training based on the Agency's priorities and Training Needs Assessment Survey. They also revamped the basic leadership course, and continued a Supervisor Orientation Program for newly hired/promoted supervisors and managers.

### **Competitive Sourcing**

The BBG's Fair Act Report was submitted on time. Contracting is used when appropriate. The Office of Human Resources used Personal Service Contracts (PSCs), early out retirements and buyouts, and other flexible mechanisms in an effort to reshape and increase the agility of the workforce to respond to shifting program and resource priorities and proposed reductions. The Agency requested and was granted an extension for its statutory authority for PSC's.

### **Expanded Electronic Government**

In FY 2007, the Agency continued to use E2 Solutions and work with employees to utilize the electronic travel system and comply with federal travel regulations. In addition, the Agency's new electronic payroll system was implemented in May 2007.

To augment recruitment, Human Resources continued to develop automated position descriptions, vacancy announcements, crediting plans, and USA Staffing questionnaire libraries. In addition, the HR website was revamped to include enhanced guidance for addressing performance and conduct problems.

Engineering has installed a new Agency intranet collaboration tool for the IBB internal web site that facilitates posting, updating, and sharing IBB information internally.

### **Improved Financial Performance**

The BBG maintained an unqualified opinion on all financial statements in FY 2006. BBG supports a successful audit and improves financial performance by utilizing automated tools for tracking and financial reporting; implementing standard procedures and processes; and offering financial management training to its financial, program and administrative staffs. The BBG is in compliance with Federal accounting principles and standards and met all Treasury and OMB financial reporting requirements in FY 2007.

The conversion to a new financial system is scheduled for mid-FY 2008. The BBG selected the Department of Interior's National Business Center to cross-service for financial management system services.

### **Budget and Performance Integration**

The FY 2006 BBG Performance and Accountability Report (PAR) was submitted on time. The Agency received a final "Effective" rating for the PART (Program Assessment Rating Tool) for FY 2006.

The BBG initiated the development of a new strategic plan for 2008-2013 and solicited input from every entity and office through the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. In 2007, the draft was shared with all BBG employees and the new BBG Strategic Plan is being finalized.

The BBG continued to make significant progress on integrating performance goals, including annual objectives and measures, with budget requests and financial management. The Agency has included performance information to demonstrate the relationship between the Agency's budget and strategic plan, implementation strategies, and performance targets. The BBG continues to build a portfolio of program level strategies and annual performance plans linked to the Agency's strategic goal, performance indicators and resources.

The Budget Office worked closely with the program offices to formulate and execute the budget and financial plans, monitor implementation of the financial plans by program, and conduct quarterly reviews of the status of funds to ensure that the funds meet each program's requirements and objectives. Efforts to further integrate performance and budget information continued with the FY 2009 Budget Request. The BBG conducted the 2007 Language Service Review and the results of the review informed the development of the FY 2009 budget request to OMB, including extensive information on performance goals and targets for the requested enhancements and linking them to the BBG strategic goals.

## **On-Going Challenges**

### **Broadcast Environment**

Beyond the challenge of attracting large audiences in competitive media environments, the BBG broadcasts to parts of the world where freedom of the press is often suppressed or denied. The BBG also broadcasts to countries and regions that lack democracy or are in the process of transitioning into democracy, which means working in politically unstable environments.

The foremost challenge for the BBG is to counter efforts of autocratic regimes that deny their citizens access to news and information. Often the BBG relies on agreements with host country governments for program delivery and access to local radio and TV affiliates. When the political climate or leadership of a country changes, our ability to continue broadcasting may also change. For example, in FY 2007 affiliates across Russia dropped VOA and RFE/RL programming due to increasingly authoritarian government pressure; Azerbaijani officials banned rebroadcasts of targeted programs; and the government of Uzbekistan placed restrictions on international broadcasters, human rights groups, and other foreign news Internet sites. The Chinese regularly jam Voice of America and Radio Free Asia programs. Because many other BBG broadcast countries seek to suppress a free press by blocking radio, television and Internet signals, the BBG is constantly working to overcome jamming.

As regional and localized crises develop, sometimes without warning, the BBG must respond quickly and decisively depending on available media resources and the nature of the situation. For example, in response to the continuing and growing crisis in Somalia, the VOA Somali Service was inaugurated on February 12, 2007. This service allows the BBG to provide accurate, timely and unbiased news and information via radio and Internet to the entire Horn of Africa. Later in 2007, VOA responded to the Chavez Government's closing of RCTV, Venezuela's oldest and most popular broadcaster, by launching a daily, live, television newscast aimed at audiences in the Andean region. And, on September 26, 2007, in response to the Burmese government's crackdown on demonstrations for democracy, VOA and RFA doubled their radio broadcast hours to Burma.

Challenges such as these demand that the BBG innovate to deliver programs to target audiences in the medium that they prefer. These media may include radio via shortwave (SW), medium wave (MW), or FM; television via terrestrial, cable, or direct-to-home satellite; and the Internet. As audiences gain access to a wider range of media choices, their preference tends to shift to FM and television. This poses a particular challenge to the BBG. Unlike shortwave, medium wave, and direct-to-home satellite television, FM and terrestrial TV delivery methods require the cooperation of the host country's government. If the BBG is unable to gain access to in-country FM, cable or terrestrial television frequencies, it is more difficult to reach significant populations.

An alternative way of reaching audiences is through the increased use of web-based technologies. Through the use of proxy servers, the Internet can bypass government

gatekeepers and deliver programs directly to audiences. However, the growing importance of the Internet as a delivery platform presents challenges to every language service at the BBG. Journalists must learn to use a new method of information dissemination and make their content Web-friendly, with suitable headlines, audio files, and pictures.

The current security situation in many countries poses an additional challenge to programming. The establishment of overseas facilities and correspondent presence in hazardous areas is a critical component of the Agency's mission, but securing these areas can be difficult. Following the terrorist attacks of September 11, 2001, general threat assessments by a variety of U.S. government agencies emphasized that RFE/RL's site in Prague is vulnerable to terrorist attack and therefore should be relocated. In FY 2007 the design package for the relocation project was completed on schedule, and construction of the building commenced. In addition, a 2007 security assessment recommended upgrades to security at MBN's Baghdad bureau.

In FY 2007, two Radio Free Iraq correspondents, Khamail Khalaf and Nazar Abdulwahid Al-Radhi, were slain in Iraq. A Prague-based Radio Farda correspondent, Parnaz Azima, was held for several months against her will in Iran. Russian journalist Anna Politkovskaya, an independent journalist who often reported on the war in Chechnya and was a frequent RFE/RL contributor, was murdered in October of 2006, just two days after participating in an RFE/RL program in Moscow. And, two RFA reporters had to flee Cambodia in 2007 after facing verbal attacks and death threats. The safety of BBG contractors and employees in areas of unstable security is a primary concern and challenge.

The geopolitical landscape constantly challenges the BBG to find inventive and dynamic means to achieve its mission. Whether reaching out to populations in crisis, providing a forum for public debate, or engaging the next generation of decision makers, the BBG is continually evaluating its approach and striving to meet the unique challenges that its mission aspires to and that today's global political climate demands.

### **Infrastructure**

The BBG requires powerful and reliable broadcast equipment in order to fulfill its mission. BBG customers - audiences around the world - often have a number of choices for where they get their news. A key component of attracting these audiences is delivering vital and objective news in a high-quality format. Since 9/11, the BBG has focused its resources on creating new programs to support U.S. national security requirements. To ensure these programs reach target audiences, the BBG must find ways to effectively deliver high quality programs in a format that is preferred in a given area.

The BBG must carefully manage its transmission infrastructure to maintain a strong presence in critical markets. It is necessary to provide modern and effective transmitting and antenna systems in order to improve signal strength and reliability of broadcasts to vital areas throughout the world. The BBG works to meet this challenge by determining where transmission resources can be best utilized to BBG broadcasts. As the BBG closes

transmitters, a determination is made for the best use of the equipment, including moving to another site for re-use, storing for future use, maintaining as surge capacity, or retiring. Through this analysis, the BBG works to meet the constant challenge of maintaining an effective and cost-effective transmission network.

The dynamic, rapidly evolving broadcast information technology (IT) market impacts much of the BBG's broadcast and transmission equipment. It drives a nearly constant demand for newer technology. New infrastructure must be established and maintained along with existing infrastructure, and this maintenance is complicated by the advent of digital technology. While digital technology provides the highest quality production capabilities and increased opportunities for improved efficiencies, digital equipment requires a more stringent replacement and upgrade cycle to meet industry standards. As the pace of obsolescence accelerates with new technologies, vendors discontinue support for older systems and repairs or upgrades become difficult or even impossible. Given these constraints, the BBG strives to judiciously allocate resources to address the most critical infrastructure requirements as well as annual, recurring technical infrastructure requirements and one-time projects.

Another challenge is ensuring reliable electrical supply that is required for the high-tech, automated equipment, and necessary to operate television studios, control rooms, edit suites, and other operations unique to broadcasting. As the BBG moves to an all-digital media platform, the systems and workstations to support digitalization increase power consumption that affects the Agency's emergency backup and cooling requirements. The BBG must find ways to modify and improve the existing power infrastructure in order to prevent broadcast downtime and avoid the potential loss of technical radio/television equipment due to power failure.

The BBG strives to use the most effective mix of media to reach the largest audiences in targeted areas. Ongoing realignment of the global network infrastructure helps to keep the most appropriate assets close to the audiences that these resources can best serve. The BBG must remain flexible, adapting and responding to changing situations on the ground that impact both daily operations and our plans for the future.

### **Management**

Management challenges have included transitioning our payroll and finance systems while ensuring that on-going operations and financial management are not adversely affected. The BBG has been working closely with the relevant Federal agencies, including the Department of State and OPM to ensure a smooth transition.

Furthermore, the Agency must have a workforce equipped with the skills necessary to accomplish its international broadcasting mission. The Agency must balance the recruitment and hiring of new employees with needed skills to counter the expected surge in retirements. We must retain those who have the experience and necessary skills, and retrain those whose skills have become outdated. New technologies and broadcast methods in the audience's preferred media will also pose further requirements to reshape, recruit, or retrain the BBG's workforce.

## Financial Highlights

The BBG financial statements, which are included in the Financial Section of this report, are the third set of statements prepared for the Agency. The BBG prepared and submitted quarterly statements on time for each quarter of FY 2007.

The independent accounting firm, Leonard G. Birnbaum and Company, LLP conducted our FY 2007 financial statement audit *[paragraph TBD pending final audit report]*.

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 generally accepted accounting principles (GAAP). In addition, the standards as prescribed by the Federal Accounting Standards Advisory Board (FASAB) have been applied.

<b>FINANCIAL HIGHLIGHTS</b>		
(Dollars in Thousands)	2007	2006
<b>At End of Year:</b>		
<b>Condensed Balance Sheet Data:</b>		
Fund Balance with U.S.	\$199,002	\$195,076
Accounts Receivable	3,088	2,122
Property, Plant, and Equipment	213,470	231,737
Other	1,591	1,279
<b>TOTAL ASSETS</b>	<b><u>\$417,151</u></b>	<b><u>\$430,214</u></b>
Accounts Payable	9,476	6,755
Retirement and Payroll	29,940	28,403
<b>TOTAL LIABILITIES</b>	<b><u>39,416</u></b>	<b><u>\$35,158</u></b>
Unexpended Appropriations	157,510	165,908
Cumulative Results of Operations	220,225	229,148
<b>TOTAL NET POSITION</b>	<b><u>377,735</u></b>	<b><u>\$395,056</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$417,151</u></b>	<b><u>\$401,214</u></b>
<b>For the Year:</b>		
Total Cost	688,370	673,999
Total Earned Revenue	(2,883)	(2,601)
<b>TOTAL NET COST OF OPERATIONS</b>	<b><u>\$685,487</u></b>	<b><u>\$671,398</u></b>

## **Management Controls, Systems, and Compliance with Laws and Regulations**

As part of the BBG's commitment to establish and maintain effective and efficient internal controls, the Agency management conducts ongoing reviews of internal accounting and administrative control systems. The results of these reviews, as well as consideration of audits, evaluations and reviews conducted by the U.S. General Accountability Office (GAO), the Office of Inspector General (OIG) and other outside entities, are used as a basis for the BBG's reporting on the condition of the Agency's internal controls.

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 (P.L. 97-255) is designed to provide reasonable assurance that agencies institute management accountability and internal controls that ensure:

- programs achieve their intended results;
- effective use of resources consistent with the Agency's mission;
- proper safeguarding of programs and resources against waste, fraud, and mismanagement;
- reliable and timely information to support decision making; and
- compliance with laws and regulations.

The program and office directors annually report to the Chairman on compliance with the requirements of the Act related to their programs. Based on these reports, the Chairman prepares an annual statement on compliance of the Agency's system of internal controls with the requirements of the Act.

Reports to the Chairman are based on annual management control reviews that are completed for each program or office of the Agency. The management control reviews are based on two components of compliance with the Act:

- Program and administrative compliance; and
- Financial management systems compliance.

According to Part III of Office of Management and Budget's OMB Circular A-123, "a deficiency should be reported if it is or should be of interest to the next level of management. Agency employees and managers generally report deficiencies to the next supervisory level, which allows the chain of command structure to determine the relative importance of each deficiency." Deficiencies in controls that are identified during the management control review process must be included in the management control review reports. The report should describe the deficiencies and an action plan for correcting them.

The BBG's standards incorporate the GAO's Standards for Internal Controls in the Federal Government. Good internal control systems are essential for ensuring the proper conduct of BBG business and the accomplishment of management objectives by serving

as checks and balances against undesired action. This standard reflects the fact that all internal control systems, no matter how well designed, have inherent limitations and should not be relied upon to provide absolute assurance, and that control systems may vary over time because of changes in conditions.

As a result of the FY 2007 review, the BBG identified the following high vulnerability areas and some matters for continued monitoring. BBG management has designated a high vulnerability issue as a high-risk area with identified deficiencies and less than effective internal controls. These areas warrant special attention of management, with the need to strengthen controls.

Management's Assessment of Effectiveness of the Internal Controls (FMFIA and FFMIA)



**BROADCASTING BOARD OF GOVERNORS  
UNITED STATES OF AMERICA**

**FY 2007 FMFIA REPORT**

I have reviewed the BBG's Assurance Statements for the FY 2007 FMFIA Report. Based upon my evaluation of the attached assurance statements, I concur with a reasonable certainty that the agency has adequate safeguards against fraud, waste, abuse, and mismanagement in place. The agency's FY 2007 FMFIA Report contains the results of our yearly internal control assessment and corrective actions to be taken.

In addition I have reviewed the Assurance Statement for the agency's financial management systems. I concur with a reasonable certainty that the agency's financial management system generally conforms to the Federal financial management system requirements, including General Accepted Accounting Principles, Government Accounting Standards, and BBG accounting policies and procedures. The agency's FY 2007 FMFIA Report includes the results of the corrective actions taken to address the FY 2006 audit's reportable condition to extent that they are within the scope of the agency's control.

A handwritten signature in black ink, reading "James K. Glassman". The signature is written in a cursive style and is positioned above a horizontal line.

James K. Glassman  
Chairman  
Broadcasting Board of Governors

**Summary of FMFIA Issues and Non-Conformances and Corrective Actions**

<b>HIGH VULNERABILITY ISSUE</b>	<b>CORRECTIVE ACTION</b>
<p><b><i>The Manual of Operations and Administration (MOA) needs to be updated.</i></b></p> <ul style="list-style-type: none"> <li>➤ The MOA provides operating procedures necessary for the Agency to implement Agency policy and provides guidelines for establishing management controls.</li> <li>➤ The MOA has not been consistently reviewed to determine if the regulations or requirements have changed or organizational changes have occurred that may require additions or deletions to the manual.</li> </ul>	<ol style="list-style-type: none"> <li>1. 9 of the 11 CFO sections have been finalized and are posted on the Agency intranet website. The drafts of the remaining two sections are being finalized.</li> <li>2. The Agency has drafted several additional sections of the MOA to be cleared by the affected entities.</li> </ol>
<p><b><i>Personal Property Accountability</i></b></p> <ul style="list-style-type: none"> <li>➤ The BBG needs a single property database.</li> <li>➤ Several systems exist within the Agency for tracking property, making property inventory control difficult.</li> </ul>	<ol style="list-style-type: none"> <li>1. The conversion of personal property to “PIPS” was completed on July 1, 2007. The information in the system is being monitored on a regular basis to ensure that it is kept up-to-date.</li> <li>2. In FY 2007, all personnel responsible for the property management and inventory have been merged into one office to ensure coordination and consistency of Agency policy and procedures.</li> </ol>

NON-CONFORMANCE MATTERS FOR CONTINUED MONITORING	CORRECTIVE ACTION
<p><b><i>Travel Voucher Program</i></b></p> <ul style="list-style-type: none"> <li>➤ Travel vouchers are not filed on a timely basis.</li> <li>➤ Unused travel advances are not routinely reported and returned to BBG.</li> <li>➤ Travel authorizations and travel vouchers are processed independently.</li> </ul>	<ol style="list-style-type: none"> <li>1. The Agency consolidated the travel operations into one office in FY 2006 and in FY 2007, established a Travel Service Center to assist employees with travel authorizations and voucher processing.</li> <li>2. The E2 Travel Solutions system has been implemented and is used by the Agency. E2 includes an automated notification process to notify travelers of delinquent vouchers.</li> </ol>
<p><b><i>Federal Procurement Policies and Procedures</i></b></p> <ul style="list-style-type: none"> <li>➤ Improve estimating capability when preparing solicitations and methodology for evaluating price proposals.</li> <li>➤ Improve formal reviews of the small purchasing activities, including the purchase card program to confirm and validate that the Agency complied with Federal Acquisition Regulations policies and procedures.</li> </ul>	<ol style="list-style-type: none"> <li>1. Office of Contracts (M/CON) has developed expertise in estimating for solicitations and evaluating price proposals.</li> <li>2. M/CON conducts “Procurement Compliance Reviews” to identify non-conforming procurement actions. M/CON will use information from the FY 2007 reviews to provide guidance to Headquarters and field offices on documenting pre-award actions.</li> </ol>
<p><b><i>Federal Purchase Card Program</i></b></p> <ul style="list-style-type: none"> <li>➤ Citibank “Purchase Cardholders” located at both BBG Headquarters in Washington D.C. and various field locations were not consistently following Federal procurement policies and procedures regarding Federal Purchase Card Program.</li> </ul>	<ol style="list-style-type: none"> <li>1. Effective July 31, 2006 M/CON established guidance and on performing annual compliance reviews. M/CON also issued instructions to cardholders to establish and maintain complete and accurate documentation.</li> <li>2. BBG continues to work to maintain consistency among all of its participating Purchase Cardholders in their use of the Citibank Purchase Card and adherence to applicable Federal procurement regulations.</li> <li>3. An outside contractor is reviewing the BBG Purchase Card Program for compliance in FY 2007.</li> </ol>

## Summary of Financial System Reportable Conditions and Corrective Actions

REPORTABLE CONDITIONS	CORRECTIVE ACTION
<ul style="list-style-type: none"> <li>➤ Certain elements of the financial statements, principally property, plant, and equipment (PP&amp;E), are developed from sources other than the general ledger, increasing the potential for omission of significant transactions.</li> <li>➤ The financial management system does not issue interim financial reports.</li> </ul>	<ol style="list-style-type: none"> <li>1. In FY 2007, while PP&amp;E is still developed from sources other than the general ledger and our current financial system does not issue interim financial reports, we have used a reporting tool that enables us to produce interim reports based on the general ledger and we submitted our quarterly statements timely.</li> <li>2. The BBG has made significant progress in transitioning to the Department of Interior's Momentum system by mid-FY 2008. Our current target implementation date is April 2008 and we have completed most of the requirements and design phase of the project and have begun significant work on the configuration and conversion phases. In November, we plan to begin training and user acceptance testing. We anticipate that the new system will allow for the integration of property data into the general ledger and interim financial reporting.</li> </ol>
<ul style="list-style-type: none"> <li>➤ The BBG has not fully codified its financial management operating procedures, presenting opportunities for inconsistencies and errors in processing financial transactions.</li> </ul>	<ol style="list-style-type: none"> <li>1. Nine of the eleven Manual of Operations and Administration (MOA) sections for the Office of the Chief Financial Officer have been finalized and have been posted on both the IBB and CFO intranet sites. In addition, the CFO intranet site provides guidance and information related to the E2 travel system. The drafts of the two remaining MOA sections, Travel and Payments, are under review.</li> </ol>
<ul style="list-style-type: none"> <li>➤ The BBG did not maintain adequate internal control over accounts payable because the accounts payable reconciliation was not completed by September 30, 2006.</li> </ul>	<ol style="list-style-type: none"> <li>1. The BBG has requested that its financial services provider complete the file conversion for its overseas offices.</li> </ol>

## **Improper Payments Information Act Reporting**

In accordance with the Improper Payments Information Act of 2002 (Public Law 107-300) the BBG continued to monitor its payment operations to ensure erroneous payments did not occur. The BBG's FY 2007 budget was \$657 million, of which about 50 percent is attributed to salary payments. Improper payments in the aggregate of \$10 million dollars are statistically unlikely given the number and size of our average payments.

During the course of the year, we have monitored our payments to ensure erroneous payments have not occurred. The BBG did not incur any erroneous payments totaling \$10 million dollars during FY 2007.

The BBG will continue to monitor the payment process during FY 2008.

## **Limitations of Financial Statements**

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

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

# ***Section 2: Performance Information***

## Strategic Goal

The primary strategic goal of U.S. International Broadcasting is to create an increasingly effective and modern international broadcasting system that reaches significant audiences where most needed, in support of U.S. strategic interests. Its activities are designed to encourage the widest possible exchange of ideas and to foster an understanding of the U.S.'s values and culture, its institutions, and its policies.

### FY 2007 Implementation Strategies

The implementation strategies of the BBG guide U.S. international broadcasting in fulfilling the Agency's primary strategic goal of reaching significant audiences in support of U.S. strategic interests. These implementation strategies provide direction to the Agency and its broadcasting entities in making programming and budgetary decisions. Therefore, they form the foundation upon which all of our international broadcasting activities are supported. They are not goals that we measure, but guide the implementation of all of our measurable performance goals.

- ***Design a broadcasting architecture for the 21<sup>st</sup> century.***  
BBG will reconstitute US international broadcasting as a *single system* composed of regional networks. Within the system each station will preserve its unique characteristics and strengths, while integrated program streams consisting of VOA and also RFA, RFE/RL or MBN programs in common languages are broadcast to critical regions. The effect will be to leverage assets in the most efficient and effective way to enhance our impact in places of strategic importance. Through this single system both VOA's and the grantees' missions will be fulfilled in priority markets.
- ***Build out progressively, using regional networks and single-country priority initiatives.***  
The old structure of US international broadcasting must change in order to design and build regional networks that achieve significant coverage using appropriate delivery means for local audiences. The annual Language Service Review will be used as the primary tool to assess which audiences should be targeted, and what form of broadcasting will be needed to reach each priority area.
- ***Employ modern communications techniques and technologies across the board.***  
In addition to adopting the principles and practices of modern radio formatics, BBG will accelerate multi-media development, infusing more TV and Internet into the mix. We will control the distribution channels that audiences use, where possible, and in general adapt programming in accordance with audience research findings so that we will reach more people while still achieving our mission.
- ***Preserve our most precious commodity—credibility—and ensure overall programming excellence.***  
Congress established the Broadcasting Board of Governors as an independent

Agency. The reason is clear: If our audiences do not find our broadcasts to be credible, they will tune us out and our mission is sacrificed. Credibility over time is achieved by being seen as an accurate, objective, and comprehensive news Agency by our audiences. To remain credible, BBG must maintain the "firewall" between the broadcasting entities and those who would influence programs from the outside. At the same time, we must enforce top journalistic standards and exercise quality control through program reviews.

- ***Revitalize the telling of America's story to the world.***  
As the world's only superpower in an era of globalization, America inspires strong feelings around the globe. Among some populations those feelings are negative. Our mission as broadcasters and journalists is to ensure that the real facts about this country and its policies are understood clearly. In order to keep target audiences tuned in, we must select content that is appropriate, relevant, and interesting to them.
- ***Shore up our surge broadcasting capability.***  
In order to be better prepared for crisis broadcasting wherever it is needed, BBG created a Crisis Response Team with standing procedures to enable us to manage crises when they occur. In order to respond rapidly in such situations, the technical means to do so must be available. We must be able to quickly mobilize, transport, and deploy AM or FM broadcasting stations throughout the world.

## **FY 2007 Performance Objectives and Outcomes**

The BBG Agency-level performance objectives and measures are further supported and linked to language service and support services performance plans that have action steps and detailed performance goals and measures. The language service plans are evaluated annually through the Agency's Language Service Review process and all programs are evaluated by the Administration's PART process.

The following are the FY 2007 BBG performance objectives. The BBG did not achieve some of its FY 2007 Performance Objectives because the Agency operated under a year-long Continuing Resolution (CR), and funding for requested FY 2007 enhancements was not included within the CR level.

- A. Reach the Arabic speaking world.
  - Expand overall news programming and increase reporting of local news.
  - Reach Arabic speakers in Europe via Alhurra Europe.
  - Continue installation of transmitters as security conditions permit.
  
- B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia.
  - Continue tailored programming to reach the southern Afghanistan-Pakistan border region.
  - Migrate from shortwave to UKV (Eastern FM) frequencies for RFE/RL Russian. (Not funded in the FY 2007 CR.)
  - Increase program delivery in Russia through new or expanded leases with affiliates. (Not funded in the FY 2007 CR.)
  
- C. Focus broadcasting to audiences of strategic priority in East Asia.
  - Enhance transmission for RFA programming to North Korea by leasing MW capability. (Not funded in the FY 2007 CR.)
  
- D. Target African broadcasting to areas prone to terror incidents, genocide or failed states.
  - Continue VOA Zimbabwe programming when USAID funding ends. (FY 2007 funding continued through USAID.)
  - Increase program delivery in Africa through new or expanded leases with affiliates. (Not funded in the FY 2007 CR.)
  - Broadcast local news in support of democratic reforms in countries with restricted press and political freedom.
  
- E. Expand audience reach in strategic locations of Latin America.
  - Strengthen anti-jamming efforts through a dedicated airborne platform for transmission of Radio and TV Martí into Cuba and purchase of the aerostat.
  - Expand TV programming to Venezuela for placement on two top networks and broadcasting by cable systems. (Not funded in the FY 2007 CR.)

- Provide increased program delivery in Venezuela through new or expanded leases with affiliates. (Not funded in the FY 2007 CR.)
- F. Align essential support functions with broadcasting implementation strategies and performance goals.
- Support all increases in programming with appropriate program delivery and administrative means.
  - Increase awareness of BBG programs in high priority markets through advertising and promotion.
  - Expand the VOA digital video fileserver to provide networked, integrated video production capability to all language services with television programming.
  - Use research to identify appropriate target audiences; the preferred media, including TV; and the formats and content that would appeal to them.
  - Maintain the firewall and continuously monitor programming quality in line with modern broadcast journalism principles through annual performance reviews of all broadcast services.
  - Continue planning for the anticipated renovation of the Cohen building and potential relocation of the BBG.
  - Support the President’s Management Agenda, including e-Government initiatives such as BBG financial and payroll system.
  - Maintain and retain a skilled workforce with training and awards.

**Broadcasting Board of Governors  
Budget Information  
(\$ in thousands)**

<b>Account</b>	<b>FY 2007 Estimate<sup>1</sup></b>
<b>International Broadcasting Operations</b>	\$649,126
<b>Broadcasting Capital Improvements</b>	7,264
<b>Total</b>	656,390

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<sup>1</sup> Includes additional funding pursuant to the FY 2007 Emergency Supplemental P.L. 110-28 (\$10.0 million). Funding for the Office of Cuba Broadcasting (\$33,931,000) was appropriated in International Broadcasting Operations.

The following are highlighted accomplishments in each of the performance objectives during FY 2007

FY 2007 Performance Objectives	FY 2007 Outcomes
<p><b>A. Reach the Arabic speaking world.</b></p>  <p><i>On the set of the Alhurra talk show "Equality." Hosted by Saudi writer Nadine Al-Bdair, "Equality" is the only program in the Middle East dedicated to the rights of women.</i></p>  <p><i>Dina Fouad, host of Egyptian Stories, reports from a street in downtown Cairo.</i></p>	<ul style="list-style-type: none"> <li>✓ Alhurra Europe provided a reliable source of news and information to Europe's Arabic-speaking population. It combined the most popular news and information programs seen on Alhurra and Alhurra-Iraq.</li> <li>✓ In FY 2007, Radio Sawa began broadcasting from three new FM transmitters in Iraq, two new transmitters each in Lebanon and Palestine, and a transmitter in Sudan.</li> <li>✓ Alhurra and Radio Sawa were the first to break several major news stories, including the bombing of the Iraq parliament building and Saddam Hussein's execution.</li> <li>✓ Alhurra, Alhurra Iraq, Alhurra Europe, and Radio Sawa reached an estimated 35 million people each week.</li> <li>✓ In 2007, Alhurra and Radio Sawa provided live coverage of the U.S. midterm elections, and several races around the country including the election of the first Arab-American to the U.S. Congress.</li> <li>✓ Alhurra and Radio Sawa provided extensive coverage of human rights issues including coverage of the humanitarian crisis in Darfur, the rights of women in the Arab world, the human rights implication of proposed amendments to Egypt's constitution, and the struggle of minorities in the Arab world.</li> <li>✓ In 2007, Alhurra sponsored a Town Hall meeting in Washington that included prominent Palestinian-Americans who expressed their views of the Middle East peace process. Alhurra also provided an unprecedented event when an Israeli official and Saudi guest appeared on the talk show <i>Free Hour</i> at the same time.</li> <li>✓ In FY 2007, Radio Sawa added 10 weekly newscasts. Radio Sawa now broadcasts over 335 live, updated newscasts per week including daily 30-minute news magazines with in-depth reporting and news analysis.</li> <li>✓ In 2007, Radio Free Iraq provided objective coverage of Iraq's tumultuous transition to democracy with coverage of the Iraqi Cabinet and Parliament. The trial and execution of Saddam Hussein, the international conference on Iraqi reconstruction, and the Iraqi President's visit to Iran were among the events covered by Radio Free Iraq.</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p data-bbox="235 346 584 525"><b>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia</b></p>  <p data-bbox="235 892 548 976"><i>A VOA Afghanistan Service TV stringer conducts a man-on-the-street interview in Kabul</i></p>  <p data-bbox="235 1596 584 1711"><i>A VOA Persian News Network reporter interviews refugee seekers in the no-mans land between Jordan and Iraq.</i></p>	<ul style="list-style-type: none"> <li data-bbox="617 346 1477 577">✓ VOA expanded <i>Radio Deewa (Light)</i>, its broadcast for the more than 40 million Pashto-speaking people living in the Afghanistan-Pakistan border region, to six hours daily. In March 2007, <i>Radio Deewa</i> added two 60-minute news and current affairs programs and a second live 60-minute daily call-in show on entertainment and Pashto literature. The live call-in shows attract about 300 calls per day, mostly from border region of Pakistan and Afghanistan.</li> <li data-bbox="617 609 1477 745">✓ TV Ashna, VOA’s one-hour daily program in Dari and Pashto continues its popularity among Afghans. In May 2007, the program had an exclusive interview with President Hamid Karzai. TV Ashna is on Radio-Television Afghanistan (RTA).</li> <li data-bbox="617 777 1477 1018">✓ RFE/RL delivered news and analysis to the people of Afghanistan on the struggles their young democracy faces, including a resurgent Taliban. With its dual-language programming and tone of moderation, Radio Free Afghanistan played a critical role in promoting national unity and religious tolerance. Surveys show that Radio Free Afghanistan is the most trusted source of news in the country.</li> <li data-bbox="617 1050 1477 1218">✓ VOA’s Persian News Network (PNN) broadcasts television 24 hours a day. PNN’s <i>Late Edition</i>, a daily 60-minute television newscast targeted to a younger demographic is attracting nearly 9% of adult Iranians according to a recent survey. PNN continues to rank as one of the top international television broadcasters to Iran.</li> <li data-bbox="617 1249 1477 1522">✓ In FY 2007, Iranians turned to Radio Farda (“<i>Tomorrow</i>”), an RFE/RL-VOA broadcast, and its website for round-the-clock news, including coverage of the standoff over Iran’s nuclear program; the seizure and release of several British sailors; and the arrest of four Iranian-Americans visiting Iran, including a Radio Farda reporter. Radio Farda doubled its evening newscast to one hour. Radio Farda also launched an enhanced website with increased news and interactivity.</li> <li data-bbox="617 1554 1477 1722">✓ VOA’s 12-hours-a-day Urdu language radio broadcast, <i>Radio Aap ki Dunyaa (Your World)</i>, continued to attract listeners with news, information, features, and music. According to a national survey, a national audience of more than six million people listens to <i>Radio Aap ki Dunyaa</i> and views <i>Beyond the Headlines</i> weekly.</li> <li data-bbox="617 1753 1477 1890">✓ Research in August 2007 indicate that where cable is available, GEO TV has developed a commanding lead. VOA’s <i>Beyond the Headlines</i> television program, a 30-minute news magazine show, airs weekdays on GEO TV. To increase the reach of <i>Radio Aap ki Dunyaa</i> and</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p data-bbox="235 310 584 493"><b>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia (Cont.)</b></p>  <p data-bbox="235 861 568 945"><i>VOAMobile.com is a specially formatted version of the VOA Web site for hand-held devices</i></p>  <p data-bbox="235 1680 568 1837"><i>RFE/RL Belarusian Service Minsk correspondent Liubou Lunieva, flanked by riot police, covered a demonstration in March in Minsk, protesting the controversial presidential elections.</i></p>	<p data-bbox="662 277 1481 340"><i>Beyond the Headlines</i>, a web page offers live radio streaming and 24-hour access to the television program.</p> <ul style="list-style-type: none"> <li data-bbox="617 373 1481 541">✓ In March 2007, a new 800 kW medium wave transmitter became operational, carrying <i>Radio Aap ki Dunyaa</i> to the southern half of Pakistan. Reports from the region indicate a good signal, and the call-in shows report a dramatic increase of callers from southern Pakistan.</li> <li data-bbox="617 575 1481 777">✓ Broadcasting four hours of daily radio programming, VOA’s Kurdish Service remains highly popular among Kurds in Iraq despite their increased access to a variety of media choices. According to a 2006 survey conducted by InterMedia, VOA’s Kurdish Service scored a 31% audience share among the Kurds of Iraq. The research noted, “In fact, no radio station ranks higher in terms of reliability.”</li> <li data-bbox="617 810 1481 978">✓ RFE/RL’s five Central Asian services provided in-depth coverage of important social issues, including corruption and fundamentalism, as well as breaking news of important political stories, such as the death of Turkmen dictator Saparmurat Niyazov and the eruption of street protests in Kyrgyzstan in November 2006.</li> <li data-bbox="617 1012 1481 1075">✓ RFE/RL continued to provide moderate, balanced programming to Belarus, Moldova, and Ukraine.</li> <li data-bbox="617 1108 1481 1276">✓ Affiliates across Russia have dropped VOA and RFE/RL programming due to the Russian government’s increased restrictions on foreign radio and television broadcasts. Responding to this, VOA and RFE/RL have added news and information to their Russian language websites and distributing their programs online.</li> <li data-bbox="617 1310 1481 1444">✓ In 2007, the VOA Serbian Service launched a weekly satellite link with a television affiliate in Montenegro, a country that recently attained independence from Serbia. This program allows VOA to provide exclusive access to Washington policymakers and analysts.</li> <li data-bbox="617 1478 1481 1575">✓ RFE/RL provided national programs to Serbia, Bosnia, Montenegro, Kosovo, and Macedonia, and offers <i>regional</i> programs to several Balkan countries.</li> <li data-bbox="617 1608 1481 1843">✓ In FY 2007, RFE/RL continued to develop the Internet as a delivery platform. The average number of page views to RFE/RL’s 19 Internet websites in the year ending June 30, 2007 grew by more than 40 % over the previous year, to an average of 19 million per month. RFE/RL also distributes monthly by email more than 1.5 million copies of news and analysis reporting about the countries to which it broadcasts, an increase of more than 10 % over the previous year.</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p data-bbox="235 342 586 449"><b>C. Focus broadcasting to audiences of strategic priority in East Asia.</b></p> <p data-bbox="235 527 581 722"><i>Being closer to the audience allows the bureau in Seoul to provide increased content on border stories, defector reports and round-table discussions.</i></p>  <p data-bbox="235 1213 561 1346"><i>VOA Mandarin reporter Nike Ching (right front) in Taipei, Taiwan, competes with local reporters to interview Nationalist Party Chairman Ma Yingjeo.</i></p> <p data-bbox="235 1566 581 1793"><i>RFA's Uyghur service is the only Uyghur-language news source for ten million Uyghur Muslims in the northwestern Uyghur Autonomous Region of China.</i></p>	<ul style="list-style-type: none"> <li data-bbox="613 342 1481 533">✓ In September 2007, the RFA Korean service added 30 minutes of original programming to bring its total daily original programming to three hours. Much of this new programming is produced in the Seoul bureau. Being closer to the audience allows the bureau to provide increased content on border stories, defector reports and round-table discussions.</li> <li data-bbox="613 575 1481 737">✓ For 24.5 hours every week, VOA's Korean language broadcasts deliver hard-hitting, in-depth news and information on developments inside North Korea. Particular attention has been given to human rights conditions in North Korea and the security threats posed by North Korea's nuclear and missile activities.</li> <li data-bbox="613 779 1481 869">✓ In late September of 2007, RFA and VOA doubled their radio broadcast hours to Burma in response to the government's crackdown on demonstrations for democracy.</li> <li data-bbox="613 911 1481 1100">✓ During the past year, VOA's Mandarin Service focused on original news programming. Despite the Chinese government's tightening control of the media, 12 television stations and more than 70 radio stations in China now carry VOA's programming, and branded multimedia VOA Mandarin English teaching programs are widely sold throughout China.</li> <li data-bbox="613 1142 1481 1373">✓ RFA's Mandarin service has established itself as a leading, credible source of information on Chinese government censorship. In 2007 the service extensively reported the increasing civil rights movement, with special emphasis on the importance of the rule of law in democracy building. In June 2007, RFA aired an eight-part series on how the Internet is helping to raise rights consciousness in China and the government's clamp down on online freedom of expression.</li> <li data-bbox="613 1415 1481 1577">✓ RFA's Uyghur service is the only Uyghur-language news source for ten million Uyghur Muslims in the northwestern Uyghur Autonomous Region of China. Reporting in FY 2007 included coverage of the confiscation by the authorities of passports assigned to Uyghurs in Xinjiang and the government's labor recruiting.</li> <li data-bbox="613 1619 1481 1780">✓ Tibet remains one of the most restricted areas in China, and was listed in 2007 as one of the two least free territories in the world by Freedom House. RFA continues to break news from Tibet, the Tibetan service has begun to "put faces to voices" by filming selected broadcast interviews and call-in programs to post on its website.</li> <li data-bbox="613 1822 1481 1877">✓ In 2007, VOA used a webcam feed from the remote Himalayan region in Northern India to broadcast a live TV show into Tibet—a</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p data-bbox="235 306 586 447"><b>C. Focus broadcasting to audiences of strategic priority in East Asia.</b> (Cont.)</p>  <p data-bbox="235 1026 586 1213"><i>BBG Governors Blanquita Cullum and Ted Kaufman congratulate RFA Khmer Service reporter Sok Ratha. Mr. Sok was honored with a Burke Award for his courageous reporting from a remote province in Cambodia</i></p>	<p data-bbox="659 270 1481 436">first in VOA history. VOA Tibetan radio also broadcast the first live debate between two candidates for prime minister of the Tibetan government-in-exile, and the Tibetan Service launched <i>Tibetans Outside the Land of Snows</i>, a TV program segment focused on achievements by individual Tibetans living outside of Tibet.</p> <ul style="list-style-type: none"> <li data-bbox="613 472 1481 737">✓ Nearly eight million Indonesian adults (5.3%) now watch or listen to VOA Indonesia on a regular basis. It is by far the number one international broadcaster in Indonesia, the world's most populous Muslim nation. VOA is on the air on 24 TV affiliates and more than 220 radio stations. In 2007, VOA added three new programs to its line of programs – <i>Warung VOA</i>, a talk show, <i>VOA Pop Notes</i>, and <i>VOA Roundup</i> a world news program on Indonesian TV with one million viewers.</li> <li data-bbox="613 772 1481 972">✓ Efforts to increase traffic to RFA's nine native-language websites resulted in 1.5 million visits during June 2007. Annual growth in monthly visits to RFA websites was 43% by July 2007. Leading this growth was a 62% increase on the Vietnamese website, a 54% increase on Mandarin site, and Khmer, Lao and Uyghur sites all posting increases over 40%.</li> <li data-bbox="613 1008 1481 1173">✓ In 2007, RFA Khmer Service's popularity and audience continue to grow, making it the top international broadcaster in Phnom Penh for the second year in a row. RFA Cantonese, Cambodia, Burmese, Vietnamese and the Lao services continue to report and provide information important to the people in those regions.</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p><b>D. Target African broadcasting to areas prone to terror incidents, genocide or failed states.</b></p> <p><i>VOA Somali Service has interviewed top Somali transitional government officials, Union of Islamic Courts representatives, and U.S. and international policy-makers.</i></p>	<ul style="list-style-type: none"> <li>✓ In February 2007, the VOA Somali Service was launched, and doubled its broadcast to 2 hours in July. The service provides listeners with views of Somalis with in-depth discussion and features on such topics as reconciliation, democratic ideals, development, health, youth, women’s issues, Americana and Somali culture. The service has interviewed top Somali transitional government officials, Union of Islamic Courts representatives, and U.S. and international policy-makers.</li> <li>✓ In addition to shortwave and medium wave transmissions that reach the entire Horn region, VOA’s Somali program is available to millions of Somalis through rebroadcast by some of the most widely listened-to FM stations in Somalia. VOA Somali Service also has a website that provides audio of the daily program and text of targeted news stories.</li> <li>✓ USAID continues to fund the VOA programming to Zimbabwe and its anti-jamming efforts. The Zimbabwe government has continued restriction on the media. On August 18, 2007 the VOA Zimbabwe Service added one hour on Saturday and Sunday. VOA also recently launched e-mail newsletters in Shona, Ndebele, and English. Before jamming of <i>Studio 7’s</i> medium wave (AM) signal was begun in June 2006, audience surveys indicated the program’s listenership had topped one million. The program continues to be widely received on three shortwave frequencies.</li> <li>✓ VOA’s Central News, Hausa, and English to Africa provided on-the-ground coverage of the April 21, 2007 Nigerian presidential, gubernatorial, national and state assembly’s elections. VOA Hausa and English to Africa broadcasts included live hookups with their three reporting centers in Nigeria, Q&amp;A’s and debriefers with reporters and stringers on the scene, two town hall meetings and interviews with leading political and election officials.</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p><b>E. Expand audience reach in strategic locations in Latin America.</b></p>  <p><i>OCB's Diana Molineaux, host of Voces (Voices), interviews European ambassadors of ex-socialist countries on how they use their experience to help their countries transition to democracy (recorded at VOA's studios in Washington).</i></p>	<ul style="list-style-type: none"> <li>✓ In October 2006, AeroMarti, OCB's new airborne broadcast platform, began full operations, broadcasting five hours a day, six days per week.</li> <li>✓ Radio Martí expanded its network experts on Cuban and international affairs. Coverage of U.S. policy towards Cuba continued to be an important aspect of its news coverage.</li> <li>✓ In 2007, OMPP, working with OCB, placed programming from Radio and TV Marti with South Florida broadcasters that penetrate Cuba – in continuing efforts to combat Cuban jamming.</li> <li>✓ To provide on-going coverage of events in Cuba and Latin America, VOA Spanish continued its 60-minute daily radio program, <i>Ventana a Cuba (Window on Cuba)</i>. VOA's coverage has included interviews with U.S. government officials, Congressional representatives, analysts, and Cuban exiles in Miami and Latin America.</li> <li>✓ In June 2007, VOA Spanish launched <i>VOA Noticias (VOA News)</i>, a daily 22-minute live television newscast aimed at audiences in the Andean region. The new program is also aired on the daily VOA Spanish satellite TV program stream.</li> </ul>

FY 2007 Performance Objectives	FY 2007 Outcomes
<p><b>F. Align essential support functions with broadcasting implementation strategies and performance goals.</b></p>	<ul style="list-style-type: none"> <li>✓ The BBG initiated the development of a new strategic plan for 2008-2013. The draft was shared with all BBG employees.</li> <li>✓ The BBG’s 2006 Performance and Accountability Report (PAR) was submitted on time and the BBG received an unqualified opinion on the audit of all its financial statements.</li> <li>✓ The Agency received an “Effective” rating for the PART (Program Assessment Rating Tool) in FY 2006. The evaluated programs were Programming Support and Audience Development for International Broadcasting.</li> <li>✓ In FY 2007, the Agency travel center was established to assist Agency employees with using the E2 Solutions travel system and comply with federal travel regulations.</li> <li>✓ The Agency’s new payroll system was implemented in May 2007. The BBG selected the Department of Interior’s National Business Center to cross service for financial management system services.</li> <li>✓ The Office of Human Resources used all available tools to reshape and increase the agility of the workforce to respond to shifting program and resource priorities.</li> <li>✓ On April 20, 2007, the Continuity of Operations (COOP), a facility that provides technical contingency capability for international broadcasting in the event of a catastrophic failure at the main headquarters building was completed. The COOP functionally replicates the headquarters telecommunications hub that is essential for receiving news feeds and distributing radio, TV, and Internet programming worldwide.</li> <li>✓ The BBG marketing and outreach efforts of advertising campaigns focused on strategically important areas. OMPP campaigns included: coordinating the advertising campaign for the television program <i>Beyond the Headlines</i> in Pakistan; supporting VOA’s <i>Aap ki Dunyaa</i>’s advertising campaign; developing an advertising campaign for VOA Indonesian television which prompted responses via e-mail and SMS mobile messaging from the audience.</li> <li>✓ In FY 2007, OMPP worked with VOA services to place television programs with broadcasters in different regions. These included working with Radio-Television Afghanistan (RTA) to place VOA’s <i>TV Ashna</i> in a time period with more viewers, and with VOA’s Latin America Service to place VOA’s new television stream.</li> </ul>

## Summary of FY 2007 Performance Indicator Targets and Outcomes

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Target	FY 2007 Actual
<b>Regular Listening/Viewing Audiences:</b> Number of people (in millions) in target areas listening or viewing at least weekly by program element					
VOA (Radio)	87	87	85.2	78.3	77
VOA (TV)	20	25	41.8	43.8	48.8
VOA (Radio + TV)	99	107	117.7	114	118.6
MBN (Radio Sawa)	14.3	20.8	20.8	21	TBD
MBN (Alhurra)	8.5	21.3	21.3	21.5	TBD
OCB	NA	NA	NA	NA	NA
RFE/RL	33	31	34.7	30.4	28.6
RFA	NA	NA	NA	NA	NA
<b>Affiliations and Transmitters:</b> The count of high impact and high quality radio and TV stations regularly carrying US government programming, and of IBB-owned and -operated local transmitters, TV, FM, and AM.					
VOA (Radio) – Affiliates	188	215	226	237	237
VOA (Radio) – Transmitters	18	20	28	33	30
VOA (TV) – Affiliates	170	106	111	117	117
MBN (Radio Sawa) – Transmitters	21	21	28	44	36
MBN (Alhurra) - TV Transmitters	2	2	4	4	4
RFE/RL – Affiliates	58	63	61	70	55
RFE/RL – Transmitters	9	10	16	20	18
RFA – Affiliates	0	0	2	3	3
<b>Program Quality:</b> Assesses the U.S. interest, content, balance, accuracy and quality of presentation of program material. Score is percent of services whose programs overall are rated "good or better".					
VOA (Radio)	100	98	100	100	100
VOA (TV)	NA	NA	NA	NA	100
MBN (Radio Sawa)	100	100	NA	100	100
RFE/RL	100	100	100	100	100
RFA	100	100	100	100	100
OCB	100	100	100	100	100
<b>Program Credibility:</b> Consists of the percent of those listening at least once a week who consider the station's news and information "very trustworthy/reliable" or "somewhat trustworthy/reliable" in an annual survey. Revised in 2004 and in 2005.					
VOA (radio only)	83	90	90	100	89
MBN (Radio Sawa)	53	NA	70	71	79
MBN (Alhurra)	80	NA	74	75	73
RFE/RL	82	84	86	87	83
RFA	78	80	NA	90	95
OCB	NA	NA	NA	NA	NA
<b>Radio Signal Strength Index:</b> This overall network level indicator applies only to cross-border SW and MW radio signals, and measures whether programs can be heard by target audiences. Based on a 5-point scale					
BBG	3.00	2.84	2.79	2.70	2.78
<b>Satellite Effectiveness Index:</b> Assesses whether the BBG satellite delivery is keeping pace with global media developments					
BBG	7.9	9	10	10	10.0
<b>Transmission Network Consumable Expense:</b> The cost (in millions) of power and parts to operate the IBO transmitter					
BBG	\$32	\$32	\$27	\$28	\$30

## Analysis of Performance Results

**Regular Listening/ Viewing Audience (Overall Weekly Audiences):** This indicator measures the number of people in target areas listening to or viewing BBG programming on a weekly basis. The measure is obtained for each language service and for the countries served by the BBG. It is based upon the measurement of the “regular listening audience”, a statistical standard long used to report international radio audience reach. Regular listening/viewing audience 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.

- **VOA (Radio) - Target: 78.3 million Actual: 77.0 million**  
In 2007, the loss of radio audiences in Croatia, Ukraine and Russia was due to a curtailment of affiliates carrying VOA programming. While this impacted meeting the net worldwide target, VOA radio audiences increased in Ethiopia, Kenya, Cambodia and Haiti.
- **VOA (TV) - Target: 43.8 million Actual: 48.8 million**  
VOA TV audience surpassed its FY 2007 target and increased its viewing audience by 7 million viewers from FY 2006. Significant increases in audience viewing occurred in India and Pakistan, where audiences nearly doubled over the last 2 years.
- **VOA (Radio + TV) - Target: 114.0 million Actual: 118.6 million**  
The target was surpassed and the audience increased from 117.7 million in FY 2006 to 118.6 million in FY 2007. This is the unduplicated measure of weekly audience members who either listened to VOA radio or watched VOA television programming.
- **MBN (Radio Sawa) - Target: 21.0 million Estimate: 20.8 million**  
Middle East surveys are being completed for 2007 using new survey methods and validity checks. The estimates are based on prior data and will be updated when new survey data is available.
- **MBN (Alhurra) - Target: 21.5 million Estimate: 21.3 million**  
Middle East surveys are being completed for 2007 using new survey methods and validity checks. The estimates are based on prior data and will be updated when new survey data is available.
- **OCB (Radio and TV Martí) - Target: NA Actual: NA**  
The closed nature of Cuban society makes it difficult to conduct the survey research required to make reliable estimates of radio and television audiences.
- **RFE/RL - Target: 30.4 million Actual: 28.6 million**  
The decline in the weekly audience for RFE/RL can be attributed largely to the loss of 90 radio affiliates in Russia.

- **RFA - Target: NA Actual: NA**  
Because of the limitations of reliable survey data in many of the countries that Radio Free Asia broadcasts, it is not possible to estimate a listening audience for the entire entity.

**Affiliations and Transmitters:** As shortwave usage wanes in parts of the world, the importance of affiliations with local AM and FM stations grows. Types and degrees of affiliations are many, ranging from live simulcasts at scheduled times to occasional use of taped segments of programs. This indicator counts only those stations with contracts that regularly rebroadcast identified programs of U.S. international broadcasting entities on competitive media, in or near prime time in an uncensored manner, either nationally or in strategically important parts of the country.

- **VOA (Radio) Affiliates - Target: 237 Actual: 237**  
The net number of affiliates increased by 11 from 2006 to meet the 2007 target. These included additional affiliates from VOA Africa services in Ethiopia, Uganda and Somalia. In Ethiopia and Uganda, OMPP worked with local affiliates to place VOA's English-to-Africa programming. The VOA Somali Service launched on February 12, 2007, including a major affiliate, "HornAfrik" Radio, in Mogadishu.
- **VOA (Radio) Transmitters - Target: 33 Actual: 30.**  
The number of transmitters increased from 28 in 2006 to 30 in 2007, with new transmitters in An Najaf, Iraq, and Sulaymaniyah, Iraq. The target of 33 was not reached largely because security concerns delayed or prevented the construction of new facilities.
- **VOA (TV) Affiliates - Target: 117 Actual: 117**  
The number of affiliates met the target for 2007 and increased from 111 in 2006 to 117 in 2007, including new affiliates in Pakistan and India.
- **MBN (Radio Sawa) Transmitters - Target: 44 Actual: 36**  
The number of transmitters increased from 28 in 2006 to 36 in 2007, with new transmitters in Al Hilla, Iraq; An Najaf, Iraq; Al Qubayyat, Lebanon; Deir Al Achayer, Lebanon; Bekaa Valley, Lebanon; Hebron/Gaza, Palestine; Jenin, Palestine; and Khartoum, Sudan. The target of 44 was not reached largely because security concerns or the lack of final country-to-country agreements delayed or prevented the construction of new facilities.
- **MBN (Alhurra) TV Transmitters - Target: 4 Actual: 4**  
Alhurra's number of transmitters remained the same in 2007 as it was in 2006, as planned.
- **RFE/RL Affiliates - Target: 70 Actual: 55**

The number of affiliates did not meet the target, but it is only a loss of 6 from 2006. The net losses for affiliates were in Russia, where the government increased restrictions imposed on international programming, and Armenia. RFE/RL did add affiliates in Azerbaijan and Moldova.

- **RFE/RL Transmitters - Target: 20 Actual: 18**  
The number of transmitters increased from 16 in 2006 to 18 in 2007, with new transmitters in An Najaf, Iraq, and Sulaymaniyah, Iraq. (New transmitters at these sites serve both VOA and RFE/RL.) The target of 20 was not reached largely because security concerns delayed or prevented the construction of new facilities.
- **RFA Affiliates – Target: 3 Actual: 3**  
RFA met its target and increased the number of affiliates from 2006 by adding one new affiliate in Siem Reap, Cambodia.

**Program Quality:** This indicator presents the percentage of an entity’s language services whose programming is assessed as being of good-or-better quality. Ratings are based upon two broad criteria: (1) *content*, and (2) *presentation*. The *content* criterion includes evaluations of accuracy, reliability, authoritativeness, objectivity, comprehensiveness, and other variables reflecting distinct statutory, policy, and mission mandates for the different stations. The *presentation* criterion involves separate sub-criteria for each production unit unique to its media and the program. Content is given a 65% weight, and presentation a 35% weight. These are averaged and summarized on a scale from 1 – 4, where 1.0–1.3 = poor; 1.4–1.6 = poor to fair; 1.7–2.3 = fair; 2.4–2.6 = fair to good; 2.7–3.3 = good; 3.4–3.6 = good to excellent; 3.7–4.0 = excellent.

- **VOA (Radio) - Target: 100% Estimate: 100%**  
Program quality ratings are good or excellent for all VOA radio language services in 2007.
- **VOA (TV) - Target: NA Actual: 100%**  
For the first time, all VOA television language services completed a program review during 2007. All ratings were good or excellent; therefore, the actual indicator can be reported at 100%.
- **MBN (Radio Sawa) - Target: 100% Actual: 100%**  
Program quality ratings are good or excellent for all Radio Sawa language service in 2007.
- **RFE/RL - Target: 100% Actual: 100%**  
Program quality ratings continued to be good or excellent for all RFE/RL language services in 2007.
- **RFA - Target: 100% Actual: 100%**  
Program quality ratings continue to be good or excellent for all RFA language services in 2007.

- **OCB - Target: 100% Actual: 100%**

Program quality ratings were good or excellent for Radio and TV Martí in 2007.

**Program Credibility:** This indicator is determined by the survey question about “trustworthiness of news and information” of those sampled respondents who listened at least once a week to each station. The answers are registered on a five-point scale -- very trustworthy, somewhat trustworthy, neither trustworthy nor untrustworthy, somewhat untrustworthy, or very untrustworthy. 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 very or somewhat trustworthy.

- **VOA Radio Only - Target: 100 Actual: 89**

VOA program credibility score of 89 percent in FY 2007 is not statistically different from the 90 percent in FY 2006. Future targets are now set at a level more in line with historical patterns and in light of continuing anti-Americanism in many parts of the world.

- **MBN Radio Sawa - Target: 71 Actual: 79**

MBN Radio Sawa achieved FY 2007 program credibility score of 79 percent. Respondents who listened at least once a week to each station in 2007 endorsed the station as very or somewhat trustworthy. The score showed improvement from the 70 percent in FY 2006.

- **MBN Alhurra - Target: 75 Actual: 73**

In FY 2007, there was a slight decline of weekly viewers who endorsed MBN Alhurra as very or somewhat trustworthy from 2006, but still at a high level for the entire Arabic speaking region.

- **RFE/RL - Target: 87 Estimate: 83**

RFE/RL’s program credibility score declined slightly in FY 2007 to 83 percent from the 86 percent in FY 2006.

- **RFA - Target: 90 Estimate: 95**

The 95 percent program credibility score for RFA in FY 2007 exceeded the target and shows a steady improvement from 78 percent in FY 2004 and 80 percent in FY2005. Limited data in FY 2006 for this survey question was not sufficient to measure credibility for this entity in FY 2006.

- **OCB - Target: NA Actual: NA**

As previously indicated, the closed nature of Cuban society makes it extraordinarily difficult to conduct surveys or research, and, therefore, program credibility cannot be measured.

**Radio Signal Strength Index:** This statistic refers exclusively to radio signal monitoring by IBB staff of cross-border shortwave and medium wave signals in or near target areas.

Signal strength is an important register of whether the programs are capable of being heard by the target audiences. The IBB routinely compiles a program reception statistic for each language service. Typically, this work is done for each of the two broadcast seasons: April to September and October to March. The summary statistic aggregates the most recent readings for each service and averages them. While signal delivery lends itself well to GPRA measurement, since monitoring data are regularly collected, U.S. international broadcasting continues to examine this approach with an eye to improving its accuracy, sensitivity, and usefulness as an analytical tool. Survey research data provide an independent source of data, yet to be integrated into the statistic. The scale is 1 – 1.5, nil; 1.5 – 2.5 poor; 2.5 – 3.5 fair or average; 3.5 – 4.5 good; and 4.5 – 5 excellent.

- **BBG - Target: 2.70 Actual: 2.78**

This FY 2007 Index measured higher than the target. The Radio Signal Strength Index only measures shortwave and medium wave transmissions.

**Satellite Effectiveness Index:** This index provides a quantitative measure of the ability of the satellite network to access the population of TV households. It accounts for TV population, total satellite network capacity, signal strength, and prime-time flexibility. This index considers five criteria: 1) Coverage of the satellite in channel-hours; 2) Coverage to small (3 meters or less) antennas; 3) Time-zone flexibility to ensure prime-time coverage; 4) TV households reached; and 5) Ability to feed other satellites as part of the network. The index was developed by the Office of Engineering in cooperation with the Broadcasting Satellite Users' Board to improve on an earlier index. The Index represents a refined, more useful planning tool than the original formula. The upper limit of the index is unknown since the potential number of TV channels and TV audiences around the world may change in the future.

- **BBG - Target: 10.0 Actual: 10.0**

The Satellite Effectiveness Index reached the target of 10.0 in 2007 and maintained the FY 2006 levels. The BBG's continued commitment to convert the satellite distribution network to more efficient and effective digital capability has contributed to the steady rise in this index since 2003.

**Transmission Network Consumable Expense:** This indicator is equal to the total annual cost of power and parts to operate the transmitters in the BBG network around the world. Jamming by host governments drives the number up, as does a proliferation of media in the target market areas that requires more diverse delivery systems to successfully compete there.

- **BBG - Target: \$28 million Actual: \$30 million**

The transmission network consumable expense increased from \$27 million in FY 2006 to \$30 million in FY 2007. This is attributed to the increased cost of operating major overseas transmitting facilities due to the weakening dollar and increased power costs.

## Program Evaluations

The BBG conducts annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review (LSR) conducted by the Board assesses two basic issues: (1) where should the BBG broadcast and (2) how well is the BBG broadcasting. The LSR fulfills a BBG congressional mandate to “review, evaluate, and determine, at least annually, after consultation with the Secretary of State, the addition and deletion of language services.” Program Reviews, conducted for the individual entities, serve as annual quality control mechanisms based on field research and external analysis of program content and presentation.

OIG and the GAO also conduct evaluations of the BBG. During FY 2007, OIG and GOA each issued one final report to the BBG. The Agency will continue to implement and respond to the recommendations of those evaluations. Also during FY 2007, the OIG issued four Discussion Drafts; one Resolution Analysis; six Compliance Reports; and five Closure Letters.

Report No. / Dated	Type of Report	Title	Status
<b>ISP-IB-07-XX</b> Dated June 2007	OIG Discussion Draft	<i>Inspection of Morocco Transmitting Station, Tangiers 06-06-07</i>	BBG Responded 06/20/07
<b>AUD/IB-06-15</b> Dated August 2006	OIG Resolution Analysis	<i>Review of the Broadcasting Board of Governors' Purchase Card Program</i>	BBG Responded 07/30/07
<b>ISP-IB-07-35</b> Dated June 2007	OIG Compliance Analysis	<i>Inspection of The Office of Cuba Broadcasting</i>	BBG Responded 10/01/07
<b>Incoming Letter</b> (Robert Peterson) Dated June 27, 2007 <b>ISP-IB-06-02</b>	OIG Compliance Review	<i>Inspection of The Broadcasting Board of Governors' Operations in and Broadcasting to Afghanistan</i>	BBG Responded 10/15/07
<b>Incoming Letter</b> (Robert Peterson) Dated May 23, 2007 <b>ISP-IB-07-03</b>	OIG Compliance Analysis	<i>Inspection of The International Broadcasting Bureau's Office of Engineering and Technical Services</i>	BBG Responded 07/16/07
<b>ISP-I-07-27A</b> Dated July 2007	OIG Final Report of Inspection	<i>Inspection of U.S. Interest Section Havana, Cuba</i>	BBG Responded 09/10/07
<b>ISP-IB-05-65</b> Dated Aug. 2005	OIG Compliance Review	<i>Review of the VOA's Digital Upgrade Program</i>	BBG Responded 01/16/07
<b>XX-XX-X-XXX</b> Dated May 2007	OIG Discussion Draft	<i>Inspection of The International Broadcasting Bureau's Philippines Transmitting Stations (Version Dated 05/03/07)</i>	BBG Responded 06/04/07
<b>XX-XX-X-XXX</b> Dated April 2007	OIG First Draft Report Discussion Draft	<i>Classified Annex (Secret) to the Inspection of the International Broadcasting Bureau's Philippines Transmitting Station Embassy Manila, Philippines</i>	BBG Responded 04/19/07
<b>Incoming Letter</b>	OIG Compliance	<i>Review of the Information Security Program at</i>	04/18/07

<b>Report No. / Dated</b>	<b>Type of Report</b>	<b>Title</b>	<b>Status</b>
(Richard Saunders) Dated April 18, 2007 <b>IT-I-05-10</b>		<i>the Broadcasting Board of Governors</i>	No further responses are needed from BBG
<b>ISP-IB-07-43</b> Dated August 2007	OIG Discussion Draft	<i>Inspection of Voice of America) Central News (Version Dated 08/27/07)</i>	VOA is handling directly
<b>IT-I-06-04</b> Dated Sept. 2006	OIG Compliance Re: FISMA	<i>Review of the Information Security Program at the Broadcasting Board of Governors</i>	Office of Engineering is handling directly
<b>Email Message</b> (Michael Tenkate) Dated July 18, 2007 <b>GAO-07-904</b>	Email Message w/ Final Report dated July 2007	<i>Final Report titled, "U.S. Public Diplomacy: Actions Needed to Improve Strategic Use and Coordination of Research."</i>	BBG is handling directly
<b>ISP-IB-05-69 and ISP-IB-05-70</b> Dated Aug. 2005	OIG Closure Letter	<i>Inspection of the International Broadcasting Bureau's (IBB) Greenville, North Carolina Transmitting Station and Security Issues at the International Broadcasting Bureau's Greenville, North Carolina Transmitting Station</i>	<input checked="" type="checkbox"/> OIG Closed Report 02/01/07
<b>ISP-IB-05-63</b> Dated Aug. 2005	OIG Closure Letter	<i>Inspection of the International Broadcasting Bureau's Botswana Transmitting Station</i>	<input checked="" type="checkbox"/> OIG Closed Report 02/01/07
<b>ISP-I-06-37</b> Dated May 2006	OIG Closure Letter	<i>Inspection of the International Broadcasting Bureau's Office of Performance Review</i>	<input checked="" type="checkbox"/> OIG Closed Report 02/01/07
<b>AUD/SI-06-24</b> Dated May 2006	OIG Closure Letter	<i>Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Broadcasting Board of Governors</i>	<input checked="" type="checkbox"/> OIG Closed Report 03/26/07
<b>Incoming Letter</b> (Robert Peterson) Dated Aug. 16, 2007 <b>ISP-IB-07-32</b>	OIG Compliance Review / Closure Notification	<i>Inspection of The Broadcasting Board of Governors' Operations in Russia</i>	<input checked="" type="checkbox"/> OIG Closed Report 08/27/07

# ***Section 3: Financial Information***

# Independent Auditors' Report



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

NOV 15 2007

UNCLASSIFIED

Mr. James K. Glassman  
Chairman  
Broadcasting Board of Governors  
330 Independence Avenue SW, Room 3360  
Washington, DC 20237

Dear Mr. Glassman:

In compliance with the Chief Financial Officers Act, as amended, an independent certified public accounting firm, Leonard G. Birnbaum and Company, LLP (LGB), audited the Broadcasting Board of Governors' (BBG) annual financial statements as of September 30, 2007 and 2006, and for the years then ended. LGB found:

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- two significant deficiencies involving internal control over the financial and accounting system and accounts payable; and
- an instance of non-compliance with selected provisions of applicable laws and regulations.

LGB is responsible for the enclosed auditor's report, dated November 14, 2007, and the conclusions expressed in the report. OIG does not express an opinion on BBG's financial statements or conclusions on internal control and compliance with laws and regulations.

BBG's comments are included as Appendix A to the enclosed report.

UNCLASSIFIED

Address correspondence to: U.S. Department of State, Office of Inspector General, Washington, D.C. 20520-6817

UNCLASSIFIED

OIG appreciates the cooperation extended to it and LGB by BBG's managers and staff during this audit.

Sincerely,



Mark W. Duda  
Assistant Inspector General for Audits

Enclosure: Independent Auditor's Report on the Broadcasting Board of Governors'  
2007 and 2006 Financial Statements (Report AUT/FM-08-07)

2

UNCLASSIFIED

**Independent Auditor's Report**  
**Broadcasting Board of Governors'**  
**Financial Statements**  
**September 30, 2007 and 2006**  
**AUD/EM-08-07, November 2007**

Leonard G. Birnbaum and Company, LLP  
Certified Public Accountants  
6285 Francenia Road  
Alexandria, Virginia 22310  
(703) 922-7622

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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6285 FRANCONIA ROAD  
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LEBLIE A. LEIPER  
LEONARD G. BIRNBAUM  
DAVID EAKOFF  
CAROL A. SCHNEIDER  
DORA M. CLARKE

WASHINGTON, D.C.  
SUMMIT, NEW JERSEY  
REDWOOD CITY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT

To the Chairman  
Broadcasting Board of Governors

We have audited the Broadcasting Board of Governors' (BBG) Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources (Annual Financial Statements) as of, and for the years ended, September 30, 2007 and 2006; we considered internal control over financial reporting in place as of September 30, 2007, and for the year then ended; and we tested compliance with selected laws and regulations.

In our opinion, BBG's 2007 and 2006 annual financial statements are presented fairly in all material respects.

We found:

- significant deficiencies in internal control, and
- an instance of noncompliance with selected provisions of applicable laws and regulations.

Each of these conclusions is discussed in more detail on the following pages. This report also discusses the scope of our work.

ANNUAL FINANCIAL STATEMENTS

In our opinion, BBG's annual financial statements, including the notes thereto, present fairly, in all material respects, BBG's financial position as of September 30, 2007 and 2006, and its net cost of operations, changes in net position, and use of budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

#### INTERNAL CONTROL

In planning and performing our audits of BBG's annual financial statements as of, and for the years ended, September 30, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered BBG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the annual 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 consideration of internal control to those controls necessary to achieve the objectives described in Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not express an opinion on internal control.

The purpose of internal control is to provide management with reasonable, but not absolute, assurance that the following objectives are met:

- transactions are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over assets;
- funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition;
- transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements and other laws and regulations that OMB, BBG management, or the Office of Inspector General has identified as being significant for which compliance can be objectively measured and evaluated; and
- data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information.

Our consideration of the internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

We noted two matters involving internal control that we consider to be significant deficiencies:

- BBG's internal control over its financial and accounting system as of September 30, 2007, was inadequate. There is a risk of materially misstating financial information under the current conditions. The principal areas of inadequacy were as follows:
  - Certain elements of the financial statements, principally property, plant, and equipment, are developed from sources other than the general ledger. The use of sources other than the general ledger to generate elements of the financial statements increases the potential for omission of significant transactions.
  - BBG has not fully codified its financial management operating procedures. The absence of codified operating procedures presents opportunities for inconsistencies and errors in processing financial transactions.

This condition was cited in our audit of BBG's Balance Sheet as of September 30, 2004, and in subsequent audits.

- During FY 2007, BBG did not maintain adequate internal control over accounts payable. Initial audit testing indicated that the amount presented as accounts payable was misstated by approximately 42 percent. Although BBG undertook an initiative to identify and resolve misstatements in accounts payable, the reconciliation had not been completed by September 30, 2007.

This condition was cited in our audit of BBG's annual financial statements as of September 30, 2006.

We are required to review BBG's current FIMFA report and disclose differences with the material weaknesses cited in our report. We did not identify any discrepancies.

Finally, with respect to internal control related to performance measures, we obtained an understanding, as required by OMB Bulletin 07-04, of the design of significant controls relating to the existence and completeness assertions and determined whether those controls had been placed in operation. Our procedures were not designed to provide

assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We noted certain other internal control issues that we have reported to BBG management in a separate letter dated November 14, 2007.

#### COMPLIANCE WITH LAWS AND REGULATIONS

BBG management is responsible for complying with laws and regulations applicable to BBG. As part of obtaining reasonable assurance as to whether the annual financial statements are free of material misstatement, we performed tests of BBG's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to BBG. The objective of our audit of the annual financial statements, including our tests of compliance with provisions of selected laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions in statutes and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or that sensitivity warrants disclosure thereof.

The results of our tests of compliance with the laws and regulations described above disclosed the following instance of noncompliance with laws and regulations that is required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin 07-04.

We found that BBG's financial management system did not comply with OMB Circular A-123, *Management Accountability and Control*. The circular requires that documentation for management controls be clear and readily available for examination. The absence of fully codified financial management procedures fails to meet this objective.

The above noncompliance was cited in our audit of BBG's Balance Sheet as of September 30, 2004, and in subsequent audits. The results of our tests of compliance with other laws and regulations disclosed no material instances of noncompliance.

#### RESPONSIBILITIES AND METHODOLOGY

BBG management is responsible for:

- preparing the annual financial statements, required supplementary information, and other accompanying information in conformity with accounting principles generally accepted in the United States of America;

- establishing and maintaining effective internal control; and
- complying with applicable laws and regulations.

Our responsibility is to express an opinion on the annual financial statements based on our audits. Auditing standards generally accepted in the United States of America require that we plan and perform the audits to obtain reasonable assurance as to whether the annual financial statements are free of material misrepresentation and are presented fairly in accordance with accounting principles generally accepted in the United States of America. We considered BBG's internal control for the purpose of expressing our opinion on the annual financial statements and not to provide an opinion on internal control. We are also responsible for testing compliance with provisions of selected laws and regulations that may materially affect the annual financial statements.

In order to fulfill these responsibilities, we:

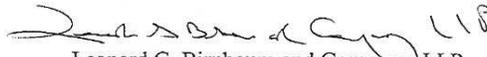
- examined, on a test basis, evidence supporting the amounts on the annual financial statements and related disclosures;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the annual financial statements;
- obtained an understanding of the internal controls over financial reporting by obtaining an understanding of BBG's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls;
- obtained an understanding of the internal controls relevant to performance measures included in Management's Discussion and Analysis, including obtaining an understanding of the design of internal controls relating to the existence and completeness assertions and determining whether they had been placed in operation;
- tested compliance with provisions of selected laws and regulations that may have a direct and material effect on the Annual Financial Statements;
- obtained written representations from management; and
- performed other procedures as we considered necessary under the circumstances.

Our audits were conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin 07-04. We believe that our audits provided a reasonable basis for our opinions.

The Management's Discussion and Analysis and Required Supplementary Information are supplementary information required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of BBG's management, the Inspector General of the U.S. Department of State and Broadcasting Board of Governors, OMB, the Department of the Treasury, and Congress and is not intended to be and should not be used by anyone other than those specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Comments by BBG management on this report are presented as Appendix A. The written response by BBG management to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion on these comments.

  
Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia  
November 14, 2007



BROADCASTING BOARD OF GOVERNORS  
UNITED STATES OF AMERICA

November 15, 2007

The Honorable Howard J. Krongard  
Inspector General  
Office of Inspector General  
Department of State  
Washington D.C. 20522-0308

Dear Mr. Krongard:

This is in response to your request for comments on the report *AUD-FM-08-07, Audit of the Broadcasting Board of Governors 2007 and 2006 Principal Financial Statements*.

This is the fourth year the BBG has prepared financial statements, and the fourth audit that the BBG has undergone. The independent audit firm has issued an unqualified ("clean") opinion on BBG's principal financial statements.

Achieving an unqualified opinion on its financial statements is a significant achievement. This was accomplished under a tight year-end closing schedule – the agency closed its FY 2007 books on October 2<sup>nd</sup>. We would like to express our appreciation to your staff and to the audit firm, Leonard G. Birnbaum and Company, LLP, for the professional and cooperative manner in which the audit was conducted.

The audit report notes one reportable condition regarding the agency's internal controls over its the financial and accounting system. In addition, the audit report notes that, while the financial system is not fully compliant with the *Budget and Accounting Procedures Act of 1950*, OMB Circular A-127, *Financial Management Systems*, and OMB Circular A-123, *Management Accountability and Control*, the BBG's financial management system is in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.

The report states that the current financial system requires us to develop elements of the financial statements, principally property, plant, and equipment, from sources other than the general ledger and there is a lack of fully codified financial management operating procedures. We understand that developing elements of the financial statements from sources outside of the financial system increases the potential for omission of significant transactions. We also recognize that the lack of fully codified procedures presents opportunities for inconsistencies and errors in processing financial transactions.

We are continuing to take steps to correct these areas. While the financial system does not issue interim financial reports, the BBG has established a reporting tool that enables us to produce interim financial reports based on the general ledger. Since FY 2005, utilizing this reporting tool, the BBG has submitted timely its quarterly financial statements to the Office of Management and Budget.

We currently cross service with the Department of State for financial system services. We will be transitioning to the Department of Interior's Momentum system by mid-FY 2008. We anticipate that the new financial system will allow for the integration of property data into the general ledger and interim financial reporting.

In FY 2005, the BBG began updating and rewriting the Manual of Operations and Administration (MOA). We have drafted all sections for the Office of the Chief Financial Officer, including codifying the financial management, budget, and performance management operating procedures. We have completed nine of the eleven sections, and they are posted on the Agency intranet website. The remaining two sections are being finalized.

The report also notes one reportable condition regarding the Agency's reconciliation of accounts payable. We are working with the Department of State to accomplish this and have recently received a file with the overseas accounts payable files that need to be reconciled.

Thank you for the opportunity to comment on the audit report and for collaboratively working with us on our FY 2007 audit. We believe that the BBG has made significant strides in the past year as we underwent our fourth audit of our principal financial statements, and we are committed to continually improving the management of our programs and the quality of our financial reporting.

Sincerely,



Janet K. Stormes  
Chief Financial Officer

**Broadcasting Board of Governors**  
**Balance Sheet**  
**As of September 30, 2007 and 2006**

	2007	2006
<b>ASSETS</b>		
Intra-governmental		
Fund Balance with Treasury (Note 2)	\$199,002	\$195,076
Accounts Receivable, Net (Note 3)	<u>3,007</u>	<u>2,064</u>
<b>Total Intra-governmental</b>	<b>\$202,009</b>	<b>\$197,140</b>
Cash and Other Monetary Assets (Note 4)	\$3	\$3
Accounts Receivable, Net (Note 3)	81	58
General Property, Plant, and Equipment, Net (Note 5)	213,470	231,737
Other (Note 6)	<u>1,588</u>	<u>1,276</u>
<b>TOTAL ASSETS</b>	<b><u>417,151</u></b>	<b><u>\$430,214</u></b>
<b>LIABILITIES</b>		
Intra-governmental		
Accrued FECA Liability (Note 8)	<u>\$1,622</u>	<u>\$1,345</u>
<b>Total Intra-governmental</b>	<b>\$1,622</b>	<b>\$1,345</b>
Accounts Payable	\$4,226	\$5,666
Actuarial FECA Liability (Note 8)	6,681	6,034
Accrued Payroll and Benefits	8,205	7,921
Accrued Annual and Compensatory Leave (Note 8)	13,432	13,103
Other (Note 9 and 10)	<u>5,250</u>	<u>1,089</u>
<b>TOTAL LIABILITIES</b>	<b>\$39,416</b>	<b>\$35,158</b>
<b>NET POSITION</b>		
Unexpended Appropriations	\$157,510	\$165,908
Cumulative Results of Operations	<u>220,225</u>	<u>229,148</u>
<b>TOTAL NET POSITION</b>	<b><u>\$377,735</u></b>	<b><u>\$395,056</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$417,151</u></b>	<b><u>\$430,214</u></b>

The accompanying notes are an integral part of these statements.

**Broadcasting Board of Governors**  
**Statement of Net Costs**  
**For the Years Ended September 30, 2007 and 2006**  
*(in thousands)*

Goal: The over-arching aim of the Broadcasting Board of Governors is to achieve an increasingly effective international broadcasting system that reaches significant audiences where most needed in support of U.S. strategic interest.

<b>PROGRAM COSTS</b>	<b>2007</b>	<b>2006</b>
<b>Voice of America (VOA)</b>		
Gross Costs	\$309,400	\$294,121
Less: Earned Revenues	<u>(2,883)</u>	<u>(2,601)</u>
Net VOA Costs	\$306,517	\$291,520
<b>Middle East Broadcasting Networks (MBN)</b>		
Gross Costs	\$139,580	\$141,125
Less: Earned Revenues	=	=
Net MBN Costs	\$139,580	\$141,125
<b>Office of Cuba Broadcasting (OCB)</b>		
Gross Costs	\$59,800	\$52,126
Less: Earned Revenues	=	=
Net OCB Costs	\$59,800	\$52,126
<b>Radio Free Asia (RFA)</b>		
Gross Costs	\$63,756	\$66,271
Less: Earned Revenues	=	=
Net RFA Costs	\$63,756	\$66,271
<b>Radio Free Europe/Radio Liberty (RFE/RL)</b>		
Gross Costs	\$115,834	\$120,356
Less: Earned Revenues	=	=
Net RFE/RL Costs	\$115,834	\$120,356
<b>Total Gross Program Costs</b>	\$688,370	\$673,999
<b>Less: Total Earned Revenue</b>	<u>(\$2,883)</u>	<u>(2,601)</u>
<b>NET COST OF OPERATIONS</b>	<b><u>\$685,487</u></b>	<b><u>\$671,398</u></b>

The accompanying notes are an integral part of these statements.

**Broadcasting Board of Governors**  
**Statement of Changes in Net Position**  
**For the Years Ended September 30, 2007 and 2006**  
*(in thousands)*

	<b>All Funds 2007</b>	<b>Consolidated Total 2007</b>	<b>Consolidated Total 2006</b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>			
Beginning Balances	\$229,148	\$229,148	<u>\$228,147</u>
Adjustments:	<u>4,877</u>	<u>4,877</u>	
Beginning Balance, as Adjusted	\$234,025	\$234,025	\$228,147
Budgetary Financing Sources			
Appropriations Used	\$654,438	\$654,438	\$658,239
Non-exchange Revenue			
Other	87	87	133
Other Financing Sources (Non-Exchange)			
Imputed Financing	<u>17,162</u>	<u>17,162</u>	<u>14,027</u>
Total Financing Sources	\$671,687	\$671,687	\$672,399
Net Cost of Operations	<u>685,487</u>	<u>685,487</u>	<u>671,398</u>
Net Change	<u>(13,800)</u>	<u>(13,800)</u>	<u>\$1,001</u>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b>\$220,225</b>	<b>\$220,225</b>	<b>\$229,148</b>
<b>UNEXPENDED APPROPRIATIONS:</b>			
Beginning Balance	\$165,908	\$165,908	<u>\$140,602</u>
Adjustments	<u>(4,877)</u>	<u>(4,877)</u>	
Beginning Balance, as Adjusted	\$161,031	\$161,031	\$140,602
Budgetary Financing Sources			
Appropriations Received	\$656,750	\$656,750	\$688,443
Appropriations Transferred In/Out	702	702	661
Other Adjustments	(6,534)	(6,534)	(5,553)
Appropriations Used	<u>(654,439)</u>	<u>(654,439)</u>	<u>(658,245)</u>
Total Budgetary Financing Sources	<u>(\$3,521)</u>	<u>(\$3,521)</u>	<u>\$25,306</u>
<b>UNEXPENDED APPROPRIATIONS</b>	<b>\$157,510</b>	<b>\$157,510</b>	<b>\$165,908</b>
<b>NET POSITION</b>	<b><u>\$377,735</u></b>	<b><u>\$377,735</u></b>	<b><u>\$395,056</u></b>

The accompanying notes are an integral part of these statements.

**Broadcasting Board of Governors**  
**Statement of Budgetary Resources**  
**For the Years Ended September 30, 2007 and 2006**  
*(in thousands)*

	2007	2006
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1	\$57,684	\$58,577
Recoveries of Prior Year Unpaid Obligations	13,442	11,152
Budget Authority		
Appropriation	656,750	688,443
Contract Authority		
Spending Authority From Offsetting Collections		
Collected	5,500	6,545
Change in Receivables From Federal Sources	<u>943</u>	<u>(1,485)</u>
Subtotal	\$663,193	\$693,503
Nonexpenditure Transfers, Net Anticipated and Actual	702	661
Permanently Not Available	<u>(1,923)</u>	<u>(13,708)</u>
<b>TOTAL BUDGETARY RESOURCES</b>	<b><u>\$733,098</u></b>	<b><u>\$750,185</u></b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred		
Direct	\$669,043	\$690,616
Reimbursable	<u>2,465</u>	<u>1,885</u>
Subtotal	\$671,508	\$692,501
Unobligated Balance		
Apportioned	\$34,539	\$42,429
Exempt from Apportionment	<u>3,472</u>	<u>2,673</u>
Subtotal	\$38,011	\$45,102
Unobligated Balance Not Available	<u>23,579</u>	<u>12,582</u>
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b><u>\$733,098</u></b>	<b><u>\$750,185</u></b>
<b>CHANGE IN OBLIGATED BALANCE:</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$135,662	\$96,400
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, October 1	<u>(3,064)</u>	<u>(4,549)</u>
Total Unpaid Obligated Balance, Net	\$132,598	\$91,851
Obligations Incurred, Net	\$671,508	\$692,501
Gross Outlays	(656,060)	(642,087)
Obligated Balance Transferred, Net		
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(13,442)	(11,152)
Change in Uncollected Customer Payments From Federal Sources	(943)	1,485
Obligated Balance, Net, End of Period		
Unpaid Obligations	\$137,669	\$135,662
Less: Uncollected Customer Payments From Federal Sources	<u>(4,007)</u>	<u>(3,064)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$133,662	\$132,598

**NET OUTLAYS**

## Net Outlays

Gross Outlays	\$656,060	\$642,087
Less: Offsetting Collections	(5,500)	(6,545)
Less: Distributed Offsetting Receipts	<u>(2,856)</u>	<u>(4,009)</u>
Net Outlays	<b><u>\$647,704</u></b>	<b><u>\$631,534</u></b>

The accompanying notes are an integral part of these statements.

**Broadcasting Board of Governors**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2007 and 2006**  
*(in thousands)*

**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). Every week, more than 155 million listeners, viewers, and Internet users around the world turn on, tune in, and log on to U.S. international broadcasting programs. While the "Broadcasting Board of Governors" is the legal name given to the federal entity encompassing all U.S. international broadcasting services, the day-to-day broadcasting activities are carried out by the individual BBG international broadcasters: the Voice of America (VOA), the Middle East Broadcasting Networks (Radio SAWA and Alhurra TV), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Office of Cuba Broadcasting (Radio and TV Marti), with the assistance of the International Broadcasting Bureau (IBB).

**B. Basis of Presentation**

These financial statements have been prepared to report the consolidated financial position 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) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB), the Office of Management and Budget (OMB), and the BBG's accounting policies, which are summarized in this note. These consolidated financial statements present proprietary information while other financial reports also prepared by the BBG pursuant to OMB directives are used to monitor and control the BBG's use of federal budgetary resources.

**C. Basis of Accounting**

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. Any BBG intra-entity transactions have been eliminated in the consolidated financial statements.

#### **D. Revenues and Financing Sources**

BBG operations are financed through congressional appropriations, reimbursement for the provision of goods or services to other federal agencies, transfers and donations. Financing sources are received in direct and indirect annual and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. For financial statement purposes, appropriations are recorded as a financing source (i.e., appropriations used) and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased. The applicable depreciation expense for real and personal property is recorded over the asset's useful life as described below in Property, Plant, and Equipment.

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

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

#### **E. 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. The BBG's non-entity assets represent receivables that, when collected, will be transferred to the United States Treasury.

Intra-governmental assets and liabilities arise from transactions between 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.

#### **F. Fund Balances with Treasury**

Fund Balances with Treasury are cash balances remaining as of the fiscal year end from which the BBG is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. The balance consists primarily of appropriations, which have not been earmarked for any special purposes. The BBG records and tracks appropriated funds in its general funds.

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

### **G. Accounts Receivable**

Accounts receivable consists of amounts owed to the BBG by other federal agencies and from the public. Intra-governmental 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.

### **H. Property, Plant, and Equipment**

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

Expenditures for normal repairs and maintenance are charged to expense as incurred unless the expenditure is equal to or greater than \$25,000 and the improvement increases the asset's useful life by two years or more.

Depreciation or amortization of equipment is computed using the straight-line method 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. The BBG leases the majority of its office space from the General Services Administration. The lease costs approximate commercial lease rates for similar properties.

### **I. 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 to BBG employees for official travel, miscellaneous prepayments and advances to other entities for future services, and salary advances to BBG employees transferring to overseas assignments. Advances and prepayments are reported as "Other" assets on the balance sheet.

## **J. Accrued Annual, Sick, and Other Leave**

Annual leave and other leave time, along with related payroll costs, are accrued when earned, reduced when taken, and adjusted for changes in compensation rates. Sick leave is not accrued when earned, but rather expensed when taken.

## **K. Employee Benefit Plans**

### ***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% of their salary; the BBG contributes 7%. Employees covered under CSRS also contribute 1.45% 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% of their salary, with BBG making contributions of 11.20%. FERS employees also contribute 6.20% to Social Security and 1.45% to Medicare insurance. BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1% of pay and matches employee contributions up to an additional 4%.

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 the Civil Service Retirement System (CSRS) as described in chapter 83 of Title 5, U.S.C. Employees covered under FSRDS contribute 7.25% of their salary; the BBG contributes 7.25%. Employees covered under FSRDS also contribute 1.45% of their salary to Medicare insurance; the BBG makes a matching contribution. The FSPS is the Foreign Service equivalent of the Federal Employees Retirement System (FERS), as described in chapter 84 of Title 5, U.S.C. In general, all 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% of their salary, with BBG making contributions of 20.22%. FSPS employees also contribute 6.20% to Social Security and 1.45% to Medicare insurance. BBG makes matching contributions to both. A primary feature of FSPS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1% of pay and matches employee contributions up to an additional 4%.

### ***Health Insurance***

Most American 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.

### ***Other 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 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. 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.

### **L. Workers' Compensation**

A liability is recorded for estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from federal agencies employing the claimants. Reimbursements to DOL on payments made occur approximately two years subsequent to the actual disbursement. Budgetary resources for this intra-governmental liability are made available to the BBG as part of its annual appropriation from Congress in the year in which reimbursement to the DOL takes place. A current liability is recorded for actual un-reimbursed costs paid by DOL to recipients under FECA.

Additionally, an actuarial estimate of the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases is recorded. 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.

### **M. Contingent Liabilities**

Contingencies are recorded when losses are probable, and the cost is measurable. When an estimate of contingent losses includes a range of possible costs, the most likely cost is reported; in situations in which no cost is more likely than any other, the lowest possible cost in the range is reported.

### **N. Net Position**

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) 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.

**O. Management’s Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: FUND BALANCE WITH TREASURY**

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

Fund Balance with Treasury by fund type as of September 30, 2007 and 2006, consist of the following:

<b>Type of Funds</b>	<b>2007</b>	<b>2006</b>
Appropriated Funds	\$192,113	\$191,561
Trust Funds	<u>6,889</u>	<u>\$3,515</u>
<b>Total</b>	<b><u>\$199,002</u></b>	<b><u>\$195,076</u></b>

The status of the fund balance may be classified as unobligated available, unobligated unavailable, obligated, and Non-Budgetary Fund Balance with Treasury. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable amounts are those appropriated in prior fiscal years, which are not available to fund new obligations. The unavailable balance also includes funds in deposit funds and miscellaneous receipts. 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.

The status of Fund Balance with Treasury as of September 30, 2007 and 2006, consists of the following:

<b>Status of Funds</b>	<b>2007</b>	<b>2006</b>
Unobligated Balance		
Available	\$38,011	\$45,102
Unavailable	23,579	12,582
Obligated Balance Not Yet Disbursed	133,662	135,987
Non-Budgetary Fund Balance with Treasury	<u>3,750</u>	<u>1,405</u>
<b>Total</b>	<b><u>\$199,002</u></b>	<b><u>\$195,076</u></b>

**NOTE 3: ACCOUNTS RECEIVABLE, NET**

Accounts receivable as of September 30, 2007 and 2006, are as follows:

<b>Accounts Receivable</b>	<b>2007</b>	<b>2006</b>
Intra-governmental	\$3,007	\$2,064
Public	81	58
Less Allowance for Uncollectible Receivables		-
<b>Total Accounts Receivable, Net</b>	<b><u>\$3,088</u></b>	<b><u>\$2,122</u></b>

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

BBG maintains a domestic imprest fund for small purchases less than \$25. Typically, these expenditures are the result of taxi fares or local transportation fees. Overseas imprest funds are maintained for international small purchases. Typically, these include expenditures for maintaining government owned vehicles, small office supply orders and drinking water. As of September 30, 2007 and 2006, BBG maintained imprest funds totaling \$3,000.00 in each year.

**NOTE 5: PROPERTY, PLANT, AND EQUIPMENT, NET**

“Property, plant, and equipment” consists of that property used in operations and consumed over time. The following tables summarize cost and accumulated depreciation of property, plant, and equipment as of September 30, 2007 and 2006.

Property	Useful Life	As of September 30, 2007			As of September 30, 2006		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	30	\$39,330	(\$22,755)	\$16,574	\$42,812	\$(25,084)	\$17,728
Land	NA	4,121	0	4,121	4,121		4,121
Equipment	6-30	393,176	(219,370)	173,806	403,645	(216,341)	187,304
Vehicles	6	6,968	(5,931)	1,037	7,398	(6,060)	1,338
Assets Under							
Capital Lease	10	2,040	(1,778)	262	2,040	(1,574)	466
Software	5	2,082	(2,082)	0	2,082	(2,082)	0
Other Structures	20	<u>58,604</u>	<u>(40,934)</u>	<u>17,670</u>	<u>59,618</u>	<u>(38,838)</u>	<u>20,780</u>
<b>Total</b>		<b><u>\$506,321</u></b>	<b><u>(\$292,850)</u></b>	<b><u>\$213,470</u></b>	<b><u>\$521,716</u></b>	<b><u>\$(289,979)</u></b>	<b><u>\$231,737</u></b>

Depreciation and amortization expense for the years ended September 30, 2007 and 2006, is \$17,359,668.21 and \$17,637,871.61, respectively.

#### NOTE 6: OTHER ASSETS

This line item consists of advances and prepayments. These amounts are made principally to BBG employees for official travel, miscellaneous prepayments and advances to other non-Federal entities for future services, and salary advances to BBG employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2007 and 2006:

Other Assets	2007	2006
Public		
Advances and Prepayments	<u>1,588</u>	<u>\$1,276</u>

#### NOTE 7: NON-ENTITY ASSETS

Non-entity assets, restricted by nature, consist of miscellaneous receipt accounts that represent cash collected and accounts receivable (net of allowance for uncollectible amounts) due to the U.S. Treasury.

Assets	2007	2006
Non-Entity Assets		
Intra-governmental:		
Fund Balance with Treasury		
Total Intragovernmental		
Accounts Receivable	\$6	\$6
Other	<u>3</u>	<u>1</u>
<b>Total Non-Entity Assets</b>	<b>\$9</b>	<b>\$7</b>
<b>Total Entity Assets</b>	<b><u>\$417,142</u></b>	<b><u>\$430,207</u></b>
<b>Total Assets</b>	<b><u>\$417,151</u></b>	<b><u>\$430,214</u></b>

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

BBG's liabilities are classified as covered or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations. Liabilities not covered by budgetary resources as of September 30, 2007 and 2006, are summarized as follows.

<b>Liabilities Not Covered by Budgetary Resources</b>	<b>2007</b>	<b>2006</b>
Intra-governmental:		
Accrued FECA Liability	<u>\$1,622</u>	<u>\$1,345</u>
Total intra-governmental	\$1,622	\$1,345
Accrued Annual and Compensatory Leave	\$13,432	\$13,103
Capital Lease Liability	346	566
FECA Actuarial Liability	<u>6,681</u>	<u>6,034</u>
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b><u>\$22,081</u></b>	<b><u>\$21,048</u></b>

**Future Worker's Compensation Liability**

Department of Labor (DOL) developed a model for agencies not specified in the Federal Employees Compensation Act (FECA) model to use as an estimate of their FECA actuarial liability. The model uses the amount of benefit payments for the entity over the last 9 to 12 quarters as provided in the quarterly charge back reports issued by the FECA, and calculates the annualized average of payments for medical expenses and compensation. The annualized average is then multiplied by the liability to benefits paid ratios for the whole FECA program for that year. Using this tool, BBG's actuarial liabilities as of September 30, 2007 and 2006, are \$6,681,412.49 and \$6,033,716.50, respectively.

**NOTE 9: OTHER LIABILITIES**

In addition to liabilities for capital leases (see Note 10), Other liabilities consist of the following as of September 30, 2007 and 2006:

<b>Other Liabilities</b>	<b>2007</b>	<b>2006</b>
<b>Public</b>		
Deposit and Suspense Liabilities	\$4,904	\$523
Capital Lease Liability	<u>346</u>	<u>566</u>
<b>Total</b>	<b><u>\$5,250</u></b>	<b><u>\$1,089</u></b>

**NOTE 10: CAPITAL LEASE LIABILITY**

BBG has long-term leases for the use of land in domestic locations that meet the criteria as a capital lease in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Assets that meet the definition of a capital lease and their related lease liability are initially recorded at the present value of the future minimum lease payments. In general, capital assets are depreciated over the estimated remaining life of the asset, and the related liability is amortized over the term of the lease, which can result in a different value in the asset versus the liability.

BBG currently has lease agreements for generators that transfer ownership at the end of the lease. The leases are being amortized over the lease term of 10 years, which is the same as the useful life. Net Assets Under Capital Leases and future minimum lease payments as of September 30 follow:

<b>Assets Under Capital Lease</b>	<b>2007</b>	<b>2006</b>
Equipment	\$2,040	\$2,040
Accumulated Depreciation	<u>(1,778)</u>	<u>(1,574)</u>
<b>Net Assets Under Capital Leases</b>	<b><u>\$262</u></b>	<b><u>\$466</u></b>

<b>Future Minimum Lease Payments</b>	<b><i>Total</i></b>
2008	242
2009	123
2010	0
2011	0
2012	0
2013 and thereafter	<u>0</u>
Total Minimum Lease Payments	\$365
Less: Imputed Interest	<u>19</u>
<b>Net Capital Lease Liability</b>	<b><u>\$346</u></b>

Future lease payments are not covered by budgetary resources

**Operating Leases**

BBG leases real and personal property in overseas and domestic locations under operating leases, which expire in various years. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2007, for each of the next 5 years and in aggregate follow.

<b>Fiscal Year</b>	<b>Total</b>
2008	\$21,992
2009	4,516
2010	1,866
2011	1,174

2012	766
2013 and thereafter	<u>5,857</u>
<b>Total Future Lease Payments</b>	<b><u>\$36,171</u></b>

**NOTE 11: CONTINGENT LIABILITIES, COMMITMENTS, AND CONTINGENCIES**

BBG is a party to a Title VII class action that was settled in 2000. Payments from the Judgment Fund to individual claimants, which began in 1998, have continued into 2007, with additional implementation payments yet to be made. These payments are for back and front pay, as well as contributions to OPM, TSP and SSA to establish or adjust retirement accounts. In accordance with OPM's recent ruling on No Fear Act Reimbursement, for litigation occurring prior to the act, BBG is not liable for these payments. Therefore there is no amount for contingent liabilities recorded on the Balance Sheet.

**NOTE 12: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

Intragovernmental costs and earned revenue relate to source of goods and services purchased and received from other Federal entities. The amounts for September 2007 and 2006 follow:

<b>Programs</b>	<b>2007</b>	<b>2006</b>
<b>Voice of America (VOA)</b>		
Intragovernmental Costs	\$23,539	\$33,641
Public Costs	<u>285,861</u>	<u>260,480</u>
Total VOA Costs	<u>\$309,400</u>	<u>\$294,121</u>
Intragovernmental Earned Revenue	2,883	\$2,601
Public Earned Revenue	=	=
Total VOA Earned Revenue	\$2,883	\$2,601
<b>Middle East Broadcasting Networks (MBN)</b>		
Intragovernmental Costs	\$4,102	\$5,058
Public Costs	<u>135,478</u>	<u>136,067</u>
Total MBN Costs	<u>\$139,580</u>	<u>\$141,125</u>
Intragovernmental Earned Revenue	\$-	\$-
Public Earned Revenue	=	=
Total MBN Earned Revenue	\$-	\$-
<b>Office of Cuba Broadcasting (OCB)</b>		
Intragovernmental Costs	\$12,773	\$9,198
Public Costs	<u>47,027</u>	<u>42,928</u>
Total OCB Costs	<u>\$59,800</u>	<u>\$52,126</u>
Intragovernmental Earned Revenue	\$-	\$-
Public Earned Revenue	=	=
Total OCB Earned Revenue	\$-	\$-

<b>Radio Free Asia (RFA)</b>		
Intragovernmental Costs	\$3,850	\$4,409
Public Costs	<u>59,906</u>	<u>61,862</u>
Total RFA Costs	<u>\$63,756</u>	<u>\$66,271</u>
Intragovernmental Earned Revenue	\$-	\$-
Public Earned Revenue	=	=
Total RFA Earned Revenue	\$-	-
<b>Radio Free Europe/Radio Liberty (RFE/RL)</b>		
Intragovernmental Costs	\$3,999	\$4,704
Public Costs	<u>111,835</u>	<u>115,652</u>
Total RFE/RL Costs	<u>\$115,834</u>	<u>\$120,356</u>
Intragovernmental Earned Revenue	\$-	\$-
Public Earned Revenue	=	=
Total RFE/RL Earned Revenue	\$-	\$-
<b>Total Intragovernmental Costs</b>	<u>\$48,263</u>	<u>\$57,010</u>
<b>Total Public Costs</b>	<u>\$640,107</u>	<u>\$616,989</u>
<b>Total Intragovernmental Earned Revenue</b>	<u>\$2,883</u>	<u>\$2,601</u>
<b>Total Public Earned Revenue</b>	<u>\$-</u>	<u>\$-</u>
	<b>2007</b>	<b>2006</b>
<b>Total Net Costs</b>	<u><b>\$685,487</b></u>	<u><b>\$671,398</b></u>

**NOTE 13: STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of and for the years ended September 30, 2007 and 2006.

Information on the Agency's budget is reported in the *Budget of the United States Government, Appendix*. The Appendix includes, among other things, budget schedules for the Agency's accounts. Information on budgetary resources and their status will be displayed in the Program and Financing (P&F) Schedule under each account. BBG is responsible for submitting data presented in the P&F Schedules.

The FY 2009 President's Budget containing actual numbers for FY 2007 has not yet been published. The budget is anticipated to be reported in the second quarter of FY 2008 at the following website: <http://www.whitehouse.gov/omb/budget/fy2009>

**NOTE 14: APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED:  
DIRECT VS. REIMBURSABLE OBLIGATIONS**

BBG incurs reimbursable obligations in support of other Federal agencies' program initiatives, including the U.S. Agency for International Development and Department of State.

Direct and reimbursable obligations for the years ended September 30, 2007 and 2006 are as follows.

<b>Obligations</b>	<b>2007</b>	<b>2006</b>
Direct Obligations	\$669,043	\$690,616
Reimbursable Obligations	<u>2,465</u>	<u>1,885</u>
<b>Total</b>	<b><u>\$671,508</u></b>	<b><u>\$692,501</u></b>

**NOTE 15: UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Budgetary resources obligated for undelivered orders for the years ended September 30, 2007 and 2006 as as follows.

	<b>2007</b>	<b>2006</b>
Undelivered Orders at the end of the period	<u>\$132,937</u>	<u>\$129,460</u>

**NOTE 16: STATEMENT OF FINANCING**

The Statement of Financing is the reconciliation of proprietary and budgetary accounting, which is accomplished by the reconciliation of budgetary obligations with non-budgetary resources available to the reporting entity with its Net Cost of Operations. The reconciliation for September 2007 and 2006 follow:

<b>Broadcasting Board of Governors Statement of Financing For the Period Ending September 30, 2007 and 2006</b>			
<b>Dollars in Thousands</b>		<b>FY 2007</b>	<b>FY 2006</b>
<b>Resources Used to Finance Activities:</b>			
Budgetary Resources Obligated			
Obligations incurred		671,508	692,501
Less: Spending Authority from Offsetting			
Collections and Recoveries		19,885	16,212
Obligations Net of Offsetting Collections and Recoveries		651,623	676,289
Less: Offsetting Receipts		2,856	4,009
Net Obligations		648,767	672,280
Other Resources			

Donations and Forfeitures of Property		
Transfers in/out Without Reimbursement		
Imputed Financing from costs Absorbed by Others (Note )	17,162	14,027
Other	2,369	273
Net Other Resources Used to Finance Activities	19,531	14,300
<b>Total Resources Used to Finance Activities</b>	<b>668,298</b>	<b>686,580</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(3,506)	(58,939)
Resources that Fund Expenses Recognized in Prior Periods	219	1,501
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations		
Resources That Finance the Acquisition of Assets	1,044	1,228
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	357	26,995
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<b>(1,886)</b>	<b>(29,215)</b>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>666,413</b>	<b>657,365</b>
<b>Components of Net cost of Operations That Will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	329	395
Increase in Environmental and Disposal Liability		
Increase in Exchange Revenue Receivable From the Public	23	17
Increase in Unfunded FECA Liability	924	142
Total Components of Net cost of Operations Requiring or Generating Resources in Future Periods	1,276	554
Components not Requiring or Generating Resources:		
Depreciation and Amortization	17,360	17,638
Revaluation of Assets or Liabilities	438	(4,159)
Other		
<b>Total Components of Net Cost of Operations not Requiring or Generating Resources</b>	<b>17,798</b>	<b>13,479</b>
<b>Total components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period</b>	<b>19,074</b>	<b>14,033</b>
<b>Net Cost of Operations</b>	<b>685,487</b>	<b>671,398</b>
<b>The accompanying notes are an integral part of these statements.</b>		

**Broadcasting Board of Governors  
Required Supplemental Information  
September 30, 2007  
(In Thousands)**

**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. The BBG considers acceptable condition to be condition levels 1 – excellent, 2 – good, and 3 – fair on a 5-point scale (condition 4 is poor and condition 5 is very poor). Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than the originally intended.

To identify and quantify deferred maintenance for assets meeting the BBG’s \$25,000 capitalization threshold, the BBG reviewed its FY 2007 maintenance and repair plan and identified the projects that were planned for or required in FY 2007 but have been deferred. This maintenance plan is developed through an inspection of its capital assets to determine current conditions and to estimate costs to correct any deficiencies.

The BBG uses the Condition Assessment Survey (CAS) method to classify the condition of the asset requiring maintenance or repair. The condition code is based on a five-point scale: 1 – excellent, 2 – good, 3- fair, 4 – poor, and 5 – very poor. Of the ten maintenance and repair projects planned for or required in FY 2007 that have been deferred, two of the assets are in condition level 4. The cost of the deferred maintenance for these two projects total \$200,000. The other eight projects are related to capital assets in condition level 3.

The following shows BBG’s deferred maintenance for projects for capital assets in 4 – poor that have been deferred as of September 30, 2007 (BBG does not have any capital assets in condition level 5 - very poor):

<b>PP&amp;E Category</b>	<b>Asset Condition</b>	<b>Estimated Cost to Return to Acceptable Condition</b>
Structures and Facilities	4 - poor	\$ 200
<b>TOTAL</b>		<b>\$200</b>

***Section 4:  
Other Accompanying  
Information***

## **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. VOA, OCB, RFE/RL, RFA, and MBN audience research is carried out by InterMedia, an outside research provider under contract to the BBG. The Broadcasting Satellite Users' Group, a multi-element working group not affiliated with the Office of Engineering, calculates the Satellite Effectiveness Index. Evaluation of program quality is initially conducted by InterMedia Survey Institute and presented at program reviews for each entity. The appropriate entity research director or BBG research coordinator computes entity-wide performance values, and sends them to InterMedia for verification.

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.

**Inspector General's Statement on  
FY 2007 Management and Performance Challenges  
Broadcasting Board of Governors**



**United States Department of State  
and the Broadcasting Board of Governors**

*Inspector General*

NOV -1 2007

Ms. Jan Brambilla  
Executive Director  
Broadcasting Board of Governors  
300 Independence Avenue, S.W.  
Room 3360  
Washington, D.C. 20237

Dear Ms. Brambilla:

The enclosed document is submitted in response to your request for a statement from the Office of Inspector General (OIG) for the Broadcasting Board of Governors (BBG) FY 2007 Performance and Accountability Report. The statement represents OIG's assessment of BBG's major management and performance challenges for the fiscal year.

If you have any questions concerning the enclosed statement, please contact William Todd, Deputy Inspector General, who can be reached at (202) 663-0362.

Sincerely,

  
Howard J. Krongard  
Inspector General

Enclosure

## **FY 2007 Performance and Accountability Report**

### **U.S. Department of State and the Broadcasting Board of Governors Office of Inspector General Statement for the Broadcasting Board of Governors' FY 2007 Performance and Accountability Report**

#### **Management and Performance Challenges**

The *Reports Consolidation Act of 2000* requires that the Broadcasting Board of Governors' (BBG) *Performance Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing BBG and briefly assesses the progress in addressing those challenges. The Office of Inspector General (OIG) considers the most serious management and performance challenges for the BBG to be in the following areas:

- Protection of People and Facilities
- Expanding Television Production and Distribution of Programming
- Need for Improved Metrics of Performance Results
- Need for Improved Internal Controls
- Information Technology

#### **Protection of People and Facilities**

The Broadcasting Board of Governors (BBG) has improved its emergency preparedness program since the Office of Inspector General's (OIG's) management challenges statement in BBG's FY 2006 Performance and Accountability Report (PAR). Specifically, the BBG reports that it has implemented all outstanding recommendations in the OIG report, *Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Broadcasting Board of Governors* (AUD/SI-06-24). As a result, OIG has closed the report and is dropping this issue from the list of BBG's management challenges.

The BBG's Office of Administration has revised and updated Part IV Section 470 of the Manual of Administrative Operations to include the requirements of Homeland Security Presidential Directive/HSPD-5. The Office of Security has adopted the National Response Plan and implemented the National Incident Management System as required through the Department of Homeland Security.

The Occupant Emergency Plan has been widely disseminated and is also on the BBG website. The BBG has also developed methods to ensure that employees are out of their building and accounted for during emergency evacuation and drills. As part of its effort to strengthen emergency planning, the BBG plans to conduct quarterly evacuation and shelter-in-place drills

The BBG's Office of Administration continues to be steadfast in its communication with the General Services Administration, at all levels, to ensure the safety and security of its employees. Because of this relationship with GSA, the building is undergoing extensive upgrades. These upgrades include new fire alarm systems, with voice capabilities, as well as new sprinkler and smoke detection systems. This project is scheduled to be completed by summer 2008.

### **Expanding Television Production and Distribution of Programming**

The BBG's Office of Cuba Broadcasting (OCB) deserves credit for initiating the Aero Marti concept which has expanded program distribution in Cuba. Local funds were allocated to study the feasibility of developing a small airplane with the capacity of transmitting the signal, and OCB worked directly with private contractors who developed the technology. Following up on this initiative, the Commission for Assistance to a Free Cuba recommended "making available funds to acquire and refit an aircraft for dedicated airborne radio and television transmissions into Cuba." Responding to the need, Congress provided \$10 million for the project, which, under OCB's leadership, became operational in short order. The annual cost for leasing two Aero Marti planes, including fuel, operation, and maintenance, is \$5.9 million, a fraction of the expenses incurred when using the previous C-130 aircraft. More broadly, Aero Marti may have applications in other theaters of operation, particularly where hostile governments attempt to block broadcast signals.

One challenge for BBG broadcasting is that it is losing its access to the Russian people due to changes in media trends and to subtle pressure from the authorities to discourage Russian radio and television stations from hosting foreign programming. Shortwave listenership is rapidly declining. VOA's Russian news service is shifting from radio to television as a more effective way to reach a wider audience, but it is increasingly difficult to find stations that will place BBG programs.

### **Need for Improved Metrics of Performance Results**

International Broadcasting Board quality reviews for the Office of Cuba Broadcasting show that radio and television broadcasts have markedly improved over the past two years in production quality and content. However, greater emphasis is needed on internal quality control to ensure editorial standards are followed.

### **Need for Improved Internal Controls**

BBG needs to continue to improve its internal controls over financial and accounting issues. For example, although the independent external auditor issued an unqualified opinion on BBG's financial statements as of and for the fiscal year ended September 30, 2006, the auditor identified concerns with the adequacy of BBG's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations, and with accounting for accounts payable.

Additionally, in a separate management letter, the independent external auditor identified internal control weaknesses relating to BBG's payroll documentation, accounts receivable balance, property records, grants management, purchase card oversight, and undelivered orders.

BBG is transitioning to a new financial service provider, which it believes will correct several internal control weaknesses because the system should allow for integration of property data into the general ledger and interim financial reporting. Further, BBG is updating its Manual of Operations and Administration, including codifying the financial management, budget, and performance management operating procedures.

# BBG's Response to IG's Statement on FY 2007 Management and Performance Challenges



BROADCASTING BOARD OF GOVERNORS  
UNITED STATES OF AMERICA

November 13, 2007

The Honorable Howard J. Krongard  
Inspector General  
Office of Inspector General  
U.S. Department of State  
Washington, DC 20522-0308

Dear Mr. Krongard:

Thank you for your letter dated November 1, 2007 summarizing the major management and performance challenges that you believe the Broadcasting Board of Governors (BBG) is facing. We have reviewed your report and are providing responses to the OIG findings. We appreciate the recognition of BBG's efforts to address these challenges, and would like to take this opportunity to describe the actions that the BBG is taking to address the management and performance challenges identified by your office.

#### **Protection of People and Facilities**

We appreciate the OIG's recognition of the agency's efforts to address this challenge by taking this issue off of the list of BBG's management challenges. We are committed to ensuring that the agency is prepared in the event of an emergency.

#### **Expanding Television Production and Distribution of Programming**

We appreciate the OIG's recognition of the agency's efforts to counter jamming of TV Marti broadcasts by Cuba by transmitting its programs via AeroMarti. In reference to the challenge of losing access to our audiences in Russia, the BBG takes this challenge very seriously and has asked VOA and RFE/RL to develop a strategy for broadcasting to Russia, including a more robust Internet program effort. The loss of our audience is due in part to the declining popularity of shortwave and Russian authority pressure to discourage Russian stations from carrying international broadcaster programs, including VOA and RFE/RL.

#### **Need for Improved Metrics of Performance Results**

The BBG understands the importance of ensuring that editorial standards are followed. OCB is working with its managers to ensure that all employees and talent vendors (both new and long-time employees and vendors) have received OCB's editorial guidelines and the VOA charter, and are adhering to these guidelines in the daily broadcasts.

#### **Need for Improved Internal Controls**

The BBG agrees that continued improvement of internal controls over financial and accounting systems is needed. The report states that the current financial system requires us

to develop elements of the financial statements, principally property, plant, and equipment, from sources other than the general ledger and there is a lack of fully codified financial management operating procedures. While the financial system does not issue interim financial reports, we continue to use the tool we established that enables us to produce interim financial reports based on the general ledger. Since FY 2005, utilizing this reporting tool, the BBG has submitted its quarterly financial statements to the Office of Management and Budget within prescribed deadlines.

We currently cross-service with the Department of State for financial system services. As you mentioned, we are transitioning to the Department of Interior's Momentum system by mid-FY 2008. We anticipate that the new financial system will allow for the integration of property data into the general ledger and interim financial reporting, as well as address the issue of non-compliance with several laws and regulations. Regarding the reconciliation of the overseas accounts payable. We are working with the Department of State and recently received a file with the overseas accounts payable files that need to be reconciled. We are working with Department of State to get this accomplished.

We have finalized, and posted on the Agency intranet, nine of the eleven sections for the Office of the Chief Financial Officer, codifying the financial management, budget, and performance management operating procedures. The remaining two CFO sections are being finalized and reviewed.

Sincerely,



Janice Brambilla  
Executive Director

## Summary of Financial Statement, Audit, and Management Assurances

**Table 1.**  
Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0				0
<i>Total Material Weaknesses</i>	<i>0</i>				<i>0</i>

**Table 2.**  
Summary of Management Assurances

<b>Effectiveness of Internal Control over Financial Reporting</b>					
Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0				0
<i>Total Material Weaknesses</i>	<i>0</i>				<i>0</i>
<b>Effectiveness of Internal Control over Operations</b>					
Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0			0
<i>Total Material Weaknesses</i>	<i>0</i>	<i>0</i>			<i>0</i>
<b>Conformance with financial management system requirements</b>					
Statement of Assurance	Systems generally conforms to financial management system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Elements Developed from Sources other than GL	1				1
Codify Financial Operations Operating Procedures	1				1

Overseas Accounts Payable Reconciliation	1				1
<i>Total Non-Conformances</i>	<i>3</i>				<i>3</i>
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>					
	Agency			Auditor	
Overall Substantial Compliance	Yes			Yes	
1. System requirements	Yes				
2. Accounting Standards	Yes				
3. USSGL at Transaction Level	Yes				