

**INDEPENDENT AUDITOR'S REPORT**  
**AUD-FM-IB-22-11**

To the U.S. Agency for Global Media Acting Chief Executive Officer and the Acting Inspector General

**Report on the Financial Statements**

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, 2021 and 2020; 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.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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. Management is also responsible for preparing, measuring, and presenting required supplementary information in accordance with accounting principles generally accepted in the United States of America; preparing and presenting other information included in documents containing the audited financial statements and auditor's report; and ensuring the consistency of that information with the audited financial statements and the required supplementary information.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 21-04, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USAGM as of September 30, 2021 and 2020, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Deferred Maintenance sections (hereinafter referred to as "required supplementary information") be presented to supplement the financial statements. Such information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing it 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 did not audit and 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***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the Message from the U.S. Agency for Global Media Acting Chief Executive Officer, the Introduction, the Performance Information, the Message from the Chief Financial Officer, and the Other Information section of USAGM's Performance and Accountability Report (also known as "other information"), is presented for purposes of additional analysis and is not a required part of the financial statements or the required supplementary information. We read the other information included in the Performance and

Accountability Report to identify material inconsistencies, if any, with the audited financial statements. We did not audit and we do not express an opinion or provide any assurance on the other information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 21-04, we have also issued reports, dated November 15, 2021, 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, 2021. 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. 21-04 and should be considered in assessing the results of our audits.



Alexandria, Virginia  
November 15, 2021

## **INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the U.S. Agency for Global Media Acting Chief Executive Officer and the Acting Inspector General

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, “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, 2021, and have issued our report thereon dated November 15, 2021.

### **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) to determine 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. 21-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982,<sup>1</sup> 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described below, that we consider to be a material weakness and a significant deficiency.

---

<sup>1</sup> Federal Managers’ Financial Integrity Act of 1982, Pub. L. No. 97-255, 96 STAT 814 (September 8, 1982).

## **Material Weakness**

### **Validity and Accuracy of Unliquidated Obligations**

Obligations are definite commitments that will result in outlays, immediately or in the future. 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. USAGM reported approximately \$243 million in ULOs, as of September 30, 2021. The validity and accuracy of ULOs was identified as a reportable control deficiency during the audits of USAGM's FY 2013 through FY 2017 financial statements. During the audits of USAGM's FY 2018 through FY 2020 financial statements, the control deficiency relating to ULOs was determined to be less severe and was communicated to USAGM through a management letter. However, during FY 2021, we identified a significant number and amount of invalid ULOs based on the lack of supporting documentation and the inability to support bona fide need, which increased the severity of the control deficiency to a material weakness.

Invalid obligations existed because Contracting Officer's Representatives and other program officials did not consistently perform reviews of obligations for validity and bona fide need as required by USAGM policy. We also found that deobligation requests were not always implemented in a timely manner. To mitigate misstatements to the financial statements, USAGM's Office of the Chief Financial Officer (OCFO) performs a quarterly analysis of the higher dollar value obligations to identify potentially invalid ULOs. During FY 2021, OCFO officials reviewed ULOs over \$30,000. However, USAGM had a significant number and amount of obligations under \$30,000, which means that the amount of ULOs that was not reviewed was significant. Although USAGM's complementary control identified many invalid ULOs, the lower dollar value invalid ULOs went undetected. As a result of the invalid ULOs that were identified by our audit, USAGM adjusted its FY 2021 financial statements. In addition, funds that could have been used for other purposes may have remained open as invalid ULOs, increasing the risk of duplicate or fraudulent payments.

## **Significant Deficiency**

### **Grantee Monitoring**

USAGM has four grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), the Middle East Broadcasting Networks (MBN), and the Open Technology Fund (OTF). In FY 2021, the four grantees collectively received more than \$299 million from USAGM in Federal grant awards, which represents approximately one third of USAGM's total funding. USAGM is responsible for monitoring the use of those funds to ensure that grantees adhere to applicable laws and regulations as well as to terms and conditions specified in the grant agreements. To aid in the grants monitoring process, USAGM approved and issued standard operating procedures (SOP)<sup>2</sup> for grantee monitoring.

---

<sup>2</sup> USAGM OCFO, "Standard Operating Procedures for Monitoring Grants," February 2019.

We selected 15 control activities identified in the SOP to test whether USAGM had effectively implemented grantee monitoring. For RFE/RL, RFA, MBN, and OTF, we found that 7 of 15 controls tested were operating effectively. The remaining eight control activities were not implemented by USAGM for the four grantees in FY 2021. Specifically, USAGM had not reviewed the allowability of grantee costs, performed grant close-outs, conducted formal documented site visits, reviewed performance progress reports, monitored equipment purchased by grantees, monitored grantee contracts and leases, reviewed grantee disbursement reconciliations, or conducted risk assessments, as described in the SOP.

USAGM officials stated that they have not fully implemented several of the key monitoring activities included in USAGM's SOP due to personnel and resource limitations. To address these limitations, USAGM engaged contractor support to perform grantee monitoring activities beginning in September 2021. 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 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.

### **Status of Prior Year Findings**

In the Independent Auditor's Report on Internal Control Over Financial Reporting, which was included in the audit report on USAGM's FY 2020 financial statements,<sup>3</sup> we noted one issue related to internal control over financial reporting. The status of this issue is summarized in Table 1.

**Table 1. Status of Prior Year Finding**

| <b>Control Deficiency</b> | <b>FY 2020 Status</b>  | <b>FY 2021 Status</b>  |
|---------------------------|------------------------|------------------------|
| <b>Grantee Monitoring</b> | 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.

---

<sup>3</sup> Office of Inspector General, *Independent Auditor's Report on the U.S. Agency for Global Media FY 2020 and FY 2021 Financial Statements* (AUD-FM-IB-21-10, November 2020).

**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. 21-04 in considering the entity's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia  
November 15, 2021

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

To the U.S. Agency for Global Media Acting Chief Executive Officer and the Acting 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. 21-04, "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, 2021, and have issued our report thereon dated November 15, 2021.

**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 applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material impact on the determination of financial statement amounts. 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, and 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. 21-04. In each year since USAGM's FY 2013 financial statement audit, 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 they 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 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. 21-04 in considering the entity's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia  
November 15, 2021



330 Independence Avenue SW | Washington, DC 20237 | [usagm.gov](https://usagm.gov)

November 15, 2021

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 the USAGM's financial activities.

I am pleased that USAGM continues to receive an unmodified (clean) opinion for this fiscal year's financial statement audit. USAGM is committed to working towards greater efficiency, effectiveness, and accountability in financial operations. USAGM operations are global and complex, with programming in 62 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 on a recently awarded contract, USAGM is assessing opportunities for improvement in its grantee oversight and monitoring. I am confident we will improve compliance in this area during FY 2022. Additionally, of the \$242.9 million USAGM reported unliquidated obligations (ULOs), as of September 30, 2021, \$205.6 million (85%) were new FY 2021 obligations, and an additional \$22.65 million (9%) were prior year obligations with active period of performance during FY 2021. Of the remaining \$14.65 million (6%) with an expired period of performance, ULOs over \$30K were reviewed and adjusted; however, we agree that USAGM has a significant number of smaller dollar obligations that were not reviewed. USAGM has already made significant progress to address invalid ULOs, however, we will strengthen our process for the timely identification and close-out of obligations that are no longer valid, including lower dollar value amounts.



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

Sincerely,



---

Grant Turner  
Chief Financial Officer