

Fiscal Year 2011 Performance and Accountability Report



Broadcasting
Board of
Governors



BROADCASTING BOARD OF GOVERNORS

Message from the BBG Chairman and IBB Director

We are pleased to present the Broadcasting Board of Governors' (BBG) Performance and Accountability Report (PAR) for Fiscal Year (FY) 2011. This is the BBG's eighth PAR, and it includes the results of this year's audit of the Agency's financial statements. The report also measures our performance against the objectives that we identified for FY 2011, highlights the accomplishments of the past year, and identifies the challenges that lie ahead.

During FY 2011, the Board completed a comprehensive strategic review of the Agency to update our mission and strategy going forward, as we strive to inform, engage, and connect audiences around the world. The Board approved and released the strategic plan narrative on November 1. The full strategic plan for FY 2012-2016, including implementation strategies, will be released with the FY 2013 budget request. Throughout FY 2011, the BBG continued its mission of promoting freedom and democracy and enhancing understanding through multimedia communication of accurate, objective, and balanced news, information, and other programming about America and the world to audiences overseas.

The BBG broadcast services include two federal entities: the Voice of America (VOA) and the Office of Cuba Broadcasting (OCB); and three grantees: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN). Each of these entities pursues this single mission, collectively reaching a worldwide audience of over 187 million people in 59 languages via radio, television, and the Internet.

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

The BBG responded quickly to critical strategic challenges in FY 2011. As the events of the Arab Spring unfolded, MBN and the other BBG broadcasters realigned programming and resources to provide extensive, balanced coverage and unique analysis of the events as they unfolded. In September, VOA began broadcasting daily drought-related radio programs in Somali and Amharic, delivering life-saving information to the hundreds of thousands of victims of the humanitarian crisis at risk of starvation in the Horn of Africa.

The BBG experienced significant audience growth in key markets, including:

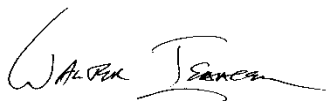
- Egypt, where Alhurra's weekly audience almost doubled to 8 million;
- Afghanistan, where RFE/RL and VOA now jointly reach 75 percent of the adult population on a weekly basis;
- Indonesia, where VOA reaches 38 million adults weekly; and
- Burma, where RFA and VOA jointly reach over 10 million listeners each week.

In FY 2011, the BBG used new media technology to improve its news gathering and further engage with audiences through social media, crowd-sourcing, mobile applications, and other innovations. VOA's Congo Story Project launched a reporting and public awareness campaign aimed at ending rape as a weapon in the eastern Democratic Republic of Congo by building an online oral history of this tragic consequence of war. OCB is leveraging social media in conjunction with enhanced broadcasts to create more timely and informative exchanges with its audiences and to reach out to Cuban youth.

The BBG is also using technology to improve efficiency and marshal its resources. In FY 2011, the Office of Technology, Services, and Innovation (TSI) continued to install energy-saving technology on many transmitters in the global network, resulting in a network power savings of about \$1.45 million from this innovative technology.

The financial and performance data presented in this report are fundamentally complete and reliable. We are pleased that the independent auditors have given our financial statements an unqualified ("clean") opinion for the seventh year. This report and the audit results demonstrate the BBG's ability to increase program impact through prudent management of available resources and the use of modern communication tools and techniques. Section 3 of this report discusses 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 2011 in furthering our mission as well as wisely and effectively using the resources entrusted to us by the Administration, Congress, and the public.



Walter Isaacson
Chairman
Broadcasting Board of Governors



Richard M. Lobo
Director
International Broadcasting Bureau

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Introduction

Purpose of the Performance and Accountability Report

This FY 2011 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) eighth report providing consolidated performance and financial information. This integrated presentation of the Agency's program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

This report satisfies the reporting requirements of the following legislation:

Federal Managers' Financial Integrity Act of 1982 (FMFIA)
Government Management Reform Act of 1982 (GMRA)
Government Performance and Results Act of 1993 (GPRA)
Federal Financial Management Improvement Act of 1996 (FFMIA)
Reports Consolidation Act of 2000
Accountability of Tax Dollars Act of 2002
Improper Payments Information Act of 2002
Improper Payments Elimination and Recovery Act of 2010
Government Performance and Results Modernization Act of 2010 (GPRA-MA)

Structure of the Performance and Accountability Report

The report includes the following sections:

Management's Discussion and Analysis (MD&A)

The MD&A is an overview of the BBG, its organizational structure, and mission. It includes a summary of the Agency's program highlights and accomplishments for FY 2011 and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2011 FMFIA internal control review and a section on management assurances.

Performance Information

The performance section presents annual program performance information as required by GPRA and GPRA-MA and describes the Agency's progress in meeting its operational strategic goals. A summary of the FY 2011 performance objectives is presented, as well as information about the outcome of specific performance indicator targets.

Financial Information

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

Other Accompanying Information

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

*Section 1:
Management's Discussion and
Analysis*

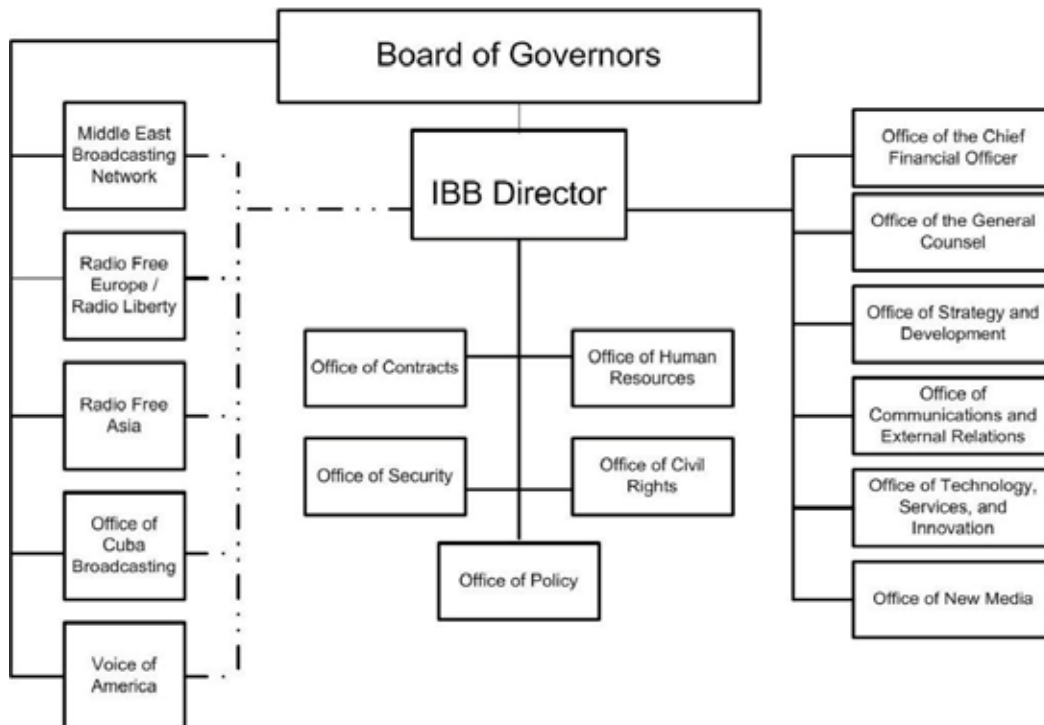
Organizational Structure and Mission

BBG Organization

The Broadcasting Board of Governors (BBG) became an independent federal entity on October 1, 1999, as a result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-22). The BBG administers non-military international broadcasting funded by the U.S. Government in accordance with the U.S. International Broadcasting Act of 1994, as amended. As set forth in the enabling legislation, a bi-partisan, presidentially appointed board serves as head of the Agency. BBG is the name of both the Agency and the Board that governs the Agency. The Board sets the priorities and overall strategic direction of U.S. international broadcasting, allocates resources, manages relationships with the other executive branch agencies and Congress, reviews and evaluates the effectiveness of the broadcast language service, and safeguards journalistic integrity. This last function is of key importance to the Board, which has a vital role as a “firewall” between BBG journalists and those who would seek to influence news coverage.

The BBG broadcasting organizations include the Voice of America (VOA), the Office of Cuba Broadcasting (OCB), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN), as well as support offices in the International Broadcasting Bureau (IBB). In April 2011, the Board of Governors announced a plan to reorganize and streamline the agency by combining the staffs of the BBG and IBB. In September 2011, the Board announced that Congress concurred with the merger and reorganization of BBG and IBB staffs. This reorganization is on-going and is one of a number of steps to streamline governance, strengthen the Board’s oversight of program performance, and facilitate collaboration among the Federal and non-Federal elements.

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



BBG Strategic Plan

The BBG is in the process of finalizing a new strategic plan, which will cover fiscal years 2012-2016. This report on performance in FY 2011 references the mission, goals, objectives, and strategies that were in effect in FY 2011 and are reflected in the strategic plan, which covered fiscal years 2008-2013.

BBG Mission Statement

To promote freedom and democracy and to enhance understanding through multimedia 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 democracy through its international broadcasting programs. The BBG reaches a worldwide audience of over 187 million in 59 languages via radio, television, and Internet. All BBG broadcast services adhere to the broadcasting standards and principles of the International Broadcasting Act of 1994, as amended, and support the BBG mission.

FY 2011 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.

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; second, that our programs are attractive and endorsed as trustworthy to the audience, as measured by program quality and program credibility; and third, that our programs increase audience understanding. All three 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 the number of transmitters and affiliates, signal strength, satellite effectiveness, and consumable expense which is the total annual cost of power and parts to operate the transmitters in the BBG global network.

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, which ensure BBG priorities are met and performance is meeting expectations of integrating resources with results.

FY 2011 Highlights and Accomplishments



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

The broadcasts of the BBG entities reach a worldwide audience of over 187 million in 59 languages.

Key accomplishments in FY 2011 include:

- BBG broadcasters strategically and swiftly reallocated and redeployed existing resources to meet unanticipated challenges triggered by the “Arab Spring” democracy movements and other events in the region.
- The BBG successfully launched humanitarian programming in Somali and Amharic to the Horn of Africa and continued surge broadcasting to Haiti, Burma, Georgia, and Latin America.
- The BBG further integrated new media techniques, including social media, crowd sourcing, and co-creation, into its news gathering and reporting processes, with special projects in the Democratic Republic of Congo, Ukraine, and Belarus.

Voice of America

- In September 2011, VOA began broadcasting special daily drought-related radio programs in Somali and Amharic, delivering life-saving information to the hundreds of thousands of victims of the humanitarian crisis who are now at risk of starvation in the Horn of Africa.
- In collaboration with the private online group Citizen Global, VOA launched the Congo Story Project, a reporting and public awareness campaign aimed at ending rape as a weapon of war in the eastern Democratic Republic of Congo. The Project uses social media, crowd sourcing, and co-creation techniques in new and innovative ways to build an online oral history of the crisis.
- VOA increased its already wide reach in Afghanistan, now reaching 60 percent of the adult population each week. VOA's 30-minute youth-oriented TV show to Afghanistan called *Karwan* (Caravan) attracted over 50,000 Facebook fans, more than 80 percent of whom are between 13 and 24 years old. VOA's Deewa Radio has become a media market leader, reaching 22 percent of Pashtuns living along the Pakistan/Afghanistan border region each week.
- VOA Persian News Network's (PNN) weekly satirical show, Parazit, has become the most popular Iranian page on Facebook with over 725,000 fans. PNN also launched a new 30-minute TV news analysis program called *Ofogh* (*Horizon*), which provides in-depth analysis of U.S.-Iran relations and the most important news and developments of interest to Iranian audiences.
- VOA Mandarin's new cross-cultural English teaching web feature, *OMG! Meiyu*, is a runaway success, with one episode attracting nearly 1.5 million views on Chinese sites.
- VOA Indonesian reaches more than 38 million people each week (25 percent of the adult population of Indonesia) through more than 200 affiliate radio stations and more than 30 affiliate television stations.
- VOA's Spanish website, Voanoticias.com, has dramatically expanded its reach in the region; in the last year the number of visitors to the site has increased by over 50 percent and the number of visitors from Venezuela has grown by more than 70 percent.

Radio Free Europe/Radio Liberty

- RFE/RL increased its already wide reach in Afghanistan, now reaching 62 percent of the adult population each week. In October 2010, Radio Azadi launched an interactive SMS service to allow mobile phone users in Afghanistan to subscribe to free news updates and emergency alerts from the station. In its first nine months, the service attracted over 350,000 subscribers. In the spring of 2011, RFE/RL's Radio Mashaal launched an SMS system that enables listeners along the Afghanistan-Pakistan border to share their problems, critique Mashaal's programs, and send questions into the Service's live programs free of charge.
- The BBG's circumvention strategies as employed by RFE/RL's Radio Farda to fight Internet blockage by the Iranian regime are proving successful, resulting in more than 200 million page views from June 2010 to May 2011.
- In January 2011, RFE/RL debuted a new television program on the Georgian-state-funded, Russian-language satellite channel. The program is a joint venture between RFE/RL and the satellite channel and covers the news, events, and issues of the week in the North and South Caucasus.

- RFE/RL's Russian Service website has seen steady growth. From June 2009 to June 2011 the total number of site visits grew by 64 percent, the number of page views increased by 42 percent, and the time spent on the website doubled.
- RFE/RL's Belarusian Service pursued a multi-platform approach, with integrated radio, television and web coverage of its news and in-depth analysis of Belarus's December 2010 disputed presidential election and the protests and crackdown that followed. The day after the crackdown, *Radio Svaboda's* website recorded a fivefold increase in unique visitors, and the Service's coverage was widely quoted by prominent worldwide media outlets.

Radio Free Asia

- RFA's Korean Service delivers five hours daily of in-depth news and information on developments in and around North Korea. RFA won a gold medal in the category of human relations at the 2011 New York Festivals for a feature titled "New Year Celebrations Thousands of Miles from Home."
- RFA Mandarin has been aggressively pursuing a multimedia strategy. Beginning in 2011, its flagship current affairs program is delivered via eight weekly webcasts with the website providing round-the-clock news updates Monday to Friday.
- RFA continued to experience steady increases in web traffic on its Vietnamese sites. RFA's webcasts and video production helped its Vietnamese Service achieve a 64 percent increase in average monthly visits from August 2010 to August 2011.
- RFA provided extensive coverage of the Tibetan Government-in-Exile's prime ministerial election. RFA Tibetan broadcast dozens of hours of coverage, including at least seven packed town-hall meetings in the southern Indian town of Bylakuppe and in Dharamsala, the seat of the exile government in northern India. RFA was the first media outlet to interview Lobsang Sangay after he was declared the winner.

Middle East Broadcasting Networks (Alhurra and Radio Sawa)

- As democracy movements propagated in Egypt, Syria, Libya, and across the Middle East, Middle East Broadcasting Networks ramped up coverage of these events, demonstrating the value of international broadcasting to this critical region. MBN realigned programming and resources to provide extensive, balanced coverage and unique analysis of the events as they unfolded. Alhurra and Radio Sawa coverage ensured the availability of accurate, timely information during a time of extraordinary change in the region. Alhurra and Radio Sawa provided continuous breaking news coverage of developing stories, followed by extended newscasts and analysis. In a flash poll conducted in the cities of Cairo and Alexandria during the heat of the protests, a quarter of all adults with telephone access had watched Alhurra to follow the events in their country, more than had watched either BBC or CNN.
- Afia Darfur, Radio Sawa, and Alhurra provided insightful coverage of South Sudan's journey to independence. MBN extensively covered the historic developments in Sudan, with special coverage for both the independence referendum and the establishment of the Republic of South Sudan, providing in-depth reporting on events as they unfolded live.
- MBN continues to serve a vital role as a source of independent media for the people of Iraq, with Alhurra's weekly reach at over 50 percent. Alhurra and Radio Sawa's investigative reports and interviews with senior officials have prompted Iraqi government action on a number of issues.

- MBN launched a new mobile website for Alhurra and Radio Sawa and is launching a new website in 2011. New media is being actively integrated into traditional media programming on Alhurra and Radio Sawa.

Office of Cuba Broadcasting (Radio and TV Martí)

- OCB is leveraging social media in conjunction with enhanced broadcasts to create more timely and informative exchanges with its audiences, especially younger audiences. On a number of programs, viewers and listeners now participate via the Martinoticias.com website, phone, email, Facebook, Twitter, and SMS messaging.
- In April 2011, in a historic broadcast, Radio Martí and Radio Free Europe's Belarusian Service, Radio Svaboda, established a live-on air link, presenting a radio bridge between the Belarusian and Cuban people from Havana and Minsk. Well-known Cuban blogger Yoani Sanchez and Belarusian democracy activist Nasta Palanshanka talked about their experiences with government repression and current events in their respective countries.
- OCB and VOA's Latin America Division continue to cooperate closely, sharing studios, journalists, producers, segments, and web content.

Technology, Services, and Innovation

The Office of Technology, Services, and Innovation (TSI) 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 80 transmitting sites delivering shortwave, medium wave (AM), FM, and TV broadcasts, TSI leases broadcast time at 24 transmitting facilities in 16 countries. To meet the needs of its varied broadcast customers, TSI is responsible for an extensive network of leased satellite and fiber optic circuits and other international telecommunication systems, providing support to a worldwide array of hundreds of satellite receivers and earth stations and a rapidly growing Internet delivery system.

- To enhance broadcast coverage into Iran, TSI added 12 hours of broadcast time for Radio Farda on a leased medium wave facility in the United Arab Emirates.
- To enhance penetration into the market in Zimbabwe, TSI and VOA launched a new direct-to-home 24/7 satellite stream, VOA Southern Africa, in July 2011. The new stream is carried on the popular Intelsat 10 satellite and features the Zimbabwe Service Studio 7 programming.
- TSI continued the phased implementation of a digital video system for VOA, which manages the entire news production workflow and allows journalists to operate in a fully digital mode from video production to on air presentation. TSI has fully rolled out the DaletPlus Video ingest, production, and playback system for all live VOA programming and an automated archiving system that supports the VOA Library Management Services.
- TSI initiated two projects designed to consolidate and simplify hardware configurations; one is designed to consolidate approximately 300 current servers into two redundant virtualization clusters spread out over two data centers. During the initial phase of this project, TSI was able to remove approximately 95 servers through application consolidation which as the wording applies means running multiple applications on a single server. Through subsequent virtualization, TSI will then lower the number of physical servers to less than 100. For the second project, TSI is consolidating eight disparate storage systems into a single, multi-mode redundant system.
- To reduce network power costs, TSI continued installing energy-saving technology on many transmitters in the global network, which was begun in FY 2010. TSI achieved a network power savings of about \$1.45 million from this innovative technology.

- In 2011, TSI continued to deploy and adapt tools to facilitate uncensored web access. Its Internet anti-censorship program counteracts activities undertaken by governments of China, Iran, Vietnam, Burma, Uzbekistan, Kazakhstan, Kyrgyzstan, Ethiopia, and Cuba to restrict Internet access to VOA, OCB, RFA, and RFE/RL websites. TSI has expanded the scope of the program's services to these deprived audiences, and constantly revises and updates its approaches to thwart Internet censorship.

BBG/IBB Operations

The BBG oversees U.S. funded, non-military international broadcasting, including the operations of IBB, VOA, OCB, and the three grantees, RFE/RL, RFA, and MBN. In April 2011, the Board of Governors announced a plan to reorganize and streamline the agency by combining the staffs of the BBG and IBB. The combined organization, BBG/IBB Operations, reports to the Director of the International Broadcasting Bureau.

- The Board undertook a year-long strategic review, which will culminate in the new Strategic Plan. The review considered the Agency's mission, the global operating environment, and distribution and technology efforts. The study also included in-depth regional reviews that covered every region, language service, and entity within U.S. International Broadcasting.
- The BBG coordinated approximately 350 quantitative and qualitative studies to provide timely, comparable, and regular data from BBG broadcast regions. The research guides BBG strategic planning at all levels, specifically on-air program development, program reviews, and the Agency's comprehensive annual strategic review of all language services.
- The Office of New Media has established 75 mobile websites featuring text, audio, video, and photo content. Already, mobile traffic is approaching one million visits per month for BBG, with some language services, such as VOA Hausa, attracting more mobile traffic than desktop traffic.
- The Office of Human Resources initiated a comprehensive Onboarding Program for new hires that extends over the employee's first year of employment; it is designed to provide new employees with an appreciation for the Agency's history and to make new staff feel welcome and engaged. The Office also modernized hiring processes through Administration initiatives to streamline candidate ratings and ensure manager accountability.

Ongoing Challenges

Broadcast Environment

Two major factors shape the global political and security context for BBG operations: resurgent authoritarianism and 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 deliver programming to audiences via the media and the formats they prefer, despite the instabilities of various broadcast markets. In many cases, the BBG relies on agreements with host country governments to ensure program delivery and access to local radio and TV affiliates. When the political climate or leadership of a country changes, the BBG's ability to continue broadcasting may also change. For example, the government of Libya began jamming Alhurra satellite transmissions on Nilesat in February/March 2011. In response, TSI established another Alhurra transmission on the Nilesat/AB4 and the Eutelsat Hotbird satellites. Also in FY 2011, the BBG began leasing a second high-powered medium wave transmitter for Radio Farda programs in January 2011 to counter the increasing jamming in Iran. To reach audiences, the BBG is constantly working to overcome jamming and censorship. As 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.

The BBG responds to crises worldwide with surges in broadcasting. In FY 2011, the BBG continued surge programming in Creole, Spanish, Burmese, and Georgian. 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, 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

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

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

broadcasts. To make the best use of transmission assets, BBG conducts in-depth analysis to meet the constant challenge of maintaining an effective and cost-effective transmission network.

The rapidly evolving broadcast information technology (IT) market impacts much of the BBG's broadcast and transmission equipment. Different areas of the world depend on different types of broadcast technology, requiring the BBG to maintain a traditional transmission network, while investing in new media technology to support programming efforts such as news delivery via SMS or mobile devices. New infrastructure must be established and maintained along with existing infrastructure, and this maintenance is complicated by the advent of digital technology. While digital technology provides the highest quality production capabilities and increased opportunities for improved efficiencies, digital equipment requires a more stringent replacement and upgrade cycle to meet industry standards. As the pace of obsolescence accelerates with new technologies, vendors discontinue support for older systems and repairs or upgrades become difficult or even impossible. Given these constraints, the BBG strives to judiciously allocate resources to address the most critical infrastructure requirements as well as annual recurring technical infrastructure requirements and one-time projects.

Management

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

Unpredictable global events and changing media consumption habits make it challenging to plan the specific next steps the Agency will take. As audience preferences in target broadcast areas have changed, the BBG has transitioned from radio-only broadcasts to multimedia news and information distribution, including television, the Internet, text messaging, and mobile applications. Like surge broadcasts, these changes in distribution availability and audience preferences evolve quickly and require that the BBG be innovative to respond effectively and decisively.

Internally, the quality, competence, and morale of the BBG workforce must improve for the Agency to effectively achieve its mission. The BBG recognizes that its ability to accomplish its mission is directly related to its workforce. As such, the Agency has made the development and motivation of its workforce a key component of its Strategic Plan for meeting future challenges. Issues of Federal employee morale and satisfaction, made apparent in the results of federal employee surveys, have shown some improvement in the most recent survey.

Financial Highlights

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

The independent accounting firm, Clarke Leiper, PLLC, conducted our FY 2011 financial statement audit and issued an unqualified opinion on our Principal Financial Statements. This is the best possible audit result.

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

The financial statements and financial data presented in this report have been prepared from the accounting records of the BBG in conformity with generally accepted accounting principles (GAAP). In addition, the standards as prescribed by the Federal Accounting Standards Advisory Board (FASAB) have been applied.

FINANCIAL HIGHLIGHTS		
(In Thousands)	2011	2010
At end of the Year:		
Condensed Balance Sheet Data:		
Fund Balance with U.S.	\$ 158,294	\$ 168,719
Accounts Receivable	2,791	6,183
Property, Plant and Equipment	125,357	134,589
Other	6,599	2,651
Total Assets	293,041	312,142
Accounts Payable and Other	38,564	10,275
Retirement and Payroll	31,121	38,639
Total Liabilities	69,685	48,914
Unexpended Appropriations	131,570	119,999
Cumulative Results of Operations	91,786	143,229
Total Net Position	223,356	263,228
Total Liabilities and Net Position	\$ 293,041	\$ 312,142
For the Year:		
Total Cost	798,844	745,530
Total Earned Revenue	(523)	(5,004)
Total Net Cost of Operations	\$ 798,321	\$ 740,526

Management Controls, Systems, and Compliance with Laws and Regulations

Federal Managers' Financial Integrity Act (FMFIA)

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

- § programs achieve their intended results;
- § 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.

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

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

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

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

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

Operational Internal Control Review

The FMFIA assessment is conducted at the program and office level of the BBG in accordance with the Office of Management and Budget (OMB) Circular A-123 and best practices in internal control. The program and office directors report annually to the BBG on compliance with the requirements of the

sound internal controls related to programs. The review is conducted each year with personnel and managers responsible for managing, monitoring, improving and assessing internal control.

Financial Management Systems and Reporting Internal Control Review

Each year, the Broadcasting Board of Governors receives an independent auditor's reports on the internal control and functionality of its financial management systems and platforms. The BBG employs a program to continuously assess, document, and report on internal controls. In addition to safeguarding resources and complying with laws and regulations, the BBG strives to fairly and accurately present financial reports that have a material effect on spending, budgetary, or other financial decisions.



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

FY 2011 STATEMENT OF ASSURANCE

The Broadcasting Board of Governor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Broadcasting Board of Governors and International Broadcasting Bureau conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Broadcasting Board of Governors and International Broadcasting Bureau can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2011 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Broadcasting Board of Governors and International Broadcasting Bureau conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123. Based on the results of this evaluation, the Broadcasting Board of Governors and International Broadcasting Bureau can provide reasonable assurance that its internal control over financial reporting as of June 30, 2011 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

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

Richard M. Lobo
Director
Broadcasting Board of Governors
International Broadcasting Bureau

Limitations of Financial Statements

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

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

Section 2: Performance Information

Strategic Goal

In the BBG strategic plan covering FY 2008-2013, the primary strategic goal of the BBG is to deliver accurate news and information through an increasingly effective and modern international broadcasting system that reaches significant audiences where most needed in support of U.S. strategic interests. The principal measures for accomplishing the strategic goal are delivery of high quality news and information in a variety of formats, reaching significant audiences on a regular basis, and promoting an understanding of current events, American society, and U.S. policy. The BBG is in the process of finalizing a new strategic plan, which will cover fiscal years 2012-2016. This report on performance in FY 2011 references the mission, goals, objectives, and strategies that were in effect during FY 2011 and are reflected in the strategic plan that covered fiscal years 2008-2013.

FY 2011 Implementation Strategies

The implementation strategies of the BBG guide U.S. international broadcasting in fulfilling the Agency's primary strategic goal of delivering accurate news and information to significant audiences in support of U.S. strategic interests. These implementation strategies provide direction to the Agency in making programming and resource decisions given the challenges that are faced in accomplishing the strategic goal and the BBG mission. The strategies are not goals that we measure, but guide the implementation of all BBG measurable performance objectives. The ten BBG implementation strategies are:

§ *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, and the BBG requires the flexibility to quickly adapt to changing audience habits.

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

The BBG has taken significant strides toward better reaching the Muslim world by launching 24/7 broadcasting and reaching more people in their own languages and through their preferred media platforms. Like many audiences to whom the BBG broadcasts, rumor, speculation, distortion, censorship, and self-censorship are common. 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 BBG must fill the gaps in current news coverage that occur when authoritarian regimes do not permit domestic media to broadcast or print consistent with comprehensive and balanced news and information projects. 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 2011 than when the Agency began. Over the next several 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, social networking, 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. Some 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 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 journalistic 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.

FY 2011 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 the support services are evaluated each year through the Agency's Support Services Review.

Listed below are the BBG annual performance objectives, including key initiatives supported by the FY 2010 and 2011 enhancements, with summaries of the current status. Most of the proposed enhancements were not funded in FY 2011. The detailed accomplishments for each performance objective are also presented in the accomplishments table in the following pages.

A. Reach the Arabic speaking world.

- Continue *Al Youm*, Alhurra's 3-hour live program initiated from the Middle East five days per week, supported by 24/7 news capability.
MBN continued its flagship program Al Youm, broadcast live from studios in Dubai, Beirut, Cairo, Jerusalem, and MBN's headquarters.
- Continue MBN's radio broadcasts to Darfur.
MBN continued daily Afia Darfur radio broadcasts to Darfur and provided in-depth coverage of the South Sudan Referendum.
- Reduce long-term contracting costs by reconfiguring Cairo and Beirut Bureaus.
Given the events of the past year, there has been a delay in completing the reconfiguration as planned. Nevertheless, MBN has selectively transitioned some key functions and consolidated others to achieve cost efficiencies in advance of wholesale reconfiguration.

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

- Reach the strategically critical audiences of Iran through the popular programming of VOA's Persian News Network and Radio Farda, a 24/7 Persian radio service.
Despite persistent jamming by the Iranian government, VOA's Persian News Network and RFE/RL's Radio Farda continued to provide audiences in Iran with important news and information.
- Expand FM radio network in Afghanistan that carries the BBG daily 24-hour program stream in the Dari and Pashto languages.
Although appropriated resources did not support the request to add new FM stations in Afghanistan, the latest research shows that BBG programming reaches 75 percent of Afghan adults.
- Continue 24/7 stream of VOA and RFE/RL Pashto programming to the Afghanistan-Pakistan border region with enhanced local coverage.
VOA's Radio Deewa has a network of 27 stringers providing extensive daily coverage of the region and, alerted by a local stringer, was the first to report on the military action that killed Osama bin Laden. RFE/RL's Radio Mashaal launched an inexpensive SMS system to get feedback and questions from their audience.
- Continue to expand VOA's Russian and Persian Internet capability.
VOA's Russian Service reaches audiences through multiple Internet distribution channels and techniques, including crowdsourcing, and now gets more than one million visits to its website

each month. VOA Persian offers iPhone and Android mobile applications to distribute their content with live streaming of the 24/7 broadcasts.

- Continue to expand RFE/RL's Internet reach with a regional Russian language website for Central Asian audiences.
Insufficient funds were available to complete the full project. Available funds were utilized for multimedia equipment and video-journalism and web-writing training to optimize the Russian-language websites of RFE/RL services.
- Support RFE/RL bureau human capital and operational development.
Appropriated resources did not support the request to enhance RFE/RL bureau human capital and operations.

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

- Sustain the coordinated 10-hour VOA-RFA program stream to North Korea in shortwave and medium wave.
The 10-hour daily VOA and RFA broadcasts to North Korea continued, carried on two medium wave frequencies and multiple shortwave frequencies.
- Expand RFA's video reporting and content capability, including satellite transmission in Burmese and Tibetan and Internet transmission in Mandarin and Vietnamese.
Appropriated resources did not support the request to expand RFA's video reporting and content capability.
- Strengthen RFA capacity to securely reach mobile devices and digital distribution of content and programming.
Appropriated resources did not support the request to enhance RFA's mobile device and digital distribution capacity.

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

- Enhance distribution of Swahili and English programming via a web-based syndication system, expanded FM network, and distribution to mobile devices.
Appropriated resources did not support the request to enhance distribution in Africa.
- Continue VOA's Somali programming to Horn of Africa.
VOA's Somali programming continued and VOA began broadcasting special daily drought-related radio programs in Somali in September 2011.
- Continue Studio 7 broadcasts to Zimbabwe.
VOA's Studio 7 broadcasts to Zimbabwe continued and direct-to-home satellite broadcasts were launched in July 2011.

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

- Transition Latin American television production to digital platform.
Appropriated resources did not support the request to transition Latin American television production to a digital platform.
- Improve Agency efficiency by coordinating elements of OCB and VOA Spanish.
OCB and VOA Spanish now regularly share studios, journalists, producers, and segments.

- Continue expanded VOA Spanish programming to Venezuela.
VOA's Spanish Service continued the weekly radio program to Venezuela, which originates from both VOA studios in Washington and Radio Martí studios in Miami, and uses the talents of both organizations.

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

- Address BBG's most critical infrastructure maintenance and repair requirements.
BBG aligned resources to address priority equipment and repair requirements.
- Upgrade VOA's digital media management and infrastructure and support VOA outreach via digital devices.
The Office of Technology, Services, and Innovation (TSI) took further steps to move VOA closer to a tapeless broadcasting environment that will enable journalists and producers to manage digital content from video production to on-air presentation to subsequent archiving of material.
- Improve BBG Headquarters (Cohen Building) power infrastructure to provide essential support to around-the-clock broadcasting.
BBG continues to address power generation capabilities.
- Support all increases in programming with appropriate program delivery and administrative means.
Planning and implementation for new programming included appropriate and adequate support.
- Increase awareness of BBG programs in high priority markets through advertising and promotion.
The BBG, through the Office of Marketing and Program Placement, ensured that advertising and promotion resources were aligned with high priority markets.
- Use research to identify appropriate target audiences and their preferred media, with the formats and content that would appeal to them.
Comprehensive audience research and analysis was available to BBG language services and managers for planning and measuring performance.
- Maintain the firewall and continuously monitor programming quality in line with modern broadcast journalism principles through annual performance reviews of all broadcast services.
Annual program reviews were conducted by each broadcast entity with all but one rated broadcasting service receiving "good or better" program quality scores. No firewall violations were reported.
- Support initiatives to improve financial, performance, and budget integration plus finance and contract functions.
BBG continues to improve integration of financial and procurement management.
- Continue support for critical training and employee recognition programs.
The employee development initiative continues to address critical training needs and employee recognition programs, including an eight-month Leadership and Communications training project and a new onboarding program for new hires.

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

Account	FY 2007 ¹	FY 2008 ²	FY 2009 ³	FY 2010 ⁴	FY 2011 ⁵
International Broadcasting Operations	\$649.13	\$671.98	\$708.23	\$745.61	\$740.02
Broadcasting Capital Improvements	\$7.62	\$10.13	\$12.05	\$13.26	\$6.86
Total	\$656.75	\$682.11	\$720.28	\$758.88	\$746.88

¹ Includes funding pursuant to the FY 2007 Emergency Supplemental P.L. 110-28 (\$10.0 million).

² Includes funding pursuant to the FY 2008 Emergency Supplemental P.L. 110-161 (\$12.0 million) and P.L. 110-252 (\$100K). Reflects transfer of \$533K from Broadcasting Capital Improvements to International Broadcasting Operations.

³ Includes funding pursuant to the FY 2008 Supplemental Appropriations Act, 2008, PL 110-252 (\$7.9 million). Also includes transfers from Department of State \$4.2 million for Georgian/Russian Initiatives (\$2.863 million was utilized in FY 2009) and \$10 million for P.L. 111-32 enhanced programming to the Afghanistan-Pakistan Border region (\$30K was utilized in FY 2009). Reflects transfer of \$750K from International Broadcasting Bureau to Broadcasting Capital Improvements.

⁴ Includes carryover balances from FY 2009 transfers from Department of State for P.L. 110-329 Georgian/Russian Initiatives \$1.337 million and P.L. 111-32 enhanced programming to the Afghanistan-Pakistan Border region \$9.97 million. Includes funding pursuant to the Supplemental Appropriations Act, 2010, P.L. 111-212, (\$3.0 million) of which \$1.159 million was utilized in FY 2010. Reflects transfer of \$641K from International Broadcasting Bureau to Broadcasting Capital Improvements.


⁵ Includes funding pursuant to the Full-Year Continuing Appropriations Act, 2011, P.L. 112-10, (\$10.0 million) to expand unrestricted access to information on the Internet.

Summary of FY 2011 Performance Accomplishments


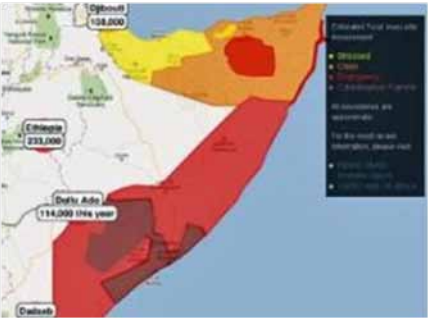
The following are highlighted accomplishments in each of the performance objectives during FY 2011.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p>A. Reach the Arabic speaking world.</p> <p>Weekly Audience: 36.4 million</p>  <p><i>Alhurra reporter covering Egyptian protests</i></p>  <p><i>Alhurra reporter covering unrest in Tunisia</i></p>  <p><i>Alhurra reporting from Beirut</i></p>	<ul style="list-style-type: none"> Ü BBG broadcasters strategically and swiftly redeployed existing resources to meet unanticipated challenges triggered by the “Arab Spring” democracy movements and other events in the region. As democracy movements propagated in Egypt, Syria, Libya, and across the Middle East, Middle East Broadcasting Networks realigned programming and resources to provide extensive, balanced coverage and unique analysis of the events as they unfolded. Alhurra and Radio Sawa coverage ensured the availability of accurate, timely information during a time of extraordinary change in the region. Alhurra and Radio Sawa provided continuous breaking news coverage of developing stories, followed by extended newscasts and analysis. The latest available research shows that Alhurra’s audience in Egypt nearly doubled to 8 million during this period. In a flash poll conducted in the cities of Cairo and Alexandria during the heat of the protests, a quarter of all adults with telephone access had watched Alhurra to follow the events in their country, more than had watched either BBC or CNN. Ü Afia Darfur, Radio Sawa, and Alhurra provided insightful coverage of South Sudan’s journey to independence. MBN extensively covered the historic developments in Sudan, with special coverage for both the independence referendum and the establishment of the Republic of South Sudan, providing in-depth reporting on events as they unfolded live. Ü BBG broadcasters continue to serve a vital role as a source of independent media for the people of Iraq, reaching 67 percent of adults each week. Alhurra and Radio Sawa’s investigative reports and interviews with senior officials have prompted Iraqi government action on a number of issues. Radio Free Iraq’s in-depth, analytical reporting on political developments in Iraq and the region received numerous accolades from Iraqi and U.S. officials in the region. Ü BBG broadcasters are using new media tools to increase levels of engagement with its audiences and giving broadcasters valuable insight into the success of various programming initiatives. MBN launched a new mobile website for Alhurra and Radio Sawa and is launching a new website in 2011.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia.</p> <p>Weekly Audience: 43.5 million</p>  <p><i>RFE/RL's Radio Azadi distributed 20,000 solar-powered, hand-cranked radios throughout Afghanistan</i></p>  <p><i>Hosts of VOA Parazit appearing on The Daily Show</i></p>  <p><i>VOA Russian and Ukrainian services crowdsourced memories of Chernobyl</i></p>	<ul style="list-style-type: none"> Ü VOA and RFE/RL increased their already wide reach in Afghanistan, now jointly reaching 75 percent of the adult population each week. VOA and RFE/RL are among the most trusted sources of news in the country. In October 2010, Radio Azadi launched an interactive SMS service to allow mobile phone users in Afghanistan to subscribe to free news updates and emergency alerts from the station. In its first nine months, the service attracted over 350,000 subscribers. VOA's 30-minute youth-oriented TV show to Afghanistan called <i>Karwan</i> (Caravan) attracted over 50,000 Facebook fans, more than 80 percent of whom are between 13 and 24 years old. Ü In June 2011, the White House invited VOA to interview President Obama on the planned Afghan troop withdrawal. Mr. Obama gave an exclusive interview to VOA just hours before his speech to the American people. Radio and TV Ashna were the first on the air in Afghanistan with President Obama's interview. Ü VOA's Deewa Radio has become a media market leader, reaching 22 percent of Pashtuns living along the Pakistan/Afghanistan border region each week. In the spring of 2011, RFE/RL's Radio Mashaal launched an SMS system that enables listeners to share their problems, critique Mashaal's programs, and send questions into the Service's live programs free of charge. Ü VOA Persian News Network's weekly satirical show, Parazit, has become the most popular Iranian page on Facebook with over 725,000 fans. PNN also launched a new 30-minute TV news analysis program called <i>Ofogh</i> (<i>Horizon</i>), which provides in-depth analysis of U.S.-Iran relations and the most important news and developments of interest to Iranian audiences. The BBG's circumvention strategies as employed by RFE/RL's Radio Farda to fight Internet blockage by the Iranian regime are proving successful, resulting in more than 200 million page views from June 2010 to May 2011. To enhance broadcast coverage into Iran, TSI added 12 hours of broadcast time for Radio Farda on a leased medium wave facility in the United Arab Emirates. Ü To expand its broadcast reach into Pakistan, the BBG's Office of Technology, Services, and Innovation set up a call-in capability for Pakistani listeners to VOA's Urdu Service, whereby listeners can call in toll-free and listen to Urdu radio shows. In May and June 2011, VOA Urdu launched new segments that promote citizen journalism and give viewers a voice on the issues that directly impact their daily lives.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia. (Cont.)</p>  <p><i>Kyrgyz president interviewed on VOA Russian</i></p>  <p><i>Released Azeri blogger listened to RFE/RL while in prison</i></p>  <p><i>VOA Georgian Service celebrating their 60th anniversary</i></p>	<ul style="list-style-type: none"> Ü VOA’s Georgian Service successfully launched regular TV broadcasts in FY 2011. A weekly 15-minute news and magazine show produced by VOA Georgian is broadcast via Georgia Public Television Network One. In January 2011, RFE/RL debuted a new television program on the Russian-language, Georgian-state-funded satellite channel. The program is a joint venture between RFE/RL and the satellite channel and covers the news, events, and issues of the week in the North and South Caucasus. Ü VOA’s Armenian Service succeeded in maintaining an audience share of more than 35 percent for the third consecutive year. RFE/RL’s Armenian YouTube site gets more than 135,000 video views per month. Ü RFE/RL’s Russian Service website has seen steady growth. From June 2009 to June 2011 the total number of site visits grew by 64 percent, the number of page views increased by 42 percent, and the time spent on the website doubled. VOA’s Russian Service used crowd-sourcing to cover the Belarusian elections and the 25th anniversary of the Chernobyl nuclear disaster. In March 2011, the Service launched a Russian edition of VOA’s popular goEnglish.me online language learning program for Russian speakers who are interested in learning American English. Ü RFE/RL’s Belarusian Service pursued a multi-platform approach, with integrated radio, television and web coverage in its breaking-news coverage and in-depth analysis of Belarus’s December 2010 disputed presidential election and the protests and crackdown that followed. The day after the crackdown, <i>Radio Svoboda</i>’s website recorded a fivefold increase in unique visitors, and the Service’s coverage was widely quoted by prominent worldwide media outlets. Ü By providing up-to-date information on television and the Internet, VOA’s Ukrainian Service attracts a weekly audience of 11.6 percent (over 5 million people). RFE/RL’s Ukrainian Service (<i>Radio Svoboda</i>) is one of the country’s most popular and trusted international broadcasters. Ü VOA is by far the leading international broadcaster in the Balkans, with a weekly reach ranging from 10 percent in Bosnia to 45 percent in Albania and 66 percent in Kosovo. With six regional bureaus and a network of correspondents in the field, RFE/RL’s Balkan Service stands out in creating radio, TV, and web products aimed at informing users about developments across the region.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p>C. Focus broadcasting to audiences of strategic priority in East Asia.</p> <p>Weekly Audience: 53.8 million</p>  <p><i>RFA interviewing a man who was evicted from his land in Cambodia</i></p>  <p><i>VOA's online English teaching program in China</i></p>  <p><i>The Dalai Lama visited RFA and made remarks on their 15th anniversary</i></p>	<ul style="list-style-type: none"> Ü RFA and VOA Korean Services each deliver five hours daily of in-depth news and information on developments in and around North Korea. RFA won a gold medal in the category of human relations at the 2011 New York Festivals for a feature titled “New Year Celebrations Thousands of Miles from Home.” VOA’s Korean Service was invited to report live from inside North Korea for the International Taekwondo World Championships in the summer of 2011. Ü VOA Mandarin produces unique and authoritative content from inside China and about the United States and its relations with China, and also produces popular English language learning materials. VOA Mandarin’s new cross-cultural English teaching web feature, <i>OMG! Meiyu</i>, is a runaway success, with one episode attracting nearly 1.5 million views on Chinese sites. RFA Mandarin has been aggressively pursuing a multimedia strategy. Beginning in 2011, its flagship current affairs program is delivered via eight weekly webcasts with the website providing round-the-clock news updates Monday to Friday. Ü RFA and VOA continued to experience steady increases in web traffic on their Vietnamese sites. RFA’s webcasts and video production helped its Vietnamese Service achieve a 64 percent increase in average monthly visits from August 2010 to August 2011. VOA’s Vietnamese website traffic more than doubled this past year to more than two million site visits in June 2011. Ü VOA and RFA’s Burmese Services reach 26 percent and 24 percent of the adult population in Burma respectively via radio, television, and the Internet, according to a January 2011 national survey. Ü VOA Indonesian reaches more than 38 million people each week (25 percent of the adult population of Indonesia) through more than 200 affiliate radio stations and more than 30 affiliate television stations. Ü VOA and RFA provided extensive coverage of the Tibetan Government-in-Exile’s prime ministerial election. VOA’s pre-election coverage included a first-of-its-kind televised debate, organized and moderated by VOA’s Tibetan Service. RFA Tibetan broadcast dozens of hours of coverage, including at least seven packed town-hall meetings in India. RFA was the first media outlet to interview Lobsang Sangay after he was declared the winner.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p>D. Target African broadcasting to areas prone to terror incidents, genocide, or failed states.</p> <p>Weekly Audience: 49.0 million</p>  <p><i>VOA correspondent reports from South Sudan</i></p>  <p><i>VOA data visualization project highlights drought in the Horn of Africa</i></p>  <p><i>VOA hosts journalism training in Tanzania</i></p>	<ul style="list-style-type: none"> Ü In collaboration with the private online group Citizen Global, VOA launched the Congo Story Project, a reporting and public awareness campaign aimed at ending rape as a weapon of war in the eastern Democratic Republic of Congo. The Project uses social media, crowd sourcing, and co-creation techniques in new and innovative ways to build an oral history of the crisis. The Paley Center for Media described the project as “use of social media to distribute gripping stories of gender-based violence in Congo.” Ü In September 2011, VOA began broadcasting special daily drought-related radio programs in Somali and Amharic, delivering life-saving information to the hundreds of thousands of victims of the humanitarian crisis who are now at risk of starvation in the Horn of Africa. Ü To enhance penetration into the market in Zimbabwe, VOA and the Office of Technology, Services, and Innovation (TSI) launched a new direct-to-home 24/7 satellite stream, VOA Southern Africa, in July 2011. The new stream is carried on the popular Intelsat 10 satellite and features the Zimbabwe Service Studio 7 programming. Ü In Nigeria, 36 percent of Hausa speakers listen to VOA weekly – an audience of more than 21 million people. The IBB Office of Marketing and Program Placement (OMPP) negotiated placement of VOA Hausa programming on Kaduna State Radio and English-language placement agreements with NN24, a vibrant new TV outlet in Nigeria. Ü VOA organized three well-attended Town Hall Meetings during the past year in Juba, the capital of South Sudan, aimed at facilitating dialogue between citizens and their leaders in the run-up to the historic referendum and Independence Day. OMPP worked with TSI to place programming on affiliates in South Sudan as it joined the world community as a new nation. Ü The Africa Division launched a new daily video feature “VOA60 to Africa.” The 60-second video presents the top news videos of the day from sub-Saharan Africa and the United States, and videos on American pop culture and sports. Ü The BBG established a new FM capability in Bangui, Central African Republic, officially launching VOA’s popular French and English broadcasts on July 4, 2011.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p>E. Expand audience reach in strategic locations in Latin America.</p> <p>Weekly Audience: 4.6 million</p>  <p><i>VOA Spanish daily news program, "El Mundo al Día"</i></p>  <p><i>Radio Martí on the air in Miami</i></p>  <p><i>VOA Creole Service</i></p>	<ul style="list-style-type: none"> Ü Voanoticias.com has dramatically expanded its reach in the region; in the last year the number of visitors to the site has increased by over 50 percent and the number of visitors from Venezuela, a target country in the region, has grown by more than 70 percent. Voanoticias.com also added a blog to which students, especially those in Venezuela, post entries about political, social, and economic issues. Ü OCB is leveraging social media in conjunction with enhanced broadcasts to create more timely and informative exchanges with its audiences, especially younger audiences. On a number of programs, viewers and listeners now participate via the Martinoticias.com website, phone, email, Facebook, Twitter, and SMS messaging. Ü Over 62 percent of the Haitian population weekly tune in to VOA Creole broadcasts weekly. The Creole Service held training sessions for journalists on topics of importance to the Haitian people. In response to the cholera epidemic that began toward the end of 2010, the Service conducted a two-day training session in April 2011 for more than 30 journalists who report on health issues. Cholera was also the subject of a VOA-produced town hall meeting. Ü In April 2011, in a historic broadcast, Radio Martí and Radio Free Europe's Belarusian Service, Radio Svaboda, established a live-on air link, presenting a radio bridge between the Belarusian and Cuban people from Havana and Minsk. Well-known Cuban blogger Yoani Sanchez and Belarusian democracy activist Nasta Palanshanka talked about their experiences with government repression and current events in their respective countries. Ü OCB and VOA's Latin America Division continue to cooperate closely, sharing studios, journalists, producers, segments, and web content.

FY 2011 Performance Objectives	FY 2011 Accomplishments
<p data-bbox="186 310 602 453"> F. Align essential support functions with broadcasting implementation strategies and performance goals. </p>  <p data-bbox="186 884 620 940"> <i>Upkeep to a BBG shortwave antenna array on the Northern Mariana Islands</i> </p>  <p data-bbox="186 1394 537 1482"> <i>The Computer Systems Support Division supports over 3,500 workstations</i> </p>	<ul style="list-style-type: none"> <li data-bbox="654 289 1437 590"> <p>Ü The Office of Technology, Services, and Innovation (TSI) continued the phased implementation of a digital video system for VOA, which manages the entire news production workflow and allows journalists to operate in a fully digital mode from video production to on air presentation. TSI has fully rolled out the DaletPlus Video ingest, production, and playback system for all live VOA programming and an automated archiving system that supports the VOA Library Management Services.</p> <li data-bbox="654 611 1437 1010"> <p>Ü TSI initiated two projects designed to consolidate and simplify hardware configurations; one is designed to consolidate approximately 300 current servers into two redundant virtualization clusters spread out over two data centers. During the initial phase of this project, TSI was able to remove approximately 95 servers through application consolidation which as the wording applies means running multiple applications on a single server. Through subsequent virtualization, TSI will then lower the number of physical servers to less than 100. For the second project, TSI is consolidating eight disparate storage systems into a single, multi-mode redundant system.</p> <li data-bbox="654 1031 1437 1192"> <p>Ü To reduce network power costs, TSI continued installing energy-saving technology on many transmitters in the global network, which was begun in FY 2010. TSI achieved a network power savings of about \$1.45 million from this innovative technology.</p> <li data-bbox="654 1213 1437 1375"> <p>Ü The Office of New Media has established 75 mobile websites featuring text, audio, video, and photo content. Already, mobile traffic is approaching one million visits per month for BBG, with some language services, such as VOA Hausa, attracting more mobile traffic than desktop traffic.</p> <li data-bbox="654 1396 1437 1696"> <p>Ü In 2011, TSI continued to deploy and adapt tools to facilitate uncensored web access. Its Internet anti-censorship program counteracts activities undertaken by governments of China, Iran, Vietnam, Burma, Uzbekistan, Kazakhstan, Kyrgyzstan, Ethiopia, and Cuba to restrict Internet access to VOA, OCB, RFA, and RFE/RL websites. TSI has expanded the scope of the program's services to these deprived audiences, and constantly revises and updates its approaches to thwart Internet censorship.</p>

FY 2011 Performance Objectives	FY 2011 Accomplishments
	<ul style="list-style-type: none"> <li data-bbox="651 289 1432 554">ü The Office of Human Resources initiated a comprehensive Onboarding Program for new hires that extends over the employee’s first year of employment; it is designed to provide new staff with an appreciation for the Agency’s history and to make them feel welcome and engaged. The Office also modernized hiring processes through Administration initiatives to streamline candidate ratings and ensure manager accountability. <li data-bbox="651 575 1432 869">ü The Board undertook a year-long strategic review which will culminate in the new Strategic Plan. The review considered the Agency’s mission, the global operating environment, and distribution and technology efforts. The study also included in-depth regional reviews that covered every region, language service, and entity within U.S. International Broadcasting. During this process, the BBG took care to maintain the journalistic firewall which protects the professional independence and integrity of the Agency’s broadcasters.

Summary of FY 2011 Performance Indicators

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target ¹	FY 2011 Actual
Regular Listening/Viewing Audiences: Number of people (in millions) in target areas listening or viewing at least weekly by program element.						
VOA	118.6	136.5	124.5	122.5	120.6	141.1
MBN (Radio Sawa)	NA	17.2	16.4	17.6	17.6	14.9
MBN (Alhurra)	NA	25.8	27.7	26.2	27.0	26.7
RFE/RL	28.6	25.9	17.6	18.4	21.0	24.3
RFA ²	NA	NA	NA	NA	NA	11.9
OCB	NA	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 – Affiliates	354	324	342	360	365	371
RFE/RL – Affiliates	55	39	46	62	67	65
RFA – Affiliates	3	3	3	7	8	7
VOA – Transmitters	30	32	33	34	42	35
MBN (Radio Sawa) – Transmitters	36	38	39	40	46	40
MBN (Alhurra) – Transmitters	4	5	5	5	5	5
RFE/RL – Transmitters	17	19	19	20	29	20
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 ³	100	100	100	100	100	100
MBN (Radio Sawa)	100	NA	NA	100	100	NA
MBN (Alhurra)	NA	NA	100	NA	100	NA
RFE/RL	100	100	100	100	100	96
RFA	100	100	100	100	100	100
OCB	100	100	50	100	100	100
Program Credibility: Consists of the percent of those listening or viewing at least once a week who consider the station’s news and information “very trustworthy/reliable” or “somewhat trustworthy/reliable” in an annual survey.						
VOA ⁴	89	94	91	94	95	93
MBN (Radio Sawa)	79	83	82	90	90	92
MBN (Alhurra)	73	72	85	86	87	88
RFE/RL	83	87	87	92	92	93
RFA	95	94	95	91	95	92
OCB	NA	NA	NA	NA	NA	NA
Understanding: Consists of the percent of those listening or viewing at least once a week who say that the broadcasts have “increased their understanding of current events” “somewhat” or “a great deal” in an annual survey.						
VOA	NA	NA	NA	85	85	88
MBN (Radio Sawa)	NA	NA	NA	70	75	70
MBN (Alhurra)	NA	NA	NA	69	75	70
RFE/RL	NA	NA	NA	85	87	91
RFA	NA	NA	NA	89	90	83
OCB	NA	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	2.78	2.65	2.74	2.80	2.75	2.92
Satellite Effectiveness Index: Assesses whether the BBG satellite delivery is keeping pace with global media developments.						
BBG	10	9.8	10.4	10.4	10.4	10.9
Transmission Network Consumable Expense: The cost (in millions) of power and parts to operate the IBO transmitter.						
BBG	\$30	\$34	\$34	\$35	\$34	\$35

¹ FY 2011 Targets are from the BBG FY 2012 Congressional Budget Request.

² BBG is reporting an audience figure for RFA for the first time in FY 2011. Targets for RFA’s audience for subsequent fiscal years will be set in the FY 2013 Congressional Budget Request.

³ Prior to FY 2009, VOA program quality scores cover radio only. For FY 2009 through FY 2011, they include both radio and TV.

⁴ Prior to FY 2010, VOA program credibility scores cover radio only. For FY 2010 and FY 2011, they include both radio and TV.

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 – Target: 120.6 million Actual: 141.1 million**

With a weekly audience of 141.1 million people, VOA exceeded its FY 2011 target of 120.6 million, experiencing large audience gains in Indonesia, Democratic Republic of Congo, Nigeria, and Afghanistan. Two of these markets, Afghanistan and Indonesia, are likely to be particularly volatile year to year.

§ **MBN (Radio Sawa) – Target: 17.6 million Actual: 14.9 million**

Radio Sawa’s measured audience decreased from 17.6 million in FY 2010 to 14.9 million in FY 2011, and did not meet the target of 17.6 million listeners. This drop was due to demonstrated audience declines in Iraq and Egypt, where audiences have been shifting from radio to television, as well as the exclusion of some data from three countries last surveyed in 2006, which can no longer be considered relevant to the current market.

§ **MBN (Alhurra) – Target: 27.0 million Actual: 26.7 million**

Alhurra’s audience increased from 26.2 million viewers in FY 2010 to 26.7 million viewers in FY 2011 and is within the margin of error of the target of 27.0 million viewers. Alhurra experienced huge audience gain in Egypt, but also substantial audience loss in Iraq along with the exclusion of some data from three countries last surveyed in 2006, which can no longer be considered relevant to the current market.

§ **RFE/RL – Target: 21.0 million Actual: 24.3 million**

With a weekly audience of 24.3 million people, RFE/RL exceeded its FY 2011 target of 21.0 million, experiencing large audience gains in Afghanistan and Russia.

§ **RFA – Target: NA Actual: 11.9 million**

Although RFA still cannot measure audiences in a majority of its markets, the BBG is reporting an audience for RFA for the first time this year. New figures from several previously inaccessible regions bring the measurable total to 11.9 million.

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

National estimates of audience reach for OCB in Cuba are not available. Conducting media surveys among probability samples of adults in Cuba has been feasible only via phone, which can reach about 30 percent of adults and remains subject to concerns about underreporting of use of foreign media in a repressive environment. Weekly audiences for Radio and TV Martí measured in such surveys in recent years have consistently been small. In order to gain more detailed and frank information from as many Martí listeners and viewers as possible, BBG commissions surveys and qualitative research among convenience samples of recent Cuban immigrants. These studies – whose results cannot be used to estimate audiences in Cuba – have shown that among these respondents, listening to Radio Martí had been a common experience in their last year on the island, while viewing of TV Martí was relatively rare.

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 Affiliates – Target: 365 Actual: 371**

VOA met its target number of affiliates in FY 2011.

§ **RFE/RL Affiliates – Target: 67 Actual: 65**

RFE/RL added three affiliates, but did not meet its target number of affiliates in FY 2011.

§ **RFA Affiliates – Target: 8 Actual: 7**

RFA maintained its affiliate level but did not meet its target number of affiliates in FY 2011.

§ **VOA Transmitters – Target: 42 Actual: 35**

The number of VOA Transmitters did not meet the FY 2011 target because of ongoing budgetary, political, and security constraints on construction of planned new facilities.

§ **MBN (Radio Sawa) Transmitters – Target: 46 Actual: 40**

The number of MBN (Radio Sawa) transmitters did not meet the FY 2011 target because of ongoing budgetary, political, and security constraints on construction of planned new facilities.

§ **MBN (Alhurra) TV Transmitters – Target: 5 Actual: 5**

Alhurra's number of transmitters remained at 5, as targeted, during FY 2011, and will remain at that level for the foreseeable future.

§ **RFE/RL Transmitters – Target: 29 Actual: 20**

The number of RFE/RL Transmitters did not meet the FY 2011 target because of ongoing budgetary, political, and security constraints on construction of planned new facilities.

Program Quality: This indicator presents the percentage of an entity's language services with programming that is assessed as being of good-or-better quality. Ratings are based upon two broad criteria: (1) *content*, and (2) *presentation*. The *content* criterion includes evaluations of accuracy, reliability, authoritativeness, objectivity, comprehensiveness, and other variables reflecting distinct statutory, policy, and mission mandates for the different stations. The *presentation* criterion involves separate sub-criteria for each production unit unique to its media and the program. Programs are reviewed by both external and internal evaluators, except in the case of Radio Sawa, which relies on external reviewers only. 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. The percentage of each entity's language services that fall within the good, good to excellent, or excellent range is then calculated.

§ **VOA – Target: 100 Actual: 100**

Program quality ratings continued to be good or excellent for all VOA language services in FY 2011.

§ **MBN (Radio Sawa) – Target: 100 Actual: NA**

A program quality score was not available for Radio Sawa in FY 2011 because no external monitoring panels were conducted. In early FY 2012, the BBG will commission new research to establish program quality scores for Radio Sawa.

§ **MBN (Alhurra) – Target: 100 Actual: NA**

A program quality score was not available for Alhurra in FY 2011 because no external monitoring panels were conducted. In early FY 2012, the BBG will commission new research to establish program quality scores for Alhurra.

§ **RFE/RL – Target: 100 Actual: 96**

Program quality ratings continued to be good or excellent for all but one RFE/RL language service in FY 2011. The program quality score for the North Caucasus Languages Services declined from 2.8 to 2.6, dropping the service from the “good” category to the “fair to good” category. The service was short of staff in FY11, which is seen to be the main reason behind the decline in program quality. The North Caucasus Languages Service will add one additional Chechen-speaking staffer by the end of the calendar year and broadcast management will work with the service to further improve content and production in the coming year.

§ **RFA – Target: 100 Actual: 100**

Program quality ratings continue to be good or excellent for all RFA language services in FY 2011.

§ **OCB – Target: 100 Actual: 100**

Program quality ratings were good or excellent for all OCB language services in FY 2011.

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

§ **VOA – Target: 95 Actual: 93**

VOA’s program credibility score of 93 percent in FY 2011 did not meet the target of 95 percent. However, VOA continues to hold a high level of credibility among listeners with 93 percent of weekly listeners and viewers rating its programming as very or somewhat trustworthy.

§ **MBN (Radio Sawa) – Target: 90 Actual: 92**

MBN Radio Sawa’s credibility score of 92 percent in FY 2011 exceeded the target of 90 percent.

§ **MBN (Alhurra) – Target: 87 Actual: 88**

MBN Alhurra’s credibility score of 88 percent in FY 2011 exceeded the target of 87 percent.

§ **RFE/RL – Target: 92 Actual: 93**

RFE/RL’s program credibility score of 93 percent in FY 2011 exceeded the target of 92 percent.

§ **RFA – Target: 95 Actual: 92**

RFA’s program credibility score of 92 percent in FY 2011 did not meet the target of 95 percent. However, RFA continues to hold a high level of credibility among listeners with 92 percent of weekly listeners rating its programming as very or somewhat trustworthy.

§ **OCB – Target: NA Actual: NA**

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

Understanding: This indicator is determined by the survey question asking weekly listeners/viewers whether the broadcasts have “increased their understanding of current events.” The answers are registered on a four-point scale – a great deal, somewhat, very little, or not at all. The understanding indicator measures the percent of those answering the question in the survey (excluding those who did not respond or did not know) who chose “a great deal” or “somewhat.” This indicator is one of the three principal measures outlined in the BBG’s Strategic Plan. This is the second year that the understanding measure is being reported in the PAR and the BBG is working to establish appropriate baselines that will facilitate ambitious yet realistic target setting.

§ **VOA – Target: 85 Actual: 88**

VOA’s understanding score of 88 percent in FY 2011 exceeded the target of 85 percent.

§ **MBN (Radio Sawa) – Target: 75 Actual: 70**

MBN Radio Sawa’s understanding score of 70 percent in FY 2011 did not meet the target of 75 percent.

§ **MBN (Alhurra) – Target: 75 Actual: 70**

MBN Alhurra’s understanding score of 70 percent in FY 2011 did not meet the target of 75 percent.

§ **RFE/RL – Target: 87 Actual: 91**

RFE/RL’s understanding score of 91 percent in FY 2011 exceeded the target of 87 percent.

§ **RFA – Target: 90 Actual: 83**

RFA’s understanding score of 83 percent in FY 2011 did not meet the target of 90 percent.

§ **OCB – Target: NA Actual: NA**

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

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: 2.75 Actual: 2.92**

The Radio Signal Strength Index increased in FY 2011 rather than declining as predicted. This increase resulted from effective re-scheduling of available network assets, in particular to overcome jamming and interference. However, an overall decline is likely to continue in future years as temporary shortwave surge transmissions are removed, as broadcasting requirements are shifted from shortwave to more effective media, and as constrained available network capabilities reduce scheduling options.

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

§ **BBG – Target: 10.4 Actual: 10.9**

The Satellite Effectiveness Index exceeded its target in FY 2011 because of adjustments to overcome Iranian satellite jamming and the addition of audio services to Zimbabwe and "Picture with Audio" services to Africa and China. The index should increase modestly in future years as some satellite television capacity is added to satisfy growing requirements.

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: \$34 million Actual: \$35 million**

The Transmission Network Consumable Expense did not decline as much as predicted in FY 2011 because of the need to maintain transmission levels to overcome jamming and interference. Costs are expected to decline in the future because of network operating economies and the expected decreased use of shortwave transmissions. However, the turbulent world economy could still produce unanticipated large increases in fuel and electricity costs as well as foreign exchange rates in the coming years.

Use of Performance Data to Promote Improved Outcomes

The BBG undertakes some 350 discrete research projects every year. Quantitative, qualitative, evaluative, and ad hoc analysis projects directly help support decisions on programming and strategy. Since FY 2002, the BBG has used a consolidated contract to procure audience and market research for all BBG broadcast services. The Agency maintains a vast database of audience and market data that consolidates research results. The archive covers some 70 countries and contains socioeconomic and demographic data as well as strategically important information on local media, competition, and audience preferences and needs. The research guides BBG strategic planning at all levels, specifically on-air program development, program reviews, and the Agency's comprehensive annual strategic review of all language services.

Program Review

Each BBG entity conducts yearly reviews of each of its language services and their programming in order to maintain high quality broadcasts and to help the language services progress toward their strategic goals. These reviews are scheduled to include fresh research data and analysis about the media market and audiences in the area that each program targets. Survey data allow both for the development of future strategies in response to media trends, as well as a review of the services' performance across key indicators, such as the size and positive experience of the audience. Program Reviews further analyze the quality of news and information programming by examining a sample of broadcast material, editorial controls and supervision, utilizing monitoring panels, and tracking regular audiences' perceptions of the trustworthiness and reliability of the entity's news and information.

After the Program Review, program quality scores are assigned to the language services. These scores incorporate input from both external and internal evaluators, and are based on established, uniform criteria. Program review analysts facilitate the development of an action plan with each service and the support elements to improve program quality and/or delivery, and to move the service toward completion of its strategic goals.

Language Service Review

The Annual Language Service Review (LSR) is a Board directed, comprehensive assessment of the languages in which the BBG entities broadcast. The process fulfills the Congressional mandate in the U.S. International Broadcasting Act of 1994 to "review, evaluate, and determine, at least annually, after consultation with the Secretary of State, the addition or deletion of language services." A significant portion of the review is devoted to the careful examination of both qualitative and quantitative research on the impact and performance of programming, audience reach, and media usage and ownership. The priorities and impact identified by the LSR process form the basis for evaluation of proposals for enhancing existing language services or starting new ones in the subsequent budget process.

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

In addition, the BBG, in conjunction with the independent research provider, analyzes other data that shapes priorities, including press freedom, political freedom, civil liberties, economic freedom, and human development indices from non-governmental organizations (e.g., Freedom House, Heritage Foundation/Wall Street Journal, United Nations Development Programme) as well as the bipartisan

Commission on America's National Interests. The inclusion of such data enables the BBG to evaluate changing conditions worldwide.

Independent Program Evaluations

The BBG conducts annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review conducted by the Board assesses two basic questions: (1) where 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 language services, 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.

The Office of the Inspector General (OIG) provides the BBG and Congress with systematic and independent evaluations of the operations of the BBG, designed to prevent and detect waste, fraud, and abuse, including: whether resources are being used and managed with maximum efficiency; whether financial transactions and accounts are properly conducted, maintained, and reported; whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; and whether adequate steps for detection, correction, and prevention have been taken.

OIG inspections also generally review whether policy goals and objectives are being effectively achieved. However, Public Law 103-236 states that the OIG “shall respect the journalistic integrity of all the broadcasters and may not evaluate the philosophical or political perspectives reflected in the content of broadcasts.”

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

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

During FY 2011, the OIG issued nine final reports. The GAO issued one report for which the BBG provided information (*The US Government is Establishing Procedures for a Procurement Ban against Firms that Sell Iran Technology to Disrupt Communications, but Has Not Identified Any Firms*), but did not issue any reports on BBG programs or operations. The Agency will continue to implement and respond to the recommendations of these evaluations.

OIG reports from FY 2011 are summarized below.

OIG Inspection of Sri Lanka Transmitting Station

The OIG conducted an inspection of IBB’s Sri Lanka Transmitting Station and found that it is well run and has excellent transmitter availability. The report stated that the station has taken recent steps to improve efficiency, cut costs, and move towards greater automation. The OIG issued informal

recommendations for cooperation on events with the U.S. Embassy Colombo and for updating position descriptions.

OIG Review of the Information Security Program

Through an external audit firm, the OIG conducted the annual review of BBG's Information Security Program, in accordance with the Federal Information Security Management Act of 2002. The review found several control weaknesses with BBG information security in the areas of system inventory, risk management framework, security configuration, security awareness training, plan of action and milestones, remote access, user account management controls, security assessments, and enterprise-wide and system-specific contingency plans. The report contains fourteen recommendations, all of which the BBG concurred with and is working to implement.

OIG Inspection of Operations in Indonesia

The OIG conducted an inspection of BBG operations in Indonesia and found that, despite having a small staff, they have done an excellent job of reporting on and outreach to the country. The OIG issued only one formal recommendation, to resolve the issue of employees using personal funds to temporarily pay agency expenses in the absence of a petty cash office.

OIG Inspection of Operations in Thailand

The OIG conducted an inspection of BBG operations in Thailand, including the IBB transmitting station, the VOA news bureau, the IBB marketing office, and the RFA news bureau. The OIG issued seven formal recommendations, as well as several informal recommendations, related to: compliance with applicable laws in the planned transmitting station privatization; updating position descriptions; payments to overseas staff; review of contractor remuneration; review of grant commitments; designation of a local grants officer representative, and logistical cooperation with Embassy Bangkok.

OIG Inspection of Radio Free Asia

The OIG conducted an inspection of Radio Free Asia and found that personnel at all levels are dedicated to its mission of providing accurate and timely news and information to Asian countries whose governments prohibit access to a free press. They noted major improvements in management and administration since the last OIG report in August 2003. The OIG issued several informal recommendations in the areas of new media, communications, training, awards, procurement, and internal controls.

OIG Inspection of Botswana Transmitting Station

The OIG conducted an inspection of IBB's Botswana Transmitting Station and found that the station is well run and that the station manager has improved operations, cut costs, renovated and repaired facilities, and introduced energy-savings initiatives. The OIG issued several formal and informal recommendations in the areas of procurement, property management, cybersecurity, information security training, and communications.

OIG Inspection of Voice of America's Indonesian Service

The OIG conducted an inspection of VOA's Indonesian Service and found that the service is a well-managed operation that has established a credible presence in Indonesian media markets. The OIG issued no formal recommendations and two informal recommendations to hold regular town hall meetings and to review time and attendance procedures.

OIG Memorandum Report, Operations in Seoul, South Korea

The OIG conducted a limited review of VOA and RFA operations in Seoul, South Korea and found that the news bureaus are well-managed and the news products they produce are valued highly by both news editors and the target audience.

OIG Inspection of Germany Transmitting Station

The OIG conducted an inspection of IBB's Germany Transmitting Station and found that it provides global systemwide support throughout the IBB network with a small but talented staff. The OIG issued four formal recommendations dealing with procurement, coordination with Embassy Berlin on value-added tax issues, development of standard operating procedures, and IT training.

Section 3: Financial Information



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

November 15, 2011

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

Dear Members of the Board:

An independent certified public accounting firm, Clarke Leiper, PLLC, was engaged to audit the financial statements of the Broadcasting Board of Governors (BBG) as of September 30, 2011 and 2010, and for the years then ended, to provide a report on internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, and to report any reportable noncompliance with laws and regulations it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget audit guidance; and the *Financial Audit Manual*, issued by the Government Accountability Office and the President's Council on Integrity and Efficiency.

In its audit of BBG, Clarke Leiper, PLLC, found

- the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- there were no material weaknesses¹ in internal control; and
- there were no reportable instances of noncompliance with laws and regulations tested.

Clarke Leiper, PLLC, is responsible for the enclosed auditor's report, *Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements* (AUD/IB-12-07), dated November 15, 2011, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on BBG's financial statements or conclusions on internal control or compliance with laws and regulations.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Geisel', with a large, sweeping flourish extending to the right.

Harold W. Geisel
Deputy Inspector General

Enclosure: As stated.

Independent Auditor's Report

**Broadcasting Board of Governors
Financial Statements**

September 30, 2011 and 2010

AUD/IB-12-07, November 2011

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
Broadcasting Board of Governors

We have audited the accompanying Broadcasting Board of Governors (BBG) Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources (annual financial statements) as of, and for the years ended, September 30, 2011 and 2010. We have considered internal control over financial reporting and compliance in place as of September 30, 2011, and for the year then ended, and we tested compliance with selected laws and regulations.

In our audits of BBG's 2011 and 2010 financial statements, we found

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

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

OPINION ON THE ANNUAL FINANCIAL STATEMENTS

In our opinion, BBG's annual financial statements, including the notes thereto, present fairly, in all material respects, BBG's financial position as of September 30, 2011 and 2010, and its net cost of operations, changes in net position, and changes in 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 annual financial statements as of, and for the years ended, September 30, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered BBG's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinion on the annual financial statements but not for the purpose of expressing an opinion on the effectiveness of BBG's internal control over financial reporting and compliance. Accordingly, we do not express an opinion on the effectiveness of BBG's internal control or on management's assertion on internal control included in the Management's Discussion and Analysis section.

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

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

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

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

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

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

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

- During audit work, we identified exceptions with BBG property records. For instance, we found that BBG did not always record acquisitions and disposals in the year of occurrence. Because of these delays, we noted errors related to the amounts of depreciation recorded for some items. BBG did not have a sufficient process in place to ensure that property records were up to date. Although BBG identifies and corrects discrepancies during its annual physical inventory process, additional reconciliation procedures are not performed during the year to ensure that the asset inventory accurately reflects acquisitions and disposals. Inadequate controls over property custodianship can increase the risk of theft or fraud.

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

- BBG's controls over unliquidated obligations (ULO) are inadequate. BBG does not have a sufficient process to ensure that invalid ULOs are identified and deobligated in a timely manner. A weak control environment over ULOs increases the potential for a material misstatement. Invalid ULOs also affect the management of funds. Specifically, funds that could be used by BBG for other purposes have remained in unneeded obligations. Further, the large number of invalid ULOs makes monitoring ULOs more difficult and increases the risk of duplicate or fraudulent payments. In addition, the inability to produce documentation supporting financial transactions can lengthen processing times for analyses and reconciliations, as well as increase the possibility of undetected errors.

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

- BBG does not have a process or procedures in place for estimating the liability for Foreign Service National after-employment benefits, including lump-sum retirement and separation benefits. Although BBG has estimated an amount for its FY 2011 financial statements, the methodology has not been vetted by an actuary and therefore may not be sufficiently estimating BBG's liability.

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

CONSISTENCY OF OTHER INFORMATION

BBG's Management's Discussion and Analysis and required supplementary information contain a wide range of information, some of which is not directly related to the financial statements. We did not audit and accordingly do not express an opinion on this information. We have applied certain limited procedures, which consisted principally of comparing the information for consistency with the financial statements and making inquiries of management regarding the methods of measurement and presentation of the supplementary information. On the basis of this limited work, we found no material inconsistencies with the financial statements, accounting principles generally accepted in the United States of America, or OMB guidance.

RESPONSIBILITIES AND METHODOLOGY

BBG management has the responsibility for

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

- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; and
- complying with applicable laws and regulations.

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

In order to fulfill these responsibilities, we

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

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

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

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

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

Clarke Leiper, PLLC

Alexandria, Virginia
November 15, 2011



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

November 15, 2011

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

Dear Mr. Geisel:

Thank you for the opportunity to comment on the draft report of BBG's fiscal year 2011 financial statements. The financial statements received an unqualified opinion. Similarly, the report on internal controls and compliance with laws and regulations noted no material deficiencies or reportable conditions.

We greatly appreciate the professional and cooperative manner in which your staff and the audit firm, Clarke Leiper, PLLC, conducted this audit. Throughout FY 2011, the BBG has made strides toward improving internal financial processes. Some of these improvements are reflected in your report. The report identified three matters involving internal controls that the auditors considered significant.

The first issue relates to internal controls over property, plant, and equipment. BBG will strengthen internal control over property, plant, and equipment to ensure property transactions are timely and accurately recorded by expanding the knowledge, through external training, of all entities involved in the process. In addition, the BBG Property Office will refine the standard process for recording acquisitions and disposal information for property that emphasizes the importance of timely and accurate information.

The second issue relates to unliquidated obligations balances. In the past year, the BBG has implemented a new monthly process to facilitate the timely review of unliquidated balances. The CFO's Office will expand and implement the ULO procedures to help ensure a systematic process for monitoring and verifying unliquidated obligation balances and ensuring timely deobligations.

The third issue relates to estimating Foreign Service Nationals (FSN) after-employment benefits liability. The BBG will implement processes and procedures to accurately estimate the FSN after-employment liabilities and will maintain a current inventory of after-employment benefits provided to FSN employees by post.

Thank you for the opportunity to comment on the audit report and for working cooperatively with us throughout the audit process. The BBG is committed to continuous improvement of our internal controls, processes, and the quality of our financial reporting.

Sincerely,

A handwritten signature in blue ink, appearing to read "Maryjean Buhler".

Maryjean Buhler
Chief Financial Officer

Broadcasting Board of Governors
Balance Sheet
As of September 30, 2011 and 2010
(In Thousands)

	FY 2011	FY 2010
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 2)	\$ 158,294	\$ 168,719
Accounts Receivable, Net (Note 4)	2,700	6,150
Total Intragovernmental	\$ 160,994	\$ 174,869
 Assets with the Public		
Cash and Other Monetary Assets (Note 3)	3	3
Accounts Receivable, Net (Note 4)	91	33
General Property, Plant and Equipment, Net (Note 5)	125,357	134,589
Other (Note 6)	6,596	2,648
Total Assets	\$ 293,041	\$ 312,142
 LIABILITIES		
Intragovernmental		
Accounts Payable (Note 9)	\$ -	\$ -
Accrued FECA Liability (Note 8)	1,468	1,684
Other	-	-
Total Intragovernmental	\$ 1,468	\$ 1,684
 Liabilities with the Public		
Accounts Payable (Note 9)	19,870	11,994
Actuarial FECA Liabilities (Note 8)	7,355	8,135
Accrued Payroll and Benefits (Note 9)	4,622	12,910
Accrued Annual and Compensatory Leave (Note 8)	17,676	15,910
Contingent Liabilities (Notes 8 and 11)	9,093	-
Other (Notes 8 and 9)	9,601	(1,719)
Total Liabilities	\$ 69,685	\$ 48,914
 NET POSITION		
Unexpended Appropriations	131,570	119,999
Cumulative Results of Operations	91,786	143,229
Total Net Position	\$ 223,356	\$ 263,228
 Total Liabilities and Net Position	 \$ 293,041	 \$ 312,142

The accompanying notes are an integral part of these statements

Broadcasting Board of Governors
Statement of Net Cost
For the Period Ended September 30, 2011 and 2010
(In Thousands)

	FY 2011	FY 2010
Voice of America		
Gross Costs	\$ 363,136	\$ 327,510
Less: Earned Revenues	(523)	(5,004)
Net Program Costs	362,613	322,506
Middle East Broadcasting Networks (MBN - Radio Sawa and Alhurra TV)		
Gross Costs	158,174	152,677
Less: Earned Revenues	-	-
Net Program Costs	158,174	152,677
Office of Cuba Broadcasting (OCB - Radio and TV Marti)		
Gross Costs	60,606	57,947
Less: Earned Revenues	-	-
Net Program Costs	60,606	57,947
Radio Free Asia (RFA)		
Gross Costs	57,715	54,660
Less: Earned Revenues	-	-
Net Program Costs	57,715	54,660
Radio Free Europe/Radio Liberty (RFE/RL)		
Gross Costs	159,213	152,736
Less: Earned Revenues	-	-
Net Program Costs	159,213	152,736
Total Gross Costs	798,844	745,530
Less: Total Earned Revenues	(523)	(5,004)
Net Cost of Operations	\$ 798,321	\$ 740,526

The accompanying notes are an integral part of these statements

Broadcasting Board of Governors
Statement of Changes in Net Position
For the Periods Ended September 30, 2011 and 2010
(In Thousands)

	All Other Funds FY 2011	Consolidated Total FY 2011	Consolidated Total FY 2010
Cumulative Results of Operations:			
Beginning Balances	\$ 143,229	\$ 143,229	\$ 126,676
Adjustments:			
Changes in accounting principles	-	-	-
Correction of errors	-	-	(49)
Beginning balance, as adjusted	143,229	143,229	126,627
Budgetary Financing Sources:			
Other Adjustments		-	-
Appropriations Used	731,271	731,271	743,606
Non-exchange Revenue	-	-	1
Donations and Forfeitures of Cash and Cash equivalents		-	-
Transfers in/out without Reimbursement	-	-	-
Other	194	194	105
Other Financing Sources (Non-Exchange):			
Donations and Forfeitures of property	-	-	-
Transfers in/out reimbursement	-	-	-
Imputed Financing	15,413	15,413	13,416
Other	-	-	-
Total Financing sources	746,878	746,878	757,128
Net Cost of Operations	(798,321)	(798,321)	(740,526)
Net Change	(51,443)	(51,443)	16,602
Cumulative Results of Operations	91,786	91,786	143,229
Unexpended Appropriations:			
Beginning Balance	119,999	119,999	118,440
Adjustments:			
Changes in accounting principles	-	-	-
Correction of errors	-	-	-
Beginning balance as adjusted	119,999	119,999	118,440
Budgetary Financing Sources:			
Appropriations received	748,375	748,375	749,410
Appropriations transferred in/out	250	250	438
Other adjustments	(5,783)	(5,783)	(4,683)
Appropriations Used	(731,271)	(731,271)	(743,606)
Total Budgetary Financing Sources	11,571	11,571	1,559
Total Unexpended Appropriations	131,570	131,570	119,999
Net Position	\$ 223,356	\$ 223,356	\$ 263,228

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Combined Statement of Budgetary Resources
For the Period Ending September 30, 2011 and 2010
(In Thousands)

	FY 2011	FY 2010
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$ 44,313	\$ 46,269
Adjustment to unobligated balance brought forward October 1	-	(1,431)
Recoveries of prior year unpaid obligations	19,771	17,388
Budget Authority		
Appropriation	748,375	749,410
Borrowing Authority	-	-
Contract Authority	-	-
Spending authority from offsetting collections		
Earned		
Collected	6,038	3,256
Change in Receivables from Federal Sources	1,706	3,726
Change in Unfilled Customer Orders		
Advance Received	-	-
Without advance from Federal sources	-	-
Anticipated for rest of year, without advances	-	-
Previously unavailable	-	-
Expenditure transfers from trust funds	-	-
Subtotal	<u>\$ 756,119</u>	<u>\$ 756,392</u>
Nonexpenditure transfers, net, anticipated and actual	250	438
Temporarily not available pursuant to Public Law		
Permanently not available	(5,424)	(4,575)
Total Budgetary Resources	<u><u>\$ 815,029</u></u>	<u><u>\$ 814,481</u></u>
Status of Budgetary Resources		
Obligations incurred		
Direct	761,141	\$ 767,488
Reimbursable	3,000	2,680
Subtotal	<u>\$ 764,141</u>	<u>\$ 770,168</u>
Unobligated balance		
Apportioned	\$ (2,536)	\$ 16,454
Exempt from apportionment	6,185	5,969
Subtotal	<u>\$ 3,649</u>	<u>\$ 22,423</u>
Unobligated balance not available	47,239	21,890
Total status of budgetary resources	<u><u>\$ 815,029</u></u>	<u><u>\$ 814,481</u></u>
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 133,031	\$ 116,849
Adjustment to unpaid obligations, brought forward, October 1	-	-
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(5,839)	(3,544)
Adjustment to uncollected payments from Federal sources, brought forward, October 1 (1)	-	1,431
Total unpaid obligated balance, net	<u>127,192</u>	<u>\$ 114,736</u>
Obligations incurred, net	\$ 764,141	\$ 770,167

Less: Gross outlays	(759,041)	(736,598)
Obligated balance transferred, net		
Actual transfers, unpaid obligations		
Actual transfers, uncollected customer payments		
Total Unpaid obligated balance transferred, Net	-	-
Less: Recoveries of Prior year unpaid obligations, actual	(19,771)	(17,388)
Change in uncollected customer payments from Federal sources	(1,706)	(3,726)
Obligated balance, net, end of period		
Unpaid obligations	118,359	133,031
Less: Uncollected customer payments from Federal sources	(7,545)	(5,839)
Total, unpaid obligated balance, net, end of period	<u>\$ 110,814</u>	<u>\$ 127,192</u>

Net Outlays

Net Outlays:		
Gross outlays	\$ 759,041	\$ 736,598
Less: Offsetting collections	(6,038)	(3,256)
Less: Distributed Offsetting receipts	-	818
Net Outlays	<u>\$ 753,003</u>	<u>\$ 734,160</u>

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Notes to the Consolidated Financial Statements
September 30, 2011 and 2010

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

B. Basis of Presentation

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

C. Basis of Accounting

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

D. Revenues and Financing Sources

BBG operations are financed through Congressional appropriations, reimbursement for the provision of goods or services to other federal agencies, transfers and donations. Financing sources are received in 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 Department of State financial service centers, located in Bangkok, Thailand and Charleston, South Carolina provide financial support for BBG operations overseas. The U.S. disbursing officer at each center has the delegated authority to disburse funds on behalf of the Treasury.

G. Accounts Receivable

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

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

I. Accrued Annual, Sick, and Other Leave

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

J. Employee Benefit Plans

Retirement Plans

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7 percent of their salary; the BBG contributes 7 percent. Employees covered under CSRS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to public law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80 percent of their salary, with BBG making contributions of 11.20 percent. FERS employees also contribute 6.20 percent to Old Age Survivor and Disability Insurance (OASDI) and 1.45 percent to Medicare insurance. BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent. CSRS-covered employees may make voluntary contributions to the TSP, but without the employer 1 percent contribution or employer-matching contributions. Effective August 1, 2011, pursuant to Public Law 111-31, Federal agencies are required to automatically enroll all new FERS hires and CSRS rehires for a 3 percent TSP contribution, unless terminated by the employee or an alternate amount is designated by the employee. Note – FERS used here refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans; CSRS used here includes the Civil Service Retirement System, CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

Foreign Service employees participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS). The FSRDS is the Foreign Service equivalent of CSRS as described in chapter 83 of Title 5, U.S.C. Employees covered under FSRDS contribute 7.25 percent of their salary; the BBG contributes 7.25 percent. Employees covered under FSRDS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. The FSPS is the Foreign Service equivalent of the Federal Employees Retirement System (FERS), as described in chapter 84 of Title 5, U.S.C. In general, all Foreign Service eligible participants hired after December 31, 1983, participate in the FSPS. Most employees hired after December 31, 1983, are automatically covered by FSPS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FSPS or remain in FSRDS. Employees participating in FSPS contribute 1.35 percent of their salary, with BBG making contributions of 20.22 percent. FSPS employees also contribute 6.20 percent to OASDI and 1.45 percent to Medicare insurance. BBG makes matching contributions to both. A primary feature of FSPS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent. FSRDS-covered employees may make voluntary contributions to the TSP, but without the employer 1 percent contribution or employer-matching contributions.

Health Insurance

Most 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. Under FEGLI, the BBG contributes the employer's share of the premium, as determined by OPM.

Other Post Employment Benefits

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

K. Workers' Compensation

A liability is recorded for estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from federal agencies employing the claimants. Reimbursements to DOL on payments made occur approximately two years subsequent to the actual disbursement. Budgetary resources for this 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 unreimbursed costs paid by DOL to recipients under FECA.

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

L. Contingent Liabilities

Contingencies are recorded when losses are probable, and 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. For additional information, see Note 11.

M. Net Position

BBG's net position contains the following components:

Unexpended Appropriations

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

Cumulative Results of Operations

These include (1) the accumulated difference between revenues and financing sources less expenses since inception; (2) BBG's investment in capitalized assets financed by appropriation; (3) donations;

and (4) unfunded liabilities, for which liquidation may require future congressional appropriations or other budgetary resources.

N. Management’s Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. Actual results could differ from these estimates. For FY 2011, the BBG refined the estimated accrued liabilities to better align with historical trends.

NOTE 2: FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury by fund type as of September 30, 2011 and 2010, consist of the following (in thousands):

Fund Balances	2011	2010
General Funds	\$ 152,469	\$ 162,250
Trust Funds	<u>5,825</u>	<u>6,469</u>
Total	<u>\$ 158,294</u>	<u>\$ 168,719</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, 2011 and 2010, consists of the following (in thousands):

Status of Fund Balance with Treasury	2011	2010
Unobligated Balance		
Available	\$ 6,195	\$ 22,423
Unavailable	47,238	21,890
Obligated Balance Not Yet Disbursed	108,269	127,191
Non-Budgetary Fund Balance with Treasury	<u>(3,408)</u>	<u>(2,785)</u>
Total	<u>\$ 158,294</u>	<u>\$ 168,719</u>

Cancelled funds returned to Treasury as of September 30, 2011 and 2010 totaled \$3.9 million and \$4.6 million, respectively.

NOTE 3: CASH AND OTHER MONETARY ASSETS

BBG maintains a domestic imprest fund for small purchases less than \$25. Typically, these expenditures are the result of taxi fares or local transportation fees. As of September 30, 2011 and 2010, BBG maintained domestic imprest funds totaling \$3,000.00 in each year.

NOTE 4: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2011 and 2010, are as follows (in thousands):

Accounts Receivable	2011	2010
Intra-governmental	\$2,700	\$6,150
Public	<u>91</u>	<u>33</u>
Total Accounts Receivable, Net	<u>\$2,791</u>	<u>\$6,183</u>

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT, NET

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

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

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

In FY 2010, the Office of the Inspector General conducted an audit of the BBG's non-expendable personal property and determined that the BBG should establish salvage value for PPE. The BBG analyzed property disposal transactions to determine the value BBG received upon disposition. In all cases except for vehicles, BBG received nothing upon disposition. For vehicles, BBG received approximately 8 percent of the original value upon disposition. Based on the analysis, BBG established a salvage value of 8 percent for vehicles and no salvage value for all other classes of property, as no value is expected upon disposition.

Property, plant, and equipment consist of property used in operations and consumed over time. The following tables summarize cost and accumulated depreciation of property, plant, and equipment as of September 30, 2011 and 2010 (in thousands).

Property	Useful Life	2011			2010		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	30	\$28,013	(19,619)	\$8,394	26,435	(17,918)	8,517
Land	NA	4,121	0	4,121	4,121	0	4,121
Equipment	6-30	314,966	(211,334)	103,632	314,873	(201,040)	113,833
Vehicles	6	6,039	(4,996)	1,043	5,956	(4,884)	1,072
Assets Under Capital Lease	10	2,040	(2,040)	0	2,040	(2,040)	0
Software	5	2,082	(2,082)	0	2,082	(2,082)	0
Other Structures	20	<u>16,748</u>	<u>(8,581)</u>	<u>8,167</u>	<u>14,716</u>	<u>(7,670)</u>	<u>7,046</u>
Total		<u>\$374,009</u>	<u>(248,652)</u>	<u>\$125,357</u>	<u>\$370,223</u>	<u>(235,634)</u>	<u>\$134,589</u>

Depreciation and amortization expense for the years ended September 30, 2011 and 2010 is \$10.6 million and \$11.2 million, respectively.

NOTE 6: OTHER ASSETS

This line item consists of advances and prepayments. These amounts are made principally to BBG employees for official travel, miscellaneous prepayments and advances to other non-Federal entities for future services, and salary advances to BBG employees, often for employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2011 and 2010 (in thousands):

Other Assets	2011	2010
Public Advances and Prepayments	\$6,596	\$2,648

NOTE 7: NON-ENTITY ASSETS

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

Non-Entity Assets	2011	2010
Accounts Receivable	\$ 47	\$ 37
Total Non-Entity Assets	<u>\$ 47</u>	<u>\$ 37</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, 2011 and 2010, are summarized as follows (in thousands).

Liabilities Not Covered by Budgetary Resources	2011	2010
Intra-governmental:		
Accrued FECA Liability	\$ 1,468	\$ 1,684
Total intra-governmental	1,468	1,684
Accrued Annual and Compensatory Leave	\$ 17,676	\$ 15,910
FECA Actuarial Liability	7,355	8,135
FSN Separation Liability	9,554	-
Contingent Liabilities	<u>9,093</u>	<u>-</u>
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 45,146</u>	<u>\$ 25,729</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, 2011 and 2010, are \$7.4 million and \$8.1 million, respectively.

NOTE 9: CURRENT LIABILITIES

Current liabilities consist of the following as of September 30, 2011 and 2010 (in thousands):

Other Liabilities	2011	2010
Public	<u>Current</u>	<u>Current</u>
Accounts Payable	\$ 19,870	\$ 11,994
Accrued Payroll and Benefits	4,622	12,910
Deposit and Suspense Liabilities	<u>(47)</u>	<u>(1,719)</u>
Total Current Liabilities	<u>\$ 24,445</u>	<u>\$ 23,185</u>

Based upon facts that came to light after the financial statements and opinion was issued for FY 2010, BBG underestimated its accrued liabilities and expenses by approximately \$13.5 million in FY 2010 and as such, the corresponding expenses were overstated by \$13.5 million in FY 2011.

NOTE 10: OPERATING LEASE LIABILITY

BBG leases real property in overseas and domestic locations under operating leases, which expire in various years. Minimum future lease payments under operating leases having remaining terms in excess of one year, as of September 30, 2010, for each of the next 5 years and in aggregate follows (in thousands):

<i>Fiscal Year</i>	Total
2012	\$32,669
2013	30,177
2014	7,830
2015	5,811
2016	4,270
2017 and thereafter	<u>10,221</u>
Total Future Lease Payments	<u>\$90,978</u>

NOTE 11: CONTINGENT LIABILITIES

BBG is a party in various administrative proceedings, legal actions, and tort claims that may ultimately result in settlements or decisions adverse to the Federal Government. The accrued and potential contingent liabilities as of September 30, 2011 is \$9.1 million. This amount represents legal cases that have been settled but not yet paid and claims where the amount of potential loss is probable and estimable. Most of the cash settlements are expected to be paid out of the Judgment Fund, which is maintained by Treasury, rather than the operating resources of BBG. No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable.

NOTE 12: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental costs and earned revenue relate to source of goods and services purchased and received from other Federal entities. All of BBG's revenue is for intra-governmental revenue that is exchange revenue earned for services provided through reimbursable agreements (for example, agreements to perform work for USAID or Department of State). The amounts for September 2011 and 2010 follow (in thousands):

	FY 2011	FY 2010
Voice of America		
Intra-governmental Costs	\$ 17,892	\$ 19,269
Public Costs	345,244	308,242
Total VOA Costs	<u>363,136</u>	<u>327,511</u>
Intra-governmental Earned Revenue	(523)	(5,004)
Public Earned Revenue	-	-
Total VOA Earned Revenue	<u>(523)</u>	<u>(5,004)</u>

Middle East Broadcasting Networks

Intra-governmental Costs	7,965	8,651
Public Costs	150,209	144,026
Total MBN Costs	158,174	152,677

Office of Cuba Broadcasting

Intra-governmental Costs	6,413	10,206
Public Costs	54,192	47,740
Total OCB Costs	60,606	57,946

Radio Free Asia (RFA)

Intra-governmental Costs	3,019	3,538
Public Costs	54,696	51,122
Total RFA Costs	57,715	54,660

Radio Free Europe/Radio Liberty (RFE/RL)

Intra-governmental Costs	9,851	10,576
Public Costs	149,363	142,160
Total RFE/RL Costs	159,213	152,736

Total Intra-governmental Costs	45,140	52,240
Total Public Costs	753,704	693,291
Total Intra-governmental Earned Revenue	(523)	(5,004)
Total Public Earned Revenue		

Net Cost of Operations	\$ 798,321	\$ 740,526
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NOTE 13: ADJUSTMENTS TO BUDGETARY RESOURCES AVAILABLE AT BEGINNING OF YEAR

An adjustment of \$1.4 million was made to decrease the Unobligated Balance and Uncollected Customer Payments from Federal Sources brought forward on October 1, 2010. The error was caused when the BBG converted to a new financial system.

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, 2011 and 2010 are as follows (in thousands).

Obligations Incurred	2011	2010
Direct Obligations Incurred		
CAT A	\$484,378	\$495,011
CAT B	276,652	272,161
Exempt from Apportionment	<u>111</u>	<u>316</u>
Total Direct Obligations	<u>\$761,141</u>	<u>\$767,488</u>
Reimbursable Obligations Incurred		
CAT A	\$347	\$-
CAT B	2,653	2,680
Exempt from Apportionment	=	=
Total Reimbursable Obligations Incurred	<u>\$3,000</u>	<u>\$2,680</u>

NOTE 15: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders for the years ended September 30, 2011 and 2010 are as follows (in thousands):

	2011	2010
Undelivered Orders at the end of the period	\$114,092	\$127,191

NOTE 16: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Statement of Financing is the reconciliation of proprietary and budgetary accounting, which is accomplished by the reconciliation of budgetary obligations with non-budgetary resources available to the reporting entity with its Net Cost of Operations. The reconciliation for September 2011 and 2010 follow (in thousands):

	FY 2011	FY 2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 764,141	\$ 770,167
Less: Spending Authority from Offsetting		
Collections and Recoveries	<u>27,514</u>	<u>24,369</u>
Obligations Net of Offsetting Collections and Recoveries	736,627	745,798
Less: Offsetting Receipts	<u>-</u>	<u>818</u>
Net Obligations	736,627	746,616
Other Resources		
Donations and Forfeitures of Property	-	-
Transfers in/out Without Reimbursement	-	-
Imputed Financing from costs Absorbed by Others (Note)	15,413	13,416
Other	<u>-</u>	<u>-</u>
Net Other Resources Used to Finance Activities	15,413	13,416

Total Resources Used to Finance Activities	752,040	760,032
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	13,675	(11,642)
Resources that Fund Expenses Recognized in Prior Periods	998	179
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	213	104
Resources That Finance the Acquisition of Assets	6,948	3,614
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(7,109)	(24,324)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	14,725	(32,069)
Total Resources Used to Finance the Net Cost of Operations	766,765	727,963
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	20,414	1,449
Increase in Environmental and Disposal Liability		
Increase in Exchange Revenue Receivable From the Public	46	-
Increase in Unfunded FECA Liability	-	98
Total Components of Net cost of Operations Requiring or Generating Resources in Future Periods	20,460	1,547
Components not Requiring or Generating Resources:		
Depreciation and Amortization	10,864	11,195
Revaluation of Assets or Liabilities	230	(179)
Other	2	-
Total Components of Net Cost of Operations not Requiring or Generating Resources	11,096	11,016
Total components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	31,556	12,563
Net Cost of Operations	\$ 798,321	\$ 740,526

Required Supplementary Information

Deferred Maintenance

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

To identify and quantify deferred maintenance for capitalized assets, the BBG reviewed its FY 2011 maintenance and repair plan and identified the projects that were planned for or required in FY 2011 but have been deferred. This maintenance plan is developed through an inspection of its capital assets to determine current conditions and to estimate costs to correct any deficiencies.

The BBG considers acceptable condition to be condition levels 1 – excellent, 2 – good, and 3 – fair on a 5-point scale. The following shows BBG’s deferred maintenance for projects for capital assets in condition code 4 – poor and condition code 5 – very poor that have been deferred as of September 30, 2011 and 2010:

Deferred Maintenance (in thousands)

PP&E Category	Asset Condition	FY 2011 Estimated Cost to Return to Acceptable Condition	FY 2010 Estimated Cost to Return to Acceptable Condition
Equipment	4 – poor 5 – very poor	\$307 60	\$ 60
Other Structures & Facilities	4 – poor	485	-
TOTAL		\$852	\$ 60

***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. The VOA, OCB, RFE/RL, RFA, and MBN audience research for the fiscal years reported was 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 Technology, Services, and Innovation, calculates the Satellite Effectiveness Index. Evaluation of program quality was initially conducted by InterMedia Survey Institute and presented at program reviews for each entity. The appropriate entity research director or BBG research coordinator computed entity-wide performance values, and sent 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.

FY 2011 Management and Performance Challenges At the 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 summarizing 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:

- Information Security
- Financial Management
- Managing New Media Technologies

Information Security

During fiscal year 2011, weaknesses noted in the prior year¹ continue to exist, as several components of the BBG's information security management program have not been completed. OIG identified areas that BBG can improve on and increase the overall security posture. Areas for improvement include processes to update and manage its information technology (IT) assets, security configuration and performance management, maintaining a current hardware inventory, and completing the annual security awareness training course. Other areas for improvement include BBG's Plan of Actions and Milestones (POA&M) process, remote access policy, and user account management controls. BBG can strengthen access control policy by enforcing password management procedures; restricting the use of guest, test, and shared user accounts; conducting routine security assessments of its major systems and network environment; developing and implementing contingency planning and testing policies and procedures; completing its enterprise-wide and system-specific contingency plans; and standardizing reporting requirements to The U.S. Computer Emergency Readiness Team (US-CERT).

Financial Management

In 2010, BBG received an unqualified opinion² on its financial statements for the sixth year. Although it is a significant achievement, BBG needs to continue to improve its internal controls over financial and accounting issues. For instance, in its annual report on BBG's FY 2010 financial statements, the independent external auditor identified concerns with the adequacy of BBG's financial and accounting system and with controls over accounts payable, property, and undelivered orders.

BBG continues to take steps to address the issues identified during the financial statement audit. For instance, BBG reported it had initiated a project to consolidate the official property records

¹ *Review of the Broadcasting Board of Governors Information Security Program* (AUD/IT/IB-11-08)

² *Independent Auditor's Report on the Broadcasting Board of Governors 2010 and 2009 Financial Statements* (AUD/IB-11-05)

into one system and to update the property records to reflect the correct capitalization and depreciation thresholds. In addition, BBG has updated policies and procedures related to property and trained staff to ensure consistent application of the policies. BBG also reported that it is reviewing the current accounts payable process to determine whether it can leverage its Web-based financial system to allow direct posting into the financial system, which would improve timeliness and accuracy. In addition, BBG identified a system weakness that is being corrected through a combination of software changes and staff training.

A 2010 audit of BBG's overseas nonexpendable personal property³ found that BBG's internal control environment did not ensure physical inventories were conducted and certified. It also did not ensure the property database was updated to reflect the results of physical inventories and ensure that BBG personnel had adequate guidance and training. In addition, the property database was not the direct source for capitalized nonexpendable personal property on BBG's financial statements, and BBG did not always properly value its capitalized property, which resulted in annual depreciation being overstated and net book value being understated on the FY 2009 financial statements. During 2011, BBG took action to address these findings by providing guidance and training on the conduct of physical inventories of nonexpendable personal property and conducting and certifying physical inventories of nonexpendable personal property at all overseas transmitting stations, with all applicable property accounted for and property inventory records updated as appropriate. In addition, BBG assigned salvage values to applicable capitalized nonexpendable personal property and began the process for using the Property Inventory Processing System as the source of capitalized nonexpendable personal property values and depreciation on BBG's annual financial statements.

Managing New Media Technologies

Determining the appropriate mix of technologies to reach audiences and then implementing needed changes is an ongoing technical, political and budgetary challenge for BBG. BBG is moving from a reliance on shortwave broadcasting to an increased emphasis on: new media technologies (Internet, mobile devices, social media, and other digital platforms); dedicated FM transmission in major metropolitan areas; and greater use of video content through television and other media. In Afghanistan, OIG found BBG is using a mix of media to reach the Afghan audience while addressing the challenges of expanding FM transmission in a less than permissive environment.⁴ Radio Free Asia (RFA) is turning to the Internet and social media to reach its audience.⁵ The Voice of America (VOA) Chinese Branch is exploring new media technologies to grow its Chinese audience, perhaps the fastest growing market in the world for new media.⁶ This effort has become more significant given that the BBG recently decided to defund direct radio transmissions to China because of cost and the success of Chinese jamming efforts.

³ *Audit of Broadcasting Board of Governors Overseas Nonexpendable Personal Property* (AUD/HCI-10-24)

⁴ *Broadcasting Board of Governors Operations in Afghanistan* (ISP-IB-10-48), *International Broadcasting Bureau Germany Transmitting Station* (ISP-IB-11-64)

⁵ *Inspection of Radio Free Asia* (ISP-IB-11-29)

⁶ *Inspection of the Voice of America's Chinese Branch* (ISP-IB-10-53)

Agency Response to the Office of Inspector General: FY 2011 Management and Performance Challenges Broadcasting Board of Governors

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

Information Security

Although the BBG has made significant strides in developing an effective information security program, as noted, we still face challenges. Most importantly, the agency has repositioned staff resources to better carry out the information security program by creating an Information Security Division within the IT Directorate of the Office of Technology Services and Innovation (TSI). This division works directly with operational IT divisions as well as the agency's end-users to protect agency information assets. In addition, several key tools have been procured and are being configured and tested to facilitate securing agency systems and networks and their configurations. Policies for account management and system access were also strengthened; and security awareness training is provided to all new employees as well as annually to all current staff. Finally, resources were committed to continuously monitor the agency's network and systems and report incidents to the appropriate authorities if they occur. The BBG will continue to develop, implement, and refine IT security technologies, policies, and procedures as it constantly strives to improve its IT security posture.

Financial Management

As expressed in your findings, the BBG is continuing ongoing efforts to improve its financial and accounting systems. All of the improvements referenced have been accomplished yielding an improved level of accuracy and efficiency. Corrections were completed to property management valuations, and improvements to the reporting and recording process are in place to better safeguard our physical assets and ensure the accuracy of our financial reporting. In addition, the CFO's Office is currently in the process of developing a robust and comprehensive internal controls evaluation and testing program.

Managing New Media Technologies

Determining the best mix of technologies to reach audience members around the world is a challenge that the BBG takes very seriously. It is a key implementation strategy in the current Strategic Plan and will play a prominent role in the next Strategic Plan. There is no single platform or mix of platforms that is correct for all audiences; it must be a market-by-market determination and audience preferences, as well as political climate, play a key role. The flexibility and agility required to respond to these changes do pose technical, political, and budgetary challenges, but the BBG is committed to overcoming these in order to remain relevant.

Summary of Financial Statement Audit and Management Assurances

Table 1.
Summary of Financial Statement Audit

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

Table 2.
Summary of Management Assurances

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

Improper Payments Information Act Reporting

The Broadcasting Board of Governors (BBG) continues to strengthen its improper payments program to ensure that payments are legitimate, processed efficiently, and that federal funds and resources are protected from fraud, waste, and abuse. The BBG, Office of the Chief Financial Officer, operates an Improper Payments Program that confirms the rights of individuals and vendors to receive payments. The Program utilizes an experienced and trained staff, a financial management system that is designed with control functions that mitigate risk, and an internal analysis of processes and transactions. BBG's most important control in preventing improper payments is our experienced and well trained staff. They are the first line of defense and most critical factor in preventing improper payments.

In accordance with the Improper Payments Information Act of 2002 (Public Law 107-300), the BBG continues annual monitoring of payment operations and invests in staff training to ensure that erroneous payments do not occur. In Fiscal Year 2011, the BBG made \$495 million in payments of which \$244 million was made to our three grantees: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle Eastern Broadcasting Network. These payments to our grantees represent outlays in excess of \$1 million from our agency.

The BBG has not identified any significant problems with improper payments; however, the BBG recognizes the importance of maintaining adequate internal controls to ensure proper payments, and is committed to continually monitor and improve its disbursement management process. In addition, the BBG has reviewed financial statement audit findings for indications of breaches of disbursement internal controls. None of these audit findings have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

The following are some examples of the internal control procedures used by the Office of Financial Operations, Office of Payments to prevent improper or erroneous payments:

- Limited/controlled access to vendor files
- Controlled access to financial system accounts payable screens
- Segregation of duties for financial system data entry and review prior to transmitting disbursement files to Treasury, as well as:
 - a. Purchasing goods and services;
 - b. Recording receipt of goods and services;
 - c. Examining invoices;
 - d. Preparing vouchers;
 - e. Disbursing funds;
 - f. Settling Claims; and
 - g. Establishing/maintaining vendors.
- Financial system edit checks that highlight potential items that may result in improper payments (e.g. invoice amount and accrual amount are not the same, and invoice number check to prevent duplicates).
- Daily pre-payment audit of invoices for accuracy, and corrective actions prior to disbursement, thereby preventing improper payments from occurring.

- Financial system edits if the vendor's name on the payment does not agree with that on the obligation, or if the payment amount is greater than the obligation amount.
- The monthly vendor statement for purchase cards is interfaced into the financial system and automatically reconciled after appropriate review and approval, thereby reducing data entry error.

During FY 2011 the BBG identified six erroneous payments totaling \$263,006, each of which was recovered in less than two weeks after discovery with the exception of one travel reimbursement which is subject to a salary offset. The five erroneous payments represented 0.053 percent of total payments. Significant improper payments, as defined by Office of Management and Budget (OMB) Circular A-123, Appendix C, in the aggregate of \$10 million or exceeding 2.5% are statistically unlikely given the number and size of our average payments and based on our past history.

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

BBG domestic and international vouchers are processed within the financial management system (Momentum) by well trained examiners and certifying officers prior to submission to the Department of the Treasury. Momentum has built-in controls that prohibit the processing of invoices with the same invoice numbers and ensures adequate funds are available for payments. If an erroneous payment occurs, BBG would take immediate action to collect those funds.

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

To further enhance the BBG's ability to detect and reduce the likelihood of improper payment occurrences, the BBG has decided to implement an improper payment recapture auditing process. In order to achieve this objective in an efficient and cost-effective manner, BBG will be issuing a task order for these services via another agency's pre-existing contract and/or blanket purchase agreement (BPA). This approach would allow BBG to more quickly benefit from such recovery auditing services, obtain quality results from a reputable Federal recovery auditor, and minimize the amount of BBG employee time spent in procuring and processing the contractual action for the services.



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