

# *Broadcasting Board of Governors*

## *FY 2005 Performance and Accountability Report*



*November 15, 2005*

## BROADCASTING BOARD OF GOVERNORS

### MESSAGE FROM THE CHAIRMAN



I am pleased to present the Broadcasting Board of Governors' (BBG) *Performance and Accountability Report for Fiscal Year 2005*. This is the BBG's second *Performance and Accountability Report* and includes the results of the second audit of the agency's financial statements. The report also measures our performance against the objectives we identified for FY 2005, highlights the accomplishments of the past year, and identifies the challenges that lie ahead.

The mission of the BBG is to promote and sustain freedom and democracy by broadcasting accurate and objective news and information about the United States and the world to audiences overseas. The BBG broadcast services, including the Voice of America, Radio Free Europe/Radio Liberty, the Middle East Broadcasting Networks (Radio Sawa and Alhurra TV), Radio Free Asia, and Office of Cuba Broadcasting (Radio and TV Martí), pursue this single mission, reaching a worldwide audience of over 140 million in 56 languages via radio, television, and the Internet.

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

With the support of the Administration and Congress, the BBG has accomplished several key goals in FY 2005. Alhurra TV and Radio Sawa are now reaching a total unduplicated audience of 35 million adults (15 and over) per week according to the latest ACNielsen survey. This survey also indicates that, in spite of high levels of anti-American sentiment throughout the region, audiences regard both Alhurra and Radio Sawa as credible sources of news and information. VOA continued to build on the success of its Persian television program, *News and Views*, expanding its length from 30 to 60 minutes a day. VOA Urdu has doubled its listenership since the launch of *Radio Aap ki Dunyaa*, the 12-hour-a-day Urdu language radio station formatted for listeners between the ages of 15 and 39 in Pakistan. VOA Indonesian doubled production of both radio and TV programs and opened a news bureau in Jakarta. Over 200 radio and TV stations rebroadcast VOA news and information in Indonesia. According to the most recent survey, RFE/RL's Radio Free Afghanistan and VOA Afghan broadcasts have an unduplicated radio reach of 69.6% (19.8 million).

Around the globe, BBG's extensive network of broadcasters and bureaus closely followed important political events, including national and parliamentary elections. Radio Farda and VOA Persian provided extensive coverage of Iran's June 2005 presidential elections.

Alhurra Iraq and Radio Sawa featured extensive programming in the run-up to the national election in January 2005. Radio Free Afghanistan and VOA Dari and Pashto featured live interviews with officials and voters throughout the country during Afghanistan's October 2004 national election. VOA Ukrainian and RFE/RL's Ukrainian Service provided balanced, comprehensive on-the-ground coverage of the "Orange Revolution".

This report and the audit results demonstrate the BBG's ability to increase program impact through the prudent management of available resources and the use of modern communications tools and techniques. I am proud that the independent auditors have given our financial statements an unqualified ("clean") opinion for the second year in a row. This is the highest rating an agency can achieve.

As required, I am providing an assurance that, with the exception of the areas identified by the agency during its annual internal control review as noted in this report, the agency's system of management controls for the programs, organizations, and functions covered by the Federal Managers' Financial Integrity Act (FMFIA) have achieved the objectives of the FMFIA.

We have already begun to take steps to correct the identified weaknesses. We take the stewardship of taxpayer resources seriously and are committed to improving our internal controls and financial processes.

The BBG has continued to make significant progress in the integration of performance information with financial and budget information. The report reflects the progress the agency has made to strengthen the implementation of performance management and to assure that our performance information is appropriate, complete, and reliable. The report also details the progress we have made in support of the President's Management Agenda.

I am proud to report the achievements of the Broadcasting Board of Governors during FY 2005 in furthering our mission as well as wisely and effectively using the resources entrusted to us by the Administration, Congress, and the public.



Kenneth Y. Tomlinson  
Chairman

# BROADCASTING BOARD OF GOVERNORS

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This Performance and Accountability Report presents the Broadcasting Board of Governors' (BBG) financial and program performance for FY 2005. It fulfills the requirements of the Accountability of Tax Dollars Act of 2002, the Reports Consolidation Act of 2000, the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Government Management Reform Act of 1982 (GMRA), the Government Performance and Results Act of 1993 (GPRA), and Federal Financial Managers Improvement Act of 1996 (FFMIA).

FY 2005 has been a very productive year for the BBG in the area of financial management. We are proud to have an unqualified opinion on our financial statements for our second audit. The auditors identified one reportable condition involving internal controls that we are taking steps to correct. During our FMFIA review, we identified two material weaknesses in the agency's system of management controls for the programs, organizations, and functions. We are moving to correct these weaknesses. While we recognize that there are still many challenges, we are confident that the progress we have made in this past year will help us meet those challenges in the future.

Key BBG FY 2005 accomplishments in financial management improvements include:

### **Expanded Electronic Government**

The BBG has selected the Department of Defense's Defense Civilian Payroll System and is working with the Office of Personnel Management, Office of Management and Budget, and the Department of State to implement the new system in FY 2007.

The BBG has joined with the Department of State and the U.S. Agency for International Development in their selection of CW Government Travel (CW) as its official travel service center. The selection of CW, an industry leader in e-Travel initiatives, supports the President's Management Agenda.

### **Improved Financial Performance**

During FY 2005, the BBG continued to improve its financial management system by utilizing automated tools for payroll accruals, improved tracking of overseas transactions, improved financial reporting, and improved utilization of reporting tools. For example, the BBG made improvements to its travel program to streamline, consolidate, and standardize processes. Standard procedures were implemented to track and recover outstanding travel vouchers and advances, and notifications of reimbursements and repayments were established and distributed on a daily basis. The BBG increased its rebate from the government-wide purchase card program three-fold through electronic invoicing and payments.

The BBG is in compliance with Federal accounting principles and standards and met all Treasury and OMB financial reporting requirements in FY 2005.

**Budget and Performance Integration**

The BBG has made significant progress in FY 2005 in integrating performance goals, including annual objectives and measures, with budget requests and financial management. Efforts to integrate performance and budget information were expanded for the FY 2007 Budget Request. The BBG conducted the 2005 Language Service Review under a new schedule that enabled the results of the review to inform the development of the FY 2007 budget, including extensive information on performance goals and targets for the requested enhancements and linking them to the BBG strategic goals. The BBG also conducted an improved Capital Planning Review process, including the Chief Information Officer function in the process.

We are pleased to provide this report to the Administration, Congress, and the public. We believe this report provides a full description of the BBG's program, performance, and financial efforts as we continue our effort to meet our mission, "to promote and sustain freedom and democracy by broadcasting accurate and objective news and information about the United States and the world to audiences overseas."

A handwritten signature in black ink, appearing to read "Janet K. Stormes". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Janet K. Stormes  
Chief Financial Officer

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# **FY2005 Performance and Accountability Report**

## **Introduction**

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

This FY 2005 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) second report providing consolidated performance and financial information. This integrated presentation of the agency's program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

This report satisfies the reporting requirements of the following legislation:

Accountability of Tax Dollars Act of 2002  
Reports Consolidation Act of 2000  
Federal Manager's Financial Integrity Act of 1982 (FMFIA)  
Government Management Reform Act of 1982 (GMRA)  
Government Performance and Results Act of 1993 (GPRA)  
Federal Financial Managers Improvement Act of 1996 (FFMIA)

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

The report includes the following sections:

#### **Management's Discussion and Analysis (MD&A)**

The MD&A is an overview of the BBG, its organizational structure, and mission. It includes a summary of the agency's highlights and accomplishments for FY 2005, the progress made in implementing the President's Management Agenda, the BBG's management and performance challenges, and the Inspector General's (IG) statement regarding these challenges. The MD&A also includes the results of the agency's FY 2005 FMFIA internal control review.

#### **Performance Section**

The performance section presents annual program performance information as required by the GPRA and describes the agency's progress in meeting its operational strategic goals. A summary of the FY 2005 performance objectives is presented, as well as information about the outcome of specific performance indicator targets. This section also includes a summary of the Program Assessment Rating Tool (PART).

#### **Financial Section**

The financial section contains BBG's financial statements and related Independent Auditor's Report. The BBG has prepared and presented all five statements as required by the Office of Management and Budget (OMB) Circular 01-09.

*Section 1:  
Management's Discussion  
And Analysis*





# FY2005 Performance and Accountability Report

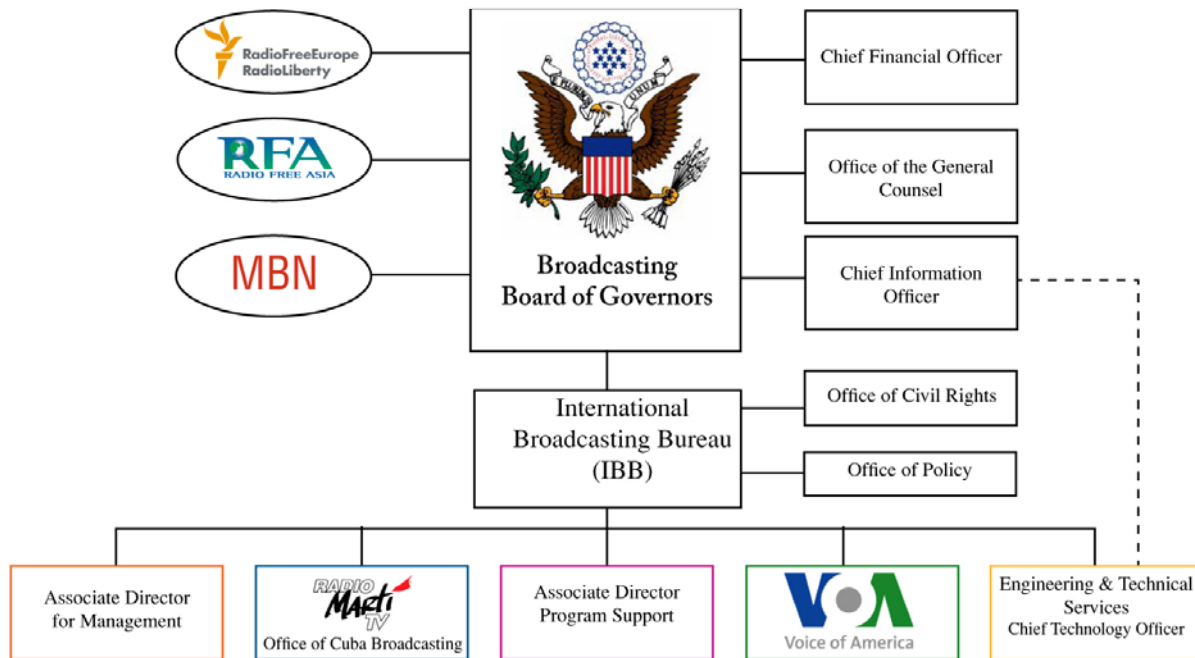
## Organizational Structure and Mission

### BBG Organization

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

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

## Broadcasting Board of Governors



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### **BBG Mission Statement**

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

### **BBG Mission**

Since October 1999, the BBG has fundamentally transformed U.S. non-military international broadcasting in pursuit of its central mission: to promote freedom and democracy, to broadcast accurate news and information about the U.S. and the world to audiences overseas; and to provide to those audiences dynamic, creative programming that inspires intellectual curiosity and supports aspirations for political, economic, social, and human rights. This transformation grows out of the post-Cold War and post-September 11<sup>th</sup> environment, changing priorities in where to broadcast and how to reach key audiences around the world. The changes that the BBG has implemented have made international broadcasting an effective tool in the U.S. effort to directly access a worldwide audience of 140 million, countering misrepresentations of the U.S. and its policies, and providing accurate news and information and vibrant intellectual discussions and debates to those who do not receive this from their own media.

The BBG broadcast services reach a worldwide audience in 56 languages via radio, television, and the Internet. All BBG broadcast services adhere to the broadcasting standards and principles of the International Broadcasting Act of 1994. All services include reliable, accurate, objective, and comprehensive news; balanced and comprehensive presentations of U.S. thought, institutions, and policies, including discussion about those policies; and information about developments throughout the world and a variety of opinions from nations around the world.

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### FY 2005 Highlights and Accomplishments

During FY 2005, the BBG continued to respond to the challenges of forging new approaches to identify target audiences, program preferences, and formats that appeal to significant audiences, and providing the serious news, information, and debate to fuel democratic development. Program innovations were based on the rigorous use of research, new technologies, frequent program review, and commercial broadcast expertise to meet challenges to our national security. This is especially true of BBG's efforts to effectively communicate with Muslim audiences in the Middle East and Southwest Asia where terrorism has flourished in an unstable environment. Key accomplishments in FY 2005 include:

- **Voice of America**

Throughout FY 2005, VOA reported on the War on Terror and events in Iraq as well as provided coverage of U.S. and international news and current affairs through broadcasts of over 1,000 weekly hours of radio in 44 languages, nearly 50 hours of television in 24 languages, and a 24/7 Internet website at VOANews.com. In May 2005, VOA Persian's television program, *News and Views*, was expanded from 30 to 60 minutes a day. VOA Persian continues to rank as one of the top international broadcasters to Iran. VOA also introduced a new, more lively format for its radio program, and its website traffic increased 44 percent from 2004. Radio Farda and VOA Persian provided extensive coverage of Iran's June 2005 presidential elections.

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Recent research indicates that listenership to VOA Urdu has doubled since the launch of *Radio Aap ki Duniyaa (Your World Radio)*, the 12-hour-a-day Urdu language radio station for listeners in Pakistan. The programs are formatted to appeal to Pakistani listeners between the ages of 15 and 39 years of age. The Urdu Service recently introduced a new bilingual website, with live audio streaming that also promotes the news and entertainment programs of *Radio Aap ki Duniyaa*, and is preparing to launch a 30-minute television show featuring current affairs in FY 2006.

To reach the national audience of Afghanistan, VOA's Afghanistan Service continues to build on the success of its seamless 12-hour program stream in the Dari and Pashto languages with a more contemporary, fast-paced format and daily call in shows and in-country reporting. Recent program initiatives include a pilot joint language airshow and a pilot simulcast of a call-in program with an Afghan television station. According to independent research, 16% of Afghans – 29% in Kabul – saw a VOA-produced piece on Afghan TV the previous week. The most recent weekly reach rating for VOA Afghan radio broadcasting indicates 40.7% weekly listenership among adults (11.6 million).

Doubling its production of both radio and TV programs in FY 2005, the Indonesian Service currently produces 6.5 hours of television per week and 9.5 hours of original radio programming per day. The Service added 54 radio and TV stations to its affiliates network, and opened a news bureau in Jakarta. Over 200 radio and TV stations rebroadcast VOA news and information in Indonesia.

### ▪ **Radio Free Europe/Radio Liberty**

Through its radio, Internet, and other information products, RFE/RL continues to make a significant contribution to the U.S.-led global struggle against terrorism. As of September 2005, RFE/RL broadcasts in 28 languages to Central, Eastern and Southeastern Europe; Russia; the Caucasus; Central Asia; Iraq; Iran; and Afghanistan. Eighteen of RFE/RL's language broadcasts—almost two-thirds of the total—are to countries or regions where the majority populations are Muslim. In FY 2005, RFE/RL enriched its information products and continued to expand delivery of these products on emerging media in order to reach new audiences—especially youth—in addition to traditional users of radio.

In Ukraine, for instance, RFE/RL information products are now available nationwide on Nashe Radio (Ukraine's leading commercial FM radio network), on two national television networks, on the Internet, and by mobile phone. New local rebroadcasting arrangements in Moscow and St. Petersburg, Russia's largest cities, have increased potential audiences for RFE/RL's revamped Russian-language programming. More live, interactive programming is created in bureaus in Moscow, St. Petersburg and Ekaterinburg. A sophisticated new website emphasizes breaking news and analysis and is aimed at Russia's younger, emerging entrepreneurial class. In addition, RFE/RL launched updated versions of its websites in Arabic, Azeri, Tajik, Persian (Radio Farda), and English. RFE/RL's Ukrainian Service provided balanced, comprehensive on-the-ground coverage of the "Orange Revolution," which brought peaceful democratic change to Ukraine. The Kyrgyz Service covered, live and from across Kyrgyzstan, the events that led to the flight of President Askar Akaev in March and democratic elections of new leaders.

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RFE/RL also launched regional radio programs for youth in Afghanistan, Iran, and Tajikistan; for youth in Kazakhstan and Kyrgyzstan; and a regional roundtable program for the Caucasus (Azerbaijan, Armenia, and Georgia). Radio Farda, a joint service of RFE/RL and VOA targeted at younger listeners in Iran, remained the most popular international radio station in Iran despite continued jamming by Iranian authorities. It aired extensive interviews and on-the-ground coverage of Iran's June 2005 Presidential election, including analysis by international experts about the election process. Radio Free Iraq featured extensive programming in the run-up to the national election in January 2005. Radio Free Afghanistan featured live interviews with officials and voters throughout the country during Afghanistan's October 2004 national election. The most recent weekly reach ratings are 61.6% weekly listenership among adults for Radio Free Afghanistan (17.7 million).

- **Radio Free Asia**

RFA continues to act as a surrogate for local radio in countries where governments prevent or restrict freedom of the press. RFA broadcasts covered major events in China, North Korea, Laos, Burma, Tibet, Vietnam, and Cambodia. All RFA programming is streamed on the Internet in order to reach the largest possible audience. This is particularly important in China and Vietnam, where governments regularly attempt to jam RFA's radio signals. RFA along with IBB Engineering continue anti-jamming efforts through email campaigns in Mandarin. In addition, IBB Engineering and RFA continue to seek new technology and research on Internet trends in Asia to counter Internet jamming.

In FY 2005, RFA reported on the death of Zhao Ziyang, former premier and head of the Chinese Communist Party, and provided extensive coverage of devastating Chinese coal mine accidents. The Cantonese Service continued coverage of the fallout from the deadly SARS virus and reported on rising social tensions in China. In Vietnam, RFA has established an e-mail delivery system that now serves approximately 10,000 addresses daily. Major media pickups during FY 2005 included several hundred in English such as *the Associated Press*, *Reuters*, *BBC*, *the International Herald Tribune*, *the New York Times*, and *Knight-Ridder* syndicate, and several hundred mentions in the Asian-language media of South Korea, Cambodia, Taiwan, Hong Kong, and exile Tibetan, Vietnamese, Burmese, Lao, and Uyghur communities.

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

Middle East Broadcasting Networks (MBN) continues to strengthen its programming and technological capabilities as it builds its audience throughout the Middle East. Since launching in FY 2004, Alhurra and Alhurra Iraq, both 24/7 TV services, provide accurate coverage of up-to-the-minute news, analysis, and discussion to Arabic speakers across the Middle East. Audience research conducted in May and June 2005 indicates that over a quarter of the adult population in Bahrain, Iraq, Jordan, Kuwait, Lebanon, Syria, and the United Arab Emirates watch Alhurra (ACNielsen). Moreover, Alhurra viewers expressed a keen interest in its news. The station's credibility rating jumped more than 20 percent in Egypt, Jordan, and Lebanon between August 2004 and June 2005, and over three fourths of all respondents expressed high levels of confidence in the reliability of the news. The research indicates that Alhurra and Alhurra Iraq are building an audience and effectively

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reaching the people in the region. The Middle East press has also begun to recognize the quality of Alhurra programming and the reliability of its news.

MBN has begun preparation for Alhurra Europe, a 24/7 news and information stream, designed for Arabic-speakers in Europe. The channel, which will be available via the popular Hotbird satellite, will include newscasts, talk shows, roundtables and original magazine programs from Alhurra and Alhurra Iraq. The target launch date for Alhurra Europe is April 2006.

At the end of FY 2005, MBN had completed construction of its main facility in Springfield, Virginia as well as news facilities in Baghdad and Dubai. It also successfully managed Radio Sawa's transition to a new facility in Virginia and the radio network's organizational shift to MBN from the BBG. Radio Sawa continues to build a significant audience in the Arab world by expanding its news and current affairs capabilities to provide more coverage of the War on Terror, American policies, American values and democracy, the post-war effort in Iraq and renewed initiatives to achieve progress in the Israeli-Palestinian conflict. Its all-news website was expanded in 2005. According to a recent audience survey, the introduction of Radio Sawa broadcasts in Iraq (on FM and medium wave) and Morocco (on FM) dramatically increased its overall audience. Together with the introduction of FM broadcasts in Bahrain and Qatar and the "spill over" reception on medium wave in the region, the measured audience for Radio Sawa has increased roughly threefold in the past two years – from 7.1 million in July of 2003 to 20.8 million today. In 14 Middle East and North African countries, Radio Sawa's weekly audience exceeds the combined audiences for BBC and Radio Monte Carlo – long considered the standard bearers for international radio in the Middle East.

### ▪ **Engineering and Technical Services**

The Office of Engineering and Technical Services manages and operates the global broadcast network, satellite feed distribution system, and the 24/7 FMs as well as manages all IBB information technology support functions, including Internet technical support. Engineering efforts over the past year continue to support the U.S. government's mission to combat terrorism and to deliver critical programs of multiple broadcast elements to diverse listening and viewing audiences around the world.

The BBG accomplished a number of significant program delivery improvements in FY 2005.

These include: the signing of a country-to-country agreement with Sudan for up to 12 FMs to be located throughout the country to broadcast Radio Sawa; the introduction of VOA and RFA Mandarin broadcasts on Eutelsat direct-to-home satellite television and radio; the establishment of new FM transmitters in key Afghan cities; and a new 24/7 FM in Yaoundé, Cameroon. Improvements to the transmitter in Tajikistan for broadcasts to Pakistan continue, including the new 800 kW medium wave transmitter and a new antenna system to be completed in FY 2006. Engineering maintained and increased BBG's Internet presence, upgrading the look and performance of the VOANews.com website. In addition, Engineering made strides to counter Internet jamming, and worked to establish and improve e-mail distribution systems to counter censorship activities of countries trying to block access to our Internet products.

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- **Agency Direction**

The BBG oversees all U.S. funded, non-military international broadcasting, including the operations of IBB, VOA, OCB, and the three grantees, RFE/RL, RFA, and MBN. The Office of the General Counsel, Office of the CFO, Director of the IBB, Office of Policy, and Office of Civil Rights supported agency activities throughout FY 2005.

The BBG conducted the 2005 Language Service Review under a new schedule that enabled the results of the review to inform the development of the FY 2007 Budget Request. Last year BBG submitted its first annual PAR on time and underwent its first independent audit of its financial statements, which received an unqualified (“clean”) opinion. In addition, the BBG conducted an improved Capital Planning Review process and included the Chief Information Officer function in the process. The agency has also begun implementation of an e-Travel system and has made significant progress in implementing a new payroll system to support the Administration’s e-government mandate. The BBG has selected the Defense Civilian Payroll System and is working with the Office of Personnel Management (OPM), OMB, and the Department of State to implement the new system in FY 2007.

The agency continues to improve the security of its IT operations to more fully comply with the Federal Information Security Management Act of 2002 (FISMA) and associated implementing guidance. Both the BBG’s 2005 FISMA Report and the Office of Inspector General’s (OIG) accompanying independent FISMA assessment note significant progress with FISMA compliance. The IBB has internally realigned its IT functions to more effectively and efficiently achieve FISMA compliance.

In FY 2005, the Office of Policy launched a new fast-paced, cutting-edge video feature, *The View from Washington*. Produced in English with Persian subtitles, it links local and regional content to global U.S. policy concerns, making the presentation of U.S. policy more direct, relevant, and credible. There are also two radio versions of this program: one for VOA Persian and another for VOA Dari, Pashto, Turkish, Kurdish, Urdu, and Bangla. The Office of Policy is preparing to launch a pilot weekly show, *On the Line Presents: A Woman’s World*, devoted to presenting independent documentary films that focus on issues relevant to Muslim women around the world, particularly involving basic dignity and human rights. Initially, it will be produced in English with subtitles by VOA language services.

- **Management Directorate**

The Management Directorate continues to support the President’s Management Agenda through several initiatives. The Management Directorate began a detailed analysis of the BBG’s workforce in FY 2004 that has continued in FY 2005, along with a Human Capital Survey and a Training Needs Assessment. The use of electronic procurements and performance based contracting is being expanded and modernized within the Office of Contracts.

- **Program Support**

The Office of Marketing and Program Placement (OMPP) continued to market a growing variety of BBG programs through advertising and promotional campaigns in FY 2005.

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Throughout the year, OMPP placed programming in strategically important areas. With the placement assistance of OMPP, VOA launched a radio stream aimed at Pakistani youth in rural areas, where the majority of the population lives. OMPP is currently involved in the new VOA television initiative to be launched within the first quarter of FY 2006. Other significant achievements included new affiliate agreements for both RFE/RL and VOA services to the Ukraine and UKV affiliate agreements for RFE/RL Russian. The Office of Performance Review conducted annual program reviews of the VOA language services and Radio and TV Martí to evaluate program quality and effectiveness. The Office of Research and Office of Public Affairs continued their work to support international broadcasting activities.

- **Office of Cuba Broadcasting (Radio and TV Martí)**

The Office of Cuba Broadcasting (OCB) continues to provide coordinated management of the Radio Martí and Television Martí. Radio and TV Martí continued to pursue their mission to provide a reliable source of news and information that is accurate and objective, and to promote freedom and democracy in Cuba. In FY 2005, OCB implemented a reorganization, under which all OCB activities fall under three major offices reporting to the Director, OCB: *Administration*, *Broadcast Operations*, and *Technical Operations*. The all news and information format of Radio Martí, broadcast 24 hours a day, six days a week, and 18 hours a day, one day a week, has allowed Radio Martí to respond more quickly to breaking news, and to provide in-depth coverage of major events. During FY 2005, Radio and TV Martí joined efforts, producing combined broadcasts of major news events, and special interviews and reports, thus more effectively utilizing OCB resources.



# **FY2005 Performance and Accountability Report**

## **President's Management Agenda**

In 2001, the President established the President's Management Agenda (PMA) for improving the management of the Federal government. This plan focuses on five areas targeted for improvement across the Federal government: human capital, competitive sourcing, e-government, financial management, and the integration of budget and performance. The BBG has made substantial progress on each PMA initiative. The following is a summary of our progress in FY 2005.

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

The Management Directorate has developed a comprehensive Human Capital Strategy based upon two goals: (1) Effective Human Capital Planning and Operations, and (2) a Skilled, Agile, and Motivated Workforce. The Management Directorate began a detailed analysis of the BBG's workforce in FY 2004 that has continued in FY 2005, along with a Human Capital Survey and a Training Needs Assessment. These were linked to the agency's strategic plan and used in developing and pursuing comprehensive Human Resource strategies for shaping, recruiting, training, retaining and leading our workforce in carrying out its mission. The agency expanded recruiting efforts by seeking partnerships with universities and professional organizations.

To meet the need for changing skills, the BBG obtained and is utilizing Voluntary Separation Incentive Payments (buyouts) and an extension of the agency's Early-Out Authority. The agency expanded its use of the USA Staffing automated staffing system to streamline and expedite recruitment. A variety of means are being used to attract skilled employees, including: entry level hires, full performance level hires, paid interns, co-ops, volunteer interns, Presidential Management Fellows, fellowships, consultants, experts and student hires. Selective use of recruitment bonuses, advanced in hire salary, and the new authority that provides up to seven additional days of leave for outstanding candidates new to the Federal government is being used to aid in recruitment.

A new performance appraisal system was introduced for members of the Senior Executive Service that expands performance accountability.

Significant progress has been made in meeting BBG workplace space obligations under union agreements, with the final office space upgrades completed in the fall of 2005. These renovations resulted in the various language services being physically proximate to their organizational structure, greatly enhancing efficiency and cooperation. The agency continues to chair a Building Security Committee to coordinate effective security procedures for all employees.

### **Competitive Sourcing**

Last year's FAIR Act submission reflects a commitment to finding the best possible means of accomplishing our mission. Contracting has been used, when appropriate, to accomplish new broadcasting initiatives. The agency is seeking legislative authority to expand its authority to employ personal services contractors in lieu of expanding FTE where appropriate.

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### **Property Management**

The agency is reviewing and improving its property management systems to ensure proper management of these resources. Procedures for managing both capitalized and non-capitalized property have been developed and implemented.

### **Expanded Electronic Government**

The BBG has made significant progress in implementing a new payroll system to support the Administration's e-government mandate. The BBG has selected the Department of Defense's Defense Civilian Payroll System and is working with OPM, OMB, and the Department of State to implement the new system in FY 2007. The use of electronic procurements and performance based contracting is being expanded and modernized within the Office of Contracts.

The agency also joined with the Department of State and the U.S. Agency for International Development (USAID) in their selection of CW Government Travel (CW) as its official travel service center. The selection of CW, an industry leader in e-Travel initiatives, supports the PMA. CW will also implement its E2 Solutions product to provide online booking and online vouchering services to the BBG during FY 2006.

### **Improved Financial Performance**

The BBG currently has a cross-servicing agreement with the Department of State for its financial management system. During FY 2005, the BBG continued to improve its financial management system by utilizing automated tools for payroll accruals, improved tracking of overseas transactions, improved financial reporting, and improved utilization of reporting tools. For example, the BBG made improvements to its travel program to streamline, consolidate, and standardize processes. Standard procedures were implemented to track and recover outstanding travel vouchers and advances, and notifications of reimbursements and repayments were established and distributed on a daily basis. The BBG increased its rebate from the government-wide purchase card program three-fold through electronic invoicing and payments.

The BBG is in compliance with Federal accounting principles and standards and met all Treasury and OMB financial reporting requirements in FY 2005.

The BBG continued to offer financial management training to its financial, program and administrative staffs. This training reinforced financial system controls, regulatory compliance, and budget formulation and execution requirements.

### **Budget and Performance Integration**

The BBG made significant progress in FY 2005 in integrating performance goals, including annual objectives and measures, with budget requests and financial management. Beginning with the formulation of the FY 2006 budget, the agency has included performance information to demonstrate the relationship between the agency's budget and strategic plan, implementation strategies, and performance targets. Efforts to integrate performance and budget information expanded again for the FY 2007 Budget Request when the BBG conducted the 2005 Language Service Review under a new schedule that enabled the results of the review to inform the development of the FY 2007 budget, including extensive information on performance goals and targets for the requested enhancements and linking them to the BBG strategic goals.

## **FY2005 Performance and Accountability Report**

FY 2004 was the first year the BBG prepared the PAR and conducted a financial statement audit, which was submitted on time and received an unqualified opinion on its balance sheet. The BBG also conducted an improved Capital Planning Review process, including the Chief Information Officer function in the process.

The Office of the CFO, including the Office of Financial Operations, the Budget Office and the Office of Strategic Management, facilitates the agency's on-going effort to integrate performance information with budget and financial information. The Budget Office works closely with the program offices to formulate and execute the budget and financial plans, monitors implementation of the financial plans by program, and conducts quarterly reviews of the status of funds to ensure that the funds meet each program's requirements and objectives. Also, each BBG entity is required to report on GPRA performance information annually, to set targets for future years and report on current year results.

The BBG continues to build a portfolio of program level strategies and annual performance plans linked to the agency's strategic goal, performance indicators and resources. A more detailed explanation of our progress as demonstrated through the OMB's Program Assessment Rating Tool (PART) evaluations is included in the Performance Section of this report.

# FY2005 Performance and Accountability Report

## On-going Challenges

### **Broadcast Environment**

Beyond the challenge of attracting large audiences in competitive media environments that any broadcasting organization faces, the BBG broadcasts to parts of the world where freedom of the press is often suppressed or denied. Because the BBG also broadcasts to countries and regions that lack democracy or are in the process of transitioning into democracy, this means working in politically unstable environments. Changes in the leadership and policies of host country governments may impact where and how we broadcast. The BBG relies on agreements with host governments for program delivery and access to local radio and TV affiliates. When the political climate or the leadership of a country changes, our ability to continue broadcasting may also change. The BBG broadcasts across borders to listeners, especially to countries where we cannot establish our own stations or arrange for local affiliates. In some countries that seek to suppress a free press, radio and television signals and Internet content are blocked, requiring us to seek transmission enhancements to overcome the jamming.

Another challenge for the BBG in meeting its primary strategic goal of reaching significant audiences in support of U.S. strategic interests is to deliver programs to target audiences in the medium that they prefer. These media include: radio via shortwave (SW), medium wave (MW), or FM; television via terrestrial cable or direct-to-home satellite; and the Internet. As audiences gain a wider range of media choices, their preferences shift to FM and television. This poses a particular challenge to the BBG. Unlike shortwave, medium wave and direct-to-home satellite television, these program delivery methods require the cooperation of the host country's government. If the BBG is unable to gain access to in-country FM, cable or terrestrial television frequencies, it will lose the ability to reach significant populations.

The BBG faced a number of broadcasting and delivery challenges during the past year. RFE/RL's programs were removed from a nationwide radio network in Kyrgyzstan prior to the country's crucial parliamentary election campaign. In Uzbekistan, a quasi-governmental entity set up to manage all private and independent media, essentially nullified all existing IBB contracts with television stations carrying VOA Uzbek and Russian language programs. VOA Uzbek ceased its radio broadcasting in 2004, redirecting its resources to television programming. However, in FY 2005 most of the station affiliates dropped VOA television programs. After the uprising in Andijon and the crackdown on international media that followed, only cross-border broadcasting into Uzbekistan was viable. In June 2005, VOA relaunched its radio broadcasts to Uzbekistan, including a daily 30-minute show on SW, MW, and an FM frequency from near the border with Uzbekistan.

The BBG also faced significant challenges in reaching Ukraine at the beginning of the fiscal year. In February 2004, Ukrainian authorities pressured RFE/RL's nationwide rebroadcasting partner to drop RFE/RL programs in the run-up to the country's hotly contested presidential election. In response, before the December vote, the BBG secured selected new rebroadcasting agreements with individual local radio stations. RFE/RL strengthened its partnership with the only independent nationwide cable television network at the time, Kanal 5, expanded its Ukrainian Internet site, and began distributing news via mobile phone in Ukraine. During this same period, VOA Ukrainian

## **FY2005 Performance and Accountability Report**

jointly produced a daily satellite link with Kanal 5 and launched a daily, 15-minute live television news program. As Ukraine's media market has opened up, the BBG now faces the new challenge of remaining a player in a competitive market that now offers viewers different choices.

To meet the challenges in the changing Russian broadcasting environment, the BBG continues to seek access to the broadcasting delivery methods that reach potential listeners on the wave bands they prefer. In FY 2005, RFE/RL placed daily programming on an UKV (Eastern FM) station in St. Petersburg, which is the most popular frequency in Russia, and modernized its Russian radio programming to attract new listeners. As political pressure on the major television networks has increased, VOA has found that regional stations located further from the political pressures of Moscow are more willing to carry VOA programming, and is working to place programming accordingly. Following the issuance of warning letters by the Russian government regarding possible licensing violations for the rebroadcast of foreign programming on television and radio stations, the BBG is working with individual stations to find terms under which they can continue to carry VOA and RFE/RL programs.

Finally, the current security situation in many countries poses an additional challenge to program delivery. While the establishment of facilities for Radio Free Afghanistan, Radio Sawa, and Alhurra Television is a critical component of the agency's mission, the unstable security situation in the Middle East and other regions makes this difficult. As a result, the BBG must remain flexible, adapting and responding to rapidly changing situations on the ground that impact both our daily operations and our plans for the future. Primary challenges facing the Middle East Broadcasting Networks include the completion of the terrestrial broadcasting network for Alhurra Iraq as well as procurement of additional FM transmission capability for Radio Sawa in Saudi Arabia, Algeria, Egypt, and in key cities in Iraq as security conditions permit.

### **Infrastructure**

Over the past several years, and especially since 9/11, the agency has focused its energy and resources on creating new programs to support U.S. national security requirements. The expansion of programming has placed a strain on the infrastructure in two ways. First, the BBG has historically had limited funding for maintenance of its worldwide physical plant, and this funding has been further stretched in recent years to accommodate urgent new priorities. Second, as broadcast hours and programming have expanded, the demands on the existing infrastructure have grown. New infrastructure must be established and maintained along with the existing infrastructure, and this maintenance is further complicated with the advent of digital technology. While digital technology provides the highest quality production capabilities and increased opportunities for improved efficiencies, the 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.

In light of the ongoing War on Terror, the present security situation requires that the BBG take appropriate caution in safeguarding its infrastructure and property. Following the terrorist attacks of September 11, 2001, general threat assessments by a variety of U.S. government agencies continue

## **FY2005 Performance and Accountability Report**

to emphasize that RFE/RL's current site in Prague is vulnerable to terrorist attack. In response, the BBG has taken steps to relocate its Prague office.

The BBG must also respond to natural disasters that can damage our technical infrastructure. When such events occur, it is necessary to respond as quickly as possible to prevent interruptions in our broadcasting capabilities. For example, in July 2005, Hurricane Dennis destroyed the TV Martí aerostat. The BBG is evaluating options for maintaining an airborne transmission platform.

The growth of television programming requirements has also strained the BBG's satellite delivery network infrastructure. New television requirements largely drive the capacity needed for the global delivery network. The addition of more BBG television programming, particularly during prime hours in a region, has stretched the current network capacity to its limits. Future TV growth, necessary to achieve a competitive presence in critical media markets, requires a corresponding expansion in the global delivery network infrastructure.

The BBG strives to use the most effective mix of media to reach the largest audiences in targeted areas. Ongoing realignment of the global network infrastructure helps to keep the most appropriate assets close to the audiences that these resources can best serve. Historically, BBG has maintained a global shortwave broadcasting network to reach audiences almost anywhere in the world and to respond quickly to urgent surge and crisis broadcasting requirements. As shortwave listenership declines in some regions, BBG has downsized or closed a number of transmitting stations and moved usable assets to other areas where they can provide valuable service for years to come.

### **Management**

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

Key challenges in achieving full compliance with FISMA (Federal Information Security Management Act of 2002) requirements include the changing scope of the FISMA regulations and the cost of the infrastructure modifications associated with the regulations. For example, the July 2005 mandate to convert from the Internet protocol version 4 to version 6 involves a substantial planning and execution effort over the next two years, and may involve replacement of the old version 4 infrastructure and equipment; however the instructions were issued too late to address the resource needs in the 2006 budget process.

Furthermore, the agency must have a workforce equipped with the skills necessary to accomplish its international broadcasting mission. Another management challenge is to balance the recruitment and hiring of new employees with needed skills to counter the expected surge in retirements. We must retain those who have the experience and necessary skills, and retrain those whose skills have become outdated. New technologies and broadcast methods in the audience's preferred media will also pose further requirements to reshape, recruit, or retrain the BBG's workforce. For example, RFE/RL has identified the need to provide bureau staff, including language service staff and freelancers assigned to the bureaus, with additional professional and technical training. Improving employee multi-media skills is especially important as RFE/RL transitions to a multi-media

## **FY2005 Performance and Accountability Report**

organization with an increased focus on producing programming on-site in the bureaus.

# FY2005 Performance and Accountability Report



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

*Inspector General*

October 24, 2005

Mr. Brian Conniff  
Executive Director  
Broadcasting Board of Governors  
330 Independence Avenue, S.W.  
Room 3360  
Washington, D.C. 20237

Dear Mr. Conniff:

The enclosed document is submitted in response to your request for Department of State Office of Inspector General (OIG) input for the Broadcasting Board of Governors' (BBG) FY 2005 Performance and Accountability Report. The statement represents OIG's assessment of BBG's major management and performance challenges for the fiscal year.

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

Sincerely,

A handwritten signature in cursive script that reads "Howard J. Krongard".

Howard J. Krongard

Enclosure

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



# **FY2005 Performance and Accountability Report**

## **U.S. Department of State Office of the Inspector General Statement for the Broadcasting Board of Governors' FY 2005 Performance and Accountability Report**

### **Management Challenges:**

#### **Human Capital**

BBG has made important strides in improving its human capital management since OIG issued Report Number IBO/A-03-02, *Review of Strategic Management of Human Capital and Workforce Planning Initiatives*. The 2004 Federal Human Capital Survey (FHCS) for BBG suggests that the relationship between employees and management at the agency is of particular concern. There continues to be room for improvement regarding the 2004 FHCS benchmarks on such matters as employee morale and overall working conditions. Another human capital issue, highlighted in the OIG report, is the prospective retirement of a significant amount of the workforce and the need to ensure retention of critical skills.

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

The theme of the BBG's strategic plan is "Marrying the Mission to the Market." BBG is involved for the most part in radio, television, and the Internet. BBG's international polling data indicates that shortwave listening audiences worldwide are in decline with most listeners showing a clear preference for FM. Another significant trend is for television viewing to increase and displace a portion of the radio market. BBG and its legacy agencies have over six decades of radio experience, especially in shortwave. However, the challenge is to marry the BBG mission to the television market. One of the challenges in accomplishing this is the expense involved. The agency has established an all-day, all-week television presence in the Arab-speaking Middle East and is incrementally trying to increase its television presence in other markets, at the risk of losing markets and missing market opportunities.

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

Since the issuance in 2001 of OIG Report Number 01-FP-R-042, *Review of the Broadcasting Board of Governors Audience Research Program*, both OIG and the Government Accountability Office have pointed out the need for BBG to have improved metrics. In its strategic plan BBG has said that it will become a research-based agency, and it is moving in that direction. Resources for research have steadily increased and more decisions are being informed by research. Although BBG has improved in terms of measures of its activity or outputs, when it comes to determining impacts or outcomes the agency continues to grapple with how to resolve this issue.

## **FY2005 Performance and Accountability Report**

### **Need for Internal Controls (especially a single system for tracking inventory and for improved preventive maintenance at selected shortwave transmitting stations)**

In September 2002, OIG issued Report Number IBO-A-02-03 *Review of the Broadcasting Board of Governor's Controls on Domestic Personal Property*. Since then, the agency still has not developed and adopted an agency-wide, single-property management software application. International Broadcasting Bureau employees who manage the agency's property have continued to express concerns about internal control vulnerabilities under the present situation.

As reported in OIG Report Number ISP-IB-05-69, *The International Broadcasting Bureau's Greenville, North Carolina Transmitting Station*, preventive maintenance at the aging transmitting station is a matter of concern. OIG is concerned that other sites may also be inadequately maintained.

# FY2005 Performance and Accountability Report



## BROADCASTING BOARD OF GOVERNORS UNITED STATES OF AMERICA

November 14, 2005

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

Dear Mr. Krongard:

Thank you for your memorandum of October 24, 2005 regarding the management and performance challenges facing the Broadcasting Board of Governors (BBG) in FY 2005. The BBG has reviewed your report and provides its responses to OIG's findings and recommendations. We appreciate the recognition of BBG's noted improvements and achievements throughout the fiscal year and are glad to have this opportunity to describe additional ways in which the BBG strives to make continual progress.

The following describes the actions the BBG is taking to address the management and performance challenges identified by your office.

### **Human Capital**

The BBG has continued to strengthen its human capital management. It recently completed the first edition of its Human Capital Plan, which includes an analysis of its current workforce and comprehensive, integrated strategies for meeting the challenges facing the agency and providing the agile, skilled, diverse and well-led workforce necessary to achieve the Board's strategic goals. This Plan incorporates recruitment, retention and training strategies for dealing with the anticipated retirement of a large portion of the BBG's current workforce. The Plan also includes renewed use of Buyouts and Early Retirements for reshaping its workforce and acquiring needed new skills. The BBG approved a total of 137 buyouts over the past three years to accomplish required staffing reductions and the move of Radio Sawa to the Middle East Broadcasting Networks without the disruptions of reductions in force and to acquire new skills required in areas such as television, Internet, and digital broadcasting technology.

The Board additionally is sponsoring a comprehensive review of the structure, coordination, and efficiency of the IBB and VOA. It will use results of this study to help direct future improvements. The BBG is using the feedback provided by Federal Human Capital Survey to guide its Human Resource strategies and is taking a number of steps to address the underlying employee concerns, including implementing a new Senior Executive Service Appraisal and Compensation System which stresses leadership and links executives' compensation to their success in achieving organizational performance

## **FY2005 Performance and Accountability Report**

objectives, initiating a new, comprehensive leadership training program, and renewing its commitment to setting performance expectations and completing performance appraisals of staff members in an effective and timely manner.

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

As we mention in our management challenges section, we recognize that one of the main challenges in meeting our primary strategic goal of reaching significant audiences is to deliver programs to target audiences in the broadcast medium that they prefer. Increasingly, this means television. While television is a relatively new medium for the BBG, the agency has taken steps to establish television expertise within the agency. For example, the BBG is currently undergoing a comprehensive review of the structure, coordination, and efficiency of VOA and IBB to assist the Board in directing future improvements. This review includes looking at the resources dedicated to VOA television. Also, the agency opens its recruitment of new employees in the television functions to “all qualified candidates” to ensure that the most qualified television employees are hired.

The BBG now has close to three years experience operating Alhurra and Alhurra-Iraq, each a 24/7 television channel. In addition, as VOA expands its television programming, the BBG is developing a better understanding of the resources required to support television. The BBG through its on-going research efforts, is also developing a deeper understanding of the targeted audience's preferences and is improving the integration of this information in the development of new program initiatives.

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

The BBG continues to refine and explore new performance goals that can better measure overall impact and progress towards achieving our desired long-term outcome-- marrying the broadcasting mission to local media markets. The BBG's first strategic plan serves as the roadmap for this core strategy while individual performance plans with key performance measures and goals have strengthened linkages at all levels to the mission, strategic goals and performance goals.

The BBG is making significant strides in streamlining and integrating strategic and budget planning. For example, the annual Language Service Review (LSR) was conducted for each of the agency's 56 broadcast languages under a new schedule that enabled the results of the review to inform the development of the FY 2007 Budget Request, including extensive information on performance goals and targets for the requested enhancements and linking them to the BBG strategic goals. The performance data gathered through this analytical process are in line with GPRA measures, internal Program Reviews and PART evaluations.

Since the PART began, the BBG has significantly improved its ratings from “Results Not Demonstrated” in FY 2002 to “Moderately Effective” for all programs in FY 2003 and FY 2004. This steady improvement is due in large part to significant progress in strategic planning, budget and performance integration at all levels. Our goal is to integrate budget and performance information throughout all levels of the BBG.

## FY2005 Performance and Accountability Report

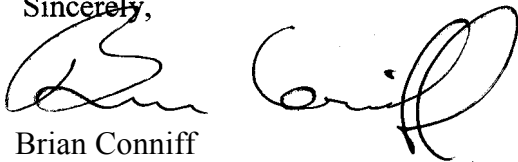
### **Need for Internal Controls (especially a single system for tracking inventory and for improved preventive maintenance at selected shortwave transmitting stations)**

In response to the OIG report IBO-A-02-03 *Review of the Broadcasting Board of Governor's Controls on Domestic Personal Property*, the BBG established a working group to review agency requirements for a property management system. This group recommended the implementation of a single property management system for domestic property. In FY 2005, the BBG purchased a database package, which has been implemented for domestic property management. To continue to improve the overall accountability of property, specific timelines have been set for quarterly reporting and for conducting annual physical inventories. In addition, the capitalized property is included on the agency financial statements, which are subject to an independent audit.

The BBG agrees that adequate maintenance and repair of its facilities is critical and is working to address preventive maintenance at its transmitting stations. The Office of Engineering has developed a multi-year maintenance and repair plan that is updated annually to ensure that the highest priority and most critical maintenance projects are completed. The BBG has improved its capital planning process over the last few years and as part of the annual budget process, conducts a review of the agency-wide technical and capital infrastructure to identify key gaps. This information is utilized in the development of the budget. The BBG also utilizes existing equipment and staff expertise as much as possible to maintain its facilities in the most cost-effective manner possible.

We thank you again for the opportunity to provide our comments.

Sincerely,



Brian Conniff  
Executive Director

# FY2005 Performance and Accountability Report

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

The BBG is committed to establishing and maintaining effective and efficient internal controls. In FY 2005 the BBG conducted an internal control review and the agency will conduct ongoing reviews of internal accounting and administrative control systems. The results of these reviews, as well as consideration of audits, evaluations and reviews conducted by the U.S. General Accountability Office (GAO), the Office of Inspector General (OIG) and other outside entities, are used as a basis for the BBG's reporting on the condition of the agency's internal controls.

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

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

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

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

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

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

The BBG's standards incorporate the GAO's *Standards for Internal Controls in the Federal Government*. Good internal control systems are essential for ensuring the effective conduct of BBG business and the accomplishment of management objectives. All internal control systems should be reviewed periodically because these systems have inherent limitations and should not be relied upon

## **FY2005 Performance and Accountability Report**

to provide absolute assurance. In addition, changes in regulations and organization may also require adjustments to the internal control systems.

As a result of the FY 2005 review the BBG identified the following material weaknesses, high vulnerability areas, and matters for continued monitoring. For the purposes of this report, a weakness is material if it violates statutory or regulatory requirements; significantly weakens safeguards against waste, loss, unauthorized use of funds, property or other assets; significantly impairs the mission of the BBG; or merits the attention of the Chairman, the BBG or Congress. BBG management has designated a high vulnerability issue as a high-risk area with identified deficiencies and less than effective internal controls. These areas warrant special attention of management, with the need to strengthen controls.

## FY2005 Performance and Accountability Report

Material Weakness	Corrective Action
<p><b><i>Federal Procurement Policies and Procedures</i></b></p> <ul style="list-style-type: none"> <li>Warranted “Purchasing Activities” that are located both at IBB Headquarters in Washington, DC and at various field locations are not consistently following Federal procurement policies and procedures in procuring supplies and services.</li> </ul>	<ol style="list-style-type: none"> <li>Office of Contracts (M/CON) has begun to conduct a set of “Procurement Compliance Reviews” of both IBB Headquarters and field Purchasing Activities to identify non-conforming procurement actions. M/CON will make on-the-spot corrections of non-compliant procurement documents at the reviewed locations whenever possible.</li> <li>A “Master-checklist” containing the specific items and/or documents to be physically viewed during the review as well as the proposed Compliance Review schedule was completed by September 30, 2005.</li> <li>M/CON will also issue at least one written report for one IBB Headquarters Purchasing Activity over the next year.</li> </ol>
<p><b><i>Federal Purchase Card Program</i></b></p> <ul style="list-style-type: none"> <li>Citibank “Purchase Cardholders” located at both IBB Headquarters in Washington, DC and various IBB field locations are not consistently following Federal procurement policies and procedures regarding Federal Purchase Card Program procurement requirements and documentation, as cited during an OIG Audit Team’s audit.</li> <li>IBB needs to establish and maintain consistency among all of its participating Purchase Cardholders in their use of the Citibank Purchase Card and adherence to applicable Federal procurement regulations.</li> </ul>	<ol style="list-style-type: none"> <li>M/CON discussed with the OIG Audit team their “preliminary” Findings and Recommendations from their auditing work as of July 31, 2005, and in turn developed a preliminary corrective action plan to implement OIG’s formal recommendations.</li> <li>M/CON, in coordination with the OIG Audit Team, will develop a draft checklist of specific steps that all IBB Purchase Cardholders must follow and documentation that all IBB Purchase Cardholders must complete when procuring supplies and services.</li> <li>M/CON will be performing annual reviews of the Purchase Card procurements.</li> </ol>



## FY2005 Performance and Accountability Report

High Vulnerability Issue	Corrective Action
<p><b><i>The Manual of Operations and Administration (MOA) needs to be updated</i></b></p> <ul style="list-style-type: none"> <li>• The MOA provides operating procedures necessary for the agency to implement agency policy and provides guidelines for establishing management controls.</li> <li>• The MOA has not been reviewed to determine if the regulations or requirements have changed or organizational changes have occurred that may require additions or deletions to the manual.</li> </ul>	<ol style="list-style-type: none"> <li>1) In FY 2004, the agency began updating its MOA. The first policies and procedures that were updated were for the CFO's office. A draft of the CFO section has been completed and is currently under review and clearance. The final CFO section is scheduled to be finalized by December 31, 2005.</li> <li>2) The remaining modules of the MOA will be prioritized and scheduled for work in FY 2006.</li> </ol>
<p><b><i>Travel Voucher Program</i></b></p> <ul style="list-style-type: none"> <li>• Travel Vouchers are not filed on a timely basis.</li> <li>• Unused travel advances are not routinely reported and returned to BBG.</li> <li>• Travel authorizations and travel vouchers are processed independently.</li> </ul>	<ol style="list-style-type: none"> <li>1) The CFO Office notified all travelers of outstanding authorizations and advances and requested the submission of the voucher or repayment of the advance. As a result, significant reductions occurred in the outstanding claims.</li> <li>2) The notification process has been implemented as part of the standard operating procedures for travel. In addition, the travel authorization and voucher processing have been consolidated within the Office of the CFO.</li> <li>3) BBG has awarded a contract to Carlson Wagonlit (CW) Government Service to implement their E2 Solutions product to support the e-Travel initiative and improve the travel management program for the BBG. The agency plans to implement E2 for the fourth quarter of FY 2006.</li> </ol>

## FY2005 Performance and Accountability Report

<b>High Vulnerability Issue</b>	<b>Corrective Action</b>
<p><b><i>Personal Property Accountability</i></b></p> <ul style="list-style-type: none"><li>• The BBG needs a single property database.</li><li>• Several systems exist within the agency for tracking property, making property inventory control difficult.</li><li>• Inventory must be taken each year.</li></ul>	<ol style="list-style-type: none"><li>1) In FY 2005, BBG purchased a database package which has been implemented for domestic property.</li><li>2) BBG is now identifying improvements to ensure proper management of these resources and developing functional requirements for integrating into one database.</li></ol>

## FY2005 Performance and Accountability Report

Matters for Continued Monitoring	Corrective Action
<p><b><i>Use of International Long-Distance Telephone Service</i></b></p> <ul style="list-style-type: none"> <li>• Use of international long distance of telephone service is readily available.</li> <li>• Improved review and certification of telephone service for official business is needed.</li> </ul>	<p>To address this issue, the agency has:</p> <ol style="list-style-type: none"> <li>1) Sorted and distributed to affected managers monthly telephone bills by element and required managers to certify calls for <u>official business only</u>.</li> <li>2) Investigated, on a monthly basis, long-distance calls over an established dollar threshold to verify “official use.”</li> <li>3) Examined, on a monthly basis, trends or abnormalities in telephone usage.</li> <li>4) Reminded agency employees, on a quarterly basis, through a series of email broadcasts on the proper usage of government provided long-distance service.</li> <li>5) Pursued employee discipline or termination, if appropriate, when telephone abuse was found.</li> <li>6) Taken corrective action, when necessary, and will continue to do so when the situation warrants.</li> </ol>
<p><b><i>Annual FMFIA Reviews</i></b></p> <ul style="list-style-type: none"> <li>• The BBG identified the FMFIA management control identification process as a high vulnerability issue for FY 2004.</li> <li>• Regular FMFIA reviews had not been conducted by the agency.</li> <li>• Managers and supervisors need training in developing and documenting internal controls.</li> </ul>	<ol style="list-style-type: none"> <li>1) FMFIA training for supervisors and managers was conducted in June 2005.</li> <li>2) The agency has since established a continuous management control review process within the IBB’s Office of Administration.</li> </ol>

# FY2005 Performance and Accountability Report

## Financial Highlights

The BBG financial statements, which are included in the Financial Section of this report, are the second set of statements prepared for the agency. This is the first presentation of comparable statements for the agency. The BBG prepared and submitted quarterly statements on time for each quarter of FY 2005.

The independent accounting firm, Leonard G. Birnbaum and Company, LLP conducted our FY 2005 financial statement audit and issued an unqualified (“clean”) opinion on our Principal Financial Statements. This is the best possible audit result and a significant achievement for the agency.

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

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

<b>FINANCIAL HIGHLIGHTS</b>		
<b>(Dollars in Thousands)</b>	<b>2005</b>	<b>2004</b>
<b>At End of Year:</b>		
<b>Condensed Balance Sheet Data:</b>		
Fund Balance with U.S.	\$150,803	\$189,497
Accounts Receivable	3,590	4,153
Property, Plant and Equipment	245,607	188,247
Other	1,213	534
<b>Total Asset</b>	<b><u>\$401,213</u></b>	<b><u>\$382,431</u></b>
Accounts Payable	3,174	16,978
Retirement and Payroll	29,290	30,439
<b>Total Liabilities</b>	<b><u>\$32,464</u></b>	<b><u>\$47,417</u></b>
Unexpended Appropriations	140,602	162,782
Cumulative Results of Operations	228,147	172,232
<b>Total Net Position</b>	<b><u>\$368,749</u></b>	<b><u>\$335,014</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$401,213</u></b>	<b><u>\$382,431</u></b>
<b>For the Year:</b>		
Total Cost	579,600	706,531
Total Earned Revenue	(1,998)	(2,046)
<b>Total Net Cost of Operations</b>	<b><u>\$577,602</u></b>	<b><u>\$704,485</u></b>

# **FY2005 Performance and Accountability Report**

## **Limitation of Financial Statements**

The BBG has prepared its financial statements to report its financial position and results of operations, pursuant to the requirements of the Accountability of Tax Dollars Act of 2002 and the Government Management Reform Act of 1994. While the BBG statements have been prepared from its books and records in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the understanding that they are for a component of the United States Government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation by Congress, and payment of all liabilities, other than for contracts, can be abrogated by the Federal government.

***Section 2:  
Performance  
Information***

## FY2005 Performance and Accountability Report

### Strategic Goal

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

### FY 2005 Operational Strategic Goals

The operational strategic goals outlined below guide U.S. International Broadcasting in fulfilling the agency's primary strategic goal of reaching significant audiences in support of U.S. strategic interests. These goals provide direction to the agency and its broadcasting entities in making programming and budgetary decisions, thereby forming the foundation on which all of our international broadcasting activities are supported. They are not goals that we measure quantitatively, but are important guides for the implementation of all of our measurable performance goals.

- **Design a broadcasting architecture for the 21<sup>st</sup> century.**  
BBG will reconstitute U.S. international broadcasting as a *single system*. This system will be composed of regional networks, common program threads consisting of VOA and grantee programs in common languages, within which each station will preserve its unique characteristics and strengths. The programs will, however, be delivered as a coherent stream. The effect will be to coordinate and bring to bear all of the relevant resources of U.S. international broadcasting on a given critical region. Both VOA's and the grantees' missions will be fulfilled.
- **Build out progressively, using regional networks and single-country priority initiatives.**  
The old structure of U.S. international broadcasting must change. Using annual Language Service Review as a prime tool, BBG will assess priority area by priority area, who the target audiences should be and what form of broadcasting will be needed to reach them.
- **Employ modern communications techniques and technologies across the board.**  
BBG will accelerate multi-media development, infusing more TV and Internet into the mix. We will adopt the principles and practices of modern radio formatics, and will control the distribution channels that audiences use, where possible, and in general adapt our programs in accordance with audience research findings so they reach more people while still achieving our mission.

## FY2005 Performance and Accountability Report

- **Preserve our most precious commodity—credibility—and ensure overall programming excellence.**

Congress established the BBG as an independent agency. The reason is clear: If our audiences do not find our broadcasts to be credible, they will tune us out. If they tune us out, we sacrifice our mission. To remain credible, BBG must maintain the "firewall" between the entities and those who would influence programs from the outside. At the same time, we must enforce top journalistic standards and we must maintain top quality standards.

- **Revitalize the telling of America's story to the world.**

As the world's only superpower, in an era of globalization, America inspires strong feelings around the globe. Among many populations those feelings are negative. Our mission as broadcasters and journalists is not to change that to love--although that would be nice--but to ensure that the real facts about this country and its policies are understood clearly. We must be sure that our programs are interesting, attractive and never boring.

- **Shore up our surge broadcasting capability.**

Be better prepared for crisis broadcasting wherever it is needed. BBG created a Crisis Response Team, with standing procedures to enable us to manage crises when they occur. We also need the technical means to respond to the transmission requirements of crises.



# FY2005 Performance and Accountability Report

## FY 2005 Performance Objectives and Outcomes



These performance objectives support the operational strategic goals listed above.

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Complete the successful launch of the Middle East Broadcasting Networks (including Radio Sawa, Alhurra, and Alhurra Iraq).</b></p>  <p>Journalists at work in the Alhurra television newsroom</p> <p><b><i>ACNielsen research shows that Radio Sawa and Alhurra Television capture unduplicated audiences of 70% in Iraq, 58% in Kuwait, 53% in UAE, 47% in Morocco, and 39% in Syria.</i></b></p>  <p>Alhurra in a Damascus Café</p>	<ul style="list-style-type: none"> <li>✓ Since its launch in 2003, Radio Sawa continues to broadcast consistently reliable, authoritative, accurate, objective and comprehensive news with over 325 live, updated newscasts per week, including daily 30-minute news magazines containing in-depth reporting and analysis.</li> <li>✓ Radio Sawa began broadcasting on May 15, 2005 from studios and offices in a facility shared with the News and Current Affairs Department of Alhurra to permit synergies and efficiencies of operation.</li> <li>✓ Radio Sawa has constructed six distinct programming streams, including Iraq (FM and MW), Jordan and the West Bank (FM), the Gulf (FM), Egypt and the Levant (MW), Morocco (FM) and Sudan and Yemen (MW).</li> <li>✓ ACNielsen research shows that Radio Sawa and Alhurra Television capture unduplicated audiences of 70% in Iraq, 58% in Kuwait, 53% in UAE, 47% in Morocco, and 39% in Syria.</li> <li>✓ Radio Sawa’s audience reach has increased roughly threefold in the past two years – from 7.1 million in July of 2003 to 20.8 million in 2005. This increase is due to several factors, including the introduction of FM broadcasts in Bahrain and Qatar, the addition of a high power MW transmitter that broadcasts to Saudi Arabia (though as of the end of FY 2005 it was subject to regional interference, a problem IBB Engineering is working to address), powerful medium wave transmitters on Cyprus and Rhodes that broadcast to Egypt, Gaza, Jordan, Syria and Lebanon, and other medium wave transmitters that broadcast to Iraq from Kuwait and from Djibouti to Sudan and Yemen.</li> <li>✓ Programming on Alhurra and Alhurra Iraq concentrates on up-to-the-minute news, in-depth reporting, news analysis, discussion and informational documentaries and other programming on a variety of subjects including history, culture, sports, technology and health.</li> <li>✓ During prime time each evening, Alhurra and Alhurra Iraq feature several one-hour newscasts, including live reports from Washington and the Middle East. Outside prime time, the two channels broadcast news and news updates twice an hour for 16 hours of the day.</li> </ul>



## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Harmonize Radio Free Afghanistan and VOA in the Afghanistan Radio Network.</b></p> <p><i>Over 50% of the adult population of Afghanistan listens to BBG broadcasts.</i></p>	<ul style="list-style-type: none"> <li>✓ Together, RFE/RL and VOA continue to provide a 24/7 radio service to an audience that comprises over 50% of the adult population of Afghanistan. With a combined network of 110 stringers (VOA has 23) and bureau staff on the ground in Afghanistan, RFE/RL and VOA have created a true broadcast success story as major broadcasters in that country.</li> <li>✓ To more effectively harmonize Afghan broadcasting efforts, RFE/RL and VOA share the same bureau space in Kabul as well as share the same frequencies and transmitters and communicate in dealing with relevant issues. Both RFE/RL and VOA exchange promos at the end of each 12-hour broadcasting cycle.</li> <li>✓ The most recent weekly reach ratings for U.S. international broadcasting are 61.6% weekly listenership among adults for Radio Free Afghanistan (17.7 million), 40.7% for VOA Afghan broadcasts (11.6 million) and an unduplicated total radio reach of 69.6% (19.8 million). Additionally, VOA-TV placement products have a weekly reach of 15.8% (4.5 million). This gives an unduplicated weekly total for combined radio and TV of 72.9% (20.8 million).</li> <li>✓ VOA’s Afghanistan Service continues to build upon the success of its seamless 12-hour program stream in the Dari and Pashto languages, <i>Radio Ashna (Friend)</i>, with a more contemporary, fast-paced format and expanded in-country reporting. Recent program initiatives include a pilot joint language radio program and a pilot simulcast of a call-in program with an Afghan television station.</li> <li>✓ RFE/RL’s Radio Afghanistan launched regional radio programs for youth in Afghanistan as well as featured live interviews with officials and voters throughout the country during the national election.</li> <li>✓ RFE/RL provided in-depth, comprehensive coverage of Afghanistan’s national elections in September 2005. The Afghan service executed 12 hours of live coverage, including reports from all 34 provinces; 130 separate live reports; 12 on-air discussions with expert observers; 24 international newscasts; 12 reviews of international media coverage of the election; a summary round-table discussion program; and a 90 news items published on the Internet in Dari and Pashto.</li> </ul>

## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Revamp broadcasting to Iran to reach a young audience.</b></p>  <p>VOA's Persian Service presents <i>Looking Ahead</i></p> <p><b><i>Radio Farda, a joint service of RFE/RL and VOA Persian, continues to rank as one of the top international broadcasters to Iran.</i></b></p>  <p>Radio Farda broadcaster in the studio at the Prague Operations Center</p>	<ul style="list-style-type: none"> <li>✓ Building on the success of its Persian TV programming, the VOA Persian Service expanded the nightly Persian 30-minute television show, <i>News and Views</i>, from 30 to 60 minutes a day. The show features a daily Washington report on high-profile Iran-related events at the White House, Congress, the Departments of Defense and State as well as on-the-scene reporting of major U.S. and world events.</li> <li>✓ Listening and viewing rates are hard to survey in Iran. But telephone surveys indicate listenership to BBG radio programming tops 29%, while BBG's television programming draws audiences of up to 26% of Iranian adults.</li> <li>✓ VOA TV programming continues to evolve with programming emphasis on issues of interest to Iranian youth. In October 2004, the Persian Service reformatted its 30-minute weekly youth-oriented TV magazine show, <i>Next Chapter</i>, to focus on political and cultural issues that affect young Iranians. The show uses rare footage and exclusive interviews with Iranian experts, architects and artists to examine topics such as political activism, women's rights, unemployment, and the plight of Iranian street children.</li> <li>✓ On radio, VOA Persian introduced a new, livelier format that provides even more in-depth coverage of news and current events, along with a daily call-in segment featuring experts and callers from within and outside Iran.</li> <li>✓ RFE/RL has improved its coverage of youth issues, including Radio Farda's popular <i>Negale Tazeh</i>. This weekly show focuses on music and entertainment, but also delves into topics such as the rights of women in Muslim societies, freedom of religion, and Muslim relations with the West. One of the most popular programs allowed youth to discuss the issue of societal and governmental attitudes in Iran on the issues of changing religions. Radio Farda received more e-mails from listeners for this show than for any other program.</li> <li>✓ Radio Farda also offers a "Question of the Week" in its music segment to encourage discussion and free thought among Iranian youth. It remained the most popular international radio station in Iran.</li> </ul>

## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Pioneer anti-terrorism broadcasting.</b></p>  <p><b>VOA Afghanistan Pashto Service stringer Ekram Shinwari interviews Kabul citizens on their views regarding the presidential elections</b></p> <p><b><i>Recent research indicates that 28% of university-educated Indonesians in Jakarta and 19% throughout Indonesia listen to and/or watch VOA Indonesian every week.</i></b></p>  <p><b>VOA's Indonesian Service</b></p>	<p>✓ The BBG has enhanced broadcasting to countries involved in the War on Terror; through existing programming, reinvigorating old programming, and transmission enhancements we have grown our audience share in these strategically important countries:</p> <ul style="list-style-type: none"> <li>○ VOA continues its 12-hour-a-day Urdu language broadcasts to reach millions of Pakistanis and other Urdu speakers in India. Broadcasts are formatted to appeal to young people. Recent research indicates that efforts in 2005 have contributed to a nearly double increase of the listening audience.</li> <li>○ VOA Kurdish broadcasts of four hours of daily radio continues to provide comprehensive coverage of developments in Iraq, the U.S. and the rest of the world. VOA Kurdish commands a 24% audience share among the Kurds of Iraq.</li> <li>○ VOA provides a 60-minute weekly program of branded TV news and cultural features to state-owned Kabul TV in Afghanistan.</li> <li>○ According to independent research, 16% of Afghans – 29% in Kabul – saw a VOA-produced piece on Afghan TV the previous week.</li> <li>○ VOA Indonesian started providing five-minute headline news to its network of 200 radio affiliates every half hour, 28 times a day. VOA also expanded its popular youth-oriented radio program VOA Direct Connection to three hours a week. The show is now aired on Thursday, Friday and Saturday evenings in over 60 cities.</li> <li>○ VOA Indonesian produces 6.5 hours of television per week and 9.5 hours of original radio programming per day, doubling production of both radio and TV programs in FY 2005. The Service added 54 radio and TV stations to its affiliates network, and opened a news bureau in Jakarta. Over 200 radio and TV stations rebroadcast VOA news and information in Indonesia.</li> <li>○ The latest research indicates that 28% of university-educated Indonesians in Jakarta and 19% throughout Indonesia listen to and/or watch VOA Indonesian every week.</li> <li>○ VOA and RFA are the only Western international broadcasters broadcasting to North Korea. Reporting on internal conditions and distrust of the Korean government-controlled media has made VOA and RFA valued sources of news even though listening to foreign radio stations is prohibited. Defector surveys found that nearly one-third had listened to BBG broadcasting prior to fleeing.</li> <li>○ Page view traffic on the RFA Korean web site increased 25% from 2004.</li> </ul>

## FY2005 Performance and Accountability Report


FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Pioneer anti-terrorism broadcasting.</b> <i>(Continued)</i></p>	<ul style="list-style-type: none"> <li>○ VOA focused on reaching large Muslim communities in Africa as well as targeting areas in the region where press freedom is restricted, including USAID-funded broadcasts targeting Zimbabwe and the opening of a new reporting center in Nigeria.</li>   <li>○ VOA Bangla has been completely reformatted and given a contemporary look that is aimed at making Bangla programs faster paced and lively. The new format offers a daily menu of world news, news from Washington, and a window on regional developments, including reports and interviews related to the region. Also included are economic and sports news, life styles, and a blending of ethnic Bangla, rock and pop music, interspersed with news on science, business, and youth around the world.</li>   <li>○ In October 2004, VOA Hindi completely re-formatted its morning and evening radio broadcasts, making them more fast moving, modern sounding, and compatible with FM broadcasting. Popular call-in programs Hello India and Hello America increased from 20 to 40 minutes. On October 31, 2004, the VOA Hindi Service launched a 30-minute news and current affairs magazine program, Duniya (The World). The program is co-hosted “live” from Washington and New Delhi and jointly produced with Aaj Tak, India’s leading 24/7, multi-city, TV news channel.</li> </ul>



## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Reach the two continental giants— China and Russia as well as countries of the Former Soviet Union.</b></p>  <p><b>RFA's Mandarin service broadcaster</b></p> <p><b>To counter Chinese government jamming of foreign broadcasts, VOA Mandarin and RFA Mandarin are at the forefront of a variety of new Internet-based techniques such as proxy servers and mirror websites.</b></p>  <p><b>VOA's Tibetan service anchors</b></p>	<ul style="list-style-type: none"> <li>✓ In FY 2005, VOA Mandarin revamped its prime time radio programs to provide four hours of continuously updated news and feature programming. The Service also launched a new 30-minute live, daily radio call-in program that is distributed in China. Ten television stations and more than 70 radio stations carry VOA's programming despite the Chinese government's increasing efforts to control media outlets.</li> <li>✓ VOA's Mandarin Service continued to provide thousands of TV program tapes and DVDs to provincial and local TV stations in virtually every province in China for their broadcasts.</li> <li>✓ VOA Mandarin upgraded production of two weekly television shows, <i>Health Forum</i> on Saturdays and <i>Strait Talk</i> on Sundays. Both call-in shows were moved to TV studios to enhance the appearance and presentation of the programs.</li> <li>✓ VOA Cantonese has been placing a six-minute weekly TV feature called <i>American Report</i> on Asia Television (ATV) in Hong Kong since August 2004.</li> <li>✓ RFA broadcasts 12 hours per day to China in Mandarin with four dynamic call-in programs.</li> <li>✓ RFA is the only international radio station broadcasting news and information to China's far northwestern region, with a potential audience of 10 million Uyghur-speaking people. The Uyghur service broadcasts two hours, seven days a week and provides a forum for a variety of opinions and voices.</li> <li>✓ VOA's Tibetan Service launched its first television and radio simulcast program in March 2005. The new program provides a forum for Tibetan callers inside of China and around the world to discuss common issues.</li> <li>✓ VOA, RFA, and IBB Engineering continue anti-jamming efforts through email campaigns in Mandarin. In addition, IBB Engineering, with RFA and VOA support, seeks new technology and researches Internet trends in Asia to counter Internet jamming, including such new Internet-based techniques as proxy servers and mirror websites.</li> <li>✓ VOA has also worked with IBB engineers to launch a pilot Short Message Service and Multimedia Message Service in Hong Kong, which provide cell phone users with the latest news updates in the form of text messages and video clips.</li> </ul>

## FY2005 Performance and Accountability Report



FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Reach the two continental giants— China and Russia as well as countries of the Former Soviet Union.</b> <i>(Continued)</i></p>  <p><b>RFE/RL journalist Andriy Dubchak's photo of demonstrators surrounding the Ukrainian Cabinet of Ministers' building in Kyiv in December</b></p>	<ul style="list-style-type: none"> <li>✓ New local rebroadcasting arrangements in Moscow and St. Petersburg increased potential audiences for RFE/RL's revamped Russian-language programming, which includes new features to enhance its unique role as a locally oriented broadcaster with global perspective. More live, interactive programming is being created in bureaus in Moscow, St. Petersburg and Ekaterinburg. A sophisticated new website emphasizes breaking news and analysis and is aimed at Russia's younger, emerging entrepreneurial class.</li> <li>✓ RFE/RL launched regional radio programs for youth in Afghanistan, Iran, and Tajikistan; for youth in Kazakhstan and Kyrgyzstan; and a regional roundtable program for the Caucasus (Azerbaijan, Armenia, and Georgia).</li> <li>✓ VOA Russian increased its weekly radio call-in show broadcast to a daily program. In addition, the Russian Service began regularly to solicit the participation of VOA affiliates in these programs.</li> <li>✓ VOA has established a relationship with the only remaining independent network in Russia, REN-TV. VOA Russian has begun feeding individual television reports to the station, which REN-TV uses in conjunction with its own productions and with VOA branding.</li> <li>✓ When Ukrainian authorities pressured RFE/RL's nationwide rebroadcasting partner to drop RFE/RL programs prior to the country's hotly contested presidential election, RFE/RL with the support of IBB secured selected new rebroadcasting agreements with individual local radio stations before the December vote. RFE/RL also strengthened its partnership with a nationwide cable television station, Kanal 5, to produce a joint half-hour weekly television roundtable discussion program, which focused on the contentious issues in the campaign.</li> <li>✓ RFE/RL expanded its Ukrainian language website, usage of which doubled as Ukrainians sought impartial and comprehensive coverage of political events. RFE/RL also began distributing news via mobile phone in Ukraine; callers to a cell phone service provider in Ukraine were able to listen to one-minute or five-minute newscasts, updated every hour.</li> <li>✓ As of April 2005, the overall weekly reach of VOA's Ukrainian TV programming grew to 9.9%, its highest level ever, up from 2.1% in October 2004. Thanks to longstanding ties with Kanal 5, the only independent television network at the time, VOA was able to jointly produce a daily satellite link with the network.</li> <li>✓ VOA launched a daily, 15-minute live TV news program. As the political crisis resolved, the Ukrainian Service, thanks to increased visibility, was well positioned to place its daily news program and launch interactive satellite links with other networks. Since this time the BBG has helped solidify VOA's relationship with 3 major Ukrainian television networks.</li> </ul>

## FY2005 Performance and Accountability Report


FY 2005 Performance Objectives	FY 2005 Outcomes
<b>Overhaul the support services.</b>	<ul style="list-style-type: none"> <li>✓The Board is sponsoring a comprehensive review of the structure, coordination, and efficiency of the IBB and VOA. It will use results of the study to help direct future improvements.</li>   <li>✓OPM’s Human Capital Survey also guides support services in improving employee satisfaction. In response to the survey, actions taken by the support services are intended to improve the areas covered by the survey. These results are also tracked as performance goals for the support services.</li>   <li>✓The Management Directorate developed a comprehensive Human Capital Strategy based on the goals of achieving effective human capital planning and operations and a skilled, agile, and motivated workforce.</li>   <li>✓Last year BBG prepared and submitted its first PAR on time and conducted a financial statement audit, which received an unqualified (“clean”) opinion.</li>   <li>✓In 2005, RFA’s Technical Operations Division, as part of its ongoing Quality Assurance Program, was reorganized to increase operational effectiveness.</li> </ul>
<b>Institute annual strategic review.</b>	<ul style="list-style-type: none"> <li>✓In FY 2005, efforts continued to further streamline and integrate strategic and budget planning. The annual Language Service Review was conducted for each of the agency’s 56 broadcast languages under a new schedule that enabled the results of the review to inform the development of the FY 2007 budget.</li>   <li>✓In FY 2005, the agency began a comprehensive analysis of the most effective use of its facilities.</li> </ul>




## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Accelerate multi-media development.</b></p>  <p>Radio Farda's website</p> <p><b>BBG responds to audience media preferences by expanding television and Internet.</b></p>  <p>RFA's Mandarin website</p>	<ul style="list-style-type: none"> <li>✓VOA's Newsflow digital video file server was activated in August 2005.</li> <li>✓VOA's Urdu Service recently introduced a new bilingual website with live audio streaming that promotes the news and entertainment programs of <i>Radio Aap ki Dunyaa</i>.</li> <li>✓VOA's Urdu Service has been preparing for the launch of a 30-minute television show featuring current affairs in FY 2006.</li> <li>✓VOA Persian's website continues to be one of the five most frequently visited sites on VOANews.com.</li> <li>✓In February 2005, VOA's Persian Service launched <i>Looking Ahead</i>, a two-hour monthly television series that focuses on the implications of U.S.-Iran relations on human rights and the democratic movement in Iran. This live, two-hour program, features in-studio panelists, phone interviews with experts and activists inside and outside Iran, and a call-in segment with live feedback from the audience in Iran.</li> <li>✓In FY 2005, RFE/RL launched updated versions of its websites in Arabic, Azeri, Tajik, Persian (Radio Farda), and English. It also built a forum application for the Belarusian website, which allowed the service to hold regular Internet conferences with high-profile guests. A special election webpage was created for the Kyrgyz Service on the eve of the presidential elections that developed into the Kyrgyz revolution.</li> <li>✓RFE/RL created topical Web pages in English addressing timely issues including Iraq's continuing transition to democracy and civil society; religion and tolerance; the power of youth (highlighting the political role of youth movements in post-Soviet revolutions); and elections in Tajikistan, Turkmenistan, Kazakhstan, Kyrgyzstan, and Uzbekistan.</li> <li>✓The average number of page views to RFE/RL's 21 Internet sites in FY 2005 grew by more than 36%, to an average of nearly nine million per month. The increase came despite persistent efforts by Iranian authorities to block access to Radio Farda's popular website. RFE/RL distributes monthly by email more than 1.1 million copies of news and analysis reporting about the countries to which it broadcasts, an increase of more than 21%.</li> </ul>

## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Accelerate multi-media development.</b> <i>(Continued)</i></p>  <p>Radio Sawa's all-news website</p>	<ul style="list-style-type: none"> <li>✓ RFA Internet traffic has dramatically increased throughout its nine Asian language pages and its English language page. For example, RFA observed a 64% increase in traffic to <a href="http://www.rfa.org">www.rfa.org</a> from Hong Kong alone during 2004. With the installment of the new content management system in September 2004, RFA made important enhancements to the site in presentation, functionality and efficiency. Language service sites now continually provide photos and illustrations; audio-slideshows of original, historical images; in-house produced video footage; message boards; and blogs.</li> <li>✓ In FY 2005, OCB reorganized to more effectively and efficiently share multimedia resources between Radio and TV Martí.</li> <li>✓ Radio Sawa's all-news website (<a href="http://www.radiosawa.com">www.radiosawa.com</a>) was expanded. The site features up-to-date Arabic language news, as news scripts are added to the site hourly on a 24/7 basis. Listeners can also hear recent newscasts, Radio Sawa correspondent reports, and Radio Sawa's program stream on the website. The site averages over 6 million page views a month. The average visitor to the site visits over 20 pages. The site is cross-linked with the Alhurra site.</li> </ul>
<p><b>Universally adopt the principles of radio formatics.</b></p>	<ul style="list-style-type: none"> <li>✓ The format of broadcasting was designed to appeal to target audiences by providing clear, consistent programming that features news, information, and music that research indicates there is a demand for.</li> </ul>

## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Control the distribution channels that audiences use.</b></p> <div style="text-align: center;">  <p><b>BBG transmission assets</b></p> </div>	<ul style="list-style-type: none"> <li>✓ The BBG installed a fourth shortwave transmitter in Kuwait for broadcast to Afghanistan.</li> <li>✓ VOA Uzbek successfully resumed its radio broadcasting in June 2005 following the Andijon violence and crackdown on international media in Uzbekistan. The program is broadcast on shortwave as well as on medium wave from Tajikistan and on FM from an affiliate in Kyrgyzstan.</li> <li>✓ The BBG continued leasing a medium wave facility in Tajikistan to transmit the VOA Urdu language service into Pakistan as well as began operation of a new 800 kW medium wave transmitter. It also constructed a second, leased high-power AM station in UAE for broadcast to the Middle East.</li> <li>✓ Engineering and the OCB have identified a location suitable for construction of a new medium wave facility for broadcasts to Cuba.</li> <li>✓ The BBG operates FM stations in about 40 locations worldwide and continues to establish broadcasting capabilities in major population centers around the world. In FY 2005, new FM stations were installed in Accra, Ghana, and in Ramallah, Palestine.</li> <li>✓ VOA launched a 24/7 FM frequency in Accra, Ghana, in February 2005. The new frequency carries the 24-hour combined schedule of English to Africa and VOA's <i>English News Now</i> broadcasts targeting Africa.</li> <li>✓ Installation of the new FM transmitting system for an affiliate in Kano, Nigeria, was completed in 2005.</li> <li>✓ The VOA Turkish Service started an affiliation with a major Turkish FM network, which now broadcasts one hour of VOA on 35 affiliate stations throughout the country.</li> <li>✓ RFE/RL placed 18 hours of daily programming on an UKV (Eastern FM) station in St. Petersburg, which is the most popular frequency in Russia.</li> <li>✓ In Ukraine, RFE/RL information products now are available nationwide on Nashe Radio (Ukraine's leading commercial FM radio network), on two national television networks, on the Internet, and by mobile phone.</li> <li>✓ Both VOA and RFA Mandarin launched broadcasts on Eutelsat direct-to-home satellite television and radio.</li> </ul>


## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Go local in content and presence.</b></p>  <p>VOA Persian Service reporter Nazzy Beglari reporting live from Kabul on the Afghan presidential election</p> <p><b>The BBG increased its global audience reach from 100 to 140 million.</b></p>  <p>RFA Burmese Service Director Soe Thinn interviews two members of the United Wa State Army in a remote area of Burma along the Chinese border</p>	<ul style="list-style-type: none"> <li>✓ The BBG increased its global audience reach from 100 to 140 million.</li> <li>✓ Alhurra Iraq, Radio Sawa, and Radio Free Iraq featured extensive programming in the run-up to the national election in January 2005.</li> <li>✓ Radio Free Afghanistan and VOA Dari and Pashto featured live interviews with officials and voters throughout the country during Afghanistan's October 2004 national election.</li> <li>✓ RFE/RL's Ukrainian Service and VOA Ukrainian provided balanced, comprehensive on-the-ground coverage of the "Orange Revolution".</li> <li>✓ VOA Persian and Radio Farda aired extensive interviews and on-the-ground coverage of Iran's June 2005 Presidential election, including analysis by international experts.</li> <li>✓ RFE/RL Uzbek Service correspondents in Uzbekistan covered the mass killing of protesters in Andijon in May and the Uzbek government's continued crackdown on human rights, including media.</li> <li>✓ RFE/RL's North Caucasus Service interviewed Aslan Maskhadov, leader of the Chechen resistance in Russia, just days before he was killed by Russian forces.</li> <li>✓ In the aftermath of the December 26, 2004 tsunami, VOA's Indonesian Service's stringer was among the first journalists to report on the devastation on the ground from Aceh. In the days following the disaster, the Service launched an intensive coverage of the massive U.S. support for reconstruction.</li> <li>✓ RFA is the only Western international news broadcaster that uses "in language" text for its Tibetan, Burmese, Lao, Khmer, and Uyghur websites.</li> <li>✓ VOA has expanded its Andean focus radio program <i>Enfoque Andino</i> from 30 to 60 minutes, offering more in-depth coverage of developments in Venezuela, Bolivia, Colombia, and Ecuador.</li> </ul>
<p><b>Tailor content to the audience.</b></p>	<ul style="list-style-type: none"> <li>✓ In FY 2005, the BBG conducted audience research within target areas for each broadcast service. Information about audience demographics, media usage and program preferences were used by the broadcast services to develop and improve programming.</li> </ul>
<p><b>Drive innovation and performance with research.</b></p>	<ul style="list-style-type: none"> <li>✓ The BBG expanded the reach and impact of U.S. international broadcasting through extensive use of audience research to improve programming content and presentation as well as identifying audience preferences for new media.</li> </ul>
<p><b>Maintain the firewall.</b></p>	<ul style="list-style-type: none"> <li>✓ The Board continues to preserve the credibility of U.S. international broadcasting by preventing those who would seek to influence news coverage from doing so.</li> </ul>

## FY2005 Performance and Accountability Report


FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Update and enforce journalism standards.</b></p>	<ul style="list-style-type: none"> <li>✓ Each of the entities adheres to the standards set by the Broadcasting Act and supported by their missions. Oversight for adhering to the standards was provided by the Board.</li>   <li>✓ International Media Training staff initiated or supported recent training efforts in Vietnam, Rwanda, Ghana, Mali, Indonesia, Afghanistan, Pakistan, Nigeria and Bangladesh.</li>   <li>✓ The VOA Hausa service inaugurated a Reporting Center in Kano, in northern Nigeria. The Center serves not only as a hub for VOA stringers in Nigeria and Niger, but also as a training center for journalists on health and political reporting and journalistic skills in general. Very recently, Nigerian women journalists were training at the center on health reporting.</li>   <li>✓ RFE/RL specialized training for broadcasters included: <i>Radio Journalism (and Western Journalism Standards), Writing for Radio, Writing for the Web, Story Building, Editorial Workshops, Voicing, Media Law and the Responsibilities of Journalists, and Staff Management.</i></li>   <li>✓ RFA specialized training for broadcasters included: <i>On-the-Job Coaching, Writing for the Web and Web Packaging, News Judgment for Web Staff, Legal Training</i> (for broadcasters in preparation for the Khmer Rouge trials), and <i>Journalistic Ethics</i> (for targeted language services)</li>   <li>✓ VOA specialized training for broadcasters included: <i>On-air Television, Television Production. Preparation of a Story, Shooting a Basic Interview, Producing an Effective Program, Telling a Story with Words and Pictures, Voicing a Television Story, Writing for Broadcasting, Repurposing On-air Stories for Web Casting,</i> and a variety of other classes directly linked to enhancing journalistic standards and skills.</li>   <li>✓ The Program Support Directorate is continuing efforts to coordinate journalism and station management training in Afghanistan and Iraq.</li> </ul>

## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Perform annual program reviews of all broadcast services.</b></p> <div style="text-align: center;">  </div> <p><b>TV Martí Interview with Mel Martinez</b></p>	<ul style="list-style-type: none"> <li>✓ As a result of the FY 2004 performance review of OCB, OCB implemented a reorganization in 2005 that improves cross-utilization of resources between radio and TV, avoids duplication, and allows greater consistency in reporting and coverage, and efficiency in operations.</li>   <li>✓ In FY 2005, the Office of Performance Review conducted 44 comprehensive program reviews of IBB broadcast services.</li>   <li>✓ Impact of the IBB program review process was most significant in several key areas: <ul style="list-style-type: none"> <li>○ VOA Indonesian utilized new survey and other research data to make substantial adjustments to its new and expanded television schedule – by targeting products more precisely, refining methods for selecting affiliates, and enhancing production values.</li>   <li>○ VOA's Afghan and South Asian radio services underwent substantial renovation of their formats and production techniques, focusing on contemporary production values intended to attract wider, younger audiences.</li>   <li>○ OCB's TV Martí, under the leadership of the OCB Director, underwent a top-to-bottom internal review of its programming following a similarly thorough and constructively critical evaluation of program content and production techniques; the review resulted in significant program alterations, and key management changes.</li>   <li>○ IBB Performance Review focused for the first time on the growing number of VOA and OCB websites, developing a structured preliminary method for evaluating usage data as a determinant of performance.</li> </ul> </li> </ul>



## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Present this country and its policies clearly and effectively to a new generation.</b></p> <p><i><b>Innovative initiatives by the Office of Policy improve the presentation of U.S. policy and the BBG's focus on expanded U.S. coverage.</b></i></p>  <p><b>The Office of Policy's <i>On the Line</i> is a lively forum where newsmakers, policy experts, diplomats, activists, academics and journalists discuss U.S. foreign policy and world events</b></p>	<ul style="list-style-type: none"> <li>✓ Throughout FY 2005, the broadcast entities developed new programming to appeal to and inform young audiences.</li> <li>✓ RFE/RL provided extensive coverage geared to domestic audiences across its broadcast region, of democracy in action in the U.S., including the U.S. Presidential election, the Presidential Inauguration, and President Bush's State of the Union Address.</li> <li>✓ On World Press Freedom Day in May, State Department Deputy Spokesman Adam Ereli participated in a call-in talk show on Radio Farda in which he discussed press freedom with callers from Iran.</li> <li>✓ RFE/RL correspondents reported from the scene in June when President Bush visited Latvia, Russia, and Georgia.</li> <li>✓ The Office of Policy launched a new fast-paced, cutting-edge video feature, <i>The View from Washington</i>. Produced in English with Persian subtitles, it links local and regional content to global U.S. policy concerns, making the presentation of U.S. policy more direct, relevant, and credible. There are also two radio versions of this program: one for VOA Persian and another for VOA Dari, Pashto, Turkish, Kurdish, Urdu, and Bangla.</li> <li>✓ VOA Urdu's <i>Radio Aap ki Duniyaa</i> exhaustively covered major events, including the 2004 U.S. Presidential elections, for which the Service extended its broadcast hours for continuous commentary on the vote-counting after the closing of the polls, the Condoleezza Rice hearings, and the Presidential Inauguration.</li> <li>✓ VOA Hindi sends feeds to Aaj Tak on major news developments for its news programming. The Hindi Service anchored 10 special programs on U.S. Presidential elections for Aaj Tak beginning October 25 and continuing until November 3, 2004. It was the first time in India's history when such extensive coverage was given to U.S. Presidential elections.</li> <li>✓ VOA Hausa added a weekly feature that looks at the practice of different kinds of religion in the U.S. and particularly that of the Islamic religion. Apart from interviews with leading Muslim clerics in the U.S., the program also covers a lot of important Muslim activities like conventions and workshops in the U.S. and other interfaith activities.</li> </ul>

## FY2005 Performance and Accountability Report

FY 2005 Performance Objectives	FY 2005 Outcomes
<p><b>Be better prepared for crisis broadcasting wherever it is needed.</b></p>	<ul style="list-style-type: none"> <li>✓ In FY 2005, the Board continued to maintain crisis management policies and protocols that will be used when crises arise to enable quick, coordinated responses among the broadcast entities.</li>   <li>✓ Engineering continued to develop disaster recovery plans and strategies to safeguard against catastrophic network loss. In FY 2005, plans were developed to install the major satellite communications infrastructure, required to provide an interconnect capability to the worldwide BBG network, at the alternate site. Implementation of these plans should commence in FY 2006.</li>   <li>✓ The BBG completed an MOU with FEMA to utilize facilities at the National Emergency Training Center in Emmitsburg, MD, and is developing plans for an initial operational capability to continue broadcasts in priority languages from this location for up to 30 days.</li> </ul>



## **FY2005 Performance and Accountability Report**

### **FY 2005 Performance Indicator Targets and Outcomes**

Delivering accurate news and information to significant audiences in target countries is our core definition of success. That success is a two-part consideration, requiring first that our programs say what we want in a manner attractive to listeners or viewers, and second, that our programs reach large numbers of people on a regular basis. Both elements are equally important, and we have implemented performance indicators to measure both of them at the entity level, together with other secondary measures. Scores for the performance indicators and secondary measures are aggregated at the entity level in order to provide a rough sense of what each entity is accomplishing.

## FY2005 Performance and Accountability Report

### Summary of FY 2005 Performance Indicator Targets and Outcomes

	FY 2004 Actual	FY 2005 Target	FY 2005 Estimate
<b>Regular Listening/Viewing Audiences: Number of people in target areas listening or viewing at least weekly by program element.</b>			
VOA (Radio)	87 million	89 million	87 million
VOA (TV)	20 million	28 million	25 million
VOA (Radio + TV)	99 million	117 million	107 million
MBN (Radio Sawa)	14.3 million	18 million	20.8 million
MBN (Alhurra)	8.5 million	12.8 million	21.3 million
OCB	NA	NA	NA
RFE/RL	33 million	33 million	31 million
RFA	NA	NA	NA
<b>Affiliations and Transmitters: Count of local radio and TV stations regularly carrying U.S. government programs, and IBB-owned and operated local transmitters carrying TV, FM, and AM.</b>			
VOA (Radio) – affiliates	188	188-206	215
VOA (Radio) – transmitters	18	21	20
VOA (TV) – affiliates	170	170-185	106
MBN (Radio Sawa) – transmitters	21	30	21
MBN (Alhurra) - TV transmitters	2	5	2
RFE/RL – affiliates	58	58-64	63
RFE/RL – transmitters	9	12	10
<b>Program Quality: Assesses the U.S. interest, content, balance, accuracy and quality of presentation of program material. Score is percent of services whose programs are rated "good" or "excellent."</b>			
VOA (Radio)	100	100	98
VOA (TV)	NA	NA	NA
MBN (Radio Sawa)	100	100	100
RFE/RL	100	100	100
RFA	100	100	100
OCB	100	100	100
<b>Radio Signal Strength Index: Overall network indicator applied to cross-border SW and MW radio signals that measures whether programs can be heard by target audiences. Based on a 5-point scale.</b>			
BBG	3.0	3.0	2.83
<b>Satellite Effectiveness Index: Assesses whether our satellite delivery is keeping pace with global media developments.</b>			
BBG	7.9	9.0	9.0
<b>Transmission Network Consumable Expense: The cost of power and parts to operate the IBO transmitter.</b>			
BBG	\$32 million	\$30 million	\$32 million

## FY2005 Performance and Accountability Report

### Verification and Validation of Indicators

The performance indicators are a best effort to measure in a meaningful way each broadcast element's level of performance. To achieve maximum objectivity, measurement is performed independently of the elements being evaluated. VOA, RFE/RL, RFA, MBN and OCB audience research is carried out by InterMedia, an outside research provider under contract to the BBG. The Broadcasting Satellite Users' Group, a multi-element working group not affiliated with the Engineering element, calculates the Satellite Effectiveness Index. InterMedia also conducts the initial evaluation of program quality on a sample of programs, the results of which are presented at program reviews for all entities. These research ratings are complemented by scoring on a different set of programs from in-house program review analysts not affiliated with the language service in question in a ratio of 55 to 45. Each performance indicator requires different measurement techniques.

**Regular Listening/ Viewing Audience:** 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 program element. It is based upon measurement of the "regular listening audience" a statistical standard long used to report international radio audience reach. Regular listening/viewing audience has over the years been consistently defined as all adults listening or viewing at least once a week, as determined by an audience survey that has an adequately designed sample.

- **VOA (Radio) - Target: 89 million Actual: 87 million**  
This total reflects significant increases in Pakistan and Bangladesh, offset by decreases in Russia, Ukraine, and Nigeria, thus maintaining the 2004 level at the same time as audiences are turning to other media.
- **VOA (TV) - Target: 28 million Actual: 25 million**  
Although the target was not met, VOA TV audiences grew by 5 million since 2004, from 20 to 25 million viewers.
- **VOA (Radio + TV) - Target: 117 million Actual: 107 million**  
The combined number of Radio and TV viewers increased by 8 million, from 99 million in 2004 to 107 million in 2005. Although the target was not met, this audience increase is particularly significant given increasingly competitive media markets.
- **MBN (Radio Sawa) - Target: 18 million Actual: 20.8 million**  
Radio Sawa's audience reach has tripled in the last two years – from 7.1 million in July 2003 to 20.8 million in 2005. The increase in audience reach is largely due to the addition of new FM broadcasts in Bahrain and Qatar; a high power MW transmitter that broadcasts to Saudi Arabia; powerful medium wave transmitters on Cyprus and Rhodes that broadcast to Egypt, Gaza, Jordan, Syria, and Lebanon; and medium wave transmitters in Kuwait that broadcast to Iraq and in Djibouti that broadcast to Sudan and Yemen.
- **MBN (Alhurra) - Target: 12.8 Actual: 21.3**  
MBN's network of regional reporters contributed to the growing Middle Eastern reach of Alhurra as evidenced by 2005's audience research surveys. According to ACNielsen

## FY2005 Performance and Accountability Report

research, Alhurra was watched by over a quarter of the adult population in Bahrain, Iraq, Jordan, Kuwait, Lebanon, Syria and the United Arab Emirates.

- **OCB (Radio and TV Marti) - Target: NA Actual: NA**  
The closed nature of Cuban society makes it extraordinarily difficult to conduct the survey research required to make reliable estimates of radio and television audiences.
- **RFE/RL - Target: 33 million Actual: 31 million**  
The overall drop in total audience is largely attributable to Russia, which experienced a decline in audiences to all major broadcasters.
- **RFA - Target: NA Actual: NA**  
Because of the limitations of reliable survey data in many of the countries that Radio Free Asia broadcasts to it is not possible to estimate a listening audience.

**Affiliations and Transmitters:** This is the number of local radio and TV stations regularly carrying U.S. government programming, and of IBB owned and operated local transmitters carrying TV, FM, and AM broadcasts. This indicator counts only those stations with contracts, that regularly rebroadcast identified programs of U.S. International Broadcasting elements on competitive media, in or near prime time in an uncensored manner, either nationally or in strategically important parts of the country. This measurement standard was implemented in 2003 and is much more restrictive than the method used previously. As a result, the FY 2005 target numbers have been adjusted to reflect the more stringent criteria.

- **VOA (Radio) Affiliates - Target: 188-206 Actual: 215**  
A network of 20 stations across Indonesia was added this year - and VOA Swahili was re-established on the "Citizen" FM network across Kenya. In addition, 24-hour FM coverage on an IBB-owned transmitter began in Accra, Ghana.
- **VOA (Radio) Transmitters - Target: 21 Actual: 20**  
The number of local transmitters increased slightly in FY 2005 to a level of 20 from 18 in FY 2004. The security situation, especially in Iraq, has slowed the rate of installations.
- **VOA (TV) Affiliates - Target: 170-185 Actual: 106**  
These figures cannot be directly compared because the television merger between VOA and Worldnet had an impact on how affiliates were counted. Before the consolidation, the number of BBG television affiliates was higher since stations carrying both VOA-TV productions and Worldnet programs were counted as separate affiliates. In addition, governments in two countries have taken steps against the broadcast of BBG programs. While negotiations to resume these broadcasts continue, we are looking for alternative methods to get the programs into the countries.
- **MBN (Radio Sawa) Transmitters - Target: 30 Actual: 21**  
The estimate for FY 2005 did not meet the target due to the security situation in Iraq.

## FY2005 Performance and Accountability Report

- **MBN (Alhurra) TV Transmitters - Target: 5 Actual: 2**  
The estimate for FY 2005 did not meet the target due to the security situation in Iraq.
- **RFE/RL Affiliates - Target: 58-64 Actual: 63**  
Radio Liberty (RL) programming was placed 18 hours each day on Radio 1 Kultura in Moscow - in addition to RL's programming on medium wave there. Agreements were also signed with "Radio Baltika" in St. Petersburg. In addition, broadcasting to Ukraine was re-established on several fronts - including on Nashe Radio and "Voice of Kyiv" in the capital. The Ukraine network is, in fact, more robust now than prior to the 2003-2004 crackdown.
- **RFE/RL Transmitters - Target: 12 Actual: 10**  
The number of local transmitters increased by one additional transmitter. The security situation, especially in Iraq, has slowed the rate of installations.

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

- **VOA (Radio) - Target: 100 Actual: 98**  
This score is due to a lower rating in FY 2005 for VOA Hindi content criteria. The Program Review Action Plan resulting from the 2005 Review outlines steps to improve the programming content and raise the score.
- **VOA (TV) - Target: NA Actual: NA**  
Throughout the year feedback from monitoring panels using the criteria established in FY 2004 has been received. However, the peer review section of the program quality score is still under development.
- **MBN (Alhurra and Radio Sawa) - Target: 100 Actual: 100**  
Alhurra is undergoing its first monitoring panels in preparation for its first full performance review in early to mid-FY 2006. Radio Sawa's first full performance review, which took place in early FY 2005, yielded a program quality rating of good or excellent.
- **OCB - Target: 100 Actual: 100**  
Program quality ratings were good or excellent for Radio and TV Martí in 2005.
- **RFE/RL - Target: 100 Actual: 100**  
Program quality ratings continued to be good or excellent for all RFE/RL language services in 2005.

## FY2005 Performance and Accountability Report

- **RFA - Target: 100 Actual: 100**

Program quality ratings continue to be good or excellent for all RFA language services in 2005.

**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 index is measured on a scale of 1 to 5, where 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: 3.0 Actual: 2.83**

The FY 2005 Index did not meet the target due to heavy broadcasting schedules to Iraq, Iran, Afghanistan and Pakistan that have stretched the resources of the agency's global transmission network. The index will continue to decline worldwide as shortwave's popularity wanes, however the UAE MW will improve local reception in the target areas.

**Satellite Effectiveness Index:** This index provides a quantitative measure of the ability of the satellite network to access the population of TV households. The measure accounts for TV population, total satellite network capacity, signal strength, and prime-time flexibility. This is a TV measure. It is an open-ended scale, in order to reflect the massive increase in global television use.

- **BBG - Target: 9.0 Actual: 9.0**

The Satellite Effectiveness Index achieved an actual level of 9.0 in FY 2005, equaling the predicted FY 2005 target level. Various efforts to convert the satellite distribution network to more efficient and effective digital capability have contributed to the steady rise in this index.

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

- **BBG - Target: \$30 million Actual: \$32 million**

IBB's MW/SW transmission network is experiencing the pressure of higher fuel and power costs than last year and the addition of the MW in UAE increases expenses.

# FY2005 Performance and Accountability Report

## Program Assessment Rating Tool (PART)

### PART Schedule

The PART, initiated in FY 2002, is a five-year process by OMB to assess approximately 20% of the Federal government programs each year. The PART uses a series of questions in four areas that are weighted by OMB, as shown below. The scores are then grouped in ratings of Effective (85-100), Moderately Effective (70-84), Adequate (50-59) and Results Not Demonstrated. The purpose is to determine whether a program has a clear definition of success, uses strong management practices, and produces results.

Section	OMB Weighting
Program Purpose & Design	20%
Strategic Planning	10%
Program Management	20%
Program Results	50%
<b>Total Program Score</b>	<b>100%</b>

Programs evaluated in prior years may be re-evaluated if significant changes that would affect the rating have been made to the program, or if there is Congressional interest in the results of specific programs. Consistent with the schedule below, detailed performance plans were also developed for the individual language services within a program.

In FY 2004, a PART evaluation of Broadcasting to East Asia and Eurasia was conducted as well as a re-evaluation of Near East Asia and South Asia. In FY 2005, OMB evaluated Broadcasting to Latin America, including Cuba, and BBG Engineering and Technical Services, with the final results to be published in February 2006. The remaining PART program of Broadcasting Support will be assessed in FY 2006.

## FY2005 Performance and Accountability Report

### **Results of Prior Year PART Evaluations**

Since the PART began, the BBG has significantly improved its ratings from “Results Not Demonstrated” in FY 2002 to “Moderately Effective” in FY 2003 and FY 2004.

Year of Review	Programs Reviewed	Results
FY 2002	<ul style="list-style-type: none"> <li>▪ Broadcasting to Near East Asia and South Asia</li> </ul>	<ul style="list-style-type: none"> <li>▪ Results Not Demonstrated rating.</li> </ul>
FY 2003	<ul style="list-style-type: none"> <li>▪ Broadcasting to Africa</li> <li>▪ Broadcasting to Near East Asia and South Asia</li> </ul>	<ul style="list-style-type: none"> <li>▪ Moderately Effective rating.</li> <li>▪ Moderately Effective rating. Re-evaluation because of War on Terror and major enhancements for Alhurra Television.</li> </ul>
FY 2004	<ul style="list-style-type: none"> <li>▪ Broadcasting to East Asia and Eurasia</li> <li>▪ Broadcasting to Near East Asia and South Asia</li> </ul>	<ul style="list-style-type: none"> <li>▪ Moderately Effective rating.</li> <li>▪ Moderately Effective rating. Re-evaluation due to continued priority on War on Terror and inclusion of additional language services in this program. Final score higher than previous assessment.</li> </ul>

### **BBG Strategic Planning and Performance Integration**

In FY 2002, the BBG put forward a new Strategic Plan and approach to international broadcasting that focuses on marrying the broadcasting mission to local media markets. The strategy lays out the primary long-term strategic goal and operational strategic goals linked to agency performance measures. We continue to refine and explore new performance goals that can better measure overall impact and progress towards achieving the long-term outcome goal.

The Congressionally-mandated Language Service Review continues to be the foundation for making resource adjustments and setting strategic priorities at the language service level. The performance data gathered through this analytical process are common to the GPRA measures, internal Program Reviews and PART evaluations.



## **FY2005 Performance and Accountability Report**

Since the PART began, the BBG has improved its ratings, due in large part to significant progress in strategic planning, budget and performance integration at all levels. The release of our first strategic plan since independence became the roadmap for the core strategy of “marrying the mission to the market” and individual performance plans have strengthened linkages to the mission, strategic goals and performance goals, which is a major section in the PART evaluation. Improvements in linking budget to performance have also continued and are expanded with the FY 2007 Budget Request.

Our goal is to integrate budget and performance information throughout all levels of the BBG. Previously evaluated programs look forward to similar ratings when re-evaluated in light of the improved strategic planning, budget and performance integration processes now in place.

## FY2005 Performance and Accountability Report

### 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 issues: (1) where should the BBG broadcast and (2) how well is the BBG broadcasting. The Language Service Review fulfills a BBG congressional mandate to “review, evaluate, and determine, at least annually, after consultation with the Secretary of State, the addition and deletion of language services.” The Program Reviews, conducted by the individual entities, are annual quality control mechanisms based on field research and external analysis of program content and presentation.

OIG and the GAO also conduct evaluations of the BBG. During FY 2005, OIG issued nine final reports to the BBG. The agency will continue to implement and respond to the recommendations of those evaluations.

Report No.	Type of Report	Title	Status
ISP-IB-05-69	OIG Report	<i>Inspection of the International Broadcasting Bureau's Greenville, North Carolina, Transmitting Station</i>	Final Report Issued 8/2005 BBG Response 9/23/2005
ISP-IB-05-70	OIG Report	<i>Security Issues at the International Broadcasting Bureau's Greenville, North Carolina, Transmitting Station</i>	Final Report Issued 8/2005 BBG Response 9/23/2005
ISP-IB-05-65	OIG Report of Inspection	<i>The Review of the Voice of America's Digital Upgrade Program</i>	Final Report Issued 8/2005 BBG Response 10/07/2005
IBO-S-05-64	OIG Final Report	<i>Inspection of Broadcasting Board of Governors' Operations in Hong Kong</i>	Final Report Issued 8/2005 BBG Response 9/20/2005
ISP-IB-05-66	OIG Final Report	<i>Inspection of The Broadcasting Board of Governors' Operations in India</i>	Final Report Issued 8/2005 BBG Response 9/27/2005
ISP-IB-05-67	OIG Report of Inspection	<i>Inspection of Broadcasting Board of Governors' Operations in and Broadcasting to Pakistan</i>	Final Report Issued 9/2005 Action Tasked by M/AA
ISP-IB-05-63	OIG Final Report	<i>Inspection of the International Broadcasting Bureau's Botswana Transmitting Station</i>	Final Report Issued 8/2005 BBG Response 09/27/2005
ISP-S-05-038A	OIG Final Report	<i>Security Management Inspection, Embassy Gaborone, Botswana</i>	Final Report Issued 9/2005 Action Tasked by M/AA
IT-I-05-10	OIG Final Report	<i>Review of the Information Security Program at the Broadcasting Board of Governors</i>	Final Report Issued 9/2005 BBG Response 10/28/2005

## FY2005 Performance and Accountability Report

During FY 2005, the agency implemented the recommendations of earlier evaluations, which allowed those evaluations to be closed-out in the past year. The BBG closed-out ten evaluations.

Report No.	Type of Report	Title	Status
IBO-A-04-03	OIG Resolution Analysis	<i>Review of the Broadcasting Board of Governors' Use of the Internet and Related New Technologies</i>	<input checked="" type="checkbox"/> Closed
IBO-I-04-05	OIG Resolution Analysis	<i>Inspection of the International Broadcasting Bureau's Transmitting Station in Greece</i>	<input checked="" type="checkbox"/> Closed
IBO-A-03-02	OIG Resolution Analysis	<i>Review of Strategic Management of Human Capital and Workforce Planning Initiatives at the Broadcasting Board of Governors</i>	<input checked="" type="checkbox"/> Closed
IBO-05-05	OIG Resolution Analysis	<i>Inspection of the International Broadcasting Bureau's Delano, California, Transmitting Station</i>	<input checked="" type="checkbox"/> Closed
IBO-S-05-06	OIG Resolution Analysis	<i>Security Issues at the International Broadcasting Bureau's Delano, California, Transmitting Station</i>	<input checked="" type="checkbox"/> Closed
IBO-I-04-13	OIG Resolution Analysis	<i>Inspection of the International Broadcasting Bureau's Djibouti Transmitting Station</i>	<input checked="" type="checkbox"/> Closed
IBO-I-04-10	OIG Resolution Analysis	<i>Inspection of the International Broadcasting Bureau's Germany Transmitting Station</i>	<input checked="" type="checkbox"/> Closed
IBO-I-04-36A IBO-I-04-14	OIG Resolution Analysis	<i>Inspection of the Broadcasting Board of Governors' Operations in China and Inspection of Embassy Beijing, China, and Constituent Posts</i>	<input checked="" type="checkbox"/> Closed
IT-A-03-14	OIG Letter	<i>Review of the Information Security Program at Broadcasting Board of Governors</i>	<input checked="" type="checkbox"/> Closed

***Section 3:  
Financial  
Information***

## FY2005 Performance and Accountability Report



United States Department of State  
and the Broadcasting Board of Governors

*Inspector General*

November 14, 2005

Mr. Kenneth Y. Tomlinson  
Chairman  
Broadcasting Board of Governors  
330 Independence Avenue, SW, Room 3360  
Washington, DC 20237

Dear Mr. Tomlinson:

In compliance with the Chief Financial Officers Act, as amended, an independent certified public accounting firm, Leonard G. Birnbaum and Company, LLP (LGB), audited the Broadcasting Board of Governors' (BBG) Principal Financial Statements as of, and for the year ended, September 30, 2005, and its Balance Sheet as of September 30, 2004.

During its audit, LGB found that:

- the financial statements were fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- there was a reportable condition related to internal control over the financial and accounting system; and
- there were instances of noncompliance with selected provisions of other applicable laws and regulations involving BBG's financial management systems.

LGB's report (AUD/FM-06-07) is enclosed for your review. LGB is responsible for this report and the opinions and conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding performance under the terms of the contract, including ensuring that the audit was performed in accordance with *Government Auditing Standards* and the Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. OIG made appropriate inquiries of LGB representatives and monitored the audit by:

- evaluating the nature, timing, and extent of the work;
- evaluating the qualifications and independence of the auditors;
- monitoring progress throughout the audit;
- examining audit documentation and evaluating key judgments;
- reviewing the audit report to ensure compliance with appropriate standards; and
- performing other procedures that OIG deemed appropriate in the circumstances.

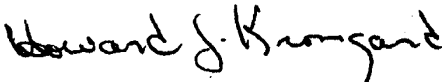
## FY2005 Performance and Accountability Report

OIG's review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable OIG to express, and OIG does not express, an opinion on BBG's financial statements or conclusions about the effectiveness of internal control and compliance with certain laws and regulations, including the Federal Financial Management Improvement Act. However, OIG's review disclosed no instances where LGB did not comply, in all material respects, with *Government Auditing Standards*.

BBG management agreed with the findings and conclusions, and its comments are included as Appendix A to the report. In addition to this report, OIG will transmit a separate management letter to BBG discussing several other matters that were identified during the audit.

OIG appreciates the cooperation extended to it and LGB by BBG's managers and staff during the audit. If you have any questions, please call me at (202) 663-0340 or have your staff call Mark W. Duda, Assistant Inspector General for Audits, at (202) 663-0372.

Sincerely,



Howard J. Krongard  
Inspector General

Enclosure: As stated.

# **FY2005 Performance and Accountability Report**

Audit of the  
Broadcasting Board of Governors'  
2005 Principal Financial Statements and  
2004 Balance Sheet

AUDI FM-06-07

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

# FY2005 Performance and Accountability Report

## LEONARD G. BIRNBAUM AND COMPANY, LLP CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE  
6285 FRANCONIA ROAD  
ALEXANDRIA, VA 22310.2510  
(703) 922-7622  
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LESLIE A. LEIPER  
LEONARD G. BIRNBAUM  
DAVID SAKOFS  
CALIFORNIA  
CAROL A. SCHNEIDER  
DORA M. CLARKE

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

### INDEPENDENT AUDITOR'S REPORT

To the Chairman  
Broadcasting Board of Governors

We have audited the Broadcasting Board of Governors' (BBG) Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources and Statement of Financing (Principal Financial Statements) as of, and for the year ended, September 30, 2005, and have examined internal control over financial reporting in place as of September 30, 2005, and compliance with applicable laws and regulations. BBG's Balance Sheet as of September 30, 2004, was audited by us, and we expressed an unqualified opinion on it in our report dated November 11, 2004. BBG's Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing, as of and for the year ended September 30, 2004, were not audited by us, and accordingly, we do not express an opinion on them.

In our opinion, BBG's 2005 Principal Financial Statements and its Balance Sheet as of September 30, 2004, are presented fairly in all material respects.

We found:

- inadequacies in internal control, and
- instances of noncompliance with selected provisions of applicable laws and regulations involving BBG's financial management system.

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



# FY2005 Performance and Accountability Report

## FINANCIAL STATEMENTS

In our opinion, BBG's Balance Sheets as of September 30, 2005 and 2004, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing for the year ended September 30, 2005, including the notes thereto, present fairly, in all material respects, BBG's financial position as of September 30, 2005 and 2004, and the net cost of operations, the changes in net position, the use of budgetary resources, and the use of financing resources for the year ended September 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

## INTERNAL CONTROL

We considered BBG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Principal Financial Statements. We limited our internal control testing to those controls necessary to achieve the objectives described in the Office of Management and Budget's (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

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

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

Our consideration of the internal control over financial reporting would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect BBG's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the

## FY2005 Performance and Accountability Report

internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted the following matter involving internal control that we consider to be a reportable condition.

- BBG's internal control over its financial and accounting system, as of September 30, 2005, was inadequate. There is a risk of materially misstating financial information under the current conditions. The principal areas of inadequacy were:

Certain elements of the financial statements, principally property, plant and equipment, are developed from sources other than the general ledger. The use of sources other than the general ledger to generate elements of the financial statements increases the potential for omission of significant transactions.

BBG has not fully codified its financial management operating procedures. The absence of codified operating procedures presents opportunities for inconsistencies and errors in processing financial transactions.

The above reportable condition was cited in our audit of BBG's Balance Sheet as of September 30, 2004.

These deficiencies in internal control may adversely affect any decision by management that is based, in whole or in part, on information that is inaccurate because of the deficiencies. Unaudited financial information reported by BBG, including budget information, also may contain misstatements resulting from these deficiencies.

In addition, we considered BBG's internal control over Required Supplementary Information by obtaining an understanding of BBG's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of controls as required by OMB Bulletin 01-02, and not to provide assurance on those internal controls. Accordingly, we do not provide an opinion on those controls.

Finally, with respect to internal control related to performance measures, we obtained an understanding of the design of significant controls relating to the existence and completeness assertions and determined whether those controls had been placed in operation as required by OMB Bulletin 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

We noted certain other internal control issues that we have reported to BBG's management in a separate letter dated November 7, 2005.

# FY2005 Performance and Accountability Report

## COMPLIANCE WITH LAWS AND REGULATIONS

BBG's management is responsible for complying with laws and regulations applicable to its operations. As part of obtaining reasonable assurance about whether the Principal 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 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to BBG. The objective of our audit of the Principal Financial Statements, including our tests of compliance with selected provisions of applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

The results of our tests of compliance with the laws and regulations described above, exclusive of FFMIA, disclosed the following instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Bulletin 01-02.

Overall, we found that BBG's financial management system did not comply with a number of laws and regulations, as follows:

- Budget and Accounting Procedures Act of 1950. This requires an accounting system to provide full disclosure of the results of financial operations; adequate financial information needed in the management of operations and the formulation and execution of the budget; and effective control over income, expenditures, funds, property, and other assets. However, we found that the financial systems did not issue interim financial reports that could be used for effective management of operations.
- OMB Circular A-123, *Management Accountability and Control*. This requires that documentation for management controls be clear and readily available for examination. The absence of fully codified financial management procedures means this objective was not met.

The above areas of noncompliance were cited in our audit of BBG's Balance Sheet as of September 30, 2004.

Under FFMIA, we are required to report whether BBG's financial management systems substantially comply with the federal financial management system requirements, applicable accounting standards, and the U.S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA issued by OMB on

## FY2005 Performance and Accountability Report

January 4, 2001. This guidance states that to be in substantial compliance with FFMIA, the entity must meet specific provisions of OMB Circular A-127, *Financial Management Systems*. We found one instance of noncompliance with this requirement.

- OMB Circular A-127, *Financial Management Systems*. This requires that transaction processing be applied consistently throughout BBG's financial management system. The use of sources other than the general ledger to generate elements of the balance sheet increases the potential for omission of significant transactions.

Notwithstanding this weakness, we consider BBG's financial management system to be in substantial compliance with FFMIA.

### RESPONSIBILITIES AND METHODOLOGY

BBG's management has the responsibility for:

- preparing the Principal Financial Statements and required supplementary information and other accompanying information in conformity with accounting principles generally accepted in the United States of America;
- establishing and maintaining effective internal control; and
- complying with applicable laws and regulations.

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

In order to fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts on the Principal Financial Statements and related disclosures;  
assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the Principal Financial Statements;
- obtained an understanding of the internal controls over financial reporting by obtaining an understanding of BBG's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls;

## FY2005 Performance and Accountability Report

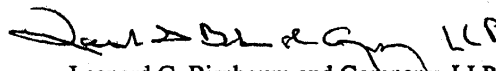
- obtained an understanding of the internal controls relevant to performance measures included in Management's Discussion and Analysis, including obtaining an understanding of the design of internal controls relating to the existence and completeness assertions and determining whether they had been placed in operation;
  - tested compliance with selected provisions of laws and regulations that may have a direct and material effect on the Principal Financial Statements;
- obtained written representations from management; and
- performed other procedures as we considered necessary in the circumstances.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin 01-02. We believe that our audit provided a reasonable basis for our opinion.

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

This report is intended for the information of the Inspector General of the U.S. Department of State and Broadcasting Board of Governors, BBG's management, OMB, and Congress. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Comments by BBG's management on this report are presented as Appendix A

  
Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia  
November 7, 2005



## FY2005 Performance and Accountability Report

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

November 14, 2005

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

Dear Mr. Krongard:

This is in response to your request for comments on the report *AUD-FM-06-07, Audit of the Broadcasting Board of Governors 2005 Principal Financial Statements and 2004 Balance Sheet*.

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

Achieving an unqualified opinion on its financial statements is a significant achievement. This was accomplished under a tight year-end closing schedule – the agency closed its FY 2005 books on October 4<sup>th</sup>. We would like to express our appreciation to your staff and to the audit firm, Leonard G. Birnbaum and Company, LLP, for the professional and cooperative manner in which the audit was conducted.

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

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

## **FY2005 Performance and Accountability Report**

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

We currently cross service with the Department of State for financial system services. We plan to either transition with the Department of State to Global Financial Management System or to cross service with another provider of financial system services. We anticipate that the new financial system will allow for the integration of property data into the general ledger and interim financial reporting.

In FY 2005, the BBG began updating and rewriting the Manual of Operations and Administration (MOA). We have completed drafting the sections for the Office of the Chief Financial Officer, including codifying the financial management, budget, and performance management operating procedures. We anticipate having these updated sections of the MOA completed by December 31, 2005.

Thank you for the opportunity to comment on the audit report and for collaboratively working with us on our FY 2005 audit. We believe that the BBG has made significant strides in the past year as we underwent our second audit and the first audit of all of the principal financial statements, and we are committed to continually improving the management of our programs and the quality of our financial reporting.

Sincerely,

A handwritten signature in black ink, appearing to read "Janet K. Stormes", with a long, sweeping horizontal line extending to the right.

Janet K. Stormes  
Chief Financial Officer

# FY2005 Performance and Accountability Report

## Broadcasting Board of Governors Balance Sheet As of September 30, 2005 and 2004 (In Thousands)

	2005	2004
<b>ASSETS</b>		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$150,803	\$189,497
Accounts Receivable, Net (Note 3)	<u>3,549</u>	<u>3,795</u>
<b>Total Intragovernmental</b>	<b>\$154,352</b>	<b>\$193,292</b>
Cash and Other Monetary Assets (Note 4)	\$3	\$204
Accounts Receivable, Net (Note 3)	41	358
General Property, Plant, and Equipment, Net (Note 5)	245,607	188,247
Other (Note 6)	<u>1,210</u>	<u>330</u>
<b>TOTAL ASSETS</b>	<b><u>\$401,213</u></b>	<b><u>\$382,431</u></b>
<b>LIABILITIES</b>		
Intragovernmental		
Accounts Payable		\$186
Accrued FECA Liability (Note 8)	<u>\$1,203</u>	<u>1,695</u>
<b>Total Intragovernmental</b>	<b>\$1,203</b>	<b>\$1,881</b>
Accounts Payable	\$1,417	\$19,604
Actuarial FECA Liability (Note 8)	7,214	8,702
Accrued Payroll and Benefits	7,950	7,251
Accrued Annual and Compensatory Leave (Note 8)	12,923	12,791
Capital Lease Liability (Note 10)	671	
Other (Note 9)	<u>1,086</u>	<u>(2,812)</u>
<b>TOTAL LIABILITIES</b>	<b>\$32,464</b>	<b>\$47,417</b>
<b>NET POSITION</b>		
Unexpended Appropriations	\$140,602	\$162,782
Cumulative Results of Operations	<u>228,147</u>	<u>172,232</u>
<b>TOTAL NET POSITION</b>	<b><u>\$368,749</u></b>	<b><u>\$335,014</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$401,213</u></b>	<b><u>\$382,431</u></b>

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The accompanying notes are an integral part of these statements.



# FY2005 Performance and Accountability Report

## Broadcasting Board of Governors Statement of Net Cost For the Years Ended September 30, 2005 and 2004 (In Thousands)

**GOAL:**

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

	<b>2005</b>	<b>2004</b>
<b>PROGRAM COSTS (NOTE 12)</b>		
Gross Program Costs	\$579,600	\$706,531
Less: Earned Revenue	<u>(1,998)</u>	<u>(2,046)</u>
<b>NET COST OF OPERATIONS</b>	<b><u>\$577,602</u></b>	<b><u>\$704,485</u></b>

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The accompanying notes are an integral part of these statements.

# FY2005 Performance and Accountability Report

## Broadcasting Board of Governors Statement of Changes in Net Position For the Years Ended September 30, 2005 and 2004 (In Thousands)

	2005		2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$172,232	\$162,782	\$206,535	\$237,995
Prior Period Adjustments				
<b>Beginning Balances, As Adjusted</b>	<b><u>\$172,232</u></b>	<b><u>\$162,782</u></b>	<b><u>\$206,535</u></b>	<b><u>\$237,995</u></b>
<b>BUDGETARY FINANCING SOURCES</b>				
Appropriations Received		\$606,860		\$597,433
Appropriations Transferred-in/out		1,104		1,020
Other Adjustments		(11,926)		(13,265)
Appropriations Used	\$618,218	<u>(618,218)</u>	\$660,401	<u>(660,401)</u>
Nonexchange Revenue	72		4	
Donations			46	
Other Budgetary Financing Sources	117		81	
<b>OTHER FINANCING SOURCES</b>				
Imputed Financing (Note 13)	<u>15,110</u>		<u>\$9,650</u>	
<b>TOTAL FINANCING SOURCES</b>	<b>\$633,517</b>	<b>\$(22,180)</b>	<b>\$670,182</b>	<b>\$(75,213)</b>
<b>NET COST OF OPERATIONS</b>	<b><u>577,602</u></b>		<b><u>\$704,485</u></b>	
<b>NET CHANGE</b>	<b>\$55,915</b>	<b>\$(22,180)</b>	<b>\$(34,303)</b>	<b>\$(75,213)</b>
<b>ENDING BALANCES</b>	<b><u>\$228,147</u></b>	<b><u>\$140,602</u></b>	<b><u>\$172,232</u></b>	<b><u>\$162,782</u></b>

The accompanying notes are an integral part of these statements.

# FY2005 Performance and Accountability Report

## Broadcasting Board of Governors Statement of Budgetary Resources For the Years Ended September 30, 2005 and 2004 (In Thousands)

	2005	2004
<b>BUDGETARY RESOURCES</b>		
Budgetary Authority		
Appropriations Received	\$606,860	\$597,433
Net Transfers	1,104	1,020
Unobligated Balance		
Beginning of Period	49,657	90,247
Spending Authority from Offsetting Collections		
Earned		
Collected	3,320	13,314
Received from Federal Sources	<u>(1,065)</u>	<u>(3,004)</u>
Subtotal	\$659,876	\$699,010
Recoveries from Prior Year Obligations	\$28,450	\$13,754
Permanently Not Available	<u>(11,685)</u>	<u>(9,843)</u>
<b>TOTAL BUDGETARY RESOURCES</b>	<b><u>\$676,641</u></b>	<b><u>\$702,921</u></b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred		
Direct	\$617,392	\$653,265
Reimbursable	677	
Unobligated Balance		
Apportioned	8,390	24,921
Exempt from Apportionment	465	676
Unobligated Balances Not Available	<u>49,717</u>	<u>24,059</u>
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b><u>\$676,641</u></b>	<b><u>\$702,921</u></b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
Obligated Balance, Net – Beginning of Period	\$143,306	\$168,065
Obligated Balance, Net – End of Period		
Accounts Receivable	\$(4,549)	\$(5,614)
Undelivered Orders	71,162	127,672
Accounts Payable	25,242	21,248
Outlays		
Disbursements	\$642,135	\$667,273
Collections	<u>(3,320)</u>	<u>(13,314)</u>
Subtotal	<u>\$638,815</u>	\$653,959
Less: Offsetting Receipts	<u>2,078</u>	<u>2,066</u>
<b>NET OUTLAYS</b>	<b><u>\$636,737</u></b>	<b><u>\$651,893</u></b>

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The accompanying notes are an integral part of these statements.

# FY2005 Performance and Accountability Report

## Broadcasting Board of Governors Statement of Financing For the Years Ended September 30, 2005 and 2004 (In Thousands)

	2005	2004
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$618,069	\$653,265
Less: Spending Authority from Offsetting Collections and Recoveries	<u>30,706</u>	<u>24,064</u>
Obligations Net of Offsetting Collections and Recoveries	\$587,363	\$629,201
Less: Offsetting Receipts	<u>2,078</u>	<u>2,066</u>
Net Obligations	\$585,285	\$627,135
Other Resources		
Imputed Financing	\$15,110	\$9,650
Other	<u>117</u>	<u>81</u>
Net Other Resources Used to Finance Activities	<u>\$15,227</u>	<u>\$9,731</u>
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>\$600,512</b>	<b>\$636,866</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>		
Change in Budgetary Resource Obligated for Goods, Services and Benefits		
Ordered But Not Yet Provided	\$57,424	\$36,798
Resources to Fund Expenses Recognized in Prior Periods	2,426	552
Resources That Finance the Acquisition of Assets	7,955	5,302
Other Resources or Adjustments to That Do Not Affect Net Cost of Operations	<u>(34,977)</u>	<u>(3,722)</u>
<b>TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>	<b><u>\$32,828</u></b>	<b><u>\$38,930</u></b>
<b>TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS</b>	<b><u>\$633,340</u></b>	<b><u>\$675,796</u></b>
<b>COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	\$580	\$847
Increase in Exchange Revenue Receivable From the Public	-	13
Increase in Unfunded FECA Liability	<u>-</u>	<u>10,397</u>
Total Components Requiring or Generating Resources in Future Periods	\$580	\$11,257
Components Not Requiring or Generating Resources		
Depreciation and Amortization	\$18,982	\$17,432
Revaluation of Assets	<u>(75,300)</u>	
Total Components Not Requiring or Generating Resources	\$(56,318)	\$17,432
<b>TOTAL COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE RESOURCES IN THE CURRENT PERIOD</b>	<b><u>\$(55,738)</u></b>	<b><u>\$28,689</u></b>
<b>NET COST OF OPERATIONS</b>	<b><u>\$577,602</u></b>	<b><u>\$704,485</u></b>

# FY2005 Performance and Accountability Report

## Broadcasting Board of Governors

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005 AND 2004

*(In Thousands)*

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **A. Reporting Entity**

On October 1, 1999, the Broadcasting Board of Governors (BBG) became the independent, autonomous entity responsible for all U.S. Government and government-sponsored, non-military, international broadcasting. This was the result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-277), the single most important legislation affecting U.S. international broadcasting since the early 1950s. Every week, more than 140 million listeners, viewers, and Internet users around the world turn on, tune in, and log on to U.S. international broadcasting programs. While the "Broadcasting Board of Governors" is the legal name given to the Federal entity encompassing all U.S. international broadcasting services, the day-to-day broadcasting activities are carried out by the individual BBG international broadcasters: the Voice of America (VOA), the Middle East Broadcasting Networks (Radio SAWA and Alhurra TV), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Office of Cuba Broadcasting (Radio and TV Marti), with the assistance of the International Broadcasting Bureau (IBB).

##### **B. Basis of Presentation**

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

##### **C. Basis of Accounting**

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

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

BBG operations are financed through congressional appropriations, reimbursement for the provision of goods or services to other Federal agencies, transfers and donations. Financing sources are received by 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

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The accompanying notes are an integral part of these statements.

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Net Position at the time they are recognized as expenditures. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased. The applicable depreciation expense for real and personal property is recorded over the asset's useful life as described below in Property, Plant, and Equipment.

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

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

### **E. Assets and Liabilities**

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

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

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

Fund Balances with Treasury are cash balances remaining as of the fiscal year end from which the BBG is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. The balance consists primarily of appropriations. The BBG records and tracks appropriated funds in its general funds.

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

### **G. Accounts Receivable**

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

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

Property, plant, and equipment consist of equipment, buildings, vehicles, and land. There are no

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restrictions on the use or convertibility of property, plant, and equipment. The BBG capitalizes property, plant, and equipment with a useful life of two years or more. The thresholds for capitalization are as follows: equipment costing \$25,000 or more, buildings and capital leases costing more than \$100,000, and other structures and facilities costing \$50,000 or more. In addition, ADP software costing over \$250,000, and all land, land rights, and vehicles are capitalized, regardless of cost.

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

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

### **I. Advances and Prepayments**

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

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

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

### **K. Employee Benefit Plans**

#### ***Retirement Plans***

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7% of their salary; the BBG contributes 7%. Employees covered under CSRS also contribute 1.45% of their salary to Medicare insurance; the BBG makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80% of their salary, with BBG making contributions of 10.70%. FERS employees also contribute 6.20% to Social Security and 1.45% to Medicare insurance. BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1% of pay and matches employee contributions up to an additional 4%.

#### ***Health Insurance***

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

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### ***Life Insurance***

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

### ***Other Post Employment Benefits***

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

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

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

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

### **M. Contingent Liabilities**

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

### **N. Net Position**

BBG's net position contains the following components:

#### ***Unexpended Appropriations***

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

#### ***Cumulative Results of Operations***

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



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### 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, 2005 and 2004, consist of the following:

<b>Type of Funds</b>	<b>2005</b>	<b>2004</b>
Appropriated Funds	\$146,186	\$184,914
Trust Funds	<u>\$4,617</u>	<u>\$4,583</u>
<b>Total</b>	<b><u>\$150,803</u></b>	<b><u>\$189,497</u></b>

The status of the fund balance may be classified as unobligated available, unobligated unavailable, and obligated. 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, 2005 and 2004, consists of the following:

<b>Status of Funds</b>	<b>2005</b>	<b>2004</b>
Unobligated Balance		
Available	\$ 8,855	\$ 25,598
Unavailable	49,717	24,059
Obligated Balance Not Yet Disbursed	<u>92,231</u>	<u>139,840</u>
<b>Total</b>	<b><u>\$150,803</u></b>	<b><u>\$189,497</u></b>

### NOTE 3: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2005 and 2004, are as follows:

<b>Accounts Receivable</b>	<b>2005</b>	<b>2004</b>
Intragovernmental	\$3,549	\$3,795
Public	41	358
Less Allowance for Uncollectible Receivables	=	=
<b>Total Accounts Receivable, Net</b>	<b><u>\$3,590</u></b>	<b><u>\$4,153</u></b>

### NOTE 4: CASH AND OTHER MONETARY ASSETS

BBG maintains a domestic imprest fund for small purchases less than \$25. Typically, these expenditures are the result of taxi fares or local transportation fees. Overseas imprest funds are maintained for international small purchases. Typically, these include expenditures for maintaining government owned vehicles, small office supply orders and drinking water. During FY 2005, it was determined that the Department of Treasury reports overseas imprest funds on its financial

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statements as funds held outside of Treasury. Funds totaling \$200,644.00 were therefore removed from BBG's books and statements. As of September 30, 2005 and 2004, BBG maintained imprest funds totaling \$3,000.00 and \$203,644.00.

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

"Property, plant, and equipment" consists of that property used in operations and consumed over time. The following tables summarize cost and accumulated depreciation of property, plant, and equipment as of September 30, 2005 and 2004.

Property	Useful Life	As of September 30, 2005			As of September 30, 2004		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	30	\$ 42,812	\$ (24,071)	\$ 18,741	\$44,771	\$ (22,746)	\$ 22,025
Land	NA	1,121		1,121	38,081		38,081
Equipment	6-30	406,389	(206,316)	200,073	96,023	(81,869)	14,154
Vehicles	6	7,278	(5,746)	1,532			
Assets Under Capital Lease	10	2,040	(1,468)	572			
Software	5	2,082	(2,059)	23			
Other Structures	20	<u>59,467</u>	<u>(35,922)</u>	<u>23,545</u>	<u>259,472</u>	<u>(145,485)</u>	<u>113,987</u>
<b>Total</b>		<b><u>\$521,189</u></b>	<b><u>\$(275,582)</u></b>	<b><u>\$245,607</u></b>	<b><u>\$438,347</u></b>	<b><u>\$(250,100)</u></b>	<b><u>\$188,247</u></b>

Depreciation expense for the years ended September 30, 2005 and 2004, is \$18,982,105.47 and \$17,516,200.34, respectively.

### NOTE 6: OTHER ASSETS

This line item consists of advances and prepayments. These amounts are made principally to BBG employees for official travel, miscellaneous prepayments and advances to other non-Federal entities for future services, and salary advances to BBG employees transferring to overseas assignments. Other assets consist of the following as of September 30, 2005 and 2004:

Other Assets	2005	2004
Public		
Advances and Prepayments	\$1,210	\$330

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### 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.

<b>Assets</b>	<b>2005</b>	<b>2004</b>
Non-Entity Assets		
Intragovernmental:		
Fund Balance with Treasury	<u>\$1</u>	<u>\$57</u>
Total Intergovernmental	\$1	\$57
Accounts Receivable	<u>8</u>	<u>13</u>
<b>Total Non-Entity Assets</b>	<b>\$9</b>	<b>\$70</b>
<b>Total Entity Assets</b>	<b><u>\$401,204</u></b>	<b><u>\$382,361</u></b>
<b>Total Assets</b>	<b><u>\$401,213</u></b>	<b><u>\$382,431</u></b>

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

BBG's liabilities are classified as covered or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations. Liabilities not covered by budgetary resources as of September 30, 2005 and 2004, are summarized as follows.

<b>Liabilities Not Covered by Budgetary Resources</b>	<b>2005</b>	<b>2004</b>
Intragovernmental:		
Accrued FECA Liability	<u>\$1,203</u>	<u>\$1,695</u>
Total Intragovernmental	\$1,203	\$1,695
Accrued Annual and Compensatory Leave	\$ 12,923	\$ 12,791
Capital Lease Liability	671	
FECA Actuarial Liability	<u>7,214</u>	<u>8,702</u>
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b><u>\$22,011</u></b>	<b><u>\$23,188</u></b>

#### Future Worker's Compensation Liability

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, 2005 and 2004, are \$7,214,247.45 and \$8,701,854.14, respectively.

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### NOTE 9: OTHER LIABILITIES

Other liabilities consist of the following as of September 30, 2005 and 2004:

<b>Other Liabilities</b>	<b>2005</b>	<b>2004</b>
<b>Public</b>		
Deposit and Suspense Liabilities	\$1,086	\$(2,812)

### NOTE 10: CAPITAL LEASE LIABILITY

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

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

<b>Assets Under Capital Lease</b>	<b>2005</b>	<b>2004</b>
Equipment	\$2,040	NA
Accumulated Depreciation	<u>(1,468)</u>	NA
<b>Net Assets Under Capital Leases</b>	<b><u>\$ 572</u></b>	NA

<b>Future Minimum Lease Payments</b>	<b>Total</b>
2006	\$ 242
2007	242
2008	123
2009	123
2010	0
2011 and thereafter	<u>0</u>
Total Minimum Lease Payments	\$ 730
Less: Imputed Interest	<u>59</u>
<b>Net Capital Lease Liability</b>	<b><u>\$ 671</u></b>

Future lease payments are not covered by budgetary resources

## FY2005 Performance and Accountability Report

### Operating Leases

BBG leases real and personal property in overseas and domestic locations under operating leases which expire in various years. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2005 for each of the next 5 years and in aggregate follow.

Fiscal Year	Total
2006	\$ 3,380
2007	2,927
2008	2,693
2009	2,400
2010	1,509
2011 and thereafter	<u>12,848</u>
<b>Total Future Lease Payments</b>	<b><u>\$25,757</u></b>

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

BBG is a party to a Title VII class action that was settled in 2000. Payments from the Judgment Fund to individual claimants, which began in 1998, have continued into 2005, with additional implementation payments yet to be made. These payments are for back pay, as well as contributions to OPM, TSP and SSA to establish or adjust retirement accounts. BBG's management and legal counsel have determined that reimbursement of the Judgment Fund for these payments is unlikely because they occurred prior to the No Fear Act. Therefore there is no amount for contingent liabilities recorded on the Balance Sheet.

### NOTE 12: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

The Consolidated Statement of Net Cost reports the BBG's gross and net cost for its strategic objective and goal. The net cost of operations is the gross (i.e., total) cost incurred by the BBG, less any exchange (i.e., earned) revenue. The Consolidating Schedule of Net Cost categorizes costs and revenues by strategic goal and responsibility segment, which is presented in BBG's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993. BBG has only one strategic goal, thus net cost of operations is shown as one program on the Statement of Net Cost.

Intragovernmental costs and earned revenue relate to source of goods and services purchased and received from other Federal entities. The amounts for September 2005 and 2004 follow:

	2005	2004
Intragovernmental Gross Costs	\$49,625	\$49,457
Gross Costs with the Public	<u>529,975</u>	<u>657,074</u>
<b>Total Gross Costs</b>	<b><u>\$579,600</u></b>	<b><u>\$706,531</u></b>
Intragovernmental Earned Revenue	\$1,999	\$2,046
Earned Revenue with the Public	<u>(1)</u>	=
<b>Total Earned Revenue</b>	<b><u>\$1,998</u></b>	<b><u>\$2,046</u></b>
<b>Total Net Costs</b>	<b><u>\$577,602</u></b>	<b><u>\$704,485</u></b>

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### **NOTE 13: IMPUTED FINANCING**

OPM pays pension and other future retirement benefits on behalf of Federal agencies for Federal employees. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of Federal agencies. The costs of these benefits are reflected as imputed financing in the consolidated financial statements. Payments in the amount of \$1,167,811.00 were made in FY 2005 from the Treasury Judgment Fund on behalf of BBG in FY 2005. There were no payments made in FY 2004. Expenses of the BBG paid or to be paid by other agencies as of September 30, 2005 and 2004, total \$15,110,050.84 and \$9,649,690.98, respectively.

### **NOTE 14: STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of and for the years ended September 30, 2005 and 2004.

Information on the agency's budget is reported in the *Budget of the United States Government, Appendix*. The Appendix includes, among other things, budget schedules for the agency's accounts. Information on budgetary resources and their status will be displayed in the Program and Financing (P&F) Schedule under each account. BBG is responsible for submitting data presented in the P&F Schedules. The President's Budget containing actual numbers for FY 2005 has not yet been published. The budget is anticipated to be reported in the second quarter of FY 2006 at the following website: <http://www.whitehouse.gov/omb/budget/fy2007>.

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## Broadcasting Board of Governors Required Supplemental Information September 30, 2005 and 2004 (In Thousands)

### INTRAGOVERNMENTAL AMOUNTS

Intragovernmental amounts represent transactions between Federal entities. All amounts represents are net of intra-entity eliminations.

The amount of intragovernmental assets and liabilities classified by trading partner as of September 2005 and 2004, are summarized below.

#### As of September 30, 2005

<b>Trading Partner</b>	<b>ASSETS</b>		<b>LIABILITIES</b>
	<b>Fund Balance with Treasury</b>	<b>Accounts Receivable</b>	<b>FECA Liability</b>
Department of Treasury	<u>\$150,803</u>		
Agency for International Development		\$2,738	
Department of Labor			<u>\$1,203</u>
Department of State		<u>811</u>	
<b>Total</b>	<b><u>\$150,803</u></b>	<b><u>\$3,549</u></b>	<b><u>\$1,203</u></b>

#### As of September 30, 2004

<b>Trading Partner</b>	<b>ASSETS</b>		<b>LIABILITIES</b>	
	<b>Fund Balance with Treasury</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>FECA Liability</b>
Department of Treasury	<u>\$189,497</u>			
Agency for International Development		\$2,239		
Department of Defense		252		
Department of State		1,226		
Department of Labor				<u>\$1,695</u>
Government Printing Office			\$3	
General Services Administration			<u>183</u>	
Other (BBG/IBB)		<u>78</u>		
<b>Total</b>	<b><u>\$189,497</u></b>	<b><u>\$3,795</u></b>	<b><u>\$186</u></b>	<b><u>\$1,695</u></b>

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### INTRAGOVERNMENTAL AMOUNTS (continued)

The amount of intragovernmental earned revenue and expenses classified by trading partner as of September 2005 and 2004, are summarized below.

Trading Partner	Earned Revenue		Expenses	
	2005	2004	2005	2004
Department of Defense	\$157	\$250		\$9,873
Department of Commerce			\$84	97
Department of Labor			1,251	47
Department of State	1,220	1,090	4,166	3,784
Department of Treasury			74	110
Department of the Army				486
Department of Transportation			1,163	(23)
Agency for International Development	543			
Federal Communications Commission			221	221
General Service Administration (GSA)	<u>78</u>		26,948	22,158
Government Printing Office			527	323
Library of Congress				68
Office of Personnel Management			15,188	11,439
Department of the Air Force				142
U.S. Postal Service (USPS)				(108)
Department of Health and Human Services				160
Department of Veterans Affairs		<u>706</u>	<u>3</u>	
Other (BBG)				<u>680</u>
<b>Total</b>	<b><u>\$1,998</u></b>	<b><u>\$2,046</u></b>	<b><u>\$49,625</u></b>	<b><u>\$49,457</u></b>



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## **Other Additional Information**

### **Improper Payments Information Act**

In accordance with the Improper Payments Information Act of 2002 (Public Law 107-300) the BBG continued to monitor its payment operations to ensure erroneous payments did not occur. The BBG's annual budget is less than \$600 million, of which about 50 percent is attributed to salary payments. Improper payments in the aggregate of \$10 million dollars are statistically unlikely given the number and size of our average payments.

During the course of the year, we have monitored our payments to ensure erroneous payments have not occurred. The BBG did not incur any erroneous payments totaling \$10 million dollars during FY 2005.

The BBG will continue to monitor the payment process during FY 2006.

### **Debt Management**

In accordance with the Debt Collection Improvement Act of 1996 the BBG has been reviewing and tracking the outstanding receivables. During FY 2005, the BBG collected a significant portion of the outstanding travel advances and referred less than 10% of its accounts to the Department of Treasury, Treasury Offset Program (TOP). TOP allows Federal agencies to refer their debt to Treasury who then offsets this debt with any Federal payment.