

MANAGEMENT LETTER
AUD-FM-IB-23-11

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

Kearney & Company, P.C. (referred to as “we” hereafter), has audited the financial statements of the U.S. Agency for Global Media (USAGM) as of and for the year ended September 30, 2022, and has issued our report thereon, dated November 15, 2022.¹ In planning and performing our audit of USAGM’s financial statements, we considered USAGM’s internal control over financial reporting and USAGM’s compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements. Our auditing procedures were designed for the purpose of expressing an opinion on the financial statements and not to provide assurances on internal control or compliance. Accordingly, we do not express an opinion on the effectiveness of USAGM’s internal control over financial reporting or on USAGM’s compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements.

During our audit, we noted one matter related to internal control over financial reporting that we considered to be a significant deficiency and one matter related to compliance that we considered to be reportable under 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 Bulletin No. 22-01, “Audit Requirements for Federal Financial Statements.” These items are not repeated in this letter because they are explained in detail in our report on USAGM’s FY 2022 financial statements.

Our procedures were designed primarily to enable us to form an opinion on USAGM’s financial statements and therefore may not have identified all internal control weaknesses and instances of noncompliance that may exist. Although not considered to be material weaknesses, significant deficiencies, or reportable instances of noncompliance, we noted one other matter involving internal control and operations. This finding is summarized in Appendix A and is intended to assist USAGM in strengthening internal controls and improving operating efficiencies.

We appreciate the courteous and professional assistance provided by USAGM personnel during our audit. This finding was discussed in detail with appropriate USAGM officials, and management’s response to the draft of this report is presented in its entirety in Appendix B.

¹ OIG, *Independent Auditor’s Report on the U. S. Agency for Global Media FY 2022 Financial Statements* (AUD-FM-IB-23-08, November 2022).



This letter is intended solely for the information and use of USAGM management, those charged with governance, and others within USAGM and the Office of Inspector General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
February 9, 2023

MANAGEMENT LETTER COMMENTS

During the audit of the U.S. Agency for Global Media (USAGM) FY 2022 financial statements, Kearney & Company, P.C., (referred to as “we” hereafter) concluded that the severity of one matter that was reported as a material weakness in the FY 2021 Report on Internal Controls over Financial Reporting¹ decreased. Therefore, we are including the issue in the management letter.

I. Budgetary Resources

Obligation Validity and Accuracy

USAGM records obligations in Momentum, its financial management system, when it enters into an agreement, such as a contract or purchase order, to obtain goods or services.² Once recorded, obligations remain open until they are fully reduced by a disbursement, are deobligated, or until the appropriation funding the obligations is cancelled. As payments are made, obligations are liquidated by the amount of the payments. Unliquidated obligations (ULO) represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services ordered have not been received, or the goods and services have been received but payment has not yet been made. As of June 30, 2022, USAGM reported approximately \$110 million in ULOs.

As of June 30, 2022, USAGM had 1,736 ULOs from prior years with an inactive period of performance, totaling \$6.4 million. We evaluated the validity of a statistical sample of 53 ULOs, amounting to \$2.1 million, and found nine invalid ULOs (17 percent), totaling \$126,294. USAGM was unable to provide documentation supporting a bona fide need for the obligations; therefore, we determined that these ULOs were invalid.

Although USAGM modified its ULO monitoring procedures during FY 2022 to increase oversight, invalid obligations continued to exist because certain allotment holders and contracting officer’s representatives did not consistently review obligations for validity and bona fide need in accordance with USAGM policies and procedures. Invalid ULOs affect USAGM’s management of funds. Specifically, because of inconsistent ULO review practices, funds that could have been used to support USAGM’s mission remained in unneeded obligations. Furthermore, the existence of invalid obligations makes monitoring ULOs more difficult and increases the risk of duplicate or fraudulent payments.

¹ OIG, *Independent Auditor’s Report on the U. S. Agency for Global Media FY 2021 Financial Statements* (AUD-FM-IB-22-11, November 2021).

² In certain instances, the Department of State records obligations on behalf of USAGM. These obligations are recorded in the Department of State’s financial system, which interfaces with Momentum.



U.S. AGENCY FOR
GLOBAL MEDIA

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

January 27, 2023

Mr. Norman P. Brown
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of State

Dear Mr. Brown:

Thank you for the opportunity to comment on the draft *Management Letter Related to the Audit of the U.S. Agency for Global Media FY 2022 Financial Statements*.

First and foremost, we were pleased to once again receive an unqualified opinion (i.e. a “clean audit”) this year from Kearney & Company. Despite the recent challenges of the pandemic and the dangerous countries in which we operate, the U.S. Agency for Global Media (USAGM) remains committed to maintaining the responsible stewardship of taxpayer funds entrusted to us by Congress to provide our audiences with accurate, objective and professional news and information.

Regarding the issue raised in your letter, we consider your identification an opportunity to further improve our operational efficiency and effectiveness. In the area of unliquidated obligations, as the auditors noted, we have improved our business processes, such as the quarterly reviews, with significant positive results; we will continue as such, as well as provide enhanced ULO monitoring and review training to ensure that all allotment holders and contracting officer’s representatives are performing required ULO reviews, and are fully participating in the USAGM Office of the Chief Financial Officer’s monitoring procedures.

We thank Kearney & Company for their professionalism and dedication in reviewing the agency’s complex financial information and look forward to making progress in the above.

Sincerely,

A handwritten signature in black ink that reads "Amanda Bennett".

Amanda Bennett
Chief Executive Officer

