



**Management Letter  
AUD-FM-IB-20-16**

Chief Executive Officer and Director  
U.S. Agency for Global Media

Chair of Board of Governors  
U.S. Agency for Global Media

Inspector General  
U.S. Department of State

We have completed the audit of the financial statements of the U.S. Agency for Global Media (USAGM) as of September 30, 2019, and for the year then ended and have issued our Independent Auditor's Report thereon dated November 19, 2019.<sup>1</sup>

In planning and performing our audit of USAGM's FY 2019 financial statements, in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we considered USAGM's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USAGM's internal control over financial reporting. Accordingly, we do not express an opinion on USAGM's internal control over financial reporting.

In our audit, we identified one significant deficiency in internal control over financial reporting and one instance of noncompliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that were included in our Independent Auditor's Report<sup>2</sup> and, therefore, are not repeated within this letter. However, we identified two internal control deficiencies that did not rise to the level of a material weakness or significant deficiency, but still warrant management's attention, which are provided in Appendix I. Our assessment of the current status of prior-year Management Letter control deficiencies, reported by another auditor, is presented in Appendix II. Comments from USAGM management on this report are presented in Appendix III.

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

*Williams, Adley & Company-DC, LLP*  
Washington, DC  
January 24, 2020

---

<sup>1</sup> OIG, *Independent Auditor's Report on the U.S. Agency for Global Media FY 2019 Financial Statements* (AUD-FM-IB-20-06, November 2019).

<sup>2</sup> Ibid.

## **Appendix I**

### **Current-Year Internal Control Deficiencies**

#### **I. Unliquidated Obligations**

The U.S. Agency for Global Media (USAGM) records obligations, which are binding agreements that will result in outlays, immediately or in the future, in its financial management system, Momentum. The obligations are made using appropriated funds and remain open until they are fully reduced by a disbursement, are de-obligated, or until the appropriation is canceled. Unliquidated obligations (ULO) represent the remaining unexpended amount of an obligation, specifically goods and services received but not yet reimbursed/paid or goods and services ordered but not yet received. As of June 30, 2019, USAGM reported approximately \$125 million in ULOs.

To ensure the validity of ULOs,<sup>1</sup> USAGM's finance staff performs a quarterly review of all ULOs greater than \$50,000 and older than 12 months to determine if they are still valid.<sup>2</sup> During this review, the finance staff contacts allotment holders and program officials to determine the current status of the ULO. For ULOs determined to be invalid, the finance staff prepares a journal voucher to reduce the amount of the ULO for financial reporting purposes. This journal voucher is reversed the next reporting period.

To test the validity of ULOs, Williams Adley (referred to as "we" hereafter) selected items to test from a universe of ULOs established prior to FY 2019 with no expenditures in the 12 months preceding June 30, 2019.<sup>3</sup> As of June 30, 2019, we identified 5,886 ULOs totaling \$39.4 million that met these criteria. We selected a statistical sample of 79 ULOs totaling \$13.4 million for substantive testing.

Our testing identified eight ULOs totaling \$14,543 that were exceptions. Specifically:

- Six of eight ULOs were considered invalid because USAGM did not provide sufficient supporting documentation.
- Two of eight ULOs were considered invalid because USAGM was unable to show that it continued to have a bona fide need for the obligation.

Although, USAGM's Office of the Chief Financial Officer (OCFO) 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, reviewing all obligations quarterly is difficult because of a lack of resources. Therefore, USAGM elected to focus on the larger dollar value obligations. However, USAGM has a significant number of obligations valued at less than \$40,000, which means that the number of ULOs not reviewed quarterly was significant. Specifically, as of June 30, 2019, USAGM had 5,667 ULOs valued at less than \$40,000, which totaled \$15,614,137. Because USAGM did not consider ULOs valued at less than \$40,000 during its quarterly review, it did not have documentation readily available that related to items we

---

<sup>1</sup> The Government Accountability Office's *Principles of Federal Appropriations Law* states that "a fiscal year appropriation may be obligated only to meet a legitimate, or bona fide, need arising in, or in some cases arising prior to but continuing to exist in, the fiscal year for which the appropriation was made."

<sup>2</sup> Although USAGM's policy includes a threshold of \$50,000, USAGM staff increases the number of obligations reviewed if resources are available. During FY 2019, USAGM reviewed all obligations valued at more than \$40,000.

<sup>3</sup> These ULOs were considered to have a higher risk of invalidity because they were created in prior fiscal years and because of the length of time without activity.

## **Appendix I**

### **Current-Year Internal Control Deficiencies**

sampled. Therefore, USAGM was unable to provide some supporting documentation because of the limited time we allowed for the response.

When extrapolated over the universe, the eight exceptions resulted in an estimated population error amount of \$2.5 million, as of June 30, 2019. However, USAGM's internal quarterly analysis identified \$3.1 million in invalid ULOs, as of September 30, 2019, for which an adjusting entry was made. Therefore, we did not propose an additional adjustment.

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.

## **II. Information System Policy Reviews and Updates**

USAGM uses an external vendor, CGI Technologies and Solutions Inc. (CGI), to manage Momentum. CGI hosts and maintains the infrastructure services supporting Momentum and is therefore responsible for implementing information system controls to comply with government requirements. However, USAGM is required to implement other information system controls, including access controls<sup>4</sup> and configuration management controls,<sup>5</sup> to ensure appropriate levels of protection surround the processing of USAGM's financial data.

Information system controls are essential to ensure that the information included in the financial statements is accurate and complete. Therefore, as part of the USAGM financial statement audit, we planned to perform testing of USAGM's access controls and configuration management controls related to Momentum. We gained an understanding of USAGM's processes related to access controls and configuration management and obtained copies of the most recent USAGM policy for these topics, "BBG Momentum and CCRC Access Procedures" and "BBG Reference and Security Data Change Request Procedures," which had not been updated since May 6, 2013. We determined that the policies do not reflect USAGM's current access controls or configuration management processes.

For example, we tested 13 of 122 Momentum change requests and found 10 that did not have signed approval forms. USAGM officials stated that 6 of the 10 change requests were for "small changes" that did not require approval. Although USAGM's explanation seemed reasonable, the written policy did not provide an exemption for small changes and did not define a small change. Furthermore, USAGM officials were unable to explain why four other change requests did not have formal approval. One official stated that the changes may have been due to an unspecified "emergency." However, the current policy also does not include an exemption for "emergencies."

National Institute of Standards and Technology (NIST), Special Publication (SP) 800-100, "Information Security Handbook: A Guide for Managers," § 2.2.5, states that "information security policy is an essential component of information security governance—without the policy, governance has no substance and rules to enforce." The standard also states that "agency

---

<sup>4</sup> Access controls are used to regulate who or what can view or use resources in a computing environment.

<sup>5</sup> Configuration management is used to establish a baseline of an IT system and for tracking, controlling, and managing changes to that system.

## **Appendix I**

### **Current-Year Internal Control Deficiencies**

information security policy should address the fundamentals of agency information security governance structure.” In addition, the standard states that “Supporting guidance and procedures on how to effectively implement specific controls across the enterprise should be developed to augment an agency’s security policy.” Furthermore, the standard states that “agencies should ensure that their information security policy is sufficiently current to accommodate the information security environment and agency mission and operational requirements. To ensure that information security does not become obsolete, agencies should implement a policy review and revision cycle.”

NIST, SP 800-53, rev. 4, “Security and Privacy Controls for Federal Information Systems and Organizations,” § AC-1, “Access Control Policy and Procedures,” states that organizations should develop, document, and disseminate “an access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance,” and “procedures to facilitate the implementation of the access control policy and associated access controls.” The standard also states that organizations should review and update the current policies and procedures on a frequency determined by the organization.

We found that the access controls and configuration management policies were outdated because USAGM did not have a process in place to regularly review and update information security policies and procedures to ensure that they are up-to-date and reflect current processes, as required by NIST standards. Without up-to-date policies and procedures that are disseminated to USAGM personnel, user access and change processes may be improperly performed for the Momentum system.

**Appendix II**  
**Prior-Year Internal Control Deficiency**

Our assessment of the current status of prior-year internal control deficiency reported by another auditor<sup>1</sup> is presented below.

<b>Prior-Year Control Deficiency</b>	<b>Current Status</b>
Validity and Accuracy of Unliquidated Obligations	Open and repeated in FY 2019 Management Letter

---

<sup>1</sup> Office of Inspector General, *Management Letter Related to the Audit of the U.S. Agency for Global Media FY 2018 Financial Statements* (AUD-FM-IB-19-17, March 2019).

## Appendix III

### U.S. Agency for Global Media Comments



U.S. AGENCY FOR  
GLOBAL MEDIA

UNITED STATES  
BROADCASTING  
BOARD OF  
GOVERNORS

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

January 21, 2020

Ms. Beverly J.C. O'Neill  
Director, Financial Management Division  
Office of the Inspector General  
U.S. Department of State

Dear Director O'Neill:

Thank you for the opportunity to comment on the draft *Management Letter Related to the Audit of the U.S. Agency for Global Media 2019 Financial Statements*. 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 mission to inform, engage, and connect people around the world in support of freedom and democracy.

In FY 2020, USAGM is committed to working toward greater efficiency, effectiveness, and accountability in its financial operations and will carefully review the *Management Letter* to help us in this effort. 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.

We thank Williams, Adley & Company for their dedication in working through the complex issues associated with USAGM's financial management.

Sincerely,

A handwritten signature in blue ink that reads "John Barkhamer".

John Barkhamer  
Acting Chief Financial Officer