

INDEPENDENT AUDITOR'S REPORT
AUD-FM-IB-23-08

To the U.S. Agency for Global Media Chief Executive Officer and the Senior Official
Performing the Duties of the Inspector General

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the U.S. Agency for Global Media (USAGM), which comprise the consolidated balance sheets as of September 30, 2022 and 2021; the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the years then ended; and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of USAGM as of September 30, 2022 and 2021, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, "Audit Requirements for Federal Financial Statements." Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USAGM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USAGM's ability to continue as a going concern for 12 months beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USAGM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USAGM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Deferred Maintenance and Repairs (hereinafter referred to as "required supplementary information") be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the

financial statements, is required by OMB Circular A-136, “Financial Reporting Requirements,” and the Federal Accounting Standards Advisory Board, which consider the information to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of making inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Performance and Accountability Report. The other information comprises the Message from the U.S. Agency for Global Media Chief Executive Officer, the Introduction, Performance Information, Message from the Chief Financial Officer, and the Other Information section of USAGM’s Performance and Accountability Report, but it does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01, we have also issued reports, dated November 15, 2022, on our consideration of USAGM’s internal control over financial reporting and on our tests of USAGM’s compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements for the year ended September 30, 2022. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 and should be considered in assessing the results of our audits.



Alexandria, Virginia
November 15, 2022

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the U.S. Agency for Global Media Chief Executive Officer and the Senior Official
Performing the Duties of the Inspector General

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, “Audit Requirements for Federal Financial Statements,” the financial statements and the related notes to the financial statements of the U.S. Agency for Global Media (USAGM) as of and for the year ended September 30, 2022, and we have issued our report thereon dated November 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered USAGM’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USAGM’s internal control. Accordingly, we do not express an opinion on the effectiveness of USAGM’s internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 22-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982,¹ such as those controls relevant to ensuring efficient operations.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described below, that we consider to be a significant deficiency.

¹ Federal Managers’ Financial Integrity Act of 1982, Public Law 97-255, 96 STAT 814 (September 8, 1982).

Grantee Monitoring Control - Significant Deficiency

USAGM has four significant grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), Middle East Broadcasting Networks (MBN), and the Open Technology Fund (OTF). USAGM's four grantees collectively received over \$335 million from USAGM in federal grant awards during FY 2022, which represents approximately one-third of USAGM's annual funding. To address a significant deficiency identified during prior financial statement audits, USAGM approved and issued standard operating procedures² for grantee monitoring in February 2019. However, the financial statement audits continued to identify a significant deficiency related to grantee monitoring. Therefore, USAGM obtained the services of a contractor to develop and implement a comprehensive grants monitoring program.

During FY 2022, the contractor developed four new policies³ that are planned to be included in a new USAGM Grants Administration Manual. The contractor also developed oversight tools that will be used in conjunction with the Grants Administration Manual to aid in consistent implementation of the grant monitoring controls identified in the standard operating procedures. Furthermore, the contractor implemented a pilot program to assess the effectiveness of new controls with one of USAGM's grantees—MBN. As of September 2022, the four new policies were in draft form and the results of the pilot program were being reviewed by management.

We selected 15 control activities identified in the standard operating procedures to test whether USAGM had effectively implemented grantee monitoring procedures. For RFE/RL, RFA, MBN, and OTF, we found that 9 of 15 controls tested were operating effectively. The remaining six control activities were not implemented by USAGM for the four grantees in FY 2022. Specifically, USAGM had not reviewed the allowability of grantee costs, performed grant close-outs, conducted formal documented site visits, monitored equipment purchased by grantees, reviewed grantee disbursement reconciliations, or conducted risk assessments.

Although USAGM made progress in strengthening its grants monitoring program, by engaging contractor support to develop desk guides and oversight tools, its new grants monitoring program was not fully implemented as of September 30, 2022. Because USAGM continued to lack effective grantee oversight, there is an increased risk of waste, fraud, and abuse of federal funds. USAGM is the primary funding source for the four grantees; therefore, an organized and documented approach to oversight is needed to demonstrate accountability and mitigate risk. Weaknesses in controls over grantee monitoring have been reported each year since the audit of USAGM's FY 2013 financial statements.

During the audit, we noted an additional matter involving internal control over financial reporting that we will report to USAGM management in a separate letter.

² USAGM, Standard Operating Procedures for Monitoring Grants, February 2019.

³ The four desk guides related to cost allowability reviews, on-site reviews (i.e., site visits), grant closeouts, and desk reviews (e.g., reviews of federal financial reports and statements of obligations and disbursements).

Status of Prior Year Findings

In the Independent Auditor’s Report on Internal Control Over Financial Reporting that was included in the audit report on USAGM’s FY 2021 financial statements,⁴ we noted several issues that were related to internal control over financial reporting. The status of the FY 2021 internal control findings is summarized in Table 1.

Table 1. Status of Prior Year Findings

Control Deficiency	FY 2021 Status	FY 2022 Status
Validity and Accuracy of Unliquidated Obligations	Material Weakness	Management Letter
Grantee Monitoring	Significant Deficiency	Significant Deficiency

USAGM’s Response to Findings

USAGM provided its response to our findings in a separate letter included in this report as Appendix A. We did not audit management’s response, and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the effectiveness of USAGM’s internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity’s internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 15, 2022

⁴ Office of Inspector General, *Independent Auditor’s Report on the U.S. Agency for Global Media FY 2021 and FY 2020 Financial Statements* (AUD-FM-IB-22-11, November 2021).

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS**

To the U.S. Agency for Global Media Chief Executive Officer and the Senior Official
Performing the Duties of the Inspector General

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, “Audit Requirements for Federal Financial Statements,” the financial statements and the related notes to the financial statements, of the U.S. Agency for Global Media (USAGM) as of and for the year ended September 30, 2022, and we have issued our report thereon dated November 15, 2022.

Report on Compliance

As part of obtaining reasonable assurance about whether USAGM’s financial statements are free from material misstatement, we performed tests of USAGM’s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and disclosures. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USAGM. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 22-01. In each year since the audit of USAGM’s FY 2013 financial statements, independent auditors have identified substantial noncompliance with federal grant regulations. USAGM is responsible for monitoring the use of funds provided to its grantees to ensure that the grantees adhere to relevant laws and regulations. As noted in our Independent Auditor’s Report on Internal Control over Financial Reporting, USAGM has not fully implemented many of its grantee monitoring controls. As a result, USAGM continued to be in substantial noncompliance with the Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” which provides guidance to agencies for grant oversight.

USAGM’s Response to Findings

USAGM provided its response to our findings in a separate letter included in this report as Appendix A. We did not audit management’s response, and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with laws, regulations, contracts, and grant agreements and the results of that testing and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 15, 2022



330 Independence Avenue SW | Washington, DC 20237 | usagm.gov

November 15, 2022

Diana Shaw
Acting Inspector General
U.S. Department of State

Dear Ms. Shaw:

The U.S. Agency for Global Media (USAGM) is committed to maintaining fiscal responsibility and transparency for the taxpayer funds entrusted by Congress to pursue its global mission to inform, engage, and connect people around the world in support of freedom and democracy. The Performance and Accountability Report (PAR) is a key part of maintaining this commitment, providing a comprehensive account of USAGM's financial activities. I am pleased that USAGM continues to receive an unmodified opinion for this fiscal year's financial statement audit. USAGM is committed to working towards greater efficiency, effectiveness, and accountability in its financial operations. USAGM operations are global and complex, with programming in 63 languages, thousands of media partners, and on-the-ground reporting capabilities around the world. USAGM recognizes that our strength as an organization requires a strong fiscal foundation and effective stewardship over the resources entrusted to us by the American people.

Working with a team of subject matter experts, USAGM has developed a grants administrative manual and has a test pilot underway for the desk reviews. During this next fiscal year, we will continue to implement and finalize controls for grantee monitoring and oversight. I am confident we will improve compliance in this area during FY 2023.

We thank Keamey & Company for their sustained efforts and professionalism, while working through the complex issues associated with the global nature of USAGM's financial processes.

Sincerely,

A handwritten signature in black ink, appearing to read "Grant Turner".

Grant Turner
Chief Financial Officer

