

INDEPENDENT AUDITOR'S REPORT
AUD-FM-IB-15-10

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Broadcasting Board of Governors (BBG), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the year then ended, and the related notes to the consolidated financial statements (hereinafter referred to as the "consolidated financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit 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 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.



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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BBG as of September 30, 2014 and 2013, and its net cost of operations, changes in net position, and budgetary resources for the year 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 (hereinafter referred to as "required supplementary information") be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board, which consider it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in the Message from the BBG Chairman, the Performance Information and the Other Information sections, as listed in the Table of Contents of BBG's *Performance and Accountability Report*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, we have also issued reports, dated November 12, 2014, on our consideration of BBG's internal control over

financial reporting and on our tests of BBG's compliance with certain provisions of laws, regulations, contracts, and grant agreements for the year ended September 30, 2014. 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 auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 14-02, in considering BBG's internal control over financial reporting and compliance.



Alexandria, Virginia
November 12, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors

We have audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2014, and have issued our report thereon dated November 12, 2014. We conducted our audit 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. 14-02, *Audit Requirements for Federal Financial Statements*.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered BBG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate under the circumstances for the purpose of expressing our opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of BBG's internal control. Accordingly, we do not express an opinion on the effectiveness of BBG's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following sections, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the following deficiencies in BBG's internal control to be material weaknesses.

Material Weaknesses

I. Grantee Monitoring and Accounting for Grant Advances

BBG has three grantees that it funds through annual grant agreements: Radio Free Europe/Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Networks. The grantees are responsible for developing broadcast content (radio and television news programs), which is distributed by BBG. The three grantees annually receive approximately \$245 million, one third of BBG's total funding. In our FY 2013 Independent Auditor's Report on Internal Control Over Financial Reporting, we identified control deficiencies relating to BBG's management of its grantees that, when combined, constituted a material weakness in internal control. During FY 2014, BBG's control environment continued to exhibit deficiencies that negatively impacted BBG's ability to effectively monitor its grantees and report grant advances. We concluded that the combination of these deficiencies was a material weakness. The individual deficiencies we identified are summarized as follows:

- Grantee Monitoring – BBG is responsible for monitoring how its grantees use BBG funds to ensure the grantees adhere to relevant laws and regulations as well as the terms and conditions specified in the grant agreements. During the FY 2013 financial statement audit, we found that BBG did not sufficiently monitor its three grantees. For example, BBG had not obtained inventory listings for all grantees, did not ensure grantees had required procurement procedures, and did not assess grantee expenditures to ensure that the expenditures were allowable under the terms of the grant agreement. In FY 2014, BBG management communicated that there had not been significant improvements to the grantee monitoring process.

BBG was assessing potential corrective actions that would bring its grantee monitoring into compliance with Federal regulations; however, these actions had not been executed. For example, BBG had not improved its grantee handbook to define roles and responsibilities for responsible officials. BBG had also not developed tools, templates, or best practices to ensure procedures were being appropriately executed. Further, BBG had not developed a process to ensure oversight activities were communicated between different officials involved in the oversight process. BBG officials stated that limited resources and competing priorities impacted their ability to implement planned corrective actions. BBG officials stated that they anticipated that BBG would be able to implement grantee monitoring procedures in FY 2015. A lack of effective grantee oversight increases the risk of waste, fraud, and abuse of Federal funds.

- Grant Advances – Funds that BBG provides to its grantees that have not been expended by the grantees are considered grant advances. We analyzed BBG's grant advance estimation methodology and identified flaws in the methodology and underlying assumptions that had not been fully validated. The methodology was based primarily on funding requests submitted by the grantees to BBG and expenses reported on the grantee's trial balances. We found that BBG

- Excluded funds provided to grantees prior to FY 2008.
- Did not identify and exclude grantee funds that were provided by third parties from its advance estimate.
- Miscalculated certain grantee expenses in its estimation methodology. For example, BBG's grant advance calculations did not consider the impact of the grantees' year-end accounting entries.

BBG's methodology to estimate grant advances was flawed because BBG officials did not have a sufficient understanding of grantee financial reporting practices and lacked internal quality control procedures over accrual calculation. In addition, we noted that BBG did not perform sufficient procedures to confirm the reasonableness of the estimate. Without a sufficient understanding of its grantees' financial reporting processes, BBG may continue to base its grants advance estimate on inappropriate assumptions, which could negatively impact BBG's ability to monitor grantee funding requirements.

II. Property, Plant, and Equipment

As of September 30, 2014, BBG reported over \$115 million in net property, plant, and equipment (PP&E), which included real and personal property. In our FY 2013 audit, we identified control deficiencies with BBG's PP&E processes that, when combined, constituted a material weakness in internal control. During our FY 2014 audit, we continued to identify deficiencies that limited BBG's ability to report PP&E in a complete and accurate manner. We concluded that the combination of these deficiencies was a material weakness. The individual deficiencies we identified are summarized as follows:

- Property Records – BBG owns personal property, such as vehicles and other tangible items valued at \$25,000 or more, located at domestic and overseas locations. BBG uses an internally developed system, the Property Inventory Processing System (PIPS), to track property. The data in PIPS are used to calculate the property balances reported in BBG's financial statements. To ensure that personal property was properly recorded as assets, we performed a series of tests that identified several exceptions. Specifically, we
 - Judgmentally selected a sample of 42 assets during site visits to domestic BBG locations and found 27 assets (64 percent) that were not recorded in PIPS.
 - Analyzed expense transactions related to security equipment purchases and identified six items of security equipment that were not recorded in PIPS.
 - Performed analytical procedures for two large overseas locations and found that BBG had purchased and improperly recorded three pieces of equipment as expenses rather than assets at one of the locations.

BBG does not have current, comprehensive, and clear policies or procedures to ensure that property is effectively managed and reported. We also found that BBG has not clearly defined roles and responsibilities related to the property management process. Not all employees, such as procurement and receiving officials, had a clear understanding of their role in the process. In addition, BBG lacks centralized oversight and monitoring procedures to ensure accountability and accurate reporting across the organization.

Although BBG had a process in place to periodically assess expenditures to identify potential unrecorded capital assets, this process was insufficient because it did not assess transactions recorded using certain codes. BBG also did not have an effective process to ensure that property inventories were appropriately performed and reported. Two of the locations where we performed testing had not performed physical inventories during FY 2014 as required. We also identified flaws in the physical inventory process. For example, the physical inventory process did not include procedures to ensure the completeness of property records, such as tracing assets physically observed during inventory procedures back to the respective site's PIPS property records.

The lack of appropriate property management procedures and controls results in the loss of accountability over assets, which could lead to undetected waste or theft. In addition, incomplete or inaccurate property records result in misstatements of BBG's financial statements.

- Property Removed From Service – Agencies are responsible for ensuring that PP&E is appropriately valued and reported in the financial statements. Assets that are no longer providing service to the organization should be written off and should not be included in the financial statements. We identified 16 assets included in BBG's financial statements that were impaired, obsolete, or permanently removed from service. The assets were located at two BBG transmitting facilities that had ceased operations in 2007 and were permanently out of service. We also identified these 16 items as retired assets during our audit of BBG's FY 2013 financial statements. BBG removed them from the FY 2013 financial statements.

To address the FY 2013 financial statement audit finding, BBG financial reporting officials obtained additional information from property officials on the items removed from service. Because of a misinterpretation of the information provided, the financial reporting officials recorded the items at an incorrect value. Although BBG's financial reporting staff performs reconciliations and analyses prior to reporting its PP&E balances, they were not fully knowledgeable about the standards for recording assets permanently identified as inactive. As a result, PP&E was misstated.

III. Budgetary Accounting and Funds Control

Budgetary accounting refers to the processes, controls, monitoring, and reporting required to track the execution of budget laws. In our FY 2013 audit, we identified control deficiencies related to budgetary accounting that, when combined, constituted a material weakness in internal control. In FY 2014, BBG continued to lack sufficient reliable funds control to ensure budgetary transactions were properly recorded, monitored, and reported. We concluded that the combination of control deficiencies remained a material weakness. The individual deficiencies we identified are summarized as follows:

- Unliquidated Obligations – BBG should record an obligation in its financial management system when it enters into an agreement, such as a contract or a purchase order, to

purchase goods and services. Once recorded, obligations remain open until they are fully reduced by disbursements, are deobligated, or until the appropriation funding the obligations is cancelled. 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. BBG reported more than \$127 million in ULOs as of September 30, 2014.

To assess the validity of ULOs, we tested a sample of 124 ULOs and found 68 invalid ULOs (55 percent). For domestic obligations, BBG had not effectively implemented and formalized ULO review policies and procedures. Specifically, BBG officials did not perform timely follow-up with program offices to ensure invalid domestic ULOs were identified and liquidated. Without formal policy guidance from BBG, the Budget Office's efforts to monitor obligation validity may not be considered a priority for the Program Offices. Further, BBG did not conduct a review of overseas ULOs to confirm validity. As a result of the identified errors, BBG significantly overstated its obligations. These funds could have been used for other purposes but remained unnecessary obligations.

- Timeliness of Obligations – We identified a number of instances where obligations were not created in a timely manner, such as obligations that were not recorded within 15 days of executing obligating document, obligations that were recorded prior to executing the obligating document, and obligations that were posted subsequent to the receipt of goods and services or the start of the period of performance for a contract. BBG did not have an adequate process in place to ensure that its employees were complying with Federal requirements related to the creation, approval, and timely recording of obligations. Without an effective obligation process, controls to monitor funds and make timely payments may be compromised, which may lead to violations of the Antideficiency Act and the Prompt Payment Act.
- Apportioned Authority – Prior to using appropriated funds, the funds must be apportioned to BBG by OMB. Apportionment authority allows OMB to regulate the rate of fund usage by agencies. We found that BBG incorrectly reported certain transactions in the draft Statement of Budgetary Resources as unapportioned authority rather than as apportioned authority. BBG did not have a process to reconcile and confirm apportionment records from OMB to the information reported in the Statement of Budgetary Resources. If BBG does not have a process to reconcile and confirm its apportioned authority, its financial statements may be misstated.

A significant deficiency is a deficiency, or 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. We consider the following deficiency in BBG's internal control to be a significant deficiency.

Significant Deficiency

I. Information Technology

BBG uses several financial management systems to compile information for financial reporting purposes. BBG's main domestic financial management and accounting system is Momentum, which is provided by an external service provider. The external service provider is responsible for maintaining a number of information technology (IT) controls. However, Momentum is accessed through BBG's general IT support system. Therefore, IT deficiencies noted in the general support system could potentially impact Momentum as well. For overseas accounting and budget execution, BBG uses the Regional Financial Management System (RFMS) provided by the Department of State (Department). The Department is responsible for maintaining an adequate general and application control environment over this system.

The Office of Inspector General (OIG) annually performs an evaluation of BBG and Department information security program compliance with IT provisions as required by the Federal Information Security Management Act (FISMA).

In FY 2013, we and OIG noted control structure limitations surrounding the general support system and financial management applications used by BBG, which we considered to be a significant deficiency. Although BBG and the Department had remediated deficiencies related to financial management applications used by BBG in FY 2014, OIG continued to identify weaknesses and vulnerabilities in the general support system maintained by BBG and the Department. When combined, we considered the control deficiencies impacting the general support system to be a significant deficiency.

Collectively, the control deficiencies noted by OIG in its FY 2014 FISMA report¹ related to BBG's general support system represented a significant deficiency to enterprise-wide security as defined by OMB guidance. OIG reported that the most significant security deficiencies were related to BBG's risk management framework, continuous monitoring program, and the incident response and reporting program. These control weaknesses impacted BBG's general support system, which is used to access the Momentum system.

OIG's FY 2014 FISMA report² for the Department identified deficiencies with the general support system at the Department similar to the deficiencies identified at BBG. OIG concluded that the issues identified were a significant deficiency to enterprise-wide security. RFMS is hosted on the Department's general support system.

In general, OIG found that BBG had not implemented effective standards, policies, processes, and procedures over its information security program. For RFMS, because of the deficiencies noted with the IT security program at the Department, BBG needs to implement additional controls to ensure that financial information is being processed accurately and completely by the Department.

¹ *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-15-13, Oct. 2014).

² *Audit of Department of State Information Security Program* (AUD-IT-15-17, Nov. 2014).

Poor controls over IT security 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. IT weaknesses increase the risk that BBG will be unable to report financial data accurately.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to BBG management in a separate letter.

Status of Prior Year Findings

In the Independent Auditor’s Report on Internal Control Over Financial Reporting included in the audit report on BBG’s 2013 financial statements,³ we noted several issues that were related to internal control over financial reporting. The status of these issues is summarized in Table 1.

Table 1. Status of Prior Year Findings

Control Deficiency	FY 2013 Status	FY 2014 Status
Grantee Monitoring and Accounting for Grant Advances	Material Weakness	Material Weakness
Property, Plant, and Equipment	Material Weakness	Material Weakness
Budgetary Accounting and Funds Control	Material Weakness	Material Weakness
Information Technology	Significant Deficiency	Significant Deficiency

BBG’s Response to Findings

BBG management has provided its response to our findings in a separate letter attached to this report. We did not audit management’s response, and accordingly, we express no opinion on it.

³ *Independent Auditor’s Report on the Broadcasting Board of Governors 2013 Financial Statements* (AUD-FM-IB-14-14, Dec. 2013).

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 BBG's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 14-02 in considering BBG's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 12, 2014

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

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors

We have audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2014, and have issued our report thereon dated November 12, 2014. We conducted our audit 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. 14-02, *Audit Requirements for Federal Financial Statements*.

Compliance

As part of obtaining reasonable assurance about whether BBG's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material impact on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02 that we determined were applicable. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BBG. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 14-02 and which are summarized as follows:

- *Federal Grant Regulations.* BBG is responsible for monitoring the use of funds provided to its grantees to ensure the grantees adhere to relevant laws and regulations. During the audit of BBG's FY 2013 financial statements, we identified substantial noncompliance with Federal grant regulations. As noted in our Independent Auditor's Report on Internal Control Over Financial Reporting, BBG was assessing potential corrective actions to bring its grantee monitoring into compliance with Federal regulations, but these actions had not been executed in FY 2014. As a result, BBG continued to be in substantial noncompliance with the following Federal grant regulations:
 - OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to non-profit organizations.

- OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, establishes principles for determining the costs of grants, contracts, and other agreements with non-profit organizations.
- OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-profit organizations expending Federal awards.
- *Prompt Payment Act*. This act requires Federal agencies to make payments in a timely manner and to pay interest penalties when payments are late. BBG did not always make payments within 30 days, as required. Additionally BBG did not always pay interest on payments made after the 30-day requirement or accurately calculate the interest that was paid.
- *Federal Acquisition Regulation*. The Federal Acquisition Regulation is the primary guidance for Federal acquisitions of supplies and services using appropriated funds. In FY 2013, the Office of Inspector General conducted an audit of BBG's administration and oversight of acquisition functions⁴ and identified instances of noncompliance with the Federal Acquisition Regulation. During our audit of the FY 2014 financial statements, BBG officials indicated that although BBG had begun to develop corrective action plans, many of the deficiencies identified by the Office of Inspector General remained unaddressed, resulting in acquisition processes and activities that were not compliant with Federal procurement regulations.
- *Federal Managers' Financial Integrity Act* – The Federal Managers' Financial Integrity Act requires executive branch agencies to establish and maintain effective internal control. The heads of agencies must annually evaluate and report on the effectiveness of the internal control and financial management systems that protect the integrity of Federal programs. We found that BBG did not complete its annual evaluation in FY 2014.

During the audit, we noted certain additional matters involving compliance that we will report to BBG management in a separate letter.

BBG's Response to Findings

BBG management has provided its response to our findings in a separate letter attached to this report. We did not audit management's response, and accordingly, we express no opinion on it.

⁴ *Audit of the Broadcasting Board of Governors Administration and Oversight of Acquisition Functions* (AUD-CG-IB-14-26, June 2014).

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 BBG's compliance. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 14-02, in considering BBG's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 12, 2014



**BROADCASTING BOARD OF GOVERNORS
UNITED STATES OF AMERICA**

November 17, 2014

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

Dear Mr. Linick:

The Performance and Accountability Report (PAR) is our principal report to the President, Congress and the American taxpayer, shedding light on our stewardship of the public funds with which we have been entrusted. It is a key vehicle for sharing the BBG's financial status in full transparency and establishing the concomitant levels of accountability.

The PAR provides a comprehensive account of the BBG's financial activities in the context of our global mission in fulfilling the charter of the organization as part of the United States public diplomacy apparatus.

I am pleased to report that the BBG has received an unqualified opinion for this fiscal year's financial audit. While we recognize that there were three material weaknesses and one significant deficiency identified that will require continued attention and an increased focus going forward, we remain committed to ensuring that the significant progress registered in several areas during this past year will be further augmented this year and in the future. Our commitment to regulatory compliance, financial management, and sound internal controls will be a key portion of our management's performance measures as we address the identified issues.

Our goal is to achieve maximum compliance, transparency and accountability as we continue to operate a truly complex global operation working in some of the most challenging environments in the world. We continue to excel in our mission to inform, engage and connect people around the world in support of freedom and democracy while remaining seriously challenged by the rapid transformation of media markets, continually increasing operational portfolios and dwindling financial resources.

In the midst of these challenges, we are confident that the BBG will continually improve the quality of its operations while it expands its global reach in the fulfillment of the United States International Media goals.

We would be remiss if we did not thank Kearney & Company for their sustained efforts and professionalism in working through the many complex issues associated with the global nature of BBG's financial processes.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Mendes".

André V. Mendes
Acting Chief Financial Officer