



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 2019

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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 serious 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 gives us unique visibility into the most significant challenges facing USAGM, and OIG concludes that the following were the most important challenges in FY 2019:

- 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 5 years.

OIG acknowledges that USAGM has made substantial progress in its corporate structure. OIG's targeted inspection of USAGM governance concluded that changes made since 2015 had significantly improved the executive direction of the agency compared to the board-led governance structure in place during OIG's 2013 inspection.² All USAGM board members described the change as not merely positive but transformational in its effect on the agency. Also, changes in the board's structure permitted it to meet its responsibilities while avoiding problems associated with the previous structure, in which individual members demonstrated, or were perceived to demonstrate, favoritism to the entity on whose board they served when they made agency-wide budget and policy decisions. Although OIG noted a number of areas for improvement and made five recommendations,³ the improvements in corporate governance are positive steps that will hopefully place USAGM in a stronger overall position to address the broader management challenges facing the organization.

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

² OIG, *Inspection of the Broadcasting Board of Governors* (ISP-IB-13-07, January 2013).

³ OIG, *Targeted Inspection of the Governance of the United States Agency for Global Media* (ISP-IB-19-22, April 2019).

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 2018 Federal Information Security Modernization Act of 2014 (FISMA) 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.⁴

Deficiencies occurred for several reasons. For example, USAGM management had not prioritized IT security or demonstrated its commitment to advancing vital internal controls to identify, protect, detect, respond to, and recover from a cybersecurity incident. Furthermore, USAGM lacked a governing information security policy and supporting procedures, and it has not assigned sufficient resources to support implementation of an effective organization-wide information security program.⁵ USAGM has also failed to take action to ensure that it maintained a complete and accurate inventory of its information systems.

Without an effective information security program, USAGM is vulnerable to IT-centered attacks and threats. Furthermore, information security program weaknesses can affect the integrity of financial applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered either accidentally or intentionally. Until an effective information security program is in place, USAGM will remain vulnerable to IT-centered attacks as well as to threats to its critical mission-related functions.

⁴ *Audit of the U.S. Agency for Global Media Information Security Program* (AUD-IT-IB-19-09, October 2018).

⁵ *Ibid.*

FINANCIAL AND PROPERTY MANAGEMENT

In FY 2019, OIG reported USAGM was in compliance with improper payments requirements for the FY 2018 reporting period,⁶ 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 program is "low."⁷ Nonetheless, we continue to highlight financial management as a challenge for USAGM.

This year, OIG reported deficiencies in internal controls related to financial reporting. In the annual audit of USAGM's financial statements, an independent auditor found 37 unliquidated obligations (ULOs) totaling \$405,866 that were determined to be invalid based on expired periods of performance, inactivity, or USAGM's inability to support a bona fide need.⁸ USAGM continued to have difficulty with invalid obligations because not all allotment holders and program officials were aware of their responsibility to research and review obligations for validity and to submit deobligation requests to the appropriate office. Moreover, even when deobligation requests were submitted to the appropriate office, they were not always deobligated in a timely manner. In addition, we reported that USAGM did not review overseas ULOs for validity.⁹

Invalid ULOs affect USAGM's management of funds. Specifically, funds that could have been used in support of the USAGM mission remained in unneeded obligations. Further, the large number of invalid obligations makes monitoring ULOs more difficult and increases the risk of duplicate or fraudulent payments.¹⁰

GRANT MANAGEMENT

USAGM has three significant grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks. In FY 2018, the three grantees collectively received over \$289 million from USAGM in Federal grant awards, which represents approximately one-third of USAGM's total funding. Because the grantees perform significant operational activities for USAGM, weaknesses in grant management can have a substantial effect on USAGM's overall

⁶ *Audit of the United States Agency for Global Media FY 2018 Compliance With Improper Payments Requirements* (AUD-FM-IB-19-28, May 2019).

⁷ *Information Report: United States Agency for Global Media 2018 Charge Card Risk Assessment* (AUD-CGI-IB-19-13, December 2018).

⁸ *Management Letter Related to the Audit of the U.S. Agency for Global Media 2018 Financial Statements* (AUD-FM-IB-19-17, March 2019).

⁹ *Ibid.*

¹⁰ *Ibid.*

operations. Without effective oversight of grantees, the risk of waste, fraud, and abuse of Federal funds increases.

OIG has reported USAGM weaknesses in controls over grant monitoring since the audit of the FY 2013 financial statements. During the audit of USAGM's 2018 financial statements, an independent external auditor tested whether USAGM had effectively implemented grantee monitoring by examining control activities identified in its standard operating procedures. In doing so, the auditor found that USAGM had not yet implemented all control activities. For example, USAGM had not performed risk assessments, performed grant close-outs, or conducted formal documented site visits as warranted by program needs. Additionally, USAGM's grant monitoring procedures did not include control activities related to monitoring the allowability of grantee costs. USAGM officials noted that the procedures were approved late in FY 2018 and that new staff had not completed training courses to become certified in grants management. However, the auditor also noted that USAGM had not performed an effective quality control review of its procedures.¹¹

¹¹ *Independent Auditor's Report on the U.S. Agency for Global Media 2018 and 2017 Financial Statements* (AUD-FM-IB-19-06, November 2018)

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



U.S. AGENCY FOR
GLOBAL MEDIA

UNITED STATES
BROADCASTING
BOARD OF
GOVERNORS

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

October 22, 2019

Mr. Steve A. Linick
Inspector General
Office of Inspector General
U.S. Department of State

Dear Mr. Linick:

The U.S. Agency for Global Media (USAGM) has reviewed the Office of Inspector General's (OIG) Fiscal Year (FY) 2019 Statement on the USAGM's Major Management and Performance Challenges. We appreciate the OIG's work in identifying the core challenges to Agency operations, and we are making progress in addressing the OIG's findings and recommendations.

The Agency continues to implement OIG recommendations across the spectrum of grants monitoring, financial and property management, and information security management. How well we manage these functions affects the technical, administrative, personnel, and media assets that sustain our mission, and we are intentionally building the infrastructure to support these functions.

Information Security and Management

Over the past year, USAGM has taken a number of actions to enhance our information security and risk management posture, and to lay the framework for an effective Enterprise Risk Management Program led by the Chief Risk Officer (CRO). USAGM has developed an enhanced enterprise risk identification program that provides a more complete view of Agency risks, internal controls, and planning needs to mitigate future risks. This year, USAGM also appointed a new Chief Information Officer (CIO) to strengthen the Agency's information security programs. The CIO and CRO work closely to identify and mitigate information security risks.

Thanks to the groundwork detailed above, USAGM has made tremendous strides in improving its information security in the majority of FISMA domains. This progress was reflected in the OIG's FISMA audit for FY 2019, which found USAGM achieved a status of "defined maturity" in five of eight FISMA domains. The Agency is now implementing a Corrective Action Plan (CAP) to satisfy the remaining recommendations and strengthen USAGM's overall security and internal controls.

Voice of America | Radio Free Europe/Radio Liberty | Office of Cuba Broadcasting | Radio Free Asia | Middle East Broadcasting Networks

Financial and Property Management

USAGM has continued to strengthen financial management during FY 2019, including the upgrade of Momentum, its financial management system. System upgrades have reduced risk and improved functionality to Agency users. USAGM has also made considerable progress in reviewing obligations for validity and de-obligating funding where appropriate. USAGM will continue this progress through FY 2020 by ensuring that program and contract staff have the tools and information needed to carry out these responsibilities in an effective and timely manner.

Grants Management

During FY 2019, USAGM senior leadership focused attention and resources on continuing progress in improving the oversight of its grants, including through implementing its Grants Management Standard Operating Procedure (SoP), finalized at the end of last year. The USAGM Risk Management Council, coordinated by the CRO, augmented the Agency's enterprise risk profile to include grantee oversight, which in turn strengthened the visibility and accountability of the efforts to mitigate risks in this area. Consistent with the SoP and identified risk mitigation efforts, USAGM awarded a contract to ensure fiscal responsibility in the compensation its grantee networks provide to their employees. In addition, staff are working to procure assistance to grow an annual site visit program to more comprehensively review allowable costs and bolster quality control.

Let me take this opportunity to commend you and your staff for your professionalism and partnership in working with the Agency to address its unique challenges. We are committed to working with you to resolve the issues highlighted in your Major Management and Performance Challenges Statement, as well as other issues that OIG inspections and audits might identify.

Sincerely,



Grant Turner
Chief Executive Officer and Director



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