



Office of Inspector General
United States Department of State

Inspector General Statement on the U.S. Agency for Global Media's Major Management and Performance Challenges

FISCAL YEAR 2020

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INTRODUCTION

Each year, in accordance with the Reports Consolidation Act of 2000,¹ the Office of Inspector General (OIG) for the U.S. Agency for Global Media (USAGM) identifies the most significant management and performance challenges facing the agency and briefly assesses progress in addressing those challenges. The resulting report is included in the agency's annual performance and accountability report.

Our oversight work provides a unique window to the challenges facing USAGM, and OIG concludes that the following were the most important challenges in FY 2020:

- Information security and management
- Financial and property management
- Grant management

These issues go to the core of USAGM's programs and operations and have been crucial challenges for the past 6 years. Continued attention to these concerns will improve USAGM's operations and, accordingly, its ability to fulfill its underlying mission. OIG provides this report so that, taken together with the work OIG produces through the year, USAGM can institute appropriate measures to improve operational efficiency and effectiveness.

¹ The Reports Consolidation Act of 2000, § 3, Pub. L. 106-531 (amending 31 U.S.C. § 3516).

INFORMATION SECURITY AND MANAGEMENT

USAGM depends on information systems and electronic data to carry out essential mission-related functions. These information systems are subject to serious threats that may exploit vulnerabilities to compromise the information those systems process, store, and transmit. This, in turn, can lead to adverse effects on operations, organizational assets, and personnel.

In the FY 2019 Federal Information Security Modernization Act audit of USAGM's information security program, an independent auditor identified security weaknesses in all eight metric domains, which consist of risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning.²

Deficiencies occurred for several reasons. For example, although USAGM defined its Enterprise Risk Management Framework and security risk management strategy, it had not completely implemented these policies. Furthermore, USAGM had not implemented tools to successfully automate monitoring information systems and devices on the network. In addition, USAGM did not fully implement various IT security policies and procedures and had not fully devoted additional resources to IT security, in line with the results from a skill gap assessment.³

USAGM's information systems and electronic data depend on the confidentiality, integrity, and availability of USAGM's comprehensive and interconnected IT infrastructure. Therefore, managing information security risks effectively throughout USAGM is critical to achieving its mission.

FINANCIAL AND PROPERTY MANAGEMENT

In FY 2020, OIG reported an unmodified opinion (the best possible opinion) on USAGM's FY 2019 financial statements.⁴ In addition, OIG found that USAGM complied with improper payments requirements for the FY 2019 reporting period⁵ and our review of USAGM's purchase card data led to the conclusion that the risk of illegal, improper, or erroneous use in the USAGM purchase card

² *Audit of the U.S. Agency for Global Media Information Security Program* (AUD-IT-IB-20-02, October 2019).

³ *Ibid.*

⁴ OIG, *Independent Auditor's Report on the U.S. Agency for Global Media FY 2019 Financial Statements* (AUD-FM-IB-20-06, November 2019).

⁵ OIG, *Audit of U.S. Agency for Global Media FY 2019 Compliance With Improper Payments Requirements* (AUD-FM-IB-20-28, May 2020).

program is “very low.”⁶ However, OIG continues to highlight financial management as a challenge.

This year, OIG reported deficiencies in internal controls related to financial reporting. In the audit of USAGM’s financial statements, an independent auditor stated that 8 of 79 unliquidated obligations (ULOs) tested were considered invalid because of either a lack of supporting documentation or an inability of USAGM to document continued bona fide need. Although USAGM implemented a quarterly analysis to identify potentially invalid ULOs, USAGM limited its FY 2019 review to ULOs valued at more than \$40,000. According to USAGM officials, they focused on larger dollar obligations due to a lack of resources. Without effective control activities to monitor all inactive ULOs, USAGM may not detect opportunities to repurpose unused obligations from inactive or expired contracts and other obligation vehicles.⁷

Another audit issued in FY 2020 stated that the quality of USAGM’s Digital Accountability and Transparency Act data was at the best quality level.⁸ Nevertheless, the audit identified exceptions related to completeness, accuracy, and timeliness. The audit identified several control issues that led to the deficiencies. For example, according to USAGM officials, Contract Specialists were able to bypass certain steps in the accounting system and were not always aware of contract awards that required approval in the accounting system. Furthermore, the audit found that USAGM’s Data Quality Plan needed improvement to become more useful. Although USAGM data were considered to be in the best category, more attention would allow for additional improvements to data quality.⁹

GRANT MANAGEMENT

USAGM has four grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty, Radio Free Asia, the Middle East Broadcasting Networks, and the Open Technology Fund (OTF). Because the grantees perform significant operational activities for USAGM, weaknesses in grant management can have a substantial effect on USAGM’s overall operations. Without effective oversight of grantees, the risk of waste, fraud, and abuse of Federal funds increases.

⁶ OIG, *Information Report: United States Agency for Global Media 2019 Charge Card Risk Assessment* (AUD-CGI-IB-20-07, November 2019).

⁷ *Management Letter Related to the Audit of the U.S. Agency for Global Media, FY 2019 Financial Statements* (AUD-FM-IB-20-16, January 2020).

⁸ OIG, *Audit of the U.S. Agency for Global Media’s FY 2019 Implementation of the Digital Accountability and Transparency Act of 2014* (AUD-FM-IB-20-10, December 2019).

⁹ *Ibid.*

OIG has reported significant weaknesses in USAGM's controls over grant monitoring since the audit of the FY 2013 financial statements. Moreover, the lack of grantee monitoring and oversight controls results in USAGM's noncompliance with Federal grant regulations. During the audit of USAGM's FY 2019 financial statements, an independent external auditor tested whether USAGM had effectively implemented grantee monitoring by examining control activities identified in its standard operating procedures.¹⁰ In doing so, the auditor found that USAGM had not implemented all control activities. For example, USAGM had not performed risk assessments or conducted formal documented site visits as warranted by program needs.

USAGM revised its standard operating procedures for grantee monitoring in February 2019. Despite this effort, according to USAGM management, implementation of critical monitoring activities, detailed in the updated procedures, were delayed due to changes in USAGM's leadership team and a lack of staff resources.¹¹

¹⁰ AUD-FM-IB-20-06, November 2019.

¹¹ *Ibid.*

APPENDIX A: RESPONSE FROM U.S. AGENCY FOR GLOBAL MEDIA



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Agency Response to the Management and Performance Challenges

October 29, 2020

Mr. Matthew S. Klimow
Acting Inspector General
Office of Inspector General
U.S. Department of State

Dear Mr. Klimow:

The U.S. Agency for Global Media (USAGM) has reviewed the Office of Inspector General's (OIG) Fiscal Year (FY) 2020 Statement on the USAGM's Major Management and Performance Challenges. The agency appreciates the OIG's work in identifying crucial challenges to operations, and was troubled to read that some of these issues have lingered for several years.

Since the beginning of the new leadership's tenure in June 2020, USAGM has made it a top priority to correct precisely the sorts of management issues that OIG has identified. The OIG has the agency's commitment that it will ensure USAGM rectifies the issues the OIG identifies involving information security, financial management, and grants oversight.

USAGM has made progress on these management challenges since they were identified as continuing issues in inspection and audit reports over the last fiscal year. The agency continues to implement and satisfy OIG recommendations across the spectrum of information security management, financial management, and grants monitoring. USAGM intends to ensure that progress on all fronts accelerates. Below are some examples of progress and some of agency plans for continued improvement.

INFORMATION SECURITY AND MANAGEMENT

Over the past year, the Office of the CIO has continued to implement its IT security policies and strengthen USAGM's information security program, while augmenting USAGM's remote technology capabilities to meet USAGM's needs

during the COVID-19 pandemic. While there is still room for improvement in this area, many of the deficiencies mentioned in the management challenges statement have been remediated or are in the process of being remediated.

One of the specific deficiencies mentioned in the management challenges statement was that USAGM had not fully implemented its Enterprise Risk Management Framework and Information Security Risk Management Strategy. At this point in time, both of these policies are fully implemented. Understanding that risk management is fundamental to a mature information security program, USAGM's Chief Information Officer (CIO) and Chief Risk Officer (CRO) have taken several key steps to enhancing the agency's information security and risk management posture.

USAGM has: established and fully implemented its Enterprise Risk Management (ERM) Framework; enhanced the ERM Framework by developing a process for generating the Enterprise Risk Profile, bringing the Agency in compliance with OMB and NIST guidance; approved and implemented a Policy on Risk Management and Chief Risk Officer (CRO) Responsibilities that strengthens the Agency's internal controls and planning needs to respond to future risks, and; established and implemented an Information Security Risk Management (ISRM) Strategy. USAGM expects that the fiscal year 2020 FISMA audit will reflect continued progress and maturity in ERM and ISRM activities.

Regarding the OIG's observation that USAGM has not implemented tools to successfully automate monitoring information systems and devices on the agency's network, this is unfortunately accurate. USAGM had planned to deploy Continuous Diagnostics and Monitoring tools provided by the Department of Homeland Security (DHS). However, USAGM's CIO has identified issues with these automated tools that have not been remedied by DHS. The CIO is searching for alternative solutions and will create a plan to implement such solutions at the earliest opportunity, but no later than the close of FY 2021.

In addition, the CIO and CRO have continued to complete open items on USAGM's Corrective Action Plan (CAP) to address outstanding OIG recommendations in prior year FISMA audits. USAGM expects the CAP will be fully implemented in November 2021. Internally, the agency will focus on adding the necessary resources, both human capital as well as financial, to the OCIO so

that they can effectively expand their implementation of critical risk and information security efforts.

FINANCIAL AND PROPERTY MANAGEMENT

The agency was glad to see that the Management Challenges Statement included some positive news regarding financial management, such as OIG's unmodified opinion (the best possible opinion) on USAGM's FY 2019 financial statements, OIG's finding that USAGM complied with improper payments requirements, OIG's finding that risk associated with USAGM's purchase card program is very low, and that USAGM's Digital Accountability and Transparency (DATA) Act data was at the best quality level. However, it is understood that USAGM could still improve in these areas.

USAGM has made considerable progress in reviewing obligations for validity and de-obligating funding where appropriate. USAGM plans to continue this progress through FY 2021 by implementing training for appropriate staff regarding unliquidated obligations and ensuring that staff have the tools and information needed to carry out these responsibilities in an effective and timely manner.

USAGM has also taken steps to address the deficiencies mentioned in the Management Challenges Statement related to improving USAGM's financial reporting and data under the DATA Act. USAGM's Financial Management System has been configured to prevent Contract Specialists from bypassing steps related to reporting procurement data, which should improve data quality and timeliness.

In accordance with the OIG's recommendation to improve the agency's data quality plan, USAGM has recently finalized and started implementing an updated plan.

GRANTS MANAGEMENT

During FY 2020, USAGM senior leadership focused attention on continuing progress in improving grants oversight. USAGM has issued a Grants Standard Operating Procedure that explains processes for grants oversight and updated those procedures to include a new grants closeout process. However, USAGM

acknowledges that it has not yet fully implemented all oversight controls outlined in those Grants Standard Operating Procedures, such as closing out prior year grants, conducting risk assessments, or conducting site visits. These and other issues led USAGM's Risk Management Council to identify grantee oversight as one of the top risks in the Agency's risk profile for FY 2020, a step that should help strengthen the visibility and accountability of efforts to mitigate risks in this area. The agency is committed to ensuring that grants policies are followed, management controls are implemented, and that USAGM oversees its grantees effectively.

USAGM would like to take this opportunity to thank you and all of your staff at the OIG for your professionalism and for highlighting important management challenges for attention. The agency looks forward to partnering with you as it works to resolve the issues highlighted in this year's Management Challenges Statement.

Sincerely,

A handwritten signature in black ink that reads "Michael Pack". The signature is written in a cursive, slightly slanted style.

Michael Pack
Chief Executive Officer
U.S. Agency for Global Media



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