

Fiscal Year 2012 Performance and Accountability Report



International
Broadcasting
Bureau



Radio Free Europe
Radio Liberty



Radio Free Asia

MIDDLE EAST
BROADCASTING
NETWORKS, INC. **MBN**

BROADCASTING BOARD OF GOVERNORS

Message from the BBG Presiding Governor and IBB Director

We are pleased to present the Broadcasting Board of Governors' (BBG) Performance and Accountability Report (PAR) for Fiscal Year (FY) 2012. This is the BBG's ninth PAR, and it includes the results of this year's audit of the Agency's financial statements. The report also measures our performance against the objectives that we identified for FY 2012, highlights the accomplishments of the past year, and identifies the challenges that lie ahead.

During FY 2012, the Board finalized a new strategic plan charting the course ahead. This ambitious plan calls on the Agency to achieve impact through innovation and integration. Throughout FY 2012, the BBG strove to accomplish its mission of informing, engaging, and connecting 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 grantees: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN). Each of these entities pursues this single mission, collectively reaching a worldwide audience of over 175 million people in 59 languages via radio, television, and the Internet.

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

The BBG responded quickly to critical strategic challenges in FY 2012. BBG broadcast special programming in response to political events in the Middle East, the rise in Islamist fundamentalism in northern Nigeria, drought in the Horn of Africa, the political opening in Burma, and unrest and protests in Tibet.

On a weekly basis, BBG broadcasts reach significant audiences in key markets, including 75 percent of the adult population in Afghanistan, 75 percent in the Somaliland and Puntland regions of Somalia, 67 percent in Iraq, 30 percent in Libya, 27 percent in the FATA region of Pakistan, and 24 percent in Iran. In FY 2012, the BBG enhanced its distribution network, adding new FM transmitters in key cities in Libya and Afghanistan.

In FY 2012, the BBG broadcasters used digital media technology to improve its news gathering and further engage with audiences. VOA launched *Podelis* (Share), a TV-webcast to Russia that engages a young and tech-savvy audience of future leaders. OCB launched an aggressive effort to establish direct contact with its audience via email and text messages.

The BBG is also using technology to improve efficiency and marshal its resources. In FY 2012, the BBG migrated all but one of its broadcast entities to a common online content management system. This move allows greater coordination and inter-operability with other BBG broadcasters and results in cost savings of \$250,000 annually, reduced systems duplication, expanded in-house capabilities, and improved coordination among the networks.

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 eighth year. This report and the audit results demonstrate the BBG's ability to increase program impact through prudent management of available resources and the use of modern communication tools and techniques. Section Three of this report discusses the corrective actions the Agency is taking to address the identified internal control deficiencies and audit findings.

We are proud to report the achievements of the Broadcasting Board of Governors during FY 2012. We strive to wisely and effectively use the resources entrusted to us by the Administration, Congress, and the public to further our mission.



Michael Lynton
Presiding Governor
Broadcasting Board of Governors



Richard M. Lobo
Director
International Broadcasting Bureau

November 16, 2012

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Introduction

Purpose of the Performance and Accountability Report

This FY 2012 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) ninth report providing consolidated performance and financial information. This integrated presentation of the Agency's program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

This report satisfies the reporting requirements of the following legislation:

Federal Managers' Financial Integrity Act of 1982 (FMFIA)
Government Performance and Results Act of 1993 (GPRA)
Government Management Reform Act of 1994 (GMRA)
Federal Financial Management Improvement Act of 1996 (FFMIA)
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
Government Performance and Results Modernization Act of 2010 (GPRAMA)

Structure of the Performance and Accountability Report

The report includes the following sections:

Management's Discussion and Analysis (MD&A)

The MD&A is an overview of the BBG, its organizational structure, and mission. It includes a summary of the Agency's program highlights and accomplishments for FY 2012 and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2012 FMFIA internal control review and a section on management assurances.

Performance Information

The performance section presents annual program performance information as required by GPRA and GPRAMA and describes the Agency's progress in meeting its operational strategic goals. A summary of the FY 2012 performance objectives is presented, as well as information about the outcome of specific performance indicator targets and a summary explanation of the verification and validation of performance measures used in the report.

Financial Information

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

Other Accompanying Information

The accompanying 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.

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

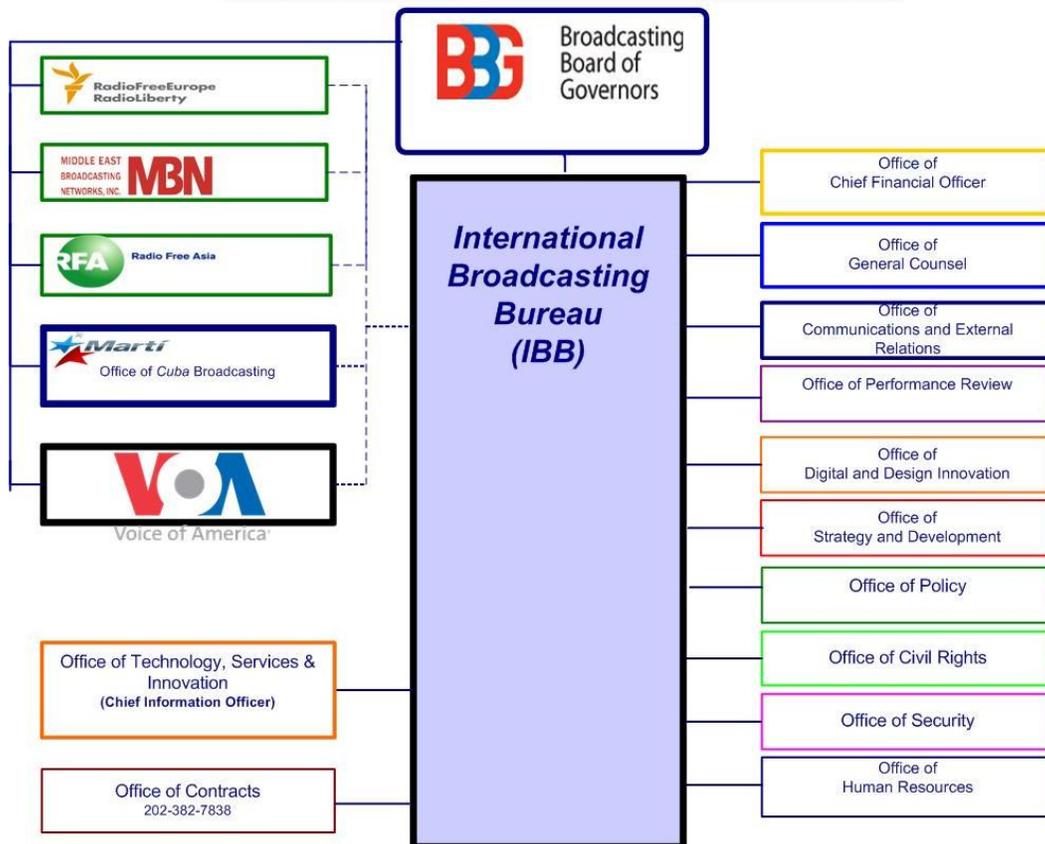
Organizational Structure and Mission

BBG Organization

The Broadcasting Board of Governors (BBG) became an independent federal entity on October 1, 1999, as a result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-22). The BBG administers non-military international broadcasting 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 broadcasting, 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.

The BBG broadcasting organizations 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 supervision of the BBG, have varied legal and organizational frameworks. VOA and OCB are part of the federal government. RFE/RL, RFA, and MBN are grantee organizations that receive funding from the federal government but are organized and managed as private non-profit corporations.



BBG Mission Statement

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

BBG Mission

The Broadcasting Board of Governors (BBG) informs, engages, and connects people around the world in support of freedom and democracy through its international broadcasting programs. The BBG reaches a worldwide audience of over 175 million in 59 languages via radio, television, and the Internet. All BBG broadcast services adhere to the broadcasting standards and principles of the International Broadcasting Act of 1994, as amended, and support the BBG mission.

FY 2012 Performance Goals, Objectives, and Results

In the Strategic Plan covering FY 2012-2016, the BBG has set one strategic goal – to become the world’s leading international news agency by 2016, focused on mission and impact. The Agency’s key performance goal for the life of the plan is to reach 216 million in global weekly audience by 2016.

In support of these goals, and as a principal measure of their accomplishment, the BBG has set the following performance goals with corresponding indicators and annual targets:

1. Increase global audience reach.
2. Produce high-quality, credible, and relevant content.
3. Ensure effective, strategic program delivery.
4. Achieve substantive impact within the target audiences and societies consistent with a multi-factor measure to be developed over the course of the Plan.

Success requires that BBG programs reach large numbers of people on a regular basis, as measured by the weekly audience reach; that BBG programs are attractive and endorsed as trustworthy to the audience, as measured by program quality and program credibility; and that BBG programs increase audience understanding. All three elements are reported at the entity level, together with other secondary measures, which include the number of transmitters and affiliates, signal strength, satellite effectiveness, and consumable expense (total annual cost of power and parts to operate the transmitters in the BBG global network). With a new global research program in FY 2012, BBG has begun an assertive effort to measure performance using a robust set of new performance indicators, including driving news and discussion agendas in key markets.

Taken together, these indicators provide a comprehensive accounting of the annual performance of the BBG. The resources applied by entity to achieve these results are also presented in the Statement of Net Cost.

All performance indicators for each language service are annual measures that are aggregated at the entity level to summarize the accomplishments of each entity. These common measures also serve as a foundation for internal review processes, including the annual Language Service Review and Program Reviews, which ensure BBG priorities are met and performance is meeting the expectations of integrating resources with results.

Highlights of BBG’s performance in FY 2012 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 broadcasting 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.

The broadcasts of the BBG entities reach a worldwide audience of over 175 million in 59 languages.

Key accomplishments in FY 2012 include:

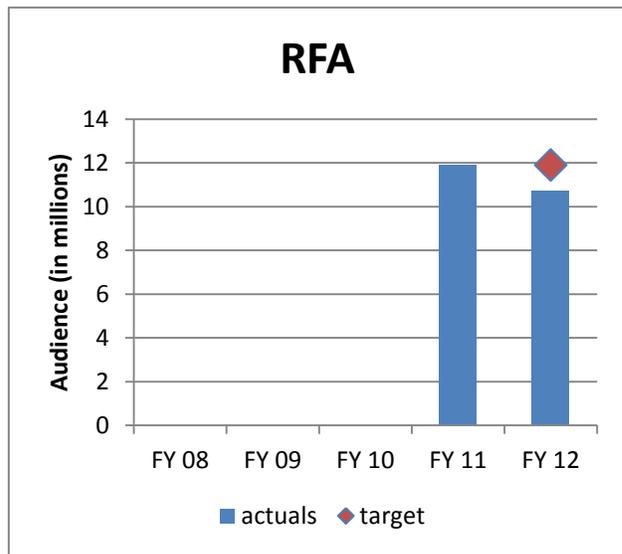
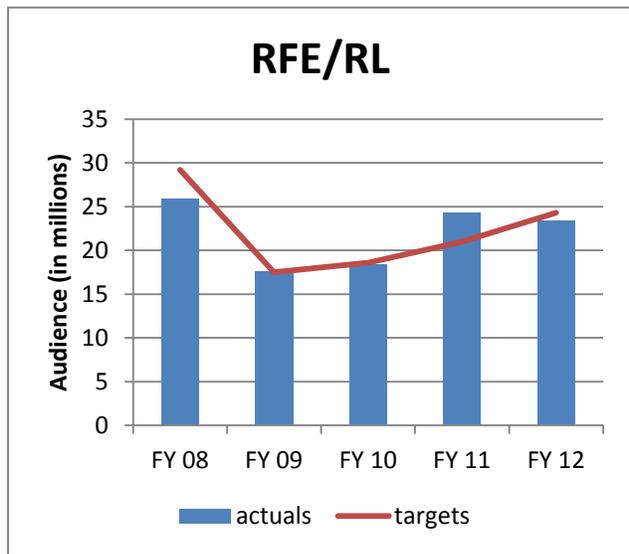
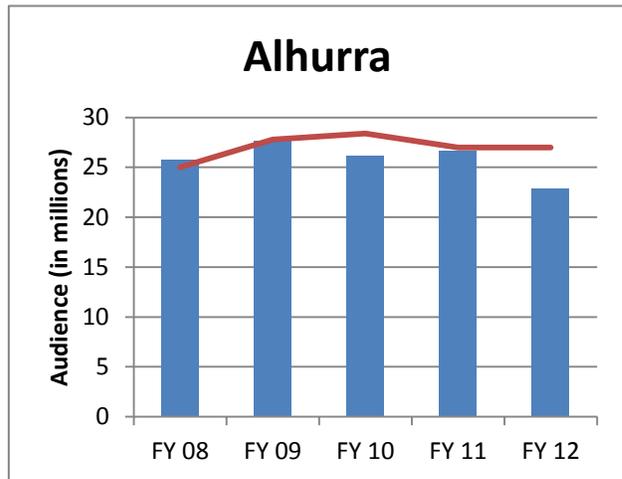
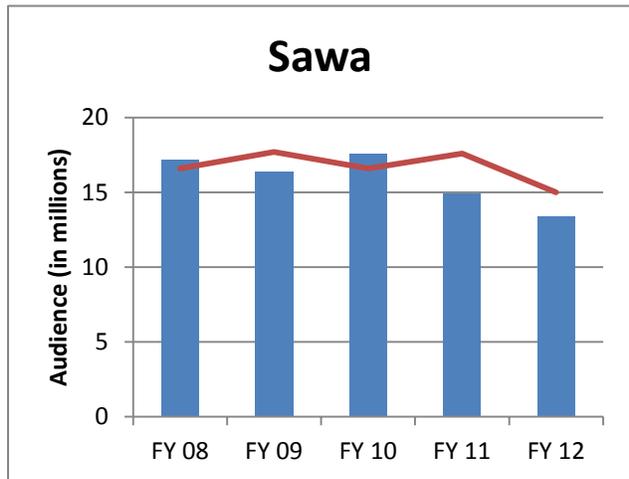
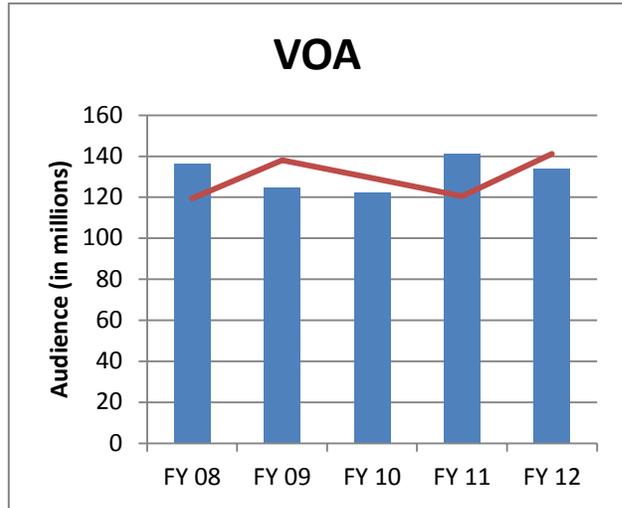
- BBG broadcasters, led by MBN, provided award-winning coverage of historic transitions occurring throughout the Middle East and North Africa.
- Each week VOA and RFE/RL broadcasts jointly reached 75 percent of the adult population in Afghanistan, 27 percent in the Pakistan FATA region, and 24 percent in Iran.
- RFA and VOA led world media in delivering breaking news and exclusive stories and videos from inside Tibet.
- VOA launched the new Africa Health Network to provide vital health news directly to audiences and via local affiliates.
- OCB launched an aggressive effort to establish direct contact with its audience via email and text messages, reaching Cubans with news and information.

Performance Goal 1: Increase global audience reach

The BBG's primary measure of success is its weekly audience. These charts present weekly audience for BBG broadcasters from FY 2008 to FY 2012, along with the targets set by the Agency.

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

Impact cannot be reduced to a single quantitative factor. With the new global research program launched in FY 2012, the BBG has begun an assertive effort to measure performance using a robust set of new performance indicators. The BBG expects to roll out these new measures in FY 2013.



Ongoing Challenges

Broadcast Environment

Two major factors shape the global political and security context for BBG operations: extreme volatility in global affairs and the need to sustain a global information posture. Extremist rhetoric and incitement to violence directly threaten U.S. national security interests in Afghanistan, the FATA, the Maghreb, the Trans-Sahel, Yemen, Somalia, and elsewhere. Al Qaeda and its affiliates incessantly attack 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 brand of credible, factual, and locally relevant journalism counters these lies and half-truths and counters violent extremism. In addition, the United States must retain a global information capacity as part of the country's international posture. The BBG must meet the challenges posed by state-sponsored media of other countries whose foreign policy aims are often at odds with ours. The Chinese, Russians, Qataris, and Iranians, among others, are all heavily engaged in global media efforts that cost billions of dollars.

The foremost challenge for the BBG is to deliver programming to audiences via the media and the formats they prefer, despite the instabilities of various broadcast markets. In many cases, the BBG relies on agreements with host country governments to ensure program delivery and access to local radio and TV affiliates. In FY 2012, BBG established new FM transmitters in Benghazi and Tripoli, Libya; Ghazni, Lashkar Gah, Qalat, and Pol-e-Alam, Afghanistan; and conducted site surveys and preliminary planning work for new FM facilities in Juba, South Sudan, Bamako, Mali, N'Djamena, Chad, and Bujumbura, Burundi. When the political climate or leadership of a country changes, the BBG's ability to continue broadcasting may also change. To reach audiences, the BBG is constantly working to overcome jamming and censorship. For example, in FY 2012 VOA launched television programming in Mandarin, Tibetan, and English on one of the most popular direct-to-home satellites in China. As an organized effort 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 must be agile to adjust broadcast media in response to changing media climates.

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 crises and turmoil with very little lead-time and often with no defined end of surge. As regional and localized crises develop, the BBG must respond quickly and decisively depending on available media resources and the nature of the situation. In FY 2012, BBG broadcast special programming in response to political events in the Middle East, the rise in Islamic fundamentalism in northern Nigeria, drought in the Horn of Africa, the political opening in Burma, and unrest and protests in Tibet.

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

Infrastructure

The BBG requires powerful and reliable broadcast equipment to fulfill its mission. BBG customers – audiences and affiliate stations around the world – often have a number of choices for where they get their news. To ensure these programs reach 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 must carefully manage its transmission infrastructure to maintain a strong presence in critical markets. It is necessary to provide modern and effective transmitting and antenna systems in order to improve signal strength and reliability of broadcasts to vital areas throughout the world. The BBG works to meet this challenge by determining where transmission resources can be best utilized to BBG broadcasts. To make the best use of transmission assets, BBG conducts 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. While digital technology provides the highest quality production capabilities and increased opportunities for improved efficiencies, digital equipment requires a more stringent replacement and upgrade cycle to meet industry standards. As the pace of obsolescence accelerates with new technologies, vendors discontinue support for older systems and repairs or upgrades become difficult or even impossible. Given these constraints, the BBG strives to judiciously allocate resources to address the most critical infrastructure requirements as well as annual recurring technical infrastructure requirements and one-time projects.

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 challenging to plan the specific next steps the Agency will take. 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.

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 several innovative programs.

Financial Highlights

The BBG financial statements, which are included in the Financial Section of this report, are the eighth set of statements prepared for the Agency.

The independent accounting firm, Clarke Leiper, PLLC, conducted our FY 2012 financial statement audit and issued an unqualified opinion on our Principal Financial Statements. This is the best possible audit result.

Preparing these statements allows the BBG to improve financial management and provide accurate and reliable information to Congress, the President, and the taxpayer. BBG management is responsible for the integrity and objectivity of the financial information presented in the statements.

The financial statements and financial data presented in this report have been prepared from the accounting records of the BBG in conformity with Generally Accepted Accounting Principles (GAAP) and incorporate the application of the standards as prescribed by the Federal Accounting Standards Advisory Board (FASAB).

FINANCIAL HIGHLIGHTS		
(In Thousands)	2012	2011
At end of the Year:		
Condensed Balance Sheet Data:		
Fund Balance with U.S.	\$ 168,047	\$ 158,294
Accounts Receivable	134	2,791
Property, Plant and Equipment	120,582	125,357
Other	4,410	6,599
Total Assets	293,173	293,041
Accounts Payable and Other	43,139	38,564
Retirement and Payroll	29,161	31,121
Total Liabilities	72,300	69,685
Unexpended Appropriations	126,819	131,570
Cumulative Results of Operations	94,054	91,786
Total Net Position	220,873	223,356
Total Liabilities and Net Position	\$ 293,173	\$ 293,041
For the Year:		
Total Cost	765,235	798,844
Total Earned Revenue	(1,592)	(523)
Total Net Cost of Operations	\$ 763,643	\$ 798,321

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.

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

The BBG's objectives in its processes for planning, organizing, directing, controlling, and reporting on Agency operations are to ensure effectiveness and efficiency of operations, provide reliable financial reporting, and ensure compliance with applicable laws and regulations.

The program and office directors report annually to the BBG on compliance with the requirements of the FMFIA related to their programs. Reports to the BBG are based on annual internal control reviews that are completed by each entity of the BBG. The management control reviews are based on two components of compliance with the Act: program and administrative compliance and financial management systems compliance. Based on these reports, the IBB Director certifies an annual statement on compliance of the Agency's system of internal controls with the requirements of the FMFIA.

According to the Office of Management and Budget's (OMB) Circular A-123, "Agency employees and managers generally report deficiencies to the next supervisory level, which allows the chain of command structure to determine the relative importance of each deficiency." Deficiencies in controls that are identified during the internal control review process are included in the BBG's internal control review reports.

The BBG's standards incorporate the GAO's *Standards for Internal Controls in the Federal Government*. Good internal control systems are essential for ensuring the proper conduct of BBG business and the accomplishment of management objectives by serving as mitigating protection against fraud, waste, abuse, and illegitimate transactions. These standards reflect the fact that all internal control systems, no matter how well designed, have inherent limitations and should not be relied upon to provide absolute assurance, and that control systems may vary over time because of changes in conditions.

Operational Internal Control Review

The FMFIA assessment is conducted at the program and office level of the BBG in accordance with the Office of Management and Budget (OMB) Circular A-123 and best practices in internal control. The program and office directors report annually to the BBG on compliance with internal controls requirements. The review is conducted each year with personnel and managers responsible for managing, monitoring, improving and assessing internal control.

Financial Management Systems and Reporting Internal Control Review

Each year, the Broadcasting Board of Governors receives an independent auditor's report on the internal control and functionality of its financial management systems and platforms. The BBG employs a program to continuously assess, document, and report on internal controls. 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 has begun an effort to upgrade its Momentum financial system to provide increased functionalities and a framework for future enhancements. Performing this upgrade enables BBG to comply with mandatory Federal Government procurement, accounting, and external reporting changes. These anticipated changes include Treasury's Payment Disbursement Modernization (PAM) and Governmentwide Treasury Account Symbol (GTAS) initiatives, as well as GSA's System for Award Management (SAM) initiative.

BBG plans to complete the upgrade in three overlapping phases, the first of which began during fiscal year 2012 and ended during October 2012. Once completed, BBG will have greater processing efficiencies, a solid framework for upcoming requirements, and increased capabilities to remain accurate and accountable. Currently BBG is on target to meet the expected completion of the upgrade in August of 2013.

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 IPIA 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.

Beginning in FY 2013, the BBG will implement predictive modeling and data mining techniques as well. More information on BBG's activities safeguarding against improper payments can be found in Section Four.



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

FY 2012 STATEMENT OF ASSURANCE

The Broadcasting Board of Governor's management 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). The Broadcasting Board of Governors and International Broadcasting Bureau conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Broadcasting Board of Governors and International Broadcasting Bureau can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2012 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Broadcasting Board of Governors and International Broadcasting Bureau conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123. Based on the results of this evaluation, the Broadcasting Board of Governors and International Broadcasting Bureau can provide reasonable assurance that its internal control over financial reporting as of June 30, 2012 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

A handwritten signature in black ink, appearing to read "Richard M. Lobo", is positioned above a horizontal line.

Richard M. Lobo
Director
International Broadcasting Bureau

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

Strategic and Performance Goals

The primary strategic goal of the BBG is to become the world's leading international news agency by 2016, focused on the Agency's mission and impact. The principal performance goals for accomplishing the strategic goal are:

1. Increase global audience reach.
2. Produce high-quality, credible, and relevant content.
3. Ensure effective, strategic program delivery.
4. Achieve substantive impact within the target audiences and societies consistent with a multi-factor measure to be developed over the course of the Plan.

Measures and targets for these goals are presented in the following section.

FY 2012 Tactical Steps

The tactical steps of the BBG guide U.S. international broadcasting in fulfilling the Agency's primary strategic goal of becoming the world's leading international news agency, focused on the Agency's mission and impact. These tactical steps provide direction to the Agency in making programming and resource decisions, given the challenges that are faced in accomplishing the strategic goal and the BBG mission. The steps are not goals that are measured, but guide the implementation of all BBG measurable performance objectives. The twelve BBG tactical steps are:

#1: Unify the Agency into One Organization, Many Brands

Owing to historical circumstance, the BBG is today a complex amalgam of diverse media properties with different legal and administrative frameworks headed by various full-time senior executives and a board of governors that also has supervisory authority. This structure inhibits effective intra-Agency coordination, clear chains of command, and efficient sharing of news and program content. Back-office redundancy and inefficiency trap resources needed on the front lines of BBG media endeavors. Management and organizational integration is thus a prerequisite to drive innovation and impact. The BBG must break down a stove-piped bureaucracy and shape a robust, unified, international media network. Optimally, all BBG components will share the same legal and administrative framework to maximize operational flexibility and integration. At the same time, the Agency's brand names that still enjoy popularity with audiences and support by key stakeholders will continue. The aim of the reorganization is to strengthen the brands and support their execution with clearer direction and additional resources.

#2: Launch a Global News Network

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 media properties generates original reporting every day from and around the world's hotspots – the 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 (for example, MBN's Middle East reporting in Arabic for VOA and RFE/RL's Persian-speaking audiences in Iran) or made available to other global audiences in English. Creating a global news network at the BBG will seek to remedy both circumstances by harnessing Agency editorial output for internal sharing and launching a Web-based aggregation platform for external distribution. The public-facing platform will focus on the BBG's original reporting with full attribution to BBG content

providers (its aim is to supplement not replace current BBG news sites). Developing efficient, competent translation will be critical to the system overall.

#3: Seize Targeted Growth Opportunities

Despite intensely competitive global media environments, there are significant, targeted opportunities to expand the BBG's reach and impact across the world. Populations in BBG target countries are overwhelmingly young – a challenge but also a chance to connect with a demographic that in the main has never even heard of BBG broadcasters. The BBG's audiences now are 62 percent male and 38 percent female – an imbalance ripe for correcting. Use of satellite TV is spreading, including in repressive societies where the BBG lacks other direct means of delivering programs – pointing to the importance of developing new video products. In some instances, new resources will be needed; in many cases, however, innovation and hard work will be the keys to success. Readjusting thinking and strategies, stopping what is not working and taking a risk on what might work, is critical. Boldness and ambition are requirements to get to the goal of 50 million additional audience by 2016.

#4: Prioritize Support for Democracy and Countering Pockets of Extremism

A key geopolitical development of the day, and likely to remain so for the duration of this strategic plan, is the democratic transformation in the Middle East and North Africa and its repercussions for repressive governments across the world. U.S. foreign policy actively supports this movement. Secretary of State Clinton has noted: “The status quo is broken; the old ways of governing are no longer acceptable; it is time for leaders to lead with accountability, treat their people with dignity, respect their rights, and deliver economic opportunity. And if they will not, then it is time for them to go.” The BBG, with a mission to inform, engage, and connect global audiences in support of freedom and democracy, has a critical role to play at this important juncture. BBG broadcasters are active where democracy forces are at work, including Belarus, Burma, Cuba, China, Egypt, Iran, Libya, Yemen, Zimbabwe, and a host of other countries. The BBG must focus on these countries while sustaining and selectively expanding coverage as resources allow. The BBG must also continue to focus on addressing areas beset by violent extremism, which is antithetical to democracy and U.S. national security. In Afghanistan, Pakistan, the Afghanistan-Pakistan border region, Somalia, and other places where Al Qaeda, the Taliban, and their affiliates operate, the BBG's accurate, credible news and information is an antidote to extremist propaganda.

#5: Rationalize Program Delivery

Across the world, commercial, cable and satellite TV and FM radio stations continue to proliferate. TV remains by far the world's dominant medium for news and entertainment. The Internet continues to grow. Social media usage is increasing exponentially. Ownership of mobile phones has reached near saturation levels in even the poorest countries. It is essential that BBG broadcasters reach audiences on their preferred media platforms. Yet the Agency's distribution methods and means have not strategically tracked the shifts in media use. The BBG must therefore align how it delivers content with how consumers now access it. In the process, the BBG must correct mismatches in resource allocations and redirect funds to support today's most effective distribution systems. This effort is to be research-driven but with close attention to intangibles such as the limitations in knowing in some countries how effective certain distribution methods are. Ultimately, the Agency is platform-agnostic. The BBG seeks to do what works best for the market at hand to get BBG content to as many users as possible.

#6: Combat Internet Censorship and Jamming

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 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. Freedom House, in its Freedom on the Net 2011 survey, notes: “Cyberattacks, politically motivated censorship, and government control over Internet infrastructures are among the diverse and growing threats to Internet freedom.” Reporters without Borders cites China, Cuba, Iran, Saudi Arabia, Syria, Turkmenistan, and another half-dozen countries as “enemies of the Internet.” As a national security asset of the United States, as well as a respected news source for 175 million people in more than 100 countries, the Agency upholds the right of citizens everywhere to receive and impart information without restriction. The BBG works on many fronts to make news and information accessible to global audiences with the aim of enabling not only unfettered access to BBG’s own products but also the full spectrum of independent news sources on the Internet.

#7: Elevate and Expand Social Media Innovation

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. The role of social media in the Arab Spring, for example, has been a wake-up call on the role of media in the lives of global citizens. 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. The BBG must aggressively pursue an innovation agenda that develops the next generation of content, tools, and distribution platforms.

#8: Employ Leading-Edge Communication Techniques and Technologies

Congress stipulates that BBG programs “be designed so as to effectively reach a significant audience” – a very different challenge today than a decade ago. Over the next five years, audiences increasingly will be splintered by new competition as local media markets mature. Additionally, audiences will segment as they migrate from traditional means of international broadcast distribution, such as shortwave, to FM, television, satellite, mobile phones, and new media. The BBG must stay on the cutting edge of emerging technologies. The BBG’s diverse audiences have different information needs and different media consumption habits. The BBG must therefore avoid a one-size-fits-all approach, and resist the assumption that the audience will come on their own. Instead, BBG broadcasters must go to them, with the content they want on the platforms they prefer. The aim is to expand audience reach while preserving the core mission of disseminating factual news and information.

#9: Engage the World in Conversation about America

Representing American society and presenting and discussing U.S. policy are legislated mandates for the Agency. Carrying them out requires sensitivity and creativity. Currents of anti-Americanism still run strong in some parts of the world, necessitating deft outreach 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 the country a focal point of international attention, and tens of millions of people around the world seek to learn American English. Thus, obstacles to engaging overseas audience are balanced by certain competitive advantages. VOA, in particular, is uniquely mandated and positioned to leverage these advantages to connect with diverse international audiences.

#10: Nurture a Dynamic, Dedicated Workforce

The BBG's 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 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 though social media. BBG employees are most effective when they are well motivated, trained, and led by dynamic leaders. While measures of employee satisfaction on the federal side of the Agency show signs of improvement, continued efforts to equip and energize the entire BBG workforce are critical to confront mounting competitive pressures worldwide.

#11: Spur Development through Targeted Media Initiatives and Training

Professional, independent media, in addition to fostering freedom and democracy, nurture development – as the World Bank and other institutions increasingly acknowledge. As one of the world's largest international broadcasters, operating in mostly under-developed countries with restricted media, the BBG is an invaluable U.S. asset for advancing development on two main fronts: (1) human development through programming on health, education, science and technology, entrepreneurship, English learning, and other subjects; and (2) development of professional journalism and independent media through serving as an example, training of local journalists and media operators, and standing up media initiatives. Providing people with information that improves their everyday lives is a mission imperative, and also serves to extend the BBG's reach and impact. Journalism training is a congressional mandate for the BBG. For years the BBG has partnered with other government agencies and non-governmental organizations on mutually beneficial development projects, ranging from a single program series on HIV/AIDS to entire language services for crisis areas (e.g., Somalia) to workshops on reporting skills. The BBG has always retained editorial control (a fixed requirement) over its content. Outside support brings energy, ideas, and resources to enable mission-critical activity that the BBG might otherwise not be able to undertake. Enlarging collaboration with sister federal agencies, foundations, universities, and private corporations in carrying out development initiatives is a key strategic opportunity.

#12: Sharpen Understanding of Impact through State-of-the-Art Research

Gauging impact is critical to broadcasters, management, and stakeholders alike for strategic and budgetary purposes. Agreed-upon definitions of impact have been elusive. Audience size is a factor, but impact cannot be reduced to this or any other single variable. A new global research program incorporates an enhanced effort to better define and measure the impact of Agency media. This will drive fulfillment of three key requirements: (1) to measure as accurately as possible the performance of BBG programs and brands and to report the results clearly and confidently to Congress, the Administration, and the American public; (2) to provide the operational elements of the Agency with business intelligence that will lead to improved strategies at the program level; and (3) to understand the effect of the BBG's work on the target audiences, media markets, and societies.

FY 2012 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 2011 and 2012 enhancements, with summaries of the current status. The detailed accomplishments for each performance objective are also presented in the accomplishments table in the following pages.

A. Reach the Arabic speaking world.

- Engage audiences directly through New Media to broaden the range of perspectives on discussion of critical issues affecting the future of the region.
MBN unveiled completely redesigned websites for Alhurra.com and RadioSawa.com and continued to expand their presence on Facebook, Twitter and YouTube.
- Provide news, discussion, and unique perspectives to audiences across the Middle East through Al Youm and Alhurra's other original programming, including accurate and comprehensive information about America and Americans.
Alhurra provided award-winning coverage of historic transitions occurring throughout the Middle East and North Africa and supplied its audiences the American perspective, giving context to the Administration's policies as well as insight from diverse voices throughout the broad U.S. public policy community.

B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia

- Expand outreach to the strategically critical audience in Iran through new media and social networking efforts.
VOA Persian videos were viewed more than 700,000 times in February 2012 and VOA Persian programs are closing in on one million Facebook fans. Radio Farda receives over 100,000 messages via SMS, email, and voicemail annually, and it has one of the most popular Iranian news pages on Facebook with almost 215,000 fans. From June 2011 to May 2012, Farda's website logged nearly 160 million page views.
- Provide an alternative source of information for the people in the Afghanistan-Pakistan border region through the 24/7 stream of VOA and RFE/RL Pashto programming.
The BBG has established itself as a leading source of news among the approximately three million Pashto speakers in the FATA border region. Its VOA Deewa and RFE/RL Mashaal programming reaches 24 percent of adults that live in this region along the Pakistan/Afghanistan border region each week and play a vital role by giving a voice to those displaced by the violence and fighting in the area.
- Offer critical news and information to audiences in Afghanistan through the daily 24-hour program stream in the Dari and Pashto languages.
Even as local media outlets become more competitive, Afghans continue to value the presence of international broadcasters. The BBG services are among the leading media outlets in Afghanistan today, reaching 75 percent of the Afghan population on a weekly basis.

C. Focus broadcasting to audiences of strategic priority in East Asia.

- Sustain the coordinated 10-hour VOA-RFA program stream to North Korea in shortwave and medium wave.

The 10-hour daily VOA and RFA broadcasts to North Korea continued, carried on two medium wave frequencies and multiple shortwave frequencies.

- Reach new audiences in China through new media and social networking.
RFA and VOA distribute content in China through Chinese microblogs and various other social media platforms. VOA Mandarin's cross-cultural English teaching web feature, OMG! Meiyu, has attracted more than nine million views on Chinese sites. In 2012, RFA Cantonese launched a smart phone app of a popular cell phone application in China that can make calls, SMS, and Tweets, as well as sending photos and videos.

D. Target African broadcasting to areas prone to terror incidents, genocide, or failed states.

- Offer audiences in Somalia vital news and information and the opportunity to express their own political views.
In early 2012, the Somali Service provided a unique service to the Somali citizens by conducting a nationwide survey on the draft Somali constitution that was adopted in July 2012. The survey polled Somalis around the country and in the Dadaab refugee camp in Kenya about key provisions of the draft constitution and the kind of government they want. Results were broadcast on-air and prompted a dialogue with the audience.
- Provide listeners in Zimbabwe with critical information and analysis through VOA Studio 7 broadcasts.
VOA's Studio 7 broadcasts reach 12.1 percent of rural and 7.5 percent of urban adults weekly, placing VOA as the leading international broadcaster in Zimbabwe. In March 2012, the Zimbabwe Service aired a five-part series about the recent typhoid outbreaks in the country, an issue of great concern to Zimbabweans.

E. Expand audience reach in strategic locations of Latin America.

- Expand the reach of VOA Spanish content through affiliates and strategic program placement.
The VOA Spanish Service has dramatically increased its affiliate base by aggressively pushing the Washington Bureau model. This strategic change has resulted in high profile affiliation agreements with some of the most important media organizations in the region, including El Tiempo of Bogota, Andina de Television in Peru, Radio Programas de Peru, Grupo Fides in Bolivia, Radio Formula in Mexico and Teamazonas in Ecuador.
- Expand efforts in Latin America to engage growing Internet and mobile user populations on digital platforms.
VOA Spanish has begun live Tweeting major news events and speeches, which has resulted in an over 50 percent increase in followers of the Service's Twitter feed. OCB uses anti-censorship tools such as web-based proxies to reach Internet users in Cuba, enabling unobstructed delivery of news, information, and instructions for circumventing government Internet filters.
- Improve Agency efficiency through increased collaboration between OCB and VOA Spanish.
OCB and VOA Spanish now regularly share studios, journalists, producers, and segments.

F. Align essential support functions with broadcasting implementation strategies and performance goals.

- Address BBG's most critical infrastructure maintenance and repair requirements.
BBG aligned resources to address priority equipment and repair requirements.
- Upgrade VOA's digital media management and infrastructure and support VOA new media programming.

The Office of Technology, Services, and Innovation (TSI) completed the deployment of a fully tapeless broadcasting environment for VOA that enables journalists and producers to manage digital content (both audio and video) from initial production to on-air presentation to archiving of material.

- Improve Cohen Building power infrastructure to provide essential support to around-the-clock broadcasting.
TSI completed several upgrades to the electrical infrastructure for the technical area in the Cohen Building and did extensive maintenance on one of the BBG's Uninterruptible Power System (UPS) units.
- Support all increases in programming with appropriate program delivery and administrative means.
Planning and implementation for new programming included appropriate and adequate support.
- Increase awareness of BBG programs in high priority markets through advertising and promotion.
The BBG, through the Office of Marketing and Program Placement, ensured that advertising and promotion resources 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 program 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 with all rated broadcasting services receiving "good or better" program quality scores. No firewall violations were reported.
- Support initiatives to improve financial, performance, and budget integration as well as improve financial and acquisition processes.
BBG continues to improve integration of financial and procurement management.
- Carry out BBG's mission and goals with a workforce that is agile, skilled, diverse, well-led, and motivated.
BBG was one of the most improved agencies in the 2011 Employee Viewpoint Survey, achieving statistical improvements in 26 of 58 questions.
- Increase reach among targeted audiences around the world with high-quality, original reporting and features from across BBG entities through a global news-sharing network.
BBG entities have established a news sharing system for exchanging content, including original stories and exclusive interviews. An aggregation dashboard and site is under development to leverage these assets across the entire broadcast network.

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

Account	FY 2008 ¹	FY 2009 ²	FY 2010 ³	FY 2011 ⁴	FY 2012 ⁵
International Broadcasting Operations	\$671.98	\$708.23	\$745.61	\$740.02	\$743.86
Broadcasting Capital Improvements	\$10.13	\$12.05	\$13.26	\$6.86	\$7.03
Total	\$682.11	\$720.28	\$758.88	\$746.88	\$750.89

¹ Includes funding pursuant to the FY 2008 Emergency Supplemental P.L. 110-161 (\$12.0 million) and P.L. 110-252 (\$100K). Reflects transfer of \$533K from Broadcasting Capital Improvements to International Broadcasting Operations.

² Includes funding pursuant to the FY 2008 Supplemental Appropriations Act, 2008, PL 110-252 (\$7.9 million). Also includes transfers from Department of State \$4.2 million for Georgian/Russian Initiatives (\$2.863 million was utilized in FY 2009) and \$10 million for P.L. 111-32 enhanced programming to the Afghanistan-Pakistan Border region (\$30K was utilized in FY 2009). Reflects transfer of \$750K from International Broadcasting Bureau to Broadcasting Capital Improvements.

³ Includes carryover balances from FY 2009 transfers from Department of State for P.L. 110-329 Georgian/Russian Initiatives \$1.337 million and P.L. 111-32 enhanced programming to the Afghanistan-Pakistan Border region \$9.97 million. Includes funding pursuant to the Supplemental Appropriations Act, 2010, P.L. 111-212. (\$3.0 million) of which \$1.159 million was utilized in FY 2010. Reflects transfer of \$641K from International Broadcasting Bureau to Broadcasting Capital Improvements.

⁴ Includes funding pursuant to the Full-Year Continuing Appropriations Act, 2011, P.L. 112-10. (\$10.0 million) to expand unrestricted access to information on the Internet.

⁵ Includes funding pursuant to the Appropriations Act 2012 P.L. 112-77 (\$4.4 million) for Overseas Contingency Operations/Global War on Terrorism.

Summary of FY 2012 Performance Accomplishments

The following are highlighted accomplishments in each of the performance objectives during FY 2012.

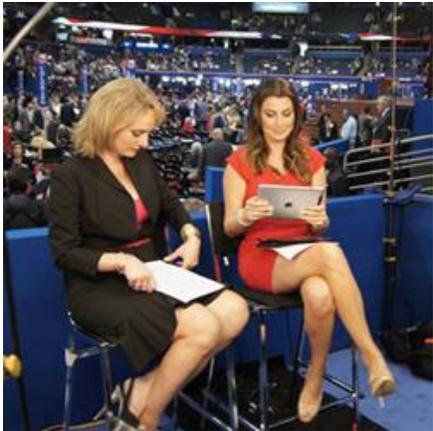
FY 2012 Performance Objectives	FY 2012 Accomplishments
<p>A. Reach the Arabic speaking world.</p> <p>Weekly Audience: 32.0 million</p>  <p><i>Alhurra's Street Pulse examines social and cultural issues in Egypt</i></p>  <p><i>Alhurra panel followed a documentary examining the use of torture by the Syrian regime</i></p>	<ul style="list-style-type: none"> • MBN's Alhurra-Iraq broadcasts reach 49 percent of Iraqis weekly and Radio Sawa's Iraq stream 23 percent, making them one of the top television and radio networks in the country. Alhurra-Iraq and Radio Sawa Iraq provide 24/7 localized programming to and for Iraqis, including American troop withdrawal and the Arab League Summit. Alongside MBN's Alhurra TV and Radio Sawa, RFE/RL's Radio Free Iraq connects with a weekly audience of 16 percent of the Iraqi adult population through radio and the Internet. • MBN reporters have covered the conflict in Syria through limited in-country access, from the border region, and through social media. Alhurra co-produced with MacNeil/Lehrer Productions the fourth installment of the Arab Spring documentary series, focused on Syria. • Despite the challenges of the Egyptian environment, Alhurra and Radio Sawa have produced quality programming and won awards from the Association of International Broadcasting and the New York Festivals. • Alhurra and Radio Sawa have provided comprehensive coverage of the Libyan Revolution, at times broadcasting up to 20 hours a day of breaking news coverage. Surveys conducted in December 2011 show that 29 percent of the population said they watched Alhurra in the past week. Among those who watched Alhurra the previous day, 65 percent said the station helps them form their opinions on important issues. The Office of Technology, Services, and Innovation (TSI) helped increase the reach of MBN's Radio Sawa programming following the revolution in Libya by installing new FM radio transmitters in Benghazi and Tripoli. • Afia Darfur has remained active in reporting on South Sudan's establishment as a new nation. Its daily radio program focuses on news from Sudan, South Sudan and the plight of the displaced people in Darfur and eastern Chad.

FY 2012 Performance Objectives	FY 2012 Accomplishments
<p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia.</p> <p>Weekly Audience: 53.6 million</p>  <p><i>Access Point, VOA's new Urdu-English program, focuses on Pakistani-U.S. relations</i></p>  <p><i>RFE/RL's Radio Azadi marked ten years of bringing news and information to the people of Afghanistan</i></p>	<ul style="list-style-type: none"> • VOA's Persian Service increased its primetime lineup from four to six hours a day and rolled out a new TV schedule that delivers the day's news, examines crucial social issues in Iran, and brings the audience the views of leading newsmakers. According to research conducted in March 2012, VOA broadcasts reach 22 percent of the adult population of Iran weekly. • To enhance broadcast coverage into Iran during critical periods, TSI added 12 hours daily of broadcast time for Radio Farda on a leased medium wave facility in the United Arab Emirates between January 2011 and March 2012. • RFE/RL's Radio Farda satire presenter Farshid Manafi won the Association for International Broadcasting award for Radio Personality of the Year. • VOA and RFE/RL are the top broadcasters in Afghanistan, jointly reaching 75 percent of the adult population each week. VOA and RFE/RL are among the most trusted sources of news in the country. • The BBG Office of Technology, Services, and Innovation has continued expanding its FM network in Afghanistan. In May 2012, a new FM in Ghazni, Afghanistan became operational followed by two more beginning test broadcasts in June 2012, in Lashkar Gah and Pol-e Alam. • The BBG has established itself as a leading source of news among the approximately three million Pashto speakers in the FATA border region. Its VOA Deewa and RFE/RL Mashaal programming reaches 24 percent of adults that live in this region along the Pakistan/Afghanistan border region each week. • In March 2012, VOA launched <i>Podelis</i> (Share), a TV-webcast to Russia that engages a young and tech-savvy audience of future leaders. The program offers a sophisticated conversation for a sophisticated audience about America and its values, U.S. policies in the post-Soviet era, and developments in Russia, the Caucasus, and Central Asia.

FY 2012 Performance Objectives	FY 2012 Accomplishments
<p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia. (Cont.)</p>  <p><i>VOA's Podelis, broadcast on satellite and the Internet, incorporates social media and real-time audience participation</i></p>  <p><i>Khadija Ismayilova of RFE/RL's Azerbaijani Service received the 2012 Courage in Journalism Award from the International Women's Media Foundation</i></p>	<ul style="list-style-type: none"> • RFE/RL's Russian Service live-stream coverage of the June 12, 2012 demonstrations attracted approximately 220,000 visits on that single day, while its investigative report into the Kremlin paying people to attend pro-government rallies generated 225,000 visits. The latter story went viral and was picked up by many Russian and several international media outlets. • In FY 2012, RFE/RL's Ukrainian Service offered coverage of the arrest, trial, and incarceration of former Prime Minister Yulia Tymoshenko, including several exclusive interviews with several members of her immediate family. Correspondents Tweeted from inside the courtroom during the trials of both Tymoshenko and former Interior Minister Yuriy Lutsenko, giving readers critical, real-time updates of proceedings that have been widely condemned as politically motivated. • The VOA Ukrainian Service is continuing to distinguish itself with comprehensive reporting on U.S.-Ukraine relations, American concerns about the steep decline of political and media freedoms in Ukraine, and the selective prosecution and imprisonment of many key opposition leaders, including former Prime Minister Yulia Tymoshenko and other members of her former government. • VOA's Armenian Service maintained an impressive audience share of more than 35 percent for the third consecutive year. • The BBG continues to be the leading international broadcaster in the Balkans with high weekly reach percentages in the countries of the region including: Albania 49 percent, Kosovo 60 percent, Bosnia 25 percent, Macedonia 31 percent, Montenegro 29 percent, and Serbia 12 percent.

FY 2012 Performance Objectives	FY 2012 Accomplishments
<p>C. Focus broadcasting to audiences of strategic priority in East Asia.</p> <p>Weekly Audience: 34.8 million</p>  <p><i>VOA Korean Service's Sungwon Baik reports from Pyongyang, North Korea</i></p>  <p><i>RFA interview with Lobsang Sangay, Prime Minister of the Tibetan exile government</i></p>	<ul style="list-style-type: none"> • In September, VOA launched television programming in Mandarin, Tibetan, and English on the Telstar 18 satellite, also known as ApStar5, one of the most popular direct-to-home satellites in China. In July, VOA Mandarin began a two-hour daily satellite TV program, the first step in a proposed three-year expansion of Mandarin's original TV programming. In March, RFA Mandarin acquired an affiliate in Taiwan. • RFA Tibetan has consistently led the world media in delivering breaking news on the latest top story from inside Tibet. As a testament to its journalistic excellence, the Service's reporting on the recent incidents of self-immolation has been cited by hundreds of news outlets worldwide, including AP, AFP, Reuters, BBC, CNN, The New York Times, etc., as well as news organizations in Taiwan, Hong Kong, Europe, and Latin America. Likewise, VOA Tibetan has broken several exclusive videos and photos of unrest, protests, and self-immolations, conducted interviews with the exile Tibetan Prime Minister and other cabinet ministers, and covered important world events, including U.S. presidential elections. • In 2012, RFA added a pilot half-hour television program to Burma six days a week and VOA increased television news coverage by adding ten minute news updates to their half-hour show six days a week. VOA successfully negotiated a groundbreaking agreement with the Burmese Information Ministry to place the service's English teaching programs on local stations inside the country. Jointly, RFA and VOA broadcasts reach 21 percent of the adult population of Burma each week. • VOA Indonesian reaches more than 21 million people each week (13 percent of the adult population of Indonesia) through more than 400 affiliate radio stations and more than 30 affiliate television stations. • VOA Korean made a significant breakthrough in accessing North Korea when one of its reporters was able to report stories from inside the country. A VOA Korean Service reporter was among a small group of foreign journalists allowed the rare opportunity to cover North Korea's attempted missile launch in April 2012.

FY 2012 Performance Objectives	FY 2012 Accomplishments
<p>D. Target African broadcasting to areas prone to terror incidents, genocide, or failed states.</p> <p>Weekly Audience: 51.9 million</p>  <p><i>Health Chat, a new VOA radio program, gives listeners in Africa a direct line to medical professionals</i></p>  <p><i>VOA Hausa's Dialogue program includes breaking news, analysis, commentaries, and the voices of ordinary people</i></p>	<ul style="list-style-type: none"> • Responding to the rise of the Islamic fundamentalist group, Boko Haram, in northern Nigeria, VOA opened a reporting center in the northern town of Maiduguri, a center of Boko Haram activity. The center had to be closed later in the year due to threats from Boko Haram. VOA also began a new weekly program dealing with the violence and social problems of northern Nigeria. • VOA conducted nationwide telephone polling of Somalis about the development of their new constitution. The results of the poll became part of a new weekly Somali call-in program, <i>Constitution Square</i>. The cooperative project was made possible by a grant from Google Ideas. • VOA is now offering special daily news broadcasts for mobile phone users in Northern Mali, where Islamic militants seized control and clamped down on independent sources of information. The three minute newscasts produced by the VOA French Service offer reports from the region and surrounding countries. • Responding to the devastating drought that struck the Horn of Africa in 2011-2012, VOA broadcast two new programs in Amharic and Somali; the programs, called <i>Lifeline</i>, targeted over a million refugees that left their homes in Somalia and Ethiopia for refugee camps. • VOA, in a collaboration between English to Africa and the Africa Division, built out the new Africa Health Network which aims to provide relevant health news to audiences that need it most. The VOA-branded network provides audio, video, and text-based information to a range of affiliates and directly to audiences. In February 2012 with help from a grant from the State Department, VOA Swahili launched a new weekly program, <i>Crossroads: Healthy Decisions for Youth</i>, which examines critical health issues facing young women in Tanzania. In March 2012, English to Africa launched a health show aimed at younger audiences in Africa. • VOA is reaching critical audiences in South Sudan with <i>South Sudan In Focus</i>, its 30-minute English radio show which offers listeners accurate news about their country, the region, and the continent. The accompanying web page provides the latest news, special reports, audio stories, and web links to other relevant material on the Internet. Funded by the State Department, <i>South Sudan in Focus</i> is available via shortwave, FM, and Internet and is co-hosted from Juba and Washington.

FY 2012 Performance Objectives	FY 2012 Accomplishments
<p>E. Expand audience reach in strategic locations in Latin America.</p> <p>Weekly Audience: 3.1 million</p>  <p><i>TV Martí programming included live coverage of the U.S. political conventions</i></p>  <p><i>VOA's Creole Service conducted citizen journalism training in Haiti</i></p>	<ul style="list-style-type: none"> • The Office of Cuba Broadcasting (OCB) launched an aggressive effort to establish direct contact with its audience via email and text messages. With this effort, OCB reaches nearly a million Cubans with direct news and information that would otherwise be denied to them by their government. • OCB made significant improvements in its broadcasts by re-launching its website, Martinoticias.com, revamping Radio Marti programming, and redeveloping programming for TV Marti. • The VOA Spanish Service has sharply increased its affiliate base by aggressively pushing the Washington Bureau model. This strategic change has resulted in high profile affiliation agreements with some of the most important media organizations in the region. • VOA Spanish sent a team to cover the Sixth Summit of the Americas, where it contributed content for the regular programs produced by the service and provided live radio and TV interactives for affiliates throughout the region. • Live Tweeting of major news events and speeches resulted in an over 50 percent increase in followers of the VOA Spanish Service Twitter feed. • In April 2012, the VOA Creole Service hosted a week-long training session for Haitian journalists in Washington, D.C. The training centered on broadcast journalism and American cultures and values.

FY 2012 Performance Objectives	FY 2012 Accomplishments
<p data-bbox="186 310 602 453">F. Align essential support functions with broadcasting implementation strategies and performance goals.</p>  <p data-bbox="186 1100 594 1161"><i>Radio Sawa transmitter in Benghazi, Libya</i></p>  <p data-bbox="186 1566 565 1627"><i>BBG and research partner Gallup conduct monthly briefings</i></p>	<ul style="list-style-type: none"> <li data-bbox="656 310 1425 779">• The Office of Technology, Services, and Innovation (TSI) continued efforts to convert the remaining MPEG2/DVB channels on the transatlantic and transpacific satellite backbones to the more bandwidth-efficient MPEG4/DVB channels. This effort will free up digital capacity for potential new video networks. By the end of FY 2012, TSI will complete the conversion of the transatlantic backbone system from the current DVBS technology to DVBS2, providing 25 percent additional capacity on this very congested link at no further recurring cost. In addition, TSI has begun replacing legacy switches at transmitting stations with new hardware that will enable the migration from a voice-only system to one that supports voice, data, and video over the existing satellite network. <li data-bbox="656 825 1425 1056">• The BBG migrated the VOA, OCB, and MBN websites to the Pangea platform, which was developed by RFE/RL, in order to allow greater coordination and inter-operability with other BBG broadcasters. This shift will result in cost savings of \$250,000 annually, reduced systems duplication, expanded in-house capabilities, and improved coordination among the networks. <li data-bbox="656 1102 1425 1266">• ODDI upgraded the Agency’s mobile websites, increasing traffic from 600,000 to 5 million visits per month. ODDI also redesigned the VOA, OCB, RFA, and MBN mobile websites and is migrating all mobile websites to the Pangea platform. <li data-bbox="656 1312 1425 1476">• ODDI assisted in the launch of several digital media projects: a crowd-sourced design project with RFE/RL Azeri, a social media TV program for VOA Russia, live-streaming and social media integration for MBN’s Al Youm and OCB’s Avanza Cuba programs. <li data-bbox="656 1522 1425 1686">• TSI completed the deployment of a fully tapeless broadcasting environment that will enable journalists and producers to manage digital content (both audio and video) from initial production, to on-air presentation, to archiving.

FY 2012 Performance Objectives	FY 2012 Accomplishments
 <p><i>Master control at BBG's Kuwait transmitting station</i></p>  <p><i>Rededication of the Edward R. Murrow transmitting station in Greenville, North Carolina</i></p>	<ul style="list-style-type: none"> • BBG's Internet Anti-Censorship Program released a new Virtual Private Network (VPN) tool for Radio Farda and Voice of America's Persian News Network in December; within six weeks, over 150,000 users employed this VPN every day, and growth is continuing. Increased funding in FY 2012 has enabled the BBG to expand significantly its circumvention development work, carried out by TSI and RFA, to examine new technologies and different means to bypass Internet censorship, including innovations in satellite data delivery, new tools for mobile phone platforms, and peer-to-peer social networking efforts. OCB partnered with TSI and RFA to employ anti-censorship tools such as web-based proxies to reach Internet users in Cuba. • TSI completed the migration of all Washington headquarters users to an external mail service (Office 365). TSI will continue working to deploy Instant Messaging, audio conferencing, video conferencing, and the SharePoint document management system to cloud-based platforms. These "cloud" applications ultimately will reduce costs and build continuity of operations functions into the network operation. • TSI continued to make progress on projects geared to "virtualize" existing servers and consolidate storage systems on standardized platforms. These activities have allowed TSI to reduce the number of data centers, consistent with the President's Management Agenda Data Center Consolidation mandate. The first run of server virtualization is complete; Agency storage systems have decreased from eight to three, and data centers have been reduced from 11 to five.

FY 2012 Performance Goals and Results

Performance Goal 1: Increase global audience reach.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target ¹	FY 2012 Actual
Regular Listening/Viewing Audiences: Number of people (in millions) in target areas listening or viewing at least weekly by program element.						
VOA	136.5	124.5	122.5	141.1	141.1	134.2
MBN (Radio Sawa)	17.2	16.4	17.6	14.9	15.0	13.4
MBN (Alhurra)	25.8	27.7	26.2	26.7	27.0	22.9
RFE/RL	25.9	17.6	18.4	24.3	24.3	23.4
RFA ²	NA	NA	NA	11.9	11.9	10.7
OCB	NA	NA	NA	NA	NA	NA

Indicator:

Regular Listening/ Viewing Audience (Overall Weekly Audiences): This indicator measures the number of people in target areas listening to or viewing BBG programming on a weekly basis. The measure is obtained for each language service and for the countries served by the BBG. It is based upon the measurement of the “regular listening audience,” a statistical standard long used to report international radio audience reach. Regular listening/viewing audience has over the years been consistently defined as all adults listening or viewing at least once a week, as determined by an audience survey that has an adequately designed sample.

Analysis of Results

Regular Listening/ Viewing Audience (Overall Weekly Audiences) – Reportable listening/viewing audiences decreased across the board for BBG entities in FY 2012. While some of this decline likely reflects actual loss in audience, some of it may also be attributable to the change in research providers and resulting changes in the survey questionnaire, both of which occurred during FY 2012. Multi-year trend data will help determine the degree to which FY 2012 was anomalous.

- **VOA – Target: 141.1 million Actual: 134.2 million**
VOA’s weekly audience declined from 141.1 million in 2011 to 134.2 million in 2012. This drop is largely due to significant apparent declines in Indonesia, Burma, and Nigeria. The drop in Indonesia likely results from a significant over-estimate in 2011 rather than a large decline in actual audience, while the drop in Burma probably reflects the considerable opening of that country’s media environment over the past year. Audience estimates in Nigeria have been notoriously volatile because the demographic diversity of the country makes reliable sampling a challenge. At the same time, VOA experienced very large gains in Iran, due to resumption of service on the country’s most popular satellite and the authorities’ cessation of jamming at the time of survey fieldwork.
- **MBN (Radio Sawa) – Target: 15.0 million Actual: 13.4 million**
Radio Sawa’s measured audience decreased in 2012. This drop was due to demonstrated audience declines in Egypt and Morocco, where Radio Sawa faces increasing local competition and a decline in radio usage overall.

¹ FY 2012 Targets are from the BBG FY 2013 Congressional Budget Request.

² BBG began reporting audience figures for RFA in FY 2011.

- **MBN (Alhurra) – Target: 27.0 million Actual: 22.9 million**
 Alhurra’s weekly audience declined in 2012, due primarily to changes in Egypt. The decline in weekly reach in Egypt is attributable to a proliferation of local TV content since the Egyptian revolution and the emergence of new TV stations. Egyptians greatly preferred local stations this year for their in-depth coverage of the country’s political developments. Past week reach for most 24 hour news stations—including Al Jazeera—declined sharply.
- **RFE/RL – Target: 24.3 million Actual: 23.4 million**
 RFE/RL’s weekly audience declined from 24.3 million in FY 2011 to 23.4 million in FY 2012. The decline is a result of a smaller measured audience for RFE/RL in Russia. After radio listening and usage of RFE/RL online materials increased in the previous national survey in December 2010, audience levels in the July 2012 survey decreased to where they had been in the previous three national surveys at 1.0 percent weekly.
- **RFA – Target: 11.9 million Actual: 10.7 million**
 RFA cannot measure audiences in many of its markets because of political sensitivities, and accessing RFA content is illegal or highly discouraged in all areas where surveys were conducted. The drop in this year’s measured audience is based on new data from Burma. Changes in survey methodology included a significantly revised questionnaire and sample. Those reached in this year’s survey were significantly less educated than those in the previous Burmese national survey and, for the first time, the sample included those over the age of 64. In addition to sampling changes, there have been dramatic developments in the Burmese domestic market as well as political liberalization. New private FM stations in multiple markets and new channels on television, one of which is now the top news source in Rangoon, have made the Burmese market more competitive.
- **OCB (Radio and TV Martí) – Target: NA Actual: NA**
 National estimates of audience reach for OCB in Cuba are not available. Conducting media surveys among probability samples of adults in Cuba has been feasible only via phone, which can reach about 30 percent of adults and remains subject to concerns about underreporting of use of foreign media in a repressive environment. Weekly audiences for Radio and TV Martí measured in such surveys in recent years have consistently been small. In order to gain more detailed and frank information from as many Martí listeners and viewers as possible, BBG commissions surveys and qualitative research among convenience samples of recent Cuban immigrants. These studies – whose results cannot be used to estimate audiences in Cuba – have shown that among these respondents, listening to Radio Martí had been a common experience in their last year on the island, while viewing of TV Martí was relatively rare.

Performance Goal 2: Produce high-quality, credible, and relevant content.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target ¹	FY 2012 Actual
Program Quality: Assesses the U.S. interest, content, balance, accuracy, and quality of presentation of program material. Score is percent of services whose programs overall are rated “good or better.”						
VOA ²	100	100	100	100	100	100
MBN (Radio Sawa)	NA	NA	100	NA	100	NA
MBN (Alhurra)	NA	100	NA	NA	100	NA
RFE/RL	100	100	100	96	100	100
RFA	100	100	100	100	100	100
OCB	100	50	100	100	100	100
Program Credibility: Consists of the percent of those listening or viewing at least once a week who consider the station’s news and information “very trustworthy/reliable” or “somewhat trustworthy/reliable” in an annual survey.						
VOA ³	94	91	94	93	94	92
MBN (Radio Sawa)	83	82	90	92	92	89
MBN (Alhurra)	72	85	86	88	90	84
RFE/RL	87	87	92	93	93	93
RFA	94	95	91	92	95	92
OCB	NA	NA	NA	NA	NA	NA
Understanding: Consists of the percent of those listening or viewing at least once a week who say that the broadcasts have “increased their understanding of current events” “somewhat” or “a great deal” in an annual survey.						
VOA	NA	NA	85	88	86	88
MBN (Radio Sawa)	NA	NA	70	70	75	70
MBN (Alhurra)	NA	NA	69	70	75	72
RFE/RL	NA	NA	85	91	89	91
RFA	NA	NA	89	83	88	92
OCB	NA	NA	NA	NA	NA	NA

Indicators:

Program Quality: This indicator presents the percentage of an entity’s language services with programming that is assessed as being of good-or-better quality. Ratings are based upon two broad criteria: (1) *content*, and (2) *presentation*. The *content* criterion includes evaluations of accuracy, reliability, authoritativeness, objectivity, comprehensiveness, and other variables reflecting distinct statutory, policy, and mission mandates for the different stations. The *presentation* criterion involves separate sub-criteria for each production unit unique to its media and the program. Historically, this measure has combined scores of external monitoring panels with the analysis of in-house analysts. With the transition to a new research provider in FY 2012, the BBG is evaluating and restructuring how it conducts external quality analysis. Scores for FY 2012 are based exclusively on in-house ratings. A new structure for reporting quality, including new external inputs, will be established in FY 2013. Quality scores are summarized on a scale from 1-4, where 1.0-1.3 = poor; 1.4-1.6 = poor to fair; 1.7-2.3 = fair; 2.4-2.6 = fair to good; 2.7-3.3 = good; 3.4-3.6 = good to excellent; 3.7-4.0 = excellent. The percentage of each entity’s reviewed language services that fall within the good, good to excellent, or excellent range is then calculated.

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 five-point scale – very trustworthy, somewhat trustworthy, neither trustworthy nor untrustworthy, somewhat untrustworthy, or very untrustworthy. The credibility index is

¹ FY 2012 Targets are from the BBG FY 2013 Congressional Budget Request.

² Prior to FY 2009, VOA program quality scores cover radio only. For FY 2009 through FY 2012, they include both radio and TV.

³ Prior to FY 2010, VOA program credibility scores cover radio only. For FY 2010 through FY 2012, they include both radio and TV.

the percent of those answering the question in the survey (excluding those who did not respond or did not know) who endorsed the broadcasts as very or somewhat trustworthy.

Understanding: This indicator is determined by the survey question asking weekly listeners/viewers 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. This is the third year that the understanding measure is being reported in the PAR and the BBG is working to establish appropriate baselines that will facilitate ambitious yet realistic target setting.

Analysis of Results

Program Quality:

- **VOA – Target: 100 Actual: 100**
Program quality ratings continued to be good or excellent for all VOA language services reviewed in FY 2012.
- **MBN (Radio Sawa) – Target: 100 Actual: NA**
A program quality score was not available for Radio Sawa in FY 2012 because quantitative internal reviews were not conducted.
- **MBN (Alhurra) – Target: 100 Actual: NA**
A program quality score was not available for Alhurra in FY 2012 because quantitative internal reviews were not conducted.
- **RFE/RL – Target: 100 Actual: 100**
Program quality ratings were good or excellent for all RFE/RL language services reviewed in FY 2012, an improvement from FY 2011.
- **RFA – Target: 100 Actual: 100**
Program quality ratings continue to be good or excellent for all RFA language services reviewed in FY 2012.
- **OCB – Target: 100 Actual: 100**
Program quality ratings were good or excellent for all OCB language services reviewed in FY 2012.

Program Credibility:

- **VOA – Target: 94 Actual: 92**
VOA's program credibility score of 92 percent in FY 2012 did not meet the target of 94 percent. However, VOA continues to hold a high level of credibility among listeners with 92 percent of weekly listeners and viewers rating its programming as very or somewhat trustworthy.

- **MBN (Radio Sawa) – Target: 92 Actual: 89**
MBN Radio Sawa’s credibility score of 89 percent in FY 2012 did not meet the target of 92 percent. However, Radio Sawa continues to hold a high level of credibility among listeners with 89 percent of weekly listeners and viewers rating its programming as very or somewhat trustworthy.
- **MBN (Alhurra) – Target: 90 Actual: 84**
MBN Alhurra’s credibility score of 84 percent in FY 2012 did not meet the target of 90 percent. However, Alhurra continues to hold a high level of credibility among listeners with 84 percent of weekly listeners and viewers rating its programming as very or somewhat trustworthy.
- **RFE/RL – Target: 93 Actual: 93**
RFE/RL’s program credibility score of 93 percent in FY 2012 met the target of 93 percent.
- **RFA – Target: 95 Actual: 92**
RFA’s program credibility score of 92 percent in FY 2012 did not meet the target of 95 percent. However, RFA continues to hold a high level of credibility among listeners with 92 percent of weekly listeners rating its programming as very or somewhat trustworthy.
- **OCB – Target: NA Actual: NA**
As previously indicated, the closed nature of Cuban society makes it extraordinarily difficult to conduct surveys or research, and, therefore, program credibility cannot be reliably measured.

Understanding:

- **VOA – Target: 86 Actual: 88**
VOA’s understanding score of 88 percent in FY 2012 exceeded the target of 86 percent.
- **MBN (Radio Sawa) – Target: 75 Actual: 70**
MBN Radio Sawa’s understanding score of 70 percent in FY 2012 did not meet the target of 75 percent.
- **MBN (Alhurra) – Target: 75 Actual: 72**
MBN Alhurra’s understanding score of 72 percent in FY 2012 increased from the FY 2011 level, but did not meet the target of 75 percent.
- **RFE/RL – Target: 89 Actual: 91**
RFE/RL’s understanding score of 91 percent in FY 2012 exceeded the target of 89 percent.
- **RFA – Target: 88 Actual: 92**
RFA’s understanding score of 92 percent in FY 2012 exceeded the target of 88 percent.
- **OCB – Target: NA Actual: NA**
As previously indicated, the closed nature of Cuban society makes it extraordinarily difficult to conduct surveys or research, and, therefore, understanding cannot be reliably measured.

Performance Goal 3: Ensure effective, strategic program delivery.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target ¹	FY 2012 Actual
Affiliations and Transmitters: The count of high impact and high quality radio and TV stations regularly carrying US government programming, and of BBG-owned and -operated local transmitters, TV, FM, and AM.						
VOA – Affiliates	324	342	360	371	375	383
RFE/RL – Affiliates	39	46	62	65	70	81
RFA – Affiliates	3	3	7	7	12	14
VOA – Transmitters	32	33	34	35	44	39
MBN (Radio Sawa) – Transmitters	38	39	40	40	42	42
MBN (Alhurra) – Transmitters	5	5	5	5	5	5
RFE/RL – Transmitters	19	19	20	20	27	25
Radio Signal Strength Index: This overall network level indicator applies only to cross-border SW and MW radio signals, and measures whether programs can be heard by target audiences. Based on a 5-point scale.						
BBG	2.65	2.74	2.80	2.92	2.90	2.97
Satellite Effectiveness Index: Assesses whether the BBG satellite delivery is keeping pace with global media developments.						
BBG	9.8	10.4	10.4	10.9	11.0	11.6
Transmission Network Consumable Expense: The cost (in millions) of power and parts to operate the IBO transmitter.						
BBG	\$34	\$34	\$35	\$35	\$34	\$32

Indicators:

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

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

Satellite Effectiveness Index: This index provides a quantitative measure of the ability of BBG's satellite network to reach the desired population of TV households around the world. The measure accounts for TV population, total satellite network capacity, signal strength, and primetime flexibility. The index considers five criteria: 1) Coverage of the satellite in channel hours; 2) Coverage to small (three meters or less) satellite dish antennas; 3) Time-zone flexibility to ensure prime-time coverage; 4) TV households reached; 5) Ability to feed other satellites as part of the network. The BBG Office of Technology, Services, and Innovation, in cooperation with the Broadcasting Satellite Users' Board, developed this index. The weighted measure of each criterion for each satellite that the BBG uses is combined in a mathematical formula to calculate the final index. This final index reflects the contribution of all of the satellites in the BBG network. The five criteria described above are characteristics of an effective

¹ FY 2012 Targets are from the BBG FY 2013 Congressional Budget Request.

satellite network that contributes to reaching BBG's global TV audiences. Because of the complex interaction among the criteria, annual measures and targets will vary. The upper limit of the index is unknown since the potential number of TV channels and TV audiences around the world may change in the future.

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

Analysis of Results

Affiliations and Transmitters:

- **VOA Affiliates – Target: 375 Actual: 383**
VOA exceeded its target number of affiliates in FY 2012.
- **RFE/RL Affiliates – Target: 70 Actual: 81**
RFE/RL exceeded its target number of affiliates in FY 2012.
- **RFA Affiliates – Target: 12 Actual: 14**
RFA exceeded its target number of affiliates in FY 2012.
- **VOA Transmitters – Target: 44 Actual: 39**
The number of VOA Transmitters increased but did not quite meet the FY 2012 target because of political difficulties in establishing new agreements.
- **MBN (Radio Sawa) Transmitters – Target: 42 Actual: 42**
The number of MBN (Radio Sawa) transmitters increased and met the FY 2012 target.
- **MBN (Alhurra) TV Transmitters – Target: 5 Actual: 5**
Alhurra's number of transmitters remained at 5, as targeted, during FY 2012, and will remain at that level for the foreseeable future.
- **RFE/RL Transmitters – Target: 27 Actual: 25**
The number of RFE/RL Transmitters increased but did not quite meet the FY 2012 target because of political difficulties in establishing new agreements.

Radio Signal Strength Index:

- **BBG – Target: 2.90 Actual: 2.97**
The Radio Signal Strength Index increased slightly in FY 2012 rather than declining as predicted. This increase resulted from effective re-scheduling of available network assets, in particular to overcome jamming and interference. However, an overall decline is likely to continue in future years as broadcasting requirements are shifted from shortwave to more effective media and as constrained available network capabilities reduce scheduling options.

Satellite Effectiveness Index:

- **BBG – Target: 11.0 Actual: 11.6**

The Satellite Effectiveness Index exceeded its target in FY 2012 because of ongoing adjustments to overcome Iran satellite jamming and improvements in satellite services to Cuba and China. The index will increase in future years as some satellite capacity is added by adopting more advanced technologies of signal modulation and compression where possible.

Transmission Network Consumable Expense:

- **BBG – Target: \$34 million Actual: \$32 million**

The Transmission Network Consumable Expense declined FY 2012 because of reduced transmission requirements. Costs are expected to decline in the future because of network operating economies and the expected decreased use of shortwave and medium wave transmissions. However, the turbulent world economy could still produce unanticipated large increases in the fuel and electricity costs as well as in foreign exchange rates in the coming years.

Performance Goal 4: Achieve substantive impact within the target audiences and societies consistent with a multi-factor measure to be developed over the course of the Strategic Plan.

Gauging impact is critical to broadcasters, management, and stakeholders alike for strategic and budgetary purposes. Agreed-upon definitions of impact have been elusive. Audience size is a factor, but impact cannot be reduced to this or any other single variable. A new global research program, which began in FY 2012 with the start of this Strategic Plan, incorporates an enhanced effort to better define and measure the impact of Agency media. This will drive fulfillment of three key requirements: (1) to measure as accurately as possible the performance of our programs and brands and our ability to report the results clearly and confidently to Congress, the Administration, and the American public; (2) to provide the operational elements of the Agency with business intelligence that will lead to improved strategies at the program level; and (3) to understand the effect of our work on the audiences, media markets, and societies we target.

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. 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, previously InterMedia and currently Gallup. The Broadcasting Satellite Users' Group, a multi-element working group not affiliated with the Office of Technology, Services, and Innovation, calculates the Satellite Effectiveness Index. The appropriate entity research director computes entity-wide performance values, and sends them to the BBG research manager for verification.

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

Use of Performance Data to Promote Improved Outcomes

The BBG undertakes quantitative, qualitative, evaluative, and ad hoc research projects every year to directly help 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 some 70 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.

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.

After the Program Review, program quality scores are assigned to the language services. Historically, this measure has combined scores of external monitoring panels with the analysis of in-house analysts. During the transition to a new research provider, the BBG is evaluating and restructuring how it conducts external quality analysis. Scores for FY 2012 are based exclusively on in-house ratings. For FY 2013 scores will again incorporate both internal and external input. Program review analysts facilitate the development of an action plan with each service and the support elements to improve program quality and/or delivery, and to move the service toward completion of its strategic goals.

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." A significant portion of the review is devoted to the careful examination of both qualitative and quantitative research on the impact and performance of programming, audience reach, and media usage and ownership. The priorities and impact identified by the LSR process form the basis for evaluation of proposals for enhancing existing language services or starting new ones in the subsequent budget process.

For the LSR, the BBG compiles research data, trend analyses, and information on key in-country events. A contracted independent research company assembles regional overview data on every broadcast language, including weekly audience reach in the adult population, the languages in which they prefer to listen or watch, awareness of broadcasters, signal quality, program credibility, weekly broadcast hours, staffing, and the number, type, and quality of affiliates, and direct transmission frequencies.

In addition, the BBG, in conjunction with the independent research provider, analyzes other data that shapes priorities, including press freedom, political freedom, civil liberties, economic freedom, and human development indices from non-governmental organizations (e.g., Freedom House, Heritage Foundation/Wall Street Journal, United Nations Development Programme) as well as the bipartisan Commission on America's National Interests. The inclusion of such data enables the BBG to evaluate changing conditions worldwide.

Independent Program Evaluations

The BBG conducts annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review conducted by the Board assesses two basic questions: (1) where the BBG should broadcast and (2) how well BBG broadcasting is 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.” Program Reviews, conducted for the individual language services, serve as annual quality control mechanisms based on field research and expert analysis of broadcast output on six criteria. The results of Language Service Reviews and Program Reviews are a significant source of analysis used for addressing and informing 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 applicable laws and regulations; 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, Public Law 103-236 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 2012, the OIG issued eleven final reports and the GAO issued one report. The Agency will continue to implement and respond to the recommendations of these evaluations.

OIG and GAO reports from FY 2012 are summarized below.

OIG Memorandum Report, Operations in Vietnam

The OIG conducted a limited inspection of BBG operations in Vietnam and issued a memorandum report with no recommendations.

OIG Memorandum Report, Operations in Taiwan

The OIG conducted a limited inspection of BBG operations in Taiwan and issued a memorandum report with no recommendations.

Broadcasting Board of Governors Should Provide Additional Information to Congress Regarding Broadcasting to Cuba

The GAO conducted an assessment of the BBG's strategic plan for broadcasting to Cuba, as directed by the conference report accompanying the Consolidated Appropriations Act of 2010. The report found that the BBG's strategic plan did not include some information called for in the congressional directive. The GAO recommended that the BBG report to Congress an analysis of the estimated costs and cost savings of sharing resources between OCB and VOA's Latin America Division.

OIG Review of the 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 review found several control weaknesses with BBG information security in the areas of system inventory, implementation and enforcement of security standards and procedures, security awareness training, plan of action and milestones, remote access, user account management controls, vulnerability assessments, enterprise-wide and system-specific contingency plans, and incident response policy. The report contains twelve recommendations, all of which the BBG concurred with and is working to implement.

OIG Survey of Suspension and Debarment Process

The OIG conducted a survey of the BBG suspension and debarment process and determined that the BBG did not have sufficiently detailed suspension and debarment policies and procedures. The OIG issued two formal recommendations in the areas of policies and procedures and recording contractor performance information.

OIG Audit of Compliance with the Improper Payments Information Act

The OIG audited BBG's compliance with the Improper Payments Information Act and found that BBG had not implemented all requirements for identifying and reporting data on improper payments. The OIG issued three recommendations to perform a risk assessment or formally document why one is not needed, implement a recapture audit program, and develop a standardized process to ensure that all required information is reported.

OIG Inspection of IBB Botswana Transmitting Station

The OIG conducted a followup review of IBB Botswana Transmitting Station and found that, while responsible entities in both Washington and Botswana had complied with a number of the formal and informal recommendations of their June 2011 inspection report, some important issues still need to be addressed. The OIG closed several of the original formal and informal recommendations but seven remain unresolved in the areas of information security and disaster recovery/business continuity.

OIG Review of Operations in Thailand

The OIG conducted a followup review of BBG operations in Thailand and found that while responsible entities in both Washington and Thailand had complied with the majority of the formal and informal recommendations of their March 2011 inspection report, some important issues still need to be addressed. The OIG closed several of the original formal and informal recommendations and has just closed three of the four Compliance Followup Review recommendations. The BBG continues to address the final remaining recommendation, that of recruiting a qualified candidate for the vacant Regional Marketing Officer position in Bangkok, and schedule training for the new hire to be designated as a Grants Officer Representative.

OIG Inspection of Radio Free Europe/Radio Liberty Prague

The OIG conducted an inspection of RFE/RL in Prague and found that its passionate and dedicated staff provides accurate and vital news to their target regions. The OIG issued several formal and informal recommendations in the areas of security, strategy, managerial training, employee awards, human resources policies, equal employment opportunities, and procurement processes and policies.

OIG Inspection of the Office of Marketing and Program Placement in Prague, Czech Republic

The OIG conducted an inspection of the IBB's Regional Office of Marketing and Program Placement in Prague and found that it is dedicated to its mission and has good internal controls and administrative procedures in place. The OIG issued four informal recommendations in the areas of human resources, procurement, financial management, and information technology support.

OIG Memorandum Report, Operations in Nairobi, Kenya

The OIG conducted a review of BBG operations in Nairobi, Kenya. They found no serious management problems at the Nairobi News Bureau, but issued several recommendations on cash verifications, IT support, leave planning, timesheet approval, contractual services, and operation and procedure guidance to improve administrative support and strengthen management controls.

OIG Inspection of Germany Transmitting Station

The OIG conducted a followup review of the IBB Germany Transmitting Station and requested further information on three recommendations from their September 2011 inspection report, one of which had been closed but required supporting documentation, and several other recommendations that remain open. The BBG provided information on standard operating procedures, IT training plans, and financial controls.

Section 3: Financial Information



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

November 16, 2012

Board of Governors
Broadcasting Board of Governors
330 Independence Avenue SW, Room 3360
Washington, DC 20237

Dear Members of the Board:

An independent certified public accounting firm, Clarke Leiper, PLLC, was engaged to audit the financial statements of the Broadcasting Board of Governors (BBG) as of September 30, 2012 and 2011, and for the years then ended, and to provide a report on internal control over financial reporting and compliance with laws and regulations, and to report any reportable noncompliance with laws and regulations it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget audit guidance; and the *Financial Audit Manual*, issued by the Government Accountability Office and the President's Council on Integrity and Efficiency.

In its audit of the BBG FY 2012 and FY 2011 financial statements, Clarke Leiper found

- the consolidated balance sheets and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources present fairly, in all material respects, the financial position of BBG as of September 30, 2012 and 2011, 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;
- there were no material weaknesses¹ in internal control; and
- there were no reportable instances of noncompliance with laws and regulations tested.

Clarke Leiper is responsible for the enclosed auditor's report, *Independent Auditor's Report on the Broadcasting Board of Governors 2012 and 2011 Financial Statements* (AUD-FM-IB-13-12), dated November 15, 2012, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on BBG's financial statements or conclusions on internal control and compliance with laws and regulations.

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.

Comments on the auditor's report from the Office of the Chief Financial Officer are attached to the report.

OIG appreciates the cooperation extended to it and Clarke Leiper by BBG managers and staff during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "H.W. Geisel". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Harold W. Geisel
Deputy Inspector General

Enclosure: As stated.

Independent Auditor's Report

**Broadcasting Board of Governors
Financial Statements**

September 30, 2012 and 2011

AUD-FM-IB-13-12, November 2012

Clarke Leiper, PLLC
Certified Public Accountants
6265 Franconia Road
Alexandria, Virginia 22310
(703) 922-7622

CLARKE LEIPER PLLC
CERTIFIED PUBLIC ACCOUNTANTS
6265 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510
703-922-7622
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DORA M. CLARKE
LESLIE A. LEIPER
DONG S. KIM

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
Broadcasting Board of Governors

We have audited the accompanying consolidated balance sheets of the Broadcasting Board of Governors (BBG) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of BBG's management. Our responsibility is to express an opinion on these financial statements based on our audits. We have considered internal control over financial reporting and compliance in place as of September 30, 2012, and for the year then ended, and we tested compliance with selected laws and regulations.

In our audits of BBG's 2012 and 2011 financial statements, we found

- the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- no material weaknesses in internal control over financial reporting and compliance with laws and regulations; and
- no instances of reportable noncompliance with laws and regulations we tested.

Each of these conclusions is discussed in more detail on the following pages. This report also discusses our audit objectives, scope, and methodology.

OPINION ON THE ANNUAL FINANCIAL STATEMENTS

In our opinion, BBG's annual financial statements, including the notes thereto, present fairly, in all material respects, BBG's financial position as of September 30, 2012 and 2011, 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.

INTERNAL CONTROL

In planning and performing our audit of BBG's annual financial statements as of, and for the year ended, September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered BBG's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinion on the annual financial statements but not for the purpose of expressing an opinion on the effectiveness of BBG's internal control over financial reporting and compliance. Accordingly, we do not express an opinion on the effectiveness of BBG's internal control or on management's assertion on internal control included in the Management's Discussion and Analysis section.

We limited our consideration of internal control to those controls necessary to achieve the objectives described in Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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

- Financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Compliance with laws and regulations: Transactions are executed in accordance with laws governing the use of budget authority, government-wide policies, laws identified by OMB in Appendix E of Bulletin 07-04, and other laws and regulations that could have a direct and material effect on the annual financial statements.

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

Our consideration of the internal control over financial reporting and compliance was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We

did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

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

- **Capitalized Property and Equipment** – BBG did not always record capitalized property acquisitions and disposals in the year of occurrence. In addition, some capitalized property and equipment was not recorded at the correct acquisition cost. The discrepancies identified during our testing resulted in a \$3.3 million understatement of operating expense and a \$1.1 million overstatement of depreciation expense. BBG did not have an adequate process in place to ensure that property records were up to date and that amounts were accurately reported on the financial statements.

The condition related to property and equipment was initially reported in our audit of BBG's FY 2009 financial statements.

- **Unliquidated Obligations** – BBG's control over assessing the validity of and maintaining supporting documents for unliquidated obligations (ULO) was inadequate. We identified invalid ULOs amounting to approximately \$18 million that had not been identified by BBG's review process. Although BBG had developed and documented a ULO review process, BBG had not performed the required reviews on a consistent, monthly basis as required. A weak control environment over ULOs affected management's ability to assess the status of funds. Invalid ULOs unnecessarily obligated BBG funds that could have been used for other purposes, led to lengthier monitoring and review procedures, and increased the risk of duplicate or fraudulent payments. Also, the inability to produce supporting documentation for obligations and related disbursements can lengthen the time necessary for ULO analysis and reconciliation procedures and could increase the possibility of undetected errors.

The condition related to ULOs was initially reported in our audit of BBG's FY 2010 financial statements.

- **Foreign Service National After-Employment Benefits** – BBG did not estimate a liability for Foreign Service National (FSN) after-employment benefits as of September 30, 2012. BBG chose to use the same amount that was reported in its FY 2011 financial statements. However, we found that the methodology used in FY 2011 to estimate the FSN after-employment benefit amount was not sufficient. BBG had not developed and implemented an adequate process for estimating the liability and had not maintained an accurate inventory of posts that provided after-employment benefits to FSN employees. Based on our analysis, we believe that

BBG overstated its FSN after-employment benefits liability by more than \$2.7 million.

The condition related to FSN after-employment benefits was initially reported in our audit of BBG's FY 2011 financial statements.

- **Accounts Payable Accrual** – BBG's methodology for estimating accounts payable at year-end was not sufficient. For instance, BBG did not include overseas or intragovernmental payments in its methodology. BBG also did not validate the assumptions used in the estimation methodology by using subsequent transactions and historical data. Based on our analysis, we concluded that BBG's accounts payable accrual for FY 2012 was understated by approximately \$8.5 million.

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

We noted certain other internal control issues that we will report to BBG management in a separate letter.

COMPLIANCE WITH LAWS AND REGULATIONS

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

Reportable instances of noncompliance are failures to follow requirements or violations of prohibitions in statutes and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or that sensitivity warrants disclosure thereof. The results of our tests of compliance with selected provisions of laws and regulations disclosed no reportable instances of noncompliance.

CONSISTENCY OF OTHER INFORMATION

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Deferred Maintenance be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board who consider it to be an essential part of the financial reporting for placing the basic 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 the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming an opinion on BBG's financial statements taken as a whole. Other Accompanying Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RESPONSIBILITIES AND METHODOLOGY

BBG management has the responsibility for

- preparing the annual financial statements, required supplementary information, and other accompanying information in conformity with accounting principles generally accepted in the United States of America;
- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; and
- complying with applicable laws and regulations.

We are responsible for expressing an opinion on the annual financial statements based on our audits. We are responsible for planning and performing an audit to obtain reasonable assurance about whether BBG's financial statements are free of material misstatement. We are also responsible for determining whether BBG management maintained effective internal control. In addition, we are responsible for testing compliance with selected provisions of applicable laws and regulations that may materially affect the financial statements and performing limited procedures with respect to certain other information appearing in the annual financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts in the annual financial statements and related disclosures;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the annual financial statements;
- obtained an understanding of the entity and its operations, including its internal controls related to financial reporting and compliance with laws and regulations;
- tested relevant internal controls over financial reporting and compliance and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under FMFIA;
- tested compliance with provisions of selected laws and regulations that might have a direct and material effect on the annual financial statements;
- obtained written representations from management; and
- performed other procedures we considered necessary under the circumstances.

We performed our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of OMB Bulletin 07-04, as amended. We believe that our audits provided a reasonable basis for our opinions.

This report is intended solely for the information and use of BBG management; those charged with governance; and others within the Office of Inspector General, OMB, the

Government Accountability Office, the Department of the Treasury, and Congress and is not intended to be and should not be used by anyone other than those specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

A handwritten signature in cursive script that reads "Clarke Leiper PLLC".

Clarke Leiper, PLLC

Alexandria, Virginia
November 16, 2012



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

November 16, 2012

The Honorable Harold W. Geisel
Deputy Inspector General
Office of Inspector General
2201 C Street, N.W.
Washington, DC 20520

Dear Mr. Geisel:

I am pleased to accept your audit report on the Financial Statements of the Broadcasting Board of Governors (BBG) for FY 2012 and FY 2011. The financial statements received an unqualified opinion and no material weaknesses were identified in our internal controls. Our achievement is an important and successful measure of the dedication and professionalism of our staff.

As public servants we continue to strive to improve financial management during these challenging times with shrinking resources. Our continued focus will be on innovation and leveraging technology to streamline processes and strengthen internal controls in all aspects of our operations.

I appreciate the efforts and leadership of the Office of the Inspector General and of the audit firm, Clarke Leiper, PLLC, to audit BBG's financial statements. Please convey my appreciation and thanks to your team for the cooperation and commitment exhibited during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "MelaJo Kubacki", written over a horizontal line.

MelaJo Kubacki
Deputy Chief Financial Officer

Broadcasting Board of Governors
Consolidated Balance Sheet
As of September 30, 2012 and 2011
(In Thousands)

	FY 2012	FY 2011
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 2)	\$ 168,047	\$ 158,294
Accounts Receivable, Net (Note 4)	-	2,700
Total Intragovernmental	\$ 168,047	\$ 160,994
 Assets with the Public		
Cash and Other Monetary Assets (Note 3)	1	3
Accounts Receivable, Net (Note 4)	134	91
General Property, Plant and Equipment, Net (Note 5)	120,582	125,357
Other (Note 6)	4,409	6,596
Total Assets	\$ 293,173	\$ 293,041
 LIABILITIES		
Intragovernmental		
Accounts Payable (Note 9)	\$ -	\$ -
Accrued FECA Liability (Note 8)	1,553	1,468
Other (Note 9)	134	-
Total Intragovernmental	\$ 1,687	\$ 1,468
 Liabilities with the Public		
Accounts Payable (Note 9)	26,521	19,870
Actuarial FECA Liabilities (Note 8)	7,117	7,355
Accrued Payroll and Benefits (Note 9)	5,016	4,622
Accrued Annual and Compensatory Leave (Note 8)	15,475	17,676
Contingent Liabilities (Notes 8 and 11)	8,439	9,093
Other (Notes 8 and 9)	8,045	9,601
Total Liabilities	\$ 72,300	\$ 69,685
 NET POSITION		
Unexpended Appropriations	126,819	131,570
Cumulative Results of Operations	94,054	91,786
Total Net Position	\$ 220,873	\$ 223,356
 Total Liabilities and Net Position	 \$ 293,173	 \$ 293,041

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Consolidated Statement of Net Cost
For the Years Ended September 30, 2012 and 2011
(In Thousands)

	FY 2012	FY 2011
Voice of America		
Gross Costs	\$ 366,246	\$ 363,136
Less: Earned Revenues	(1,592)	(523)
Net Program Costs	<u>364,654</u>	<u>362,613</u>
Office of Cuba Broadcasting (OCB - Radio and TV Marti)		
Gross Costs	50,758	60,606
Less: Earned Revenues	-	-
Net Program Costs	<u>50,758</u>	<u>60,606</u>
Middle East Broadcasting Networks (MBN - Radio Sawa and Alhurra TV)		
Gross Costs	146,379	158,174
Less: Earned Revenues	-	-
Net Program Costs	<u>146,379</u>	<u>158,174</u>
Radio Free Asia (RFA)		
Gross Costs	58,969	57,715
Less: Earned Revenues	-	-
Net Program Costs	<u>58,969</u>	<u>57,715</u>
Radio Free Europe/Radio Liberty (RFE/RL)		
Gross Costs	142,883	159,213
Less: Earned Revenues	-	-
Net Program Costs	<u>142,883</u>	<u>159,213</u>
Total Gross Costs	765,235	798,844
Less: Total Earned Revenues	(1,592)	(523)
Net Cost of Operations	<u><u>\$ 763,643</u></u>	<u><u>\$ 798,321</u></u>

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, 2012 and 2011
(In Thousands)

	<u>All Other Funds</u>	<u>Consolidated Total</u>	<u>Consolidated Total</u>
	FY 2012	FY 2012	FY 2011
Cumulative Results Of Operations:			
Beginning Balances	\$ 91,786	\$ 91,786	\$ 143,229
Adjustments:			
Changes In Accounting Principles	-	-	-
Correction Of Errors	-	-	-
Beginning Balance, As Adjusted	<u>91,786</u>	<u>91,786</u>	<u>143,229</u>
Budgetary Financing Sources:			
Other Adjustments	-	-	-
Appropriations Used	751,073	751,073	731,271
Non-Exchange Revenue	-	-	-
Donations And Forfeitures Of Cash And Cash Equivalents	-	-	-
Transfers In/Out Without Reimbursement	-	-	-
Other	81	81	194
Other Financing Sources (Non-Exchange):			
Donated Revenue-Nonfinancial Resources	12	12	-
Transfers In/Out Reimbursement	-	-	-
Imputed Financing	14,768	14,768	15,413
Other	(23)	(23)	-
Total Financing Sources	<u>765,911</u>	<u>765,911</u>	<u>746,878</u>
Net Cost Of Operations	(763,643)	(763,643)	(798,321)
Net Change	<u>2,268</u>	<u>2,268</u>	<u>(51,443)</u>
Cumulative Results Of Operations	94,054	94,054	91,786
Unexpended Appropriations:			
Beginning Balance	131,570	131,570	119,999
Adjustments:			
Changes In Accounting Principles	-	-	-
Correction Of Errors	-	-	-
Beginning Balance As Adjusted	<u>131,570</u>	<u>131,570</u>	<u>119,999</u>
Budgetary Financing Sources:			
Appropriations Received	751,530	751,530	748,375
Appropriations Transferred In/Out	290	290	250
Other Adjustments	(5,498)	(5,498)	(5,783)
Appropriations Used	(751,073)	(751,073)	(731,271)
Total Budgetary Financing Sources	<u>(4,751)</u>	<u>(4,751)</u>	<u>11,571</u>
Total Unexpended Appropriations	<u>126,819</u>	<u>126,819</u>	<u>131,570</u>
Net Position	<u><u>\$ 220,873</u></u>	<u><u>\$ 220,873</u></u>	<u><u>\$ 223,356</u></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, 2012 and 2011
(In Thousands)

	FY 2012	FY 2011
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	\$ 50,888	\$ 44,313
Adjustment To Unobligated Balance Brought Forward, October 1	1,021	-
Unobligated Balance Brought Forward, October 1, As Adjusted	51,909	44,313
Recoveries Of Prior Year Unpaid Obligations	20,250	19,771
Other Changes In Unobligated Balance	(5,208)	(5,174)
Unobligated Balance From Prior Year Budget Authority, Net	66,951	58,910
Appropriations	752,005	748,375
Borrowing Authority	-	-
Contract Authority	-	-
Spending Authority From Offsetting Collections:	5,416	7,744
Total Budgetary Resources	\$ 824,372	\$ 815,029
Status of Budgetary Resources:		
Obligations Incurred	\$ 774,529	\$ 764,141
Unobligated Balance, End Of Year		
Apportioned	(17,086)	(2,536)
Exempt From Apportionment	-	6,185
Unapportioned	66,929	47,239
Total Unobligated Balance, End Of Year	49,843	50,888
Total Budgetary Resources	\$ 824,372	\$ 815,029
Change in Obligated Balance:		
Unpaid Obligations Brought Forward, October 1	\$ 118,359	\$ 133,031
Uncollected Customer Payments From Federal Sources	(7,545)	(5,839)
Obligated Balance, Start Of Year, Before Adjustments	110,814	127,192
Adjustment To Obligated Balance, Start Of Year	-	-
Obligated Balance, Start Of Year, As Adjusted	110,814	127,192
Obligations Incurred	774,529	764,141
Outlays	(749,857)	(759,041)
Change In Uncollected Customer Payments From Federal Sources	6,114	(1,706)
Actual Transfers, Unpaid Obligations	-	-
Actual Transfers, Uncollected Customer Payments From Federal Sources	-	-
Recoveries Of Prior Year Unpaid Obligations	(20,250)	(19,771)
Obligated Balance, End Of Year		
Unpaid Obligations, End Of Year	122,780	118,359
Uncollected Customer Payments From Federal Sources, End Of Year	(1,431)	(7,545)
Obligated Balance, End Of Year	\$ 121,349	\$ 110,814

Budget Authority and Outlays, Net:

Budget Authority, Gross	\$ 757,421	\$ 756,119
Actual Offsetting Collections	(11,530)	(6,038)
Change In Uncollected Customer Payments From Federal Sources	6,114	-
Anticipated Offsetting Collections	-	-
Budget Authority, Net	<u>\$ 752,005</u>	<u>\$ 750,081</u>
Outlays, Gross	\$ 749,857	\$ 759,041
Actual Offsetting Collections	(11,530)	(6,038)
Outlays, Net	738,327	753,003
Distributed Offsetting Receipts	-	-
Agency Outlays, Net	<u>\$ 738,327</u>	<u>\$ 753,003</u>

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Notes to the Consolidated Financial Statements
September 30, 2012 and 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On October 1, 1999, the Broadcasting Board of Governors (BBG) became the independent, autonomous entity responsible for all U.S. Government and government-sponsored, non-military, international broadcasting. This was the result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-277). Every week, 175 million listeners, viewers, and Internet users around the world turn on, tune in, and log on to U.S. international broadcasting programs. While the “Broadcasting Board of Governors” is the legal name given to the federal entity encompassing all U.S international broadcasting services, the day-to-day broadcasting activities are carried out by the individual BBG international broadcasters: the Voice of America (VOA), the Office of Cuba Broadcasting (OCB), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN), with the assistance of the International Broadcasting Bureau (IBB).

B. Basis of Presentation

These financial statements have been prepared to report the consolidated financial position of the BBG, consistent with the Chief Financial Officers’ Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of the BBG in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB), the Office of Management and Budget (OMB), and the BBG’s accounting policies, which are summarized in this note. These consolidated financial statements present proprietary information while other financial reports also prepared by the BBG pursuant to OMB directives are used to monitor and control the BBG’s use of federal budgetary resources.

C. Basis of Accounting

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

D. Revenues and Financing Sources

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

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

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

E. Assets and Liabilities

Assets and liabilities presented on the BBG's balance sheets include both entity and non-entity balances. Entity assets are assets that the BBG has authority to use in its operations. Non-entity assets are held and managed by the BBG, but are not available for use in operations. The BBG's non-entity assets represent receivables that, when collected, will be transferred to the United States Treasury.

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

F. Fund Balances with Treasury

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

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

G. Accounts Receivable

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

H. Advances and Prepayments

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments, and recognized as expenses when the related goods and services are received. Advances are made principally to BBG employees for official travel, miscellaneous prepayments and advances to other entities for future services, and salary advances to BBG employees, often for employees transferring to overseas assignments. Advances and prepayments are reported as "Other" assets on the balance sheet.

I. Accrued Annual, Sick, and Other Leave

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

J. Employee Benefit Plans

Retirement Plans

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7 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 BBG making contributions of 11.20 percent. FERS employees also contribute 6.20 percent to Old Age Survivor and Disability Insurance (OASDI) and 1.45 percent to Medicare insurance. BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1 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 August 1, 2011, pursuant to Public Law 111-31, Federal agencies are required to automatically enroll all new FERS hires and CSRS rehires for a 3 percent TSP contribution, unless terminated by the employee or an alternate amount is designated by the employee. 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 Federal Employees Retirement System (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 BBG making contributions of 20.22 percent. FSPS employees also contribute 6.20 percent to OASDI and 1.45 percent to Medicare insurance. BBG makes matching contributions to both. A primary feature of FSPS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1 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.

Health Insurance

Most federal 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.

Other Post Employment Benefits

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

Foreign Service National's After-Employment Benefits

In addition to Federal civilian employees, BBG employs Foreign Service Nationals (FSN) who are non-U.S. citizens employed overseas and paid in foreign currency. The FSNs do not qualify for any Federal civilian benefits (i.e., CSRS, FERS, TSP); rather their benefits are based upon compensation plans at each foreign country that BBG has a presence. Under some local compensation plans, FSN employees with a specified minimum period of service are entitled to receive a lump-sum separation payment when they resign, retire, or otherwise separate through no fault of their own. The separation payment amount is typically based on length of service, pay rate at the time of separation, and the type of separation.

K. Workers' Compensation

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

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

L. Contingent Liabilities

Contingencies are recorded when losses are probable and measurable. When an estimate of contingent losses include a range of possible costs, the most likely cost is reported; in situations in which no cost is more likely than any other, the lowest possible cost in the range is reported. For additional information, see Note 11.

M. Net Position

BBG's net position contains the following components:

Unexpended Appropriations

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

Cumulative Results of Operations

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

N. Management's Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Beginning in FY2011 and in FY2012, the BBG refined the estimated accrued liabilities to better align with historical trends.

NOTE 2: FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury by fund type as of September 30, 2012 and 2011, consist of the following (in thousands):

Fund Balances	2012	2011
General Funds	\$ 161,036	\$ 152,469
Trust Funds	7,011	5,825
Total	\$ 168,047	\$ 158,294

The status of the fund balance may be classified as unobligated available, unobligated unavailable, obligated, and Non-Budgetary Fund Balance with Treasury. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable amounts are those appropriated in prior fiscal years, which are not available to fund new obligations. The unavailable balance also includes funds in deposit funds and miscellaneous receipts. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received, or goods and services received but for which payment has not yet been made.

The status of Fund Balance with Treasury as of September 30, 2012 and 2011 consists of the following (in thousands):

Status of Fund Balance with Treasury	2012	2011
Unobligated Balance		
Available	\$ 17,561	\$ 25,949
Unavailable	32,282	24,939
Obligated Balance Not Yet Disbursed	121,349	110,814
Non-Budgetary Fund Balance with Treasury	(3,145)	(3,408)
Total	\$ 168,047	\$ 158,294

Cancelled funds returned to Treasury as of September 30, 2012 and 2011 totaled \$5.5 million and \$3.9 million, respectively.

NOTE 3: CASH AND OTHER MONETARY ASSETS

BBG maintains a domestic imprest fund for small purchases less than \$25. Typically, these expenditures are the result of taxi fares or local transportation fees. As of September 30, 2012 and 2011, BBG maintained domestic imprest funds totaling \$1,165 and \$3,000 respectively.

NOTE 4: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2012 and 2011, are as follows (in thousands):

Accounts Receivable	2012	2011
Intragovernmental	\$ -	\$ 2,700
Public	134	91
Total Accounts Receivable, Net	\$ 134	\$ 2,791

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT, NET

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

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

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

During FY 2012, BBG was working with contractors to enhance the financial software package. The new enhancement will increase the efficiency of processing financial records and to comply with Treasury new requirements for the Governmentwide Treasury Account symbol Adjusted Trial Balance System (GTAS). BBG accumulated the related enhancement cost of \$1.4M as internal-use software in development and will capitalize this cost when the development is completed.

Property, plant, and equipment consist of property used in operations and consumed over time. The following tables summarize cost and accumulated depreciation of property, plant, and equipment as of September 30, 2012 and 2011 (in thousands).

Property	Useful Life (Years)	2012			2011		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	30	\$ 27,530	\$ (19,927)	\$ 7,603	\$ 28,013	\$ (19,619)	\$ 8,394
Equipment	6-30	318,291	(218,887)	99,404	314,966	(211,334)	103,632
Land	N/A	4,046	-	4,046	4,121	-	4,121
Other Structures	20	16,875	(9,583)	7,291	16,748	(8,581)	8,167
Vehicles	6	5,937	(5,056)	881	6,039	(4,996)	1,043
Assets Under Capital Lease	10	2,040	(2,040)	-	2,040	(2,040)	-
Software	5	2,082	(2,082)	-	2,082	(2,082)	-
Internal Use Software in Development		1,357	-	1,357	-	-	-
Total		\$ 378,158	\$ (257,575)	\$ 120,582	\$ 374,009	\$ (248,652)	\$ 125,357

Depreciation and amortization expense for the years ended September 30, 2012 and 2011 is \$12.3 million and \$10.6 million, respectively.

NOTE 6: OTHER ASSETS

This line item consists of advances and prepayments. These amounts are made principally to BBG employees for official travel, miscellaneous prepayments and advances to other non-Federal entities for future services, and salary advances to BBG employees, often for employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2012 and 2011 (in thousands):

Other Assets	2012		2011	
Public:				
Advances and Prepayments	\$	4,409	\$	6,596
Total	\$	4,409	\$	6,596

NOTE 7: NON-ENTITY ASSETS

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

Non-Entity Assets	2012		2011	
Accounts Receivable	\$	12	\$	47
Total Non-Entity Assets	\$	12	\$	47

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

BBG's liabilities are classified as covered or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations. Liabilities not covered by budgetary resources as of September 30, 2012 and 2011, are summarized as follows (in thousands).

Liabilities Not Covered by Budgetary Resources	2012	2011
Intragovernmental:		
Accrued FECA Liability	\$ 1,553	\$ 1,468
Total Intragovernmental	1,553	1,468
Accrued Annual and Compensatory Leave	\$ 15,475	\$ 17,676
FECA Actuarial Liability	7,117	7,355
FSN Separation Liability	6,828	9,554
Contingent Liabilities	8,439	9,093
Total Liabilities Not Covered by Budgetary Resources	\$ 39,412	\$ 45,146

Future Worker's Compensation Liability

Department of Labor (DOL) developed a model for agencies not specified in the Federal Employees Compensation Act (FECA) model to use as an estimate of their FECA actuarial liability. The model uses the amount of benefit payments for the entity over the last 9 to 12 quarters as provided in the quarterly charge back reports issued by the FECA, and calculates the annualized average of payments for medical expenses and compensation. The annualized average is then multiplied by the liability to benefits paid ratios for the whole FECA program for that year. Using this tool, BBG's actuarial liabilities as of September 30, 2012 and 2011, are \$7.1 million and \$7.4 million, respectively.

NOTE 9: CURRENT LIABILITIES

Current liabilities consist of the following as of September 30, 2012 and 2011 (in thousands):

Current Liabilities	2012	2011
Intragovernmental:		
Advances and Prepayments	\$ 134	\$ -
Public:		
Accounts Payable	\$ 26,521	\$ 19,870
Accrued Payroll and Benefits	5,016	4,622
Deposit and Suspense Liabilities	1,230	47
Total Current Liabilities	\$ 32,901	\$ 24,539

Beginning FY2011, the BBG refined its methodology for estimating accrued accounts payable liabilities to better align with historical trends. BBG underestimated its accrued liabilities and expenses by approximately \$11 million in FY2011 and as such, the corresponding expenses were overstated by \$11 in FY2012.

NOTE 10: OPERATING LEASE LIABILITY

BBG leases real property in overseas and domestic locations under operating leases, which expire in various years. Minimum future lease payments under operating leases having remaining terms in excess of one year, as of September 30, 2012, for each of the next 5 years and in aggregate follows (in thousands):

Fiscal Year		Total
2013	\$	23,931
2014		6,700
2015		5,104
2016		3,916
2017		3,311
2018 and Thereafter		5,769
Total Future Lease Payments	\$	48,731

NOTE 11: CONTINGENT LIABILITIES

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. The accrued contingent liabilities as of September 30, 2012 and 2011 are \$8.4 million and \$9.1 million, respectively. These amounts represent both pending and threatened legal matters where the amount of potential loss is both probable and measurable. Most of the settlements are expected to be paid out of the Judgment Fund, which is maintained by Treasury, rather than the operating resources of BBG.

In addition, BBG has contingencies for \$3.9 million as of September 30, 2012 where an unfavorable outcome is less than probable but more than remote. Accordingly, no amounts have been accrued in the financial records for these contingencies.

NOTE 12: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and earned revenue relate to source of goods and services purchased and received from other Federal entities. All of BBG's revenue is for intragovernmental revenue that is exchange revenue earned for services provided through reimbursable agreements (for example, agreements to perform work for USAID or Department of State). The amounts for September 2012 and 2011 follow (in thousands):

	2012	2011
Voice of America (VOA)		
Intragovernmental Costs	\$ 19,206	\$ 17,892
Public Costs	<u>347,040</u>	<u>345,244</u>
Total VOA Costs	366,246	363,136
Intragovernmental Earned Revenue	(1,592)	(523)
Public Earned Revenue	<u>-</u>	<u>-</u>
Total VOA Earned Revenue	(1,592)	(523)
Office of Cuba Broadcasting (OCB)		
Intragovernmental Costs	6,524	6,414
Public Costs	<u>44,234</u>	<u>54,192</u>
Total OCB Costs	50,758	60,606
Middle East Broadcasting Networks (MBN)		
Intragovernmental Costs	8,276	7,965
Public Costs	<u>138,103</u>	<u>150,209</u>
Total MBN Costs	146,379	158,174
Radio Free Asia (RFA)		
Intragovernmental Costs	2,975	3,019
Public Costs	<u>55,994</u>	<u>54,696</u>
Total RFA Costs	58,969	57,715
Radio Free Europe/Radio Liberty (RFE/RL)		
Intragovernmental Costs	10,292	9,850
Public Costs	<u>132,591</u>	<u>149,363</u>
Total RFE/RL Costs	142,883	159,213
Total Intragovernmental Costs	47,273	45,140
Total Public Costs	717,962	753,704
Total Intragovernmental Earned Revenue	(1,592)	(523)
Total Public Earned Revenue	-	-
Net Cost of Operations	<u>\$ 763,643</u>	<u>\$ 798,321</u>

NOTE 13: APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED - DIRECT VS. REIMBURSABLE OBLIGATIONS

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

Direct and reimbursable obligations for the years ended September 30, 2012 and 2011 are as follows (in thousands).

Obligation Incurred	2012	2011
Direct Obligations Incurred		
CAT A	\$ 500,179	\$ 484,378
CAT B	271,356	276,652
Exempt from apportionment	12	111
Total direct Obligations incurred	\$ 771,548	\$ 761,141
Reimbursable Obligations Incurred		
CAT A	\$ 4	\$ 347
CAT B	2,977	2,653
Exempt from apportionment		
Total Reimbursable Obligations Incurred	\$ 2,981	\$ 3,000

NOTE 14: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders for the years ended September 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Undelivered Orders at the end of the period	\$ 100,893	\$ 114,092

NOTE 15: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Statement of Financing is the reconciliation of proprietary and budgetary accounting, which is accomplished by the reconciliation of budgetary obligations with non-budgetary resources available to the reporting entity with its Net Cost of Operations. The reconciliation for September 2012 and 2011 follow (in thousands):

	2012	2011
Resources Used To Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 774,529	\$ 764,141
Less: Spending Authority From Offsetting		
Collections And Recoveries	25,666	27,514
Obligations Net Of Offsetting Collections And Recoveries	748,863	736,627
Less: Offsetting Receipts	-	-
Net Obligations	748,863	736,627

Other Resources		
Donations And Forfeitures Of Property	12	-
Transfers In/Out Without Reimbursement	-	-
Imputed Financing From Costs Absorbed By Others	14,768	15,413
Other	(23)	-
Net Other Resources Used To Finance Activities	14,757	15,413
Total Resources Used To Finance Activities	\$ 763,620	\$ 752,040
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	(13,702)	13,675
Resources That Fund Expenses Recognized In Prior Periods	21,152	998
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost Of Operations	-	213
Resources That Finance The Acquisition Of Assets	3,599	6,948
Other Resources Or Adjustments To Net Obligated Resources That Do Not Affect Net Cost Of Operations	81	(7,109)
Total Resources Used To Finance Items Not Part Of The Net Cost Of Operations	\$ 11,130	\$ 14,725
Total Resources Used To Finance The Net Cost Of Operations	\$ 752,490	\$ 766,765
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	3	20,414
Increase In Environmental And Disposal Liability	-	-
Increase In Exchange Revenue Receivable From The Public	71	46
Increase In Unfunded Feca Liability	85	-
Total Components Of Net Cost Of Operations Requiring Or Generating Resources In Future Periods	159	20,460
Components Not Requiring Or Generating Resources:		
Depreciation And Amortization	12,100	10,864
Revaluation Of Assets Or Liabilities	251	230
Other	(1,357)	2
Total Components Of Net Cost Of Operations Not Requiring Or Generating Resources	\$ 10,994	\$ 11,096
Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period	\$ 11,153	\$ 31,556
Net Cost Of Operations	\$ 763,643	\$ 798,321

NOTE 16: AFTER-EMPLOYMENT BENEFIT LIABILITY

BBG employs about 318 FSNs in 24 countries. The September 30, 2012 and 2011 liability for lump sum retirement and voluntary severance was estimated by projecting the current liability based upon the assumption that current FSNs will work to retirement age.

Based upon the projection, the Lump Sum retirement and Voluntary Severance liability as of September 30, 2012 and 2011, are summarized as follows (in thousands):

After-Employment Benefit Liability	2012	2011
Lump Sum Retirement	\$ 3,855	\$ 7,210
Voluntary Severance	<u>2,973</u>	<u>2,344</u>
Total After-Employment Benefit Liability	<u>\$ 6,828</u>	<u>\$ 9,554</u>

It should be noted that the projection has not been evaluated by an actuary due to BBG's current budgetary constraints.

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 the originally intended. The BBG has established a capital asset condition code to classify the condition of the asset requiring maintenance or repair. The condition code is based on a five-point scale: 1 – excellent, 2 – good, 3 – fair, 4 – poor, and 5 – very poor.

To identify and quantify deferred maintenance for capitalized assets, the BBG reviewed its FY 2012 maintenance and repair plan and identified the projects that were planned for or required in FY 2012 but have been deferred. This maintenance plan is developed through an inspection of its capital assets to determine current conditions and to estimate costs to correct any deficiencies.

The BBG considers acceptable condition to be condition levels 1 – excellent, 2 – good, and 3 – fair on a 5-point scale. The following shows BBG’s deferred maintenance for projects for capital assets in condition code 4 – poor and condition code 5 – very poor that have been deferred as of September 30, 2012 and 2011:

Deferred Maintenance (in thousands)

PP&E Category	Asset Condition	FY 2012 Estimated Cost to Return to Acceptable Condition	FY 2011 Estimated Cost to Return to Acceptable Condition
Equipment	4-poor	\$ 265	\$ 307
	5-very poor	60	60
Other Structures & Facilities	4-poor	215	485
TOTAL		\$ 540	\$ 852

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

FY 2012 Management and Performance Challenges Broadcasting Board of Governors

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

- Managing New Media Technologies
- Combating Internet Censorship and Jamming
- Broadcasting with Fewer Resources
- Information Technology and Security
- Financial Management

Managing New Media Technologies

Employing the most effective mix of technologies to reach target audiences worldwide is an ongoing challenge given rapidly evolving media consumption habits. BBG highlights this challenge in its most recent Strategic Plan,¹ noting that the agency's media distribution methods and associated funding have not always strategically tracked shifts in media use. BBG plans to review the media technologies it uses country-by-country to identify the right balance of shortwave radio, FM, television, and new media (Internet, mobile devices, social media, and other digital platforms)². OIG found that VOA's Indonesian Service had successfully transitioned from a small, shortwave operation to a modern multimedia organization that used audience research to target its viewers and listeners.³ Television had eclipsed radio in Indonesia, and new media use was growing rapidly; Indonesia was the second largest user of Facebook in the world. Radio Free Asia (RFA) similarly increased its use of the Internet and social media to reach target audiences.⁴

Combating Internet Censorship and Jamming

BBG continues to encounter censorship in all forms, from satellite and radio jamming to Internet blocking to harassment of journalists. BBG has highlighted these challenges,⁵ as have multiple OIG reports⁶. In its inspection of Radio Free Asia, OIG noted that North Korea jams RFA frequencies, and Chinese jamming and Internet censorship – coined “the Great Firewall” - is a significant obstacle.

¹ BBG Strategic Plan 2012-2016

² BBG Strategic Plan 2012-2016

³ Broadcasting Board of Governors' Operations in Indonesia, ISP-IB-11-25, Inspection of the Voice of America's Indonesian Branch, ISP-IB-11-61

⁴ Inspection of Radio Free Asia, ISP-IB-11-29

⁵ BBG Strategic Plan 2012-2016

⁶ Memorandum Report, Broadcasting Board of Governors' Operations in Seoul, South Korea and inspections of Radio Free Asia, ISP-IB-11-29 and the Voice of America's Indonesian Branch, ISP-IB-11-61

Broadcasting with Fewer Resources

In its FY 2014 budget guidance, OMB directed all Federal agencies to cut waste, set program priorities, and make targeted investments in critical priorities. OMB also asked agencies to reduce overall requests by 5 percent below the net discretionary total of their FY 2013 budgets. BBG's plans to reallocate resources from less effective transmission technologies to newer, more popular media are consistent with these efforts. OIG found that International Broadcasting Bureau (IBB) transmitting stations in Thailand and Germany had implemented cost-saving measures, including automating shortwave, medium wave, and FM transmission platforms and using the latest antenna technology for shortwave transmissions⁷. In Thailand, these measures could save \$1.2 million annually. However, plans to cut costs by privatizing operations at the Udorn, Thailand transmitting station had been on hold for two years as BBG headquarters considered the future of that station. OIG recommended BBG's final privatization proposal address a number of U.S. laws and regulations to include those requiring full and open competition and certification that contractors would not perform inherently governmental functions.⁸

Information Technology and Security

During inspections of IBB transmitting stations in Botswana and Germany, OIG found poor information technology controls for administering, configuring, and maintaining the station's administrative network.⁹

During the FY 2012 audit of BBG's compliance with the Federal Information Security Management Act (FISMA) of 2002, weaknesses noted from the FY 2011 report¹⁰ continued to exist, as several components of the BBG's information security management program have not been completed. OIG identified areas in which BBG can improve and increase its overall security posture. Areas for improvement include processes to update and manage its information technology assets, security configuration and performance management, identity and access management, incident response, maintaining a current hardware inventory, and completing the annual security awareness training course. Other areas for improvement include BBG's Plan of Actions and Milestones process, remote access policy, developing and implementing contingency planning and testing policies and procedures, and completing its enterprise-wide and system-specific contingency plans.

Financial Management

Financial management continues to be a challenge for BBG. In 2011, BBG received an unqualified opinion¹¹ on its financial statements. Although this is an achievement, the independent auditor identified significant internal control deficiencies related to property and equipment, unliquidated obligations, and after-employment benefits for locally-employed staff. BBG planned to strengthen internal control over property and equipment to ensure property transactions are timely and accurately recorded by expanding training. In addition, BBG planned to refine the standard process for recording acquisition and disposal information. BBG had implemented a new monthly process to facilitate the timely review of unliquidated obligations, upon which BBG planned to expand to ensure a systemic process is in place to deobligate

⁷ Broadcasting Board of Governors' Operations in Thailand, ISP-IB-11-33 and IBB Transmitting Station Germany, ISP-IB-11-66

⁸ Broadcasting Board of Governors' Operations in Thailand, ISP-IB-11-33 and its Compliance Follow-up Review, ISP-IB/C 12-34

⁹ IBB transmitting stations in Germany, ISP-IB-11-66 and Botswana, ISP-IB-11-52A

¹⁰ Evaluation of the Broadcasting Board of Governors Information Security Program, AUD/IT/IB-12-15 November 2011

¹¹ Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements, AUD/IB-12-07, November 2011

unnneeded obligations. BBG also planned to develop and maintain an inventory of after-employment benefits provided to local employees.

Another financial management issue identified during this reporting period related to BBG's identification and recovery of improper payments. OIG reported¹² that BBG had not implemented all requirements from the Improper Payments Information Act of 2002,¹³ which had been amended in 2010 by the Improper Payments Elimination and Recovery Act.¹⁴ Specifically, BBG had not performed an assessment of the risk of improper payments as required because it had concluded that BBG was at low risk for making significant improper payments. BBG also had not implemented a payment recapture audit program because it concluded that this additional control would not be cost effective. In addition, BBG had not included all required information in its Performance and Accountability Report. BBG planned to complete a risk assessment of improper payments during FY 2012. BBG was also in the process of soliciting vendors to complete its recapture audit, and planned to include all required information in its FY 2012 Performance and Accountability Report.

¹² Audit of Broadcasting Board of Governors Compliance with the Improper Payments Information Act, AUD/IB-12-32, March 2012

¹³ Improper Payments Information Act of 2002, Pub. L. No. 107-300, 116 Stat. 2350, (2002).

¹⁴ Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204, 124 Stat. 2224, (2010).

Agency Response to the Office of Inspector General: FY 2012 Management and Performance Challenges Broadcasting Board of Governors

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

Managing New Media Technologies

The Agency appreciates OIG's recognition of its successful efforts to migrate programming to new, multimedia platforms, including the Internet, mobile devices, and other digital platforms. Determining the best mix of technologies to reach audience members around the world is a challenge that the BBG takes very seriously, as evidenced by the directive in the BBG's Strategic Plan to "employ leading-edge communication techniques and technologies." There is no single platform or mix of platforms that is correct for all audiences; it must be a market-by-market determination and audience preferences, as well as political climate, play a key role. The flexibility and agility required to respond to these changes do pose technical, political, and budgetary challenges, but the BBG is committed to overcoming these in order to remain relevant.

Combatting Internet Censorship and Jamming

As a national security asset of the United States, as well as a respected news source for 175 million people in more than 100 countries, the BBG upholds the right of citizens everywhere to receive and impart information without restriction. The BBG works 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. Specific steps that the BBG will take to overcome this challenge are funding technologies that counter Internet censorship and blocking, advocating on the international stage to expose censorship in all its forms, and coordinating within the U.S. government, other international broadcasters, and allies to defeat Internet censorship and jamming.

Broadcasting with Fewer Resources

As noted in your letter, the BBG has worked hard to reallocate resources in order to manage its operations in this tight fiscal environment. As part of these efforts, the IBB transmitting stations in Thailand and Germany have implemented cost-saving measures, including a more efficient mode of transmitter operation known as Amplitude Modulation Companding (AMC). As noted in your report for Thailand, "The resulting savings in power costs across the entire network could approach \$1.2 million annually (an estimate based on FY 2011 projections)." In addition, the transmitting station in Germany has implemented cost-saving measures involving automation of transmitting station operations at the two transmitter sites in Germany and at other stations in the IBB network. With respect to any future privatization efforts at BBG's transmitting station in Thailand, we are pleased that OIG has recently informed the Agency that it considers this recommendation to be closed given that the Agency does not anticipate any change to the operational status of the station in the near future.

Information Technology and Security

Although the BBG has made significant strides in developing an effective information security program, as noted, we still face challenges. The public audit firm that conducted the review stated in the FY 2011 FISMA report that "BBG, since the FY 2010 review, had improved management controls, completed security tests and evaluations and developed risk assessments and system security plans for its major

systems, implemented a more robust security incident response tracking process, and developed password management policies and procedures to reduce the risk of unauthorized access. Overall, BBG had continued efforts to further develop its information security program. However, the public accountant made recommendations for BBG to improve and bring the program into compliance with applicable requirements.” The BBG will continue to develop, implement, and refine IT security technologies, policies, and procedures as it constantly strives to improve its IT security posture.

Financial Management

As expressed in your findings, the BBG faces challenges in financial management and is continuing ongoing efforts to improve its financial systems. In the area of property management, the BBG has conducted training on recording property transactions and has strengthened the process by which acquisition and disposal information is recorded. The BBG continues to refine processes to efficiently track and resolve outstanding unliquidated obligations. In the area of improper payments reporting, the BBG has established an internal process for sampling and reviewing payments and has engaged a contractor to conduct a risk assessment for improper payments and implement a payment recapture audit program. All required improper payments information is included in this Performance and Accountability Report.

Summary of Financial Statement Audit and Management Assurances

Table 1.
Summary of Financial Statement Audit

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

Table 2.
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting					
Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0				0
Effectiveness of Internal Control over Operations					
Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0				0
Conformance with financial management system requirements					
Statement of Assurance	System conforms to financial management system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Non-Conformances</i>	0				0
Compliance with Federal Financial Management Improvement Act (FFMIA)					
	Agency		Auditor		
Overall Substantial Compliance	Yes		Yes		
1. System requirements	Yes				
2. Accounting Standards	Yes				
3. USSGL at Transaction Level	Yes				

Improper Payment Information Act Reporting

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, or payments made without sufficient supporting documentation. 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. IPERA directed the OMB to issue implementing guidance to agencies. Memorandum M-11-16 dated April 14, 2011 issues government-wide guidance on the implementation of IPERA. This guidance is contained in Parts I and II to Appendix C of 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 2.5 percent of program annual payments and \$10 million, or exceeds \$100 million) and to provide valid annual estimates of improper payments. Other significant components of OMB's guidance include:

- Describing alternative improper payment measurements;
- Expanding payment recapture audits to all types of payments and activities with more than \$1 million in annual outlays if cost-effective;
- Improving corrective action plans and incorporating lessons learned from the Recovery Act Implementation;
- Distributing funds recovered through payment recapture audits for authorized purposes; and
- Establishing compliance reviews and requirements for agencies deemed non-compliant.

BBG's Process

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. All executive and staff are required to comply with BBG's Administrative Manual, procurement and accounting policies and procedures, and Federal laws and regulations.

BBG conducts the following steps to comply with the IPIA 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.

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 2013.

Improper Payment Actions, Results and Reporting

BBG's 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. The Office of the CFO extracted the universe of disbursement data files from BBG's financial system, Momentum, for the period of October 1, 2011, through September 30, 2012, and removed the intra-governmental transactions and payments to employees. Per Memorandum 11-16, issued April 14, 2011, Appendix C, Part 1.A.5, *Requirements for Effective Measurement and Remediation of Improper Payments*, agencies are not obligated to review intra-governmental transactions and payments to employees. BBG programs were then assessed and ranked from high to low risk for each of the risk factors described above.

Based on the results of BBG's risk assessment, there were no programs which met OMB's criteria for being susceptible to significant improper payments (exceeding both 2.5 percent of program payments and \$10 million). For good governance, BBG plans to sample all programs on a rotating basis. For FY 2012, BBG selected Middle East Broadcasting Networks (MBN) and Radio Free Europe/Radio Liberty (RFE/RL) for testing of improper payments. As the total population of payments for these programs is low, all payments were reviewed in lieu of a statistical sample.

Testing identified no improper payments; therefore BBG estimates a zero improper payment rate for its improper payment outlook for FY 2012 through FY 2015 for the two programs reviewed. BBG believes it has sufficient internal controls, human capital, and information systems to prevent improper payments. BBG will continue to monitor and test all programs on a rotating basis.

Table 1 lists all BBG's programs whether or not an error measurement is being reported. The current fiscal year is the baseline measurement year; therefore, the prior year's (2011) data is shown with N/As.

Table 1: Improper Payment Reduction Outlook (in thousands)

Program Name	2011 Outlays	2011 IP%	2011 IP\$	2012 Outlays	2012 IP%	2012 IP\$	2012 Over- payment \$	2012 Under- payment \$
Middle East Broadcasting Networks (MBN)	N/A	N/A	N/A	\$ 106,975	0%	\$ -	\$ -	\$ -
Radio Free Europe/Radio Liberty (RFE/RL)	N/A	N/A	N/A	\$ 91,570	0%	\$ -	\$ -	\$ -
Voice of America (VOA)	N/A	N/A	N/A	\$ 173,331	N/A	N/A	N/A	N/A
Office of Cuba Broadcasting (OCB)	N/A	N/A	N/A	\$ 22,868	N/A	N/A	N/A	N/A
Radio Free Asia (RFA)	N/A	N/A	N/A	\$ 43,652	N/A	N/A	N/A	N/A
Totals	\$ 543,862	0%	\$ 263	\$ 438,396	0%	\$ -	\$ -	\$ -

Table 1: Improper Payment Reduction Outlook - continued (in thousands)

Program Name	2013			2014			2015		
	Estimated Outlays	2013 IP%	2013 IP\$	Estimated Outlays	2014 IP%	2014 IP\$	Estimated Outlays	2015 IP%	2015 IP\$
Middle East Broadcasting Networks (MBN) ¹	\$ 107,870	0%	\$ -	\$ 107,870	0%	\$ -	\$ 107,870	0%	\$ -
Radio Free Europe/Radio Liberty (RFE/RL) ¹	\$ 96,545	0%	\$ -	\$ 96,545	0%	\$ -	\$ 96,545	0%	\$ -
Voice of America (VOA) ²	\$ 173,331	N/A	N/A	\$ 173,331	N/A	N/A	\$ 173,331	N/A	N/A
Office of Cuba Broadcasting (OCB) ²	\$ 22,868	N/A	N/A	\$ 22,868	N/A	N/A	\$ 22,868	N/A	N/A
Radio Free Asia (RFA) ¹	\$ 41,467	N/A	N/A	\$ 41,467	N/A	N/A	\$ 41,467	N/A	N/A
Totals	\$ 442,081	0%	\$ -	\$ 442,081	0%	\$ -	\$ 442,081	0%	\$ -

¹Publicized Budgeted Amount for 2013 used for 2014 and 2015 also.

²2012 Outlays used for 2013, 2014, 2015 as budgeted numbers were not publicized.

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, if conducting such audits would be cost-effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments.

BBG judgmentally selected and reviewed a sample of 50 payments based on analysis performed on BBG's expenses incurred in the first nine months of fiscal year 2012. The sample selection was random in nature, with an emphasis placed on transactions of larger dollar amounts. Disbursements were reviewed to verify that:

1. Goods and services were received within the period of performance.
2. Payment was authorized by the appropriate authorizing official.
3. Separation of duties (in personnel approving, entering, and certifying the payment) was maintained.
4. Date relationships were appropriate and matched supporting documentation.
5. Amounts paid were mathematically accurate and matched supporting documentation.
6. The correct vendor was paid and vendor payments were not duplicated.
7. Payments referenced a valid obligation and an appropriate funding source.

No improper payments were identified through the Payment Recapture process, see Table 2. Overseas payments were excluded from the Payment Recapture process because the majority of these payments are processed by the Department of State and obtaining the supporting documentation would not be cost-effective. BBG relies on the Department of State to properly process overseas payments.

Table 2: Payment Recapture Audit Reporting (in thousands)

Program Name	Type of Payment	Amount Subject to Review for 2012 Reporting	Actual Amount Reviewed and Reported 2012	Amount Identified for Recovery 2012	Amount Recovered 2012	% of Amount Recovered out of Amount Identified 2012	Amount Outstanding 2012	% of Amount Outstanding out of Amount Identified 2012
All	Domestic Payments	\$ 6,209	\$ 6,209	\$ -	\$ -	N/A	\$ -	N/A
All	Domestic Grants	\$ 62,119	\$ 62,119	\$ -	\$ -	N/A	\$ -	N/A
Totals		\$ 68,328	\$ 68,328	\$ -	\$ -	0%	\$ -	0%

Table 2: Payment Recapture Audit Reporting - continued (in thousands)

Type of Payment	Amount Determined Not to be Collectable 2012	% of Amount Determined Not to be Collectable out of Amount Identified 2012	Amounts Identified for Recovery 2011	Amount Recovered 2011	Cumulative Amounts Identified for Recovery (2012 +2011)	Cumulative Amounts Recovered (2012 +2011)	Cumulative Amounts Outstanding (2012 +2011)	Cumulative Amounts Determined Not to be Collectable (2012 +2011)
Domestic Payments	\$ -	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Domestic Grants	\$ -	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ -	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BBG has a recovery rate target for improper payments of 95 percent. No overpayments have been identified via the audit recapture program, therefore there is no disclosure required on the aging of outstanding, unrecovered overpayments or the disposition of recaptured funds.

BBG also identifies and recaptures improper payments during the normal course of its disbursement management process. During FY 2012, the BBG identified twenty-two erroneous payments totaling \$1,241,599. All but \$988 of this amount has been recovered. BBG plans to conduct a root cause analysis on each of the errors and look for ways to improve preventative controls to reduce improper payments prior to disbursement of funds. During FY 2011, the BBG identified six erroneous payments totaling \$263,006. The amounts identified and recovered as shown in Table 3.

Source of Recovery	Amount Identified	Amount Recovered	Amount Identified	Amount Recovered	Cumulative Amount	Cumulative Amount
	2012	2012	2011	2011	(2012 + 2011)	(2012 + 2011)
Self Reported	\$ 1,242	\$ 1,241	\$ 263	\$ 263	\$ 1,505	\$ 1,504

BBG Information Systems and Other Infrastructure

BBG believes that it has sufficient internal controls, human capital, and information systems to prevent and detect improper payments. BBG domestic and international 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 funds availability, require payment authorizations, and enforce access controls. If an erroneous payment occurs, BBG takes immediate action to collect those funds.

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.

Accountability

BBG recognizes the importance of maintaining adequate internal controls to ensure proper payments, and is committed to continually monitor and improve its disbursement management process. In addition, BBG has reviewed its 2011 financial statement audit findings for indications of breaches of disbursement internal controls. None of these audit findings have uncovered any significant problems with improper payments or the internal controls surrounding disbursements.

Executives and managers are responsible for monitoring internal controls and the disbursement approval and execution process. The approval process includes segregation of duties which preclude the receiver of goods or services from processing and approving the invoice. Obligations, receiving documentation, and invoices are matched, reviewed, recalculated and entered into the system. A second independent review of the invoice supporting documentation is conducted prior to approving the invoice for payment.

Some other examples of the internal controls procedures used by the OCFO to prevent improper or erroneous payments are:

- Limited access to vendor files.
- Controlled access to financial system.

- Financial system edit checks to highlight duplicate invoice numbers and inconsistencies between the funded, expected and actual invoice amounts and vendor name.
- Daily pre-payment audits to prevent improper payments from occurring.
- Monthly vendor statement for purchase cards are interfaced and automatically reconciled after review and approval by appropriate staff to reduce data entry error.

Periodic reviews are performed to detect and reduce the likelihood of improper payment occurrences and anomalies in domestic and internal payments, travel reimbursements and grant related payments. In addition, external procedural confirmation contributes to the internal assessment on the accuracy and adequacy of detection.

Barriers

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

Additional Comments

Beginning in FY 2013, the BBG plans to implement additional techniques as part of its payment recapture auditing process, to include predictive modeling and data mining for duplicate and improper payments. The predictive modeling will establish criteria to identify high risk payments, such as high variance in vendor payments. All payments made for \$1 million or more will be reviewed.

To achieve this objective in an efficient and cost effective manner, the OCFO has hired a public accounting and consulting firm to assist. This approach has allowed BBG to quickly benefit from such recovery audit services, obtain quality results from a reputable Federal recovery auditor, and minimize the amount of BBG employee time spent in the process.



Broadcasting
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