

Fiscal Year 2010 Performance and Accountability Report



Broadcasting
Board of
Governors



INTERNATIONAL
BROADCASTING
BUREAU



This page intentionally left blank

BROADCASTING BOARD OF GOVERNORS

Message from the Chairman

I am pleased to present the Broadcasting Board of Governors' (BBG) Performance and Accountability Report (PAR) for Fiscal Year (FY) 2010. This is the BBG's seventh PAR, and it includes the results of this year's audit of the Agency's financial statements. The report also measures our performance against the objectives that we identified for FY 2010, highlights the accomplishments of the past year, and identifies the challenges that lie ahead.

The mission of the BBG is to promote freedom and democracy and to enhance understanding through multimedia communication of accurate, objective, and balanced news, information, and other programming about America and the world to audiences overseas. The BBG broadcast services include two federal entities: the Voice of America (VOA), and the Office of Cuba Broadcasting (OCB); and three grantees: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN); and pursue this single mission, reaching a worldwide audience of over 165 million people in 59 languages via radio, television, and the Internet.

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

With the support of the Administration and Congress, the BBG responded to crisis areas in FY 2010. The BBG successfully launched surge broadcasting to Haiti, Ethiopia, and Venezuela. Within hours of the January earthquake in Haiti, VOA's Creole Service added special programming to inform people outside Port-au-Prince about the devastating earthquake. A sustained radio programming surge began the next day, along with an Internet hotline for survivors and their families on the Service's website. VOA and the International Broadcasting Bureau's Office of Technology, Services, and Innovation (TSI), formerly the Office of Engineering and Technical Services, together responded to jamming by the Ethiopian government with the launch of a morning surge program in Amharic, expansion of shortwave frequencies for Amharic, Afan Oromo, and Tigrigna, satellite transmissions for these languages, and email newsletters to get around website blocking.

The BBG expanded coverage in other areas of the world. To reach the important audiences in the Afghanistan-Pakistan border region, RFE/RL launched Radio Mashaal; VOA continued the expanded Radio Deewa programming that had begun in FY 2009; and the medium wave transmitter in eastern Afghanistan became fully operational. For audiences in Georgia and Russia, RFE/RL created daily Russian-language programs targeted to Georgia's breakaway regions of South Ossetia and Abkhazia and VOA's Georgian Service began producing short, Georgian-language video reports, available on the Service's revamped website.

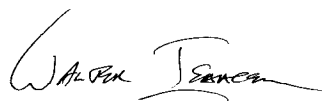
In FY 2010, the BBG's technology initiatives assisted broadcasters in fulfilling the Agency's mission. TSI began a two-year effort to refurbish the Network Control Center (NCC), the critical 24/7 operations hub and central distribution point for BBG transmission systems. TSI began another major effort in 2010 to enhance and expand the BBG's global satellite distribution network over the next four years.

Other highlights in FY 2010 included:

- Radio Sawa, Alhurra, and RFE/RL's Radio Free Iraq provided extensive coverage of the Iraqi National Parliamentary elections and subsequent negotiations to form a coalition government, featuring interviews with voters, election officials, analysts, and Iraqi VIPs. In March, the BBG's 14th FM station in Iraq became operational.
- VOA's Persian News Network (PNN) is the top international broadcaster to Iran with 19.6 percent of the adult population watching at least once weekly. To aid with distribution in Iran, TSI deployed a new client-based anti-censorship tool to PNN users and users of RFE/RL's Radio Farda.
- RFE/RL and VOA expanded their reach in Afghanistan, jointly reaching 65 percent of the adult population each week. VOA and RFE/RL are among the most trusted sources of news in the country.
- RFE/RL Russian Service's website has seen steady growth in the past two years, with triple the number of page views and site visits. VOA's Russian Service has successfully transitioned from a radio and TV broadcaster to a thriving web-based outlet for news and information.
- VOA and RFA each broadcast five hours of daily radio programming to North Korea. To further improve medium wave service into North Korea, BBG increased transmissions from a leased facility in South Korea in January and added leased transmissions from a Russian facility in March.
- VOA's Zimbabwe Service reached 16 percent of the adult population. A third of their audience called the station their single most important source of news.
- VOA and OCB collaborated on a daily one hour news program, *A Fondo (In Depth)*. The program features live reports and expert interviews and news analysis. It originates from VOA studios in Washington and OCB studios in Miami and is broadcast on Radio Martí and Voice of America Spanish Radio.

I am pleased that the independent auditors have given our financial statements an unqualified ("clean") opinion for the sixth year. This report and the audit results demonstrate the BBG's ability to increase program impact through prudent management of available resources and the use of modern communications tools and techniques. Sections 1 and 3 of this report discuss the corrective actions the Agency is taking to address the identified internal control and audit findings.

I am proud to report the achievements of the Broadcasting Board of Governors during FY 2010 in furthering our mission as well as wisely and effectively using the resources entrusted to us by the Administration, Congress, and the public.



Walter Isaacson
Chairman

BBG FY 2010 Performance and Accountability Report: Contents

- Introduction..... 4
- Section I: Management’s Discussion and Analysis..... 5**
 - Organizational Structure and Mission..... 6
 - FY 2010 Performance Goals, Objectives, and Results..... 7
 - FY 2010 Highlights and Accomplishments..... 8
 - Ongoing Challenges..... 15
 - Financial Highlights..... 17
 - Management Controls, Systems, and Compliance with Laws and Regulations..... 18
 - Limitations on Financial Statements..... 25
- Section II: Performance Information..... 27**
 - Strategic Goal and Implementation Strategies..... 28
 - FY 2010 Performance Objectives and Outcomes..... 31
 - Summary of FY 2010 Performance Accomplishments..... 35
 - Summary of FY 2010 Performance Indicators..... 44
 - Analysis of Performance Results..... 45
 - Use of Performance Data to Promote Improved Outcomes..... 51
 - Independent Program Evaluations..... 53
- Section III: Financial Information..... 57**
 - Independent Auditor’s Report..... 58
 - Response to the Audit..... 67
 - Balance Sheet..... 69
 - Statement of Net Costs..... 70
 - Statement of Changes in Net Position..... 71
 - Statement of Budgetary Resources..... 72
 - Notes to the Consolidated Financial Statements..... 74
 - Required Supplementary Information..... 87
- Section IV: Other Accompanying Information..... 89**
 - Verification and Validation of Performance Measures..... 90
 - Inspector General’s Statement on FY 2010 Management and Performance Challenges..... 91
 - Executive Director’s Response to the Management and Performance Challenges..... 94
 - Summary of Financial Statement Audit and Management Assurances..... 96
 - Improper Payments Information Act Reporting..... 97

Introduction

Purpose of the Performance and Accountability Report

This FY 2010 Performance and Accountability Report (PAR) is the Broadcasting Board of Governors' (BBG) seventh report providing consolidated performance and financial information. This integrated presentation of the Agency's program performance, financial accountability, and managerial effectiveness is intended to assist Congress, the President, and the public in assessing the BBG's performance relative to its mission and stewardship of the resources entrusted to it.

This report satisfies the reporting requirements of the following legislation:

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

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 2010 and the BBG's management and performance challenges. The MD&A also includes the results of the Agency's FY 2010 FMFIA internal control review and a section on management assurances.

Performance Information

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 2010 performance objectives is presented, as well as information about the outcome of specific performance indicator targets.

Financial Information

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

Other Accompanying Information

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

*Section 1:
Management's Discussion and
Analysis*

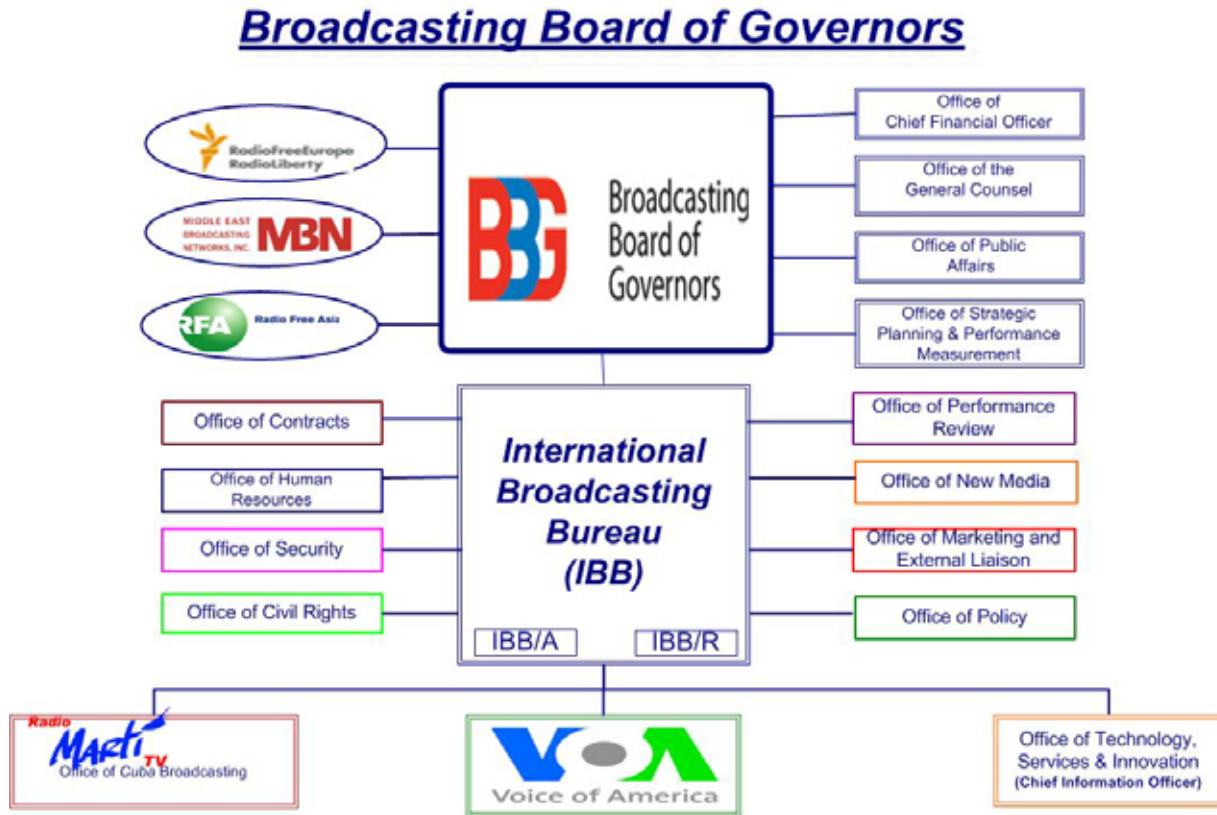
Organizational Structure and Mission

BBG Organization

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

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

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



BBG Mission Statement

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

BBG Mission

The Broadcasting Board of Governors (BBG) promotes freedom and democracy through its international broadcasting programs. The BBG includes Voice of America (VOA), the Office of Cuba Broadcasting (OCB), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN), and reaches a worldwide audience of over 165 million in 59 languages via radio, television, and Internet. All BBG broadcast services adhere to the broadcasting standards and principles of the International Broadcasting Act of 1994, as amended, and support the BBG mission.

FY 2010 Performance Goals, Objectives, and Results

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

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

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

FY 2010 Highlights and Accomplishments



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

The broadcasts of the BBG entities reach a worldwide audience of over 165 million in 59 languages. The annual cost of delivering these programs over radio, television, and Internet is \$4.60 per weekly audience member. Throughout the world, over 1 billion people are aware of broadcasts by the BBG entities.

Key accomplishments in FY 2010 include:

- The BBG enhanced and increased broadcasts and Internet/mobile programming to information-deprived areas in the world, including North Korea, Iran, Pakistan, Afghanistan, China, and Zimbabwe.
- The BBG successfully launched crisis surge broadcasting to tumultuous parts of the world including Haiti, Ethiopia, and Venezuela, and continued surge broadcasting to Burma, Kenya, Iran, and Georgia.

Voice of America

- After the January earthquake in Haiti, VOA's Creole Service began immediate unprecedented news coverage. The Service added a 90-minute special program within hours after the quake. A sustained radio programming surge began the next day, along with an Internet hotline for survivors and their families on the Service's website. Overall programming hours increased from 1.5 hours to 10.5 hours Monday through Friday, and from one hour to 9.5 hours Saturday and Sunday.
- New research shows that VOA's Persian News Network (PNN) is the top international broadcaster to Iran with 19.6 percent of the adult population watching at least once weekly. In April, PNN launched a weekly satirical show, *Parazit*. The show's Facebook page has surpassed 100,000 friends and now records about 500,000 impressions after each new program is posted. PNN began offering a new mobile device application that allows Iranians to download and send content to VOA via smart phone.
- VOA's Radio Deewa, Pashto programming to the Pakistan-Afghanistan border region, continued its aggressive reporting on military activity in the target region as well as the struggles of democratic movements and U.S. policies toward Pakistan, Afghanistan, and the region. Its network of 27 stringers provided extensive daily coverage of the tribal areas, including live reports from the refugee camps, despite Taliban threats and attacks.
- In June, VOA and Express 24/7, a 24-hour English-language cable news channel in Pakistan, launched a joint TV program on a trial basis called *The Platform*, which focuses on key issues in the U.S.-Pakistan relationship and the fight against terrorism. The program is the first English-language TV talk show to be jointly produced by stations in Pakistan and the United States.
- According to InterMedia research, VOA's audience reach in Afghanistan has increased to 50.4 percent, and the Service's Dari and Pashto language websites have more than doubled their traffic since last year with more than 108,000 visits in June. In September, VOA's Afghan Service launched *Karwan*, a new television program which takes an exciting and youthful approach to critical issues facing the country.
- In response to the government closure of six Venezuelan news outlets in January, VOA's Spanish Service launched a new radio program, which originates from both VOA studios in Washington and Radio Martí studios in Miami, and uses the talents of both organizations.
- VOA responded to jamming by the Ethiopian government with the launch of a morning surge program in Amharic, expansion of shortwave frequencies for Amharic, Afan Oromo, and Tigrigna, satellite transmissions for these languages, and email newsletters to get around website blocking.
- VOA's Burmese Service sponsored the first-ever televised seminar on the Burmese general elections. More than 200 Burmese journalists and regional experts on Burma attended the seminar, held in Chiangmai, Northern Thailand in February.
- VOA's Russian Service successfully transitioned from a radio and TV broadcaster to a thriving web-based outlet for news and information. The Service's new media product, which includes a

website and a strong presence on popular social networking sites and blogs, features a wide range of interactive activities for its audience.

Radio Free Europe/Radio Liberty

- In January, RFE/RL launched Radio Mashaal, a targeted stream in the Pashto language directed specifically at audiences in the Pashtun border regions of Afghanistan and Pakistan. Radio Mashaal currently has nine hours of live broadcasts daily, including call-in shows. With its dual-language programming and its tone of moderation, RFE/RL's Radio Free Afghanistan played a critical role in promoting national unity and religious tolerance. RFE/RL is among the most trusted sources of news in Afghanistan.
- RFE/RL's Radio Farda launched a live satirical program, *Radio Pasfarda*, that has been as well-received by listeners as it has been attacked by pro-regime media.
- During the parliamentary elections in March, Radio Free Iraq broadcast marathon coverage, including interviews with voters, election officials, analysts, and Iraqi VIPs. Radio Free Iraq's civic-minded programming promotes national unity and the universality of human rights.
- In March, the Russian Service devoted substantial coverage to the suicide bombings in the Moscow metro, including on-the-ground reporting and reactions from officials. RFE/RL's Russian Service's website has seen steady growth in the past two years, with triple the number of page views and site visits.
- In the run-up to the Ukrainian presidential election in February, RFE/RL's Ukrainian Service provided multifaceted coverage and analysis of the candidates and, following the election of Viktor Yanukovich to the presidency, Ukraine's pursuit of closer ties with Russia. After five years of scattered coverage, RFE/RL's Ukrainian Service returned to national airwaves with long-form programming.
- With daily Russian-language programs targeted primarily to Georgia's breakaway regions of South Ossetia and Abkhazia, RFE/RL's *Ekho Kavkaza* was created in November 2009 to overcome misconceptions and mistrust between the peoples of these conflict zones and the people of Georgia.
- In April, as a popular revolt in Kyrgyzstan toppled the government of President Kurmanbek Bakiev, RFE/RL's Kyrgyz Service provided swift, accurate, and objective coverage, including on-the-ground reporting, an interview with the ousted President, and the first video interview with Roza Otunbayeva, the Chairperson of the Interim Government.

Radio Free Asia

- RFA broadcast five hours of daily radio programming to North Korea and in March began leased medium wave transmissions from a Russian facility.
- RFA's Mandarin Service has been aggressively incorporating citizen journalism into its editorial content and in the past year, the Service has produced on average two exclusive stories per week based on leads submitted by listeners and/or citizen journalists. RFA Mandarin began a

new program "Forum for Women and Children," which explores topics such as domestic violence, gender discrimination, child abuse, and women's health issues.

- During the April earthquake in Yushu, a mostly Tibetan-inhabited area in China's Qinghai province, RFA Tibetan aired hourly updates from morning to midnight, and reported many exclusive stories. Locals and relief volunteers contacted RFA to report first hand information about the devastation of the earthquake. RFA Cantonese did extensive reporting during the aftermath of a massive earthquake in Qinghai in April. Citizen journalists provided more than 100 quake photos, many which were published on RFA's Cantonese website and YouTube.
- In anticipation of the November general elections in Burma, RFA Burmese added new programs to educate and inform the public about the constitution, voting rights, election laws, and related issues.
- RFA produced a video documentary of the Mekong River, which received Society of Environmental Journalists 2010 First Place award for Outstanding Online Reporting on the Environment. RFA received American Women in Radio & Television's Gracie Allen Award this year for "Half the Xinjiang Sky," a multimedia web presentation focused on Uyghur women following the deadly events in China's Xinjiang Uyghur Autonomous Region and Guangdong province in the summer of 2009.

Middle East Broadcasting Networks (Alhurra and Radio Sawa)

- In Iraq, Radio Sawa and Alhurra have made a definitive impact with programming designed exclusively for the local target audiences and in the Iraqi dialect. More than a third of the Alhurra-Iraq schedule is localized and many of these programs are taped from Alhurra's Baghdad bureau and hosted by local journalists. Both services provided extensive coverage of the Iraqi National Parliamentary elections and subsequent negotiations to form a coalition government, featuring interviews with voters, election officials, analysts, and Iraqi VIPs.
- Through its flagship program *Al Youm*, which is broadcast live from studios in Dubai, Beirut, Cairo, Jerusalem, and MBN's headquarters, Alhurra provided news of the day, discussed compelling social issues, presented unique perspectives from across the Middle East and from the U.S., and profiled personal success stories from across the Middle East region. MBN retooled its current affairs programming to develop a series that focuses on regional social and cultural issues of concern.
- Alhurra became one of the only Arabic-language media outlets to address the humanitarian crisis facing the Darfurian refugees. In the Alhurra produced documentary, *Konoungo: The Darfurian Exile*, the network presented viewers with an inside look at the lives of displaced Sudanese refugees at the Konoungo refugee camp in Eastern Chad. The documentary prompted debate in the media and blogosphere.
- Alhurra produced a five-part documentary on the complex and diverse story of Arab Americans from their initial wave of immigration in the 1800s through a post 9/11 environment, which included interviews with prominent Arab-Americans and was capped off by a Town Hall Meeting in Dearborn, Michigan, where Arab-Americans discussed their lives and the issues facing their community.

- To further engage audiences, Alhurra launched a segment called *Alhurra and the People* that asks both U.S. and Middle Eastern people from all walks of life to broadcast their response to a single questions-of-the-day related to political and social issues. MBN has been developing a pilot television program that brings together young adults in the Middle East and in the U.S. via direct satellite connection to discuss issues of common interest and societal relevance, such as gender-based freedoms, the importance of higher education, and family values.
- Through social media, MBN has been reaching out to engage with the people of the region in a discussion of topics covered on Alhurra and Radio Sawa. MBN improved its web presence and has launched social networking efforts – focusing initial efforts on Facebook, Twitter, Audio and Video on Demand, RSS feeds and mobile apps. During the Iraqi elections, both Alhurra and Radio Sawa encouraged audiences to go to Facebook and post their election stories on the networks’ fan pages. Alhurra and Radio Sawa shared those stories on the air, developing a communal experience with Iraqis throughout the country.

Office of Cuba Broadcasting (Radio and TV Martí)

- OCB continues to increase its close cooperation with the Latin America Division of Voice of America, including sharing studios, journalists, and producers with VOA and collaboration on a daily one hour news program in Washington and Miami.
- In the aftermath of the earthquake in Haiti, TV and Radio Martí provided full support for VOA’s surge broadcast to Haiti. OCB’s journalists, producers, and broadcast technicians joined VOA in reporting the tragic news and the world wide relief effort. OCB support has included sharing Miami studio space, collaboration on live interviews from Haiti and the Haitian community in South Florida, and radio signal feed to Haiti through the Marathon transmitting station.
- Radio and TV Martí provided extensive coverage of the Congressional debate on U.S. policy towards Cuba including a proposed law that would eliminate the restrictions for Americans traveling to Cuba and facilitate commerce with the island.
- Four new antenna towers for Radio Martí’s medium wave (AM Radio) Marathon Transmitter Station were installed, providing higher reliability, unlimited availability of 100kW power level, and a louder audio signal to listeners. In July, TV Martí began broadcasting new, weekend primetime programming via DirecTV.

Technology, Services, and Innovation

The Office of Technology, Services, and Innovation (TSI), formerly known as the Office of Engineering and Technical Services, provides engineering and technological support to BBG staff and facilities in Washington, D.C. and abroad. In addition to managing a complex global network of over 80 transmitting sites delivering shortwave, medium-wave (AM), FM, and TV broadcasts, TSI leases broadcast time at 23 transmitting facilities in 14 countries. To meet the needs of its varied broadcast customers, TSI is responsible for an extensive network of leased satellite and fiber optic circuits and other international telecommunication systems, which includes providing support to a worldwide array of hundreds of satellite receivers and earth stations and a rapidly growing Internet delivery system.

- To improve broadcasting to the Pashto-speaking areas in the volatile border region between Afghanistan and Pakistan, the BBG established a 200 kW medium wave system in eastern Afghanistan. Despite major logistical and security challenges, this important facility became operational at half-power in February and at full power in March, serving a wide audience in this critical region.
- TSI continued to combat jamming and internet blocking. In 2010, TSI deployed a new client-based anti-censorship tool to VOA's Persian News Network users and users of Radio Farda. After users download the tool, they are able to browse the web uncensored without having to go to a special web address. In 2010 the Ethiopian Government began efforts to jam VOA shortwave broadcasts. In response, TSI rapidly established a VOA African channel called VOA 24 on the satellite Arabsat.
- In March, the BBG's 14th FM station in Iraq became operational. To improve operational reliability, coverage, and security, TSI relocated FM and TV broadcasting equipment to new locations in Mosul, Baghdad, and Al Hilla.
- As part of the ongoing transition of VOA to a digital platform, in FY 2010, TSI began implementation of the DaletPlus News Room Control System (NRCS) phase of the conversion project and expanded usage of DaletPlus's video playback feature. All VOA language services are currently using DaletPlus Asset Management to access news feeds and other content, and over 50 percent of the services are using the DaletPlus digital clip play out feature. TSI also supported further expansion of video storage by improving the Agency's video storage infrastructure and capability.
- In 2010, TSI began a two-year effort to refurbish the Network Control Center (NCC), the critical 24/7 operations hub and central distribution point for BBG transmission systems. TSI began another major effort in 2010 to enhance and expand the BBG's global satellite distribution network over the next four years.
- In 2010, TSI provided 1,116,000 transmitter hours for BBG broadcasts by shortwave radio, medium wave radio, and FM radio.

BBG Operations

The BBG oversees U.S. funded, non-military international broadcasting, including the operations of IBB, VOA, OCB, and the three grantees, RFE/RL, RFA, and MBN. The Office of the General Counsel, Office of the CFO, the Office of Strategic Planning and Performance Measurement, and the Office of Public Affairs supported Agency activities throughout FY 2010.

- The BBG effectively maintained the journalist firewall to protect the professional independence and integrity of the Agency's broadcasters.
- The BBG continued to work with the entities to ensure that their strategic and long-term planning incorporates the Agency-wide strategic plan.
- The BBG coordinated approximately 350 quantitative and qualitative studies to provide timely, comparable, and regular data from BBG broadcast regions. The research guides BBG strategic

planning at all levels, specifically on-air program development, program reviews, and the Agency's comprehensive annual strategic review of all language services.

- The BBG fostered the employee blog *Tune In* as a venue for dialogue and communication within the Agency. Since September 1, 2009, the blog's popularity has grown with a 21 percent increase in new visits, up to 500 visitors for live and on-demand web streams of Agency events, and numerous incoming questions from Agency employees to the Office of Public Affairs.

International Broadcasting Bureau (IBB)

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

- To better employ modern communication techniques and technologies and engage the world in conversation about America, IBB completed migration of all VOA language services to a new content management system, launched 20 new VOA mobile websites, developed new 'Learning English' websites for Mandarin and Farsi speakers, deployed a dial-up radio project that enables VOA audiences in Zimbabwe to call in and listen to radio programming from their mobile phones, and signed an agreement with a mobile content aggregator that serves 20 African nations to offer VOA content to cell phone customers.
- To expand transmission capacities and audience reach in priority countries, IBB secured an agreement from Radio/Television Afghanistan to carry a new VOA Dari/Pashto television program aimed at young people, negotiated an agreement with Pakistan's only English-language news channel, for a program presenting a dialogue between Pakistani and American newsmakers, extended agreements for VOA Urdu carriage with Pakistan Broadcasting Corporation and GEO TV, and negotiated a new agreement with the Far East Broadcasting Company in South Korea that adds an additional hour and a half of VOA Korean programming nightly on its powerful medium wave transmitter.
- To Improve the Strategic Management of Human Capital, IBB began implementation of a five-year Human Capital and Succession Plan by launching new efforts in internal communication, an improved awards program, and new performance management initiatives. The Plan, crafted by a team of managers from across the Agency, will be updated twice a year to reflect implementation progress and organizational changes.

Ongoing Challenges

Broadcast Environment

Two major factors shape the global political and security context for BBG operations: resurgent authoritarianism and extremism. In many places, the two are intertwined. BBG broadcasters largely target audiences where authoritarianism and extremism predominate, and must therefore stay abreast of the emerging policies and practices of both. The BBG broadcasts to parts of the world where freedom of the press is often suppressed or denied. The BBG also broadcasts to countries and regions that lack democracy or are in the process of transitioning into democracy, which means working in politically unstable environments.

The foremost challenge for the BBG is to deliver BBG programming to audiences via the media and the formats they prefer, despite the instabilities of various broadcast markets. In many cases, the BBG relies on agreements with host country governments to ensure program delivery and access to local radio and TV affiliates. When the political climate or leadership of a country changes, the BBG's ability to continue broadcasting may also change. For example, in FY 2010, the Ethiopian government started jamming shortwave transmissions and blocking Internet and telephone communications with VOA's Amharic audience in the lead up to election season. VOA and the IBB Office of Technology, Services, and Innovation (TSI) collaborated to launch a 30-minute morning surge show in Amharic, expand shortwave frequencies, launch email blasts, and place radio programs on a 24-hour audio stream on the Arabsat satellite. To reach audiences, the BBG is constantly working to overcome jamming and censorship. As an organized effort on behalf of VOA, Radio Free Asia, and Radio Farda, the BBG's Internet anti-censorship program counteracts activities undertaken by governments such as China and Iran to restrict Internet access, constantly revising and updating its approaches and techniques to thwart Internet censorship. The BBG must be agile to adjust broadcast media in response to changing media climates. In 2010, TSI deployed a new client-based anti-censorship tool for audiences of VOA's Persian News Network and RFE/RL's Radio Farda. After users download the tool, they are able to browse the web uncensored without having to go to a special web address and without showing that users are accessing censored sites.

The BBG responds to crises worldwide with surges in broadcasting. This year alone, the BBG has surged in Creole, Spanish, Amharic, Burmese, Swahili, Persian, and Georgian. BBG language services add additional broadcast hours and create rich content to effectively and accurately inform people affected by crises with very little lead-time and often with no defined end of surge. As regional and localized crises develop, the BBG must respond quickly and decisively depending on available media resources and the nature of the situation.

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

Infrastructure

The BBG requires powerful and reliable broadcast equipment to fulfill its mission. BBG customers – audiences around the world – often have a number of choices for where they get their news. To ensure these programs reach target audiences, the BBG must find ways to effectively deliver high quality

programs in a format that is preferred in a given area. The BBG must manage a mix of media and technologies from traditional shortwave to satellite TV, Internet, and cell phones.

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

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

Management

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

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

Internally, the quality, competence, and morale of the BBG workforce must improve for the Agency to effectively achieve its mission. The BBG recognizes that its ability to accomplish its mission is directly related to its workforce. As such, the Agency has made the development and motivation of its workforce a key component of the BBG 2008-2013 Strategic Plan for meeting future challenges. Issues of Federal employee morale and satisfaction have been made apparent in the results of recent federal employee surveys. Although these surveys only capture concerns among the Federal BBG employees, the Agency is taking a comprehensive approach by also engaging the grantees to address critical workforce issues such as employee recognition, training and development, performance management, and communication.

Financial Highlights

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

The independent accounting firm, Clarke Leiper, PLLC, conducted our FY 2010 financial statement audit and issued an unqualified opinion on our Principal Financial Statements. This is the best possible audit result.

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

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

| FINANCIAL HIGHLIGHTS | | |
|---|-------------------------|-------------------------|
| (in Thousands) | 2010 | 2009 |
| At End of Year: | | |
| Condensed Balance Sheet Data: | | |
| Fund Balance with U.S. | \$168,719 | \$158,487 |
| Accounts Receivable | 6,183 | 2,867 |
| Property, Plant, and Equipment | 134,589 | 132,812 |
| Other | 2,651 | 4,161 |
| TOTAL ASSETS | <u>\$312,142</u> | <u>\$298,327</u> |
| Accounts Payable | 10,275 | 17,880 |
| Retirement and Payroll | 38,639 | 35,331 |
| TOTAL LIABILITIES | <u>\$48,914</u> | <u>\$53,211</u> |
| Unexpended Appropriations | 119,999 | 118,440 |
| Cumulative Results of Operations | 143,229 | 126,676 |
| TOTAL NET POSITION | <u>\$263,228</u> | <u>\$245,116</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$312,142</u> | <u>\$298,327</u> |
| For the Year: | | |
| Total Cost | 745,530 | 766,124 |
| Total Earned Revenue | (5,004) | (1,304) |
| TOTAL NET COST OF OPERATIONS | <u>\$740,526</u> | <u>\$764,819</u> |

Management Controls, Systems, and Compliance with Laws and Regulations

Federal Managers' Financial Integrity Act (FMFIA)

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

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

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

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

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

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

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

As a result of the FY 2010 review, the BBG identified internal control deficiencies. Significant weaknesses in the design or operation of internal control that could adversely affect the BBG's ability to meet its program objectives or that adversely affect the ability to initiate, authorize, record, process, or report financial transactions and data are reported externally in the FMFIA Reportable Conditions section of this report.

Operational Internal Control Review

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

Financial Management Systems and Reporting Internal Control Review

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



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

FY 2010 FMFIA REPORT

The Broadcasting Board of Governor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Broadcasting Board of Governors conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Broadcasting Board of Governors can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Broadcasting Board conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123. Based on the results of this evaluation, the Broadcasting Board of Governors can provide reasonable assurance that its internal control over financial reporting as of June 30, 2010 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

A handwritten signature in black ink, appearing to read "J. N. Trimble", is written over a horizontal line.

Jeffrey N. Trimble
Executive Director
Broadcasting Board of Governors

FMFIA Reportable Conditions

The Broadcasting Board of Governors voluntarily discloses the following operational and financial reporting internal control deficiencies as part of its commitment to compliance and transparency.

FMFIA Significant Deficiencies – Operations

| | |
|--|---|
| Deficiency: <u>Manual of Operations and Administration/Broadcasting Administrative Manual</u> | In FY 2003, the BBG identified the need to update the Manual of Operations and Administration as an internal control deficiency through a self-assessment. Policies and procedures had been updated or developed but, for the most part, the Agency had operated with procedures that were no longer relevant. The remedy was to update the operating policies and procedures of the, at the time, recently independent agency. |
| Actions | The BBG has taken steps to systematically update and electronically enhance the existing Manual of Operations and Administrations (MOA) with the Broadcasting Administrative Manual (BAM). As policies and procedures are documented in the BAM, they are removed from the MOA. The Office of the Chief Financial Officer has made significant strides in codifying financial management policy procedures within the BAM. |
| Actions Remaining | The BAM goes through extensive review to ensure its relevance and accuracy. Final drafts of sections within the BAM are complete and being reviewed by General Counsel and Agency senior management. |
| Target Completion Date | March 2011 |

| | |
|---|---|
| Deficiency: <u>Federal Information Security Management Act (FISMA)</u> | The BBG has made significant progress in the implementation and establishment of its security programs, in compliance with the Federal Information Security Management Act of 2002 and Office of Management and Budget (OMB) guidance, but needs to perform further steps to build a comprehensive framework for establishing and ensuring the effectiveness of controls over information technology. |
| Actions | In 2004, the Agency recognized the need to integrate external policy directives as defined by Congress and the Administration. The BBG IT Strategic and Resource Management Plan 2008-2013 responded to these requirements. By FY 2009, the annual evaluation by the OIG indicated the significant progress that the BBG had taken to improve management controls including: development of configuration management policies, improved identification and management of inventory systems using the Federal Information Processing Standards Publication 199, updating and implementing its Information Security Incident Response Plan, and |

| | |
|-------------------------------|---|
| | improved implementation of privacy programs. In addition, the BBG requires that all civilian employees and contractors take security awareness training. |
| Actions Remaining | The BBG must continually assess and improve the IT environment of the BBG. More specifically, the Chief Information Officer will develop policies and procedures for certification and accreditation of all systems starting with the three systems that are of highest priority and continue to develop security plans for the eight remaining lower priority information systems. |
| Target Completion Date | October 2010 for higher priority systems and January 2011 for the remaining systems. |

FMFIA Significant Deficiencies – Financial Reporting

| | |
|---|---|
| Deficiency: <u>Grants Management</u> | There have been instances of non-compliance with Office of Management and Budget (OMB) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. BBG grantees have, in instances, exceeded the amount of cash in-hand needed for immediate and cash requirements. |
| Actions | The BBG makes monthly payments to each grantee based on a financial plan that reflects anticipated obligations and disbursements each month. Each grantee's SF-269, SF-272, and Statement of Obligations and Disbursements are reviewed and compared with the plan. |
| Actions Remaining | The OCFO will meet with each of the grantees on a quarterly basis to adjust and identify significant deviations from their financial plan, actual obligations, and disbursements. In addition, policies and procedures will be reviewed to identify areas for potential improvement where necessary. |
| Target Completion Date | September 2011 |

| | |
|--|---|
| Deficiency: <u>Property, Plant, and Equipment</u> | Recording of Property, Plant, and Equipment (PP&E) depreciation and net book value for capitalized property acquisition and disposals are not always timely or fully integrated into the general ledger which causes a risk for omission of significant transactions. |
| Actions | In FY 2002, the OIG identified personal property as a material weakness. In FY 2005, the BBG purchased a database package, Integrated Property Management Client Server, which was implemented to combine all previous |

| | |
|-------------------------------|--|
| | databases into one. In FY 2006, the Agency migrated to one system, Personal Inventory Property System (PIPS), for all property. In FY 2010, the OIG conducted an audit of nonexpendable property located at the transmitting stations. The OIG found that property was not always properly valued. This is due to lack of training and understaffing at the overseas stations. BBG has addressed these issues by conducting training briefings with the stations, and continues to work closely with the OIG on its recommendations. |
| Actions Remaining | The Office of Technology, Services, and Innovation (formerly the Office of Engineering and Technical Services), which oversees PIPS, and the Office of the Chief Financial Officer, which performs financial reporting, will develop, clarify and implement policies and procedures to ensure that nonexpendable property are properly managed and fairly represented. |
| Target Completion Date | June 2011 |

| | |
|---|--|
| Deficiency: <u>Undelivered Orders and Non-Personnel Expenses</u> | Deobligation, reprogramming, and the recording of expenses have not always been completed on time or in the proper pay period by BBG programs. |
| Actions | The OCFO performs reviews of all open orders and requests program offices to reconcile their open orders. In addition, the OCFO prepares an annual closing memorandum which is distributed to Program Offices which provides specific guidance on the deadlines for processing payments at the end of the fiscal year. In this memo, the OCFO requests all invoices received prior to September 20 th be submitted to the Payments Office by the close of business on the deadline date. The financial reporting branch prepares an adjusting entry to the financial statements to enter the expenses and related liability. In FY 2009, this resulted in a \$5.4 million adjustment. In FY 2010, the Program Offices have been provided additional guidance and training to implement new policies which has resulted in a 26 percent reduction of unliquidated obligations. |
| Actions Remaining | To remedy the issues with obligations, the OCFO will begin issuing periodic open obligations reports to Program Offices for verification and certification that the open obligations contained in the report are valid and should remain open. Simultaneously, the OCFO will review these open obligations and work with each Program Office to determine whether or not funds may be deobligated. To address issues of non-personnel expenses, the OCFO will continue to |

work closely with and provide oversight to ensure that Program Offices comply with deadlines.

Target Completion Date May 2011

Limitations of Financial Statements

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

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

This page intentionally left blank

Section 2: Performance Information

Strategic Goal

The primary strategic goal of the BBG is to deliver accurate news and information through an increasingly effective and modern international broadcasting system that reaches significant audiences where most needed in support of U.S. strategic interests. The principal measures for accomplishing the strategic goal are delivery of high quality news and information in a variety of formats, reaching significant audiences on a regular basis, and promoting an understanding of current events, American society, and U.S. policy.

FY 2010 Implementation Strategies

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

§ *Enhance Program Delivery Across All Relevant Platforms*

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

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

The BBG has taken significant strides toward better reaching the Muslim world by launching 24/7 broadcasting and reaching more people in their own languages and through their preferred media platforms. Like many audiences to whom the BBG broadcasts, rumor, speculation, distortion, censorship, and self-censorship are common. BBG broadcasters play a key role to ensure accurate and balanced reporting; to be a forum for open debate, discussion, and dialogue; and to enhance understanding of American policies and actions.

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

Freedom and democracy were on the march around the world after the end of the Cold War but are suffering serious challenges now. The BBG must fill the gaps in current news coverage that occur when authoritarian regimes do not permit domestic media to broadcast or print consistent with comprehensive and balanced news and information projects. Reaching audiences in countries where authoritarianism persists or is resurgent is a perennial BBG priority.

§ *Employ Modern Communication Techniques and Technologies*

Congress has stipulated that BBG broadcasts "be designed so as to effectively reach a significant audience" – a very different challenge in 2010 than when the Agency began. Over the next several

years, audiences will be increasingly using mobile phones, podcasts, and other new media to obtain news and information. We must stay on the cutting-edge of emerging technologies. We must continue to differentiate across markets, avoiding a one-size-fits-all approach, to adopt formats and delivery means consistent with local circumstances and audience needs. The aim is to expand audience reach while preserving the core mission of disseminating factual news and information.

§ *Facilitate Citizen Discourse*

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

§ *Engage the World in Conversation About America*

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

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

BBG has identified employee skills, training, and morale as critical issues for advancing the mission. Changes in language service priorities and programming, reallocation of resources, and advancements in technology all impact the manner in which BBG broadcasting is done and the competencies required of employees. At the same time, the Federal workforce in particular will soon face unprecedented attrition. All broadcasters need to attract employees with up-to-date technical skills suited to producing the multi-platform programming required in today's global media environments.

§ *Optimize Broadcasting Operations*

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

§ *Preserve Credibility and Ensure Overall Programming Excellence*

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

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

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

FY 2010 Performance Objectives and Outcomes

The BBG Agency-level performance objectives and measures are further supported and linked to language service and support service performance plans that have action steps and detailed performance goals and measures. The language service plans are evaluated annually through the Agency's Language Service Review process, and the support services are evaluated each year through the Agency's Support Services Review.

Listed below are the BBG annual performance objectives, including key initiatives supported by the FY 2009 and 2010 enhancements, with summaries of the current status. The detailed accomplishments for each performance objective are also presented in the accomplishments table in the following pages.

A. Reach the Arabic speaking world.

- Continue *Al Youm*, Alhurra's 3-hour live program initiated from the Middle East five days per week, and supported by 24/7 news capability.
MBN continued its flagship program Al Youm, broadcast live from studios in Dubai, Beirut, Cairo, Jerusalem, and MBN's headquarters.
- Replace Alhurra's production system to improve production capability and increase broadcast reliability.
MBN replaced the Alhurra broadcast automation system, which became operational in FY 2011.
- Continue MBN's radio broadcasts to Darfur.
MBN continued daily Afia Darfur radio broadcasts to Darfur and produced a documentary on the humanitarian crisis facing the Darfurian refugees.
- Begin to replace obsolete and unreliable radio and television equipment.
MBN began this equipment replacement in FY 2010 and will continue it in FY 2011.

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

- Reach the strategically critical audiences of Iran through the popular programming of VOA's Persian News Network and Radio Farda, a 24/7 Persian radio service.
VOA's Persian News Network and RFE/RL's Radio Farda continued to provide audiences in Iran with important news and information – see Accomplishments Table.
- Continue successful BBG broadcasts to Afghanistan through the daily 24-hour program stream in the Dari and Pashto languages.
Daily programming in Dari and Pashto continued and BBG broadcasts were listened to or watched by 65 percent of the adult population each week.
- Enhance local coverage on Radio Deewa programming – aimed to reach the Pashto-speaking people living in the Afghanistan-Pakistan border region.
VOA's Radio Deewa has a network of 27 stringers providing extensive daily coverage of the region. In January, RFE/RL launched Radio Mashaal, a Pashto language stream to the border regions of Afghanistan and Pakistan, which now broadcasts nine hours live daily.
- Expand VOA's Russian and Persian Internet capability.
VOA's Russian Service successfully transitioned from a radio and TV broadcaster to a thriving web-based outlet for news and information with a strong social networking presence. VOA launched two new Persian Internet applications for citizen journalism and learning English.

- Enhance RFE/RL's central Internet capability and strengthen RFE/RL's Russian Internet site.
RFE/RL has transitioned its language service websites to a new, custom-built, scalable content-management system and surpassed 30 million page views for the first time in May 2010. Since 2008, RFE/RL's Russian Service website has tripled the number of page views and site visits.
- Expand RFE/RL's internet reach with a regional Russian language website for Central Asian audiences.
Funds were utilized for multimedia equipment and video-journalism and web-writing training in Prague and at the three Central Asian bureaus to optimize the Russian-language websites of each service.

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

- Sustain the coordinated 10-hour VOA-RFA program stream to North Korea in SW and MW.
The 10-hour daily broadcasts continued and additional medium wave transmissions were added from leased facilities in South Korea and Russia.
- Strengthen RFA's online presence in China and Vietnam.
RFA experienced steady increases in number of visits to its Vietnamese and Chinese websites.
- Expand VOA's Mandarin and Vietnamese Internet capability.
VOA launched a new learning English website for Mandarin speakers. VOA's Vietnamese website experienced significant increases in traffic.
- Expand RFA's video reporting and content capability.
During FY 2010, several RFA services began producing Webcasts and posting them on RFA and external websites.

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

- Continue VOA's Somali programming to Horn of Africa.
VOA's Somali programming continued and achieved a 62 percent weekly audience reach in Mogadishu.
- Continue Studio 7 broadcasts to Zimbabwe.
VOA's Studio 7 broadcasts to Zimbabwe continued and expanded its call-in/call-back talk show to five days per week.

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

- Support Radio and Television Martí's capability to reach into Cuba.
OCB's Marathon Transmitter was upgraded and TV Martí began broadcasting new, weekend primetime programming via DirectTV.
- Continue expanded VOA Spanish programming to Venezuela.
VOA's Spanish Service launched a new weekly radio program to Venezuela, which originates from both VOA studios in Washington and Radio Martí studios in Miami, and uses the talents of both organizations.
- Strengthen the Internet presence of VOA's Spanish site.
VOA launched a Spanish mobile website in March and actively engaged with its audience through social networking.

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

- Address BBG's most critical infrastructure maintenance and repair requirements.
BBG aligned resources to address priority equipment and repair requirements.
- Improve BBG Headquarters (Cohen Building) power infrastructure to provide essential support to round-the-clock broadcasting.
BBG continues to address power generation capabilities.
- Support all increases in programming with appropriate program delivery and administrative means.
Planning and implementation for new programming included appropriate and adequate support.
- Increase awareness of BBG programs in high priority markets through advertising and promotion.
The BBG, through the Office of Marketing and Program Placement, ensured that advertising and promotion resources were aligned with high priority markets.
- Use research to identify appropriate target audiences and their preferred media, with the formats and content that would appeal to them.
Comprehensive audience research and analysis was available to BBG language services and managers for planning and measuring performance.
- Maintain the firewall and continuously monitor programming quality in line with modern broadcast journalism principles through annual performance reviews of all broadcast services.
Annual program reviews were conducted by each broadcast entity with all rated broadcasting services receiving "good or better" program quality scores.
- Support the President's management agenda, including initiatives to improve financial performance and budget integration plus finance and contract functions.
BBG continues to improve integration of financial and procurement management.
- Continue support for critical training and employee recognition programs.
The employee development initiative continues to address critical training needs and employee recognition programs. The Agency developed and is implementing a comprehensive Human Capital Plan.

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

| Account | FY 2006 ¹ | FY 2007 ² | FY 2008 ³ | FY 2009 ⁴ | FY 2010 ⁵ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| International Broadcasting Operations | \$643,531 | \$649,126 | \$671,977 | \$708,229 | \$745,613 |
| Broadcasting Capital Improvements | \$52,580 | \$7,624 | \$10,128 | \$12,046 | \$13,263 |
| Total | \$696,111 | \$656,750 | \$682,105 | \$720,275 | \$758,876 |

¹ Includes funding pursuant to the FY 2006 Emergency Supplemental P.L. 109-234 (\$36.1 million) and also includes offset balances of \$16 million.

² Includes funding pursuant to the FY 2007 Emergency Supplemental P.L. 110-28 (\$10.0 million).




³ Includes funding pursuant to the FY 2008 Emergency Supplemental P.L. 110-161 (\$12.0 million) and P.L. 110-252 (\$.1 million). Reflects transfer of \$.533 million from Broadcasting Capital Improvements to International Broadcasting Operations.

⁴ Includes funding pursuant to the FY 2008 Supplemental Appropriations Act, 2008, PL 110-252 (\$7.9 million). Also includes transfers from Department of State \$4.2 million for P.L. 110-329 Georgian/Russian Initiatives (\$2.863 million was utilized in FY 2009) and \$10 million for P.L. 111-32 enhanced programming to the Afghanistan-Pakistan Border region (\$.030 million was utilized in FY 2009). Reflects transfer of \$.750 million from International Broadcasting Operations to Broadcasting Capital Improvements.

⁵ Includes funding pursuant to the Supplemental Appropriations Act, 2010, P.L. 111-212. \$3.0 million (\$1.159 million was utilized in FY 2010). Reflects transfer of \$.641 million from International Broadcasting Operations to Broadcasting Capital Improvements. Includes balances from P.L. 110-329 Georgia/Russian Internet Initiatives \$1.337 million and P.L. 111-32 Afghanistan/Pakistan Border Region \$9.970 million.



Summary of FY 2010 Performance Accomplishments


The following are highlighted accomplishments in each of the performance objectives during FY 2010.

| FY 2010 Performance Objectives | FY 2010 Accomplishments |
|---|---|
| <p>A. Reach the Arabic speaking world.</p> <p>Weekly Audience: 36.2 million</p>  <p><i>Iraqi Prime Minister Nuri al-Maliki interviewed on Alhurra</i></p>  <p><i>Al Youm is broadcast live from Cairo (above), Dubai, Beirut, Jerusalem, and MBN's headquarters</i></p>  <p><i>Alhurra control room</i></p> | <ul style="list-style-type: none"> ü Through its flagship program <i>Al Youm</i>, which is broadcast live from studios in Dubai, Beirut, Cairo, Jerusalem, and MBN's headquarters, Alhurra provided news of the day, discussed compelling social issues, presented unique perspectives from across the Middle East and from the U.S., and profiled personal success stories from across the Middle East region. ü Radio Sawa, Alhurra, and RFE/RL's Radio Free Iraq provided extensive coverage of the 2010 Iraqi National Parliamentary elections and subsequent negotiations to form a coalition government, featuring interviews with voters, election officials, analysts, and Iraqi VIPs. In March 2010, the BBG's 14th FM station in Iraq became operational. ü MBN's daily <i>Afia Darfur</i> program provided news and information to the people of Darfur and eastern Chad. Alhurra produced a documentary on the humanitarian crisis facing the Darfurian refugees at the Konoungo refugee camp in Eastern Chad. ü Alhurra produced a five-part documentary on the complex and diverse story of Arab Americans, which was capped off by a Town Hall Meeting in Dearborn, MI where Arab-Americans discussed their lives and the issues facing their community. ü Alhurra launched a segment called <i>Alhurra and the People</i> that asks both U.S. and Middle Eastern people from all walks of life to broadcast their response to a single questions-of-the-day related to political and social issues. ü Through social media, MBN has been reaching out to engage with the people of the region in a discussion of topics covered on Alhurra and Radio Sawa. ü MBN replaced the Alhurra broadcast automation system to streamline editing; improve news system integration; increase availability of video content; and establish a reliable online video archive system. MBN began replacement of outdated radio and television equipment, which will continue into FY 2011. |

| FY 2010 Performance Objectives | FY 2010 Accomplishments |
|--|--|
| <p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia.</p> <p>Weekly Audience: 44.2 million</p>  <p><i>VOA Deewa correspondent interviews internally displaced people in Pakistan</i></p>  <p><i>RFE/RL Afghan Service correspondent interviewing Secretary of State Clinton in Kabul</i></p>  <p><i>Radio Farda's live satire show at RFE/RL studio in Prague</i></p> | <ul style="list-style-type: none"> ü VOA's Persian News Network (PNN) is the top international broadcaster to Iran with 19.6 percent of the adult population watching at least once weekly. PNN launched a weekly satirical show, <i>Parazit</i>, which has quickly gained popularity on Facebook. PNN began offering a new mobile device application that allows Iranians to download and send content to VOA via smart phone and launched a Farsi-language English learning website. The BBG's Persian radio service, RFE/RL's Radio Farda, launched a live satirical program that has been as well-received by listeners as it has been attacked by pro-regime media. To aid with distribution in Iran, IBB's Office of Technology, Services, and Innovation deployed a new client-based anti-censorship tool to VOA's Persian News Network users and users of Radio Farda. ü In June, VOA and Express 24/7, a 24-hour English-language cable news channel in Pakistan, launched a joint TV program on a trial basis, which focuses on key issues in the U.S.-Pakistan relationship and the fight against terrorism. The twice-weekly program, co-hosted from Islamabad and Washington, is the first English-language TV talk show to be jointly produced by stations in Pakistan and the U.S. ü VOA's Radio Deewa, Pashto programming to the Pakistan-Afghanistan border region, continued its aggressive reporting with a network of 27 stringers providing extensive daily coverage of the tribal areas, including live reports from the refugee camps, despite Taliban threats and attacks. In January, RFE/RL launched Radio Mashaal, a targeted stream in the Pashto language directed specifically at audiences in the Pashtun border regions of Afghanistan and Pakistan. Radio Mashaal currently has nine hours of live broadcasting daily. The BBG's medium wave system in eastern Afghanistan became fully operational in March, serving a wide audience in this critical region. ü VOA and RFE/RL expanded their reach in Afghanistan, jointly reaching 65 percent of the adult population each week. VOA's Dari and Pashto language websites have more than doubled their traffic since last year with more than 108,000 visits in June. With its dual-language programming and its tone of moderation, RFE/RL's Radio Free Afghanistan plays a critical role in promoting national unity and religious tolerance. VOA and RFE/RL are among the most trusted sources of news in the country. |



| FY 2010 Performance Objectives | FY 2010 Accomplishments |
|--|--|
| <p>B. Expand audience reach in strategic locations in the Near East, South, Central Asia and Eurasia. (Cont.)</p>  <p><i>VOA's mobile application for audiences in Iran</i></p>  <p><i>VOA Russian interviews Henry Kissinger</i></p>  <p><i>VOA and Pakistan's 24-hour English-language cable news channel launched a joint TV program focusing on key issues in the U.S.-Pakistan relationship.</i></p> | <ul style="list-style-type: none"> ü In March, RFE/RL's Russian Service devoted substantial coverage to the suicide bombings in the Moscow metro, including on-the-ground reporting and reactions from officials. RFE/RL's Russian Service's website has seen steady growth in the past two years, with triple the number of page views and site visits. ü VOA's Russian Service has successfully transitioned from a radio and TV broadcaster to a thriving web-based outlet for news and information. The Service's new media product, which includes a website and a strong presence on popular social networking sites and blogs, features a wide range of interactive activities for its audience. ü In the run-up to the Ukrainian presidential election in February, VOA's and RFE/RL's Ukrainian Services provided multifaceted coverage and analysis of the candidates and, following the election of Viktor Yanukovich to the presidency, Ukraine's pursuit of closer ties with Russia. After five years of scattered coverage, RFE/RL's Ukrainian Service has returned to national airwaves with long-form programming. ü With daily Russian-language programs targeted to Georgia's breakaway regions of South Ossetia and Abkhazia, RFE/RL's <i>Ekho Kavkaza</i> was created in November 2009 to overcome misconceptions and mistrust between the peoples of these conflict zones and the people of Georgia. VOA's Georgian Service began producing short, Georgian-language video reports, available on the Service's revamped website. ü In April, as a popular revolt in Kyrgyzstan toppled the government of President Kurmanbek Bakiev, RFE/RL's Kyrgyz Service provided swift, accurate, and objective coverage, including on-the-ground reporting, an interview with the ousted President, and the first video interview with Roza Otunbayeva, the Chairperson of the Interim Government. ü In May, RFE/RL's Balkan Service devoted extensive coverage to the deteriorating relations between Serbia and Bosnia. RFE/RL is unique among media outlets in the Balkans in that it specifically takes a regional approach to its programming. The Balkan Service's "Bridge" show brings together people from across the region to encourage dialogue and understanding. |


| FY 2010 Performance Objectives | FY 2010 Outcomes |
|---|---|
| <p>C. Focus broadcasting to audiences of strategic priority in East Asia.</p> <p>Weekly Audience: 38.1 million</p>  <p><i>RFA's Vietnamese webcasts posted on YouTube</i></p>  <p><i>IBB's Marketing office promotes VOA in Thailand</i></p> | <ul style="list-style-type: none"> ü VOA and RFA each broadcast five hours of daily radio programming to North Korea. To further improve medium wave service into North Korea, BBG increased transmissions from a leased facility in South Korea in January and added leased transmissions from a Russian facility in March. ü VOA Mandarin launched www.goEnglish.me, offering interactive applications and social networking components to learn American English and discover more about life in the United States. VOA's China Branch (Mandarin and Cantonese) also developed an additional website carrying less politically sensitive VOA content that the Chinese government would likely not block. RFA Mandarin Service has been aggressively incorporating citizen journalism into its editorial content and in the past year, the Service has produced on average two exclusive stories per week based on leads submitted by listeners and/or citizen journalists. RFA Mandarin began a new program "Forum for Women and Children," which explores topics such as domestic violence, gender discrimination, child abuse, and women's health issues. ü VOA's Tibetan Service launched a TV segment called Cyber Tibet, which looks at activities on the Tibetan blogosphere, interesting Tibet-related websites, and the Tibetan content on social media networks. This lively and dynamic segment allows the majority of Tibetans who don't go online to share in the hyperactive world of Cyber Tibet. During the April earthquake in Yushu, a mostly Tibetan-inhabited area in China's Qinghai province, RFA Tibetan aired hourly updates from morning to midnight, and reported many exclusive stories. Locals and relief volunteers contacted RFA to report first hand information about the devastation of the earthquake. RFA Cantonese did extensive reporting during the aftermath of a massive earthquake in Qinghai in April 2010. Citizen journalists provided more than 100 quake photos, many which were published on RFA's Cantonese website and YouTube. ü RFA and VOA both experienced steady increases in web traffic on their Vietnamese sites. RFA's webcasts and video production helped the Vietnamese service achieve a 48 percent increase in the number of visits to its site for April to June 2010 when compared to the same period in 2009. |

| FY 2010 Performance Objectives | FY 2010 Accomplishments |
|--|---|
| <p>C. Focus broadcasting to audiences of strategic priority in East Asia. (Cont.)</p>  <p><i>RFA maintains a variety of blogs on their website, like this one focused on Burma</i></p> | <ul style="list-style-type: none"> ü In anticipation of the November general elections in Burma, VOA and RFA have developed new targeted programming. VOA's Burmese Service sponsored the first-ever televised seminar on the Burmese general elections. More than 200 Burmese journalists and regional experts on Burma attended the seminar, held in Chiangmai, Northern Thailand in February. RFA Burmese added new programs to educate and inform the public about the constitution, voting rights, election laws, and related issues. ü VOA Indonesian reaches more than 25 million people each week (16.2 percent of the adult population of Indonesia) primarily via affiliate TV and radio stations. The Service's diverse TV products can now be seen regularly on nine of Indonesia's 11 national TV stations and more than 20 local and regional TV stations. VOA Indonesian's eight hours of daily original radio programming are delivered through a network of more than 230 affiliate FM and MW stations. ü RFA and VOA are the most popular international broadcasters in Cambodia. VOA Khmer has developed solid relationships with Cambodia's two most important television stations. Cambodian Television Network, the country's top TV station, began taking VOA Khmer programming regularly in April, and Television Kampuchea, Cambodian national television, has been airing VOA Khmer video reports for more than 18 months. ü RFA produced a video documentary of the Mekong River, which received Society of Environmental Journalists 2010 First Place award for Outstanding Online Reporting on the Environment. RFA received American Women in Radio & Television's Gracie Allen Award this year for "Half the Xinjiang Sky," a multimedia web presentation focused on Uyghur women following the deadly events in China's Xinjiang Uyghur Autonomous Region and Guangdong province in the summer of 2009. |

| FY 2010 Performance Objectives | FY 2010 Accomplishments |
|--|--|
| <p>D. Target African broadcasting to areas prone to terror incidents, genocide, or failed states.</p> <p>Weekly Audience: 42.6 million</p>  <p><i>Journalism Workshop in Goma, DRC</i></p>  <p><i>Billboard in Hargeisa, Somaliland advertizes VOA's FM station</i></p> | <ul style="list-style-type: none"> ü VOA's Zimbabwe Service reached 16 percent of the adult population and a third of VOA's audience called the station their single most important source of news. In June, the Zimbabwe Service expanded its LiveTalk call-in/call-back talk show to 30 minutes five evenings a week from three times weekly. ü VOA's Somali Service achieved a 62 percent weekly audience in Mogadishu. The Service airs 3.5 hours of news and current affairs, topical discussions, entertainment and sports programs every day to one of the world's most hostile environments despite direct threats to VOA journalists from militant groups. ü The Hausa Service has one of VOA's largest radio audiences: 36 percent of the Hausa-speaking population in Nigeria listens to VOA at least once a week. The service organized town hall meetings and health journalism workshops in Nigeria. ü VOA and the Office of Technology, Services, and Innovation together responded to jamming by the Ethiopian government with the launch of a morning surge program in Amharic, expansion of short wave frequencies for Amharic, Afan Oromo, and Tigrigna, satellite transmissions for these languages, and email newsletters to get around website blocking. ü VOA's Central Africa Service achieved a 12-percent weekly audience rate in Burundi and a 71-percent weekly audience rate in Rwanda. ü VOA's Swahili Service broadcasts 9.5 hours of radio a week that reach 20 percent of adults in Tanzania. In June it began offering short video reports on its mobile platform. |

| FY 2010 Performance Objectives | FY 2010 Outcomes |
|---|---|
| <p data-bbox="186 310 560 422">E. Expand audience reach in strategic locations in Latin America.</p> <p data-bbox="186 470 553 501">Weekly Audience: 4.0 million</p>  <p data-bbox="186 1010 609 1071"><i>VOA Creole reporter providing the latest news of the Haitian earthquake</i></p>  <p data-bbox="186 1386 532 1415"><i>TV Martí cameraman in Miami</i></p>  <p data-bbox="186 1730 587 1791"><i>A joint broadcast between TV Martí and VOA Spanish</i></p> | <ul style="list-style-type: none"> <li data-bbox="646 289 1437 604">ü After the January earthquake in Haiti, VOA’s Creole Service Latin America Division began immediate unprecedented news coverage. The Service added a 90-minute special program within hours after the quake. A sustained radio programming surge began the next day, along with an Internet hotline for survivors and their families on the Service’s website. Overall programming hours increased from 1.5 hours to 10.5 hours Monday through Friday, and from one hour to 9.5 hours Saturday and Sunday. <li data-bbox="646 638 1437 848">ü To be strategically poised to take advantage of the growing popularity of mobile devices throughout Latin America, VOA’s Spanish Service launched a dedicated mobile Spanish web page in March. The Division has also stepped up its efforts in social media/networking by launching and continually updating dedicated sites on Facebook, Twitter, and YouTube. <li data-bbox="646 882 1437 1155">ü VOA and OCB collaborated on a daily one hour news program, <i>A Fondo (In Depth)</i>. The program features live reports and expert interviews and news analysis, and it is broadcast on Radio Martí and Voice of America Spanish Radio. This new show is the first of its kind, originating from VOA studios in Washington and the Radio Martí studios in Miami, using the talents of both organizations to give depth of knowledge and content. <li data-bbox="646 1188 1437 1440">ü Four new antenna towers for Radio Martí’s medium wave (AM Radio) Marathon Transmitter Station were installed, providing higher reliability, unlimited availability of 100kW power level, and a louder audio signal to listeners. During the recent Haitian crisis, the Marathon station was used to broadcast VOA’s Creole service to Haiti for up to 4 hours daily. <li data-bbox="646 1474 1437 1537">ü TV Martí began broadcasting new, weekend primetime programming via DirectTV. |

| FY 2010 Performance Objectives | FY 2010 Outcomes |
|--|---|
| <p data-bbox="186 310 600 464">F. Align essential support functions with broadcasting implementation strategies and performance goals.</p>  <p data-bbox="186 898 584 957"><i>Technician at the Master Control of the Kuwait Transmitting Station</i></p>  <p data-bbox="186 1341 597 1400"><i>IBB technicians repair a satellite dish in the Philippines</i></p> | <ul style="list-style-type: none"> <li data-bbox="646 289 1432 747">ü IBB’s Office of Technology, Services, and Innovation (TSI) continued the phased implementation of a digital video system for VOA, which manages the entire news production workflow and allows journalists to operate in a fully digital mode from video production to on air presentation. TSI began implementation of the News Room Control System and expanded usage of the video playback feature. All VOA language services are currently using the digital asset management system to access news feeds and other content, and over 50 percent of the services are using the digital clip play out feature. TSI also supported further expansion of video storage by improving the Agency’s video storage infrastructure and capability. <li data-bbox="646 779 1432 1024">ü TSI began efforts to replace obsolete and unsupported encoder systems in the Network Control Center with newer, state-of-the-art systems. TSI began a comprehensive analysis and design effort on a 5 year project to enhance and expand the BBG’s global satellite distribution network, which will accommodate additional video transmissions and the move to high definition video distribution. <li data-bbox="646 1056 1432 1157">ü TSI continued development of Continuity of Operations (COOP) plans and facilities for radio and television broadcasts in the event of either Federal or local emergencies. <li data-bbox="646 1188 1432 1507">ü TSI began a “green” initiative to examine more efficient use of energy with feasibility studies for wind power application at Tinian, Sao Tome, and Sri Lanka and a pilot project planned for Tinian. Other projects planned for BBG facilities include water efficiency projects at transmitting stations and solar energy systems at FM stations. To predict and control power usage, transmitting stations began installing power monitoring systems; this effort will continue through the next two fiscal years. <li data-bbox="646 1539 1432 1745">ü IBB’s Office of Marketing and External Liaison continued to work toward increasing audiences in high-priority markets through placement of programs and furthered awareness of those programs through advertising and promotional campaigns. FM and TV affiliations continued to be added in critical target countries, including Afghanistan and Pakistan. |

| FY 2010 Performance Objectives | FY 2010 Outcomes |
|---|--|
| <p>F. Align essential support functions with broadcasting implementation strategies and performance goals. (Cont.)</p>  <p><i>BBG Governor Victor Ashe delivering remarks at the Gold Medal Award ceremony</i></p> | <ul style="list-style-type: none"> ü IBB’s Office of New Media oversaw the migration of all VOA language services to a new content management system that provides a more stable and interactive platform for displaying multimedia content, launched 20 new VOA mobile web sites featuring multimedia content, and developed new learning English websites for Mandarin and Farsi speakers with state-of-the art voice recognition technology and active social networking components. ü In an effort to address critical Human Capital issues, the IBB began implementation of a five-year Human Capital and Succession Plan by launching new efforts in internal communication, an improved awards program, and new performance management initiatives. |

Summary of FY 2010 Performance Indicators

| | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2009 Actual | FY 2010 Target ¹ | FY 2010 Actual |
|--|-------------------|-------------------|-------------------|-------------------|--------------------------------|-------------------|
| Regular Listening/Viewing Audiences: Number of people (in millions) in target areas listening or viewing at least weekly by program element. | | | | | | |
| VOA | 117.7 | 118.6 | 136.5 | 124.5 | 129.4 | 122.5 |
| MBN (Radio Sawa) | 20.8 | NA | 17.2 | 16.4 | 16.6 | 17.6 |
| MBN (Alhurra) | 21.3 | NA | 25.8 | 27.7 | 28.4 | 26.2 |
| RFE/RL | 34.7 | 28.6 | 25.9 | 17.6 | 18.6 | 18.4 |
| RFA | NA | NA | NA | NA | NA | NA |
| OCB | NA | NA | NA | NA | NA | NA |
| Affiliations and Transmitters: The count of high impact and high quality radio and TV stations regularly carrying US government programming, and of IBB-owned and -operated local transmitters, TV, FM, and AM. | | | | | | |
| VOA – Affiliates | 337 | 354 | 324 | 342 | 350 | 360 |
| RFE/RL – Affiliates | 61 | 55 | 39 | 46 | 51 | 62 |
| RFA – Affiliates | 2 | 3 | 3 | 3 | 4 | 7 |
| VOA – Transmitters | 28 | 30 | 32 | 33 | 34 | 34 |
| MBN (Radio Sawa) – Transmitters | 28 | 36 | 38 | 39 | 46 | 40 |
| MBN (Alhurra) – Transmitters | 4 | 4 | 5 | 5 | 5 | 5 |
| RFE/RL – Transmitters | 16 | 17 | 19 | 19 | 19 | 20 |
| Program Quality: Assesses the U.S. interest, content, balance, accuracy, and quality of presentation of program material. Score is percent of services whose programs overall are rated "good or better." | | | | | | |
| VOA ² | 100 | 100 | 100 | 100 | 100 | 100 |
| MBN (Radio Sawa) | NA | 100 | NA | NA | 100 | 100 |
| MBN (Alhurra) | NA | NA | NA | 100 | 100 | NA |
| RFE/RL | 100 | 100 | 100 | 100 | 100 | 100 |
| RFA | 100 | 100 | 100 | 100 | 100 | 100 |
| OCB | 100 | 100 | 100 | 50 | 100 | 100 |
| Program Credibility: Consists of the percent of those listening or viewing at least once a week who consider the station's news and information "very trustworthy/reliable" or "somewhat trustworthy/reliable" in an annual survey. | | | | | | |
| VOA ³ | 90 | 89 | 94 | 91 | 93 | 94 |
| MBN (Radio Sawa) | 70 | 79 | 83 | 82 | 85 | 90 |
| MBN (Alhurra) | 74 | 73 | 72 | 85 | 85 | 86 |
| RFE/RL | 86 | 83 | 87 | 87 | 89 | 92 |
| RFA | NA | 95 | 94 | 95 | 95 | 91 |
| OCB | NA | NA | NA | NA | NA | NA |
| Understanding: Consists of the percent of those listening or viewing at least once a week who say that the broadcasts have "increased their understanding of current events" "somewhat" or "a great deal" in an annual survey. | | | | | | |
| VOA | NA | NA | NA | NA | NA | 85 |
| MBN (Radio Sawa) | NA | NA | NA | NA | NA | 70 |
| MBN (Alhurra) | NA | NA | NA | NA | NA | 69 |
| RFE/RL | NA | NA | NA | NA | NA | 85 |
| RFA | NA | NA | NA | NA | NA | 89 |
| OCB | NA | NA | NA | NA | NA | NA |
| Radio Signal Strength Index: This overall network level indicator applies only to cross-border SW and MW radio signals, and measures whether programs can be heard by target audiences. Based on a 5-point scale. | | | | | | |
| BBG | 2.79 | 2.78 | 2.65 | 2.74 | 2.72 | 2.80 |
| Satellite Effectiveness Index: Assesses whether the BBG satellite delivery is keeping pace with global media developments. | | | | | | |
| BBG | 10 | 10 | 9.8 | 10.4 | 10.4 | 10.4 |
| Transmission Network Consumable Expense: The cost (in millions) of power and parts to operate the IBO transmitter. | | | | | | |
| BBG | \$27 | \$30 | \$34 | \$34 | \$36 | \$35 |

¹ FY 2010 Targets are from the BBG FY 2011 Congressional Budget Request.

² Prior to FY 2009, VOA program quality scores cover radio only. In FY 2009 and FY 2010, it includes both radio and TV.

³ Prior to FY 2010, VOA program credibility scores cover radio only. In FY 2010, it includes both radio and TV.

Analysis of Performance Results

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

§ **VOA – Target: 129.4 million Actual: 122.5 million**

Statistically speaking, the FY 2010 audience figure of 122.5 million represents an essentially constant audience as compared to the FY 2009 figure of 124.5 million, while falling short of the FY 2010 target of 129.4 million. Any real decline in VOA audience from FY 2009 to FY 2010 can be attributed to large drops in the estimates for Iran, India, and Pakistan – collectively accounting for a loss of 10.8 million audience members. In India, VOA no longer broadcasts on radio or TV in Hindi. In Iran, both anecdotal evidence and research suggest that the Iranian authorities’ pervasive jamming of foreign satellite TV programs has had a significant impact on viewers’ ability to watch VOA TV. The increasingly repressive political environment may also have made survey respondents even less likely to admit any contact with foreign media. In Pakistan, VOA is faced with an increasingly fragmented media market, and ever declining rates of radio use. Daily radio usage in Pakistan, as measured by the percentage of the sample that listened the day before the survey, has fallen to 9 percent – among the lowest rates in the world – while the TV audience continues to splinter with the arrival of more stations on the already crowded cable market. In this environment continued audience growth will be very difficult to achieve.

§ **MBN (Radio Sawa) – Target: 16.6 million Actual: 17.6 million**

With a weekly audience of 17.6 million listeners, Radio Sawa exceeded its FY 2010 target of 16.6 million listeners.

§ **MBN (Alhurra) – Target: 28.4 million Actual: 26.2 million**

In FY 2010, audiences for Alhurra declined in Egypt and Syria, leading to an overall audience of 26.2 million viewers. Alhurra faces increasingly competitive and splintered media environments throughout its broadcast region, especially in Egypt.

§ **RFE/RL – Target: 18.6 million Actual: 18.4 million**

In FY 2010, RFE/RL’s weekly audience increased to 18.4 million from its FY 2009 level of 17.6 million. Their audience is within the margin of error of the 18.6 million target.

§ **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 for the entire entity. It has been possible for the BBG to do credible survey research in several countries in RFA’s broadcast region. This research shows RFA weekly audiences of 6.7 million in Burma and 1.8 million in Cambodia.

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

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

- § **VOA Affiliates – Target: 350 Actual: 360**
VOA met its target number of affiliates in FY 2010.
- § **RFE/RL Affiliates – Target: 51 Actual: 62**
RFE/RL met its target number of affiliates in FY 2010.
- § **RFA Affiliates – Target: 4 Actual: 7**
RFA met its target number of affiliates in FY 2010.
- § **VOA Transmitters – Target: 34 Actual: 34**
The number of VOA Transmitters met the target established for FY 2010.
- § **MBN (Radio Sawa) Transmitters – Target: 46 Actual: 40**
The number of MBN (Radio Sawa) transmitters did not meet the FY 2010 target due to ongoing political and security constraints which impeded construction of planned new facilities.
- § **MBN (Alhurra) TV Transmitters – Target: 5 Actual: 5**
Alhurra's number of transmitters remained at 5, as targeted, during FY 2010, and will remain at that level for the foreseeable future. Costs and political obstacles make it unlikely that future opportunities will arise to locate more local TV transmitters in the region. MBN relies mainly on direct to home satellite service to deliver TV programming to audiences.
- § **RFE/RL Transmitters – Target: 19 Actual: 20**
The number of RFE/RL Transmitters met the target established for FY 2010.

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 percent weight, and presentation a 35 percent weight. Programs are reviewed by both external and internal evaluators, except in the case of Radio Sawa, which relies on external reviewers only. These are averaged and summarized on a scale from 1-4, where 1.0-1.3 = poor; 1.4-1.6 = poor to fair; 1.7-2.3 = fair; 2.4-2.6 = fair to good; 2.7-3.3 = good; 3.4-3.6 = good to excellent; 3.7-4.0 = excellent. The percentage of each entity's language services that fall within the good, good to excellent, or excellent range is then calculated.

§ **VOA – Target: 100 Actual: 100**

Program quality ratings continued to be good or excellent for all VOA language services in FY 2010. As VOA becomes a more integrated multimedia broadcaster, program quality scores are being reported for the overall entity, rather than by specific platform (radio or television).

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

The program quality rating was good or excellent for Radio Sawa in FY 2010.

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

A program quality score was not available for Alhurra in FY 2010.

§ **RFE/RL – Target: 100 Actual: 100**

Program quality ratings continued to be good or excellent for all RFE/RL language services in FY 2010.

§ **RFA – Target: 100 Actual: 100**

Program quality ratings continue to be good or excellent for all RFA language services in FY 2010.

§ **OCB – Target: 100 Actual: 100**

Program quality ratings were good or excellent for all OCB language services in FY 2010.

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

§ **VOA – Target: 93 Actual: 94**

VOA's program credibility score of 94 percent in FY 2010 exceeded VOA's target of 93 percent. As VOA becomes a more integrated multimedia broadcaster, credibility scores are being reported for the overall entity, rather than by specific platform (radio or television). Research shows that audiences do not perceive a significant difference in credibility based on platform.

§ **MBN (Radio Sawa) – Target: 85 Actual: 90**

MBN Radio Sawa's credibility score of 90 percent in FY 2010 exceeded the target of 90 percent and represents an 8 percentage point increase over FY 2009.

- § **MBN (Alhurra) – Target: 85 Actual: 86**
MBN Alhurra’s credibility score of 86 percent in FY 2010 exceeded the target of 85 percent.
- § **RFE/RL – Target: 89 Actual: 92**
RFE/RL’s program credibility score of 92 percent in FY 2010 exceeded the target of 89 percent and represents a 5 percentage point increase over FY 2009.
- § **RFA – Target: 95 Actual: 91**
RFA’s program credibility score of 91 percent in FY 2010 did not meet the target of 95 percent. However, RFA continues to hold a high level of credibility among listeners with 91 percent of weekly listeners rating its programming as very or somewhat trustworthy.
- § **OCB – Target: NA Actual: NA**
As previously indicated, the closed nature of Cuban society makes it extraordinarily difficult to conduct surveys or research, and, therefore, program credibility cannot be reliably measured.

Understanding: This indicator is determined by the survey question asking weekly listeners/viewers whether the broadcasts have “increased their understanding of current events.” The answers are registered on a four-point scale – a great deal, somewhat, very little, or not at all. The understanding indicator measures the percent of those answering the question in the survey (excluding those who did not respond or did not know) who chose “a great deal” or “somewhat.” This indicator is one of the three principal measures outlined in the BBG’s Strategic Plan. It is being reported for the first time in FY 2010 and there are no established targets.

- § **VOA – Actual: 85**
85 percent of weekly listeners and viewers report that VOA has increased their understanding of current events a great deal or somewhat. This understanding score is for VOA overall, rather than by specific platform (radio or television). Research shows that audiences do not report a significant difference in understanding based on platform.
- § **MBN (Radio Sawa) – Actual: 70**
70 percent of weekly listeners report that Radio Sawa has increased their understanding of current events a great deal or somewhat.
- § **MBN (Alhurra) – Actual: 69**
69 percent of weekly viewers report that Alhurra has increased their understanding of current events a great deal or somewhat.
- § **RFE/RL – Actual: 85**
85 percent of weekly listeners report that RFE/RL has increased their understanding of current events a great deal or somewhat.
- § **RFA – Actual: 89**
89 percent of weekly listeners report that RFA has increased their understanding of current events a great deal or somewhat.
- § **OCB – Actual: NA**

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

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

§ **BBG – Target: 2.72 Actual: 2.80**

The Radio Signal Strength Index increased in FY 2010 rather than declining as predicted. This increase resulted from temporary surge increases in transmissions to Iran and parts of Africa as well as effective re-scheduling of available network assets. However, an overall decline is predicted to continue in future years as temporary shortwave surge transmissions are removed, as broadcasting requirements are shifted from shortwave to more effective media, and as constrained available network capabilities reduce scheduling options. The BBG continues to seek effective and economical alternative capacity by working with other international broadcasters to share available facilities where feasible.

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

§ **BBG – Target: 10.4 Actual: 10.4**

The Satellite Effectiveness Index remained steady and achieved its target in FY 2010. The index will remain steady and then increase modestly in future years as some satellite television capacity is added to satisfy growing requirements.

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

§ **BBG – Target: \$36 million Actual: \$35 million**

The **Transmission Network Consumable Expense** did not increase as much as predicted in FY 2010 because of cost savings realized in the operation of certain network transmitters as well as more favorable power costs and exchange rates than predicted.

Use of Performance Data to Promote Improved Outcomes

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

Program Review

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

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

Language Service Review

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

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

In addition, the BBG, in conjunction with InterMedia, analyzes other data that shapes priorities, including press freedom, political freedom, civil liberties, economic freedom, and human development

indices from non-governmental organizations (e.g., Freedom House, Heritage Foundation/Wall Street Journal, United Nations Development Programme) as well as the bipartisan Commission on America's National Interests. The inclusion of such data enables the BBG to evaluate changing conditions worldwide.

One of the key insights that came out of the 2010 LSR process is that the Agency must consider the return on investment in new media delivery platforms rather specifically for each market. Our research into populations' access to and use of various technologies has begun to evidence a very wide range of capacity for consumption of fixed and mobile internet content. One size does not fit all, and market specific research is and will continue to be instrumental in deciding future delivery platforms, and the content appropriate to each, for all language services.

BBG's Former PART Measures

In addition to the BBG Performance Indicators, the BBG continues to track its former Program Assessment Rating Tool (PART) measures and has integrated these measures, where applicable, throughout this report. These measures include:

- Overall audience size for U.S. International Broadcasting and audience size by region
- Cost per audience member for U.S. International Broadcasting
- Overall awareness of U.S. International Broadcasting
- Annual Transmitter Hours

The PART measures had included audience reach, program quality, program credibility, awareness, and cost per audience member for some specific language services or support offices. This report aggregates these measures by entity, region, or overall as listed above.

The BBG will discontinue reporting on three PART measures for the following reasons:

- Level of Compliance with Program Review Recommendations – this is an output measure and is not a meaningful measure to outside audiences. It will continue to be tracked internally in order to improve the quality of programming.
- Verified Compliance from Broadcast Stations that Receive Cash Compensation and Response Time within 48 Hours to Affiliate Concerns – these are two output measures that the Office of Marketing and Program Placement (OMPP) tracks internally. The Performance Indicators that measure number of affiliates and audience size better gauge the effectiveness of OMPP in supporting the BBG broadcast mission.

Independent Program Evaluations

The BBG conducts annual independent evaluations to assess effectiveness and strategic priorities. The annual Language Service Review conducted by the Board assesses two basic questions: (1) where should the BBG broadcast and (2) how well is the BBG broadcasting to fulfill the congressional mandate to “review, evaluate, and determine, at least annually, after consultation with the Secretary of State, the addition and deletion of language services.” Program Reviews, conducted for the individual language services, serve as annual quality control mechanisms based on field research and external analysis of program content and presentation. The results of Language Service Reviews and Program Reviews are a significant source of analysis used for addressing and informing the BBG.

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

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

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

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

During FY 2010, the OIG issued eleven final reports; the GAO did not issue any reports on the BBG. The Agency will continue to implement and respond to the recommendations of those evaluations.

OIG reports from FY 2010 are summarized below.

BBG Operations in Sarajevo

The Office of Inspector General (OIG) conducted a limited inspection of the BBG operations in Sarajevo, Bosnia and Herzegovina. The BBG has two colocated offices in Sarajevo; the first is the Office of Marketing and Program Placement (OMPP) and the second is the RFE/RL Balkan bureau. The OIG team found no issues that require recommendations.

Information Security Program (FISMA)

In accordance with FISMA, the OIG initiated an annual review of BBG information security program and practices as related to FISMA. The objective of the review was to evaluate the progress BBG had made in implementing an effective information security program and related practices since the last OIG annual FISMA review in FY 2008. The review team recommended that the BBG's Chief Information Officer develop policies and procedures for certification and accreditation (C&A), and conduct C&A of all seven of its "moderate-level" systems; that the BBG ensure that all required plans of action and milestones are completed for all major information systems, and that milestone completion dates and changes to milestone data are accurate in each plan of action; and that the Chief Information Security Officer and Director of Human Resources improve the BBG's security awareness policy, training, and monitoring systems.

Operations in Afghanistan

The OIG conducted a limited inspection of BBG operations in Kabul, Afghanistan in conjunction with an inspection of Embassy Kabul. The OIG team visited the news bureaus in Kabul to look at local issues and operations. The OIG recommended that: the BBG resolve the issues of the employment status of Radio Azadi bureau's staff and seek ways to provide competitive salaries and benefits to the staff members in Kabul; the IBB continue to push forward with efforts to expand FM coverage in Afghanistan and determine whether the BBG can use the U.S. military's planned cell phone towers; and the BBG work with the Kabul Embassy to develop written standard operating procedures for processing IBB shipments, including clear instructions about notification and handling.

Limited Scope Inspection of Radio Free Europe/Radio Liberty's (RFE/RL) New Headquarters in Prague, Czech Republic

This limited-scope inspection was requested by the BBG to review the security and management aspects of the planning for and implementation of the project for the relocation of the RFE/RL headquarters and the construction of a new headquarters building in a more secure area away from the center of Prague. The OIG team found no issues that require recommendations.

Kuwait Transmitting Station

The OIG conducted an evaluation of the BBG's Kuwait Transmitting Station operations covering policy implementation, resource management, and management controls. The inspection took place in Washington, D.C., and in Kuwait City, Kuwait. The OIG report contains twelve formal recommendations dealing with the mission, standard operating procedures, compensation packages, position descriptions, property management and regulations, and supply inventory of the Kuwait Transmitting Station.

Middle East Broadcasting Networks, Inc. (MBN)

The OIG conducted an evaluation of MBN which covered policy implementation, resource management, and management controls. In addition to some security-related recommendations, the report contained recommendations that the BBG require MBN to delineate the authority of the vice president for news and implement a procedure to verify that the vice president exercises authority decisively and transparently; and that the BBG expand the forms and vary the focus of the research it conducts on MBN broadcasts, to include program-, theme-, and country-specific studies.

Operations in Islamabad, Pakistan

The OIG conducted a limited inspection of the BBG operations in Islamabad, Pakistan. The inspection took place in conjunction with an inspection of Embassy Islamabad. The OIG team found no issues that require recommendations.

Chinese Branch Operations

The OIG conducted an evaluation of the BBG's Chinese Branch operations which covered policy implementation, resource management, and management controls. The OIG recommended that the VOA Chinese Branch, in coordination with the East Asia Pacific division, the IBB, and the BBG develop a long-term strategy that includes all the key elements of an effective business plan; that the BBG should review purchase order vendor contracts in the VOA Chinese Branch to determine whether the contracts and current manner of administration constitute non-personal service status; and that the BBG review and update the BBG Contracting for Talent & Other Professional Services Handbook.

Overseas Nonexpendable Personal Property

The overall objective of the audit was to determine whether BBG could properly account for its nonexpendable personal property overseas. Specifically, the OIG was to determine whether the capitalized assets included in the Property Inventory Processing System (PIPS) were properly valued, the personal property included in PIPS existed, and PIPS data was accurate and complete. The report included ten recommendations. BBG concurred with nine of the report's ten recommendations, and took actions to resolve them. As a result, OIG considered all ten recommendations resolved, pending further action.

Operations in Beijing, China

The OIG conducted a limited review of VOA operations in China and visited the Office of the VOA Bureau Chief in Beijing. The inspection team also visited the office of the chief of the VOA Mandarin Service in Washington, D.C.

Operations in Hong Kong, China

The OIG conducted a limited inspection of the BBG operations in Hong Kong. The inspection took place in conjunction with an inspection of Consulate General Hong Kong. The Voice of America (VOA) Mandarin Service and Radio Free Asia (RFA) both have correspondents in Hong Kong. The OIG team found no issues that require recommendations.

This page intentionally left blank

Section 3: Financial Information



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

NOV 15 2010

The Honorable Walter Isaacson
Chair
Broadcasting Board of Governors
330 Independence Avenue SW, Room 3360
Washington, DC 20237

Dear Mr. Isaacson:

An independent certified public accounting firm, Clarke Leiper PLLC, was engaged to audit the financial statements of the Broadcasting Board of Governors (BBG) as of September 30, 2010 and 2009, and for the years then ended, to provide a report on internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, and to report any reportable noncompliance with laws and regulations it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget audit guidance; and the *Financial Audit Manual*, issued by the Government Accountability Office and the President's Council on Integrity and Efficiency.

In its audit of BBG, Clarke Leiper PLLC, found

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

Clarke Leiper PLLC is responsible for the enclosed auditor's report, *Independent Auditor's Report on the Broadcasting Board of Governors 2010 and 2009 Financial Statements* (AUD/IB-11-05), dated November 15, 2010, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on BBG's financial statements or conclusions on internal control or compliance with laws and regulations.

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "H. Geisel", with a large, stylized flourish at the end.

Harold W. Geisel
Deputy Inspector General

Enclosure: As stated.

Independent Auditor's Report

**Broadcasting Board of Governors
Financial Statements**

September 30, 2010 and 2009

AUD/IB-11-05, November 2010

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

CLARKE LEIPER PLLC
CERTIFIED PUBLIC ACCOUNTANTS
6265 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510
703-922-7622
FAX: 703-922-8256

DORA M. CLARKE
LESLIE A. LEIPER

INDEPENDENT AUDITOR'S REPORT

To the Chair
Broadcasting Board of Governors

We have audited the accompanying Broadcasting Board of Governors (BBG) Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources (annual financial statements) as of, and for the years ended, September 30, 2010 and 2009. We have considered internal control over financial reporting and compliance in place as of September 30, 2010, and for the year then ended, and we tested compliance with selected laws and regulations.

In our audits of BBG's 2010 and 2009 financial statements, we found

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

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

OPINION ON THE ANNUAL FINANCIAL STATEMENTS

In our opinion, BBG's annual financial statements, including the notes thereto, present fairly, in all material respects, BBG's financial position as of September 30, 2010 and 2009, and its net cost of operations, changes in net position, and changes in budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

INTERNAL CONTROL

In planning and performing our audits of BBG's annual financial statements as of, and for the years ended, September 30, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered BBG's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinion on the annual financial statements, but not for the purpose of expressing an opinion on the effectiveness of BBG's internal control over financial reporting and compliance. Accordingly, we do not express an opinion on the effectiveness of BBG's internal control or on management's assertion on internal control included in the Management's Discussion and Analysis section.

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

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

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

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

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

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

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

- BBG's internal control over its financial and accounting system as of September 30, 2010, was inadequate. There is a risk of materially misstating financial information under the current conditions. The principal area of inadequacy was that certain elements of the financial statements, mainly property, plant, and equipment, are developed from sources other than the general ledger. The use of sources other than the general ledger to generate elements of the financial statements increases the potential for omission of significant transactions.

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

- BBG did not maintain adequate internal control over accounts payable. Initial audit testing indicated that there is a significant issue with overseas accounts payable entries not being recorded in proper accounts. Additionally, domestic accounts payable was misstated due to a duplicate posting. Although BBG undertook an initiative to identify and resolve misstatements in accounts payable, the reconciliation was not completed by September 30, 2010.

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

- BBG's internal control over property was inadequate. Deficiencies included the following:
 - Acquisitions and disposals were not recorded in the year of occurrence.
 - Updating of acquisitions and disposals was performed quarterly rather than when they occur.
 - Acquisitions and disposals data supplied for updating capitalized property was unreliable.
 - Costs of shipping property to posts were not treated consistently.
 - Recorded inventory was not reconciled with physical inventory.

This condition was cited in our audit of BBG's annual financial statements as of September 30, 2009.

- BBG's controls over unliquidated obligations are inadequate. As of September 30, 2010, the balance of unliquidated obligations was \$122

million. Tests indicated that approximately \$6.9 million of this balance was overstated because the related obligations could not be supported or were no longer needed.

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

CONSISTENCY OF OTHER INFORMATION

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

RESPONSIBILITIES AND METHODOLOGY

BBG management has the responsibility for

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

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

In order to fulfill these responsibilities, we

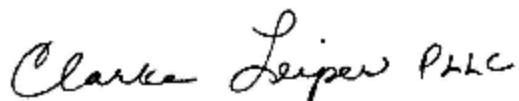
- examined, on a test basis, evidence supporting the amounts in the annual financial statements and related disclosures;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the annual financial statements;
- obtained an understanding of the entity and its operations, including its internal controls related to financial reporting and compliance with laws and regulations;
- tested relevant internal controls over financial reporting and compliance and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act;

- tested compliance with provisions of selected laws and regulations that may have a direct and material effect on the annual financial statements;
- obtained written representations from management; and
- performed other procedures as we considered necessary under the circumstances.

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

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

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

A handwritten signature in black ink that reads "Clarke Leiper PLLC". The signature is written in a cursive, flowing style.

Clarke Leiper, PLLC

Alexandria, Virginia
November 15, 2010



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

November 15, 2010

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

Dear Mr. Geisel:

Thank you for the opportunity to comment on the draft report of BBG's fiscal year 2010 financial statements. The financial statements received an unqualified opinion. Similarly, the report on internal controls and compliance with laws and regulations noted no material deficiencies or reportable conditions.

We greatly appreciate the professional and cooperative manner in which your staff and the audit firm, Clarke Leiper, PLLC, conducted this audit. Throughout FY 2010, the BBG has made strides toward improving internal financial processes. Some of these improvements are reflected in your report. The report identified three matters involving internal controls that the auditors considered significant.

Two issues relate to property, plant, and equipment – the source information used to develop elements of the financial statements and internal controls over property. During FY 2010, the BBG initiated a project to consolidate the official property records into one system, Property Inventory Processing System (PIPS), and to update PIPS to reflect agency policy for capitalization and depreciation thresholds. Once validated, PIPS will be the official system of record for property information. In addition, BBG updated property, plant, and equipment policies and procedures, and trained staff to ensure consistent application of these policies and procedures. Our efforts resulted in adjustments to property, plant, and equipment values.

The other issue is related to the Agency's reconciliation of select accounts payable transactions. BBG began using the U.S. State Department system for select payments when technological limitations prevented employees at overseas locations from directly logging into the BBG financial system. The BBG has experienced ongoing issues with these transactions and, while the overseas payments made through the State account for 3.81% of all BBG payment transactions and represent only 0.33% (less than 1%) of the total dollars paid by the Agency, the BBG takes this issue seriously. In the coming months, the BBG will review the current process to determine whether we can leverage our web-based financial system to allow direct posting into BBG's financial system, which would give us greater control over the timeliness and accuracy of the data. In addition, the BBG identified a system weakness that allowed a payment transaction to be processed on two separate Treasury schedules. This isolated system anomaly created the appearance of an out balance condition for accounts payable. The system weakness is being corrected through a combination of software changes and staff training for these types of transactions. Finally, BBG will review the decentralized invoicing process to determine whether we can leverage our web-based financial system to improve processing efficiencies and timeliness of payments.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Maryjean Buhler". The signature is fluid and cursive, with a large initial "M" and "B".

Maryjean Buhler
Chief Financial Officer

Broadcasting Board of Governors
Balance Sheet
As of September 30, 2010 and 2009
(In Thousands)

| ASSETS | 2010 | 2009 |
|--|-------------------------|-------------------------|
| Intra-governmental | | |
| Fund Balance with Treasury (Note 2) | \$168,719 | \$158,487 |
| Accounts Receivable, Net (Note 3) | <u>6,150</u> | <u>2,846</u> |
| Total Intra-governmental | \$174,869 | \$161,333 |
| Cash and Other Monetary Assets (Note 4) | \$3 | \$3 |
| Accounts Receivable, Net (Note 3) | 33 | 21 |
| General Property, Plant, and Equipment, Net (Note 5) | 134,589 | 132,812 |
| Other (Note 6) | <u>2,648</u> | <u>4,158</u> |
| TOTAL ASSETS | <u>\$312,142</u> | <u>\$298,327</u> |
| LIABILITIES | | |
| Intra-governmental (Note 9) | | |
| Accrued FECA Liability (Note 8) | <u>\$1,684</u> | <u>\$1,834</u> |
| Total Intra-governmental | \$1,684 | \$1,834 |
| Accounts Payable (Note 9) | \$11,994 | \$11,477 |
| Actuarial FECA Liability (Note 8) | 8,135 | 8,037 |
| Accrued Payroll and Benefits (Note 9) | 12,910 | 10,999 |
| Accrued Annual and Compensatory Leave (Note 8) | 15,910 | 14,461 |
| Other (Note 9) | <u>(1,719)</u> | <u>6,403</u> |
| TOTAL LIABILITIES | \$48,914 | \$53,211 |
| NET POSITION | | |
| Unexpended Appropriations | \$119,999 | \$118,440 |
| Cumulative Results of Operations | <u>143,229</u> | <u>126,676</u> |
| TOTAL NET POSITION | <u>\$263,228</u> | <u>\$245,116</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$312,142</u> | <u>\$298,327</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Statement of Net Costs
For the Years Ended September 30, 2010 and 2009
(In Thousands)

| Program Costs | 2010 | 2009 |
|---|-------------------------|-------------------------|
| Voice of America (VOA) | | |
| Gross Costs | \$327,510 | \$329,222 |
| Less: Earned Revenues | <u>(5,004)</u> | <u>(1,304)</u> |
| Net VOA Costs | \$322,506 | \$327,918 |
| Middle East Broadcasting Networks (MBN) | | |
| Gross Costs | \$152,677 | \$160,309 |
| Less: Earned Revenues | = | = |
| Net MBN Costs | \$152,677 | \$160,309 |
| Office of Cuba Broadcasting (OCB) | | |
| Gross Costs | \$57,947 | \$63,632 |
| Less: Earned Revenues | = | = |
| Net OCB Costs | \$57,947 | \$63,632 |
| Radio Free Asia (RFA) | | |
| Gross Costs | \$54,660 | \$55,717 |
| Less: Earned Revenues | = | = |
| Net RFA Costs | \$54,660 | \$55,717 |
| Radio Free Europe/Radio Liberty (RFE/RL) | | |
| Gross Costs | \$152,736 | \$157,243 |
| Less: Earned Revenues | = | = |
| Net RFE/RL Costs | \$152,736 | \$157,243 |
| Total Gross Program Costs | \$745,530 | \$766,123 |
| Less: Total Earned Revenue | <u>(5,004)</u> | <u>(1,304)</u> |
| NET COST OF OPERATIONS | <u>\$740,526</u> | <u>\$764,819</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Statement of Changes in Net Position
For the Years Ended September 30, 2010 and 2009
(In Thousands)

| | All Funds 2010 | Consolidated Total 2010 | Consolidated Total 2009 |
|--|-------------------------|-------------------------------|-------------------------------|
| CUMULATIVE RESULTS OF OPERATIONS: | | | |
| Beginning Balances | \$126,676 | \$126,676 | \$144,143 |
| Adjustments: | <u>(49)</u> | <u>(49)</u> | <u>2,228</u> |
| Beginning Balance, as Adjusted | \$126,627 | \$126,627 | \$146,371 |
| Budgetary Financing Sources | | | |
| Appropriations Used | \$743,606 | \$743,606 | \$728,041 |
| Non-exchange Revenue | 1 | 1 | - |
| Other | 105 | 105 | 63 |
| Other Financing Sources (Non-Exchange) | | | |
| Imputed Financing | <u>13,416</u> | <u>13,416</u> | <u>17,020</u> |
| Total Financing Sources | \$757,128 | \$757,128 | \$745,124 |
| Net Cost of Operations | <u>740,526</u> | <u>740,526</u> | <u>764,819</u> |
| Net Change | <u>\$16,602</u> | <u>\$16,602</u> | <u>(\$19,695)</u> |
| CUMULATIVE RESULTS OF OPERATIONS | \$143,229 | \$143,229 | \$126,676 |
| UNEXPENDED APPROPRIATIONS: | | | |
| Beginning Balance | \$118,440 | \$118,440 | \$118,228 |
| Adjustments | - | - | <u>3,989</u> |
| Beginning Balance, as Adjusted | \$118,440 | \$118,440 | \$122,217 |
| Budgetary Financing Sources | | | |
| Appropriations Received | \$749,410 | \$749,410 | \$715,483 |
| Appropriations Transferred In/Out | 438 | 438 | 14,605 |
| Other Adjustments | (4,683) | (4,683) | (5,824) |
| Appropriations Used | <u>(743,606)</u> | <u>(743,606)</u> | <u>(728,041)</u> |
| Total Budgetary Financing Sources | <u>\$1,559</u> | <u>\$1,559</u> | <u>(\$3,777)</u> |
| UNEXPENDED APPROPRIATIONS | \$119,999 | \$119,999 | \$118,440 |
| NET POSITION | <u>\$263,228</u> | <u>\$263,228</u> | <u>\$245,116</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors
Statement of Budgetary Resources
For the Years Ended September 30, 2010 and 2009
(In Thousands)

| | 2010 | 2009 |
|--|-------------------------|-------------------------|
| BUDGETARY RESOURCES | | |
| Unobligated Balance, Brought Forward, October 1 | \$46,269 | \$36,549 |
| Adjustment to Unobligated Balance Brought Forward October 1 | (1,431) | (260) |
| Recoveries of Prior Year Unpaid Obligations | 17,388 | 16,309 |
| Budget Authority | | |
| Appropriation | 749,410 | 715,483 |
| Contract Authority | | |
| Spending Authority From Offsetting Collections | | |
| Collected | 3,256 | 5,609 |
| Change in Receivables From Federal Sources | <u>3,726</u> | <u>(1,417)</u> |
| Subtotal | \$756,392 | \$719,675 |
| Nonexpenditure Transfers, Net Anticipated and Actual | 438 | 14,605 |
| Permanently Not Available | <u>(4,575)</u> | <u>(3,529)</u> |
| TOTAL BUDGETARY RESOURCES | <u>\$814,481</u> | <u>\$783,349</u> |
| STATUS OF BUDGETARY RESOURCES | | |
| Obligations Incurred | | |
| Direct | \$767,488 | \$735,064 |
| Reimbursable | <u>2,680</u> | <u>2,016</u> |
| Subtotal | \$770,168 | \$737,080 |
| Unobligated Balance | | |
| Apportioned | \$16,454 | \$12,038 |
| Exempt from Apportionment | <u>5,969</u> | <u>5,496</u> |
| Subtotal | \$22,423 | \$17,534 |
| Unobligated Balance Not Available | <u>21,890</u> | <u>28,735</u> |
| TOTAL STATUS OF BUDGETARY RESOURCES | <u>\$814,481</u> | <u>\$783,349</u> |
| CHANGE IN OBLIGATED BALANCE: | | |
| Obligated Balance, Net | | |
| Unpaid Obligations, Brought Forward, October 1 | \$116,849 | \$126,036 |
| Adjustment to Unpaid Obligations brought forward, October 1 | - | 260 |
| Less: Uncollected Customer Payments From Federal Sources, Brought Forward, October 1 | (3,544) | (4,961) |
| Adjustment to Uncollected Payments from Federal Sources Brought Forward, October 1 | <u>1,431</u> | - |
| Total Unpaid Obligated Balance, Net | \$114,736 | \$121,335 |
| Obligations Incurred, Net | \$770,167 | \$737,080 |
| Gross Outlays | (736,598) | (730,219) |

| | | |
|--|------------------|------------------|
| Obligated Balance Transferred, Net | | |
| Less: Recoveries of Prior Year Unpaid Obligations, Actual | (17,388) | (16,308) |
| Change in Uncollected Customer Payments From Federal Sources | (3,726) | 1,417 |
| Obligated Balance, Net, End of Period | | |
| Unpaid Obligations | \$133,031 | \$116,849 |
| Less: Uncollected Customer Payments From Federal Sources | <u>(5,839)</u> | <u>(3,544)</u> |
| Total, Unpaid Obligated Balance, Net, End of Period | \$127,192 | \$113,305 |
| NET OUTLAYS | | |
| Net Outlays | | |
| Gross Outlays | \$736,598 | \$730,219 |
| Less: Offsetting Collections | (3,256) | (5,609) |
| Less: Distributed Offsetting Receipts | 818 | 635 |
| Net Outlays | <u>\$734,160</u> | <u>\$725,245</u> |

The accompanying notes are an integral part of these statements.

Broadcasting Board of Governors

Notes to the Consolidated Financial Statements

September 30, 2010 and 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On October 1, 1999, the Broadcasting Board of Governors (BBG) became the independent, autonomous entity responsible for all U.S. Government and government-sponsored, non-military, international broadcasting. This was the result of the 1998 Foreign Affairs Reform and Restructuring Act (Public Law 105-277). Every week, 165 million listeners, viewers, and Internet users around the world turn on, tune in, and log on to U.S. international broadcasting programs. While the "Broadcasting Board of Governors" is the legal name given to the federal entity encompassing all U.S international broadcasting services, the day-to-day broadcasting activities are carried out by the individual BBG international broadcasters: the Voice of America (VOA), the Office of Cuba Broadcasting (OCB), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Networks (MBN), with the assistance of the International Broadcasting Bureau (IBB).

B. Basis of Presentation

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

C. Basis of Accounting

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

D. Revenues and Financing Sources

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

and personal property is recorded over the asset's useful life as described below in Property, Plant, and Equipment.

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

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

E. Assets and Liabilities

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

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

F. Fund Balances with Treasury

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

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

G. Accounts Receivable

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

H. Advances and Prepayments

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

I. Accrued Annual, Sick, and Other Leave

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

J. Employee Benefit Plans

Retirement Plans

Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees covered under CSRS contribute 7 percent of their salary; the BBG contributes 7 percent. Employees covered under CSRS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80 percent of their salary, with BBG making contributions of 11.20 percent. FERS employees also contribute 6.20 percent to Old Age Survivor and Disability Insurance (OASDI) and 1.45 percent to Medicare insurance. BBG makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent. CSRS-covered employees may make voluntary contributions to the TSP, but without the employer 1 percent contribution or employer-matching contributions. Effective August 1, 2010, pursuant to Public Law 111-31, Federal agencies are required to automatically enroll all new FERS hires and CSRS rehires for a 3 percent TSP contribution, unless terminated by the employee or an alternate amount is designated by the employee. Note – FERS used here refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans; CSRS used here includes the Civil Service Retirement System, CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

Foreign Service employees participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS). The FSRDS is the Foreign Service equivalent of CSRS as described in chapter 83 of Title 5, U.S.C. Employees covered under FSRDS contribute 7.25 percent of their salary; the BBG contributes 7.25 percent. Employees covered under FSRDS also contribute 1.45 percent of their salary to Medicare insurance; the BBG makes a matching contribution. The FSPS is the Foreign Service equivalent of the Federal Employees Retirement System (FERS), as described in chapter 84 of Title 5, U.S.C. In general, all Foreign Service eligible participants hired after December 31, 1983, participate in the FSPS. Most employees hired after December 31, 1983, are automatically covered by FSPS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FSPS or remain in FSRDS. Employees participating in FSPS contribute 1.35 percent of their salary, with BBG making contributions of 20.22 percent. FSPS employees also contribute 6.20 percent to OASDI and 1.45 percent to Medicare insurance. BBG makes matching contributions to both. A primary feature of FSPS is that it offers a Thrift Savings Plan (TSP) into which the BBG automatically

contributes 1 percent of pay and matches employee contributions up to an additional 4 percent. FSRDS-covered employees may make voluntary contributions to the TSP, but without the employer 1 percent contribution or employer-matching contributions.

Health Insurance

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

Life Insurance

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

Other Post Employment Benefits

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

K. Workers' Compensation

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

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

L. Contingent Liabilities

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

M. Net Position

BBG's net position contains the following components:

Unexpended Appropriations

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

Cumulative Results of Operations

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

N. Management's Use of Estimates

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

NOTE 2: FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury by fund type as of September 30, 2010 and 2009, consist of the following:

| Fund Balances | 2010 | 2009 |
|----------------------|------------------|------------------|
| General Funds | \$162,250 | \$152,262 |
| Trust Funds | <u>6,469</u> | <u>6,225</u> |
| Total | \$168,719 | \$158,487 |

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

The status of Fund Balance with Treasury as of September 30, 2010 and 2009, consists of the following:

| Status of Fund Balance with Treasury | 2010 | 2009 |
|---|------------------|------------------|
| Unobligated Balance | | |
| Available | \$22,423 | \$17,534 |
| Unavailable | 21,890 | 28,735 |
| Obligated Balance Not Yet Disbursed | 127,191 | 113,305 |
| Non-Budgetary Fund Balance with Treasury | <u>(2,785)</u> | <u>(1,087)</u> |
| Total | \$168,719 | \$158,487 |

Cancelled funds returned to Treasury as of September 30th totaled \$4,574,392.60.

NOTE 3: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2010 and 2009, are as follows:

| Accounts Receivable | 2010 | 2009 |
|---------------------------------------|----------------|----------------|
| Intra-governmental | \$6,150 | \$2,846 |
| Public | <u>33</u> | <u>21</u> |
| Total Accounts Receivable, Net | \$6,183 | \$2,867 |

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. As of September 30, 2010 and 2009, BBG maintained domestic imprest funds totaling \$3,000.00 in each year.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT, NET

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

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

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

majority of its office space from the General Services Administration. The lease costs approximate commercial lease rates for similar properties.

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

Property, plant, and equipment 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, 2010 and 2009.

| Property | Useful Life | As of September 30, 2010 | | | As of September 30, 2009 | | |
|----------------------------|-------------|--------------------------|---------------------------|-------------------------|--------------------------|---------------------------|-------------------------|
| | | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| Buildings | 30 | \$26,435 | (\$17,918) | \$8,517 | \$26,435 | (\$17,349) | \$9,086 |
| Land | NA | 4,121 | 0 | 4,121 | 4,121 | 0 | 4,121 |
| Equipment | 6-30 | 314,873 | (201,040) | 113,833 | 302,927 | (191,558) | 111,369 |
| Vehicles | 6 | 5,956 | (4,884) | 1,072 | 6,147 | (5,534) | 613 |
| Assets Under Capital Lease | 10 | | | 0 | 2,040 | (2,040) | 0 |
| | | 2,040 | (2,040) | | | | |
| Software | 5 | 2,082 | (2,082) | 0 | 2,082 | (2,082) | 0 |
| Other Structures | 20 | <u>14,716</u> | <u>(7,670)</u> | <u>7,046</u> | <u>14,723</u> | <u>(7,099)</u> | <u>7,624</u> |
| Total | | <u>\$370,223</u> | <u>(\$235,634)</u> | <u>\$134,589</u> | <u>\$358,475</u> | <u>(\$225,662)</u> | <u>\$132,813</u> |

Depreciation and amortization expense for the years ended September 30, 2010 and 2009 is \$11,194,574.43 and \$10,977,367.37, 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, 2010 and 2009:

| Other Assets | 2010 | 2009 |
|---------------------------------|---------|---------|
| Public Advances and Prepayments | \$2,648 | \$4,158 |

NOTE 7: NON-ENTITY ASSETS

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

| Assets | 2010 | 2009 |
|--------------------------------|-------------------------|-------------------------|
| Non-Entity Assets | | |
| Intra-governmental: | | |
| Fund Balance with Treasury | \$- | \$- |
| Total Intra-governmental | | |
| Accounts Receivable | 37 | 10 |
| Other | - | <u>3</u> |
| Total Non-Entity Assets | \$37 | \$13 |
| Total Entity Assets | <u>\$312,105</u> | <u>\$298,314</u> |
| Total Assets | <u>\$312,142</u> | <u>\$298,327</u> |

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

BBG's liabilities are classified as covered or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations. Liabilities not covered by budgetary resources as of September 30, 2010 and 2009, are summarized as follows.

| Liabilities Not Covered by Budgetary Resources | 2010 | 2009 |
|---|------------------------|------------------------|
| Intra-governmental: | | |
| Accrued FECA Liability | <u>\$1,684</u> | <u>\$1,834</u> |
| Total intra-governmental | \$1,684 | \$1,834 |
| Accrued Annual and Compensatory Leave | \$15,910 | \$14,461 |
| FECA Actuarial Liability | <u>8,135</u> | <u>8,037</u> |
| Total Liabilities Not Covered by Budgetary Resources | <u>\$25,729</u> | <u>\$24,331</u> |

Future Worker's Compensation Liability

Department of Labor (DOL) developed a model for agencies not specified in the Federal Employees Compensation Act (FECA) model to use as an estimate of their FECA actuarial liability. The model uses the amount of benefit payments for the entity over the last 9 to 12 quarters as provided in the quarterly charge back reports issued by the FECA, and calculates the annualized average of payments for medical expenses and compensation. The annualized average is then multiplied by the liability to benefits paid

ratios for the whole FECA program for that year. Using this tool, BBG's actuarial liabilities as of September 30, 2010 and 2009, are \$8,134,549.68 and \$8,037,101.90, respectively.

NOTE 9: OTHER LIABILITIES

Other liabilities consist of the following as of September 30, 2010 and 2009:

| Other Liabilities | 2010 | 2009 |
|--|------------------------|------------------------|
| Public | <u>Current</u> | <u>Current</u> |
| Accounts Payable | \$11,994 | \$11,477 |
| Accrued Payroll and Benefits | 12,910 | 10,999 |
| Deposit and Suspense Liabilities | <u>(1,719)</u> | <u>6,403</u> |
| Total Current Other Liabilities | <u>\$23,185</u> | <u>\$28,879</u> |

NOTE 10: LEASE LIABILITY

Operating Leases

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

| <u>Fiscal Year</u> | Total |
|------------------------------------|-------------------------|
| 2011 | \$29,673 |
| 2012 | 29,050 |
| 2013 | 27,672 |
| 2014 | 5,758 |
| 2015 | 3,831 |
| 2016 and thereafter | <u>13,738</u> |
| Total Future Lease Payments | <u>\$109,722</u> |

NOTE 11: INTRA-GOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental costs and earned revenue relate to source of goods and services purchased and received from other Federal entities. All intra-governmental revenue is exchange revenue earned for services provided through reimbursable agreements. The amounts for September 2010 and 2009 follow:

| <u>Programs</u> | 2010 | 2009 |
|-----------------------------------|------------------|------------------|
| Voice of America (VOA) | | |
| Intra-governmental Costs | \$19,269 | \$15,833 |
| Public Costs | <u>308,241</u> | <u>313,389</u> |
| Total VOA Costs | <u>\$327,510</u> | <u>\$329,222</u> |
| | | |
| Intra-governmental Earned Revenue | \$5,004 | \$1,304 |

| | | |
|---|-------------------------|-------------------------|
| Public Earned Revenue | - | - |
| Total VOA Earned Revenue | \$5,004 | \$1,304 |
| Middle East Broadcasting Networks (MBN) | | |
| Intra-governmental Costs | \$8,651 | \$7,032 |
| Public Costs | <u>144,026</u> | <u>153,277</u> |
| Total MBN Costs | <u>\$152,677</u> | <u>\$160,309</u> |
| Intra-governmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | - | - |
| Total MBN Earned Revenue | \$- | \$- |
| Office of Cuba Broadcasting (OCB) | | |
| Intra-governmental Costs | \$10,207 | \$11,965 |
| Public Costs | <u>47,740</u> | <u>51,667</u> |
| Total OCB Costs | <u>\$57,947</u> | <u>\$63,632</u> |
| Intra-governmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | - | - |
| Total OCB Earned Revenue | \$- | \$- |
| Radio Free Asia (RFA) | | |
| Intra-governmental Costs | \$3,538 | \$3,422 |
| Public Costs | <u>51,122</u> | <u>52,295</u> |
| Total RFA Costs | <u>\$54,660</u> | <u>\$55,717</u> |
| Intra-governmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | - | - |
| Total RFA Earned Revenue | \$- | - |
| Radio Free Europe/Radio Liberty (RFE/RL) | | |
| Intra-governmental Costs | \$10,576 | \$10,587 |
| Public Costs | <u>142,160</u> | <u>146,656</u> |
| Total RFE/RL Costs | <u>\$152,736</u> | <u>\$157,243</u> |
| Intra-governmental Earned Revenue | \$- | \$- |
| Public Earned Revenue | - | - |
| Total RFE/RL Earned Revenue | \$- | \$- |
| Total Intra-governmental Costs | <u>\$52,241</u> | <u>\$48,839</u> |
| Total Public Costs | <u>\$693,289</u> | <u>\$717,285</u> |
| Total Intra-governmental Earned Revenue | <u>\$5,004</u> | <u>\$1,304</u> |
| Total Public Earned Revenue | <u>\$-</u> | <u>\$-</u> |
| Total Net Costs | <u>\$740,526</u> | <u>\$764,819</u> |

NOTE 12: STATEMENT OF BUDGETARY RESOURCES DISCLOSURE

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, 2010 and 2009.

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

The FY 2012 President's Budget containing actual numbers for FY 2010 has not yet been published. The budget is anticipated to be reported in the second quarter of FY 2010 at the following website: <http://www.whitehouse.gov/omb/budget/fy2011>.

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

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

Direct and reimbursable obligations for the years ended September 30, 2010 and 2009 are as follows.

| Obligations Incurred | 2010 | 2009 |
|--|-------------------------|-------------------------|
| Direct Obligations Incurred | | |
| CAT A | \$495,011 | \$480,629 |
| CAT B | 272,161 | 254,188 |
| Exempt from Apportionment | <u>316</u> | <u>247</u> |
| Total Direct Obligations | <u>\$767,488</u> | <u>\$735,064</u> |
| Reimbursable Obligations Incurred | | |
| CAT A | \$- | \$- |
| CAT B | 2,680 | 2,016 |
| Exempt from Apportionment | = | = |
| Total Reimbursable Obligations Incurred | <u>\$2,680</u> | <u>\$2,016</u> |

NOTE 14: ADJUSTMENTS TO BUDGETARY RESOURCES AVAILABLE AT BEGINNING OF YEAR

An adjustment of \$1,430,565.14 was made to decrease the Unobligated Balance and Uncollected Customer Payments from Federal Sources brought forward on October 1. The error was caused when the BBG converted to a new financial system.

NOTE 15: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders for the years ended September 30, 2010 and 2009 are as follows.

| | 2010 | 2009 |
|--|-----------|-----------|
| Undelivered Orders at the end of the period | \$127,191 | \$113,305 |

NOTE 16: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Statement of Financing is the reconciliation of proprietary and budgetary accounting, which is accomplished by the reconciliation of budgetary obligations with non-budgetary resources available to the reporting entity with its Net Cost of Operations. The reconciliation for September 2010 and 2009 follow:

| Broadcasting Board of Governors | | | |
|--|---|-----------------------|-----------------------|
| Reconciliation of Net Cost of Operations to Budget | | | |
| For the Period Ending September 30, 2010 and 2009 | | | |
| In Thousands | | FY 2010 | FY 2009 |
| Resources Used to Finance Activities: | | | |
| Budgetary Resources Obligated | | | |
| | Obligations incurred | \$770,167 | \$737,080 |
| | Less: Spending Authority from Offsetting | | |
| | Collections and Recoveries | <u>(24,369)</u> | <u>(20,500)</u> |
| | Obligations Net of Offsetting Collections and Recoveries | 745,798 | 716,580 |
| | Less: Offsetting Receipts | <u>818</u> | <u>635</u> |
| | Net Obligations | 746,616 | 717,215 |
| Other Resources | | | |
| | Donations and Forfeitures of Property | - | - |
| | Transfers in/out Without Reimbursement | - | - |
| | Imputed Financing from costs Absorbed by Others | 13,416 | 17,020 |
| | Other | <u>-</u> | <u>1,318</u> |
| | Net Other Resources Used to Finance Activities | 13,416 | 18,338 |
| | Total Resources Used to Finance Activities | <u>760,032</u> | <u>735,553</u> |
| Resources Used to Finance Items not Part of the Net Cost of Operations: | | | |
| | Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided | (11,642) | 17,082 |
| | Resources that Fund Expenses Recognized in Prior Periods | 179 | 174 |
| | Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations | 104 | |
| | Resources That Finance the Acquisition of Assets | 3,614 | 4,203 |

| | | |
|---|------------------------|-----------------------|
| Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations | (24,324) | 5,241 |
| Total Resources Used to Finance Items not Part of the Net Cost of Operations | <u>(32,069)</u> | <u>26,700</u> |
| | | |
| Total Resources Used to Finance the Net Cost of Operations | <u>727,963</u> | <u>762,253</u> |
| Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period: | | |
| Components Requiring or Generating Resources in Future Periods: | | |
| Increase in Annual Leave Liability | 1,449 | 607 |
| Increase in Environmental and Disposal Liability | - | - |
| Increase in Exchange Revenue Receivable From the Public | - | - |
| Increase in Unfunded FECA Liability | <u>98</u> | <u>653</u> |
| Total Components of Net cost of Operations Requiring or Generating Resources in Future Periods | 1,547 | 1,260 |
| Components not Requiring or Generating Resources: | | |
| Depreciation and Amortization | 11,195 | 10,977 |
| Revaluation of Assets or Liabilities | (179) | (9,672) |
| Other | - | <u>1</u> |
| Total Components of Net Cost of Operations not Requiring or Generating Resources | <u>11,016</u> | <u>1,306</u> |
| <hr/> | | |
| Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period | 12,563 | 2,567 |
| | | |
| Net Cost of Operations | 740,526 | 764,819 |

Required Supplementary Information

Deferred Maintenance

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

To identify and quantify deferred maintenance for assets meeting the BBG’s \$25,000 capitalization threshold, the BBG reviewed its FY 2010 maintenance and repair plan and identified the projects that were planned for or required in FY 2010 but have been deferred. This maintenance plan is developed through an inspection of its capital assets to determine current conditions and to estimate costs to correct any deficiencies.

The BBG has established a capital asset condition code to classify the condition of the asset requiring maintenance or repair. The condition code is based on a five-point scale: 1 – excellent, 2 – good, 3- fair, 4-poor, and 5-very poor. Of the various maintenance and repair projects planned for or required in FY 2010 that have been deferred, only one of the assets are in condition level 4. The cost of the deferred maintenance for this project total \$60,000. The other projects related to capital assets are above condition level 4.

The following shows BBG’s deferred maintenance for projects for capital assets in condition code 4 – poor that have been deferred as of September 30, 2010 (BBG does not have any capital assets in condition level 5 - very poor):

Deferred Maintenance (in thousands)

| PP&E Category | Asset Condition | FY 2010 Estimated Cost to Return to Acceptable Condition | FY 2009 Estimated Cost to Return to Acceptable Condition |
|---------------|-----------------|--|--|
| Equipment | 4 - poor | \$ 60 | \$ 350 |
| TOTAL | | \$ 60 | \$ 350 |

This page intentionally left blank

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

Verification and Validation of Performance Measures

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

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

FY 2010 Management and Performance Challenges Broadcasting Board of Governors

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

- Attention to Management and Administrative Operations
- Managing Broadcast Programs
- Need for Improved Internal Controls
- Information Technology

Attention to Management and Administrative Operations

Voice of America's (VOA) Central News Division, inspected in 2008, continues to address outstanding OIG recommendations. It is creating standard operating procedures for its assignments desk, performance measures for the News Division, and performance standards for its services. However, these projects are awaiting full implementation of the News Division reorganization.

VOA successfully built the Persian News Network (PNN), formerly Persian Service, into its full-fledged network in an extraordinarily short time. It has continued to work to ensure efficient operations. It has made changes in its management personnel and is in the process of finalizing a plan to integrate the operations of the PNN Web site into the Central News desk. The Training Division is finalizing arrangements to provide team building activities to PNN. The activities will include coaching sessions and a 2-day team building workshop¹.

An inspection of the International Broadcasting Bureau's Kuwait Transmitting Station² made recommendations on various administrative operations. The station is now working to implement changes on the resolution of troubleshooting information technology problems. It also plans to review the compensation plan for locally employed staff and to update two position descriptions. It is taking steps to tighten its oversight of personal property. However, maintaining reliable information and controls on property continue to be a management challenge.

VOA's Chinese branch, composed of Mandarin and Cantonese language services, provides a comprehensive, independent, and objective source of information and news to the People's Republic of China³. Due to the difficulty of recruiting journalists with the proper language and journalism background, a large number of its journalists are hired under contracts as purchase order vendors. The Broadcasting Board of Governors needs to determine whether the contracts and current manner of administration constitute non-personal service status. In addition, the BBG Contracting for Talent & Other Professional Services Handbook should be reviewed for this same issue.

¹ VOA compliance response of July 29, 2010.

² *International Broadcasting Bureau Kuwait Transmitting Station*, Report Number ISP-IB-10-45, March 2010.

³ *Voice of America's Chinese Branch*, Report Number ISP-IB-10-53, July 2010.

Managing Broadcast Programs

BBG's Middle East Broadcasting Networks, Inc.⁴(MBN), works hard to manage broadcast programs and maintain its journalistic standards. It has made significant improvements since OIG's last report on the subject in 2008⁵. Managers' review and close attention are important parts of maintaining standards. At the time of the recent inspection, the vice president for news exercised tight control over what went on the air. However, he was located in the building with Alhurra Television and away from the building that housed Radio Sawa. This put additional pressure on him to be able to cover both operations. Since the inspection, MBN has hired an additional manager for Radio Sawa. A management challenge MBN will face is maintaining journalistic credibility through continued vigilance.

Need for Improved Internal Controls

In 2009, BBG received an unqualified opinion⁶ on its financial statements for the fifth year. Although it is a significant achievement, BBG needs to continue to improve its internal controls over financial and accounting issues. For instance, in its annual report on BBG's FY 2009 financial statements, the independent external auditor identified concerns with the adequacy of BBG's financial and accounting system and with controls over accounts payable and property.

In a separate management letter⁷, the independent external auditor also identified internal control weaknesses relating to BBG's undelivered orders, purchase card oversight, grants management, information technology security, accounts receivable, and non-personnel expenses.

BBG continues to take steps to address the issues identified during the financial statement audit. For instance, BBG reported it has established a process to reduce the potential for incorrectly reporting property and equipment by using a database to track property transactions. BBG has also established a property office, which should improve the consistency of property oversight through integrating the property records. BBG also plans to issue reports to offices on open obligations for verifying and certifying that obligations are valid. Also, BBG plans to work with offices to ensure invoices are submitted promptly for processing and to correctly record expenses in the proper period.

Although, BBG's efforts to reduce the potential for incorrectly reporting property and equipment by using a database to track property transactions and creating a property office, an audit of BBG's overseas nonexpendable personal property⁸ found that BBG's internal control environment did not ensure physical inventories were conducted and certified. It also did not ensure the property database was updated to reflect the results of physical inventories and ensure that BBG personnel had adequate guidance and training. In addition, the property database was not the direct source for capitalized

⁴ *Inspection of BBG's Middle East Broadcasting Networks, Inc.*, Report Number ISP-IB-10-28, March 2010

⁵ *Alhurra's Programming Policies and Procedures*, Report Number ISP-IB-08-45, May 2008

⁶ *Independent Auditor's Report, Broadcasting Board of Governors Financial Statement, September 2009 and 2008*, Report Number AUD/IB-10-04, November 2009

⁷ *Management Letter Related to the Audit of the Broadcasting Board of Governors 2009 and 2008 Financial Statements*, Report Number AUD/IB-10-19, March 2010

⁸ *Audit of Broadcasting Board of Governors Overseas Nonexpendable Personal Property*, Report Number AUD/HCI-10-24, August 2010

nonexpendable personal property on BBG's financial statements, and BBG did not always properly value its capitalized property, which resulted in annual depreciation being overstated and net book value being understated on the FY 2009 financial statements. Depreciation, however, was not a material item on the financial statements. BBG indicated that it concurs with OIG's findings and recommendations and will be implementing actions in 2010 and 2011 to address them.

Information Security

During fiscal year 2010, BBG hired a Chief Information Officer (CIO)/Director of Engineering to lead the development of a comprehensive information security management program, including robust information technology (IT) and information security policies and procedures. To facilitate these efforts, BBG realigned the IT department to provide greater accountability and collaboration. BBG also acquired services for the performance of certification and accreditation (C&A) of its major information systems.

However, significant weaknesses⁹ continue to exist as several components of BBG's information security management program have not been completed and, as a result, BBG is not fully compliant with the statutory requirements of the Federal Information Security Management Act of 2002.

⁹ *Review of the Information Security Program at the Broadcasting Board of Governors*, Report Number AUD/IT-10-09, March 2010

BBG Executive Director's Comments to the Office of Inspector General: FY 2010 Management and Performance Challenges Broadcasting Board of Governors

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

Attention to Management and Administrative Operations

We remain committed to continual improvement in all of our operations and, as pointed out in your report, have taken action to do so. VOA is in the process of reorganizing its Central News Division to improve the quantity and quality of news products and foster closer cooperation with the language services. Implementation of this reorganization is on schedule and performance planning and success measurements will follow this effort in FY 2011. VOA is continuing to improve the operations and management of its Persian News Network (PNN) through training, coaching sessions, team building activities, and operational integration.

As noted in your report, IBB's Kuwait Transmitting Station is taking steps to improve its information technology troubleshooting, to address personnel issues, including compensation and position descriptions, and to tighten its controls on personal property. The BBG is working diligently to improve the management of property throughout the Agency.

The BBG has reviewed the Chinese Branch contracts with Purchase Order Vendors and found no inconsistencies between these types of contracts and their administration and the advice of the Offices of Contracts and General Counsel or governing statutes and regulations. The Agency's Contracting for Talent and Other Professional Services Handbook is in the process of being reviewed and updated.

Managing Broadcast Programs

The BBG is committed above all to our journalistic mission and we appreciate your noting the improvements that MBN has made to their management of broadcast programs and maintenance of journalistic standards. As you noted, MBN maintains tight editorial controls over Alhurra, has hired an additional manager to oversee Radio Sawa, and will diligently continue to preserve journalistic credibility through constant vigilance.

Need for Improved Internal Controls

We appreciate your acknowledgement of the major steps that the BBG has taken to improve the efficiency of our internal controls. The BBG continues its ongoing efforts to improve its financial and accounting systems, including the areas of undelivered orders, purchase card oversight, grants management, information technology security, accounts receivable, and non-personnel expenses.

The BBG established a Property Management Office and is working to develop, clarify and implement policies and procedures to ensure that nonexpendable property are properly managed and fairly represented.

Information Security

We are pleased that the OIG recognizes the progress that the BBG has made in information security management. Although the BBG has made significant strides in developing an effective program, as you have noted, we still face challenges. In FY 2010, the Agency hired a Chief Information Officer/Director of Engineering (now known as Director of Technology, Services, and Innovation). The CIO is in the process of developing policies and procedures for certification and accreditation of all systems starting with the three systems that are of highest priority and continue to develop security plans for the eight remaining lower priority information systems. We will continue our commitment to make progress in the areas of compliance and government standards for information security.

Summary of Financial Statement Audit and Management Assurances

Table 1.
Summary of Financial Statement Audit

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

Table 2.
Summary of Management Assurances

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

Improper Payments Information Act Reporting

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

While BBG's Improper Payment Program is functional and designed to prevent material, recurring, and illegitimate payments, BBG is taking additional steps to advance the program. During upcoming months, BBG will initiate a review and redesign the payment process to improve timeliness and internal controls of the end to end process, increase the vigor of voucher examination, refine internal monitoring programs and optimize sophisticated functionality and controls within the financial system. In addition, BBG will seek a recovery firm to perform an in-depth analysis of payments to identify and recover any improper payment plus assess the root cause for these payments with recommendation for improvements.

In accordance with the Improper Payments Information Act of 2002 (Public Law 107-300), the BBG continues annual monitoring of payment operations and invests in staff training to ensure that erroneous payments do not occur. In Fiscal Year (FY) 2010, the BBG made approximately \$570 million in payments of which \$242 million was made to three grantees: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks.

Through the improper payments program, the BBG identified five erroneous payments in FY 2010, totaling less than \$6,000, each of which were recovered in less than two weeks after discovery. The five erroneous payments represented 0.001 percent of total payments. Significant improper payments, as defined by Office of Management and Budget (OMB) Circular A-123, Appendix C, in the aggregate of \$10 million or exceeding 2.5 percent are statistically unlikely given the number and size of our average payments and based on our past history.

The BBG will post all improper payments, in support of the government-wide initiative to reduce improper payments, to the Agency's Improper Payments Report and provide information on improper payments on our website, www.bbg.gov.



**Broadcasting
Board of
Governors**

330 Independence Avenue, SW
Washington, DC 20237
Telephone: 202-203-4545 | Fax: 202-203-4568
E-mail: publicaffairs@bbg.gov
www.bbg.gov