



Broadcasting
Board of
Governors

The seal of the United States Department of Justice is faintly visible in the background. It features an eagle with wings spread, perched on a shield. Above the eagle is a circular emblem with stars. The motto 'E PLURIBUS UNUM' is written on a banner across the eagle's chest. The seal is rendered in a light blue color.

FY 2008 Performance and Accountability Report

Voice of America • Radio/TV Marti • Radio Free Europe/Radio Liberty
Radio Free Asia • Middle East Broadcasting Networks

Broadcasting Board of Governors

FY 2008 Performance and Accountability Report

November 17, 2008

BROADCASTING BOARD OF GOVERNORS

Message From the Board

We are pleased to present the Broadcasting Board of Governors' (BBG) Performance and Accountability Report for Fiscal Year 2008. This is the BBG's fifth Performance and Accountability Report, and it includes the results of this year's audit of the Agency's financial statements. The report also measures our performance against the objectives we identified for FY 2008, highlights the accomplishments of the past year, and identifies the challenges that lie ahead.

The current mission of the BBG is to promote freedom and democracy and to enhance understanding through multi-media communication of accurate, objective and balanced news, information, and other programming about America and the world to audiences overseas. The BBG broadcast services, including the Voice of America; the Office of Cuba Broadcasting (Radio and TV Marti); and the grantees, Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks (Radio Sawa and Alhurra TV) pursue this single mission, reaching a worldwide audience of over 175 million people in 60 languages via radio, television, and the Internet.

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

With the support of the Administration and Congress, the BBG has accomplished several key goals in FY 2008. RFA and VOA Korean services coordinated a 10-hour daily broadcast to information-deprived North Korea. The VOA Somali service, launched in 2007, increased to three hours of daily broadcasts of news and discussion on culture, economics, and health. Through an inter-agency agreement with the Department of State, Radio Sawa expanded radio broadcasting to Darfur to provide unbiased news and information about the Darfur Peace Process, the deployment of UN peacekeeping forces, human and women's rights, U.S. humanitarian relief efforts, and early coverage of the scheduled 2009 elections.

In FY 2008, the BBG's technology initiatives assisted broadcasters in fulfilling the Agency's mission. The installation of a new central video server and data asset management system are allowing VOA language services to share stories more efficiently and gain access to centrally produced television stories. RFE/RL, RFA, and OCB began using new content management systems to update their websites more efficiently to continue to provide up-to-the-minute news and information to their growing Internet audiences. The BBG also implemented a new financial management system to improve Agency-wide financial and procurement management.

We are committed to ensuring the BBG's ability to respond quickly and decisively in times of worldwide crisis, to focus on regions of strategic importance, in crisis, and with limited access to news and information. In FY 2008, the BBG responded to crises worldwide, include Burma, Kenya, Tibet, the Pakistan-Afghanistan border region, and Georgia:

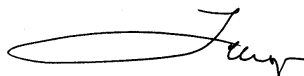
- VOA and RFA responded to the nationwide demonstrations against the military junta and the ensuing crackdown in Burma in September 2007. In FY 2008, VOA and RFA increased their Burmese broadcasts to provide listeners with credible news and critical

information during the crisis. When Cyclone Nargis struck Burma in May 2008, the VOA and RFA Burmese services were among the first to warn of the cyclone and provided extended coverage of its aftermath.

- On January 2, 2008, VOA's Swahili Service began a new broadcast to Kenya in response to the crisis that followed that country's elections on December 27, 2007, after which the Kenyan government banned media coverage of the crisis. On March 16, 2008, the Swahili service increased its broadcasts once again, to include additional reports from VOA's network of stringers in the region, and interviews with ruling and opposition leaders.
- In response to the violent crackdown by Chinese authorities in Tibet in March 2008, RFA and VOA Tibetan services increased their daily broadcasts.
- The VOA Radio Deewa surge to Pakistan's Afghan border region changed the broadcast to an all news and information format. This has proven very successful, and improved content has played a crucial role by continuously engaging local populations.
- When Russia invaded Georgia in August 2008, VOA and RFE/RL Georgian services doubled their hours of programming to ensure that accurate news would be available to Georgian- and Russian-speakers.

We are pleased that the independent auditors have given our financial statements an unqualified ("clean") opinion for the fifth 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 communications tools and techniques. Sections 1 and 3 of this report discuss the corrective actions the Agency is taking to address the identified internal control and audit findings.

We are proud to report the achievements of the Broadcasting Board of Governors during FY 2008 in furthering our mission as well as wisely and effectively using the resources entrusted to us by the Administration, Congress, and the public.



Joaquin F. Blaya
Member



Blanquita W. Cullum
Member



D. Jeffrey Hirschberg
Member



Edward E. Kaufman
Member



Steven J. Simmons
Member

Table of Contents

| | |
|--|-----------|
| INTRODUCTION..... | 1 |
| SECTION 1: MANAGEMENT’S DISCUSSION AND ANALYSIS | 2 |
| ORGANIZATIONAL STRUCTURE AND MISSION | 3 |
| FY 2008 PERFORMANCE GOALS, OBJECTIVES AND RESULTS | 4 |
| FY 2008 HIGHLIGHTS AND ACCOMPLISHMENTS | 5 |
| ON-GOING CHALLENGES..... | 13 |
| MANAGEMENT CONTROLS, SYSTEMS, AND COMPLIANCE WITH LAWS AND REGULATIONS | 17 |
| IMPROPER PAYMENTS INFORMATION ACT REPORTING..... | 24 |
| LIMITATIONS OF FINANCIAL STATEMENTS | 25 |
| SECTION 2: PERFORMANCE INFORMATION..... | 26 |
| STRATEGIC GOAL | 27 |
| FY 2008 IMPLEMENTATION STRATEGIES | 27 |
| FY 2008 PERFORMANCE OBJECTIVES AND OUTCOMES..... | 30 |
| SUMMARY OF FY 2008 PERFORMANCE INDICATOR TARGETS AND OUTCOMES | 34 |
| PROGRAM EVALUATIONS | 49 |
| SECTION 3: FINANCIAL INFORMATION..... | 52 |
| INDEPENDENT AUDITORS’ REPORT | 53 |
| BROADCASTING BOARD OF GOVERNORS | 63 |
| STATEMENT OF NET COSTS | 64 |
| STATEMENT OF CHANGES IN NET POSITION | 65 |
| STATEMENT OF BUDGETARY RESOURCES..... | 66 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 68 |
| REQUIRED SUPPLEMENTAL INFORMATION | 81 |
| SECTION 4: OTHER ACCOMPANYING INFORMATION..... | 82 |
| VERIFICATION AND VALIDATION OF PERFORMANCE MEASURES..... | 83 |
| INSPECTOR GENERAL’S STATEMENT ON FY 2008 MANAGEMENT AND PERFORMANCE CHALLENGES | 84 |
| SUMMARY OF FINANCIAL STATEMENT, AUDIT, AND MANAGEMENT ASSURANCES | 90 |

Introduction

Purpose of the Performance and Accountability Report

This FY 2008 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) fifth report providing consolidated performance and financial information. This integrated presentation of the Agency's program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

This report satisfies the reporting requirements of the following legislation:

Accountability of Tax Dollars Act of 2002

Reports Consolidation Act of 2000

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

Government Management Reform Act of 1982 (GMRA)

Government Performance and Results Act of 1993 (GPRA)

Federal Financial Managers Improvement Act of 1996 (FFMIA)

Structure of the Performance and Accountability Report

The report includes the following sections:

Management's Discussion and Analysis (MD&A)

The MD&A is an overview of the BBG, its organizational structure, and mission. It includes a summary of the Agency's highlights and accomplishments for FY 2008, the progress made in implementing the President's Management Agenda, and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2008 FMFIA internal control review and a section on management assurances.

Performance Section

The performance section presents annual program performance information as required by the GPRA and describes the Agency's progress in meeting its operational strategic goals. A summary of the FY 2008 performance objectives is presented, as well as information about the outcome of specific performance indicator targets. In addition, the BBG's Program Assessment Rating Tool (PART) and other program evaluations are included.

Financial Section

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

Other Accompanying Information Section

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

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

Organizational Structure and Mission

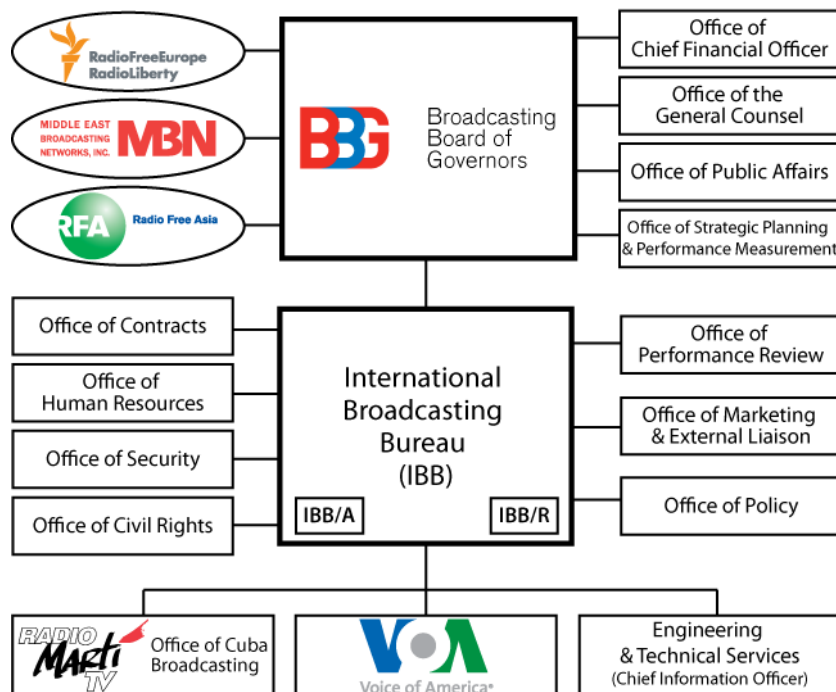
BBG Organization

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

The BBG broadcasting organizations include the Voice of America (VOA), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), the Middle East Broadcasting Networks (MBN-Radio Sawa and Alhurra TV) and the Office of Cuba Broadcasting (OCB-Radio and TV Marti), as well as support offices in the International Broadcasting Bureau (IBB). During FY 2008, a reorganization resulted in the IBB offices within the Associate Director for Management reporting directly to the IBB Director.

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 their funding from the government but are organized and managed as private non-profit corporations.

Broadcasting Board of Governors



BBG Mission Statement

To promote freedom and democracy and to enhance understanding through multi-media communication of accurate, objective, and balanced news, information, and other programming about America and the world to audiences overseas

BBG Mission

The Broadcasting Board of Governors (BBG) promotes freedom and fights extremism through its non-military international broadcasting programs. The BBG includes Voice of America (VOA), Radio and TV Marti, Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN), and reaches a worldwide audience of over 175 million in 60 languages via radio, television, and Internet. All BBG broadcast services adhere to the broadcasting standards and principles of the International Broadcasting Act of 1994 and support the BBG mission.

FY 2008 Performance Goals, Objectives and Results

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

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

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



Note: The BBG broadcasts in 60 languages, including three types of English language programs: Global English, Special English to learn English, English-to-Africa targeted to the African continent.

FY 2008 Highlights and Accomplishments

Over the past year, the BBG has responded quickly and effectively to crises as they occur, illustrating that international broadcasting is the most effective U.S. tool to provide a worldwide audience with accurate news and information and relevant discussions to those who do not receive this from their own media. Key accomplishments in FY 2008 included:

- The BBG enhanced and increased broadcasts to information-deprived areas in the world, including North Korea, Venezuela, Somalia, and Sudan.
- The BBG successfully launched crisis surge broadcasting to tumultuous parts of the world, including Georgia, Afghanistan-Pakistan border region, Burma, Kenya, and Tibet.
- BBG language services provided in-depth coverage of the 2008 U.S. elections, as well as coverage of elections around the world. Language services covered campaigns, gave voice to opposition parties, and reported on voter registration and vote counts in countries worldwide, including Venezuela, Kenya, Russia, Cambodia, and Armenia.

Voice of America

- In October 2007, VOA expanded its broadcasts to North Korea, one of the world's most closed societies, to five hours daily and transformed its Seoul bureau into a multimedia news center.
- Broadcasting to Africa increased across the continent. Somali, now broadcasting 12 hours weekly, became VOA's newest language in 2007. In the wake of Kenya's December 2007 election turmoil, the Swahili service expanded its programming. Zimbabwe's *Studio 7* closely covered the contested 2008 presidential contest. The Hausa service commanded an audience of 44 percent of Hausa speakers.
- *El Mundo al Día (The World Today)*, launched in June 2008, brings VOA's television audiences in Venezuela and the surrounding region a comprehensive, daily, 30-minute Spanish news program. Shorter versions of *El Mundo al Día* are also carried on a commercial cable and satellite network reaching 16 million people across Central and South America.
- VOA's Georgian service doubled its programming when Russia invaded the South Ossetia province in August 2008, providing coverage of the crisis from the ground and around world.
- VOA doubled its daily Burmese service broadcast to three original hours daily after the military junta cracked down on demonstrators in late 2007. When Cyclone Nargis developed in May 2008, VOA provided among the first reports of the approaching storm.
- VOA's Persian News Network (PNN), reaching nearly one in four Iranians, grew to 24 hours a day, including acquired and repeated programs. PNN programs include *News & Views*, *Today's Woman*. The Network also broke exclusive stories on corruption in Iran.
- VOA's *Radio Aap Ki Dunyaa* combines news, features, and music to reach its target audience of 15- to 39-year-old listeners in Pakistan and northwest India. In response to the on-again, off-again media restrictions that affect VOA's major television affiliates, VOA is maintaining its 12.5 hours of live radio programming in Urdu, focusing on news.

Radio Free Europe/Radio Liberty

- RFE/RL's Azeri service, in coordination with VOA, secured 24/7 rebroadcasting on a local FM station that reaches Azerbaijan's capital city and its suburbs.
- RFE/RL's Russian Service provided uniquely balanced news and analysis regarding the December 2007 Duma elections, the presidential campaign, the election of Dmitry Medvedev as the new President of Russia, the assumption by Vladimir Putin of the title of Prime Minister, and Russia's invasion of Georgia.

- When Russia invaded Georgia in August 2008, RFE/RL Georgian added a fourth hour of primetime news to its daily program clock.
- In July 2008, RFE/RL assumed full responsibility for Radio Farda (“Tomorrow”), formerly produced in partnership with VOA, bringing all three eight-hour news shifts under RFE/RL management.
- Journalists of Radio Free Iraq provided objective, balanced coverage of Iraq’s tumultuous transition to democracy with daily coverage of the activities of the Iraqi Cabinet and Parliament. Because its programs are produced and reported by Iraqis, the Iraqi people have come to rely on Radio Free Iraq.
- In October 2007, RFE/RL began implementing a new content management system for its websites, which have had significant boosts in traffic. It also distributes by email more than 1.9 million copies of news and analysis reports about the countries to which it broadcasts, an increase of 19 percent from FY 2007.

Radio Free Asia

- In the wake of the March 2008 Lhasa incident, a Mandarin stringer traveled undercover to the Tibetan area in Sichuan province, which borders Tibet. Using a hidden camera, he documented beefed-up security measures by Chinese security forces as well as the daily life of Tibetan Buddhists with a special emphasis on their sense of alienation in the Han-dominant cultural environment. The 10-part series was posted on the Mandarin website and YouTube, each registering thousands of page views.
- RFA’s Burmese service has been at the forefront in delivering accurate, unbiased, breaking news into the homes of Burma. RFA’s Burmese service provided early warnings of the Cyclone Nargis three days before it struck, and continued to inform the citizens of Burma on the latest rescue efforts, water supply, power supply, and transportation.
- In FY 2008, RFA introduced a new content management system for its online presence. This feature-rich platform enhances RFA’s nine native-language Web sites and offers its users greater functionality for blogging channels and online discussions, with increased capabilities for video, slideshows, and graphics.
- The RFA Korean service has more than doubled its news coverage and cultural programming to North Korea during the past year, now broadcasting five hours daily to listeners.

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

- Through an inter-agency agreement with the U.S. Department of State, MBN expanded radio broadcasting to Darfur to provide unbiased news and information about the Darfur Peace Process, the deployment of UN peacekeeping forces, human

and women's rights, U.S. humanitarian relief efforts and the scheduled 2009 elections. The news and feature program is broadcast three times daily via shortwave radio.

- Alhurra and Radio Sawa are bringing a clear view of the U.S. election process to its audience in the Middle East through its comprehensive and in-depth coverage of the road to the White House. Alhurra and Radio Sawa provided thorough coverage of the Democratic and Republican primaries as well as unprecedented coverage of the Democratic and Republican national conventions.
- MBN also expanded its web presence in FY 2008 as Alhurra began streaming and archiving its original programming. Modifications to the Alhurra and Radio Sawa websites ensure broader access to the wide array of balanced news and information produced by MBN.

Engineering and Technical Services

The Office of Engineering and Technical Services provides engineering and technological support to BBG staff and facilities in Washington, D.C. and abroad. In addition to managing a complex, global network of over 70 transmitting sites delivering shortwave, medium wave (AM), FM, and TV broadcasts, Engineering leases broadcast time at nearly 20 transmitting facilities in over 13 countries. To meet the needs of its varied broadcast customers, Engineering is responsible for an extensive network of leased satellite and fiber optic circuits and other international telecommunication systems, which includes providing support to a worldwide array of hundreds of satellite receivers and earth stations and a rapidly growing Internet delivery system.

- Engineering continued to support the BBG disaster recovery plans to enable the Agency to provide essential broadcast mission functions in the event of catastrophic network loss. In FY 2008, Engineering began constructing a television broadcasting capability at the Continuity Of Operations (COOP) facility. The COOP telecommunications facility is functional 24/7 and capable of rerouting essential communications services for all BBG broadcast entities within hours.
- To reallocate resources in support of changing requirements in communications, broadcast media, and technology, the BBG closed two of its shortwave transmitting stations in FY 2008. The Delano transmitting station in California ceased broadcasting on October 28, 2007, and was placed in caretaker status. Broadcasts from the Morocco transmitting station ended on March 30, 2008.
- To address the shift in satellite popularity by mass audiences throughout Asia, Engineering orchestrated the transition of transmissions from Asiasat-2 to the more popular satellite, Asiasat-3, in the fall of 2007. The satellite distribution network also was modified in FY 2008 to provide a return video capability from the news bureau in the VOA Kabul studio in Afghanistan.

Agency Direction

The BBG oversees all U.S. funded, non-military international broadcasting, including the operations of IBB, VOA, OCB, and the three grantees, RFE/RL, RFA, and MBN. The Office of the General Counsel, Office of the CFO, and the Office of Public Affairs supported Agency activities throughout FY 2008.

- The BBG completed its strategic plan for 2008-2013 (available at <http://www.bbg.gov/about/plan.html>) and is working with the entities to ensure that each entity's strategic and long-term planning incorporates the BBG strategic plan.
- The FY 2007 BBG Performance and Accountability Report (PAR) was submitted on time and the BBG received an unqualified opinion on the audit of BBG FY 2007 financial statements. The Agency received an "Effective" rating for the PART (Program Assessment Rating Tool) evaluation conducted in FY 2008.
- The Agency's new financial system was implemented in June 2008. The new system is expected to significantly improve BBG's ability to process procurement awards and perform contract management.

International Broadcasting Bureau (IBB)

The IBB's Management and Support offices include the Director of the IBB and the Offices of Policy, Performance Review, Civil Rights, Contracts, Human Resources, and Security.

- In FY 2008, the functions and staff of the IBB's Management and Support (Offices of Contracts, Human Resources, and Security) were reassigned to report directly to the IBB Director to create a more efficient organizational support structure within the Agency and elevate their strategic importance to the broadcasting entities. For the same reasons, the Office of Marketing and External Liaison plus the Office of Performance Review also now report directly to the Director of IBB.
- The Office of Marketing and Program Placement under the direction of the Director of Marketing and External Liaison exercises responsibility for marketing and placement of BBG programming on local FM, AM, and television stations. The Office of Marketing and Program Placement (OMPP) continues to work toward increasing audiences in high-priority markets through placement of programs and awareness of those programs through advertising and promotional campaigns. For example, establishing new leases in Latin America and Pakistan allowed VOA to broadcast to larger portions of Central and South America, as well as into Afghanistan border regions.

Office of Cuba Broadcasting (Radio and TV Marti)

The Office of Cuba Broadcasting (OCB) continued to provide coordinated management of Radio Martí and Television Martí. Radio and TV Martí continued to provide a reliable

source of news and information that is accurate and objective, and to promote freedom and democracy in Cuba.

- Radio Marti News has increased its live coverage of events in Cuba and elsewhere including live coverage of dissident protests throughout the island.
- The OCB website has been redesigned, and OCB organized a course of digital journalism to train staff for the new demands of the web page. The new site has a multimedia orientation with a broader outlook for text, sound, and video. Visits to the website from within Cuba have increased this year.
- In 2007 and 2008, with the help of the U.S. Interests Section in Havana (USIS), OCB hosted a series of teleconferences with members of various Cuban dissident organizations. The series included members of the independent libraries in Cuba, and the “Ladies in White,” whose family members were incarcerated by the Cuban government for voicing their opposition to the regime.

President’s Management Agenda

In 2001, the President established the President’s Management Agenda (PMA) for improving the management of the Federal government. This plan focuses on five areas targeted for improvement across the Federal government: human capital, competitive sourcing, e-government, financial management, and the integration of budget and performance. The BBG has made substantial progress on each PMA initiative. The following is a summary of our progress in FY 2008.

Strategic Management of Human Capital

The Agency enhanced the leadership of the workforce by: providing leadership and supervisory training on the performance management system; improving the Senior Executive Service performance management system; developing a “pay for performance” compensation system for the Senior Foreign Service; resuming career VOA Foreign Service correspondent appointments and crafting steps to strengthen VOA’s management of the Foreign Service system; and revamping the HR website. The FY 2008 employee development initiative addressed critical BBG training and employee recognition programs.

The Office of Human Resources continued a volunteer intern program and recruited a highly talented and diverse group of 98 interns during the summer of 2008.

Training funds were allocated based on priorities established in consultation with VOA and other elements. Broadcast training was tailored to support television and Internet initiatives. The Office of Human Resources also offered the Supervisor Orientation Program for newly hired and promoted supervisors and managers, in addition to providing other leadership training.

The Advisory, Referral and Counseling Service (ARCS), presented training sessions for all agency supervisors on the performance management system. The course included

advice on setting expectations and goals, providing constructive feedback, and dealing with performance deficiencies. Briefings were also conducted for employees on their role in the performance appraisal process. ARCS also conducted workshops for supervisors on topics such as correcting performance problems and dealing with difficult people. ARCS sponsored regular brown bag lunchtime sessions for language service chiefs to address topics of common concern and share experiences.

The Office of Human Resources meets with the American Federation of Government Employees union on a bi-weekly basis to discuss and resolve issues collaboratively.

Competitive Sourcing

The BBG's Fair Act Report for FY 2008 was submitted on time. Contracting is used when appropriate. The Office of Human Resources used Personal Service Contracts (PSCs), early out retirements and buyouts, and other flexible mechanisms in an effort to reshape and increase the agility of the workforce to respond to shifting program and resource priorities and proposed reductions. The Agency requested and was granted an extension for its statutory authority for PSCs.

Expanded Electronic Government

The agency has increased its use of e-government tools. The Agency utilizes the Department of Defense Civilian Payroll (DCPS) system to process payroll transactions and distribute employee Leave and Earnings Statements. The DCPS is a web-based system complying with OPM's e-Payroll initiative. The Agency also uses the Department of Defense Civilian Personnel Management Service (CPMS) to enhance the efficiency of HR operations and comply with OMB's HR Line of Business initiative. The MyBiz portal allows employees to access their personnel records and benefit choices online.

In FY 2008, the Agency implemented the Momentum Financial Management System under a cross-servicing agreement with the Department of Interior's National Business Center. By utilizing a shared service provider, long-term costs should be minimized as the mainframe legacy technology is retired.

Finally, the Agency has expanded the use of its SharePoint software, an intranet platform and document-sharing program, to facilitate the sharing and updating of files with the Agency. This allows greater collaboration among employees, enhances efficiency, and makes agency-wide communication easier.

Improved Financial Performance

The BBG maintained an unqualified ("clean") opinion on all financial statements in FY 2008. The BBG improves financial performance by utilizing automated tools for tracking and financial reporting; implementing standard procedures and processes; and offering financial management training to its financial, program and administrative staffs. The BBG is in compliance with Federal accounting principles and standards and met all Treasury and OMB financial reporting requirements in FY 2008.

BBG converted to the Momentum Financial Management System in June 2008. This system integrates the procurement and finance functions under a single system enhancing internal control and improving the efficiency of the contracting and payment processes.

Budget and Performance Integration

The FY 2007 BBG Performance and Accountability Report (PAR) was submitted on time. The Agency received an “Effective” rating for the PART (Program Assessment Rating Tool) evaluation conducted in FY 2008.

The BBG issued the strategic plan for 2008-2013 and is working with the entities to ensure that each entity’s strategic and long-term planning incorporates the BBG’s strategic roadmap (see <http://www.bbg.gov/about/plan.html>).

The BBG also continued to make significant progress on integrating performance goals, including annual objectives and measures, with budget requests and financial management. The Agency has included performance information to demonstrate the relationship between the Agency’s budget and strategic plan, implementation strategies, and performance targets.

The BBG continues to build a portfolio of program level strategies and annual performance plans linked to the Agency’s strategic goal, performance indicators, and resources. By the end of FY 2008, every VOA language service developed a current annual performance plan that integrates the BBG implementation strategies and budget plans for the next three years. A new process to ensure that the plans are updated and the results evaluated on a systematic basis was also established.

The Budget Office worked closely with the program offices to formulate and execute the budget and financial plans, monitor implementation of the financial plans by program, and conduct quarterly reviews of the status of funds to ensure that the funds meet each program’s requirements and objectives. Efforts to integrate performance and budget information continued with the FY 2010 Budget Request to OMB. The BBG conducted the 2008 Language Service Review and the results of the review have informed the Board’s decisions on resource allocations.

On-Going Challenges

Broadcast Environment

Two major factors shape the global political and security context for BBG operations: recalcitrant and resurgent authoritarianism and rising extremism. In many places, the two are intertwined. BBG broadcasters largely target audiences where authoritarianism and extremism predominate, and must therefore stay abreast of the emerging policies and practices of both.

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

The foremost challenge for the BBG is to counter efforts of autocratic regimes that deny their citizens access to news and information. Often the BBG relies on agreements with host country governments for program delivery and access to local radio and TV affiliates. When the political climate or leadership of a country changes, our ability to continue broadcasting may also change. The Chinese regularly jam Voice of America and Radio Free Asia programs. Because many other BBG broadcast countries seek to suppress a free press by blocking radio, television, and Internet signals, the BBG is constantly working to overcome jamming. An organized effort on behalf of VOA, Radio Free Asia, and Radio Farda, 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. In 2008, Voice of America and Radio Free Europe/Radio Liberty continued to lose affiliates across Russia because of political pressure from the Russian government. Both responded quickly, finding alternative ways to continue to supply news and information to their audiences, enhancing their use of the Internet to include frequently updated website content and video produced for the web.

The BBG also responds to crises worldwide with temporary surges in broadcasting. This year alone, the BBG has surged in nine languages, and some of the surges are still ongoing. BBG language services add additional broadcast hours and create rich content to effectively and accurately inform people affected by crises with very little lead-time and often with no defined end of surge. As regional and localized crises develop, sometimes without warning, the BBG must respond quickly and decisively depending on available media resources and the nature of the situation.

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

Delivering BBG programming to audiences via the media and formats they prefer remains a key challenge. Several key countries jam direct broadcasts, limit or prohibit local distribution via affiliates, and block BBG Internet sites. We must manage, as never before, a mix of media and technologies from traditional shortwave to satellite TV and cell phones.

The BBG requires powerful and reliable broadcast equipment to fulfill its mission. BBG customers - audiences 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 in a given area.

The BBG must carefully manage its transmission infrastructure to maintain a strong presence in critical markets. It is necessary to provide modern and effective transmitting and antenna systems in order to improve signal strength and reliability of broadcasts to vital areas throughout the world. The BBG works to meet this challenge by determining where transmission resources can be best utilized to BBG broadcasts. As the BBG closes transmitters, a determination is made for the best use of the equipment, including moving to another site for re-use, storing for future use, maintaining as surge capacity, or retiring. Through this analysis, the BBG works to meet the constant challenge of maintaining an effective and cost-effective transmission network.

The dynamic, rapidly evolving broadcast information technology (IT) market impacts much of the BBG's broadcast and transmission equipment. 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 prepared for changes in priority, strategy, and regions of broadcast. 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. A clear mission statement and decisive strategic planning give the agency a defined path to follow. But unpredictable global events make it challenging to plan the specific next steps the agency will take.

In the last 10 years, with Administration and Congressional support, the BBG budget has increased about 60% to support new priorities. The BBG responds to crises worldwide

through surge broadcasts. In the past year alone, the BBG has surged in nine languages, five of which will continue surge broadcasting past the end of FY 2008. The BBG has met the need for immediate surge broadcasting by adjusting broadcast schedules, work hours, and resources to increase broadcasts as global events warrant.

As media consumption changes in target broadcast areas, the BBG has transitioned from radio-only broadcasts to multimedia news and information distribution, including television, the Internet, and cell phone text messaging. Like surge broadcasts, these changes in distribution availability and audience preferences can change quickly, and require that the BBG be innovative to respond effectively.

With the global political situation and global media market in constant flux, the BBG must move decisively. As the BBG prioritizes language services and technologies in its relentlessly changing global market, clear direction and defined strategy will allow it to lay groundwork for long-term plans while maintaining flexibility to respond to unpredictable global crises and ever-changing media preferences.

Financial Highlights

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

The independent accounting firm, Leonard G. Birnbaum and Company, LLP conducted our FY 2008 financial statement audit and issued an unqualified (“clean”) 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). In addition, the standards as prescribed by the Federal Accounting Standards Advisory Board (FASAB) have been applied.

| FINANCIAL HIGHLIGHTS | | |
|---|-------------------------|-------------------------|
| (Dollars in Thousands) | 2008 | 2007 |
| At End of Year: | | |
| Condensed Balance Sheet Data: | | |
| Fund Balance with U.S. | \$151,853 | \$199,002 |
| Accounts Receivable | 4,205 | 3,088 |
| Property, Plant, and Equipment | 138,033 | 213,470 |
| Other | 2,589 | 1,591 |
| TOTAL ASSETS | <u>\$296,680</u> | <u>\$417,151</u> |
| Accounts Payable | 956 | 9,476 |
| Retirement and Payroll | 33,353 | 29,940 |
| TOTAL LIABILITIES | <u>\$34,309</u> | <u>\$39,416</u> |
| Unexpended Appropriations | 118,228 | 157,510 |
| Cumulative Results of Operations | 144,143 | 220,225 |
| TOTAL NET POSITION | <u>\$262,371</u> | <u>\$377,735</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$296,680</u> | <u>\$417,151</u> |
| For the Year: | | |
| Total Cost | 810,035 | 688,370 |
| Total Earned Revenue | (3,535) | (2,883) |
| TOTAL NET COST OF OPERATIONS | <u>\$806,500</u> | <u>\$685,487</u> |

Management Controls, Systems, and Compliance with Laws and Regulations

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

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

- Programs achieve their intended results;
- Effective use of resources consistent with the Agency's mission;
- Proper safeguarding of programs and resources against waste, fraud, and mismanagement;
- Reliable and timely information to support decision making; and
- Compliance with laws and regulations.

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

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

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

According to Part IV of Office of Management and Budget's 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 management control review process must be included in the management control review reports. The report should describe the deficiencies and an action plan for correcting them.

The BBG's standards incorporate the GAO's Standards for Internal Controls in the federal government. Good internal control systems are essential for ensuring the proper conduct of BBG business and the accomplishment of management objectives by serving as checks and balances against undesired action. This standard reflects the fact that all

internal control systems, no matter how well designed, have inherent limitations and should not be relied upon to provide absolute assurance, and that control systems may vary over time because of changes in conditions.

As a result of the FY 2008 review, the BBG identified the following high vulnerability areas and some matters for continued monitoring. BBG management has designated a high vulnerability issue as a high-risk area with identified deficiencies and less than effective internal controls. These areas warrant special attention of management, with the need to strengthen controls.

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

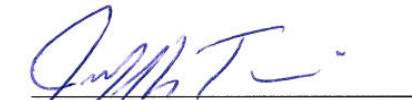


**BROADCASTING BOARD OF GOVERNORS
UNITED STATES OF AMERICA**

FY 2008 FMFIA REPORT

I have reviewed the BBG's Assurances Statements for the FY 2008 FMFIA Report. Based upon my evaluation of the attached assurance statements, I concur with a reasonable certainty that the agency has adequate safeguards against fraud, waste, abuse and mismanagement in place. The agency's FY 2008 FMFIA Report contains the results of our yearly internal control assessment and corrective actions to be taken.

In addition I have reviewed the Assurance Statement for the agency's financial management systems. I concur with a reasonable certainty that the agency's financial management system generally conforms to the Federal financial management system requirements, including General Accepted Accounting Principles, Government Accounting Standards, and BBG accounting policies and procedures. The agency's FY 2008 FMFIA Report includes the results of the corrective actions taken to address the FY 2007 audit's reportable condition to extent that they within the scope of the agency's control.



Jeffrey N. Trimble
Executive Director
Broadcasting Board of Governors

Summary of FMFIA Issues and Non-Conformances and Corrective Actions

| HIGH VULNERABILITY ISSUE | CORRECTIVE ACTION |
|---|---|
| <p><i>The Manual of Operations and Administration (MOA) needs to be updated.</i></p> <ul style="list-style-type: none"> ➤ The MOA provides operating procedures necessary for the Agency to implement Agency policy and provides guidelines for establishing management controls. ➤ The MOA has not been consistently reviewed to determine if the regulations or requirements have changed or organizational changes have occurred that may require additions or deletions to the manual. | <ol style="list-style-type: none"> 1. All of the CFO sections have been finalized and posted on the Agency intranet website 2. The Agency created the Broadcasting Administrative Manual (BAM) Ad Hoc Working Group in the winter of 2008 and agreed to establish an annual review process for sections of the MOA (hereafter referred to as the BAM). 3. The BBG implemented SharePoint, a software application that allows multiple users to share and edit documents. The software also houses the updated sections of the BAM. |
| <p><i>Personal Property Accountability</i></p> <ul style="list-style-type: none"> ➤ The BBG needs a single property database. ➤ Several systems exist within the Agency for tracking property, making property inventory control difficult. | <ol style="list-style-type: none"> 1. The conversion of personal property to “PIPS” was completed on July 1, 2007. The information in the system is being monitored on a regular basis to ensure that it is kept up-to-date. 2. In FY 2007, all personnel responsible for the property management and inventory have been merged into one office to ensure all property is tracked consistently in a single system. |

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

| | |
|--|--|
| | <p>facilitated the monthly reconciliation process.</p> <p>3. BBG hired an outside contractor to review the Purchase Card Program in FY2007. The report found that <i>“The results indicate, considering the complexity of the international program, that there is generally adequate control and oversight of purchase card activities. All of the Purchase Card program participants interviewed have a great sense of duty to protect the Government’s interest when making purchase card procurement procedures. No fraud or intentional card misuse was detected during the Review.”</i> A second review was conducted in FY2008, which made similar findings about the program and did not detect any fraud or intentional misuse during the review.</p> |
|--|--|

Summary of Financial System Reportable Conditions and Corrective Actions

| REPORTABLE CONDITIONS | CORRECTIVE ACTION |
|--|--|
| <ul style="list-style-type: none"> ➤ Certain elements of the financial statements, principally property, plant, and equipment (PP&E), are developed from sources other than the general ledger, increasing the potential for omission of significant transactions. ➤ The financial management system does not issue interim financial reports. | <ol style="list-style-type: none"> 1. The BBG established a Property Management Office and maintains Property data in the PIPs database. On a quarterly basis, the Property Management Office provides a listing of asset acquisitions and dispositions to Financial Reporting who in turn completes the necessary Journal Voucher to update the Momentum Financial Management System. 2. The BBG implemented the Momentum Financial Management System in June 2008 and FinMart Reporting tool in September 2008. Together the systems allow BBG to prepare Trial Balances on a monthly basis. Using the Trial Balances, the Agency creates its interim financial statements in a manner comparable to other Federal Agencies. |
| <ul style="list-style-type: none"> ➤ The BBG has not fully codified its financial management operating procedures, presenting opportunities for inconsistencies and errors in processing financial transactions. | <ol style="list-style-type: none"> 1. The BBG CFO office has updated the remaining sections of its MOA. All financial operating procedures have been codified and published. |
| <ul style="list-style-type: none"> ➤ The BBG did not maintain adequate internal control over accounts payable because the accounts payable reconciliation was not completed by September 30, 2006. | <ol style="list-style-type: none"> 1. The BBG worked with DoS to update the BBG financial system with previously missing files. This update was completed in March 2008. 2. BBG has transitioned to the Momentum Financial Management System and implemented an overseas interface to correctly record overseas transactions. 3. BBG is continuing to research and correct duplicate postings made immediately after transitioning to the Momentum Financial Management System. |

Improper Payments Information Act Reporting

In accordance with the Improper Payments Information Act of 2002 (Public Law 107-300) the BBG continued to monitor its payment operations to ensure erroneous payments did not occur. The BBG's FY 2008 budget was \$684 million, of which about 33 percent is attributed to salary and benefit payments.

During the course of the year, we have monitored our payments to ensure erroneous payments have not occurred. The BBG did not incur any erroneous payments totaling \$10 million dollars during FY 2008.

The BBG will continue to monitor the payment process during FY 2009.

Limitations of Financial Statements

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

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

Section 2: Performance Information

Strategic Goal

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

FY 2008 Implementation Strategies

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

- ***Enhance Program Delivery Across All Relevant Platforms***

Securing effective distribution is the BBG's number one challenge. We must ensure that BBG content is available via the media, bands, networks, channels, and stations that audiences use – from shortwave to cell phones. There is no one solution. Discerning the right distribution strategies is a market-by-market determination.

- ***Build on BBG Reach and Impact Within the Muslim World***

The BBG has taken significant strides toward better reaching the Muslim world since 9/11, launching 24/7 broadcasting and other initiatives valued at more than \$125 million annually – with increases in weekly audiences in excess of 50 million people. Most Muslim-majority countries exercise strict control over media. Rumor, speculation, distortion, censorship, and self-censorship are common. Media hate speech persists in some quarters. Anti-Americanism predominates. Extremism can breed more easily in such contexts. Pan-Arab satellite TV channels and other regional outlets have provided alternatives to state-controlled sources. But BBG broadcasters play a key role to ensure accurate and balanced reporting; to be a forum for open debate, discussion, and dialogue; and to enhance understanding of American policies and actions.

- ***Help Audiences in Authoritarian Countries Understand the Principles and Practices of Democratic, Free, and Just Societies***

Freedom and democracy were on the march around the world after the end of the Cold War but are suffering serious challenges now. “The year 2007 was marked by a notable setback for global freedom,” notes Freedom House, with reversals in one-fifth of the world's countries. It notes further that declines in press freedom outnumbered gains by a two-to-one margin from 2006-2007, the sixth consecutive year of overall decline.

Reaching audiences in countries where authoritarianism persists or is resurgent is a perennial BBG priority.

- ***Employ Modern Communication Techniques and Technologies***

Congress has stipulated that BBG broadcasts “be designed so as to effectively reach a significant audience” – a very different challenge in 2008 than in 1998. Over the next five years, audiences will be increasingly using mobile phones, podcasts, and other new media to obtain news and information. We must stay on the cutting-edge of emerging technologies. We must continue to differentiate across markets, avoiding a one-size-fits-all approach, to adopt formats and delivery means consistent with local circumstances and audience needs. The aim is to expand audience reach while preserving the core mission of disseminating factual news and information.

- ***Facilitate Citizen Discourse***

Technology – PCs, the Internet, and cell phones coupled with email, chat rooms, and blogs – is empowering unprecedented participatory discourse among ordinary citizens. Savvy media today use their news and information to fuel citizen discourse (e.g., emailing and follow-up discussion of news stories) and develop new channels for citizens to engage in discussion (e.g., media-sponsored blogs and interactive channels). BBG services have several advantages: we operate in relatively less well-developed information environments, and we are often among the few, credible news sources in vernacular languages. There is thus a major opportunity for us to fulfill the BBG core mission by democratizing information exchange and discourse.

- ***Engage the World in Conversation About America***

The positions and policies of the U.S. elicit strong international reactions. Many turn to protest against America. Many others seek a conversation with America. Research suggests dialogue, not monologue, is the approach we should use. Meeting the demand for dialogue is a mission imperative, especially for the Voice of America. BBG international call-in programs show how readily audiences respond to opportunities to talk with us. But the strategy needs to go beyond any particular program format. We need to seek out every opportunity to prompt two-way communication, using interactive web sites, blogs, and new media devices. Engaging audiences, and allowing them to engage us, is the BBG’s best means of communicating what America is and stands for.

- ***Develop and Motivate the Workforce to Meet the Changing Conditions of U.S. International Broadcasting***

BBG has identified employee skills, training, and morale as critical issues for advancing the mission. Changes in language service priorities and programming, reallocation of resources, and advancements in technology all impact the manner in which BBG broadcasting is done and the competencies required of employees. At the same time, the Federal workforce in particular will soon face unprecedented attrition. All broadcasters

need to attract employees with up-to-date technical skills suited to producing the multi-platform programming required in today's global media environments.

- ***Optimize Broadcasting Operations***

Consistent with the requirements of the U.S. International Broadcasting Act, the BBG has acted to consolidate global transmissions and program delivery and has eliminated or reduced lower priority language services and expanded higher priority services. BBG recognizes the necessity of continuing to evaluate options to realign its resources to meet the mission in the most effective and efficient manner possible. This evaluation will incorporate the annual language service review as well as input from other government entities.

- ***Preserve Credibility and Ensure Overall Programming Excellence***

Credibility is key to success in objective journalism, and it is the BBG's greatest asset. If audiences do not find the BBG's broadcasts to be credible, they will not tune us in. We must therefore appreciate and overcome the impediments to being credible with any given audience. We must also resist any efforts to sway news coverage or otherwise interfere with the content of BBG broadcasts.

- ***Broaden Cooperation Within U.S. Public Diplomacy***

While maintaining an editorial firewall, the BBG is mandated to operate consistent with the broad foreign policy objectives of the U.S. As the U.S. seeks to counter extremism and continues the struggle for freedom and democracy, it is important for the BBG to be aware of broader U.S. public diplomacy planning and program activity and, where advisable, to coordinate BBG strategies with those of other agencies.

PART Results

Improved BBG Strategic Planning and Performance Integration

In FY 2002, the BBG put forward its first strategic plan as an independent agency, with an approach to international broadcasting that focused on marrying the broadcasting mission to local media markets. The strategy also laid out the primary long-term strategic goal with operational implementation strategies linked to Agency performance measures. The BBG Strategic Plan for 2008-2013 continues the roadmap to success, strengthens the budget and performance integration, and informs strategic decisions.

Since the PART began, the BBG has improved its ratings, due in large part to significant progress in strategic planning, budget, and performance integration at all levels. However, as noted in the improvement plans for the PART programs, the BBG will continue to refine and explore new performance goals that can better measure overall impact and progress towards achieving the long-term outcome goal.

In FY 2008, the PART evaluated Broadcasting in Arabic (for additional information, visit <http://www.expectmore.gov>). The program is rated as “Effective” through increasing its target audience, improved efficiency and cost effectiveness, and linking each Arabic broadcasting entity to the BBG Strategic Plan and implementation strategies. Independent evaluations by outside professional broadcasters, BBG’s annual Program Reviews and Language Service Review, feedback from audience members, an outside media research firm and GAO (see Program Evaluations in this Section for more details) were considered in the evaluation. As with other PART programs, the BBG is taking actions to improve long-term outcome performance measures.

FY 2008 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. The language service plans are evaluated annually through the agency's Language Service Review process and all programs are evaluated by the Administration's PART process.

Listed below are the BBG annual performance objectives, including key initiatives supported by the FY 2007 and 2008 enhancements, with summaries of the current status. The detailed accomplishments for each performance objective are also presented in the outcomes table in the following pages.

A. Reach the Arabic speaking world.

- Produce a daily 3-hour live Alhurra television program.
MBN plans to launch in February 2009.
- Expand overall news programming and increase reporting of local news.
All BBG Arabic broadcasters expanded overall news coverage and increased local news – see Outcomes Table.

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

- Focus efforts to reach strategic audiences in Iraq, Iran, Afghanistan, and Pakistan.
Continued progress in all countries - see Outcomes Table.
- Continue efforts to place RFE/RL programming on UKV frequencies, which are popular frequencies in Russia.
In light of the media situation in Russia, RFE/RL refocused efforts on a multi-media approach to reach Russian-speaking audiences, with radio programming and increased Internet content. Funds initially intended for increasing UKV affiliates have been used to revamp and upgrade Internet programming.

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

- Establish a 10-hour coordinated stream of VOA and RFA daily programming to North Korea, including strengthening transmission capabilities to North Korea.
The 10-hour VOA and RFA daily program was implemented.

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

- Sustain a VOA Somali Service to provide 30 minutes daily radio programming.
VOA Somali Service expanded to three hours of daily radio programming.
- Broadcast local news in support of democratic reforms in countries with restricted press and political freedom.

Local news was expanded and provided accurate news and information for audience members in critical areas of Africa – see outcomes table.

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

- Add OCB transmission capability and enhance Radio and TV Marti programming to Cuba.
OCB continued the development of VHF transmission capability and programming on DirectTV.
- Add VOA Spanish 30-minute interactive music program to Cuba.
Appropriated resources did not support the request for the 30-minute interactive music program, but VOA Spanish continues the 60-minute daily Cuba-focused radio program and covers issues relevant to Cuba in their weekly radio call-in program.
- Convert from analog to digital all production equipment in the daily operation for TV Martí.
Appropriated resources were not sufficient to enable OCB to complete the requested conversion in FY 2008.
- Increase VOA programming and program delivery in Venezuela.
VOA Spanish launched a new 30-minute television program featuring news from the Andean region, the United States, and the world.

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

- Address BBG's most critical broadcast equipment maintenance and repair requirements.
BBG aligned resources to address priority equipment maintenance and repair requirements.
- Support all increases in programming with appropriate program delivery and administrative means.
Planning and implementation for increased 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; the preferred media, including TV; and the formats and content that would appeal to them.
Comprehensive audience research and analysis was available to BBG language services and managers for planning and measuring performance.
- Maintain the firewall and continuously monitor programming quality in line with modern broadcast journalism principles through annual performance reviews of all broadcast services.

Annual program reviews were conducted by each broadcasting entity with 100% of all broadcasting services rated as “good or better” by the program quality scores.

- Support the President’s Management Agenda, including budget and performance integration and improved financial, travel and payroll systems.
The new financial system was implemented in June 2008 and significantly improved BBG’s ability to integrate financial and procurement management.
- Maintain and retain a skilled workforce with training and awards.
The FY 2008 employee development initiative addressed critical BBG training and employee recognition programs.

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

| Account | FY 2008 |
|--|----------------|
| International Broadcasting Operations¹ | 673,476 |
| Broadcasting Capital Improvements² | 10,128 |
| Total | 683,604 |

¹ Includes funding pursuant to the FY 2008 Supplemental Appropriations Act P.L. 110-252 (\$2 million); a \$.5 million transfer from the BCI account; and a transfer of \$.4 million to the Buying Power Maintenance Fund. Funding for the Office of Cuba Broadcasting (\$33.4 million) was appropriated in IBO.


² Includes a transfer of \$.5 million to the IBO Account.

Outcomes Table



The following are highlighted accomplishments in each of the performance objectives during FY 2008

| FY 2008 Performance Objectives | FY 2008 Outcomes |
|---|---|
| <p>A. Reach the Arabic speaking world.</p>  <p><i>Radio Sawa began new broadcasts to Darfur in September 2008.</i></p>  <p><i>Alhurra provides balanced news and information to television audiences in the Arabic speaking world.</i></p>  <p><i>Radio Free Iraq interviews the governor of Iraq's Wassit province, Latif Hammad Tarfa.</i></p> | <ul style="list-style-type: none"> ✓ 2008 PART program “Broadcasting in Arabic” rated as effective. ✓ Alhurra Europe provided a reliable source of news and information to Europe’s Arabic-speaking population. It combined the most popular news and information programs seen on Alhurra and Alhurra-Iraq. ✓ Alhurra and Radio Sawa are increasing understanding of the U.S. through regular and special programming that puts into context America's institutions and policies for MBN’s audience throughout the Middle East. ✓ Both Alhurra and Radio Sawa provide wide-ranging coverage of U.S. elections and programming that presents the spectrum of American political perspectives. Alhurra and Radio Sawa demonstrate democracy through live coverage and balanced discussion of hearings, briefings, and remarks by the Administration and Congress related to issues significant to the lives and future of our audience. ✓ MBN expanded its web presence in FY 2008 as Alhurra began streaming and archiving its original programming. Modifications to the Alhurra and Sawa websites will ensure broader access to the wide array of balanced news and information produced by MBN. ✓ Through an inter-agency agreement, Radio Sawa expanded radio broadcasting to Darfur to provide unbiased news and information about the Darfur Peace Process, the deployment of UN peacekeeping forces, human and women’s rights, U.S. humanitarian relief efforts, and the scheduled 2009 elections. ✓ RFE/RL’s Radio Free Iraq provided objective, balanced coverage of Iraq with daily coverage of the activities of the Iraqi Cabinet and Parliament. Its civic-minded programming promotes national unity and the universality of human rights. ✓ In 2008, Alhurra and Radio Sawa provided live coverage of the U.S. midterm elections, and several races around the country including the election of the first Arab-American to the U.S. Congress. |


| FY 2008 Performance Objectives | FY 2008 Outcomes |
|---|--|
| <p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia.</p>  <p><i>Persian News Network ranks as one of the top International Broadcasters to Iran. Pictured: Today's Woman.</i></p>  <p><i>Secretary of State Condoleezza Rice being interviewed in the studio in Prague by Radio Farda</i></p>  <p><i>TV Ashna to Afghanistan premiered A Fateful Harvest, a documentary about the opium trade in Afghanistan.</i></p> | <ul style="list-style-type: none"> ✓ Television remains a key delivery platform throughout the region. VOA increased its worldwide television newsgathering capabilities while RFE/RL has expanded television audiences using local partners in Bosnia, Macedonia, Georgia, Kyrgyzstan, and Belarus. ✓ In early 2008, RFE/RL began using a new content management system for its websites that has generated significant boosts in traffic for the sites using it. ✓ VOA's Persian News Network (PNN) increased its TV broadcasts to seven hours a day at the end of 2007, adding the 60-minute program, <i>Today's Woman</i>. It now ranks as one of the top international broadcasters reaching Iran. ✓ Radio Farda provides round-the-clock breaking domestic and international news on its radio programs and on its website. In FY 2008, RFE/RL assumed full responsibility for Radio Farda and its programming. ✓ VOA's <i>Radio Aap Ki Duniyaa</i> combines news, features, and music to reach its target audience of 15- to 39-year-old listeners in Pakistan and northwest India. In response to the on-again, off-again media restrictions that affect VOA's major television affiliates, VOA is maintaining its 12.5 hours of live radio programming in Urdu, focusing on news. ✓ VOA's <i>Radio Ashna</i> continues to build on its reputation as a source of accurate and credible news for listeners in Afghanistan with its seamless 12-hour daily program, broadcast in the Dari and Pashto languages. ✓ In May 2008, <i>TV Ashna</i> debuted <i>A Fateful Harvest</i>, a one-hour documentary about the opium trade in Afghanistan and its impact on Afghanistan's people, economy, and society. The documentary was televised across Afghanistan. ✓ RFE/RL's Radio Free Afghanistan delivers breaking news, in-depth reporting and analysis of the struggle to achieve democracy in the context of a resurgent Taliban. ✓ VOA's Radio Deewa—a broadcast stream aimed at the more than 40 million Pashto-speaking people living in the volatile Afghanistan-Pakistan border region—offers local, regional, U.S., and international news, as well as features ranging from politics and sports to illegal drug and narcotics trafficking. |



| FY 2008 Performance Objectives | FY 2008 Outcomes |
|---|--|
| <p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia. (Cont.)</p>  <p><i>VOA East European and Russian Language Services produce online programs delivered as podcasts.</i></p>  <p><i>RFE/RL Armenian Service correspondent Ruzanna Stepanyan reporting on the March 1, 2008 post-election clashes between police and protestors in Yereva.</i></p> | <ul style="list-style-type: none"> ✓ VOA and RFE/RL's Georgian services increased programming when Russia invaded the South Ossetia province in August 2008, providing coverage of the crisis from the ground and around the world. ✓ In 2008, due to increasing Russian government media restrictions and direct pressure on VOA affiliates, the VOA Russian Service launched a new strategy to deliver news and information to Russians via the Internet. Research shows that nearly 20% of all Russians have access to the Internet. The VOA Russian Service launched a daily webcast tailored specifically for Internet audiences, and has increased its use of online interactive features. ✓ RFE/RL's Russian Service continues to provide radio coverage with uniquely balanced news and analysis for Russian speakers across the region and has added another shortwave transmission for existing programming. RFE/RL relies on their upgraded website to reach the strategically important audiences in Russia when affiliate relationships are restricted. ✓ In FY 2008, RFE/RL covered the Armenian presidential campaign, the continuing tensions between Georgia and Russia, Turkmenistan's tentative steps towards ending its isolation, growing authoritarianism in Uzbekistan and continued political instability in Kyrgyzstan. ✓ VOA Kurdish is the only international broadcaster offering programming in Kurdish, providing accurate, reliable news coverage and interactive discussion about U.S. policies in Iraq. ✓ VOA Azerbaijani maintains its increased daily radio broadcasts; the Ukrainian Service launched a mobile TV service, which enables downloads of TV programs to hand-held devices; and the VOA Armenian Service reaches Armenian audiences through a partnership with Armenia TV Company. |

| FY 2008 Performance Objectives | FY 2008 Outcomes |
|--|---|
| <p data-bbox="235 342 586 449">C. Focus broadcasting to audiences of strategic priority in East Asia.</p>  <p data-bbox="235 890 613 968"><i>Tibetan monks in India listen to shortwave radio during march to Tibet border.</i></p>  <p data-bbox="235 1318 618 1430"><i>VOA and RFA Burmese services doubled daily broadcast hours to Burma in 2008. Here, Burmese cyclone refugees in food line.</i></p>  <p data-bbox="235 1818 604 1896"><i>RFA Tibetan reporter Dolkar reports from Tiananmen Square during 2008 Olympics.</i></p> | <ul style="list-style-type: none"> <li data-bbox="672 342 1481 470">✓ Despite continued obstacles to reach audiences in areas of jamming or government restriction, the BBG was able to expand its reach in this critical region of the world, with particular attention to North Korea, Burma, and Tibet. <li data-bbox="672 510 1481 638">✓ In early 2008, VOA expanded its broadcasts to North Korea from three-and-a-half hours to five hours daily. RFA's Korean Service has more than doubled its news coverage and cultural programming in 2008, now broadcasting five hours daily. <li data-bbox="672 678 1481 774">✓ As of March 2008, all VOA and RFA Korean broadcasts are transmitted via medium wave and shortwave, substantially enhancing the BBG's capability to reach its target audiences. <li data-bbox="672 814 1481 873">✓ Yahoo! Korea began to offer VOA news in real time covering the Korean Peninsula, international and U.S. news. <li data-bbox="672 913 1481 1073">✓ In 2007 VOA and RFA doubled their daily broadcast hours to Burma, responding to the nationwide demonstrations against the military junta and the ensuing crackdown. Both services were able to provide early warning and in-depth reporting in the aftermath of Cyclone Nargis. <li data-bbox="672 1113 1481 1409">✓ In response to a violent crackdown by Chinese authorities in Tibet, VOA increased its shortwave radio broadcasts from four to six hours daily in March 2008. VOA also doubled its weekly Tibetan-language television programming from one to two hours via the AsiaSat 3 satellite. RFA's Tibetan Service broke the news of a peaceful protest by monks in Lhasa interrupted by Chinese police. In the months following the March demonstrations, the Tibetan service began broadcasting two additional hours. <li data-bbox="672 1449 1481 1545">✓ RFA is the only international radio station broadcasting news and information to China's far northwestern region, with a potential audience of 10 million Uyghur-speaking people. <li data-bbox="672 1585 1481 1682">✓ Both VOA and RFA maintain interactive and innovative websites with YouTube postings, online chats and blogs, access from handheld equipment and email distribution. <li data-bbox="672 1722 1481 1818">✓ In April 2008, RFA launched its newly redesigned Web sites, including the Tibetan site written with a Unicode font, developed in-house. |

| FY 2008 Performance Objectives | FY 2008 Outcomes |
|--|---|
| <p>C. Focus broadcasting to audiences of strategic priority in East Asia. (Cont.)</p>  <p>RFA's Tibetan web site uses the Tib-US Unicode font, developed by RFA.</p>  <p>Burmese broadcasters at VOA and RFA increased live broadcasts and rebroadcasts during Burmese crises.</p> | <ul style="list-style-type: none"> ✓ The Chinese government continues its ever-tightening control of the media; yet VOA and RFA continue to provide comprehensive reporting through in-depth coverage of U.S.-China relations, live call-in shows, and local news. For example, immediately after the May 12, 2008 earthquake, VOA provided first-hand reporting on actual events at the scene. ✓ To circumvent efforts by the Chinese government to create an electronic firewall and limit or block access to the Internet, the BBG has implemented a variety of new Internet-based techniques, including proxy servers and mirror websites. ✓ RFA's Mandarin Service continues to play a leading role in monitoring and reporting on the social, economic, and political tensions in China, including coverage of the Tibetan uprising with a special emphasis on the Tibetan sense of alienation in the Han-dominant cultural environment. ✓ VOA continues to expand and diversify its programming to Indonesia, the world's most populous Muslim nation. In 2008, VOA Indonesian produced nearly eight hours of original radio programming per day for over 200 affiliates throughout Indonesia. According to a January 2008 survey, VOA Indonesian TV or radio broadcasts reach more than 20 million Indonesian adults each week. ✓ The BBG continues to reach areas in Southeast Asia that restrict international broadcasting and press freedom. RFA broadcasting to Vietnam, Cambodia, and Laos provides balanced coverage of both international and in-country news with enhanced or expanded programming and increased Internet use. RFA's Internet audience inside Vietnam has grown more than fourfold since 2006. ✓ In 2008, RFA and VOA's Khmer Services played an important role in providing in-depth election coverage of and discussion about the Cambodian National elections. ✓ Both RFA and VOA extensively covered the 2008 Summer Olympics in Beijing. VOAnews.com hits surged at the beginning of August when the PRC lifted part of China's Internet firewall. |

| FY 2008 Performance Objectives | FY 2008 Outcomes |
|--|---|
| <p data-bbox="235 338 659 436">D. Target African broadcasting to areas prone to terror incidents, genocide, or failed states.</p>  <p data-bbox="235 758 659 867">Studio 7 to Zimbabwe increased radio broadcasts in English, Shona, and Ndebele, to give audiences more opportunities to tune in.</p>  <p data-bbox="235 1356 659 1465">44% of Nigeria's primarily Muslim Hausa-speaking population listens to VOA at least once a week. Above: Billboard in Nigeria.</p> | <ul style="list-style-type: none"> <li data-bbox="690 338 1479 436">✓ In January 2008, VOA's Swahili Service expanded programming to Kenya in response to the crisis that followed that country's elections on December 27, 2007. <li data-bbox="690 470 1479 604">✓ On March 16, 2008, VOA Swahili further expanded its broadcasts by adding a half-hour long weekday program with news from a network of stringers in the region and interviews with ruling and opposition party representatives. <li data-bbox="690 638 1479 905">✓ The VOA Somali Service continues to provide its listeners with accurate news and information, allowing the Somali people to hear the voices of Somalis from all political persuasions and walks of life. VOA's Somali broadcasts have expanded from the original daily half-hour evening program (and a half-hour repeat) to two hours of original programming (and a one-hour repeat) seven days a week. VOA also maintains an active web site. <li data-bbox="690 938 1479 1171">✓ In March 2008, the VOA Amharic Service launched a new morning radio show, adding a half-hour of up-to-the-minute news and information to millions of VOA listeners throughout Ethiopia. The new morning show features on-the-ground news reports, the latest U.S. and world news, cultural highlights, and in-depth coverage of social, political and economic issues directly affecting Ethiopians. <li data-bbox="690 1205 1479 1402">✓ In response to the deepening political crisis in Zimbabwe, in June 2008, VOA doubled its radio broadcasts in English, Shona, and Ndebele by repeating its Studio 7 evening program on shortwave to provide listeners additional opportunities to tune in to broadcasts that have been jammed on medium wave since mid-2006. <li data-bbox="690 1436 1479 1669">✓ Among Nigeria's primarily Muslim Hausa-speaking population, 44 percent listen to VOA at least once a week. In March 2008, VOA's Hausa Service organized four successful town hall meetings on maternal health and child survival that were broadcast live by Nigerian state and local radio stations. The meetings, held in the Nigerian states of Zamfara, Kebbi, Sokoto, and Borno had more than six thousand attendees. |

| FY 2008 Performance Objectives | FY 2008 Outcomes |
|---|--|
| <p data-bbox="235 331 570 428">E. Expand audience reach in strategic locations in Latin America.</p>  <p data-bbox="235 1352 553 1457">VOA Spanish's El Mundo Al Dia is broadcast to the Andean region via satellite and TV stations.</p> | <ul style="list-style-type: none"> <li data-bbox="613 331 1479 495">✓ In June 2008, VOA Spanish launched <i>El Mundo al Dia (The World Today)</i>, a 30-minute television program featuring news from the region, the United States, and the world. The programs air live Monday through Friday and are broadcast via satellite, cable TV, and local terrestrial TV stations. <li data-bbox="613 533 1479 697">✓ VOA Spanish provided full on-the-scene coverage of the December Venezuelan election in which voters rejected a sweeping constitutional reform project launched by President Hugo Chavez. Coverage included man-on-the-street reaction and interviews with government officials and opposition leaders <li data-bbox="613 735 1479 1066">✓ Radio Martí's all news and information service provides programming specifically tailored for the Cuban audience six days a week, 24 hours per day, and one day per week for 18 hours. News coverage features a network of experts on Cuban and international affairs to address a wide variety of programs, including public affairs, political and economic issues, and other topics. Radio Martí extensively covers U.S. policy towards Cuba and has increased its live coverage of events in Cuba and elsewhere with plans to increase contacts with Cubans on the island through blogs and featuring bloggers on a weekly news segment. <li data-bbox="613 1104 1479 1339">✓ TV Martí provides daily newscasts including special segments on sports, entertainment, science and technology, and economic issues. TV Martí also broadcasts news bulletins at the top of prime-time hours. In April 2008, the 10:00 p.m. newscast was extended to one hour, an increase of 33% in TV Martí's live news broadcasting. From Monday through Friday each week, OCB is broadcasting 4 ½ hours per day, six days per week from the airborne platform. <li data-bbox="613 1377 1479 1499">✓ VOA and OCB continue to expand the use of the Internet to make broadcast programming available to the Cuban and Latin American audiences. The OCB web page has been redesigned for multimedia with a broader outlook for text, sound, and video. |

| FY 2008 Performance Objectives | FY 2008 Outcomes |
|---|---|
| <p>F. Align essential support functions with broadcasting implementation strategies and performance goals.</p>  <p><i>The BBG 2008-2013 Strategic Plan guides agency-wide long term planning and evaluation.</i></p>  <p><i>BBG Engineering maintains the BBG global telecommunications network.</i></p> | <ul style="list-style-type: none"> ✓ The BBG finalized the strategic plan for 2008-2013 and is working with the entities to ensure that each entity’s strategic and long-term planning incorporates the BBG strategic plan. ✓ The FY 2007 BBG Performance and Accountability Report (PAR) was submitted on time and the BBG received an unqualified opinion on the audit of BBG FY 2007 financial statements. The Agency received an “Effective” rating for the Program Assessment Rating Tool (PART) evaluation conducted in FY 2008. ✓ In FY 2008, the functions and staff of the IBB’s Management Division were reassigned to report directly to the IBB Director to create a more efficient organizational support structure. The Office of Public Affairs now reports to the BBG and the Office of Performance Review now reports directly to the IBB. ✓ The Agency’s new financial system was implemented in June 2008. The new system is expected to significantly improve BBG’s ability to integrate financial and procurement management. ✓ The Agency enhanced the leadership of the workforce in FY2008 by providing leadership and supervisory training, improving the VOA Foreign Service appointment and compensation systems, and revamping the HR website. Broadcast training was tailored to support use of television and the Internet, responding to changes in broadcast priorities. The FY 2008 employee development initiative addresses critical BBG training and employee recognition programs. ✓ Engineering continued to develop disaster recovery plans and strategies to safeguard against catastrophic network loss. The Continuity of Operations (COOP) telecommunications facility is functional 24/7 and can reroute essential communications services for all BBG broadcast entities within hours. In 2008, construction began on a television broadcasting facility at the COOP facility. ✓ The Office of Marketing and Program Placement (OMPP) continues to work toward increasing audiences in high-priority markets through placement of programs and awareness of those programs through advertising and promotional campaigns. Audiences for U.S. international broadcasting continue to expand, in part due to the addition of FM and TV affiliate stations in open media environments. |

Summary of FY 2008 Performance Indicator Targets and Outcomes

| | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2008 Actual |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Regular Listening/Viewing Audiences: Number of people (in millions) in target areas listening or viewing at least weekly by program element | | | | | |
| VOA (Radio) | 87 | 85.2 | 77 | 76.4 | 76.4 |
| VOA (TV) | 25 | 41.8 | 48.8 | 49.5 | 71.9 |
| VOA (Radio + TV) | 107 | 117.7 | 118.6 | 119.4 | 136.5 |
| MBN (Radio Sawa) | 20.8 | 20.8 | NA | 16.6 | 17.2 |
| MBN (Alhurra) | 21.3 | 21.3 | NA | 25.0 | 25.8 |
| OCB | NA | NA | NA | NA | NA |
| RFE/RL | 31 | 34.7 | 28.6 | 29.2 | 25.9 |
| RFA | NA | NA | NA | NA | NA |
| Affiliations and Transmitters: The count of high impact and high quality radio and TV stations regularly carrying US government programming, and of IBB-owned and -operated local transmitters, TV, FM, and AM. | | | | | |
| VOA (Radio) – Affiliates | 215 | 226 | 237 | 246 | 220 |
| VOA (Radio) – Transmitters | 20 | 28 | 30 | 30 | 32 |
| VOA (TV) – Affiliates | 106 | 111 | 117 | 117 | 90 |
| MBN (Radio Sawa) – Transmitters | 21 | 28 | 36 | 44 | 38 |
| MBN (Alhurra) - TV Transmitters | 2 | 4 | 4 | 4 | 5 |
| RFE/RL – Affiliates | 63 | 61 | 55 | 70 | 39 |
| RFE/RL – Transmitters | 10 | 16 | 17 | 20 | 19 |
| RFA – Affiliates | 0 | 2 | 3 | 3 | 3 |
| 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 (Radio) | 98 | 100 | 100 | 100 | 100 |
| VOA (TV) | NA | NA | NA | 100 | 100 |
| MBN (Radio Sawa) | 100 | NA | 100 | NA | NA |
| MBN (Alhurra) | NA | NA | NA | NA | NA |
| RFE/RL | 100 | 100 | 100 | 100 | 100 |
| RFA | 100 | 100 | 100 | 100 | 100 |
| OCB | 100 | 100 | 100 | 100 | 100 |
| Program Credibility: Consists of the percent of those listening at least once a week who consider the station's news and information "very trustworthy/reliable" or "somewhat trustworthy/reliable" in an annual survey. Revised in 2004 and in 2005. | | | | | |
| VOA (radio only) | 90 | 90 | 89 | 90 | 94 |
| MBN (Radio Sawa) | NA | 70 | 79 | 80 | 83 |
| MBN (Alhurra) | NA | 74 | 73 | 75 | 72 |
| RFE/RL | 84 | 86 | 83 | 85 | 87 |
| RFA | 80 | NA | 95 | 90 | 94 |
| OCB | NA | NA | NA | NA | NA |
| 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 | 2.84 | 2.79 | 2.78 | 2.70 | 2.65 |
| Satellite Effectiveness Index: Assesses whether the BBG satellite delivery is keeping pace with global media developments | | | | | |
| BBG | 9 | 10 | 10 | 9.8 | 9.8 |
| Transmission Network Consumable Expense: The cost (in millions) of power and parts to operate the IBO transmitter | | | | | |
| BBG | \$32 | \$27 | \$30 | \$31 | \$34 |

Analysis of Performance Results

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

- **VOA (Radio) - Target: 76.4 million Actual: 76.4 million**
In 2008, VOA Radio met its target of 76.4 million weekly listeners. Because surveys in Zambia, Croatia, Mali, and Djibouti were not replicated in 2008, audience estimates for these countries were not used for the VOA total radio audience. If these surveys had been done, the target would have been exceeded. Gains of over 3 million listeners in Pakistan and Nigeria were offset by losses in Ethiopia and India. In Ethiopia, the government has been attacking VOA and this may have reduced either listening or willingness to admit to listening. Listening in India to VOA radio continued to decline.
- **VOA (TV) - Target: 49.5 million Actual: 71.9 million**
The VOA Television programs exceeded the target of 49.5 million to reach 71.9 million weekly audience members, a noteworthy increase from 48.8 million in 2007. A significant increase in VOA Indonesian television audience on affiliate stations was measured in 2008. Watching of VOA TV in Pakistan and Iran also showed large gains. However, there was a reduction in watching of VOA TV in Russia when VOA’s affiliate stations were shut down by the government. Previously, watching of VOA TV in Russia had shown promising gains.
- **VOA (Radio + TV) - Target: 119.4 million Actual: 136.5 million**
The target was surpassed and the audience increased from 118.6 million in FY 2007 to 135.6 million in FY 2008. This is the unduplicated measure of weekly audience members who either listened to VOA radio or watched VOA television programming. The large increases in TV audiences in Iran, Pakistan, and Indonesia, as well as increases in radio listening in Afghanistan and Nigeria, all contributed to this success.
- **MBN (Radio Sawa) - Target: 16.6 million Estimate: 17.2 million**
The target was surpassed because the anticipated shift from radio listening to TV watching, mainly in Iraq, was not as large as expected. More people listened to Radio Sawa in Syria as well.

- **MBN (Alhurra) - Target: 25.0 million Estimate: 25.8 million**
The target was surpassed because of gains in new TV watching (mainly in Iraq, Lebanon, Egypt and Morocco) that offset the lesser declines in the Alhurra regular audiences in Algeria and Syria.
- **OCB (Radio and TV Martí) - Target: NA Actual: NA**
The closed nature of Cuban society makes it difficult to conduct the survey research required to make reliable estimates of radio and television audiences.
- **RFE/RL - Target: 29.9 million Actual: 25.9 million**
The decline in the weekly audience for RFE/RL can be attributed largely to the fact that gains in Afghanistan and Ukraine were offset by larger losses in RFE/RL's radio audience in Iran and Iraq, as people increasingly preferred or gained access to television.
- **RFA - Target: NA Actual: NA**
Because of the limitations of reliable survey data in many of the countries that Radio Free Asia broadcasts, it is not possible to estimate a listening audience for the entire entity.

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

- **VOA (Radio) Affiliates - Target: 246 Actual: 220**
Pressure by the Russian Government on affiliates largely centered around a new "enforcement" of licensing regulations; and in some cases, outright threats against affiliate owners and managers, has caused erosion in the Russian affiliate network. VOA Radio Affiliates numbers reflect continued decline in the number of affiliates in Russia especially following the elimination of the VOA Russian Radio services. The VOA Serbian, Bosnian, and Macedonian Services also ended radio programming in 2008.
- **VOA (Radio) Transmitters - Target: 30 Actual: 32**
The number of VOA Radio Transmitters exceeded the target for 2008. VOA was able to add two FM transmitters in Iraq in FY 2008 to serve critical audiences. VOA will focus future efforts on adding FM transmitters in Africa to serve important audiences.
- **VOA (TV) Affiliates - Target: 117 Actual: 90**
Pressure by the Russian Government upon affiliates largely centered around a new "enforcement" of licensing regulations; and in some cases, outright threats

against affiliate owners and managers, has caused erosion in the Russian affiliate network. VOA affiliate numbers reflect continued decline in the number of affiliates in Russia especially following the elimination of the VOA Russian Television service.

- **MBN (Radio Sawa) Transmitters - Target: 44 Actual: 38**
The number of MBN (Radio Sawa) transmitters has grown from 36 in 2007 to 38 in 2008. MBN was also able to add two FM transmitters in Iraq in FY 2008 to serve critical audiences. The target of 44 was not reached largely because of political and security constraints on construction of new facilities in Africa and the Middle East. MBN is close to adding FM transmitters in Sudan and Palestine, and is working to add other FM transmitters in key locations in the Middle East and North Africa.
- **MBN (Alhurra) TV Transmitters - Target: 4 Actual: 5**
Alhurra's number of transmitters increased from 4 to 5 during FY 2008, and will remain at that level for the foreseeable future. MBN was able to add another critical local TV transmitter in Iraq in FY 2008. Costs and political obstacles make it unlikely that future opportunities will arise to locate more local TV transmitters in the region. MBN relies mainly on direct to home satellite service to deliver TV programming to audiences.
- **RFE/RL Affiliates - Target: 70 Actual: 39**
Pressure by the Russian Government upon affiliates largely centered around a new "enforcement" of licensing regulations; and in some cases, outright threats against affiliate owners and managers, has caused erosion in the Russian affiliate network.
- **RFE/RL Transmitters - Target: 20 Actual: 19**
The number of transmitters increased from 17 in 2007 to 19 in 2008. RFE/RL was also able to establish two FM transmitters in Iraq in FY 2008. The target of 20 was not reached largely because construction of a new facility in the Middle East is being held up by regulatory delays.
- **RFA Affiliates – Target: 3 Actual: 3**
RFA met its target number of affiliates in FY 2008.

Program Quality: This indicator presents the percentage of an entity's language services whose programming is assessed as being of good-or-better quality. Ratings are based upon two broad criteria: (1) *content*, and (2) *presentation*. The *content* criterion includes evaluations of accuracy, reliability, authoritativeness, objectivity, comprehensiveness, and other variables reflecting distinct statutory, policy, and mission mandates for the different stations. The *presentation* criterion involves separate sub-criteria for each production unit unique to its media and the program. Content is given a 65% weight, and presentation a 35% weight. These are averaged and summarized on a

scale from 1 – 4, where 1.0–1.3 = poor; 1.4–1.6 = poor to fair; 1.7–2.3 = fair; 2.4–2.6 = fair to good; 2.7–3.3 = good; 3.4–3.6 = good to excellent; 3.7–4.0 = excellent.

- **VOA (Radio) - Target: 100% Estimate: 100%**
Program quality ratings are good or excellent for all VOA radio language services in 2008.
- **VOA (TV) - Target: 100% Actual: 100%**
Program quality ratings are good or excellent for all VOA television language services in 2008.
- **MBN (Radio Sawa) - Target: NA Actual: NA**
A program quality score was not available for Radio Sawa in FY 2008.
- **MBN (Alhurra) - Target: NA Actual: NA**
A program quality score was not available for Alhurra in FY 2008.
- **RFE/RL - Target: 100% Actual: 100%**
Program quality ratings continued to be good or excellent for all RFE/RL language services in 2008.
- **RFA - Target: 100% Actual: 100%**
Program quality ratings continue to be good or excellent for all RFA language services in 2008.
- **OCB - Target: 100% Actual: 100%**
Program quality ratings were good or excellent for Radio and TV Martí in 2008.

Program Credibility: This indicator is determined by the survey question about “trustworthiness of news and information” of those sampled respondents who listened at least once a week to each station. The answers are registered on a five-point scale -- very trustworthy, somewhat trustworthy, neither trustworthy nor untrustworthy, somewhat untrustworthy, or very untrustworthy. The credibility index is the percent of those answering the question in the survey (excluding those who did not respond or did not know) who endorsed very or somewhat trustworthy.

- **VOA Radio Only - Target: 90 Actual: 94**
VOA program credibility score of 94 percent in 2008 exceeds the target of 90 percent. 94 percent of all listeners surveyed, who listened at least once a week, said the programming was very or somewhat trustworthy.
- **MBN (Radio Sawa) - Target: 80 Actual: 83**
MBN Radio Sawa’s credibility score of 83 percent in 2008 exceeds the target of 80 percent. 83 percent of all listeners surveyed, who listened at least once a week, said the programming was very or somewhat trustworthy.

- **MBN (Alhurra) - Target: 75 Actual: 72**
In FY 2008, there was a slight decline of weekly viewers who said MBN Alhurra is very or somewhat trustworthy from 2007, but Alhurra's credibility remains at a high level for the entire Arabic speaking region.
- **RFE/RL - Target: 85 Estimate: 87**
RFE/RL's program credibility score exceeded the target set for FY 2008.
- **RFA - Target: 90 Estimate: 94**
The 94 percent program credibility score for RFA in FY 2008 exceeded the target set for FY 2008.
- **OCB - Target: NA Actual: NA**
As previously indicated, the closed nature of Cuban society makes it extraordinarily difficult to conduct surveys or research, and, therefore, program credibility cannot be measured.

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

- **BBG - Target: 2.70 Actual: 2.65**
The FY 2008 Index of Radio Signal Strength Index only measures shortwave and medium wave transmissions. While the BBG did not meet its FY 2008 target, the actual performance is still within the same range of “fair to average” as the FY 2008 target and the 2007 index. Due to unanticipated demands for shortwave transmissions resulting from temporary surge requirements, new programs, and the continuation of shortwave broadcasts that were anticipated to end in FY 2008, the average signal strength declined slightly. The BBG continues to seek effective and economical alternative capacity by working with other international broadcasters to share available facilities where feasible.

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 Engineering, 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 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.

- **BBG - Target: 9.8 Actual: 9.8**

The Satellite Effectiveness Index reached the target of 9.8 in FY 2008. IBB has been able to maintain a modern and effective satellite distribution network by the use of digital links where possible. IBB is exploring new digital transmission standards that promise greater capacity and effectiveness in key applications.

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

- **BBG - Target: \$31 million Actual: \$34 million**

The transmission network consumable expense increased from \$30 million in FY 2007 to \$34 million in FY 2008. This is attributed to the increased cost of operating major overseas transmitting facilities due to the weakening dollar and increased power costs. Power and diesel fuel costs at the IBB Northern Mariana Transmission Stations jumped over 50% between FY 2007 and FY 2008, and the cost of electricity there is approaching 50 cents a kilowatt-hour. Other stations also report dramatic increases, and the prices of leasing transmission time from other broadcasters are rising as they pass along their increased costs. IBB is continuing to move transmitters and other equipment from closed facilities closer to critical target audiences where the equipment can be operated economically and may offset the need to lease more costly facilities from other broadcasters.

Program Evaluations

The BBG conducts annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review (LSR) conducted by the Board assesses two basic questions: (1) where should the BBG broadcast and (2) how well is the BBG broadcasting to fulfill 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 entities, serve as annual quality control mechanisms based on field research and external analysis of program content and presentation. The results of Language Service Reviews and Program Reviews are a significant source of analysis used for addressing and informing the BBG’s PART evaluations.

The OIG and the GAO also conduct evaluations of the BBG. OIG and GAO reports from FY 2008 include: *OIG Inspection of BBG’s Operations in Kenya*, which addressed the 24/7 English-to-Africa and English broadcast reorganization, audience research and outreach, and sustained efficiency in broadcast; *OIG Inspection of VOA’s Central News Division (SBU)*, which discussed issues in the structure, efficiency, and internal communication within the VOA Central News Division; *GAO’s Engagement: “Weaknesses in Contracting Practices Reduced Visibility into Selected Award Decisions”*, which examined contracting processes for two specific OCB contracts as well as contracting processes for talent; the OIG’s *Alhurra’s Programming Policies and Procedures* which discussed the MBN Journalistic Code of Ethics and oversight in place to ensure journalistic integrity; and *OIG Inspection of the Board of the BBG* which focused on the structure, function and strategic direction of the Board as well as its communications with the entirety of the BBG.

These reports focus on many aspects of the BBG that are actively being improved, including recommendations regarding contracting practices, internal communication, training and management development, streamlined processes, and efficiency. In the subsequent BBG responses, these concerns are addressed or continue to be monitored and resolved. BBG responses include:

- The BBG’s improved internal controls and rationale for evaluated contract processes;
- Internal reorganizations and training to minimize potential redundancies and to increase management efficiency;
- Increased clarity in office descriptions and chains of communications; and
- Streamlined system of salary allocations and hiring process.

During FY 2008, OIG and GAO issued 8 final report(s) to the BBG. The Agency will continue to implement and respond to the recommendations of those evaluations. Also during FY 2008, the OIG and GAO issued 1 Discussion Draft; 6 Draft Reports; 11 Compliance Reports; and 2 Closure Letters. These evaluations, along with relevant prior year evaluations, are also included in the applicable PART evaluations.

FY 2008 IG and GAO Reports and Status

| Report No. / Dated | Type of Report | Title | Status |
|--|---|--|---|
| ISP-IB-07-35 Dated June 2007 | | <i>Inspection of the Office of Cuba Broadcasting “(SBU),” Dated June 2007</i> <i>Four OIG Compliance Analysis Reports were received during the period of October 24, 2007 through July 16, 2008.</i> | BBG Responded 12/18/2007 03/04/08 05/19/08 09/30/08 |
| ISP-IB-07-37A “SBU” and ISP-IB/S-07-37A “Secret” Dated Sept. 25, 2007 | OIG Final Reports of Inspection | <i>Inspection of IBB’s Philippines Transmitting Station (SBU) and Classified Annex (Secret) Dated September 25, 2007</i> <i>Four OIG Compliance Analysis Reports were received during the period of December 5, 2007 through August 15, 2008.</i> | BBG Responded 11/09/07 01/11/08 03/21/08 08/14/08 09/12/08 |
| ISP-IB-08-07 Dated Jan. 28, 2008 Incoming Letter Compliance Review Analysis Dated July 25, 2008 | OIG Final Report of Inspection OIG Compliance Analysis | <i>Inspection of BBG’s Operations in Kenya Dated January 2008</i> | BBG Responded 03/05/08 09/30/08 |
| ISP-IB-08-06 Dated Nov. 6, 2007 Incoming Letter Compliance Review Analysis Dated Jan. 15, 2008 | OIG Final Report of Inspection OIG Compliance Analysis | <i>Inspection of VOA’s Central News Division (SBU), Dated November 6, 2007</i> | BBG Responded 12/14/07 03/14/08 |
| Incoming Letter Dated March 31, 2008 | OIG Request for Information | <i>MBN’s Financial Statements for the Years ending September 30, 2004, 2005, and 2006</i> | BBG Responded 05/15/08 |
| Incoming Letter Dated Sept. 4, 2008 | Announcement of Inspection | <i>OIG Inspection of VOA’s Persian News Network</i> | BBG Responded Inspection is currently in progress |
| GAO-08-764 Dated July 2008 Incoming Letter Dated July 2008 Incoming Letter Dated July 15, 2008 | GAO Draft Report GAO Final Report | <i>GAO’s Engagement: “Weaknesses in Contracting Practices Reduced Visibility into Selected Award Decisions” (formerly titled, “U.S. Radio and Television Broadcasting To Cuba”) Engagement Codes 320579 and 120722</i> | BBG Responded 07/02/08 09/19/08 |
| AUD/IB-07-26 Dated March 2007 | OIG Final Audit Report | <i>Independent Auditor’s Report on the Review of Middle East Broadcasting Networks, Inc. Dated March 2007</i> | 10/01/08 Pending |

| Report No. / Dated | Type of Report | Title | Status |
|--|---|---|---|
| ISP-IB-08-12 Dated February 2008 Incoming Letter Compliance Review Analysis Dated July 23, 2008 | OIG Final Report of Inspection OIG Compliance Analysis | <i>OIG Inspection of the Board of the BBG for September – November 2007</i> | Responded 03/21/08 Responded 09/30/08 |
| ISP-IB-08-45 Dated May 2008 Incoming Email Dated March 13, 2008 Incoming Letter Dated May 2008 | OIG Discussion Draft Report OIG Final Report of Inspection | <i>Alhurra’s Programming Policies and Procedures (formerly titled, Alhurra’s Journalistic Internal Controls Reviews)</i> | Responded 03/19/08 10/01/08 Pending |
| IT-I-07-03– SBU & IT-I-08-01 (Draft) Dated Nov. 2007 and March 2008 | OIG Draft Reports | <i>2007 OIG Annual Review of the Information Security Program at the Broadcasting Board of Governors, (FISMA) (Exec. Summary Draft)</i> <i>Four OIG Draft Reports were received during the period of November 2007 through March 2008.</i> | Responded 12/14/07 02/2008 03/2008 03/21/2008 |
| Incoming Letter Dated March 18, 2008 | OIG Request for Information | <i>OIG Audit “Government Auditing Standards - - Audit of BBG’s Financial Statements 2008 & 2007”</i> | |
| Incoming Letter Dated Sept. 23, 2008 | OIG Draft Report | <i>2008 OIG Annual Review of the Information Security Program at the Broadcasting Board of Governors, (FISMA)</i> | 10/01/08 Pending |
| ISP-IB-07-03 Dated Oct. 2006 | OIG Compliance Closure Letter | <i>Inspection of The International Broadcasting Bureau’s Office of Engineering and Technical Services</i> | <input checked="" type="checkbox"/> OIG Closed Report 04/2008 |
| AUD/IB-06-15 Dated August 2006 | OIG Compliance Closure Letter | <i>Review of the Broadcasting Board of Governors’ Purchase Card Program</i> | <input checked="" type="checkbox"/> OIG Closed Report 04/2008 |

Section 3: Financial Information

Independent Auditors' Report



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

NOV 17 2008

UNCLASSIFIED

Mr. Jeffrey N. Trimble
Executive Director
Broadcasting Board of Governors
330 Independence Avenue SW, Room 3360
Washington, DC 20237

Dear Mr. Trimble:

In compliance with the Chief Financial Officers Act, as amended, an independent certified public accounting firm, Leonard G. Birnbaum and Company, LLP (LGB), audited the Broadcasting Board of Governors' (BBG) annual financial statements as of September 30, 2008 and 2007, and for the years then ended. LGB found the following:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States.
- There are significant deficiencies in BBG's internal control over the financial and accounting system and accounts payable.

LGB is responsible for the enclosed auditor's report, dated November 14, 2008, and the conclusions expressed in the report. OIG does not express an opinion on BBG's financial statements or conclusions on internal control and compliance with laws and regulations.

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

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The Office of Inspector General appreciates the cooperation extended to it and LGB by BBG's managers and staff during this audit.

Sincerely,



Mark W. Duda
Assistant Inspector General for Audits

Enclosure: *Independent Auditor's Report on the Broadcasting Board of Governors' 2008 and 2007 Financial Statements* (AUD/FM-09-03, Nov. 2008)

Independent Auditor's Report

**Broadcasting Board of Governors'
Financial Statements**

September 30, 2008 and 2007

AUD/FM-09-03, November 2008

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

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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6285 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510

(703) 922-7622
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LESLIE A. LEIPER
LEONARD G. BIRNBAUM
DAVID SAKOFS
CAROL A. SCHNEIDER
DORA M. CLARKE

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

INDEPENDENT AUDITOR'S REPORT

To the Chairman
Broadcasting Board of Governors

We have audited the Broadcasting Board of Governors' (BBG) Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources (annual financial statements) as of, and for the years ended, September 30, 2008 and 2007. We have considered internal control over financial reporting in place as of September 30, 2008, and for the year then ended, and we tested compliance with selected laws and regulations.

In our opinion, BBG's 2008 and 2007 annual financial statements are presented fairly in all material respects. We did identify certain deficiencies in BBG's internal control that we considered to be significant.

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

ANNUAL FINANCIAL STATEMENTS

In our opinion, BBG's annual financial statements, including the notes thereto, present fairly, in all material respects, BBG's financial position as of September 30, 2008 and 2007, and its net cost of operations, changes in net position, and use of budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

INTERNAL CONTROL

In planning and performing our audits of BBG's financial statements as of, and for the years ended, September 30, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered BBG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the annual financial statements but not for the purpose of expressing an opinion on the effectiveness of BBG's internal control. Accordingly, we do not express an opinion on the effectiveness of BBG's internal control. We limited our consideration of internal control to those controls necessary to achieve the objectives described in Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Under standards issued by the American Institute of Certified Public Accountants, a significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following two deficiencies to be significant deficiencies in internal control:

- BBG's internal control over its financial and accounting system as of September 30, 2008, was inadequate. There is a risk of materially misstating financial information under the current conditions. The principal area of inadequacy was that certain elements of the financial statements, principally property, plant, and equipment, are developed from sources other than the general ledger. The use of sources other than the general ledger to generate elements of the financial statements increases the potential for omission of significant transactions.

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

- During FY 2008, BBG did not maintain adequate internal control over accounts payable. Initial audit testing indicated that the amount presented as accounts payable was misstated by approximately 35 percent. Although BBG undertook an initiative to identify and resolve misstatements in accounts payable, the reconciliation was not completed by September 30, 2008.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no matters involving internal control or its operation that we considered to be material weaknesses as defined herein.

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 have reported to BBG's management in a separate letter dated November 14, 2008.

COMPLIANCE WITH LAWS AND REGULATIONS

BBG's 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. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to BBG. The objective of our audit of the annual financial

statements, including our tests of compliance with provisions of selected laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

RESPONSIBILITIES AND METHODOLOGY

BBG's 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 and maintaining effective internal control; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether management maintained effective internal control. We are also responsible for testing compliance with selected provisions of applicable laws and regulations that may materially affect the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts on the annual financial statements and related disclosures;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the annual financial statements;
- obtained an understanding of the internal controls over financial reporting by obtaining an understanding of BBG's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls;
- tested compliance with provisions of selected laws and regulations that may have a direct and material effect on the annual financial statements;
- obtained written representations from management; and

- performed other procedures as we considered necessary under the circumstances.

We performed our work 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*, and the provisions of OMB Bulletin 07-04. We believe that our work provided a reasonable basis for our opinions.

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

This report is intended solely for the information and use of BBG's management, the Inspector General of the U.S. Department of State and Broadcasting Board of Governors, OMB, the 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's management on this report are presented in Appendix A. The written response by BBG's management to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we do not express an opinion on these comments.



Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
November 14, 2008



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

November 17, 2008

The Honorable Harold W. Geisel
Acting Inspector General
Office of Inspector General
U.S. Department of State
Washington D.C. 20522-0308

Dear Mr. Geisel:

This is in response to your request for comments on the report, *Audit of the Broadcasting Board of Governors Financial Statements September 30, 2008 and 2007*.

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

Achieving an unqualified opinion on its financial statements is a particularly significant achievement this year because the BBG converted to a new financial management system in June 2008. As in prior years, this was also accomplished under a tight year-end closing schedule – the agency closed its FY 2008 books on October 9th. We appreciate the professional and cooperative manner in which your staff and the audit firm, Leonard G. Birnbaum and Company, LLP conducted the audit.

The report identified two matters involving internal control that the auditors considered to be significant. The first relates to developing elements of the financial statements, principally property, plant, and equipment, from sources other than the general ledger.

We understand that developing elements of the financial statements from sources outside of the financial system increases the potential for omission of significant transactions. While BBG uses an external database to track property, plant, and equipment, the BBG is establishing a process to reduce the potential for omitting significant transactions. This will be achieved by reconciling acquisition information in the Momentum system with information in the property database. Momentum's integration of acquisition and financial management allows us to track awards for property, plant, and equipment by the following commodity categories: vehicles, land, and other capitalized goods. We will utilize the commodity code information from Momentum to reconcile our quarterly entries derived from the property database with the procurement awards in Momentum identified by commodity category.

The second issue is related to the Agency's reconciliation of accounts payable. This deficiency was due to duplicate postings of our overseas files in June 2008 that were not reconciled by September 30th. We have not seen any other instances of duplicate postings since then, and we are continuing to research and implement the necessary corrections to accounts payable.

Thank you for the opportunity to comment on the audit report and for collaboratively working with us on our FY 2008 audit. The BBG has made significant strides in the past year as we converted to a new financial management system to improve internal financial processes, and underwent the fifth audit of the Agency's principal financial statements. We are committed to continually improving the Agency's financial management and the quality of our financial reporting.

Sincerely,

A handwritten signature in black ink, appearing to read "Janet K. Stormes". The signature is fluid and cursive, with the first name "Janet" being the most prominent.

Janet K. Stormes
Chief Financial Officer

Broadcasting Board of Governors
Balance Sheet
As of September 30, 2008 and 2007
(In Thousands)

ASSETS

| | 2008 | 2007 |
|--|-------------------------|-------------------------|
| Intra-governmental | | |
| Fund Balance with Treasury (Note 2) | \$151,853 | \$199,002 |
| Accounts Receivable, Net (Note 3) | <u>4,161</u> | <u>3,007</u> |
| Total Intra-governmental | \$156,014 | \$202,009 |
| | | |
| Cash and Other Monetary Assets (Note 4) | \$3 | \$3 |
| Accounts Receivable, Net (Note 3) | 44 | 81 |
| General Property, Plant, and Equipment, Net (Note 5) | 138,033 | 213,470 |
| Other (Note 6) | <u>2,586</u> | <u>1,588</u> |
| TOTAL ASSETS | <u>\$296,680</u> | <u>\$417,151</u> |

LIABILITIES

| | | |
|--|-----------------|-----------------|
| Intra-governmental | | |
| Accrued FECA Liability (Note 8) | <u>\$1,886</u> | <u>\$1,622</u> |
| Total Intra-governmental | \$1,886 | \$1,622 |
| | | |
| Accounts Payable | \$4,720 | \$4,226 |
| Actuarial FECA Liability (Note 8) | 7,384 | 6,681 |
| Accrued Payroll and Benefits | 10,226 | 8,205 |
| Accrued Annual and Compensatory Leave (Note 8) | 13,857 | 13,432 |
| Other (Note 9 and 10) | <u>(3,764)</u> | <u>5,250</u> |
| TOTAL LIABILITIES | \$34,309 | \$39,416 |

NET POSITION

| | | |
|---|-------------------------|-------------------------|
| Unexpended Appropriations | \$118,228 | \$157,510 |
| Cumulative Results of Operations | <u>144,143</u> | <u>220,225</u> |
| TOTAL NET POSITION | <u>\$262,371</u> | <u>\$377,735</u> |
| | | |
| TOTAL LIABILITIES AND NET POSITION | <u>\$296,680</u> | <u>\$417,151</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Statement of Net Costs
For the Years Ended September 30, 2007 and 2006
(In Thousands)

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

| PROGRAM COSTS | 2008 | 2007 |
|---|-------------------------|-------------------------|
| Voice of America (VOA) | | |
| Gross Costs | \$339,793 | \$309,400 |
| Less: Earned Revenues | <u>(2,535)</u> | <u>(2,883)</u> |
| Net VOA Costs | \$337,258 | \$306,517 |
| Middle East Broadcasting Networks (MBN) | | |
| Gross Costs | \$184,252 | \$139,580 |
| Less: Earned Revenues | <u>(1,000)</u> | = |
| Net MBN Costs | \$183,252 | \$139,580 |
| Office of Cuba Broadcasting (OCB) | | |
| Gross Costs | \$53,671 | \$59,800 |
| Less: Earned Revenues | = | = |
| Net OCB Costs | \$53,671 | \$59,800 |
| Radio Free Asia (RFA) | | |
| Gross Costs | \$86,753 | \$63,756 |
| Less: Earned Revenues | = | = |
| Net RFA Costs | \$86,753 | \$63,756 |
| Radio Free Europe/Radio Liberty (RFE/RL) | | |
| Gross Costs | \$145,565 | \$115,834 |
| Less: Earned Revenues | = | = |
| Net RFE/RL Costs | \$145,565 | \$115,834 |
| Total Gross Program Costs | \$810,035 | \$688,370 |
| Less: Total Earned Revenue | <u>(\$3,535)</u> | <u>(2,883)</u> |
| NET COST OF OPERATIONS | <u>\$806,500</u> | <u>\$685,487</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Statement of Changes in Net Position
For the Years Ended September 30, 2008 and 2007
(In Thousands)

| | All Funds 2008 | Consolidated Total 2008 | Consolidated Total 2007 |
|--|---------------------------|--|--|
| CUMULATIVE RESULTS OF OPERATIONS: | | | |
| Beginning Balances | \$220,224 | \$220,224 | \$229,148 |
| Adjustments: | = | = | 4,877 |
| Beginning Balance, as Adjusted | \$220,224 | \$220,224 | \$234,025 |
| Budgetary Financing Sources | | | |
| Appropriations Used | \$717,911 | \$717,911 | \$654,438 |
| Non-exchange Revenue | - | - | - |
| Other | 282 | 282 | 87 |
| Other Financing Sources (Non-Exchange) | | | |
| Imputed Financing | <u>12,226</u> | <u>12,226</u> | <u>17,162</u> |
| Total Financing Sources | \$730,419 | \$730,419 | \$671,687 |
| Net Cost of Operations | <u>806,500</u> | <u>806,500</u> | <u>685,487</u> |
| Net Change | <u>(76,081)</u> | <u>(76,081)</u> | <u>\$(13,800)</u> |
| CUMULATIVE RESULTS OF OPERATIONS | \$144,143 | \$144,143 | \$220,225 |
| UNEXPENDED APPROPRIATIONS: | | | |
| Beginning Balance | \$157,511 | \$157,511 | \$165,908 |
| Adjustments | = | = | (4,877) |
| Beginning Balance, as Adjusted | \$157,511 | \$157,511 | \$161,031 |
| Budgetary Financing Sources | | | |
| Appropriations Received | \$689,475 | \$689,475 | \$656,750 |
| Appropriations Transferred In/Out | 280 | 280 | 702 |
| Other Adjustments | (11,125) | (11,125) | (6,534) |
| Appropriations Used | <u>(717,913)</u> | <u>(717,913)</u> | <u>(654,439)</u> |
| Total Budgetary Financing Sources | <u>(\$39,283)</u> | <u>(\$39,283)</u> | <u>(\$3,521)</u> |
| UNEXPENDED APPROPRIATIONS | \$118,228 | \$118,228 | \$157,510 |
| NET POSITION | <u>\$262,371</u> | <u>\$262,371</u> | <u>\$377,735</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Statement of Budgetary Resources
For the Years Ended September 30, 2008 and 2007
(In Thousands)

| | 2008 | 2007 |
|--|-------------------------|-------------------------|
| BUDGETARY RESOURCES | | |
| Unobligated Balance, Brought Forward, October 1 | \$61,590 | \$57,684 |
| Recoveries of Prior Year Unpaid Obligations | 17,194 | 13,442 |
| Budget Authority | | |
| Appropriation | 689,475 | 656,750 |
| Contract Authority | | |
| Spending Authority From Offsetting Collections | | |
| Collected | 11,388 | 5,501 |
| Change in Receivables From Federal Sources | <u>954</u> | <u>943</u> |
| Subtotal | \$701,818 | \$663,193 |
| Nonexpenditure Transfers, Net Anticipated and Actual | 280 | 702 |
| Permanently Not Available | <u>(7,740)</u> | <u>(1,922)</u> |
| TOTAL BUDGETARY RESOURCES | <u>\$773,142</u> | <u>\$733,098</u> |
| STATUS OF BUDGETARY RESOURCES | | |
| Obligations Incurred | | |
| Direct | \$733,415 | \$699,043 |
| Reimbursable | <u>3,178</u> | <u>2,465</u> |
| Subtotal | \$736,593 | \$671,508 |
| Unobligated Balance | | |
| Apportioned | \$3,275 | \$34,539 |
| Exempt from Apportionment | <u>4,573</u> | <u>3,472</u> |
| Subtotal | \$7,847 | \$38,011 |
| Unobligated Balance Not Available | <u>28,702</u> | <u>23,579</u> |
| TOTAL STATUS OF BUDGETARY RESOURCES | <u>\$773,142</u> | <u>\$733,098</u> |
| CHANGE IN OBLIGATED BALANCE: | | |
| Obligated Balance, Net | | |
| Unpaid Obligations, Brought Forward, October 1 | \$137,669 | \$135,662 |
| Less: Uncollected Customer Payments From Federal Sources, Brought Forward, October 1 | <u>(4,007)</u> | <u>(3,064)</u> |
| Total Unpaid Obligated Balance, Net | \$133,662 | \$132,598 |
| Obligations Incurred, Net | \$736,592 | \$671,508 |
| Gross Outlays | (731,031) | (656,060) |
| Obligated Balance Transferred, Net | | |
| Less: Recoveries of Prior Year Unpaid Obligations, Actual | (17,194) | (13,442) |
| Change in Uncollected Customer Payments From Federal Sources | (954) | (943) |
| Obligated Balance, Net, End of Period | | |
| Unpaid Obligations | \$126,036 | \$137,669 |
| Less: Uncollected Customer Payments From Federal Sources | <u>(4,961)</u> | <u>(4,007)</u> |
| Total, Unpaid Obligated Balance, Net, End of Period | \$121,075 | \$133,662 |

NET OUTLAYS

Net Outlays

| | | |
|---------------------------------------|-------------------------|-------------------------|
| Gross Outlays | \$731,031 | \$656,060 |
| Less: Offsetting Collections | (11,388) | (5,501) |
| Less: Distributed Offsetting Receipts | <u>1,035</u> | <u>(2,856)</u> |
| Net Outlays | <u>\$720,677</u> | <u>\$647,704</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Notes to the Consolidated Financial Statements
September 30, 2008 and 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On October 1, 1999, the Broadcasting Board of Governors (BBG) became the independent, autonomous entity responsible for all U.S. Government and government-sponsored, non-military, international broadcasting. This was the result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-277). Every week, more than 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 (Radio and TV Martí), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (Radio Sawa and Alhurra TV), with the assistance of the International Broadcasting Bureau (IBB).

B. Basis of Presentation

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

C. Basis of Accounting

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

D. Revenues and Financing Sources

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

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

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

E. Assets and Liabilities

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

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

F. Fund Balances with Treasury

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

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

G. Accounts Receivable

Accounts receivable consists of amounts owed to the BBG by other federal agencies and from the public. Intra-governmental accounts receivable represents amounts due from other federal agencies for reimbursable activities. Accounts receivable from the public represent amounts due from common carriers for unused airline tickets, and from vendors for erroneous or duplicate payments. These receivables are stated net of any allowances for estimated uncollectible amounts. The allowance, if any, is determined by the nature of the receivable and an analysis of aged receivable activity.

H. Property, Plant, and Equipment

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

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

Depreciation or amortization of equipment is computed using the straight-line method over the assets' useful lives ranging from three to thirty years. Amortization of capitalized software begins on the date it is put in service, if purchased, or when the module or component has been successfully tested if developed internally. Amortization of capital leases is over the term of the lease. The BBG leases the majority of its office space from the General Services Administration. The lease costs approximate commercial lease rates for similar properties.

I. Advances and Prepayments

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

J. Accrued Annual, Sick, and Other Leave

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

K. Employee Benefit Plans

Retirement Plans

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7% of their salary; the BBG contributes 7%. Employees covered under CSRS also contribute 1.45% of their salary to Medicare insurance; the BBG makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to public law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80% of their salary, with BBG making contributions of 11.20%. FERS employees also contribute 6.20% to Old Age Survivor and Disability Insurance (OASDI) and 1.45% to Medicare insurance. BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1% of pay and matches employee contributions up to an additional 4%. CSRS-covered employees may make voluntary contributions to the TSP, but without employer-matching contributions.

Foreign Service employees participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS). The FSRDS is the Foreign Service equivalent of CSRS as described in chapter 83 of Title 5, U.S.C. Employees covered under FSRDS contribute 7.25% of their salary; the BBG contributes 7.25%. Employees covered under FSRDS also contribute 1.45% of their salary to Medicare insurance; the BBG makes a matching contribution. The FSPS is the Foreign Service equivalent of the Federal Employees Retirement System (FERS), as described in chapter 84 of Title 5, U.S.C. In general, all 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% of their salary, with BBG making contributions of 20.22%. FSPS employees also contribute 6.20% to OASDI and 1.45% to Medicare insurance. BBG makes matching contributions to both. A primary feature of FSPS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1% of pay and matches employee contributions up to an additional 4%. FSRDS-covered employees may make voluntary contributions to the TSP, but without employer-matching contributions.

Health Insurance

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

Life Insurance

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

Other Post Employment Benefits

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

L. Workers' Compensation

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

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

M. Contingent Liabilities

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

N. Net Position

BBG’s net position contains the following components:

Unexpended Appropriations

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

Cumulative Results of Operations

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

O. Management’s Use of Estimates

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

NOTE 2: FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury by fund type as of September 30, 2008 and 2007, consist of the following:

| Type of Funds | 2008 | 2007 |
|----------------------|-------------------------|-------------------------|
| Appropriated Funds | \$146,794 | \$192,113 |
| Trust Funds | <u>5,059</u> | <u>6,889</u> |
| Total | <u>\$151,853</u> | <u>\$199,002</u> |

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, 2008 and 2007, consists of the following:

| Status of Funds | 2008 | 2007 |
|--|-------------------------|-------------------------|
| Unobligated Balance | | |
| Available | \$7,847 | \$38,011 |
| Unavailable | 28,702 | 23,579 |
| Obligated Balance Not Yet Disbursed | 121,075 | 133,662 |
| Non-Budgetary Fund Balance with Treasury | <u>(5,771)</u> | <u>3,750</u> |
| Total | <u>\$151,853</u> | <u>\$199,002</u> |

NOTE 3: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2008 and 2007, are as follows:

| Accounts Receivable | 2008 | 2007 |
|--|-----------------------|-----------------------|
| Intra-governmental | \$4,161 | \$3,007 |
| Public | 44 | 81 |
| Less Allowance for Uncollectible Receivables | | = |
| Total Accounts Receivable, Net | <u>\$4,205</u> | <u>\$3,088</u> |

NOTE 4: CASH AND OTHER MONETARY ASSETS

BBG maintains a domestic imprest fund for small purchases less than \$25. Typically, these expenditures are the result of taxi fares or local transportation fees. Overseas imprest funds are maintained for international small purchases. Typically, these include expenditures for maintaining government owned vehicles, small office supply orders and drinking water. As of September 30, 2008 and 2007, BBG maintained domestic imprest funds totaling \$3,000.00 in each year.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT, NET

“Property, plant, and equipment” consists of that property used in operations and consumed over time. The following tables summarize cost and accumulated depreciation of property, plant, and equipment as of September 30, 2008 and 2007.

| Property | Useful Life | As of September 30, 2008 | | | As of September 30, 2007 | | |
|----------------------------|-------------|--------------------------|---------------------------|-------------------------|--------------------------|---------------------------|-------------------------|
| | | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| Buildings | 30 | \$26,322 | (\$16,781) | \$9,541 | \$39,330 | \$(22,755) | \$16,574 |
| Land | NA | 4,121 | 0 | 4,121 | 4,121 | 0 | 4,121 |
| Equipment | 6-30 | 299,520 | (184,344) | 115,176 | 393,176 | (219,370) | 173,806 |
| Vehicles | 6 | 6,402 | (5,561) | 841 | 6,968 | (5,931) | 1,037 |
| Assets Under Capital Lease | 10 | 2,040 | (1,957) | 83 | 2,040 | (1,778) | 262 |
| Software | 5 | 2,082 | (2,082) | 0 | 2,082 | (2,082) | 0 |
| Other Structures | 20 | <u>15,008</u> | <u>(6,736)</u> | <u>8,272</u> | <u>58,604</u> | <u>(40,934)</u> | <u>17,670</u> |
| Total | | <u>\$355,495</u> | <u>(\$217,461)</u> | <u>\$138,034</u> | <u>\$506,321</u> | <u>\$(292,850)</u> | <u>\$213,470</u> |

Depreciation and amortization expense for the years ended September 30, 2008 and 2007, is \$15,887,345.96 and \$17,359,668.21, respectively.

NOTE 6: OTHER ASSETS

This line item consists of advances and prepayments. These amounts are made principally to BBG employees for official travel, miscellaneous prepayments and advances to other non-Federal entities for future services, and salary advances to BBG employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2008 and 2007:

| Other Assets | 2008 | 2007 |
|--------------------------|---------------------|-----------------------|
| Public | | |
| Advances and Prepayments | <u>2,586</u> | <u>\$1,588</u> |

NOTE 7: NON-ENTITY ASSETS

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

| Assets | 2008 | 2007 |
|----------------------------|------|------|
| Non-Entity Assets | | |
| Intra-governmental: | | |
| Fund Balance with Treasury | | |
| Total Intragovernmental | | |

| | | |
|--------------------------------|-------------------------|-------------------------|
| Accounts Receivable | \$1 | \$6 |
| Other | <u>3</u> | <u>3</u> |
| Total Non-Entity Assets | \$4 | \$9 |
| Total Entity Assets | <u>\$296,676</u> | <u>\$417,142</u> |
| Total Assets | <u>\$296,680</u> | <u>\$417,151</u> |

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, 2008 and 2007, are summarized as follows.

| Liabilities Not Covered by Budgetary Resources | 2008 | 2007 |
|---|------------------------|------------------------|
| Intra-governmental: | | |
| Accrued FECA Liability | <u>\$1,886</u> | <u>\$1,622</u> |
| Total intra-governmental | \$1,886 | \$1,622 |
| Accrued Annual and Compensatory Leave | \$13,857 | \$13,432 |
| Capital Lease Liability | 118 | 346 |
| FECA Actuarial Liability | <u>7,384</u> | <u>6,681</u> |
| Total Liabilities Not Covered by Budgetary Resources | <u>\$23,245</u> | <u>\$22,081</u> |

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, 2008 and 2007, are \$7,383,959.53 and \$6,681,412.49, respectively.

NOTE 9: OTHER LIABILITIES

In addition to liabilities for capital leases (see Note 10), Other liabilities consist of the following as of September 30, 2008 and 2007:

| Other Liabilities | 2008 | 2007 |
|----------------------------------|-------------|-------------|
| Public | | |
| Deposit and Suspense Liabilities | (\$3,882) | \$4,904 |
| Capital Lease Liability | <u>118</u> | <u>346</u> |

| | | |
|--------------|-------------------------|-----------------------|
| Total | <u>(\$3,764)</u> | <u>\$5,250</u> |
|--------------|-------------------------|-----------------------|

NOTE 10: CAPITAL LEASE LIABILITY

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

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

| Assets Under Capital Lease | 2008 | 2007 |
|--|--------------------|---------------------|
| Equipment | \$2,040 | \$2,040 |
| Accumulated Depreciation | <u>(1,957)</u> | <u>(1,778)</u> |
| Net Assets Under Capital Leases | <u>\$83</u> | <u>\$262</u> |

| <u>Future Minimum Lease Payments</u> | <u>Total</u> |
|--------------------------------------|---------------------|
| 2009 | 123 |
| 2010 | 0 |
| 2011 | 0 |
| 2012 | 0 |
| 2013 | 0 |
| 2014 and thereafter | <u>0</u> |
| Total Minimum Lease Payments | \$123 |
| Less: Imputed Interest | <u>(5)</u> |
| Net Capital Lease Liability | <u>\$118</u> |

Future lease payments are not covered by budgetary resources

Operating Leases

BBG leases real and personal property in overseas and domestic locations under operating leases, which expire in various years. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2008, for each of the next 5 years and in aggregate follow.

| <u>Fiscal Year</u> | <u>Total</u> |
|--------------------|--------------|
| 2009 | \$6,684 |
| 2010 | 5,455 |
| 2011 | 3,645 |

| | |
|------------------------------------|------------------------|
| 2012 | 2,942 |
| 2013 | 2,406 |
| 2014 and thereafter | <u>12,474</u> |
| Total Future Lease Payments | <u>\$33,606</u> |

NOTE 11: CONTINGENT LIABILITIES, COMMITMENTS, AND CONTINGENCIES

BBG is a party to a Title VII class action that was settled in 2000. Payments from the Judgment Fund to individual claimants, which began in 1998, have continued into 2008, with additional implementation payments yet to be made. These payments are for back and front pay, as well as contributions to OPM, TSP, and SSA to establish or adjust retirement accounts. In accordance with OPM's recent ruling on No Fear Act Reimbursement, for litigation occurring prior to the act, BBG is not liable for these payments. Therefore, there is no amount for contingent liabilities recorded on the Balance Sheet.

NOTE 12: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and earned revenue relate to source of goods and services purchased and received from other Federal entities. The amounts for September 2008 and 2007 follow:

| <i>Programs</i> | 2008 | 2007 |
|--|------------------|------------------|
| Voice of America (VOA) | | |
| Intragovernmental Costs | \$13,987 | \$23,539 |
| Public Costs | <u>325,806</u> | <u>285,861</u> |
| Total VOA Costs | <u>\$339,793</u> | <u>\$309,400</u> |
| | | |
| Intragovernmental Earned Revenue | 2,535 | \$2,883 |
| Public Earned Revenue | = | = |
| Total VOA Earned Revenue | \$2,535 | \$2,883 |
| | | |
| Middle East Broadcasting Networks (MBN) | | |
| Intragovernmental Costs | \$8,289 | \$4,102 |
| Public Costs | <u>175,963</u> | <u>135,478</u> |
| Total MBN Costs | <u>\$184,252</u> | <u>\$139,580</u> |
| | | |
| Intragovernmental Earned Revenue | \$1,000 | \$- |
| Public Earned Revenue | = | = |
| Total MBN Earned Revenue | \$1,000 | \$- |
| | | |
| Office of Cuba Broadcasting (OCB) | | |
| Intragovernmental Costs | \$10,322 | \$12,773 |
| Public Costs | <u>43,349</u> | <u>47,027</u> |
| Total OCB Costs | <u>\$53,671</u> | <u>\$59,800</u> |
| | | |
| Intragovernmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | = | = |
| Total OCB Earned Revenue | \$- | \$- |

| | | |
|---|-------------------------|-------------------------|
| Radio Free Asia (RFA) | | |
| Intragovernmental Costs | \$5,926 | \$3,850 |
| Public Costs | <u>80,827</u> | <u>59,906</u> |
| Total RFA Costs | <u>\$86,753</u> | <u>\$63,756</u> |
| | | |
| Intragovernmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | - | - |
| Total RFA Earned Revenue | \$- | - |
| | | |
| Radio Free Europe/Radio Liberty (RFE/RL) | | |
| Intragovernmental Costs | \$6,559 | \$3,999 |
| Public Costs | <u>139,006</u> | <u>111,835</u> |
| Total RFE/RL Costs | <u>\$145,565</u> | <u>\$115,834</u> |
| | | |
| Intragovernmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | - | - |
| Total RFE/RL Earned Revenue | \$- | \$- |
| | | |
| Total Intragovernmental Costs | <u>\$45,084</u> | <u>\$48,263</u> |
| Total Public Costs | <u>\$764,951</u> | <u>\$640,107</u> |
| Total Intragovernmental Earned Revenue | <u>\$3,535</u> | <u>\$2,883</u> |
| Total Public Earned Revenue | <u>\$-</u> | <u>\$-</u> |
| | | |
| Total Net Costs | <u>\$806,500</u> | <u>\$685,487</u> |

NOTE 13: STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of and for the years ended September 30, 2008 and 2007.

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

The FY 2010 President's Budget containing actual numbers for FY 2008 has not yet been published. The budget is anticipated to be reported in the second quarter of FY 2009 at the following website: <http://www.whitehouse.gov/omb/budget/fy2010>.

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

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

Direct and reimbursable obligations for the years ended September 30, 2008 and 2007 are as follows.

| Obligations | 2008 | 2007 |
|--------------------------|-------------------------|-------------------------|
| Direct Obligations | \$733,415 | \$669,043 |
| Reimbursable Obligations | <u>3,178</u> | <u>2,465</u> |
| Total | <u>\$736,593</u> | <u>\$671,508</u> |

NOTE 15: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders for the years ended September 30, 2008 and 2007 is as follows.

| | 2008 | 2007 |
|---|-------------------------|-------------------------|
| Undelivered Orders at the end of the period | <u>\$121,075</u> | <u>\$133,662</u> |

NOTE 16: STATEMENT OF FINANCING

The Statement of Financing is the reconciliation of proprietary and budgetary accounting, which is accomplished by the reconciliation of budgetary obligations with non-budgetary resources available to the reporting entity with its Net Cost of Operations. The reconciliation for September 2008 and 2007 follow:

| Broadcasting Board of Governors | | | |
|--|--|----------------|----------------|
| Statement of Financing | | | |
| For the Period Ending September 30, 2008 and 2007 | | | |
| Dollars in Thousands | | FY 2008 | FY 2007 |
| Resources Used to Finance Activities: | | | |
| Budgetary Resources Obligated | | | |
| Obligations incurred | | 736,592 | 671,508 |
| Less: Spending Authority from Offsetting | | | |
| Collections and Recoveries | | (29,537) | (19,885) |
| Obligations Net of Offsetting Collections and Recoveries | | 707,056 | 651,623 |
| Less: Offsetting Receipts | | (1,035) | (2,856) |
| Net Obligations | | 708,090 | 648,768 |
| Other Resources | | | |
| Donations and Forfeitures of Property | | | |
| Transfers in/out Without Reimbursement | | | |
| Imputed Financing from costs Absorbed by Others (Note) | | 12,226 | 17,162 |
| Other | | - | 2,369 |
| Net Other Resources Used to Finance Activities | | 12,226 | 19,531 |
| Total Resources Used to Finance Activities | | 720,316 | 668,299 |
| 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 | (20,092) | (3,506) |
| Resources that Fund Expenses Recognized in Prior Periods | 6,964 | 219 |
| Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations | | |
| Resources That Finance the Acquisition of Assets | 7,620 | 1,044 |
| Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations | 278 | 357 |
| Total Resources Used to Finance Items not Part of the Net Cost of Operations | (5,231) | (1,886) |
| Total Resources Used to Finance the Net Cost of Operations | 715,085 | 666,413 |
| 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 | 424 | 329 |
| Increase in Environmental and Disposal Liability | | |
| Increase in Exchange Revenue Receivable From the Public | 33 | 23 |
| Increase in Unfunded FECA Liability | 967 | 924 |
| Total Components of Net cost of Operations Requiring or Generating Resources in Future Periods | 1,424 | 1,276 |
| Components not Requiring or Generating Resources: | | |
| Depreciation and Amortization | 15,887 | 17,360 |
| Revaluation of Assets or Liabilities | 74,104 | 437 |
| Other | | |
| Total Components of Net Cost of Operations not Requiring or Generating Resources | 89,991 | 17,797 |
| Total components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period | 91,415 | 19,073 |
| Net Cost of Operations | 806,500 | 685,486 |
| The accompanying notes are an integral part of these statements. | | |

**Broadcasting Board of Governors
Required Supplemental Information
September 30, 2008**

Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts, and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. The BBG considers acceptable condition to be condition levels 1 – excellent, 2 – good, and 3 – fair on a 5-point scale (condition 4 is poor and condition 5 is very poor). Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than the originally intended.

To identify and quantify deferred maintenance for assets meeting the BBG’s \$25,000 capitalization threshold, the BBG reviewed its FY 2008 maintenance and repair plan and identified the projects that were planned for or required in FY 2008 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 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. Of the eight maintenance and repair projects planned for or required in FY 2008 that have been deferred, two of the assets are in condition level 4. The cost of the deferred maintenance for these two projects total \$250,000. The other six projects are related to capital assets in condition level 3.

The following shows BBG’s deferred maintenance for projects for capital assets in condition code 4 – poor that have been deferred as of September 30, 2008 (BBG does not have any capital assets in condition level 5 - very poor):

(In Thousands)

| PP&E Category | Asset Condition | Estimated Cost to Return to Acceptable Condition |
|---------------------------|------------------------|---|
| Structures and Facilities | 4 - poor | \$ 250 |
| TOTAL | | \$ 250 |

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

Verification and Validation of Performance Measures

The performance indicators are a best effort to measure each broadcast entity's performance level. To achieve maximum objectivity, measurements are performed independently of the elements being evaluated. VOA, OCB, RFE/RL, RFA, and MBN audience research is carried out by InterMedia, an outside research provider under contract to the BBG. The Broadcasting Satellite Users' Group, a multi-element working group not affiliated with the Office of Engineering, calculates the Satellite Effectiveness Index. Evaluation of program quality is initially conducted by InterMedia Survey Institute and presented at program reviews for each entity. The appropriate entity research director or BBG research coordinator computes entity-wide performance values, and sends them to InterMedia for verification.

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

**Inspector General's Statement on
FY 2008 Management and Performance Challenges
Broadcasting Board of Governors**



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

Inspector General

OCT 20 2008

Ms. Jeffrey Trimble
Executive Director
Broadcasting Board of Governors
300 Independence Avenue, S.W.
Room 3300
Washington, D.C. 20237

Dear Mr. Trimble:

The enclosed document is submitted in response to your request for a statement from the Office of Inspector General (OIG) for the Broadcasting Board of Governors (BBG) FY 2008 Performance and Accountability Report. The statement represents OIG's assessment of BBG's major management and performance challenges for the fiscal year.

If you have any questions concerning the enclosed statement, please contact me at (202) 663-0361.

Sincerely,

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Acting Inspector General

Enclosure

Address correspondence to: U.S. Department of State, Office of Inspector General, Washington, D.C. 20522-0308

FY 2008 Management and Performance Challenges Broadcasting Board of Governors

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

- Attention to Management and Administrative Operations
- Improving Efficiency of Board Staff and Operations
- Maintaining Journalistic Standards
- Need for Improved Internal Controls
- Information Technology

Attention to Management and Administrative Operations

The Voice of America's new leadership was faced with systemic internal communication and organizational leadership challenges in its Central News Division. The division's inadequate internal communication, changes in the types of technology needed to reach target audiences, and problems of funding and staffing had left it with an inadequate management structure, inefficiencies, and poor morale. VOA needed to develop a comprehensive strategy to deal with the increased focus on television and the Internet. In addition, there was a widespread lack of awareness of administrative guidelines. Procedural manuals were not up to date and there were vacancies in, and inadequate training for, key administrative and management positions. There was a need for improved internal controls and accountability in support of overseas operations.

In the past year, Central News has taken steps to address these issues. BBG has revised the approval and clearance process for determining which vacancies should be filled. Central News has implemented a plan for support of its overseas operations. VOA established a training program for administrative staff and seminars for managers and administrative officers, with topics on internal controls, human resources, contracting, and procurement. Work is in progress on other improvements.

Improving Efficiency of Board Staff and Operations

An inspection of BBG's Board of Governors brought to light more efficient use of the Board's staff. The staff was highly competent and enthusiastic, but a reassessment of their functions was needed to promote more effective use of their talents in BBG strategic planning and carrying out Board supervision. The Board sought to make its work more transparent to the entities it supervised, but more needed to be done.

The Board has addressed its challenges to improve operations. It has updated the job description of the Executive Director to strengthen its lines of authority. It reviewed the structure of the BBG staff and made several changes. It lifted an agency-wide hiring freeze and implemented a

system of salary allocations process. It took a number of steps to improve communications. Some of these improvements are still in progress.

Maintaining Journalistic Standards

The Middle East Broadcasting Networks, Inc. (MBN) is a nonprofit grantee of the Broadcasting Board of Governors that operates Alhurra Television and Radio Sawa. In December 2006 and early 2007, Alhurra's adherence to the broadcasting standards and principles of the U.S. International Broadcasting Act was questioned. In the past year, Alhurra has taken significant steps to tighten its procedures and policies in order to protect the credibility that is critical to fulfilling its mission.

Alhurra updated its journalistic code of ethics. It established new management controls over programming that include close supervision by its Arabic-speaking vice president and daily editorial meetings. An assignments desk coordinates and controls what goes on the air. A new position was established for a director of program review. Alhurra put into place a journalistic training program. It was working on streaming original programming on its Web site and archiving programming. It began to provide translations of selected programming on the BBG Web site. It contracted with the University of Southern California Annenberg School for Communication to evaluate its adherence to journalistic principles. All of these initiatives are on-going tools to maintain standards and credibility.

Need for Improved Internal Controls

BBG needs to continue to improve its internal controls over financial and accounting issues. For example, although the independent external auditor issued an unqualified opinion on BBG's financial statements as of and for the fiscal year ended September 30, 2007, the auditor identified concerns with the adequacy of BBG's financial and accounting system, which was both an internal control weakness and an issue of noncompliance with laws and regulations, and with accounting for accounts payable.

Additionally, in a separate management letter, the independent external auditor identified internal control weaknesses relating to BBG's property records, undelivered orders, manual of administration, and purchase card oversight.

During FY 2008, BBG transitioned to a new financial service provider, which it believes will correct several internal control weaknesses because the system should allow for integration of property data into the general ledger and interim financial reporting. Further, BBG updated its Manual of Operations and Administration, including codifying the financial management, budget, and performance management operating procedures.

Information Technology

OIG noted that enhancements were made by BBG in some areas since 2007, such as the appointment of a Privacy Officer. However, BBG continues to be challenged in implementing an effective information security management program. Significant improvements needed in

BBG's program include formalizing BBG's systems inventory management approach, maintaining complete and accurate systems security plans and plans of action and milestones, performing certification and accreditation for all major information systems, updating BBG's Information Security Incident Response Plan, developing a comprehensive configuration management policy, and enhancing BBG's incidence response program. As a result, OIG continues to report that BBG is not fully compliant with the statutory requirements of the Federal Information Security Management Act of 2002.

BBG's Response to IG's Statement on FY 2008 Management and Performance Challenges



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

October 31, 2008

The Honorable Harold W. Geisel
Acting Inspector General
Office of the Inspector General
U.S. Department of State

Dear Mr. Geisel:

Thank you for your letter dated October 20, 2008 summarizing the major management and performance challenges that you believe the Broadcasting Board of Governors (BBG) is facing. We have reviewed your letter. 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.

Attention to Management and Administrative Operations

We remain committed to continual improvement in all of our operations and, as pointed out in your letter, have taken numerous steps to correct previous deficiencies. We have moved aggressively to fill vacancies and conducted training in various administrative matters over the last year. We are also moving towards improving the coordination and management of the Administrative Officer function throughout the Agency. This will facilitate communication among the Administrative Officers, and standardize performance and processes. Finally, VOA has received approval to implement a reorganization of Central News and is in the stage of finalizing and implementing the planned restructuring.

Improving Efficiency of Board Staff and Operations

The Board appreciates the OIG's recognition of the significant steps we have taken over the last year to improve the efficiency of Board staff and operations. As noted in the letter, the Board has updated the position description for the Executive Director, strengthening its lines of authority. It has also lifted the hiring freeze, allowing the Agency to fill critical staffing needs. The Board and its staff remain committed to continuing to improve communications with the entities and the staff.

Maintaining Journalistic Standards

We are pleased that the OIG recognizes the progress the Middle East Broadcasting Networks has made in improving and maintaining its journalistic standards. We agree that the updating of the

Journalistic Code of Ethics and establishing and strengthening functions such as the Assignments Desk, journalism training, and program review are critical to maintaining journalistic standards. The Board is committed to continuing to seek ways to maintain standards and credibility.

Need for Improved Internal Controls

The BBG has taken several important steps this last fiscal year to enhance internal control over financial and accounting issues. First, BBG has established the Property Management Office to assist Property Managers in recording and tracking Property, Plant and Equipment and ensuring the accuracy of our financial statements. Second, BBG has completed and posted the remaining sections of the Manual of Operations related to financial and budget management.

BBG also implemented the Momentum Financial Management System including the acquisitions module. This integrates the acquisition system with the accounting system, preventing contracts from being awarded without an obligation in the financial system. It also allows a separation of duties between creating requisitions and obligating funds.

Information Technology

We agree that the BBG still faces challenges in implementing an effective information security management program. We are committed to making improvements, and are addressing, on a prioritized basis, the challenges identified in the annual review mandated by the *Federal Information Security Management Act* (FISMA). During the next fiscal year, the Agency plans to address the issues related to deficiencies in compliance with government standards raised by the OIG. The BBG notes that the annual review did not identify weaknesses in the technical controls that protect the Agency's computing environment.

Sincerely,



Jeffrey N. Trimble
Executive Director

Summary of Financial Statement, Audit, and Management Assurances

Table 1.
Summary of Financial Statement Audit

| | | | | | |
|----------------------------------|-------------------|-----|----------|--------------|----------------|
| Audit Opinion | | | | | |
| Restatement | | | | | |
| | | | | | |
| 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 |
| | 0 | | | | 0 |
| <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 |
| | 0 | 0 | | | 0 |
| <i>Total Material Weaknesses</i> | 0 | 0 | | | 0 |
| | | | | | |
| Conformance with financial management system requirements | | | | | |
| Statement of Assurance | Systems generally conforms to financial management system requirements | | | | |
| | | | | | |
| Non-Conformances | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Elements Developed from Sources other than GL | ✓ | | | | ✓ |
| Codify Financial Operations Operating Procedures | ✓ | | ✓ | | |
| Overseas Accounts Payable Reconciliation | ✓ | | | | ✓ |
| <i>Total Non-Conformances</i> | 3 | | 1 | | 2 |

| Compliance with Federal Financial Management Improvement Act (FFMIA) | | |
|---|---------------|----------------|
| | <i>Agency</i> | <i>Auditor</i> |
| Overall Substantial Compliance | Yes | Yes |
| 1. System requirements | Yes | |
| 2. Accounting Standards | Yes | |
| 3. USSGL at Transaction Level | Yes | |