



Broadcasting
Board of
Governors

FISCAL YEAR 2015

PERFORMANCE AND ACCOUNTABILITY REPORT



Message from the BBG Chairman and CEO

On behalf of the Broadcasting Board of Governors, we are pleased to present the BBG's Performance and Accountability Report (PAR) for Fiscal Year (FY) 2015. This report includes the results of this year's audit of the Agency's financial statements; measures our performance against our FY 2015 objectives; highlights the accomplishments of the past year; and identifies the challenges that lie ahead.

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

The BBG upholds freedom of expression and information as universal human rights. By exemplifying free media and free expression, the BBG helps foster and sustain free and democratic societies. The BBG networks pursue this mission through their own media via television, radio, Internet, social and mobile platforms, but also by working closely with media partners on the ground that bring our content into local markets, establishing valuable connections to critical institutions that influence civil society and democratic principles.

Through professional journalism, BBG networks help support specific U.S. foreign policy objectives. In 2015, MBN launched its multi-platform *Raise Your Voice* campaign, providing Iraqis with the opportunity to voice their opinions and engage in discussion on issues relevant to their daily lives and future. *Raise Your Voice* encourages Iraqi citizens to speak out and address extremism and the underlying causes of terrorism. Nearly 41 percent of Iraqi adults consume MBN programming each week.

With programming in 61 languages, thousands of media partners, and on-the-ground reporting capabilities around the world, BBG networks are also well poised to react quickly in crisis situations. In October 2014, RFE/RL and VOA launched *Current Time*, a joint Russian-language production undertaken in partnership with public and private broadcasters throughout the region. The show presents a daily 30-minute mix of news, interviews, features, and political satire to provide a "reality check" on local events and to show an alternate narrative to that which is propagated by Russian-controlled TV. The program is now carried by 25 partner stations throughout the region.

In FY 2015, the BBG continued to fight for the free flow of information around the world. According to Freedom House, Internet Freedom declined for the fifth consecutive year in 2015. BBG Internet anti-censorship efforts included achieving one trillion circumvention page views in one year on BBG-supported access tools; countering Internet censorship in 13 countries; supporting 21 BBG language services; and distributing circumvention tools in 200 languages.

In order to have impact with audiences, the BBG must provide quality programming and earn the trust of audiences. We are monitoring our progress through our impact

model, which tracks engagement, connection, and being influential with audiences, media institutions, and governments through a range of quantitative, qualitative, digital, and anecdotal indicators. With high levels of impact, the programming of BBG networks is consumed by a record worldwide audience of 226 million people in 61 languages each week.

In FY 2015, the Board hired a CEO to manage day-to-day operations of the BBG and networks. This move provides an opportunity for dedicated, full-time leadership and greater coordination and cooperation among the BBG networks, a priority of the Board and CEO in the current environment of increased competition and decreasing budgets. The BBG has established the USIM Coordinating Committee to enhance strategic cooperation among the BBG networks and will use this as a vehicle for future collaboration.

Today, the BBG is focused on several key initiatives to move forward in a challenging environment. We are:

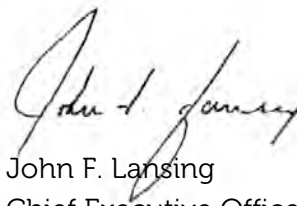
- Aggressively shifting to digital platforms to reach future leaders and influencers.
- Expanding our efforts in support of Internet freedom.
- Targeting key spheres that are aligned with foreign policy priorities, such as targeting extremism and closed societies.
- Increasing curation and acquisition of content to balance hard news with broader subjects, such as entrepreneurship and technology.
- Increasing our investments in transparency, accountability, and focus on impact.

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

We are proud to report the achievements of the Broadcasting Board of Governors during FY 2015. We strive to wisely and effectively use the resources entrusted to us by the Administration, Congress, and the public to further our mission.



Jeffrey Shell
Chairman



John F. Lansing
Chief Executive Officer and Director

November 16, 2015

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Introduction

PURPOSE OF THE PERFORMANCE AND ACCOUNTABILITY REPORT

This FY 2015 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) twelfth report providing performance and financial information. This integrated presentation of the Agency's program performance, financial

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

This report satisfies the reporting requirements of the following legislation:

STRUCTURE OF THE PERFORMANCE AND ACCOUNTABILITY REPORT

The report includes the following sections:

validation of performance measures used in the report.

Management's Discussion and Analysis (MD&A)

The MD&A is an overview of the BBG, its organizational structure, and mission. It includes a summary of the Agency's program highlights and accomplishments for FY 2015 and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2015 FMFIA internal control review and a section on management assurances.

Financial Information

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

Performance Information

The performance section presents annual program performance information as required by GPRA and GPRAMA and describes the Agency's progress in meeting its operational strategic goals. A summary of the FY 2015 performance objectives is presented, as well as information about the outcome of specific performance indicator targets and a summary explanation of the verification and

Other Information

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

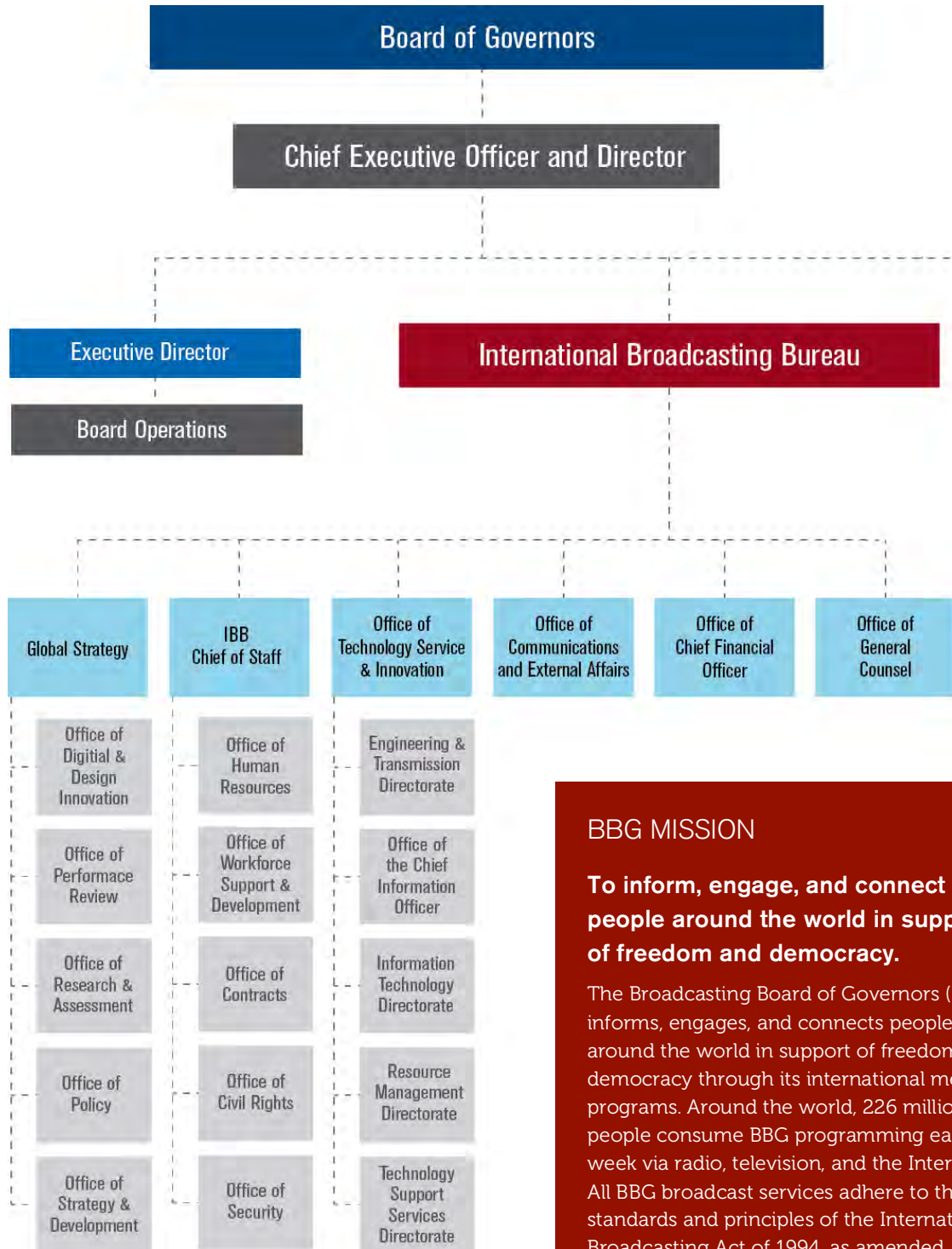
- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- Government Performance and Results Act of 1993 (GPRA)
- Government Management Reform Act of 1994 (GMRA)
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Improper Payments Information Act of 2002
- Improper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

Section 1:

Management's Discussion and Analysis

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Organizational Structure and Mission

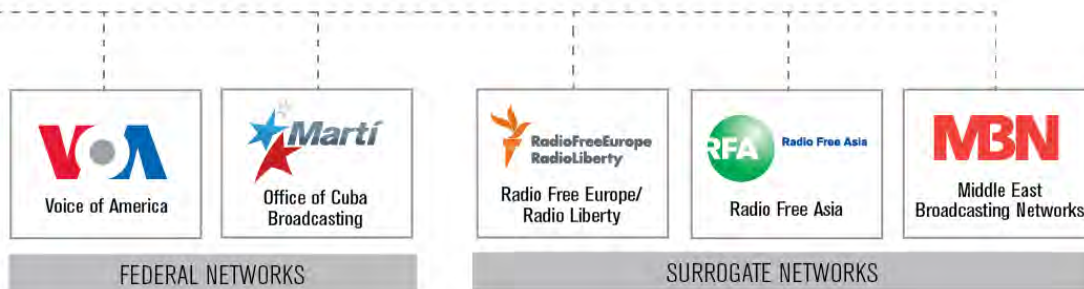


BBG MISSION

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

The Broadcasting Board of Governors (BBG) informs, engages, and connects people around the world in support of freedom and democracy through its international media programs. Around the world, 226 million people consume BBG programming each week via radio, television, and the Internet. All BBG broadcast services adhere to the standards and principles of the International Broadcasting Act of 1994, as amended, and support the BBG mission.

BBG networks report to the Board through the CEO.



BBG ORGANIZATION

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

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

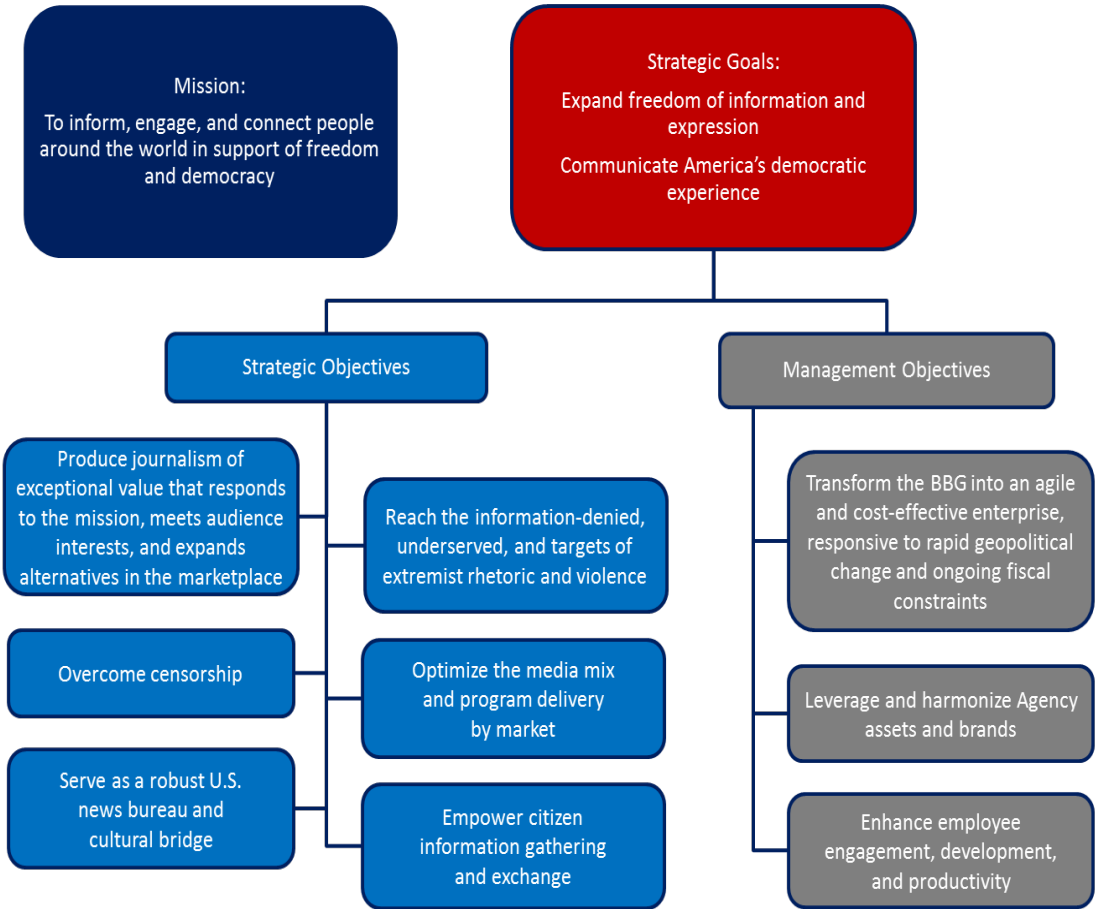
VOA, OCB, RFE/RL, RFA, and MBN, while under the direction of the BBG, have varied legal and organizational frameworks. VOA and OCB are part of the federal government. RFE/RL, RFA, and MBN are surrogate networks that receive funding from the federal government but are organized and managed as private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

FY 2015 Goals and Objectives

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

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

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

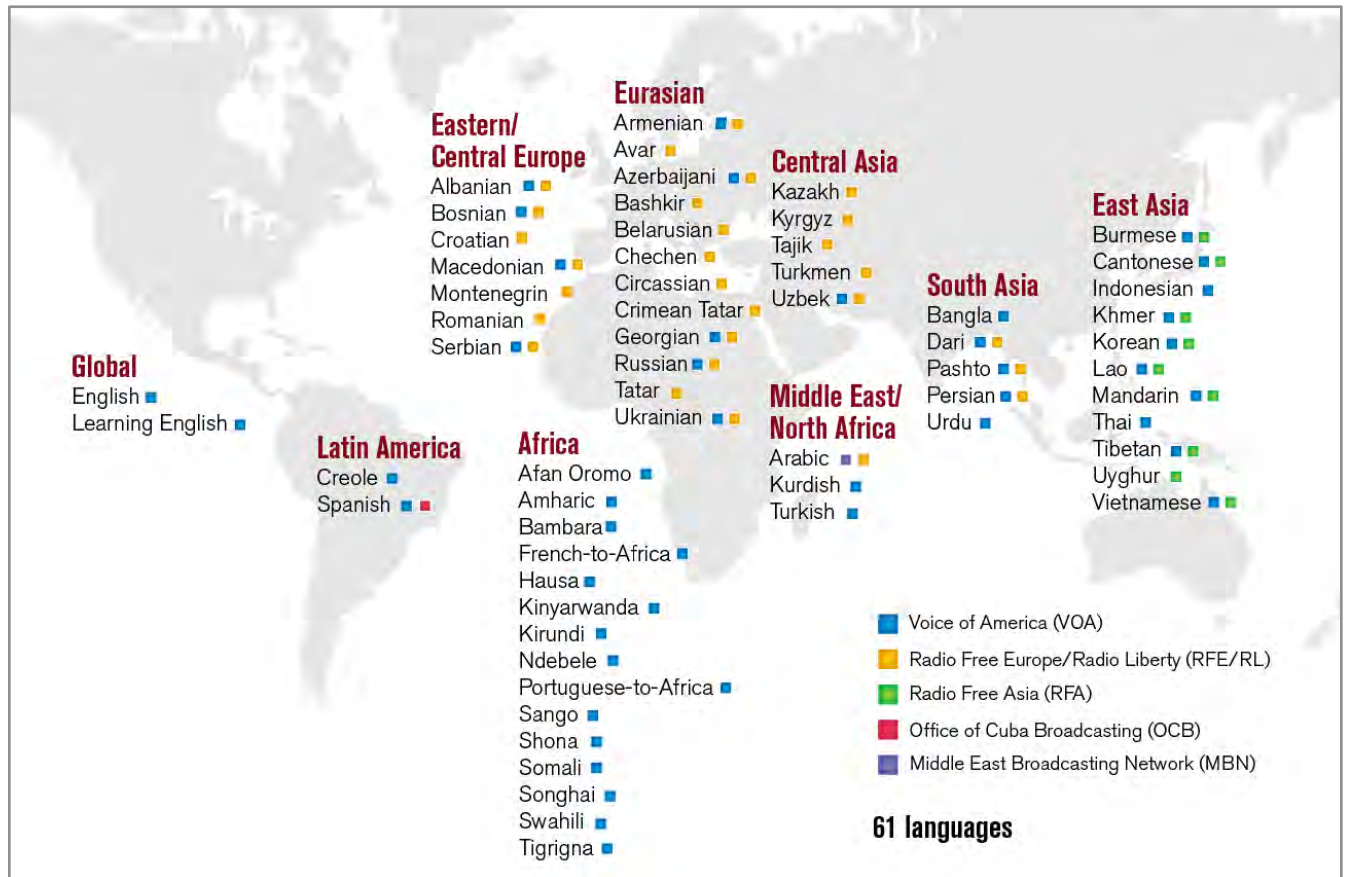


The Agency set performance goals supporting each of the Strategic and Management Objectives. Highlights of BBG’s performance in FY 2015 are presented on the following pages. Full performance results are presented in Section Two.

Performance Highlights

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

Around the world, 226 million people consume BBG programming each week in 61 languages.



Key accomplishments in FY 2015 include:

- MBN launched a digital, television, and radio campaign, *Raise Your Voice*, providing Iraqis with the opportunity to voice their opinions and engage in discussion on issues relevant to their daily lives and future. MBN has experienced a surge in digital traffic with a 65 percent increase in web page views and a 97 percent increase on mobile in the last quarter.
- RFE/RL and VOA ramped up coverage of Russia and periphery and launched a daily co-produced television program that is carried by 25 affiliates throughout the region and is watched by nearly two million people weekly online in Russia.
- RFA and VOA used digital and social media and circumvention tools to evade the Chinese firewall and engage with audiences in China. BBG distributed over one billion emails and newsletters behind the Chinese firewall this year.
- VOA, the only international source of news and information in Kirundi, led coverage of the upheaval in Burundi with expanded programming to respond to government shutdowns of private radio and social media.
- Radio Martí launched *Puente*, a news program dedicated to informing the people of Cuba on the process of normalization of relations between the U.S. and Cuba.



Top: The online portal for MBN’s *Raise Your Voice* campaign

Bottom:

VOA Central Africa reporter Edward Rwema covers crisis in Burundi.

VOA & RFE/RL launched the daily television show “Current Time” to counter Russian propaganda and disinformation.



STRATEGIC OBJECTIVE 1:

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

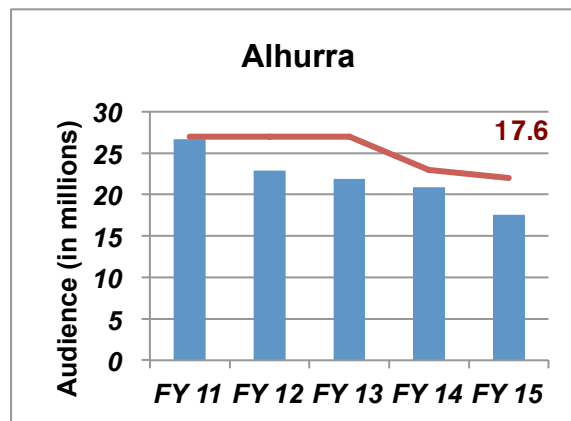
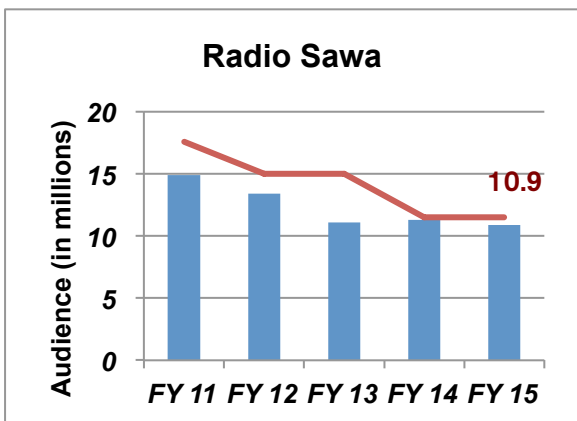
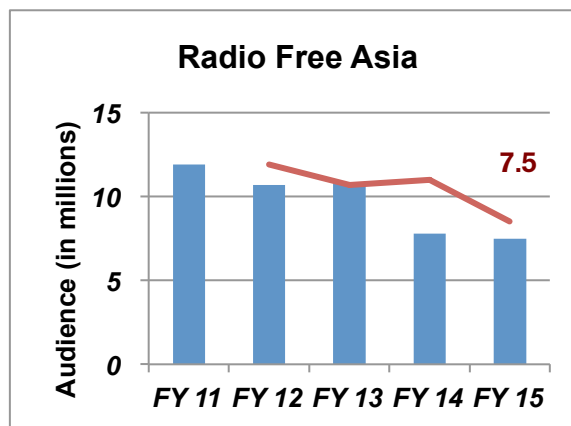
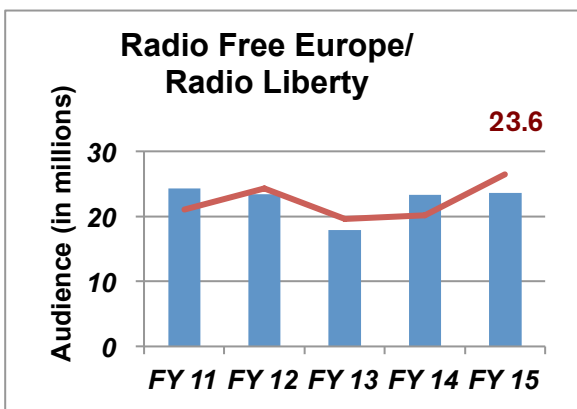
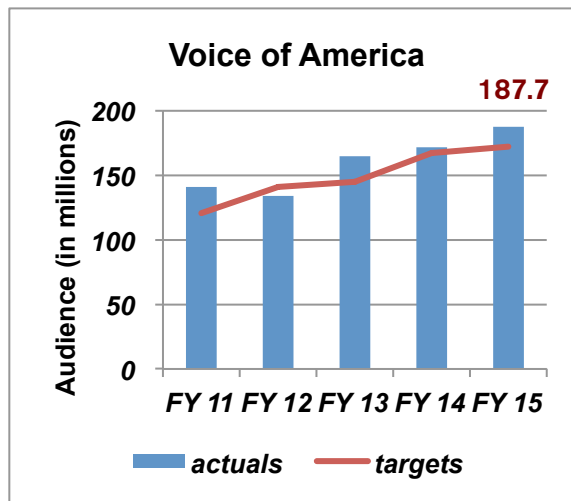
Performance Goal 1: Reach significant audiences

A key measure of BBG’s success is its weekly audience. These charts present weekly audience for BBG broadcasters from FY 2011 to FY 2015, along with the targets set by the Agency.

Impact cannot be reduced to a single quantitative factor. The BBG has developed an impact model, supported by a robust set of performance indicators to gauge success. Many of these indicators have been incorporated into other performance goals.

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

* National estimates of audience reach for OCB in Cuba are not available. For more information, please see page 30.



Ongoing Challenges

MEDIA ENVIRONMENT

Major factors shaping the global political and security context for BBG activities include barriers to freedom of information, the changing nature of communications, and threats to security from extremism and instability.

Extremist rhetoric and incitement to violence directly threaten U.S. national security interests in Iraq, Syria, Afghanistan, the FATA, the Maghreb, the Sahel, Yemen, Somalia, and elsewhere, while the surprisingly adroit adaptation of digital and social media by hostile non-state actors around the world, including the Islamic State, Boko Haram, Al Qaeda, and others, threatens core U.S. values of freedom and democracy and respect for human rights as they seek to instill fear and intimidation among local populations. The BBG brands' credible, factual, and locally relevant journalism counters these lies and half-truths and counters violent extremism.

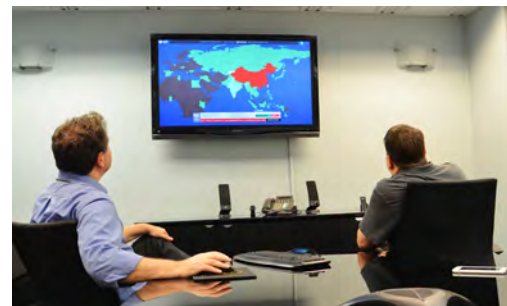
To respond to these challenges, the BBG is focused on targeting key spheres of influence aligned to U.S. foreign policy and on having and demonstrating impact.

The foremost challenge for the BBG is to deliver programming to audiences via the media and the formats they prefer, despite the instabilities and evolution of various media markets. The BBG is aggressively moving to formats and platforms that audiences prefer, including FM radio, satellite or cable TV, and digital platforms. In FY 2015, the

BBG established new FM transmitters in Bujumbura, Burundi, and Gao and Timbuktu, Mali, and reprogrammed the FM streams in Liberia, Sierra Leone, Cote d'Ivoire, Burkina Faso, and Mali, making them more relevant and attractive to audiences.

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

The BBG responds to crises and political changes worldwide with surges in broadcasting. BBG language services add additional broadcast hours and create rich content to effectively and accurately inform people affected by



The BBG Internet Anti-Censorship team reviews the volume of users utilizing BBG's online censorship circumvention tools.

crises and turmoil with very little lead-time and often with no defined end of surge. In FY 2015, VOA expanded programming to Burundi, in response to political crisis. New shortwave and enhanced FM broadcasts included listener call-in programs, providing

perspective and giving voice to public comment on the crisis. RFE/RL and VOA added new programming in Russian, carried throughout the region. BBG needs to increase its ability and authority for crisis broadcasting moving forward.



In 2015, the Voice of America was on the ground and on the air during Burundi's political crisis. Amid violence, civil unrest and a crackdown on independent media, VOA's FM in Bujumbura was one of the only radio stations left on the air, filling a vital role to get information to our audience when they need it most. Above: VOA East Africa Bureau Chief Gabe Joselow reports from Bujumbura.

AUDIENCES

Within this challenging environment, the BBG has an unprecedented weekly audience of 226 million people. BBG networks are focused on expanding their audiences and increasing their impact by targeting programming and delivery methods to engage key, strategic audiences in spheres of influence aligned with U.S. interests. Through the Strategy Review process initiated in FY 2014 and continued in FY 2015, BBG language services identified key target audiences and associated impact goals and targets.

The Agency's International Audience Research Program assists in this

endeavor, both through market research to determine audience interests and assessment of key impact measures. In addition to 20 quantitative surveys, the BBG commissioned over 25 qualitative studies in FY 2015. On the qualitative side, in addition to focus group, in-depth interview and audience monitoring panel studies, there were several studies aiming to better understand individual markets' media environments. There were also several online research projects designed to elicit feedback on BBG's performance on its own websites and on social media.



BBG's research program measures audience media use and programming preferences providing valuable insight into media habits and the needs of underserved audiences.

INFRASTRUCTURE

The BBG requires powerful and reliable infrastructure and equipment to fulfill its mission. BBG customers – audiences and affiliate stations around the world – often have a number of news choices. To ensure these programs engage target audiences, the BBG must find ways to effectively deliver high quality programs in a format that is preferred

by and accessible to the target audience. The BBG must manage a mix of media and technologies from traditional shortwave radio to satellite TV, Internet, and cell phones.

The BBG is aggressively shifting to digital platforms, targeting future leaders and influencers. Efforts include expanding and enhancing its Pangea

content management infrastructure, increasing mobile apps, and implementing agile workflows for the digital age.

On broadcast platforms, the BBG must carefully manage its transmission infrastructure to maintain a strong presence in critical markets, ensuring signal strength and reliability of broadcasts to vital areas throughout the world. The BBG works to meet this challenge by by conducting in-depth analysis to meet the constant challenge of maintaining an effective and cost-effective transmission network.

The rapidly evolving broadcast information technology (IT) market impacts much of the BBG's broadcast and transmission equipment. Different areas of the world depend on different types of broadcast technology, requiring the BBG to maintain a traditional

transmission network, while investing in new media technology to support programming efforts such as news delivery via SMS or mobile devices. New infrastructure must be established and maintained along with existing infrastructure, and this maintenance is complicated by the advent of digital technology with shorter replacement cycles. Given these constraints, the BBG strives to judiciously allocate resources to address the most critical infrastructure requirements as well as recurring technical infrastructure requirements and one-time projects.

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



BBG must maintain its transmission infrastructure to support traditional radio broadcasts, a growing television market and the digital technologies required to meet the needs of audiences rapidly turning to mobile devices for news and information.

MANAGEMENT

While audience preferences and research dictate the strategies of individual language services across the BBG, the Agency must remain flexible and capable of adapting to changes in regional priorities and broadcast strategies. The BBG must continually assess how best to scale and shape operations, including the right mix of language services, to meet the new challenges while enhancing performance.

Unpredictable global events and changing media consumption habits make it important that the Agency continually improve its ability to respond to events with agility and focus. As audience preferences in target broadcast areas have changed, the BBG has transitioned from radio-only broadcasts to multimedia news and information distribution, including

television, the Internet, text messaging, and mobile applications. Like surge broadcasts, these changes in distribution availability and audience preferences evolve quickly and require that the BBG be innovative to respond effectively and decisively.

In FY 2015, the Board hired a CEO to provide day-to-day leadership of the Agency and ensure the strategic cooperation among BBG networks.

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



BBG supports the ongoing development of its workforce through mentoring programs, increased training opportunities and access to a new online training portal for self-paced skill development.

Financial Highlights

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

The independent accounting firm, Kearney & Company, conducted our FY 2015 financial statement audit and issued an unmodified opinion on our Principal Financial Statements.

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

and the taxpayer. BBG management is responsible for the integrity and objectivity of the financial information presented in the statements.

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

Financial Highlights (in thousands)	2015	2014
At End of the Year:		
Condensed Balance Sheet Data:		
Fund Balance with Treasury	\$ 204,609	\$ 191,082
Accounts Receivable	1,656	226
Advances to Surrogate Broadcasters	44,800	55,000
Property, Plant and Equipment	111,176	116,411
Other	962	6,324
Total Assets	\$ 363,203	\$ 369,043
Accounts Payable and Other	\$ 34,789	\$ 42,038
Retirement and Payroll	44,666	40,713
Total Liabilities	\$ 79,455	\$ 82,751
Unexpended Appropriations	\$ 194,975	\$ 196,694
Cumulative Results of Operations	88,773	89,598
Total Net Position	283,748	286,292
Total Liabilities and Net Position	\$ 363,203	\$ 369,043
For the Year:		
Condensed Statement of Net Cost Data:		
Total Cost	\$ 756,070	\$ 728,831
Total Earned Revenue	(5,878)	(3,426)
Total Net Cost of Operations	\$ 750,192	\$ 725,405

Management Assurances

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

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

- **programs achieve their intended results;**
- **resources are effectively used consistent with the Agency's mission;**
- **programs and resources are properly safeguarded against waste, fraud, and mismanagement;**
- **reliable and timely information supports decision making; and**
- **the Agency complies with laws and regulations.**

For compliance with Federal Managers' Financial Integrity Act (FMFIA) of 1982 and Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, revised December 2004; the Agency head of BBG will provide the annual assurance statement on the status of,

- **Internal controls over the effectiveness and efficiency of operations and financial reporting;**
- **Compliance with applicable laws and regulations;**

- **Any reportable conditions or deficiencies that were reported in the financial statements, which are derived from independent audits, Government Accountability Office (GAO), Office of the Inspector General (OIG) reviews, inspections or audits and self-assessments conducted by BBG management;**

FMFIA Section 4 31 U.S.C.3512 (d)(2)(B) (commonly referred to as Section 4 of the Integrity Act) requires that an annual statement on whether an Agency's financial management systems conform with government-wide requirements. If the Agency's systems do not substantially conform to financial system requirements, the statement must list the non-conformances and discuss the Agency's plans for bringing its systems into substantial compliance. Based on this requirement, BBG has to be in compliance with FISMA. It was noted in OIG's FY 2015 FISMA report that BBG had significant deficiency in its enterprise-wide security.

BBG did not evaluate its management controls and financial management systems for FY 2015, in accordance with FMFIA and OMB Circular A-123. As a result of no annual self-assessment, independent audit and OIG acquisition audit, BBG has decided to report no assurance.

FINANCIAL MANAGEMENT SYSTEMS AND REPORTING INTERNAL CONTROL REVIEW

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

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

FINANCIAL MANAGEMENT SYSTEMS STRATEGIES

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

(SAM) initiative. Additionally, BBG has completed an initial implementation of Invoice Processing Platform (IPP) and is scheduled to convert to the E2 Travel Solution. BBG continues to implement greater processing efficiencies, a solid framework for upcoming requirements, and increased capabilities to remain accurate and accountable.

IMPROPER PAYMENTS PROGRAM

The Broadcasting Board of Governors (BBG) is dedicated to continuing to strengthen its improper payments program to ensure payments are legitimate, processed correctly and efficiently. The Program utilizes an experienced and trained staff, a financial management system that is designed with control functions to mitigate risk,

and an internal analysis of processes and transactions.

The BBG conducts the following steps to comply with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) and OMB Circular A-123 Appendix C, Part 1:

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

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

FY 2015 Statement of Assurance



BROADCASTING BOARD OF GOVERNORS
UNITED STATES OF AMERICA

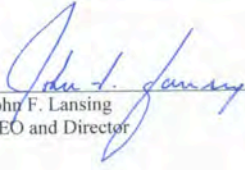
FY 2015 STATEMENT OF ASSURANCE

The Broadcasting Board of Governor's management team is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In Fiscal Year (FY) 2015, due to the untimely departure of relevant staff, the Broadcasting Board of Governors was unable to conduct its assessment of internal control over programmatic operations in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control* guidelines. Because the assessment of internal controls was not completed, the Broadcasting Board of Governors cannot provide a conclusive assurance of its internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2015.

On a related issue, the Broadcasting Board of Governors was unable to conduct its assessment of the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123 due to constraints in resources. Because the assessment of the effectiveness of internal controls was not completed, the Broadcasting Board of Governors cannot provide a conclusive assurance that as of June 30, 2015 its internal control over financial reporting was operating and that no material weaknesses were found in the design or operation of internal control over financial reporting.

BBG management recognizes that strong internal controls are critical to BBG's mission, and that these include an A-123 internal control assessment program. To address this issue, we are committed to investing the resources required to implement a robust program beginning in FY 2016.

For FY 2014, BBG reported three material weakness conditions based on concurrence with the independent financial audit report. During FY 2015, BBG made significant progress to address these areas by strengthening grants management and property management, and by mitigating invalid unliquidated obligations (ULOs). The Grants Management Team has added an experienced Grants Manager, and the Agency is actively recruiting a specialized Property Manager. We resolved concerns about the Agency's estimation of grant advances and our lease accounting improved. The Office of the CFO allocated a specialized position to focus on resolving expired ULOs and adjusted a Standard Operating Procedure to streamline the process. This resulted in a ULO reduction totaling more than \$6 million. These improvements notwithstanding, these material weaknesses will not be completely remediated at the close of FY 2015. By maintaining our committed efforts, BBG leadership is confident that, in collaboration with the OIG, we will successfully address the remaining concerns.


John F. Lansing
CEO and Director

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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 the realization that they are for a component of the United States Government, a sovereign entity.

Section 2: Performance Information

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FY 2015 Goals, Objectives, and Results

SUMMARY OF THE 2014-2018 BBG STRATEGIC PLAN

The BBG's 2014-2018 strategic plan continues an ambitious roadmap to refine and expand the reach and impact of U.S. international media in support of U.S. strategic interests. The plan informs the FY 2016 budget request and continues the integration of performance, budget planning, and management of the BBG.

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

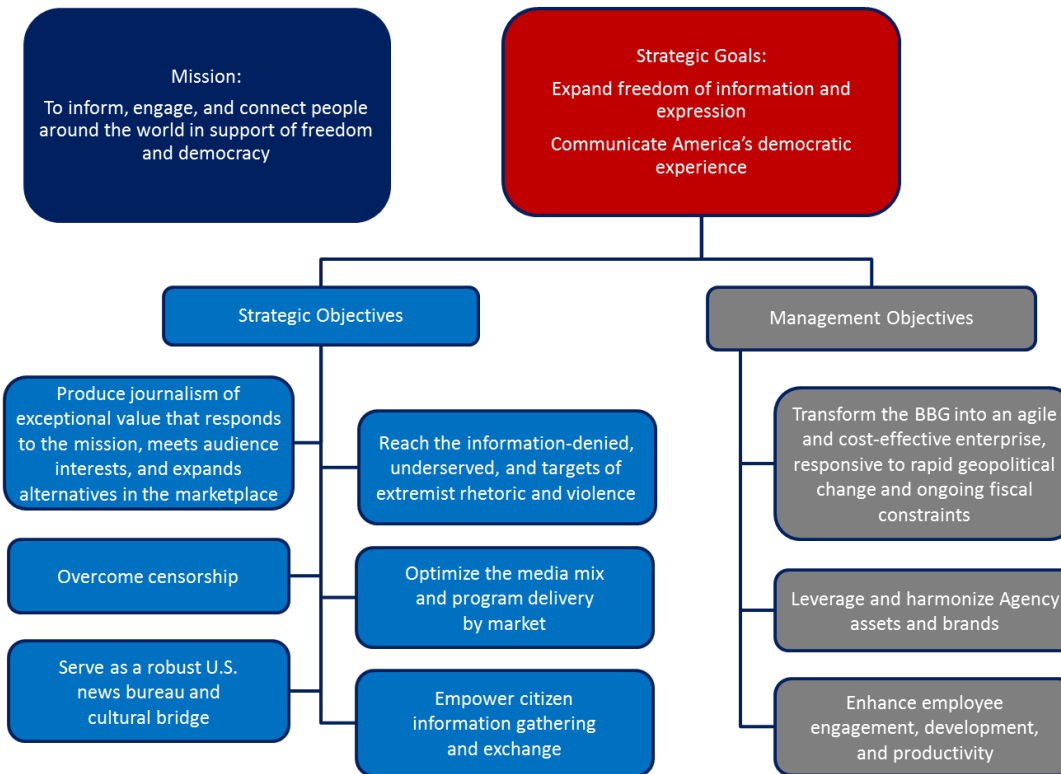
This mission is achieved through two strategic goals:

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

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

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

STRATEGIC AND MANAGEMENT OBJECTIVES



STRATEGIC OBJECTIVE 1:

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

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

audiences become sophisticated consumers of news and media.

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

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

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

Performance Goal 1: Reach significant audiences.

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

Weekly Listening/Viewing Audiences (in millions)	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
BBG	187	175	206	215	NA	226
VOA	141.1	134.2	164.6	171.6	172.0	187.7
RFE/RL	24.3	23.4	17.9	23.3	26.5	23.6
RFA	11.9	10.7	10.8	7.8	8.5	7.5
MBN	35.5	30.9	31.8	29.3	NA	25.7
Radio Sawa	14.9	13.4	11.1	11.3	11.5	10.9
Alhurra	26.7	22.9	21.9	20.9	22.0	17.6
OCB	NA	NA	NA	NA	NA	NA

Notes:

- FY 2015 targets are from the FY 2016 Congressional Budget Request.
- MBN’s audience is artificially low for FY 2015 because it does not include Syria, where MBN’s last-recorded weekly audience was 4.3 million. The last Syria survey was collected more than five years ago (2010), the cutoff date for including survey data in BBG’s calculations.
- Beginning with the FY 2017 budget and FY 2015 PAR, BBG is reporting performance indicators for MBN overall and will discontinue reporting separately on Radio Sawa and Alhurra in subsequent years. This move brings them in line with the other broadcast entities and allows inclusion of MBN’s Afia Darfur audiences.

IMPACT INDICATOR:

Regular Listening/ Viewing Audience (Overall Weekly Audiences):

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

consistently defined as all adults listening or viewing at least once a week, as determined by an audience survey that has an adequately designed sample. The BBG does not conduct surveys in every country every year, so audience figures may in some cases reflect weekly audience measures collected from up to five years in the past. This may result in an over or underestimation of actual audience. Additionally, political volatility in certain markets may prevent the measurement of current audiences for services broadcasting to these areas.

Analysis of Results:

VOA – Target: 172.0 million Actual: 187.7 million

With a weekly audience of 187.7 million, VOA exceeded its FY 2015 target of 172.0 million. VOA’s customized affiliation strategy is a major audience driver, in particular for TV. The bulk of VOA’s growth comes from large audience increases in Mexico and Nigeria, where VOA partners with leading television stations. The strong growth of social media supported the increase in VOA’s China audience. Other major increases in VOA’s audience stem from increased survey coverage in some countries that were previously limited to capital city or urban coverage (Thailand, Angola).

RFE/RL – Target: 26.5 million Actual: 23.6 million

RFE/RL’s weekly audience increased to 23.6 million in FY 2015, but fell short of its target of 26.5 million. There are two key reasons why RFE/RL fell short of its FY15 audience target. The transfer of Radio Free Iraq to MBN removed over 2 million weekly users from RFE/RL’s measured audience, offsetting audience gains in Armenia, Kyrgyzstan, Serbia, Tajikistan, and a handful of other markets. In addition, results from studies measuring new products in Latvia, Lithuania, and Russia were not finalized in time to be included in the audience estimate although audiences from these markets had been included in previous forecasts.

RFA – Target: 8.5 million Actual: 7.5 million

RFA’s weekly audience decreased slightly from 7.8 million to 7.5 million in FY 2015, falling short of its target of 8.5 million. Audience gain in Vietnam was offset by the dropping of the Taiwan survey, which is no longer current.

MBN (Radio Sawa) – Target: 11.5 million Actual: 10.9 million

With a measured audience of 10.9 million in FY 2015, Radio Sawa fell short of the target of 11.5 million. This decrease is due to the fact that the audience estimate does not include Syria, where Radio Sawa’s last recorded weekly audience was 1.6 million.

MBN (Alhurra) – Target: 22.0 million Actual: 17.6 million

With a measured audience of 22.0 million in FY 2015, Alhurra fell short of the target of 17.6 million. This decrease is due to the fact that the audience estimate does not include Syria, where Alhurra’s last recorded weekly audience was 3.3 million.

OCB (Radio and TV Marti) – Target: NA Actual: NA

Because of the historical limitations of reliable survey data in Cuba, it has not been possible to reliably measure weekly audience for OCB. BBG anticipates conducting a survey and reporting results in FY 2016 and will set future targets at that time.

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

Performance Goal 2: Provide programming that audiences find trustworthy.

Program Credibility – percent of weekly audience who consider information to be very or somewhat trustworthy	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	93	92	89	89	90	86
RFE/RL	93	93	92	92	93	88
RFA	92	92	89	87	89	84
MBN	NA	NA	NA	NA	86	86
Radio Sawa	92	89	85	83	86	NA
Alhurra	88	84	84	84	86	NA
OCB	NA	NA	NA	NA	NA	NA

IMPACT INDICATOR:

Program Credibility:

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

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

Analysis of Results:

VOA – Target: 90 Actual: 86

VOA’s program credibility score of 86 percent in FY 2015 missed the target of 90 percent. VOA continues to hold a high level of credibility among its audience with 86 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.

RFE/RL – Target: 93 Actual: 88

RFE/RL’s program credibility score of 88 percent in FY 2015 missed the target of 93 percent. RFE/RL continues to hold a high level of credibility among its audience with 88 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.

RFA – Target: 89 Actual: 84

RFA’s program credibility score of 84 percent in FY 2015 did not meet the target of 89 percent. RFA continues to hold a high level of credibility among its audience with 84 percent of weekly listeners, viewers, and online users rating its programming as very or somewhat trustworthy.

MBN – Target: 86 Actual: 86

MBN achieved a program credibility score of 86 percent in FY 2015, exactly meeting its target of 86 percent.

OCB – Target: NA Actual: NA

Due to historical limitations of reliable survey data in Cuba, it has not been possible to reliably measure credibility for OCB. BBG anticipates conducting a survey and reporting results in FY 2016 and will set future targets at that time.

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

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

Understanding – percent of weekly audience who report that the broadcasts have increased their understanding of current events somewhat or a great deal	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	88	88	90	90	91	85
RFE/RL	91	91	90	86	88	84
RFA	83	92	97	88	90	80
MBN	NA	NA	NA	NA	81	81
Radio Sawa	70	70	80	77	81	NA
Alhurra	70	72	79	77	81	NA
OCB	NA	NA	NA	NA	NA	NA

Note: Because of the limitations of reliable survey data in Cuba, it is not possible to reliably measure understanding for OCB.

IMPACT INDICATOR:

Understanding of current events:

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

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

Analysis of Results:

VOA – Target: 91 Actual: 85

VOA's understanding score of 85 percent in FY 2015 fell short of the target of 91 percent. VOA continues to increase the understanding of current events among a significant portion of its audience with 85 percent of weekly listeners, viewers, or online users reporting that its programs increased their understanding of current events

RFE/RL – Target: 88 Actual: 84

RFE/RL's understanding score of 84 percent in FY 2015 was close to the target of 88 percent. RFE/RL continues to increase the understanding of current events among a significant portion of its audience with 84 percent of weekly listeners, viewers, or online users reporting that its programs increased their understanding of current events.

RFA – Target: 90 Actual: 80

RFA's understanding score of 80 percent in FY 2015 did not meet the target of 90 percent. RFA continues to increase the understanding of current events among a significant portion of its audience with 80 percent of weekly listeners, viewers, or online users reporting that its programs increased their understanding of current events.

MBN – Target: 81 Actual: 81

MBN achieved an understanding score of 81 percent in FY 2015, exactly meeting their target.

OCB – Target: NA Actual: NA

Due to historical limitations of reliable survey data in Cuba, it has not been possible to reliably measure understanding for OCB. BBG anticipates conducting a survey and reporting results in FY 2016 and will set future targets at that time.

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

Performance Goal 4: Provide exceptional news and information.

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

Note: This is a new measure in FY 2015. Actuals for FY 2011-2014 are not available. Baselines are based on a small subset of countries, those surveyed since 2013. There was insufficient data to report uniqueness scores for RFA, MBN and OCB.

IMPACT INDICATOR:

Uniqueness:

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

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

Analysis of Results:

Baselines for FY 2015 are presented here. Targets are set for FY 2016 and 2017.

STRATEGIC OBJECTIVE 2:

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

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

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

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

Performance Goal 1:

Increase audiences in environments subject to extremist violence.

	FY 2014 Baseline ¹	FY 2015 Target	FY 2015 Actual
Maintain significant audience in Iraq ²	35.5%	35.5%	42.4%
Maintain significant TV audience in the Persian Gulf ³	3.9 million	4.0 million	4.0 million
Increase weekly audience in Francophone Sub-Saharan Africa ⁴	8.9 million	8.9 million	8.9 million
Increase weekly audience in Anglophone Sub-Saharan Africa ⁵	33.0 million	34.0 million	34.6 million
Increase weekly audience in Kenya	6.0% (Oct 2013)	0.5 percentage points additional weekly audience (over FY 2013/14 levels)	12.1% (Aug 2015)
Increase weekly audience in Tanzania	20.3% (Sep 2012)	0.5 percentage point additional weekly audience (over FY 2013/14 levels)	17.8% (Jun 2015)
Increase weekly audience in Nigeria	16.9% (Mar 2014)	2 percentage point additional weekly audience (over FY 2013/14 levels)	18.1% (Jun 2015)
Increase weekly audience in Niger	16.0% (Dec 2013)	0.5 percentage points additional weekly audience (over FY 2013/14 levels)	16.0% (Dec 2013)

(Continued from page 36)

	FY 2014 Baseline ¹	FY 2015 Target	FY 2015 Actual
Increase weekly radio audience in capital cities where BBG operates an FM transmitter ⁶	Accra, Ghana: 4.8% Abidjan, Cote d'Ivoire: 14.5% Bamako, Mali: 7.6% Bangui, Central African Republic: 15.3% Freetown, Sierra Leone: 6.2% Hargeisa, Somalia: 41.3% Juba, South Sudan: 27.7% Kigali, Rwanda: 46.5% Nairobi, Kenya: 5.2% N'Djamena, Chad: 44.1% Nouakchott, Mauritania: no data Ougadougou, Burkina Faso: 9.9% ⁷ Sao Tome, Sao Tome and Principe: no data	7% weekly audience in each capital city with a new BBG FM transmitter	Accra, Ghana: 4.8% Abidjan, Cote d'Ivoire: 7.7% Bamako, Mali: 7.6% Bangui, Central African Republic: 15.3% Freetown, Sierra Leone: 38.5% Hargeisa, Somalia: 41.3% Juba, South Sudan: 27.7% Kigali, Rwanda: 46.5% Nairobi, Kenya: 23.4% N'Djamena, Chad: 44.1% Nouakchott, Mauritania: no data Ougadougou, Burkina Faso: 10.8% Bujumbura, Burundi: 12.0% Dakar, Senegal: 1.4% Monrovia, Liberia: 52.4% Sao Tome, Sao Tome and Principe: no data

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

² Iraq includes audience for Alhurra, Radio Sawa, and VOA Kurdish.

³ Survey dates: Bahrain (Dec 2014); Kuwait (Jan 2014); Qatar (Jun 14); Saudi Arabia (Nov 2012); UAE (Apr 11); Yemen (July 14); Total surveyed population in 5 countries = 33.4 million

⁴ Survey dates: Benin (Jun 2013); Burkina Faso (May 2015); Burundi (Oct 2014); Cameroon (Apr 2013); Central African Republic (Nov 2012); Chad (Oct 2012); Congo, Brazzaville (Jun 2013); Congo, Kinshasa (Nov 2012); Cote d'Ivoire (Jun 2015); Guinea (Jun 2014); Mali (Dec 2013); Rwanda (May 2014); Senegal (May 2015).

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

⁶ Survey dates are the same as above.

⁷ In 2014, audience in Ougadougou, Burkina Faso reflects radio and television audiences; it cannot be disaggregated.

IMPACT INDICATOR:

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

Analysis of Results:

Audience met targets in FY 2015 in Iraq, the Persian Gulf, Francophone Africa, Anglophone Africa, and Kenya. Audience fell short of targets in Tanzania and Nigeria. New data was not available for Niger. Audience targets were met for 12 of 14 FMs in African capital cities.

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

Performance Goal 2:

Increase audiences in environments lacking information.

	FY 2014 Baseline	FY 2015 Target	FY 2015 Actual
Expand weekly audience in Burma	11.2% (Mar 2014)	+1 percentage points	11.2% (Mar 2014)
Expand weekly audience in Cambodia	30.8% (Jun 2014)	+1 percentage points	39.5% (May 2015)
Expand weekly audience in Vietnam	1.9% (Mar 2013)	+1 percentage points	3.6% (Mar 2015)
Expand digital audience in China	0.03% (Nov 2009)	+0.5 percentage points	0.25% (Jun 2014)

IMPACT INDICATOR:

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

Analysis of Results:

FY 2015 audience targets were met for Cambodia and Vietnam. Digital audience in China increased, but did not meet the target. New data was unavailable for Burma.

Performance Goal 3:

Reach audiences with fact-based, credible information in environments targeted by state-sponsored misinformation campaigns.

	FY 2015 Baseline
Increase audience in the Russian Federation	2.7% (Dec 2013)
Increase audience in Ukraine	20.8% (Apr 2014)
Increase audience in Moldova	8.3% (Oct 2010)
Increase audience in Kazakhstan	0.9% (Jan 2011)
Increase audience in Tajikistan	6.8% (Nov 2014)
Attract audiences in Estonia	5.2% (Aug 2015)
Attract audiences in Latvia	No data
Attract audiences in Lithuania	No data
Provide programming that audiences find trustworthy	Russia: 91.9% (Dec 2013) Ukraine: 93.4% (Apr 2014) Moldova: 88.8% (Oct 2010) Kazakhstan: no data Tajikistan: 87.8% (Nov 2014) Estonia: no data Latvia: no data Lithuania: no data

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

IMPACT INDICATOR:

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

Analysis of Results:

FY 2015 baselines are presented here. Targets are set for FY 2016 and 2017.

Contextual Indicators:

2015 Freedom House Rankings	# of BBG target countries ranked		
	Not Free	Partly Free	Free
Freedom of the Press	61	51	10
Freedom in the World (political)	51	46	25

STRATEGIC OBJECTIVE 3: **Overcome Censorship**

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

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

Performance Goal 1:

Increase traffic through Internet Anti-Censorship products

	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Increase proxy traffic through Ultrasurf	NA	19,210 TB	20,000 TB	21,900 TB	22,000 TB	18,250 TB
Increase proxy traffic through Psiphon	NA	420 TB	1,961 TB	4,125 TB	5,000 TB	8,900 TB
Increase Satellite Internet traffic to Cuba	NA	24 GB	138 GB	17 GB	24 GB	9 GB

STRATEGIC OBJECTIVE 3:
Overcome censorship

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

IMPACT INDICATORS:

Proxy Traffic through Ultrasurf:

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

Proxy Traffic through Psiphon:

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

Satellite Internet Traffic to Cuba:

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

Analysis of Results:

Proxy Traffic through Ultrasurf – Target: 22,000 TB Actual: 18,250 TB

With 18,250 TB of traffic in FY 2015, proxy traffic through Ultrasurf did not meet its target of 22,000 TB.

Proxy Traffic through Psiphon – Target: 5,000 TB Actual: 8,900 TB

With 8,900 TB of traffic in FY 2015, proxy traffic through Psiphon greatly exceeded its target of 5,000 TB.

Satellite Internet Traffic to Cuba – Target: 24 GB Actual: 9 GB

With 9GB of traffic in FY 2015, satellite Internet traffic to Cuba did not meet its target of 24 GB. In 2014, satellite Internet traffic to Cuba decreased markedly due to contractual limitations on bandwidth. Bandwidth ran out in 2013 and people stopped using the system. Since acquiring new bandwidth, users have been slow to return. It is hoped that given time and increased funding, numbers can return to the initial growth rate.

Contextual Indicator:

2015 Freedom House Rankings	# of BBG target countries ranked	
	Not Free	Partly Free
Freedom on the Net	10	2

STRATEGIC OBJECTIVE 4:

Optimize the media mix and program delivery by market

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

- Exploit the falling cost of video production by updating our broadcasting facilities to support growing audience appetite for TV and video. Support audience's growing appetite for social media, TV, and video by purchasing equipment and rebuilding aging infrastructure and broadcasting facilities.
- Increase distribution on platforms that we know audiences are using – FM, satellite TV, and mobile devices – migrating away from legacy platforms where they do not reach audiences.
- Find creative ways to penetrate closed societies, through flash drives, DVDs, and other alternative delivery means.
- Expand local distribution through affiliation with strong digital outlets, local television and FM radio stations and, where possible, installation of FM transmitters.
- Draw on research and other inputs to tailor format and presentation styles to audience needs and media usage habits, creating content that can break through ever increasing clutter.
- Integrate and digitize all content – e.g. text, audio, photos, graphics, and video – on a common content management system to facilitate use across platforms, support on-demand needs of the audience, and increase use via syndication.

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

Performance Goal 1: Increase web and mobile traffic.

Average weekly visits to web and mobile sites	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	4,948,200	5,443,000	5,990,400
RFE/RL	5,911,900	6,503,100	7,890,400
RFA	922,700	1,015,000	764,700
MBN	NA	NA	249,400
Radio Sawa	243,000	267,300	111,700
Alhurra	147,200	161,900	137,700
OCB	75,000	82,500	119,200

Note: Numbers do not include some proxy visits and apps. In FY 2014, the BBG made an investment in enterprise-quality digital analytical systems to provide a digital measurement and insights across all of its websites and mobile applications. This switch resulted in data discontinuity that required rebaselining in FY 2014. For FY 2015, VOA, RFE/RL, RFA, and OCB numbers are based on the initial configuration of the new analytics tool; MBN numbers are from the legacy analytics tool. In FY 2015, all numbers are from the new analytics tool.

IMPACT INDICATOR:

Average weekly visitors:

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

VOA – Target: 5,443,000 Actual: 5,990,400

VOA’s web and mobile traffic exceeded the target set for FY 2015.

RFE/RL – Target: 6,503,100 Actual: 7,890,400

RFE/RL’s web and mobile traffic exceeded the target set for FY 2015.

RFA – Target: 1,015,000 Actual: 764,700

RFA’s web and mobile traffic did not meet the target set for FY 2015.

MBN (Radio Sawa) – Target: 267,300 Actual: 111,700

Radio Sawa’s web and mobile traffic did not meet the target set for FY 2015.

MBN (Alhurra) – Target: 161,900 Actual: 137,700

Alhurra’s web and mobile traffic did not meet the target set for FY 2015.

OCB – Target: 82,500 Actual: 119,200

OCB’s web and mobile traffic exceeded the target set for FY 2015.

Performance Goal 2: Build strong affiliate relationships.

Number of affiliations (broadcast, online, and mobile)	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	371	383	2,252	1,838	1,900	2,088
RFE/RL	65	81	759	528	540	577
RFA	7	14	29	23	26	30

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

Note: In FY 2013, the BBG changed its methodology for counting affiliates. This stemmed, in part, from an upgrade to its affiliate database to promote better communication with affiliates, as well as the growing importance of digital outlets. Where previously only high impact, high quality radio and TV affiliates with signed

contracts were tallied, the affiliation indicator now counts all stations or outlets that regularly retransmit content from BBG networks. The methodology for counting affiliates was further refined in FY 2014. Previous estimates for RFE were undercounted.

IMPACT INDICATOR:

Affiliations:

Affiliates are a primary gatekeeper between the BBG networks and their end users – the audiences that listen, watch, and read their content online, on mobile and by broadcast outlets. Counting the number of affiliates, then, offers a measure of the appeal of the programming to these vital gatekeepers and distributors of the BBG networks' content. As shortwave usage wanes in parts of the world, the importance of affiliations with local medium wave and FM radio and television stations grows. With the growth of digital and mobile technology, there are new forms of

affiliations, including online and mobile. In FY 2013, the BBG changed its methodology for counting affiliates. This stemmed, in part, from an upgrade to its affiliate database to promote better communication with affiliates, as well as the growing importance of digital outlets. Where previously only high impact, high quality radio and TV affiliates with signed contracts were tallied, the affiliation indicator now counts all stations or outlets that regularly retransmit content from BBG networks.

Analysis of Results:

VOA Affiliates – Target: 1,900 Actual: 2,088

With 2,088 VOA affiliates, BBG exceeded its target of 1,900 affiliations in FY 2015.

RFE/RL Affiliates – Target: 540 Actual: 577

With 577 RFE/RL affiliates, BBG exceeded its target of 540 affiliations in FY 2015.

RFA Affiliates – Target: 26 Actual: 30

With 30 RFA affiliates, BBG exceeded its target of 26 affiliations in FY 2015.

STRATEGIC OBJECTIVE 5:

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

Representing American society and presenting and discussing U.S. policy are legislated mandates for the Agency and thus constitute mission imperatives. BBG coverage of the U.S. is comprehensive across all elements of society but aims overall to convey the practice of democracy in all of its complexity. It is not about persuading audiences to like us; it is about helping them see how we manage the challenges of our democratic society – from economic growth to fiscal crises to race relations to educating our youth to addressing environmental change. These topic areas find ready comparisons in our target countries and resonate with our audiences in practical, meaningful ways. Carrying them out requires sensitivity and creativity. Currents of anti-Americanism still run strong in some parts of the world, necessitating deft outreach on our part that stresses dialogue not monologue. The way people interact with media today, with emphasis on interaction, further affirms this approach. At the same time, America's still dominant role on the global stage makes our country a focal point of international attention, and our national language is the one that tens of millions of people around the world seek to learn. VOA, in particular, is uniquely

mandated and positioned to leverage these advantages to connect with diverse international audiences, serving as a U.S. news bureau for our affiliate partners and providing English-learning programming.

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

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

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

Understanding of American society – percent of weekly audience who report that the broadcasts have increased their understanding of U.S. society somewhat or a great deal	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	66	67	60

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available. Baselines for this measure are based on a very small sample of countries—mainly those surveyed since 2013.

Understanding of U.S. foreign policy – percent of weekly audience who report that the broadcasts have increased their understanding of U.S. foreign policy somewhat or a great deal	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	64	66	61

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available. Baselines for this measure are based on a very small sample of countries—mainly those surveyed since 2013.

IMPACT INDICATORS:

Understanding of American Society:

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

Understanding of U.S. Foreign Policy:

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

Analysis of Results:

Understanding of American Society – Target: 67 Actual: 60

VOA's score for understanding of U.S. American society was 60 for FY 2015, falling short of the target of 67. The drop from the target figure is coming from Bosnia, where the previous result captured in 2011 was very high for this deeply divided market that remains highly skeptical of outside influence. BBG is considering using weighted averages for impact indicators in the future to ensure that such comparatively minor fluctuations do not have outsized effects on the entity's average score.

Understanding of U.S. Foreign Policy – Target: 66 Actual: 61

VOA's score for understanding of U.S. foreign policy was 61 for FY 2015, falling short of the target of 66. The drop from the target figure is coming from Bosnia, where the previous result captured in 2011 was very high for this deeply divided market that remains highly skeptical of outside influence. BBG is considering using weighted averages for impact indicators in the future to ensure that such comparatively minor fluctuations do not have outsized effects on the entity's average score.

STRATEGIC OBJECTIVE 6:

Empower citizen information gathering and exchange

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

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

Performance Goal 1: Increase audience interaction via social media.

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

STRATEGIC OBJECTIVE 6: Empower citizen information gathering and exchange

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available.

IMPACT INDICATOR:

Digital Engagement Impact Index:

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

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

Analysis of Results:

The BBG did not meet the goal of establishing baselines during FY 2015, due to a required reconfiguration of the data collection tool. Baselines will be set in FY 2016.

STRATEGIC
OBJECTIVE 6:
Empower citizen
information
gathering and
exchange

Performance Goal 2: Increase sharing of BBG programming.

Percent of weekly audience who shared something heard/read/seen on broadcaster weekly	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
VOA	54	54	52
RFE/RL	48	50	54
RFA	55	55	56
MBN	NA	NA	NA
OCB	NA	NA	NA

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available. Baselines for this measure are based on a very small sample of countries—mainly those surveyed since 2013.

IMPACT INDICATOR:

Sharing of programming:

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

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

Analysis of Results:

VOA – Target: 54 Actual: 52

VOA's score for sharing of programming was 52 in FY 2015, narrowly missing its target of 54.

RFE/RL – Target: 50 Actual: 54

RFE/RL's score for sharing of programming was 54 in FY 2015, exceeding its target of 50.

RFA – Target: 55 Actual: 56

RFA's score for sharing of programming was 56 for FY 2015, meeting its target of 55.

MANAGEMENT OBJECTIVE 1:

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

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

operations, with a part-time board of directors focused on strategy, budget, and public outreach.

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

Performance Goal 1: Restructure Agency management

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Pursue CEO appointment	CEO selected	Hire CEO	CEO was sworn in on September 3.

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

INDICATOR:

CEO appointment:

This goal presented milestones along the way to a CEO appointment.

Analysis of Results:

CEO appointment – Target – Hire CEO; Actual – CEO hired

The BBG met this milestone, swearing in a new CEO on September 3.

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

Performance Goal 2: Enhance the Agency’s technological posture

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Execute seamless transition to Internet and fiber optic content distribution to stations and uplinks	MPLS infrastructure put in place to facilitate satellite optimization. MPLS has replaced leased fiber optic cables. 80% of owned uplink facilities have MPLS connectivity.	100% of owned uplink facilities have MPLS connectivity. All satellite based circuits used for agency data (non-broadcast content) moved from satellite to terrestrial circuits. 15% of satellite-based distribution feeds transferred to terrestrial circuits.	80% of BBG owned/operated uplink facilities have MPLS connectivity. 100% of satellite based circuits used for agency data (non-broadcast content) moved from satellite to terrestrial circuits. 15% of satellite-based distribution feeds have been transferred to terrestrial circuits.

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available.

INDICATOR:

Satellite uplinks fed by MPLS:

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

Analysis of Results:

Satellite uplinks fed by MPLS – Target: 100% Actual 80%

The BBG has made great progress on this goal and currently four out of five BBG owned and operated uplinks have MPLS connectivity. BBG does not have MPLS connectivity at the Kuwait Transmitting Station because it has been unable to procure “last mile” fiber or microwave connectivity to the station from local vendors at a reasonable price point that would justify the investment.

Performance Goal 3: Transform workplace and increase collaboration

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Leverage open space concepts	41% of total footprint	53% of total footprint	42% of total footprint

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

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available.

INDICATOR:

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

Analysis of Results:

Open space – Target: 53% Actual 42%

With 42% of the headquarters configured as open space in FY 2015, BBG did not meet the target of 53%, due to leadership changes and the GSA redesign approval process. Future gains will be constrained by the fact that 33% of the total footprint is technical space not suitable for open space concepts, e.g., conference rooms, data rooms, and broadcasting studios.

Performance Goal 4: Automate and streamline key business processes

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Complete business process reengineering and automation of business and media workflows	Automated Time and Attendance system has been delayed due to unavailability of funds; Analysis of Financial, HR and Payroll systems substantially underway and on track for completion in Q1 FY 2015	Automate time and attendance system; Integrate financial, HR, payroll, and time and attendance systems; Automate invoice submission and processing.	Automated Time and Attendance System in testing phase. Pilot to roll-out in Q1 FY 2016; Integration of HR and Payroll delayed due to planning and funding issues; 80% of Procure to Pay analysis completed.

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

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available.

INDICATOR:

Business process reengineering and automation:

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

Analysis of Results:

Time and attendance system automation

Testing of the new time and attendance system was accomplished in FY 2015. Rollout is expected in the first quarter of FY 2016.

Financial, HR, and Payrolls systems integration

Integration of HR and Payroll has been delayed due to planning and funding issues.

Invoice submission and processing

The BBG has completed 80% of the analysis for Procure to Pay automation.

MANAGEMENT OBJECTIVE 2:

Leverage and harmonize Agency assets and brands

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

unique and respective mission-driven legislated roles in areas served by multiple broadcasters.

- Ensure coordinated and complementary mission-driven operations and content served by two BBG media entities.
- Build the internal content-sharing network, aligning internal editorial support and coordination, as needed.
- Channel original reporting from the language services to the central newsrooms and across the BBG to get maximum mileage out of the content we currently produce.
- Harmonize news gathering, including stringer and correspondent networks, across the

- BBG to ensure required editorial coordination and avoid redundancy.
- Use our coordinated news gathering and reporting structures as assets to provide affiliates with greater value, through interactive segments and other special offerings.
- Research and develop translation capacities, partnering, as appropriate, with outside organizations to access expertise and resources, as needed.

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

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Establish shared strategies, operational plans, and budgets; enter evidence into SMART (Strategic Management and Audience Research Tool)	Shared strategies and plans for Iran, Ukraine, Caucasus, and Balkans	Asian markets served by VOA and RFA	Progress has been limited

MANAGEMENT OBJECTIVE 2:
Leverage and harmonize agency assets and brands

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available.

INDICATOR:

Harmonization:

This goal marks progress in coordinating strategies, operational plans, and budgets across BBG entities that serve the same countries or regions.

Analysis of Results:

Harmonization – Target: Asian markets Actual: Limited progress

Progress has been limited on coordination in Asian markets, but is expected to improve with new leadership and the reestablishment of the USIM Internal Coordinating Committee (ICC).

MANAGEMENT
OBJECTIVE 2:
Leverage and
harmonize agency
assets and brands

**Performance Goal 2:
Increase the quantity of original reporting shared across language services**

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Share content across language services	Various systems in place for sharing among language services and entities (e.g., News Share, VOA Insights, RFE/RL Editorial Agenda). Tracking systems and baselining moved to FY 15 target.	Build tracking mechanisms into existing systems and establish baseline for shared content	Tracking mechanisms have not been established

Note: This was a new measure in FY 2014. Actuals from FY 2011-2013 are not available.

INDICATOR:

Content shared across language services:

This indicator measures the quantity of BBG content that is shared across language services, both within and across entities.

Analysis of Results:

The BBG continues to use various systems and communication tools for sharing content across language services, including NewsShare, VOA Insights, and RFE/RL’s Editorial Agenda. This coordination is expected to increase with the reestablishment of the USIM Internal Coordinating Committee (ICC). Tracking mechanisms have not yet been established to measure this systematically.

MANAGEMENT OBJECTIVE 3:

Enhance employee engagement, development, and productivity

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

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

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

Performance Goal 1: Improve performance culture of agency.

Results-oriented performance culture index (from Federal Employee Viewpoint Survey)	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
BBG	NA	46	46	44	46	47
Government-wide (for comparison)	NA	52	51	51	NA	52

MANAGEMENT OBJECTIVE 3: Enhance employee engagement, development and productivity

INDICATOR:

Results-oriented Performance Culture Index:

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

Analysis of Results:

Results-oriented Performance Culture Index – Target: 46 Actual: 47

The BBG met the target for results-oriented performance culture index in FY 2015, achieving 47 versus the target of 46.

MANAGEMENT
OBJECTIVE 3:
Enhance employee
engagement,
development and
productivity

Performance Goal 2: Improve employee training and development.

Percentage of employees who believe that the workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals (from Federal Employee Viewpoint Survey)	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
BBG	59	53	55	53	55	55
Government-wide (for comparison)	NA	72	70	69	NA	69

INDICATOR:

Workforce Knowledge and Skills:

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

Analysis of Results:

Workforce Knowledge and Skills – Target: 55 Actual: 55

The BBG met the target for knowledge and skills in FY 2015, achieving 55 percent.

Performance Goal 3: Increase participation in Health and Wellness Program.

Percentage of employees participating in Health and Wellness program (from Federal Employee Viewpoint Survey)	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
BBG	10	11	26	25	30	20

MANAGEMENT OBJECTIVE 3: Enhance employee engagement, development and productivity

INDICATOR:

Health and Wellness Participation:

This indicator is taken from the Federal Employee Viewpoint Survey and measures the percentage of employees who participate in the Agency’s Health and Wellness program.

Analysis of Results:

Health and Wellness Participation – Target: 30 Actual: 20

The BBG did not meet the target for health and wellness participation in FY 2015, achieving only 20 percent versus the target of 30 percent. The BBG has instituted increased flexibility for meal periods, including the option of “No Lunch,” which has curtailed employee’s time availability for participation in such programs.

Verification and Validation of Performance Measures

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

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

FY 2015 Performance Objectives and Outcomes

The BBG Agency-level performance objectives and measures are further supported and linked to language service and support service performance plans that have action steps and detailed performance goals and measures. Listed below are the BBG annual performance objectives,

including key initiatives supported by the FY 2014 and 2015 investments, with summaries of the current status. Detailed accomplishments by regional performance objectives are also presented in the accomplishments in the following pages.

REACH THE ARABIC SPEAKING WORLD.

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

MBN launched the *Raise Your Voice* initiative in Iraq, which uses digital and

social media to amplify and provide a platform for moderate voices, and introduced several new interactive shows with significant social media components.

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

Build mobile and social audiences in Iran, Russia, Pakistan, and Afghanistan by producing original content targeted to emerging news audiences.

VOA and RFE/RL continued to expand digital reach and impact in these target countries. For example, RFE/RL stood up a Russian-language social-media driven digital reporting and engagement service and VOA launched a daily digital news report.

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

VOA and RFE/RL continued coordination and cooperation with the launch of *Current Time*, a joint Russian-language production that is broadcast throughout the region.

FOCUS BROADCASTING TO AUDIENCES OF STRATEGIC PRIORITY IN EAST ASIA.

Launch video and digital initiatives for Burma, Cambodia, and Vietnam targeting the region's youth.

VOA hired new staff and local stringers and increased video and social media content in Burmese, Khmer, Mandarin, and Vietnamese.

Expand social media outreach inside the Chinese firewall.

VOA traffic and engagement through Facebook, Twitter, YouTube, and –

inside China – WeChat increased substantially.

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

VOA and RFA continued cooperation and coordination on *Weishi*, their joint satellite stream to China. VOA and RFA editors meet regularly in Cambodia and Burma where both entities have news bureaus.

REACH NEW AUDIENCES WITH INCREASED ENGAGEMENT IN AFRICA.

Launch a 24/7 satellite television stream for Africa with programming in English, French, Hausa, Swahili, and Somali.

VOA television expansion in Africa has followed the affiliate model – placing original material with select partners – rather than constructing a 24/7 multilingual satellite stream. In 2015, VOA achieved key TV placements in Cote d'Ivoire, Chad, DRC, Guinea, Benin, Gabon, Senegal, Nigeria, Niger, Tanzania, and Somalia.

Bujumbura FM stream during the crisis that began in May 2015.

Begin Lingala language broadcasts providing critical news and information to audiences in the DRC.

Due to security challenges in the region, VOA reprogrammed these funds to support existing languages in the region and coverage of Boko Haram and Al Shabab. VOA continues to serve audiences in the DRC in French and Swahili.

Provide compelling local content for FM audiences in Africa.

VOA began new FM broadcasts in Bujumbura, Burundi, and Gao and Timbuktu, Mali, and reprogrammed existing FM streams in Liberia, Sierra Leone, Cote d'Ivoire, Burkina Faso, and Mali. VOA increased the amount of original Kirundi content on the

EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS OF LATIN AMERICA.

Continue to build upon VOA's success as a U.S. bureau and global news provider for affiliates throughout Latin America.

VOA added key affiliates in Ecuador and Venezuela and continued providing value for affiliates with locally-relevant news and information, including coverage of the U.S.-Cuba talks.

Increase newsgathering and production coordination between VOA Spanish and OCB.

OCB and VOA Spanish continued to work cooperatively, sharing space and technical services, exchanging story information, and airing each other's special event coverage and programs where appropriate.

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

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

The BBG completed the first phase of the Agency migration from expensive, dedicated transoceanic satellite and fiber circuits to more flexible and less expensive digital Multi-Protocol Label Switching (MPLS) circuits.

Provide cutting-edge circumvention tools to audiences in countries that restrict and censor Internet access.

In FY 2015, the Internet Anti-Censorship (IAC) team countered online censorship in 13 countries and supported 21 BBG language services.

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

The BBG, through the Office of Digital and Design Innovation, developed mobile apps for live streaming and breaking news coverage and improved social media integration. BBG's Office of Research and Assessment rolled out enterprise-wide digital analytics, including a digital engagement index. RFE/RL's Pangea team provided a number of upgrades to BBG-wide digital media infrastructure, including functionality to stream video live and produce "over-the-top" video channels.

Increase awareness of BBG programs in high priority markets through advertising and promotion.

The BBG, through the Office of Strategy and Development, ensured that marketing efforts were aligned with high priority markets.

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

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

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

Annual program reviews were conducted by each broadcast entity. No firewall violations were reported.

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

BBG continued to improve integration of financial and procurement management. IBB continued a comprehensive reform of agency acquisitions to streamline process and reduce administrative burdens.

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

IBB created the Office of Workplace Support and Development, which facilitates peer-to-peer learning, as well as employee training and mentoring.

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

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

Summary of FY 2015 Performance Accomplishments

FY 2015 Performance Objective

REACH THE ARABIC SPEAKING WORLD
WEEKLY AUDIENCE: 25.7 MILLION ¹

FY 2015 Accomplishments

RAISE YOUR VOICE

MBN's digital, television, and radio campaign, *Raise Your Voice*, provided Iraqis with the opportunity to voice their opinions and engage in discussion on issues relevant to their daily lives and future. *Raise Your Voice* encourages Iraqi citizens to speak out and address extremism and the underlying causes of terrorism. In Iraq, nearly 41 percent of the adult Iraqi population consumes MBN programming each week, and 85 percent of the audience say that Alhurra-Iraq and Radio Sawa's content is credible.

COVERING U.S. POLICY

Alhurra and Radio Sawa provided U.S. policymakers an opportunity to share information directly with Middle East audiences and ensure there is clear understanding of policies and intentions. Specific coverage included: President Obama's remarks requesting Congress to authorize force against ISIL, the White House Summit on Countering Violent Extremism, the proposed deal on Iran's nuclear program, and numerous interviews with high level policymakers.



Alhurra's correspondent Hayder Alabdaly reports from Jordan on the murder of Jordanian pilot Moath al-Kasasbeh by ISIL.

PROVIDING BALANCE

MBN provided truthful, objective accounts of events that were presented by other media outlets in biased, storied manners, including the murders of a Jordanian pilot and Egyptian Copts, a deadly attack on a museum in Tunis, ISIL's tightening grip on Ramadi, the deteriorating situation in Yemen, and the Israeli Parliamentary election.

ENGAGING YOUTH

Alhurra Television debuted two new dynamic and interactive shows, *DardechTAG* and *You and Nablia*. Both shows target Arab youth and invite them to participate in discussion on topics that are important to them.

CRISIS REPORTING

VOA Kurdish secured new television and radio affiliates in Iraqi Kurdistan and Turkey, as a result of its frontline video and audio reporting from fighting against ISIL in Syria and Iraq.

¹ Data from Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestinian Territories, Qatar, Saudi Arabia, Sudan (Darfur), Tunisia, UAE, Yemen.



Top: Alhurra-Iraq reporting from Anbar; Bottom Left: VOA Persian Chief Setareh Derakhshesh interviews U.S. Secretary of State John Kerry; VOA's Myroslava Gongadze speaking with Ukrainian President Petro Poroshenko in Kyiv, Ukraine.

FY 2015 Performance Objective

EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS
IN THE NEAR EAST, SOUTH, CENTRAL ASIA AND EURASIA
WEEKLY AUDIENCE: 62.4 MILLION ²

FY 2015 Accomplishments

COUNTERING RUSSIAN DISINFORMATION

In October 2014, RFE/RL and VOA launched *Current Time*, a joint production undertaken in partnership with public and private broadcasters and Internet portals in Azerbaijan, Belarus, Estonia, Georgia, Latvia, Lithuania, Moldova, and Ukraine. Drawing on a network of reporters in the region, European capitals, Prague, and Washington, D.C., the show presents a daily 30-minute mix of live news coverage, interviews, original features, and political satire to provide a “reality check” on local events, and to show an alternate narrative to that which is propagated by Russian-controlled TV.

REACHING AUDIENCES IN IRAN

As a result of efforts to enhance collaboration in editorial operations and leverage assets more effectively, RFE/RL’s Radio Farda launched five-minute TV news updates for satellite, Internet, and for inclusion in VOA’s Persian News Network Satellite TV stream. These broadcasts will provide Iranian audiences with up-to-date news throughout the day. VOA Persian provided breakthrough programming that was consumed by one in four Iranians each week. The service increased live, breaking news

broadcasts by 60 percent and offered “as-it-happens” coverage of the most important speeches, statements, and press conferences by the President and Secretary of State along with hourly news briefs.

SERVING VULNERABLE AUDIENCES

VOA Deewa launched a daily one-hour program for women and a half-hour daily anti-terror program for youth in the Federally Administered Tribal Areas of Pakistan while also expanding its video coverage of surrounding areas. Radio Mashaal launched a new weekly program, *Towards Peace*, aimed at promoting dialogue and democracy as a means of conflict resolution in the tribal regions of Pakistan. The program talks to experts, tribal leaders and other relevant stakeholders to examine ways to achieve political goals, settle disputes and solve problems through non-violent means.

COVERING UKRAINE

VOA Ukrainian served as a de facto U.S. news bureau for four major Ukrainian national TV networks, countering active Russian propaganda in the Ukrainian language. VOA programming is now consumed by nearly one in five Ukrainian adults each week. In March, RFE/RL’s Ukrainian Service, in conjunction with the Ukrainian NGO

² Data from Abkhazia, Adygea, Afghanistan, Albania, Armenia, Azerbaijan, Bangladesh, Belarus, Bosnia, Chechnya, Dagestan, Estonia, Georgia, Iran, Karachaevo-Cherkessia, Kazakhstan, Kosovo, Kyrgyzstan, Macedonia, Moldova, Montenegro, Nagorno-Karabakh, Pakistan, Pakistan FATA, Russia, Serbia, South Ossetia, Sri Lanka, Tajikistan, Tatarstan, Transnistria, Turkey, Turkmenistan, Ukraine, Uzbekistan

"Forum of Publishers," launched a new half-hour web TV show dedicated to promoting and showcasing Ukrainian culture.

COVERING VIOLENT EXTREMISM

VOA Turkish exposed the existence of online efforts to lure Turks to join ISIL, including on-scene coverage when a

terrorist bomb exploded at a rally of Kurdish activists in Diyarbakir, bringing home the human stories of the toll of the attack. VOA Turkish reports, particularly those focused on Turkey's role in the region and in fighting ISIL, are picked up daily by Turkish media.



VOA Kurdish reporter Xecican Ferqin interviews İsmet Şêx Hesen, Kobanê Canton Self-Defense Minister in Western Kurdistan about his fight against ISIL.

FY 2015 Performance Objective

FOCUS BROADCASTING TO AUDIENCES OF STRATEGIC PRIORITY
IN EAST ASIA | WEEKLY AUDIENCE: 51.7 MILLION³

FY 2015 Accomplishments

COMBATTING CHINESE CENSORSHIP
VOA Mandarin used WeChat, China's largest social media platform, to evade censorship with weekly on-line live forums on American issues such as race relations, personal freedom, local governance and political participation. In FY 2015, VOA Mandarin YouTube views increased to 25 million, a 41 percent increase over the previous year. In December 2014, RFA's Mandarin Service launched 30-minute daily (Monday-Friday) satellite television using visuals sourced from citizen journalists in target areas, as well as the Service's stringers across the Asia-Pacific region. In February, RFA's Cantonese Service launched a weekly satellite television program highlighting rights violations in target areas.



REPORTING ON ETHNIC MINORITIES
RFA's Uyghur Service was at the forefront of breaking news from inside China's Xinjiang Uyghur Autonomous Region (XUAR), as well as the latest developments in the repatriations of Uyghurs to China. RFA's Cantonese and Mandarin Services also enhanced coverage of ethnic unrest in the XUAR, with a special emphasis on Beijing's draconian policies toward ethnic minorities.



Above: After RFA covered escalating ethnic Uyghur-Han tensions and the Chinese government's crackdown on the minority, the Chinese government arrested reporter Shohret Hoshur's brothers in retribution.

Left: VOA Mandarin's YouTube page which received 25 million views in 2015.

³ Data from Burma, Cambodia, China, Indonesia, Laos, Mongolia, Philippines, Thailand,

CITIZEN JOURNALISM IN TIBET

In February, RFA's Tibetan Service launched satellite television featuring visuals sourced from citizen journalists inside Tibet, as well as the Service's stringers across the globe. The initial line-up consists of three 30-minute segments of original content per week. VOA Tibetan pioneered a highly successful and innovative approach to break through Chinese restrictions by broadcasting a QR (Quick Response) code that, when scanned with a mobile phone, bypasses the Chinese government's firewall and links to the VOA Tibetan website.

REACHING NORTH KOREA

VOA Korean began working with South Korea's largest media network to provide U.S. news that is beamed into the closed society of North Korea. RFA's Korean Service launched a radio series on North Korean labor camps featuring exclusive interviews with former political prisoners.

COVERING POLITICS IN BURMA

VOA's Burmese Service chief traveled to Burma's capital for exclusive interviews with President Thein Sein about constitutional reforms and ethnic issues. VOA also interviewed the speaker of the parliament, opposition leader Aung San Suu Kyi, and conducted the first-ever media interview with Burma's Military Chief of Staff. RFA's Burmese Service added special programs on radio and Internet focusing on the political prisoners and the 2015 elections.



In 2015, Radio Free Asia's launched a 30-minute satellite television show for Tibet.

VOA Burmese Service Chief Than Lwin Htu interviews opposition leader Aung San Suu Kyi in Burma.



FY 2015 Performance Objective

REACH NEW AUDIENCES WITH INCREASED ENGAGEMENT IN AFRICA
WEEKLY AUDIENCE: 51.9 MILLION ⁴

FY 2015 Accomplishments

CRISIS IN BURUNDI

VOA, the only international source of news and information in Kirundi, led coverage of the upheaval in the African nation of Burundi with on-scene reporting and expanded programming to respond to government shutdowns of private radio and social media. New shortwave and enhanced FM broadcasts included listener call-in programs, providing perspective and giving voice to public comment on the crisis that is missing in government media.

COVERING VIOLENT EXTREMISM

VOA beat reporters are countering violent extremism in Nigeria, South Sudan, Uganda, Kenya, and Somalia with coverage of the fight against militants and new content targeting youth that offer alternatives to extremist propaganda. Hausa video and audio reporting from the center of Boko Haram violence in Nigeria, Niger, Chad and Cameroon includes investigative reporters who uncovered South African mercenaries and feature reporters who followed girls who escaped the Chibok Secondary School abduction and are now studying in the United States.

A VOA Central Africa reporter interviews a woman in Burundi during the political crisis.



VOA Hausa reporters spent weeks reporting on Boko Haram and its effect on Nigerians.

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

PRESIDENTIAL ELECTIONS IN NIGERIA

VOA Hausa played a significant role in covering presidential elections in Nigeria and collaborated with VOA English on investigations of key issues impacting the Nigerian presidential race. Its reporting and community involvement, in the form of pre-election town halls, drove VOA Hausa's digital platforms to a record 6.5 million page views during the Nigerian election period. Live VOA election debates brought together local gubernatorial candidates, some of whom were not previously on speaking terms as part of broadcasts widely credited with helping to diffuse tensions and avoid partisan violence.



FIGHTING EBOLA

VOA's Africa Division covered the fight against Ebola by countering rumors and misinformation about the disease, and by reporting on the positive efforts being made by allies to combat the outbreak. In more than a dozen languages, VOA produced public service announcements and longer-form programs dealing with the plain facts of how to prevent the spread of the disease. VOA English presented a 90-minute special with African leaders, health professionals, and survivors.

YALI COVERAGE

VOA continued its unparalleled coverage of President Obama's Young African Leaders Initiative following up with some of last year's class and profiling some of the new participants both at home and at university in New York, Louisiana, and Washington, D.C.

NEW FM STATIONS

The BBG continues to install FM transmitters in strategically important locations in Africa. In FY 2015, VOA began broadcasting in Bujumbura, Burundi, and Gao and Timbuktu, Mali. In addition, VOA reprogrammed the FM streams in Liberia, Sierra Leone, Cote d'Ivoire, Burkina Faso, and Mali, making them more relevant and attractive to audiences.

NEW AFFILIATES

VOA television expansion in Africa has followed the affiliate model – placing original material with select partners. Key television placements include: French news analysis program and new lifestyle youth show, *Vous + Nous*, on affiliates in Cote d'Ivoire, Chad, DRC, Guinea, Benin, Gabon and Senegal; Hausa news magazine program on affiliates in Bauchi, Jos, Lafia, Abuja, and Niamey; Swahili five-minute breakfast show insert for Tanzania affiliate; and Somali news magazine program on both of Somalia's leading networks.



FY 2015 Performance Objective

EXPAND AUDIENCE REACH IN STRATEGIC LOCATIONS
IN LATIN AMERICA | WEEKLY AUDIENCE: 37.5 MILLION ⁵

FY 2015 Accomplishments

REACHING AUDIENCES IN CUBA

Despite the Cuban government's attempts to block OCB's signals, it is estimated that 1.8 million Cubans listen to Radio Martí every week. This estimate is based on the results of a national survey of Cubans living in Cuba conducted by Bendixen and Amundi International for Univision Noticias and Fusion in collaboration with *The Washington Post*. The BBG was not a participant in this survey and is unable to evaluate the validity of the results. The BBG is planning a survey in Cuba in FY 2016.

NEW AFFILIATES IN SOUTH AMERICA

As more Latin American governments adopted a more repressive approach to media, VOA Spanish provided a lifeline of news and analysis from the United States and the region. In Ecuador, where journalists must work under an oppressive media law, the service affiliated with one of Latin America's most respected newspapers. In Venezuela, where the regime is openly hostile to the U.S. and censors journalistic content, the service added the country's leading newspaper and website as affiliates.



Radio & TV Martí's reporter, Karen Caballero, covers the developments between Cuba and the United States as they work to normalize relations.

COVERING A CHANGING RELATIONSHIP

Radio Martí launched *Puente*, a news program dedicated to informing the people of Cuba on the process of normalization of relations between the U.S. and Cuba. This program serves as a unique vehicle to address the latest progress and creates a forum for BBG's audience to ask questions and request more detailed information pertaining to the normalization efforts. VOA Spanish provided extensive coverage of U.S.-Cuba talks for affiliates throughout Latin America. Dozens of the service's television, radio and online partners aired President Obama's announcements live, with Spanish translation, followed by VOA reporters adding context to the story.

GROWTH OF SOCIAL NETWORKING

OCB's SMS-based social network Piramideo has grown to more from 11,300 subscribers in 2013 to 659,000 members as of May 2015.

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

FY 2015 Performance Objective

ALIGN ESSENTIAL SUPPORT FUNCTIONS WITH BROADCASTING IMPLEMENTATION STRATEGIES AND PERFORMANCE GOALS

FY 2015 Accomplishments

COUNTERING INTERNET CENSORSHIP

In FY 2015, the Internet Anti-Censorship (IAC) team countered online censorship in 13 countries and supported 21 BBG language services. The team expanded use of a mobile application for Android devices that incorporates a social news reader, social reporter to accept user-generated content, and real-time chat functionality targeted at users in China and Iran. In addition, the IAC translated application modules into Russian and Ukrainian in order to circumvent additional government sponsored censorship in that region.

SERVING AS A U.S. BUREAU

BBG's Office of Strategy and Development (OSD) continued a successful "U.S. Bureau" affiliate strategy. Based on placing interactive reports on local affiliates, this strategy has been tremendously successful in markets from Latin America to sub-Saharan Africa.



The VOA Mobile Streamer app provides audiences access to audio news over cellular rather than data connections, making streaming audio affordable in emerging markets.

IMPROVING MOBILE APPS

BBG's Office of Digital and Design Innovation (ODDI) continued its award winning efforts with the release of new enhancements to its suite of mobile applications for smart phones on iOS and Android for all BBG networks. These applications now feature more live streaming audio and video options for breaking news coverage and improved social media integrations to allow increased audience engagement, especially among USIM's growing audience of young readers, listeners, and viewers.



Above: VOA Russian reports from the floor of the New York stock exchange for VOA affiliate, the Russian Business Channel.
Right: VOA Spanish reports from the Supreme Court for affiliates in Latin America.





Researcher conducts audience interview in Dar Es Salam, Tanzania.

PROVIDING QUALITY RESEARCH

BBG's Office of Research and Assessment (ORA), working with Research Directors from each BBG network, designed and commissioned approximately 60 audience research studies during FY 2015. Survey data is used to provide strategic audience and platform use data for key markets.

IMPROVING CONTENT DELIVERY

The BBG's Office of Technology, Services, and Innovation completed the first phase of the Agency migration from expensive, dedicated transoceanic satellite and fiber circuits to more

flexible and less expensive digital Multi-Protocol Label Switching (MPLS) circuits. In 2015, TSI added MPLS capability to BBG sites at RFE/RL Prague, MBN Springfield, OCB Miami and RFA Washington, and added bandwidth to the Washington DC circuits.

WORKFORCE SUPPORT AND DEVELOPMENT

The BBG created the Office of Workforce Support and Development (OWSD). A major component of the office is the Learning Group, which focuses on facilitating more peer to peer learning events and initiated a shift to more online training opportunities.

Use of Performance Data to Promote Improved Outcomes

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

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

LANGUAGE SERVICE REVIEW

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

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

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

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

STRATEGY REVIEW

In FY 2015, BBG completed its second comprehensive Strategy Review that considered how the Agency's mission is carried out by the networks in each target country and region. BBG language services presented their highest priority goals for the coming year in a series of regional meetings. This was an iterative process that considered input from language services, network management, IBB, and selected parties in the interagency, particularly the State Department.

The results of the Strategy Review include summaries of the political context, media environments, target

audiences, foreign policy elements, and BBG objectives in each country and region. It also includes goals and performance targets, based on the BBG Impact Model, for each BBG target area for FY 2015. Language and support services will be measured on progress toward these goals and targets, giving BBG an opportunity to define success, monitor performance, and take corrective actions when goals are not met.

PROGRAM REVIEW

Each BBG entity conducts yearly reviews of each of its language services and their programming in order to maintain high quality broadcasts and to help the language services progress toward their strategic goals. These reviews are scheduled to include fresh research data and analysis about the media market and audiences in the area that each program targets. Survey data allow both for the development of future strategies in response to media trends, as well as a review of the

services' performance across key indicators, such as the size and positive experience of the audience. Program Reviews further analyze the quality of news and information programming by examining a sample of broadcast material, editorial controls and supervision, utilizing monitoring panels, and tracking regular audiences' perceptions of the trustworthiness and reliability of the entity's news and information.

Independent Program Evaluations

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

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

management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; and whether adequate steps for detection, correction, and prevention have been taken.

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

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

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

management of its programs and operations.

During FY 2015, the OIG issued eleven final reports for BBG; the GAO did not issue any reports about BBG. The

Agency will continue to implement and respond to the recommendations of these evaluations.

OIG reports issued in FY 2015 are summarized on the following pages.

LIMITED-SCOPE REVIEW, BBG OPERATIONS IN BAKU, AZERBAIJAN

The OIG conducted a limited-scope review of BBG operations in Azerbaijan and found no significant issues at the

RFE/RL Azerbaijan news bureau or with the VOA Azerbaijan operations.

AUDIT OF THE BBG INFORMATION SECURITY PROGRAM

Through an external audit firm, the OIG conducted the annual evaluation of BBG's Information Security Program, in accordance with the Federal Information Security Management Act of 2002. The audit found that BBG made progress in FY 2014 in improving its information security program, but significant challenges remain. BBG needs to address several control

weaknesses in areas including risk management framework, continuous monitoring policy, contingency planning, configuration management, incident response and reporting, plans of action and milestones policy, remote access controls, identity and access management, and security training. The report contained 18 recommendations.

AUDIT OF BBG FY 2014 COMPLIANCE WITH IMPROPER PAYMENTS REQUIREMENTS

The OIG conducted this annual audit to assess BBG's FY 2014 compliance with IPIA, as amended by IPERA. The OIG found that BBG was in substantial compliance with improper payments requirements. Specifically, BBG had conducted an improper payments risk assessment of its significant programs and reported the required improper payments information in its FY 2013

Performance and Accountability Report (PAR). Likewise, BBG performed a cost-benefit analysis on its programs and determined that it was not cost effective to perform recapture audits. However, the OIG found that incomplete or missing documentation for payments was an issue and OIG issued one recommendation on this topic.

MANAGEMENT ALERT, BBG SIGNIFICANT MANAGEMENT WEAKNESSES

The OIG issued a management alert for significant management weaknesses in four areas: ineffective leadership, insufficient oversight of grants and contracts, weaknesses in financial management, and inadequate information security. The report

contained two recommendations, and highlighted recommendations in previous reports that had not been closed. The BBG is working aggressively to implement all of these recommendations.

LIMITED-SCOPE REVIEW, BBG OPERATIONS IN ASTANA, KAZAKHSTAN

The OIG conducted a limited-scope review of the RFE/RL news bureau in Astana, Kazakhstan, and found no

significant issues that would warrant a recommendation.

AUDIT OF RADIO FREE ASIA'S EXPENDITURES

The OIG conducted an audit of RFA's expenditures and found several issues with grants monitoring, Internet anti-censorship funding, financial

management, and pay parity. OIG issued 21 recommendation, all of which the BBG concurred with.

LIMITED-SCOPE REVIEW, BBG OPERATIONS IN DUSHANBE, TAJIKISTAN

The OIG conducted a limited-scope review of the RFE/RL news bureau in Dushanbe, Tajikistan, and found no

significant issues that would warrant a recommendation.

LIMITED SCOPE REVIEW, BBG OPERATIONS IN TUNIS, TUNISIA

The OIG conducted a limited-scope inspection of the proposed Middle East Broadcasting Networks (MBN) news

bureau in Tunis and found no issues that would warrant a recommendation.

INSPECTION OF U.S. INTERNATIONAL BROADCASTING TO AFGHANISTAN

The OIG conducted an inspection of U.S. International Broadcasting in Kabul, Afghanistan and found that colocation of VOA and RFE/RL have led to collaboration and harmonization. They issued 13 recommendations in the areas of personnel management, harmonization, financial management, procurement, and property management.

INDEPENDENT AUDITOR'S REPORT ON THE BROADCASTING BOARD OF GOVERNORS 2014 AND 2013 FINANCIAL STATEMENTS

An independent external auditor audited the BBG annual consolidated financial statements as of, and for the years ended, September 30, 2014, and September 30, 2013. The auditor found that the consolidated financial statements present fairly, in all material respects, the financial position of BBG as of these dates, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with generally accepted U.S. accounting principles.

The auditor found certain material weaknesses and a significant deficiency in internal control over financial reporting. Specifically, the auditor found material weaknesses in grantee monitoring and accounting for grant advances; property, plant, and equipment; budgetary accounting and funds control; and a significant deficiency in information technology. The auditor also found noncompliance with certain provisions of laws, regulations, contracts, and grant agreements including Federal grant regulations, the Prompt Pay Act, Federal Acquisition Regulation, and the Federal Managers' Financial Integrity Act.

MANAGEMENT LETTER RELATED THE AUDIT OF THE BBG 2014 FINANCIAL STATEMENTS

During the audit of BBG's 2014 financial statements, an independent external auditor identified matters involving internal controls that it brought to BBG's attention related to properly accounting for leases, maintenance of time and

attendance documentation, the presentation of the Statement of Net Cost, the requirement for financial disclosure reports, and documentation that was not provided in a timely manner.

Section 3: Financial Information

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Message from the Chief Financial Officer

I am honored to present the Fiscal Year (FY) 2015 financial statements for the Broadcasting Board of Governors (BBG). BBG is firmly committed to the highest standards of financial accountability and reporting. We believe that this level of performance is required to sustain the Agency mission to inform, engage, and connect people around the world in support of freedom and democracy. The Performance and Accountability Report (PAR) is our principal report to the President, Congress and the American people on our stewardship of the public funds with which we have been entrusted and on the impact of BBG programs to achieve our global mission.

BBG received an unmodified audit opinion on the FY 2015 and FY 2014 financial statements. Throughout FY 2015 we worked diligently to address material weaknesses that the auditors identified, and we made significant progress in these areas. We resolved concerns about the Agency's methodology to estimate grant advances. In order to improve the grants monitoring program we recruited an experienced federal grants manager to join the Grants Management Team. The Team continues to strengthen communication and collaboration with BBG's three grantees in areas that underpin federal grant oversight. In FY 2016 we expect to finalize and implement an updated Grantee Handbook. BBG lease accounting has improved. The Office of the CFO added a specialized position to focus on reducing unliquidated balances, and we revised a Standard Operating Procedure to streamline this process. These measures resulted in a significant decrease of unliquidated obligations.

BBG works diligently to meet the growing reporting, audit and compliance requirements that OMB, the Treasury, and Congress deploy to improve federal business practices, facilitate data analyses, and increase transparency. In October 2014 we began reporting our agency trial balance data through the Government-wide Treasury Account Symbol (GTAS) system. Our Improper Payments Elimination and Recovery Act results continue to show full compliance for domestic and internal payments. In FY 2016 the Agency will implement an Internal Control program in accordance with OMB A-123, Federal Managers Financial Integrity Act. We will also take steps toward posting procurement and grants data as we prepare to comply with the Digital Accountability and Transparency Act (DATA) of 2014.

The BBG will continue to prioritize improvements in areas highlighted by the PAR. Thanks to the work of our dedicated staff, we are pleased with the progress we made in FY 2015. We also acknowledge that there is more work to be accomplished in the year ahead. By maintaining our committed efforts we are confident that – in partnership with the independent financial auditors and the Office of the Inspector General – we will successfully remediate the remaining areas of concern.

A handwritten signature in black ink that reads "Connie L. Stephens". The signature is written in a cursive style with a large, prominent "C" and "S".

Connie L. Stephens
Acting Chief Financial Officer

November 16, 2015

Independent Auditor's Report



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

November 16, 2015

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

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

Dear Mr. Shell and Mr. Lansing:

An independent certified public accounting firm, Kearney & Company, P.C., was engaged to audit the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of September 30, 2015 and 2014, and for the years then ended; to provide a report on internal control over financial reporting; and to report any reportable noncompliance with laws, regulations, contracts, and grant agreements it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance. In its *Independent Auditor's Report on the Broadcasting Board of Governors 2015 and 2014 Financial Statements* (AUD-FM-IB-16-14), Kearney & Company found

- the consolidated financial statements present fairly, in all material respects, the financial position of BBG as of September 30, 2015 and 2014, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America;
- one material weakness¹ in internal control over financial reporting related to the validity and accuracy of unliquidated obligations;

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

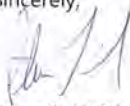
- two significant deficiencies² in internal control over financial reporting, specifically in the areas of grantee monitoring and information technology; and
- three instances of reportable noncompliance with laws, regulations, contracts, and grant agreements, specifically Federal grant regulations, Prompt Payment Act, and Federal Managers' Financial Integrity Act.

Kearney & Company is responsible for the enclosed auditor's report, which includes the Independent Auditor's Report, the Report on Internal Control Over Financial Reporting, and the Report on Compliance With Laws, Regulations, Contracts, and Grant Agreements, dated November 16, 2015, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on BBG's consolidated financial statements or conclusions on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements.

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

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

Sincerely,



Steve A. Linick
Inspector General

Enclosure: As stated.

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



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INDEPENDENT AUDITOR'S REPORT
AUD-FM-IB-16-14

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Broadcasting Board of Governors (BBG), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as the "consolidated financial statements").

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BBG as of September 30, 2015 and 2014, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated November 16, 2015, on our consideration of BBG’s internal control over financial reporting and on our tests of BBG’s compliance with provisions of applicable laws,



regulations, contracts, and grant agreements for the year ended September 30, 2015. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02, and should be considered in assessing the results of our audit.

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

Alexandria, Virginia
November 16, 2015



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2015, and have issued our report thereon dated November 16, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

Internal Control Over Financial Reporting

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

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

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



Material Weakness

I. Validity and Accuracy of Unliquidated Obligations

Unliquidated obligations (ULOs) represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services ordered have not been received or the goods and services have been received but payment has not yet been made. BBG should record an obligation in its financial management system when it enters into an agreement, such as a contract or a purchase order, to purchase goods and services. Once recorded, the obligation remains open until it is fully reduced by disbursements, is deobligated, or until the appropriation funding the obligation is cancelled. BBG reported more than \$145 million in ULOs as of September 30, 2015.

Of a sample of 106 ULOs tested, we found 42 (40 percent) invalid ULOs. During 2015, BBG's Office of Chief Financial Officer (OCFO) developed the Unliquidated Obligations Review Standard Operating Procedures (SOP). The SOP outlines roles and responsibilities relating to ULOs and provides specific guidance for allotment holders to determine the validity of ULOs. The SOP was distributed to OCFO staff, but was not distributed agency-wide to allotment holders who are responsible for monitoring obligations. In addition, the SOP did not contain processes for OCFO staff to confirm the receipt of responses from all allotment holders or to confirm that invalid ULOs identified by allotment holders were deobligated. In addition, the SOP did not contain guidance on reviewing overseas ULOs. As a result of invalid ULOs, BBG misstated its financial statements. Further, these funds could have been used for other purposes but remained in unnecessary obligations. Weaknesses in controls over ULOs were initially reported by us in the audit of BBG's FY 2013 financial statements.¹

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

Significant Deficiencies

I. Grantee Monitoring

BBG has three grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks. The grantees are responsible for developing broadcast content (radio and television news programs), which is distributed by BBG. In 2015 the three grantees received \$257 million, approximately one-third

¹ During our FY 2013 and FY 2014 audits, we identified additional issues related to budgetary accounting that were combined with the deficiency related to ULOs into a material weakness on Budgetary Accounting and Funds Control. In FY 2015, we found that BBG had taken sufficient action to close the other budgetary accounting deficiencies reported in our prior audits. Specifically, BBG improved procedures to ensure that obligations were recorded in a timely manner and developed a process to accurately report its apportioned authority. Despite these improvements, we consider the control deficiencies related to invalid ULOs to be a material weakness.



of BBG's total funding. We have identified weaknesses in controls over grantee monitoring since our audit of BBG's FY 2013 financial statements.²

BBG is responsible for monitoring grantee use of BBG funds to ensure grantees adhere to applicable laws and regulations as well as all terms and conditions specified in the grant agreements. During the FY 2013 financial statement audit, we found that BBG did not sufficiently monitor its three grantees. In FY 2014, BBG management stated that there had been no significant changes to the grantee monitoring process. During FY 2015, BBG management made improvements in the grants monitoring process. For example, BBG hired a grants management specialist, updated sections of its Grantee Handbook, and designed and implemented several new control activities. Despite these efforts, the improvements were not in place until late in the fiscal year, so they were not sufficiently mature to test during the audit. Further, not all planned improvements to the grantee monitoring process had been implemented. BBG officials stated that delays in hiring the grants management specialist and competing priorities of existing personnel impacted their ability to implement corrective actions in a timely manner. BBG officials anticipated that BBG would fully implement its planned grantee monitoring process during FY 2016.

Because BBG lacked effective grantee oversight, there is an increased risk of waste, fraud, and abuse of Federal funds and non-compliance with Federal grant oversight regulations. Also, BBG is the sole source of funding for the grantees, so an organized and documented approach to oversight is needed to demonstrate accountability and mitigate the risk of noncompliance.

II. Information Technology

BBG uses several financial management systems to compile information for financial reporting purposes. BBG's main domestic financial management and accounting system is Momentum, which is provided by an external service provider. The external service provider is responsible for maintaining a number of IT controls. However, Momentum is accessed through BBG's general IT support system. Therefore, IT deficiencies noted in the general support system could potentially impact Momentum as well. For overseas accounting and budget execution, BBG uses the Regional Financial Management System (RFMS) provided by the Department of State (Department). The Department is responsible for maintaining an adequate general and application control environment over this system. Weaknesses in IT controls have been reported as a financial statement significant deficiency since our audit of BBG's FY 2013 financial statements.

The Office of Inspector General (OIG) annually performs an evaluation of BBG and Department information security program compliance with IT provisions as required by the Federal Information Security Modernization Act of 2014 (FISMA). In the FY 2015 FISMA report for

² During our FY 2013 and FY 2014 audits, we identified control deficiencies relating to grantee monitoring and grant advances that were combined into one material weakness. In FY 2015, we found that BBG had taken sufficient action to close the grant advances deficiency. Specifically, BBG refined its methodology for reporting grant advances, performed procedures to validate its grant advance methodology, and implemented quality control procedures. Grantee monitoring remains a significant deficiency.



BBG,³ OIG reported weaknesses in configuration management, identity and access management, incident response and reporting, security training, plans of action and milestones, contingency planning, and contractor systems. Collectively, OIG reported that the control deficiencies represented a significant deficiency to organization-wide IT security. In general, OIG found that BBG had not implemented effective standards, policies, processes, and procedures over its information security program.

OIG's FY 2015 FISMA report for the Department⁴ identified deficiencies with the general support system at the Department similar to the deficiencies identified at BBG. OIG concluded that the issues identified were a significant deficiency to IT organization-wide security. RFMS is hosted on the Department's general support system. Because of the deficiencies noted with the IT security program at the Department, BBG needs to implement additional controls to ensure that financial information is being processed accurately and completely by the Department.

Weak controls over IT security can affect the integrity of financial applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered either accidentally or intentionally. IT weaknesses increase the risk that BBG will be unable to report financial data accurately.

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

Status of Prior Year Findings

In the Independent Auditor's Report on Internal Control Over Financial Reporting included in the audit report on BBG's FY 2014 financial statements,⁵ we noted several issues that were related to internal control over financial reporting. The status of these issues is summarized in Table 1.

³ OIG, *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-16-17, Nov. 2015).

⁴ OIG, *Audit of Department of State Information Security Program* (AUD-IT-16-16, Nov. 2015).

⁵ OIG, *Independent Auditor's Report on the Broadcasting Board of Governors 2014 Financial Statements* (AUD-FM-IB-15-10, Nov. 2014).



Table 1. Status of Prior Year Findings

Control Deficiency	FY 2014 Status	FY 2015 Status
Grantee Monitoring and Accounting for Grant Advances	Material Weakness	Significant Deficiency ^a
Property, Plant, and Equipment	Material Weakness	Closed
Budgetary Accounting and Funds Control	Material Weakness	Material Weakness ^b
Information Technology	Significant Deficiency	Significant Deficiency

^a Reported in FY 2015 as “Grantee Monitoring” due to BBG’s remediation of FY 2014 deficiency pertaining to grant advances.

^b Reported in FY 2015 as “Validity and Accuracy of Unliquidated Obligations” due to BBG’s remediation of FY 2014 deficiencies pertaining to untimely obligations and the reporting of apportioned authority.

BBG’s Response to Findings

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

Purpose of This Report

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

Alexandria, Virginia
November 16, 2015

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

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

We have audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2015, and have issued our report thereon dated November 16, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

Compliance

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

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

- *Federal Grant Regulations*. BBG is responsible for monitoring the use of funds provided to its grantees to ensure the grantees adhere to relevant laws and regulations. Since our FY 2013 audit of BBG's financial statements, we have identified substantial noncompliance with Federal grant regulations. As noted in our Independent Auditor's Report on Internal Control Over Financial Reporting, BBG implemented several corrective actions to bring its grantee monitoring into compliance with Federal regulations during FY 2015. Despite these efforts, several improvements were not in place until late in the fiscal year, so they were not sufficiently mature to test during the audit. Further, not all planned improvements to the grantee monitoring process had been implemented. As a result, BBG continued to be in substantial noncompliance with the Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which provides guidance to agencies for grant oversight.



- *Prompt Payment Act.* This act requires Federal agencies to make payments in a timely manner and to pay interest penalties when payments are late. We found that BBG did not consistently pay interest penalties for overseas payments in accordance with the Prompt Payment Act. Noncompliance with the Prompt Payment Act was initially noted in our audit of BBG's FY 2013 financial statements.
- *Federal Managers' Financial Integrity Act.* The Federal Managers' Financial Integrity Act requires executive branch agencies to establish and maintain effective internal control. The heads of agencies must annually evaluate and report on the effectiveness of the internal control and financial management systems that protect the integrity of Federal programs. We found that BBG did not complete its annual evaluation in FY 2015. Noncompliance with the Federal Managers' Financial Integrity Act was initially noted in our audit of BBG's FY 2013 financial statements.

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

BBG's Response to Findings

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

Purpose of This Report

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

Alexandria, Virginia
November 16, 2015

Response to the Audit



BROADCASTING BOARD OF GOVERNORS
UNITED STATES OF AMERICA

November 16, 2015

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

Dear Mr. Linick:

The Performance and Accountability Report (PAR) is our principal report to the President, Congress and the American taxpayers shedding light on our stewardship of the public funds with which we have been entrusted. It is a key vehicle for sharing the BBG's financial status in full transparency and establishing the concomitant levels of accountability.

The PAR provides a comprehensive account of the BBG's financial activities in the context of our global mission to fulfill the charter of this organization as a key part of the United States public diplomacy framework.

I am pleased to report that the BBG has received an unmodified opinion for this fiscal year's financial audit. While we recognize that the audit identified one material weakness and two significant deficiencies that will require further efforts going forward, we remain committed to expanding the significant progress achieved this past year. Our focus on regulatory compliance, finance management, and sound internal controls will be a key portion of our management's performance measures as we address the identified issues.

Our goal is to achieve maximum compliance, transparency and accountability as we oversee complex operations in some of the most challenging environments in the world. While confronting the rapid transformation of international media markets, we continue to excel in our mission to inform, engage, and connect people around the world in support of freedom and democracy. We are confident that the BBG will continue to improve our operational effectiveness as we increase our global media impact.

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

Sincerely,

A handwritten signature in blue ink that reads "Connie L. Stephens".

Connie L. Stephens
Acting Chief Financial Officer

Financial Statements

Broadcasting Board of Governors
Consolidated Balance Sheet
As of September 30, 2015 and 2014
(in thousands)

	FY 2015	FY 2014
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 204,609	\$ 191,082
Accounts Receivable (Note 4)	52	22
Total Intragovernmental	204,661	191,104
Accounts Receivable, Net (Note 4)	1,604	204
Advances to Surrogate Broadcasters (Note 5)	44,800	55,000
General Property, Plant and Equipment, Net (Note 6)	111,176	116,411
Other (Note 7)	962	6,324
Total Assets	\$ 363,203	\$ 369,043
Liabilities (Note 8):		
Intragovernmental:		
Accounts Payable	\$ -	\$ -
Accrued FECA Liability (Note 8)	1,631	1,603
Other (Note 11)	3,141	2,144
Total Intragovernmental	4,772	3,747
Accounts Payable	26,490	28,986
Actuarial FECA Liabilities (Note 8)	7,333	7,167
Accrued Payroll and Benefits	9,984	6,947
Foreign Service Nationals After-Employment Benefits (Note 8 and 9)	9,356	8,554
Environmental and Disposal Liabilities (Note 8 and 10)	1,079	1,079
Accrued Annual and Compensatory Leave (Note 8)	16,362	16,442
Contingent Liabilities (Note 8 and 13)	4,012	9,760
Other (Note 11)	67	69
Total Liabilities	\$ 79,455	\$ 82,751
Net position:		
Unexpended Appropriations	\$ 194,975	\$ 196,694
Cumulative Results of Operations	88,773	89,598
Total Net Position	\$ 283,748	\$ 286,292
Total Liabilities and Net Position	\$ 363,203	\$ 369,043

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Consolidated Statement of Net Cost (Note 19)
For the Years Ended September 30, 2015 and 2014
(in thousands)

	FY 2015	FY 2014
Voice of America (Note 14)		
Gross Costs	\$ 361,707	\$ 348,649
Less: Earned Revenues	(5,837)	(3,426)
Net Program Costs	355,870	345,223
Office of Cuba Broadcasting (OCB) (Note 14)		
Gross Costs	40,344	49,435
Less: Earned Revenues	-	-
Net Program Costs	40,344	49,435
Surrogate Broadcasters (Note 14)		
Gross Costs	354,019	330,747
Less: Earned Revenues	(41)	-
Net Program Costs	353,978	330,747
Total Gross Costs	756,070	728,831
Less: Total Earned Revenues	(5,878)	(3,426)
Net Cost of Operations	\$ 750,192	\$ 725,405

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2015 and 2014
(in thousands)

	<u>All Other Funds</u>	<u>Consolidated Total</u>	<u>FY 2014</u>
	<u>FY 2015</u>	<u>FY 2015</u>	
Cumulative Results of Operations:			
Beginning Balances	\$ 89,598	\$ 89,598	\$ 99,358
Adjustments:			
Correction of Errors	-	-	-
Beginning Balance, as Adjusted	<u>89,598</u>	<u>89,598</u>	<u>99,358</u>
Budgetary Financing Sources:			
Other Adjustments	-	-	-
Appropriations Used	738,679	738,679	699,595
Non-Exchange Revenue	-	-	-
Other	52	52	53
Other Financing Sources (Non-Exchange):			
Donated Revenue-Nonfinancial Resources	-	-	-
Transfers In/Out Reimbursement	(432)	(432)	1,220
Imputed Financing	11,077	11,077	14,791
Other	(9)	(9)	(14)
Total Financing Sources	749,367	749,367	715,645
Net Cost of Operations	(750,192)	(750,192)	(725,405)
Net Change	<u>(825)</u>	<u>(825)</u>	<u>(9,760)</u>
Cumulative Results Of Operations	<u>88,773</u>	<u>88,773</u>	<u>89,598</u>
Unexpended Appropriations:			
Beginning Balance	\$ 196,694	\$ 196,694	\$ 162,659
Adjustments:			
Correction of Errors	-	-	-
Beginning Balance as Adjusted	<u>196,694</u>	<u>196,694</u>	<u>162,659</u>
Budgetary Financing Sources:			
Appropriations Received	742,067	742,067	733,480
Appropriations Transferred In/Out	-	-	1,500
Other Adjustments	(5,107)	(5,107)	(1,350)
Appropriations Used	(738,679)	(738,679)	(699,595)
Total Budgetary Financing Sources	<u>(1,719)</u>	<u>(1,719)</u>	<u>34,035</u>
Total Unexpended Appropriations	<u>194,975</u>	<u>194,975</u>	<u>196,694</u>
Net Position	<u>\$ 283,748</u>	<u>\$ 283,748</u>	<u>\$ 286,292</u>

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2015 and 2014
(in thousands)

	FY 2015	FY 2014
Budgetary Resources:		
Unobligated balance, brought forward, Oct 1	\$ 62,244	\$ 46,776
Adjustment to unobligated balance brought forward, Oct 1	-	-
Unobligated balance brought forward, Oct 1, as adjusted	62,244	46,776
Recoveries of prior year unpaid obligations	16,019	9,355
Other changes in unobligated balance	(5,107)	151
Unobligated balance from prior year budget authority, net:	73,156	56,282
Appropriations	742,535	733,948
Spending authority from offsetting collections:	7,355	6,341
Total budgetary resources	\$ 823,046	\$ 796,571
Status of Budgetary Resources:		
Obligations incurred	\$ 765,197	\$ 734,327
Unobligated balance, end of year:		
Apportioned	16,689	28,286
Unapportioned	41,160	33,958
Total unobligated balance, end of year	57,849	62,244
Total budgetary resources	\$ 823,046	\$ 796,571

The accompanying notes are an integral part of these statements.

(Continues on next page)

Broadcasting Board of Governors
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2015 and 2014
(in thousands) (Continued)

	FY 2015	FY 2014
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid obligations brought forward, Oct 1	\$ 133,688	\$ 122,849
Adjustments to unpaid obligations, start of year		
Obligations incurred	765,197	734,327
Outlays, gross	(733,566)	(714,133)
Recoveries of prior year unpaid obligations	(16,019)	(9,355)
Unpaid obligations, end of year	149,300	133,688
Uncollected payments:		
Uncollected payments, federal sources, brought forward, Oct 1	(5,835)	(4,107)
Change in uncollected payments, federal sources	2,053	(1,728)
Uncollected payments, federal sources, end of year	(3,782)	(5,835)
Memorandum (non-add) entries:		
Obligated balance, start of year	\$ 127,853	\$ 118,742
Obligated balance, end of year	<u>\$ 145,518</u>	<u>\$ 127,853</u>
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 749,890	\$ 740,289
Actual offsetting collections	(9,408)	(4,613)
Change in uncollected customer payments from federal sources	2,053	(1,728)
Anticipated offsetting collections	-	-
Budget Authority, net	<u>\$ 742,535</u>	<u>\$ 733,948</u>
Outlays, gross	\$ 733,566	\$ 714,133
Actual offsetting collections	(9,408)	(4,613)
Outlays, net	724,158	709,520
Distributed offsetting receipts	-	-
Agency outlays, net	<u>\$ 724,158</u>	<u>\$ 709,520</u>

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors

Notes to Principal Financial Statements

For the Years Ended September 30, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The Board and the IBB do not engage in the development of news content. The Board provides overall governance for the BBG and has authority to make grants to carry out its statutorily defined broadcasting mission. The IBB maintains the global distribution network over which all BBG-funded news and information programming is distributed. The IBB also provides administrative functions which are governed by federal laws and regulations. The VOA and OCB are the components of the agency that develop news content along with three surrogate broadcasters: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Network (MBN). Every week, over 226 million listeners, viewers, and Internet users around the world turn on, tune in, and log on to U.S. international broadcasting programs.

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

- **Radio Free Europe/Radio Liberty – www.rferl.org**
- **Radio Free Asia – www.rfa.org**
- **Middle East Broadcasting Networks – www.alhurra.com**

B. Basis of Presentation and Accounting

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

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

C. Assets and Liabilities

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

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

D. Fund Balance with Treasury

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

General Funds

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

Trust Funds

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

Other Fund Types

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

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

E. Accounts Receivable

Accounts receivable consists of amounts owed to the BBG by other federal agencies and the public. Intragovernmental accounts receivable represents amounts due from other federal agencies for reimbursable activities. Accounts receivable from the public represent amounts due from common carriers for unused airline tickets, and from vendors for erroneous or duplicate payments. These receivables are stated net of any allowances for estimated uncollectible amounts. The allowance, if any, is determined by the nature of the receivable and an analysis of aged receivable activity. Aged receivables more than 180 days with no payment arrangements are sent to Treasury for collection through the Treasury Offset Program (TOP).

F. Advances and Prepayments

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

G. Personnel Compensation and Benefits

Annual, Sick and Other Leave Program

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

Retirement Plans

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7 percent of their salary; the BBG contributes 7 percent. Employees covered under CSRS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80 percent of their salary, with the BBG making contributions of 13.2 percent. FERS employees also contribute 6.20 percent to Old Age Survivor and Disability Insurance (OASDI) and 1.45 percent to Medicare insurance. The BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent. CSRS-covered employees may make voluntary contributions to the TSP, but without the employer 1 percent contribution or employer-matching contributions. Effective January 1, 2013, pursuant to Public Law 112-96, Section 5001, new employees (as designated in the statute) will pay higher FERS employee contributions (3.1 percent instead of 0.80 percent) with BBG making contributions of 11.1 percent. These employees will be covered under the FERS as Revised Annuity Employees (RAE), FERS-RAE. Effective January 1, 2014,

Section 401 of the "Bipartisan Budget Act of 2013," signed into law by the President on December 26, 2013, makes another change to the Federal Employees' Retirement System (FERS). New employees (as designated in the statute) will pay higher FERS employee contributions (4.4 percent instead of 0.80 percent) with BBG making contributions of 11.1 percent. These employees will be covered under the FERS as Further Revised Annuity Employees (FRAE), FERS-FRAE.

Note – FERS used here refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans; CSRS used here includes the Civil Service Retirement System, CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

Foreign Service employees participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS). The FSRDS is the Foreign Service equivalent of CSRS as described in chapter 83 of Title 5, U.S.C. Employees covered under FSRDS contribute 7.25 percent of their salary; the BBG contributes 7.25 percent. Employees covered under FSRDS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. The FSPS is the Foreign Service equivalent of the FERS, as described in chapter 84 of Title 5, U.S.C. In general, all Foreign Service eligible participants hired after December

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

Health Insurance

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

Life Insurance

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

Workers' Compensation

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the

U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from federal agencies employing the claimants.

The FECA liability consists of two components. First is a current liability amount based on actual claims paid by DOL but not yet reimbursed by the BBG. Timing of the BBG's

reimbursement to DOL is dependent on appropriated funds made available for this purpose and generally occurs two to three years after actual claims had been paid.

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

Federal Employees Post-Employment Benefits

The BBG does not report CSRS, FERS, FEHB or FEGLI assets, accumulated plan benefits, or unfunded liabilities applicable to its employees; OPM reports this information. As required by Statements of Federal Financial Accounting Standards (SFFAS) No.5, *Accounting for Liabilities of the Federal Government*, the BBG reports the full cost of employee benefits for the programs that OPM administers. The BBG recognizes an expense and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits, and life insurance for employees covered by these programs. The additional costs are not actually owed or paid to OPM, and thus are not reported as liabilities on the balance sheet.

Foreign Service Nationals (FSN) After-Employment Benefits

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

H. Contingent Liabilities

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

I. Revenues and Financing Sources

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

Work performed for other federal agencies under reimbursable agreements is initially financed through either an advance of funds received or the Bureau providing the service and 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.

J. Net Position

The BBG's net position contains the following components:

Unexpended Appropriations

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

Cumulative Results of Operations

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

K. Management's Use of Estimates

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

L. Statement of Net Cost Presentation

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

NOTE 2: ENTITY / NON-ENTITY ASSETS

Assets of the BBG include entity assets and non-entity assets. Non-entity assets are currently held by but not available to the BBG. They are restricted by nature and consist of amounts in deposit and miscellaneous receipts held for others. The funds will be forwarded to Treasury or other entities at a future date. Non-entity assets as of September 30, 2015 and 2014 are summarized as follows:

Entity / Non-Entity Assets (in thousands)	2015	2014
Intragovernmental		
Fund Balance with Treasury	\$ 1,034	\$ 1,112
Accounts Receivable	-	15
Total Non-Entity Assets	1,034	1,127
Total Entity Assets	362,169	367,916
Total Assets	\$ 363,203	\$ 369,043

NOTE 3: FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury by fund type as of September 30, 2015 and 2014, consists of the following:

Fund Balances (in thousands)	2015	2014
General Funds	\$ 195,450	\$ 182,490
Trust Funds	7,917	7,608
Other Fund Types	1,242	984
Total	\$ 204,609	\$ 191,082

The status of Fund Balance with Treasury as of September 30, 2015 and 2014, consists of the following:

Status of Fund Balance with Treasury (in thousands)	2015	2014
Unobligated Balance		
Available	\$ 29,668	\$ 31,146
Unavailable	28,181	31,099
Obligated Balance Not Yet Disbursed	145,518	127,853
Non-Budgetary Fund Balance with Treasury	1,242	984
Total	\$ 204,609	\$ 191,082

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

Canceled funds returned to Treasury as of September 30, 2015 and 2014 totaled \$5.1 million and \$1.3 million, respectively.

NOTE 4: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2015 and 2014, are as follows:

Accounts Receivable (in thousands)	2015	2014
Intragovernmental	\$ 52	\$ 22
Public	1,617	219
Allowance for Uncollectable Accounts	(13)	(15)
Total Accounts Receivable, Net	\$ 1,656	\$ 226

NOTE 5: ADVANCES TO SURROGATE BROADCASTERS

The advance to surrogate broadcasters (or grantees) is an amount in which the BBG has disbursed funds but for which goods and services have not been delivered or performed. Grant funds are issued on an advance basis and liquidated based on actual expenses incurred by the grantee as of September 30, 2015. In FY 2015, BBG refined

the grant methodology working closely with each grantee to adjust the methodology to their specific business practices. The FY 2015 grant advance liquidation approach utilized expenses as recorded in the grantee's preliminary unaudited Trial Balances through September 2015, where available, otherwise through August 2015. Where actual advance liquidations for the last period of the year are not known at the time financial statements are prepared, BBG accrues for grant expenses incurred but not reported. The FY 2015 grant expense accrual applied prior year averages and coordination with the grantee. In FY 2014, BBG's grant accrual methodology uniformly estimated expenses for the year and was based on the grantees' cash balances at year end less an average of the prior year's liabilities, as included on the grantee's audited A-133 financial statements.

Advances to surrogate broadcasters for the years ended September 30, 2015 and 2014 are \$44.8 million and \$55 million, respectively.

NOTE 6: PROPERTY, PLANT, AND EQUIPMENT, NET

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

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

Depreciation or amortization is computed using the straight-line methodology over the assets' useful lives ranging from five to thirty years. Amortization of capitalized software begins on the date it is put in service, if purchased, or when the module or component has been successfully tested if developed internally. Amortization of capital leases is over the term of the lease.

Property, plant, and equipment consist of property used in operations and consumed over time. The following table summarizes cost and accumulated depreciation/amortization of property, plant, and equipment as of September 30, 2015 and 2014.

NOTE 6: PROPERTY, PLANT, AND EQUIPMENT, NET (continued)

PP&E (in thousands)		2015			2014		
Property Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 3,416	\$ -	\$ 3,416	\$ 3,848	\$ -	\$ 3,848
Building	30	25,387	(18,092)	7,295	25,219	(17,441)	7,778
Other Structures	20	8,603	(6,903)	1,700	8,073	(6,754)	1,319
Construction-in-Progress	N/A	6,428	-	6,428	3,611	-	3,611
Equipment	6-30	316,214	(230,375)	85,839	314,675	(221,146)	93,529
Vehicles	6	5,967	(4,416)	1,551	5,662	(4,526)	1,136
Assets under Capital Lease	10	2,040	(2,040)	-	2,040	(2,040)	-
Leasehold Improvements	10	3,141	(288)	2,853	2,770	(127)	2,643
Software	5	5,148	(3,054)	2,094	4,747	(2,564)	2,183
Software-in-Development	N/A	-	-	-	364	-	364
Total		\$ 376,344	\$ (265,168)	\$ 111,176	\$ 371,009	\$ (254,598)	\$ 116,411

Depreciation and amortization expense as of September 30, 2015 and 2014 is \$12.9 million and \$12.3 million, respectively.

NOTE 7: OTHER ASSETS

Other assets consist of (a) general PP&E that is no longer in service and is awaiting disposal, retirement or removal from service, and is recorded at estimated net realizable value; and, (b) advances and prepayments to BBG employees for official travel, miscellaneous prepayments, and salary advances to BBG employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2015 and 2014:

Other Assets (in thousands)	2015	2014
Inactive PP&E	\$ 7	\$ 5,314
Travel/Salary Advance	955	1,010
Total	\$ 962	\$ 6,324

NOTE 8: LIABILITIES NOT COVERED / COVERED BY BUDGETARY RESOURCES

The BBG's liabilities are classified as covered or not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. They include the

annual leave, workers compensation, pensions and other retirement benefits, and certain environmental matters as described in Note 10 – Environmental and Disposal Liability.

Liabilities Covered / Not Covered by Budgetary Resources (in thousands)	2015	2014
Intragovernmental		
Accrued FECA Liability	\$ 1,631	\$ 1,603
Total Intragovernmental	<u>1,631</u>	<u>1,603</u>
Public		
Actuarial FECA Liability	7,333	7,167
Accrued Annual and Compensatory Leave	16,362	16,442
Contingent Liabilities	4,012	9,760
Foreign Service National After-Employment Benefits	9,356	8,554
Environmental and Disposal Liabilities	1,079	1,079
Total Liabilities Not Covered by Budgetary Resources	<u>39,773</u>	<u>44,605</u>
Total Liabilities Covered by Budgetary Resources	39,682	38,146
Total Liabilities	<u>\$ 79,455</u>	<u>\$ 82,751</u>

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

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

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

Local Defined Contribution Plans

The BBG has implemented various local arrangements with third party providers for defined contribution plans for the benefit of FSNs. Total contribution to these plans by the BBG in FY 2015 and FY 2014 were \$63 thousand and \$81 thousand, respectively.

Defined Benefit Plans

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

The net defined benefit liability is comprised of the present value of the defined benefit obligation less the fair value of plan assets. The change in liability was an increase of \$802 thousand in FY 2015.

Retirement and Voluntary Severance Lump Sum Payments

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

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

The economic assumptions used for the Retirement and Voluntary Severance Lump Sum Payment Liability as of September 30, 2015 and 2014 are:

Economic Assumptions	2015	2014
Discount Rate	3.68%	3.68%
Rate of Inflation	2.31%	2.31%
Salary Increase	3.43%	3.43%

The total liabilities reported for the FSN After-employment Benefits as of September 30, 2015 and 2014, respectively, are as follows:

After-Employment Benefit Liability (in thousands)	2015	2014
Defined Benefits Plans	\$ 4,385	\$ 4,385
Voluntary Severance	2,330	2,012
Supplemental Retirement Lump Sum	2,641	2,157
Total After-Employment Benefit Liability	\$ 9,356	\$ 8,554

NOTE 10: ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

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

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

Through an internal survey to comply with SFFAS 5, *Accounting for Liabilities of the Federal Government*, SFFAS 6, *Accounting for Property, Plant and Equipment*, FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-related Cleanup Costs* and Federal Financial Accounting and Auditing (FFAA) Technical Release 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, Technical Release 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, and Technical Release 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*, the BBG identified offices and building facilities that contained non-friable and friable asbestos. Based on this survey, the BBG recognized an estimated asbestos cleanup liability in the amount of \$864 thousand in FY 2013 for four of its overseas facilities. This estimate was based on vendor quotes provided for asbestos clean-up efforts. The total environmental liability for BBG in FY 2015 remains unchanged at \$1,079 thousands.

BBG is aware of cleanup cost fluctuations due to inflation from FY 2013 constant dollar amounts. The total inflated environmental liability for BBG in FY 2015 is an estimated \$1,111 thousands. The assessed estimated inflated cost of \$32 thousands has no material effect and was therefore not recorded on the Balance Sheet, especially considering positive international currency fluctuation.

NOTE 11: OTHER LIABILITIES

Other liabilities consist of the following as of September 30, 2015 and 2014:

Other Liabilities (in thousands)	2015	2014
Intragovernmental		
Advances and Prepayments	\$ 3,141	\$ 2,144
Public		
Deposit and Suspense Liabilities	67	69
Total Other Liabilities	\$ 3,208	\$ 2,213

NOTE 12: OPERATING LEASE LIABILITY

The BBG leases real property in overseas and domestic locations under operating leases that expire in various years. The threshold for operating lease review and disclosure is \$50,000. Minimum future lease payments under noncancellable operating leases having remaining terms in excess of one year as of September 30, 2015 for each of the next 5 years and in aggregate follows:

Operating Leases (in thousands)	
Fiscal Year	Total
2016	\$ 22,438
2017	21,909
2018	21,553
2019	3,367
2020	537
2021 and there after	1,178
Total Future Lease Payments	\$ 70,982

NOTE 13: CONTINGENT LIABILITIES

The BBG is a party in various administrative proceedings, legal actions, and tort claims that may ultimately result in settlements or decisions adverse to the Federal Government. These include legal cases that have been settled but not yet paid, and claims where the amount of potential loss is probable and estimable. No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable. The accrued and potential contingent liabilities as of September 30, 2015 and 2014 are as follows:

Contingent Liabilities (in thousands)				
			Estimated Range of Loss	
	FY 2015	Accrued Liabilities	Lower End of Range	Upper End of Range
Probable		\$ 4,012	\$ 4,012	\$ 4,012
Reasonably Possible		-	-	225
	FY 2014	Accrued Liabilities	Lower End of Range	Upper End of Range
Probable		\$ 9,760	\$ 9,760	\$ 9,760
Reasonably Possible		-	-	225

NOTE 14: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

The following table presents the BBG's earned revenues and associated costs for providing goods and services to federal agencies and the public. Both earned revenues and related costs are allocated across the programs based on factors such as broadcasting hours and transmitting hours. Costs and exchange revenue for the years ended September 30, 2015 and 2014 consist of the following:

Programs (in thousands)	2015	2014
Voice of America (VOA)		
Intragovernmental Costs	\$ 79,307	\$ 44,601
Public Costs	282,400	304,048
Total VOA Costs	361,707	348,649
Intragovernmental Earned Revenues	(5,837)	(3,010)
Public Earned Revenues	-	(416)
Total VOA Earned Revenues	(5,837)	(3,426)
Office of Cuba Broadcasting (OCB)		
Intragovernmental Costs	4,614	3,903
Public Costs	35,730	45,532
Total OCB Costs	40,344	49,435
Surrogate Broadcasters		
Intragovernmental Costs	4,410	3,594
Public Costs	349,609	327,153
Total Surrogate Broadcasters Costs	354,019	330,747
Intragovernmental Earned Revenues	(41)	-
Public Earned Revenues	-	-
Total Surrogate Broadcaster Earned Revenues	(41)	-
Total Intragovernmental Costs	\$ 88,331	\$ 52,098
Total Public Costs	667,739	676,733
Total Intragovernmental Earned Revenue	(5,878)	(3,010)
Total Public Earned Revenue	-	(416)
Net Cost of Operations	\$ 750,192	\$ 725,405

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

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

Direct and reimbursable obligations for the years ended September 30, 2015 and 2014 are as follows:

Obligation Incurred (<i>in thousands</i>)	2015	2014
Direct Obligations Incurred		
CAT A	\$ 458,048	\$ 524,970
CAT B	302,384	205,398
Total Direct Obligations Incurred	760,432	730,368
Reimbursable Obligations Incurred		
CAT A	-	-
CAT B	4,765	3,959
Total Reimbursable Obligations Incurred	\$ 4,765	\$ 3,959

NOTE 16: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders for the years ended September 30, 2015 and 2014 are \$159.5 million and \$154.5 million, respectively.

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

A comparison between the FY 2015 Statement of Budgetary Resources and the FY 2015 actual numbers presented in the FY 2017 Budget cannot be performed as the FY 2017 Budget is not yet available. The FY 2017 Budget is expected to be published in February 2016 and will be available from the Government Printing Office.

The BBG reconciled the amounts of the FY 2014 column on the statement of Budgetary Resources (SBR) to the actual amounts for FY 2014 in the 2015 President’s Budget for budgetary resources, obligations incurred, distributed offsetting receipts and net outlays as presented below.

For the Fiscal Year Ended September 30, 2014 (in thousands)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 796,571	\$ 734,327	\$ -	\$ 709,520
Expired Account	(16,501)	-	-	-
Undelivered Orders	(16,650)	-	-	-
Budget of the United States Government	\$ 763,420	\$ 734,327	\$ -	\$ 709,520

NOTE 18: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

There are inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost and the budgetary accounting method used to report budgetary resources and obligations. The reconciliation of net cost to budgetary resources (in thousands) as of September 30, 2015 and 2014 is as follows:

	FY 2015	FY 2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 765,197	\$ 734,327
Less: Spending Authority from Offsetting Collections and Recoveries	<u>23,374</u>	<u>15,696</u>
Obligations Net of Offsetting Collections and Recoveries	741,823	718,631
Less: Offsetting Receipts	<u>-</u>	<u>-</u>
Net Obligations	741,823	718,631
Other Resources		
Donations and Forfeitures of Property	-	-
Transfers in/out Without Reimbursement	(432)	1,220
Imputed Financing from costs Absorbed by Others	11,077	14,791
Other	<u>(9)</u>	<u>(14)</u>
Net Other Resources Used to Finance Activities	10,636	15,997
Total Resources Used to Finance Activities	752,459	734,628
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	4,954	17,794
Resources that Fund Expenses Recognized in Prior Periods	4,893	574
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	-	-
Resources That Finance the Acquisition of Assets	4,886	2,176
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	<u>52</u>	<u>53</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	\$ 14,785	\$ 20,597
Total Resources Used to Finance the Net Cost of Operations	737,674	714,031

(Continues on next page)

(Continued)

	FY 2015	FY 2014
Components of Net cost of Operations That Will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	152	-
Increase in Environmental and Disposal Liability	-	18
Increase in Exchange Revenue Receivable From the Public	1,399	195
Other	996	7,636
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods	2,547	7,849
Components not Requiring or Generating Resources:		
Depreciation and Amortization	12,933	12,354
Revaluation of Assets or Liabilities	5,450	(9)
Other	(8,412)	(8,820)
Total Components of Net Cost of Operations not Requiring or Generating Resources	9,971	3,525
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	12,518	11,374
Net Cost of Operations	\$ 750,192	\$ 725,405

NOTE 19: STATEMENT OF NET COST

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

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

Statement of Net Cost (in thousands)	FY 2015	VOA	OCB	TSI	IBB	RFA	RFE/RL	MBN
Voice of America (VOA)								
Gross Costs	\$ 361,707	\$ 272,625	\$ -	\$ 52,682	\$ 36,400	\$ -	\$ -	\$ -
Less: Earned Revenues	(5,837)	(5,837)	-	-	-	-	-	-
Net Program Costs	355,870	266,788	-	52,682	36,400	-	-	-
Office of Cuba Broadcasting (OCB)								
Gross Costs	40,344	-	28,304	7,086	4,954	-	-	-
Less: Earned Revenues	-	-	-	-	-	-	-	-
Net Program Costs	40,344	-	28,304	7,086	4,954	-	-	-
Surrogate Broadcasters								
Gross Costs	354,019	-	-	75,273	9,624	45,230	119,259	104,633
Less: Earned Revenues	(41)	-	-	-	-	-	(41)	-
Net Program Costs	353,978	-	-	75,273	9,624	45,230	119,218	104,633
Total Gross Costs	756,070	272,625	28,304	135,041	50,978	45,230	119,259	104,633
Less: Total Earned Revenues	(5,878)	(5,837)	-	-	-	-	(41)	-
Net Cost of Operations	\$750,192	\$266,788	\$28,304	\$135,041	\$ 50,978	\$45,230	\$119,218	\$104,633

Required Supplementary Information

Deferred Maintenance

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

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

An amendment to SFFAS Deferred Maintenance and Repairs No. 42 became effective with fiscal years beginning after September 30, 2014. It eliminates the requirement to report condition information of assets and requires an explanation of significant changes in estimated costs from the prior year in this note.

The BBG reviewed its FY 2015 maintenance and repair plan and identified those projects where maintenance or repair had been planned and/or required but nevertheless was not performed in 2015. For those projects where maintenance was not performed and where the current condition level required maintenance to return them to an acceptable level, in accordance with the amended SFFAS Deferred Maintenance Repairs No. 42, the BBG estimates and discloses deferred maintenance cost.

The decrease in estimated deferred maintenance and repair costs from FY 2014 to FY 2015 of \$45 thousand is not significant.

Deferred Maintenance (in thousands)		
PP&E Category	FY 2015 Estimated Cost to Return to Acceptable Condition	FY 2014 Estimated Cost to Return to Acceptable Condition
Equipment	\$ 215	\$ 804
Other Structures & Facilities	594	50
Total	\$ 809	\$ 854

Section 4: Other Information

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Inspector General's Statement on Management and Performance Challenges



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

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October 2, 2015

The Honorable Jeff Shell
Broadcasting Board of Governors
Chairman
330 Independence Ave, SW, Room 3360
Washington, DC 20237

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

Dear Mr. Shell and Mr. Lansing:

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

In FY 2015, the Office of Inspector General (OIG) considers the most serious management and performance challenges for BBG to be in the following areas:

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

My office will continue focusing on these challenges in FY 2016. I look forward to working with you to continue improving BBG's ability to address these challenges and meet its mission effectively and efficiently.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Linick".

Steve A. Linick
Inspector General

Enclosure: 2015 Management and Performance Challenges

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

2015 MANAGEMENT AND PERFORMANCE CHALLENGES

Leadership

OIG has identified leadership problems in various inspections since 2013, as summarized in the May 2015 *Management Alert: Broadcasting Board of Governors Significant Management Weaknesses*.¹ In its inspection of the BBG Board,² OIG found that a part-time board could not provide effective oversight to all broadcasting operations. OIG recommended BBG establish a Chief Executive Officer (CEO) position, a topic that was also outlined in BBG's 2012–2016 strategic plan. On January 20, 2015, BBG's first CEO and Director was sworn into office; six weeks later he departed. BBG's Director of Global Operations served as interim CEO and Director until September 3, 2015, when a new, permanent CEO and Director was sworn into office. Leadership weaknesses may cause poor morale among some employees, as highlighted in OIG inspection reports. In its August 2015 *Inspection of U.S. International Broadcasting to Afghanistan*,³ Voice of America (VOA) Afghanistan Service employees stated that their morale was affected negatively because senior managers did not communicate effectively with them. In its *Inspection of the Office of Cuba Broadcasting*,⁴ OIG found employee morale was affected negatively because the management decision-making process lacked transparency. Employees in the Office of Cuba Broadcasting (OCB) also expressed fear of reprisal by management if they raised concerns. In its *Inspection of U.S. International Broadcasting to Russia*,⁵ OIG found VOA Russian Service employee morale was affected negatively because the division director did not foster conditions for open communication.

Managing Contracts, Acquisitions, and Grants

The lack of effective oversight of contracts, acquisitions, and grants is a continuing management challenge at BBG. In the *Inspection of U.S. International Broadcasting to Afghanistan*, OIG identified several weaknesses in contract administration procedures and the process for designating Contracting Officer's Representatives for contracts in the VOA Afghanistan Service. OIG recommended BBG take action to comply with the Federal Acquisition Regulations (FAR). In its inspection of OCB, OIG reported several deficiencies in contract administration procedures and oversight. In addition, OIG did not find documentation to support the performance of acquisition planning and market research. During the contract administration phase, the Contracting Officers did not always document their involvement in contract administration and contract files lacked appropriate documentation. OIG also highlighted similar deficiencies in

¹ OIG, *Management Alert: Broadcasting Board of Governors Significant Management Weaknesses* (MA-15-01, May 2015).

² OIG, *Inspection of the Broadcasting Board of Governors* (ISP-IB-13-07, January 2013).

³ OIG, *Inspection of U.S. International Broadcasting to Afghanistan* (ISP-IB-15-32, August 2015).

⁴ OIG, *Inspection of the Office of Cuba Broadcasting* (ISP-IB-14-15, July 2014).

⁵ OIG, *Inspection of U.S. International Broadcasting to Russia* (ISP-IB-13-50, September 2013).

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contract administration procedures in its *Inspection of Voice of America Latin America Division*.⁶ Furthermore, OIG reported in its inspections of OCB and VOA Russian Service that BBG's Office of Contracts did not appoint, in writing, the Contracting Officer's Representatives for contracts as required by the FAR.

BBG has three grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and Middle East Broadcasting Networks. OIG reported that BBG did not have sufficient oversight of these grantees. For example, in one report,⁷ OIG noted that BBG did not have procedures in place for post-award grantee monitoring to ensure that Federal awards were only used for allowable costs. OIG also reported that BBG did not have sufficient oversight policies and procedures in place to ensure grantees have mandated procurement procedures.

In another audit report,⁸ OIG found that BBG neither had a well-defined structure to monitor RFA's activities, nor was any specific person or office assigned primary responsibilities for monitoring BBG grantees generally. The audit also found that staff assigned to perform monitoring activities often did not have a clear understanding of their roles. Although BBG developed a Corrective Action Plan to address OIG's recommendations related to grants monitoring, the plan was not implemented at the time of the audit. Further, BBG's Board of Directors did not support BBG's efforts to increase grantee oversight. OIG also found \$583,583 in questioned costs related to funds that the grantee had not returned to BBG, as required in the grant agreement.

Information Security and Management

During the FY 2014 audit⁹ of BBG's compliance with the Federal Information Security Management Act of 2002, weaknesses noted from the FY 2013 report continued, as several components of BBG's information security management program were not completed. Although BBG took steps to improve its information security program and some improvements were realized, the information security control weaknesses that OIG identified in its 2014 audit collectively represent a significant deficiency in enterprise-wide security. OIG determined that BBG did not effectively develop and manage the risk management framework, continuous monitoring program, system-specific and enterprise-wide contingency plans, configuration management, and the incident response and reporting program.

⁶ OIG, *Inspection of Voice of America Latin America Division* (ISP-IB-13-49, September 2013).

⁷ OIG, *Audit of the Broadcasting Board of Governors FY 2014 Financial Statements* (AUD-FM-IB-15-10, November 2014).

⁸ OIG, *Audit of Radio Free Asia Expenditures* (AUD-FM-IB-15-24, June 2015).

⁹ OIG, *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-15-13, October 2014).

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Financial and Property Management

Financial management continues to be a challenge for BBG. In FY 2014, although BBG received an unmodified opinion on its financial statements,¹⁰ the independent auditor identified significant internal control deficiencies related to financial management, as well as instances of noncompliance with laws and regulations that were significant to the financial statement audit. For example, the audit found that BBG had significantly misstated its assets and expenses because it did not record 27 of 42 (64 percent) sampled domestic assets in its property inventory system. The audit also found that BBG lacked sufficient reliable controls over its accounting and business processes to ensure budgetary transactions were properly recorded, monitored, and reported, which had also been identified as a material weakness in the FY 2013 financial statement audit.¹¹ Although BBG designated this area as high priority for FY 2014 and the Office of Contracts was working to ensure that procurement transactions would be more accurately reported, the audit found deficiencies in unliquidated obligations, timeliness of obligations, and apportioned authority.

Additionally, OIG found that BBG's unliquidated balances require greater oversight. In the August 2015 *Inspection of U.S. International Broadcasting to Afghanistan*,¹² OIG identified a total of \$2.3 million in unliquidated obligations for FYs 2010–2014 for Afghanistan broadcasting operations. OIG also identified \$2.2 million in unliquidated obligations in the FY 2013 inspection of OCB. OIG recommended the BBG Chief Financial Officer review the budget authority for unliquidated obligations for FY2010–2014 and implement a review system to de-obligate unliquidated obligations periodically.

Further, BBG did not make progress on implementing internal controls regarding its property management. Inspection reports highlight BBG's lack of sufficient, reliable controls over its property management processes. For example, in its *Inspection of U.S. International Broadcasting to Afghanistan*, OIG found that the VOA Afghan Service did not conduct the required annual inventory or implement internal control procedures in its office in Washington, D.C., or in Afghanistan. The RFE/RL news bureau in Afghanistan did not follow accountability procedures for loaned equipment. In the inspections of the VOA Moscow news bureau¹³ and OCB,¹⁴ OIG also found that both entities lacked annual inventory procedures and documentation.

¹⁰ AUD-FM-IB-15-10, November 2014.

¹¹ OIG, *Audit of the Broadcasting Board of Governors FY 2013 Financial Statements* (AUD-FM-IB-14-14, December 2013).

¹² ISP-IB-15-32, August 2015.

¹³ ISP-IB-13-50, September 2013.

¹⁴ ISP-IB-14-15, July 2014.

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Progress in Addressing Management Challenges

BBG has made progress on a number of its earlier identified management challenges. For example, BBG is broadcasting with fewer resources by aligning limited resources with its technologies, targeted countries, and broadcasting activities. The merger of RFE/RL's Radio Free Iraq with MBN took place in August 2015 at an estimated savings of \$1.7 million. BBG broadcasting operations in Cambodia, Armenia, Azerbaijan, and Afghanistan worked closely together to use all international broadcasting resources more effectively. Also, in order to reach local audiences in South Sudan, BBG installed FM radio transmitters at the U.S. Embassy instead of purchasing land or leasing a transmitting facility.

In addition, during FY 2015, BBG management made improvements in the grants monitoring process. Specifically, BBG:

- hired a Grants Management Specialist that will focus on improving the grant monitoring process;
- updated sections of the BBG's Grantee Handbook;
- designed several documents to assist in the grant monitoring process; and
- implemented new controls, including monitoring currency fluctuations on a monthly basis, reviewing grantee financial audit reports, and conducting management reviews over grantee inventory listings.

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Agency Response to the Management and Performance Challenges

The BBG has reviewed the October 2, 2015 Inspector General's statement summarizing the most serious management and performance challenges facing the Broadcasting Board of Governors, and would like to take this opportunity to describe the actions that it is taking to address these challenges.

The BBG appreciates OIG's recognition of the Agency's progress in enhancing the collaboration between federal and

grantee elements. As noted in the OIG's letter, "BBG is broadcasting with fewer resources by aligning limited resources with its technologies, targeted countries, and broadcasting activities." In addition, OIG cites progress made in implementing a more comprehensive grants monitoring program. The hiring of an experienced grants management specialist and the implementation of new controls place the Agency on a path to meet its target milestones in this regard.

LEADERSHIP

The BBG and OIG have been of like minds regarding the need to establish a Chief Executive Officer (CEO) position for the Agency. As the OIG noted, a new permanent CEO and Director has been sworn in. On September 14, 2015, John Lansing began his tenure as the Agency's CEO. Mr. Lansing brings significant experience to the BBG, with nine years of experience as President of Scripps Networks where he is credited with guiding the company to become a leading developer of unique content across various media platforms including television, digital, mobile and publishing. As President of Scripps Networks, Mr. Lansing was responsible

for strategic and operational oversight of the \$2.5 billion division of *Scripps Networks Interactive*, including the company's portfolio of six cable networks and the \$100 million Scripps Networks Digital division.

The Agency also understands the importance of communication between leaders and employees at all levels of its operations. To address questions that have been raised during specific OIG inspections, VOA has implemented a number of 360 reviews of management officials, which include questions related to the ability of leaders to communicate effectively with staff.

MANAGING CONTRACTS, ACQUISITIONS, AND GRANTS

The BBG has acknowledged weaknesses in its contract administration procedures and its oversight of the Agency's grantees. The Agency

continues to comply with the Federal Acquisition Regulation (FAR) in all phases of the contracting process, including continued updating of specific

policies and procedures in its Broadcasting Administrative Manual, the authoritative compilation of policies that affect BBG's operations, and providing training to contracting officers and others involved in the process to ensure FAR compliance. In addition, the Agency has hired a full-time procurement policy officer to further develop policies, procedures and implementation guidance related to acquisition planning and implementation. The new policy officer

will be on board effective November 2, 2015.

In response to OIG concerns about grantee oversight, the Agency has taken steps to strengthen its oversight of grant awards. Subsequent to a full review of its grant monitoring program, and utilizing recommendations resulting from a KPMG review, the Agency is updating its Grantee Handbook, reviewing the grant agreements, and has hired dedicated staff to manage its grants.

INFORMATION AND SECURITY MANAGEMENT

The BBG appreciates the OIG's identification of areas for improvement in information technology and security. The Agency continues to take steps to improve its information technology and security program, and demonstrate these improvements to OIG auditors.

The BBG has made significant improvements since the 2014 FISMA audit, especially in the areas of risk management, monitoring, contingency planning, configuration management and incident response and reporting. Currently, BBG is working on a policy delineating the Agency's IT risk management framework. Creating an overarching risk management policy is an Agency priority, and has been identified as a central infrastructure item under the Program of Action and Milestones (POA&M).

As was reported to the FISMA audit team this year, BBG has implemented a Continuous Monitoring program that monitors and documents critical vulnerabilities and reports the results on a weekly basis. Compliance problems

are identified and remediated through automated or manual intervention as required. Results are then correlated the following week to gauge success and, when necessary, remediation of unresolved issues is pursued through escalation to senior technicians for advanced troubleshooting. This is a significant improvement from the 2014 finding.

BBG has developed a disaster recovery/contingency plan template using the Media Asset Management FISMA system as an exemplar. Information Systems Security Officers are completing disaster recovery/contingency plans for their assigned systems.

With the assistance of Microsoft Premier Support, BBG is developing a system based on System Center Configuration Manager data that will generate reports on the configuration of systems within the BBG Network.

A new BBG Policy entitled Computer Security Incident Response Procedure

was created this year and was approved on May 7, 2015. This document establishes procedures for responding to computer security incidents impacting BBG computing equipment,

data and networks. The adoption of this policy and its outlined procedures allows BBG to respond to computer security incidents and to remediate them quickly and consistently.

FINANCIAL AND PROPERTY MANAGEMENT

The BBG continues to improve financial and property management. These efforts focus on strengthening the processes for financial management, financial audits, budgetary transactions, procurement transactions, and internal control systems.

Unliquidated obligations (ULOs) have been a particular focus of attention. At this time, previously identified unliquidated obligations for the Office of Cuba Broadcasting have been resolved for Fiscal Years 2009 – 2013. In FY 2015 the Office of the Chief Financial Officer (OCFO) added a dedicated specialist to expedite the deobligation of invalid ULOs. The OCFO also adopted procedures to expedite deobligations on contracts with periods of performance which have been expired for more than two years. By mid-October 2015, this initiative resulted in \$5.5 million of additional deobligations; by the end of October when pending deobligations are completed, the anticipated total is \$6.6 million. The OCFO has also begun recruiting a small team of dedicated Contracting Officer Representatives (CORs) who will have specialized expertise and oversight to identify and deobligate ULOs on a timely basis.

The property management office in the Office of Technology, Services and Innovation (TSI), which supports BBG

federal entities in property management procedures, continues to improve its property management support of field offices throughout the world. The BBG is in the process of hiring a property management expert to assist in correcting deficiencies and improving agency procedures and business processes. Improvements in property management include the development of new software to bolster inventory tracking. To ensure that all capital assets are accounted properly, the property office receives a monthly report from the OCFO on all invoices and obligations over \$25,000.00. The property office reviews all of these items and then contacts the appropriate program office to barcode the equipment and capture the data into the property system. The property office is working on modifying its software to include the "in service" date of the equipment to correctly start the depreciation of equipment. The property office is working on capturing items that are Construction in Progress, Leasehold Improvements, Capital Assets and Inactive Assets.

After discussions with the OIG inspectors during their review of broadcasting to Afghanistan, the Germany Transmitting Station reviewed its records and added 72 property items, valued at \$1,104,401.72, into the

Property Inventory Processing System (PIPS) on November 14, 2014. All of the property added to PIPS is located in Afghanistan. Any items that qualified as capital assets were reported to the BBG's Chief Financial Officer in the First Quarter, FY 2015 Capital Asset Report. In addition, VOA Moscow completed the property inventory in question and OCB has made significant progress in its property management procedures and documentation. BBG headquarters continues to improve its property management support of field offices throughout the world.

On October 14, 2015, as BBG enters the final month of the Agency's FY 2015 financial statement audit, the audit team from Kearney & Company reported that they have identified no significant property management issues in this year's property management review.

The Agency appreciates its partnership with OIG in identifying and implementing management improvements, and will continue to demonstrate progress in the year ahead.

Summary of Financial Statement Audit and Management Assurances

TABLE 1
Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Grantee Monitoring & Advance</i>	1		1		
<i>Property, Plant, and Equipment</i>	1		1		
<i>Budgetary Accounting and Funds Control*</i>	1				1
<i>Total Material Weaknesses</i>	3		2		1

* The Timeliness of Obligations and Apportioned Authority items have been resolved.

TABLE 2

Summary of Management Assurances

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

Reporting on Improper Payment Information Act, as Amended by IPERIA

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

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

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

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

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

¹ Public Law 112-248

annual estimates of improper payments for programs or activities that are susceptible to significant improper payments.

BBG'S PROCESS

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

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

1. Reviews all programs and activities and identifies those that are susceptible to significant improper payments.
2. Obtains a statistically valid estimate of the annual amount of improper payments for those programs that are identified as susceptible to significant improper payments.
3. Implements a plan to reduce erroneous payments.
4. For those programs that are identified as susceptible to significant improper payments, reports estimates of the annual amount of improper payments in programs and activities and BBG's progress in reducing them.

The BBG's Office of Chief Financial Officer (OCFO) is responsible for reviewing and reporting the BBG's improper payments annually. The above four-step process began during fiscal year 2012 and continues into fiscal year 2016.

RISK ASSESSMENT

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

payment rate of all programs on a rotational basis, currently testing each program once every three years.

For FY 2015, the BBG reviewed three programs: domestic payroll, MBN, and RFE/RL, extracting the universe of payments from the BBG's financial system, Momentum, for the period of August 15, 2014 through July 15, 2015. The BBG reviewed the full population of payments for RFE/RL and MBN, and a random sample of 145 payments for domestic payroll.

Based on the results of the BBG's qualitative and quantitative risk assessment, only domestic payroll is at risk for significant improper payments, due to inconsistent maintenance and certification of timesheets, which prevented BBG from determining whether the hours paid were performed. During FY 2016, BBG is implementing a new electronic time and attendance system which is expected to fundamentally address these issues. BBG does not believe developing a statistical improper payment rate and amount prior to the full implementation of this system is cost beneficial. Therefore, the earliest fiscal year BBG anticipates feasibly reporting a statistical improper payment rate and amount is FY 2017.

RECAPTURE OF IMPROPER PAYMENT REPORTING

IPERA requires agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually, unless the agency determines that a payment recapture audit program would not be cost-effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments.

Based on the results of the BBG's qualitative and quantitative risk assessments, data mining efforts, and the BBG's payment composition (large volume, low dollar payments), the BBG determined that it would not be cost-effective to pursue a recapture audit for the following programs: MBN, RFE/RL, VOA, IBB, TSI, OCB, RFA, and domestic and overseas payroll. The BBG notified the OIG and the OMB a recapture audit would not be performed for FY 2015, on May 29, 2015.

The BBG also identifies and recaptures improper payments during the normal course of its disbursement management process. During FY 2015, the BBG identified fourteen erroneous trade payments totaling \$20,236.52 and recovered all but \$5.91. The amounts identified and recovered in FY 2015 are shown in Table 1. Recovered funds are returned to the original obligation.

Table 1: Overpayments Recaptured Outside of Payment Recapture Audit (in millions)		
Overpayments Recaptured Outside of Payment Recapture Audit		
Program or Activity	2015 Amount Identified	2015 Amount Recaptured
Voice of America (VOA)	\$ 0.02	\$ 0.02
International Broadcasting Bureau (IBB)	-	-
Technology, Services and Innovation (TSI)	-	-
Middle East Broadcasting Networks (MBN/MN)	-	-
Office of Cuba Broadcasting (OCB)	-	-
Radio Free Europe Radio Liberty (RFE)	-	-
Radio Free Asia (RFA)	-	-
Overseas Payroll	-	-
Domestic Payroll	-	-
Total	\$ 0.02	\$ 0.02

ADDITIONAL COMMENTS

The BBG believes that it has sufficient internal controls, human capital, and information systems to detect and prevent improper payments. The BBG's vouchers are processed within the financial management system (Momentum) by well-trained examiners and certifying officers prior to submission to the Department of the Treasury. The financial accounting system, Momentum, has built in controls to prevent duplicate invoice processing, ensure the availability of funds, require payment authorizations, and enforce access controls. If an erroneous payment occurs the BBG takes immediate action to collect those funds.

The BBG's Improper Payment Program is functional and designed to prevent material, recurring, and illegitimate payments. The BBG standard operating procedure provides control processes to ensure that erroneous or fraudulent payments do not occur.

BBG holds the agency managers, accountable officers, including agency head, and employees accountable for maintaining sufficient internal controls to effectively prevent or recapture any improper payments that are made.

AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

Do Not Pay is a Department of Treasury initiative that offers a centralized system for agencies to use to identify ineligible recipients and potential improper payments. Currently the BBG submits to Treasury batch files of vendor payments to be processed for review and analysis. In FY 2015, no vendor payments were identified as improper via Do Not Pay. Table 2 provides the dollar amounts and the number of payments reviewed using the IPERIA specified databases as referenced in OMB Circular A-136 during the period October 1, 2014 through September 30, 2015. Disbursements involving payroll, intragovernmental transactions and Department of State overseas processed transactions are not included in the batch files submitted by BBG. BBG did not perform reviews with any other databases not listed in IPERIA.

Table 2: Results of the Do Not Pay Initiative in Preventing Improper Payments ((\$) in millions)						
	Number (#) of payments reviewed for possible improper payments	Dollars (\$) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars (\$) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars (\$) of potential improper payments reviewed and determined accurate
Reviews with IPERIA specified databases	14,433	\$ 382.61	-	\$ -	14,433	\$ 382.61
Reviews with databases not listed in IPERIA	-	\$ -	-	\$ -	-	\$ -



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