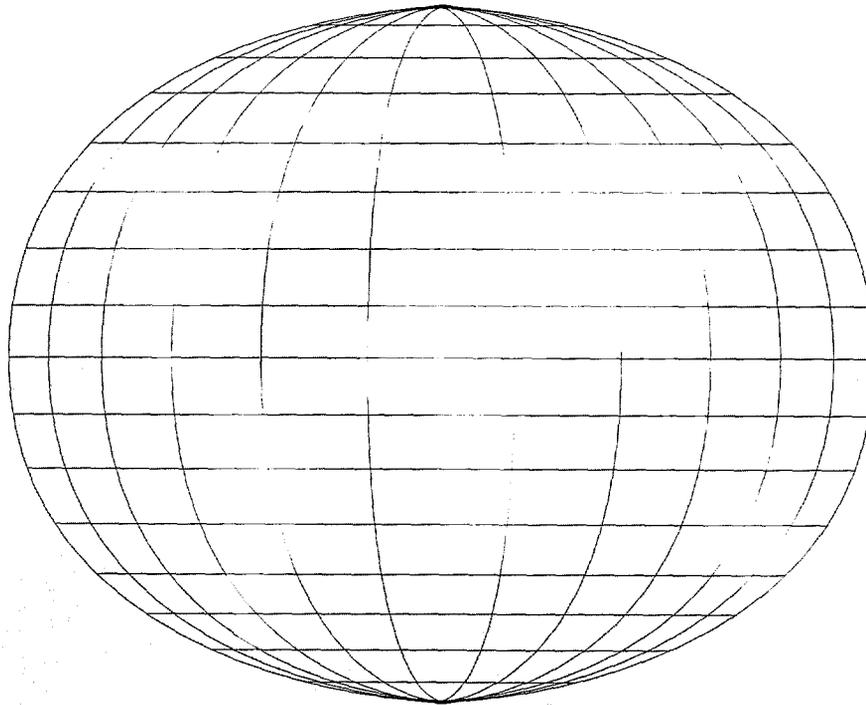


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Report of Audit

Audit of USAID/Moscow Media Activities under the Strategic Objective for Civil Society in Support of USAID's Democratic Transition Efforts

Audit Report No. 8-118-97-006-P
February 26, 1997



Regional Inspector General for Audit Frankfurt

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



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DEVELOPMENT

February 26, 1997

MEMORANDUM

TO: USAID/Moscow Mission Director, Janet Ballantyne

FROM: RIG/A/Frankfurt, John P. Competello

SUBJECT: Audit of USAID/Moscow Media Activities under the Strategic Objective for Civil Society in Support of USAID's Democratic Transition Efforts (Audit Report No. 8-118-97-006-P)

This is our report on the subject audit. In preparing this report, we considered your comments to our December 18, 1996 draft report and have included these comments as Appendix II. Based upon actions taken, we consider audit recommendation number one as having received final management action; therefore, no further action is needed on the recommendation.

I appreciate the cooperation and courtesies extended to my staff during the audit.

EXECUTIVE SUMMARY

The USAID Office of the Inspector General is conducting a worldwide audit to assess the results of development activities implemented under the Agency's Civil Society objective. As part of that effort, RIG/A/Frankfurt audited USAID/Moscow's support of media activities in order to determine if these activities were making satisfactory progress in achieving intended results and to determine whether USAID/Moscow ensured accountability for funds provided for media activities.

The audit determined that the media activities being implemented in Russia under the Civil Society Strategic Objective 2.1 were making satisfactory progress in achieving results dealing with dissemination of high quality and objective information, added programming and broadcasts by independent stations in the region, and better developed financial and institutional status of the media sector. (See page 4.) The audit also found that USAID/Moscow had ensured accountability of funds provided for media activities. (See page 14.)

However, the audit noted that improvements were needed in USAID/Moscow's monitoring and reporting of the media activities' accomplishments. The audit found that the Mission had completed most elements of a performance monitoring plan, but had not included the method of collecting performance data as required by Agency Directives. Also, the audit noted that several of the Mission's reported results either (1) could not be verified, (2) could not be attributed solely to USAID funding, or (3) was incorrectly reported. We recommended that USAID/Moscow complete its performance monitoring plan or expand its performance assessment tables to include the methodology for verifying the accuracy of data collected and input into the tables. (See page 8.)

The Mission concurred with our recommendation and revised its performance monitoring plan, which includes the sources and means of obtaining the evaluative data that will be used to measure the results of our media activities. The plan meets the Agency requirements for these plans. Also, the Mission stated that, as appropriate, it will conduct random monitoring visits to verify the accuracy of the data. Based upon actions taken, we consider audit recommendation number one as having received final management action; therefore, no further action is needed on the recommendation. (See page 13.)

In addition, the audit followed-up on our November 1996 Audit Report on USAID/Moscow's Results Review and Resource Request (R4) for Civil Society Activities in Support of Democratic Transition (A.R. 8-118-97-004-P). The audit found that USAID/Moscow did not meet the planned September 1, 1996 target date for submission of revised performance indicators and targets. The submission date had been delayed due to (1) a continuing effort to reduce the number of indicators and targets and to focus more on outcomes, and (2) a significant shortfall in the amount of funds approved for the Mission's program for fiscal year 1997. In this regard, we were told that although the Mission previously had an approved budget of approximately \$100 million based on its R4 submission, that the Department of State Coordinator for Assistance to the NIS (S/NIS/C) had approved only about \$54 million. Therefore, the Mission was reluctant to commit to performance indicators and targets before knowing how much money will be available for its programs. At the time of audit, the scheduled date for resubmission of USAID/Moscow's performance tables is January 1997. (See page 11.)

We believe that the Mission's continuing delay in finalizing the performance indicators and targets illustrates a key problem in implementing the R4 process in a country program labeled as "transition" as opposed to "sustainable development." In Russia's case, the influence of the Department of State's Coordinator for assistance to the NIS on the budget allocation for the country and the specific activities to be funded, limits the utility and effectiveness of the intent of USAID's R4 process. Also, although there are benefits to limiting the number of performance indicators and targets, the audit noted that in doing so USAID/Moscow had excluded certain activities from the R4 reporting. We intend to follow-up on these issues in future work at the ENI Bureau level.

Office of the Inspector General

Office of the Inspector General
February 26, 1997

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INTRODUCTION

Background

Building sustainable democracies is one of five goals established by the United States Agency for International Development (USAID). To achieve this goal in Russia, USAID/Moscow has identified three strategic objectives, one being "Increased, better-informed citizens' participation in political and economic decision-making" (Strategic Objective 2.1 - Civil Society).

The USAID Office of the Inspector General is conducting a worldwide audit to assess the results of development activities implemented under Civil Society. As part of this effort, RIG/A/F performed an audit of USAID/Moscow's Results Review and Resource Request (R4) for Civil Society Activities in Support of Democratic Transition. This audit report¹ addressed USAID/Moscow's implementation of USAID's system of measuring results under the Agency's reengineering guidelines. At the time of that audit, USAID/Moscow was, based on an ENI Bureau review of an April 1996 submission, in the process of refining indicators and targets for its Civil Society (including the Media) activities.

To achieve Strategic Objective 2.1, USAID/Moscow has identified three intermediate results. This audit concerns activities implemented under intermediate result 2.1.2 "Increased public access to information which is needed for informed political and economic choices". This intermediate result also has three sub-intermediate results: (1) independent broadcasters/information sources produce and widely disseminate high quality and objective information, (2) more programming produced and broadcast by independent stations in the regions, and (3) financial and institutional status of the media sector better developed.

In Russia, USAID/Moscow is working to achieve intermediate result 2.1.2 through the implementation of two programs, (1) the Media Development Program and (2) the Independent Television in Russia Program. The Media Development Program is being implemented through a cooperative agreement with Internews Network, Inc. (Internews). The Independent Television in Russia Program is being implemented through a grant with Internews.

¹ No. 8-118-97-004-P, dated November 22, 1996.

The Media Development Program:² The purpose of this program is to help non-governmental Russian media organizations become sustainable and independent. A cooperative agreement was entered into between USAID and Internews providing funding of about \$10.0 million for the period September 28, 1994 through December 31, 1997. According to USAID/Moscow and USAID/Washington reports, about \$10.0 million had been obligated and \$1.8 million expended as of September 30, 1996. In January 1996, the program's structure was modified to remove the recruitment of U.S. partners as a precondition to supporting Russian media activities, thus allowing the program to better respond to specific needs of the Russian media environment.

The MDP is currently coordinated by a management group located in Moscow, Russia; Internews is the lead organization which coordinates all electronic media activities, and the Russian-American Press and Information Center (RAPIC) coordinates all print activities. Currently, ten media activities are being funded by USAID in furtherance of the program's purpose. Eight of the ten activities are partnership efforts between U.S. media organizations and Russian counterparts. Two of the ten activities are efforts between Internews and selected Russian entities.

The Independent Television Program (ITV): This program's purpose is to aid in the establishment of an independent TV news distribution system in Russia and to facilitate alternatives to the state-controlled monopoly of broadcasting. A grant was entered into between USAID and Internews providing for USAID funding of \$4.5 million to be used by Internews during the period of the grant, August 29, 1995 through August 29, 1998.³ According to USAID/Moscow and USAID/Washington reports, approximately \$3.17 million had been obligated and about \$0.5 million had been spent as of September 30, 1996. The independent television program has three specific program goals: (1) to establish an independent news exchange network between regions in Russia; (2) to provide training for TV journalists and station managers to assist independent news organizations to become effective and sustainable institutions; and (3) to provide the logistical and administrative support necessary for program activities.

² The MDP was originally named the Russian-American Media Partnerships.

³ An earlier grant provided about \$4.9 million for the period June 30, 1992 through August 31, 1995.

Audit Objectives

This audit is part of the Office of Inspector General's worldwide audit to assess USAID efforts to measure results in Civil Society. RIG/A/F developed the following audit objectives which this audit will answer:

- 1. Did USAID/Moscow Ensure that Media Activities under Civil Society Were Making Satisfactory Progress Toward Achieving the Intended Benefits?**
- 2. Did USAID/Moscow Ensure Accountability for the Funds Provided for the Media Activities?**

Appendix I contains a discussion of the scope and methodology used to conduct this audit.

REPORT OF AUDIT FINDINGS

Did USAID/Moscow Ensure that Media Activities under Civil Society Were Making Satisfactory Progress Toward Achieving the Intended Benefits?

USAID/Moscow was ensuring that media activities under Civil Society were making satisfactory progress toward achieving the intended benefits. The media activities audited were making satisfactory progress in achieving sub-intermediate results dealing with dissemination of high quality and objective information, added programming and broadcasts by independent stations in the regions, and better developed financial and institutional status of the media sector (see Appendix II for more details). However, the audit also noted that (1) improvements were needed in USAID/Moscow's monitoring and reporting of the media activities' accomplishments, and (2) delays were continued in USAID/Moscow finalizing its performance indicators.

Media Development Program (MDP)

The purpose of this program is to support print and broadcast media in Russia thereby providing a forum to give a voice to democratic sources. To help ensure the success of the MDP, USAID/Moscow actively participated and approved each sub-grant awarded by Internews. USAID/Moscow required that American participants be capable of providing the technical assistance needed by their Russian counterparts and be willing to make in-kind contributions. Also, USAID/Moscow required that the Russian partnerships be non-governmental, have demonstrated potential to develop into financially viable organizations, and in some way support the dissemination of balanced news reporting to the Russian public. USAID/Moscow also conducted periodic site-visits to the media activities and maintained frequent contact with Internews.

As of October 31, 1996, Internews reported that under the MDP they had implemented 14 media activities and conducted a variety of training. Three media activities were completed and one had been canceled (due to subgrantee non-performance). Based on our tests of 9 of the 10 current activities, we found that although certain problems were encountered

during the earlier stages of implementation, each of the current activities were making progress toward achieving their intended results.

Notwithstanding the efforts taken by USAID/Moscow to ensure that the activities achieved their intended results, certain problems were encountered such as; (1) delays due to changes in key program personnel, (2) an approved sister city newspaper partnership had to be suspended when the Russian newspaper temporarily ceased operations due to financial difficulties, (3) funding for another partnership developing a television program was terminated when it became clear that the program being created was not what USAID and Internews desired, and (4) one activity could not be completed within its time-frame due to the Russian partner's delay in installing USAID-funded equipment.

In addition, the Mission's activity manager told us that in two instances the Department of State's Coordinator for assistance to the NIS (S/NIS/C) had placed holds on funding for the MDP. These holds caused delays but had no lasting programmatic impact. One of these holds was in the summer of 1995 when the MDP was having some delays in getting started; the S/NIS/C placed a hold on funding at a time that the Mission believed the program was back on track. The second delay in getting funding was at the end of fiscal year 1996 when the Mission had difficulty with S/NIS/C in getting deobligation or reobligation authority for the media activity.

In addition to these implementation problems, USAID/Moscow reported, in its September 30, 1996 Activity Monitoring Report, that they had not been receiving certain performance information in a timely manner from Internews on MDP activities. Specifically, USAID/Moscow was concerned that Internews had not been reporting more income for the partnerships as several of the partnerships were designed to be sustainable within one or two years. However, USAID/Moscow noted that due to the cumbersome system of accounting that Russian organizations must maintain, timely information is difficult to obtain. Also, as financial and performance reporting is in most cases the responsibility of the U.S. partner, or in some cases a third party subrecipient, the information is not always readily available. However, USAID/Moscow is continuing to emphasize to Internews the need for more timely reporting on program income and cost sharing information. They believe they are now beginning to receive more timely information.

As the above implementation problems and the need for more timely information from Internews have been or are being addressed by USAID/Moscow, we are not making any recommendations. Further, each of the Russian organizations we interviewed believed they could become

self-sustainable, and most had taken positive steps to do so, such as, developing marketable products and services, creating business plans and training local personnel. Also, each of the Russian organizations stated that the USAID-funded equipment and technical assistance received through the MDP was useful in accomplishing the partnership objectives. We confirmed that for the activities tested, progress was being made toward achieving their intended results. Specific examples follow:

- ▶ USAID approved and funded approximately \$280,000 to support the partnership between Skate Press, a Russian non-governmental organization located in Moscow, and the U.S. firm, Bloomberg Business News, located in Princeton, New Jersey. We confirmed that USAID-funded computer equipment had been delivered to the Moscow Skate offices and was being used by Skate personnel to gather financial information on over 100 Russian companies. As a result of this effort, three products have been developed by Skate Press: (1) an interactive web site through which user may access current information on Russian companies and markets; (2) the bi-monthly publication of "Skate Blue Chips" that provides current profiles and market-sensitive information on Russia's publicly traded companies; and (3) "Skate Line" a financial information news service offered to Russian news media. Currently, SKATE reported that over 400 consumers are benefiting from these products and as of September 30, 1996, project income for these products approximated \$31,000.
- ▶ USAID approved and funded approximately \$170,000 to support the partnership between RISK (a Russian film and video production studio located in Moscow) and the U.S. partner Abamedia, located in Fort Worth, Texas. The partnership was created to enhance the preservation and accessibility of historic Russian archival media assets. We confirmed that USAID-funded computer and related equipment was used by the partnership to develop and produce a multi-media computer CD to show the value of the media assets. As a result of this effort, Internews reported that the U.S. partner is currently negotiating with a number of U.S. companies who are bidding to purchase the right to distribute and market the archives.
- ▶ USAID approved and funded approximately \$310,000 to The National Association of Telebroadcasters (NAT), located in Moscow, which works on issues important to independent television stations. Based on field visits to five stations, we confirmed that NAT is an active and useful organization. NAT was successful in getting the Russian government to (1) reduce one type of income tax for independent

stations from about 35 percent to 22 percent, and (2) remove the Value Added Tax from advertising. The latter essentially makes advertising cheaper to buy. NAT currently has 86 due-paying members and they are planning an annual fund-raising event to cover operating costs.

- ▶ USAID approved and funded approximately \$498,000 for the Sister Cities Newspaper Partnership Program. This program has linked 12 Russian newspapers with American newspapers in a partnership relationship. The intent is to assist Russian newspaper's operations by having the American partner provide suggestions on how to enhance operations and provide unbiased reporting. Based on our visits to 3 of the 12 partnerships, we confirmed that the American and Russian partners are working together to enhance operations. For example, at one newspaper visited the American partners conducted an assessment of operations. As a result, the Russian newspaper reorganized the advertising department, introduced commissions for advertising sales personnel, and reduced advertising rates—all of which led to increased revenues from advertising.

Independent Television in Russia Program

The purpose of this program is to aid in the establishment of an independent TV news distribution system in Russia and to facilitate alternatives to the state-controlled television stations. According to both Internews and USAID/Moscow officials, they have a good working relationship. USAID/Moscow officials told us that based on Internews' successful track-record, USAID/Moscow has confidence in Internews' ability to achieve their intended results.

To accomplish the program's purpose, Internews organized a group of 66 regional independent TV stations into a news exchange network which jointly produces stories for a weekly half-hour news program called "Local Time." Internews also purchased and distributed documentary films under it's "Open Skies" program to 77 TV stations in Russia providing each station with three hours of free programming per week. Internews also conducted a number of training seminars for TV journalists focusing on teaching the techniques of producing objective news, while seminars for station managers teach concepts and skills involved in running a financially viable non-governmental TV station.

Based on our site-visits in Russia to 9 of 66 independent regional TV stations working with Internews, we confirmed that each of the stations had

high praise for the activities carried-out by Internews. Each of the TV stations were participating in and broadcasting the "Local Time" and "Open Skies" programs. The TV stations believed that the broadcasting of "Local Time" is a highly successful program with their local viewers. Similarly, the broadcast of the "Open Skies" program has increased viewers due to the quality of the documentaries. Importantly, each of the TV stations stressed how critical the training they received through Internews has been in helping their TV station become successful. The stations we visited all reported an increase in such performance indicators as advertising revenue and hours of programming and viewers. These indicators reflect the stations progress towards becoming economically viable. During 1996, Internews reported training 35 people from 28 stations in the journalism course in Moscow. During the same period, they also reported training about 110 people in courses such as advertising, management and camera techniques and editing.

In addition to the above noted accomplishments of the MDP and ITV, the audit noted that improvements could be made in USAID/Moscow's reporting of the program's accomplishments. The following is a discussion of (1) improvements needed in performance monitoring and reporting, and (2) USAID/Moscow's continued delays in submitting to the ENI Bureau revised performance indicators.

Performance Monitoring and Reporting Can Be Improved

According to Agency Directive E203.5.5 (2), a performance monitoring plan shall be prepared for each operating unit. Specifically, the plan shall provide a detailed definition of the performance indicators that will be tracked and specify the source, method of collection and schedule of collection for all required data. Performance monitoring plans are one element of a performance monitoring system and functions as a critical tool for managing and documenting the data collection process.

This plan, according to ENI Bureau guidance, is part of the performance assessment tables included in the Results Review and Resource Request (R4) and the accompanying Results Framework. This plan should specify for each performance indicator the data source, method and timing of data collection, and action offices.

According to Mission officials, the Mission's performance monitoring plan consists of (1) the ENI Bureau's Monitoring & Reporting System (MRS) and (2) the performance assessment tables included in the Mission's Results Review and Resource Request (R4). The MRS produces two main reports;

the Activity Monitoring Report (AMR) and the Strategic Objective Report (SOR). The SOR describes the overall progress the Mission is making toward its strategic objectives, whereas, the AMR describes the major problems, accomplishments and contributions each activity is making towards the Mission's intermediate results. The performance assessment tables include performance indicators, baselines and target, as well as the source of data and who will track the results.

We noted that the media activity manager submitted, to the ENI/Bureau, the SOR in April 1996 and the AMR in September 1996. The AMR included a discussion of the major issues and accomplishments of the media activities, as well as those key results contributing to achieving their strategic objectives and intermediate results. However, we noted that the AMRs prepared thus far did not link reported performance against targets, as the targets were still being revised. We also noted that the R4 performance assessment tables did not include the method of collecting performance data as required by Agency Directives.

In our recent audit of USAID/Moscow's R4 process, we noted that the Mission had reported results in their April 1996 R4 based on anecdotal information collected from developmental partners and not on its performance assessment tables. As part of this audit, we tested the R4 reported results. We found that three of the seven reported accomplishments under intermediate result 2.1.2, "increased public access to information which is needed for informed political and economic choices" either (1) could not be verified, (2) could not be attributed solely to USAID funding, or (3) was incorrectly reported.

In the Mission's April 1996, R4, USAID/Moscow reported that 20 percent of all broadcast programming in Russia is provided by independent television stations and that 40 percent was expected by the end of 1998. The reported percentages were based on estimates provided to USAID/Moscow by Internews. However, neither Internews nor USAID/Moscow had documentation supporting this reported accomplishment nor how the 1998 target was to be met.

Also, the Mission may be reporting more than can be solely attributed to USAID funding. USAID/Moscow, through Internews, is working with approximately 66 to 77 of the estimated 700 independent stations operating

throughout Russia.⁴ It appears that the Mission can report on the specific accomplishments for the 66 to 77 stations, and perhaps on the percentage of broadcast programming that these USAID-supported stations account for in Russia. However, there is no clear linkage that these stations account for 20 percent of all broadcasting throughout Russia by independent television stations.

USAID/Moscow also reported in the R4 that a low-cost independent wire service was available for independent newspapers in the mid-Volga region (encompassing 82 newspapers). However, the actual project has had several false starts and an agreement is just now being entered into between the U.S. and Russian partners. Accordingly, USAID/Moscow can not report on any results for this activity. USAID/Moscow also reported that a National Newspaper Association is beginning to provide information resources to the print industries. However, USAID/Moscow has only held exploratory talks with this organization. Consequently, any results achieved cannot be attributed to USAID funding.

A USAID/Moscow official noted that they did not intentionally exaggerate the accomplishments reported in the R4. The Mission collected performance data from Internews and relied on the expertise of Internews for reporting accurate information. According to the Mission, they did not specifically verify each reported accomplishment, however, through site visits and general knowledge of the program they believe they are reporting accurate information.

We believe the reporting of unsupported or inaccurate performance information places USAID at risk for making inappropriate decisions. In our view, reporting accomplishments based on data contained in the performance assessment tables, rather than on anecdotal information, lessens the likelihood of reporting erroneous results. Further, the Mission's system for reporting results can be enhanced if the Mission prepares the performance monitoring plan as required by Agency Directives, or expands its performance assessment tables to include the methodology for verifying the accuracy of data collected and input into the tables.

⁴ Estimated number of independent stations currently operating throughout Russia was provided by the Moscow Media and Law Institute. The Institute noted that the estimate is based on the number of licenses issued by either the FSTR, which is the Russian equivalent of the U.S. Federal Communications Commission, or through local authorities.

Recommendation No. 1: We recommend that USAID/Moscow, for the media activities, either prepare the performance monitoring plan as required by Agency Directives and ENI guidance, or expand its performance assessment tables to include the methodology for verifying the accuracy of data collected and input into the tables.

Continuing Delay in Finalizing Performance Indicators

As previously noted, RIG/A/F performed an audit of USAID/Moscow's R4 for Civil Society Activities in Support of Democratic Transition. The audit addressed USAID/Moscow's implementation of USAID's system of measuring results under the Agency's reengineering guidelines. The audit found that USAID/Moscow did not have measurable performance indicators and a system which accurately reports performance in the area of Civil Society under the Agency's reengineering guidelines. The audit also noted that the Bureau for Europe and New Independent States (ENI) approved USAID/Moscow's R4 in July 1996, but directed the Mission to make several changes to be submitted on or about September 1, 1996. Specifically, the Bureau required the Mission to reduce the number of performance indicators in the performance assessment tables and improve their quality by focusing less at the activity level and more on measurable impacts (outcomes).

In following up on Mission efforts to revise and to submit the performance assessment tables, we found that the Mission had yet to submit the revised tables to the ENI Bureau. According to USAID/Moscow, they have continued to spend considerable time working with development partners on refining indicators and sorting through data collection issues. This time-consuming task has in part caused the delay. An additional significant factor relates to the budget process. Mission officials advised us that their R4 has been approved by the ENI Bureau for a total of approximately \$100 million in funding for fiscal year 1997. However, the Department of State's Coordinator for assistance to the NIS (S/NIS/C) has only approved a budget of about \$54 million. Therefore, the Mission is reluctant to commit to performance indicators and targets before knowing what funding level will be allocated. Consequently, the Mission has decided to wait until the outcome of a program review scheduled for December 1996, to be carried out by the Mission, the ENI Bureau and S/NIS/C, before submitting final performance assessment tables in January 1997.

In reviewing the most recent draft of revised performance assessment tables for media activities, we found that the Mission had significantly reduced the number of performance indicators and associated targets. The R4 of April 1996 included 9 indicators with 23 associated targets. The current draft

contains only seven indicators with seven targets. According to Mission officials, they reduced the number of indicators and targets by focusing at the outcome level and eliminating performance indicators reflecting outputs or processes. Mission officials stated that, in their opinion, all seven of the indicators for media activities were outcomes.

The revisions can be illustrated by showing the type of changes made to performance indicators for sub-intermediate result 2.1.2.2 "More programming produced and broadcast by independent stations in the regions." For example, the Mission's April 1996 performance assessment table included performance indicators at the output levels such as, number of trained producers and journalists, number of programs produced, and number of multi-media programs produced. However, the most recent draft has only one indicator, which is directed at an outcome; "Targeted regional independent t.v. station is new leader in market."

The Mission has undoubtedly spent considerable time and effort in meeting the Bureau's requirement to both reduce the number of performance indicators and targets and to focus more on outcomes. However, in doing so, a number of previously-tracked sub-activities, particularly in the MDP program, have been eliminated from the performance assessment tables. For example, only five of the ten current media sub-activities are used as performance indicators in measuring progress toward achieving intermediate results. The activity manager noted that performance indicators were not established for the other sub-activities, such as the (1) Electronic Newspaper in Vladivostok, (2) Moscow Media Law and Policy Institute, (3) Sister Cities International Newspaper Partnerships, (4) Downtown Community TV, and (5) Ural State University Broadcast Journalism School. Combined, these sub-activities totaled approximately \$1.4 million in budgeted funds accounting for about 48 percent of the total budget for the ten current sub-activities of the MDP. USAID/Moscow's media activity manager informed the auditors that she would like to more fully measure and present-through the performance assessment tables in the R4-the full impact of MDP activities.

On the other hand, according to the Mission's Program and Project Development Officer, it would be cumbersome to include performance indicators, baselines and targets for every sub-activity under the MDP due to the large number of activities. Further, because of the sheer volume of activities in the Mission's portfolio, the Mission must focus on measuring outcomes and not outputs of individual activities. They also noted that if an activity manager would like to provide more details on his or her particular activity they have this ability through the MRS. The Program and Project Development Officer further commented that they believe that

the level of reporting results through the R4 is in compliance with the requirements of the Government Performance and Results Act of 1993 (GPRA).

We believe that the Mission's continuing delay in finalizing the performance indicators and targets illustrates a key problem in implementing the R4 process in a country program labeled as "transition" as opposed to "sustainable development." In Russia's case, the influence of S/NIS/C on the budget allocation for the country and the specific activities to be funded limits the utility and effectiveness of the intent of USAID's R4 process. Also, although we can see the benefits to limiting the number of performance indicators and targets, we are concerned with exclusion of these activities (making up a significant portion of funding) from the R4 reporting. We intend to follow-up on these issues during future work at the ENI Bureau level.

Management Comments and Our Evaluation

USAID/Moscow stated that it concurred with our recommendation and had acted upon it. The Mission submitted a copy of its revised performance monitoring plan, which included the sources and means of obtaining the evaluative data that will be used to measure the results of its media activities. According to the Mission, this table was prepared in accordance with the Agency Directives (203.5.5a) and ENI guidance. The Mission went on to stated that, as appropriate, and in compliance with the above cited guidance, it will also conduct random monitoring visits to verify the accuracy of the data. The Mission has adopted our recommendation and the new monitoring plan meets the requirements of Agency and Bureau guidance. Based on these action, we believe that a final management action has been taken on this recommendation; therefore no further action is needed on the recommendation.

Did USAID/Moscow Ensure Accountability for the Funds Provided for the Media Activities?

USAID/Moscow has ensured accountability for the funds provided for the selected media activities. To ensure accountability for the funds provided to Internews for the implementation of selected media activities, USAID/Moscow primarily relied upon the OMB Circular A-133 report submitted to USAID/Washington by Internews.

According to USAID/Moscow's Contracting Officer, USAID/Moscow made use of the A-133 report in determining the ability of Internews to properly account for funds provided for the implementation of selected media activities. The U.S. accounting firm, Deloitte & Touche LLP, audited the financial position of Internews as of December 31, 1995, and reported on Internews' internal control structure and its compliance with laws and regulations. Both the Media Development Program and Independent Television in Russia Program were included in Deloitte & Touche's audit. The audit noted that the financial statements of Internews presented fairly their financial position. Deloitte & Touche also reviewed Internews' internal control structure and compliance with laws, regulations, contracts and grants and noted no material weaknesses in internal controls or noncompliance with laws and regulations.

Beyond relying on the A-133 audit report, USAID/Moscow performed periodic site visits and monitored the programs to ensure that Internews is producing the intended results. USAID/Moscow noted and we confirmed that in the case of the Media Development Program, funding for eight of the ten current activities flows from Internews to the U.S. partner, not directly to the Russia partner. For the two MDP activities where funds go directly from Internews to the Russian organization, USAID/Moscow reported that Internews has budgeted \$24,000 for the provision of audits to be performed on or about June 1997. Also, we noted that Internews scrutinizes the use of USAID funds by requiring the Russian organizations to provide copies of all original receipts prior to liquidating advances. They also require the organization to maintain a ledger of all expenditures providing an audit trail of program expenditures. Our review of expenditures for one of the two organizations receiving funds directly noted that expenditures totaling about \$180,000 made during the period April 18, 1996 to September 30, 1996 were properly supported and related directly to the costs of the activity.

Based on the above, we conclude that USAID/Moscow has ensured that the accountability of funds in support of media activities was sufficient to safeguard USAID's interests.

**SCOPE AND
METHODOLOGY**

Scope

As part of the Office of Inspector General worldwide audit, the Regional Inspector General's Office in Frankfurt audited USAID/Moscow's media activities in accordance with generally accepted government auditing standards. The fieldwork took place from October 8 through November 29, 1996, and included work at USAID/Moscow and the offices of Internews in Moscow. Work was also performed at sites throughout Russia of subgrantees or beneficiaries of the program as follows: Moscow, Saint Petersburg, Kirshi, Volgograd, Volzhski, Saratov, Stavropol, Klin, Kaluga, Yekaterinburg, Tomsk, and Oblinsk.

The audit covered USAID/Moscow's management of media activities provided through two programs; (1) the Media Development Program (MDP), and (2) the Independent Television in Russia Program (ITV). The MDP is being implemented through a \$10.0 million cooperative agreement with Internews Network, Inc. (Internews) for the period September 28, 1994 through December 31, 1997. According to USAID/Moscow and USAID/Washington reports, about \$1.8 million of the \$10.0 million obligated has been expended as of September 30, 1996. The ITV is being implemented through a \$4.5 million grant entered into between USAID and Internews for the period August 29, 1995 through August 29, 1998. According to USAID/Moscow and USAID/Washington reports, about \$3.17 million has been obligated and about \$0.5 million was spent as of September 30, 1996. These reported amounts were not audited.

In addition to the methodology described in the following section, we have requested and obtained written representations from USAID/Moscow management confirming information we consider essential for answering our audit objectives.

Methodology

In answering the audit objectives, we met with USAID/Moscow, Internews and RAPIC officials to assess the management of media activities implemented under the MDP and ITV. We maintained frequent communication with these officials during the course of the audit.

We reviewed the cooperative agreement and grant with Internews, periodic performance and financial report, subgrants, site visit reports, and other germane USAID/Moscow and Internews documentation. Based on our review of program documentation, we judgementally selected nine of the ten active partnerships under the MDP for review. We also selected nine regional television stations to visit. Our site visits to these partnerships and stations were performed to determine the extent of assistance received through MDP and ITV, garner their input into the usefulness of the assistance, and assess reported accomplishments.

We also reviewed and assessed USAID/Moscow's April 1996 Results Review and Resource Request. This review was performed to determine if the results reported for the programs were accurate and complete. In addition, we followed-up on selected aspects of the RIG/A/F audit of USAID/Moscow's Results Review and Resource Request (R4) for Civil Society Activities in Support of Democratic Transition (No. 8-110-97-004-P, dated November 22, 1996) concerning USAID/Moscow's R4 process relating to media activities.

MANAGEMENT COMMENTS



United States Agency for International Development

Local	USAID/Moscow	U.S. Mailing	USAID/Moscow
Address:	19/23/Novinsky Bulvar Moscow 121099, Russia	Address:	PSC 77 APO AE 09721

January 17, 1997

UNCLASSIFIED
MEMORANDUM

TO: RIG/A/F -- John P. Competello

FROM: USAID/Moscow -- Janet Ballantyne, Director

SUBJECT: Mission response to Report on the Audit of USAID/Moscow-supported Media Activities under the Strategic Objective for Civil Society in Support of USAID's Democratic Transition Efforts

Thank you for helping to contribute to the effective delivery of USAID assistance in Russia by making a recommendation to help improve performance monitoring in the subject project.

The reports one recommendation states:

That USAID Moscow for the media activities, either prepare the performance monitoring plan as required by Agency Directives and ENI guidance, or expand its performance assessment table to include the methodology for verifying the accuracy of data collected and input into the tables.

We concur with your recommendation and have acted upon it. Attached is a copy of our revised performance monitoring plan, which includes the sources and means of obtaining the evaluative data that will be used to measure the results of our media activities. This table was prepared in accordance with the Agency Directives (203.5.5a) and ENI guidance. As appropriate, and in compliance with the above cited guidance, we will also conduct random monitoring visits to verify the accuracy of the data. Please show this recommendation as closed with the issuance of the final report.

Please note on page 2 of your report that obligation expenditure data should read,

According to USAID/Moscow and AID/W reports through September 30, 1996, \$10 million had been obligated to the Media Development Program (MDP), of which \$1.8 million had been expended. Through September 30, 1996, \$3.17 had been obligated to Internews for the Independent Television (ITV) Program of which \$180,893⁵ had been expended.

⁵ Revised by USAID/Moscow on 2/11/97, corrected amount is \$512,590.

Contribution of USAID/Moscow Media Activities towards Achieving Intermediate and Sub-Intermediate Results
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Intermediate Result 2.1.2 Increased public access to information which is needed for informed political and economic choices.			
Activity: Media Development Program - <i>Shareholders Information Service</i>	U.S. Partner: Bloomberg Russian Partner: Skate Press	Date of Agreement: 10/1/95-09/30/96	Amount: \$280,480
<p>Description: Gather and distribute information on Russian public companies to the international financial community. The project emphasizes providing the Russian news media with critical financial information.</p> <p>Contribution to Intermediate Result: USAID-funded computer equipment has been delivered and is being used by Skate personnel to gather information on over 100 Russian companies. As a result of this effort, three products have been developed by Skate Press: (1) an interactive web site through which user may access current information on Russian companies and markets; (2) a bi-monthly publication, "Skate Blue Chips," that provides current profiles and market-sensitive information on Russia's publicly traded companies; and (3) "Skate Line" a financial information news service offered to Russian news media. Currently, Skate reported that over 400 consumers are benefiting from these products and as of 9/30/96, project income approximated \$31,000.</p>			
Activity: Media Development Program - <i>IBS (Independent Broadcast System)</i>	U.S. Partner: None Russian Partner: NVS	Date of Agreement: 4/18/96-10/31/96	Amount: \$275,000
<p>Description: Supports the IBS's transition to satellite distribution of programming. IBS is the Russian independent television network that was a direct outgrowth of Internews training programs.</p> <p>Contribution to Intermediate Result: IBS was using satellites to provide programming. For the nine TV stations we visited, the stations reported that using satellites to provide programming makes delivery of programming more efficient and the quality of transmissions is increased. TV stations also confirmed that by using satellites to transmit IBS programs, the network also becomes more attractive to advertisers making it more competitive.</p>			
Activity: Media Development Program - <i>Archive Media Project</i>	U.S. Partner: Abamedia Russian Partner: RISK Studio	Date of Agreement: 1/5/96-11/30/96	Amount: \$172,320
<p>Description: Partnership working to enhance the preservation and accessibility of historic Russian archival media assets contained in the Russian State Film Archives.</p> <p>Contribution to Intermediate Result: The partnership has prepared a business plan defining the structure of the partnership and how it will achieve self-sustainability. Also, using USAID-funded computer equipment, the partnership has developed and produced a product demonstration to show the value of the media assets to potential users and funding resources around the world. As a result of this demonstration, RISK Studio reported that the U.S. partner was currently negotiating with a number of U.S. companies who are bidding to purchase the right to distribute and market the archives.</p>			

Contribution of USAID/Moscow Media Activities towards Achieving Intermediate and Sub-Intermediate Results

**Sub-Intermediate Result 2.1.2.1
Independent broadcasters/information sources produce and widely disseminate high quality and objective information.**

Activity: Independent Television in Russia Program (ITV)	U.S. Organization: Internews	Date of Agreement: 08/29/95-8/29/98	Amount: \$4,500,000
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Description: Establishment of independent television news distribution system in Russia and to facilitate alternatives to the state-controlled monopoly of broadcasting.

Contribution to Intermediate Result: Internews has purchased and distributed documentary films under its "Open Skies" program to 77 television stations in Russia providing each station with three hours of free programming per week. Internews reported training 35 people from 28 stations in journalism

Activity: Media Development Program -Volgograd Printing Press	U.S. Partner: Boles, Morgan and Canino Russian Partner: Gorodskie Vesti	Date of Agreement: 7/12/96-9/30/97	Amount: \$475,947
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Description: Provides an independent publishing company in Volgograd with a viable, self-sustaining small printing press, capable of handling the printing needs of the concern's own newspapers and those of client newspapers throughout the Volgograd region..

Contribution to Intermediate Result: According to USAID/Moscow, the printing press has been procured and we confirmed that the installation site was prepared for its arrival.

**Sub-Intermediate Result 2.1.2.2
More Programming produced and broadcast by independent stations in the regions.**

Activity: Independent Television in Russia Program (ITV)	U.S. Organization: Internews	Date of Agreement: 08/29/95-8/29/98	Amount: \$4,500,000
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Description: Establishment of independent television news distribution system in Russia and to facilitate alternatives to the state-controlled monopoly of broadcasting.

Contribution to Intermediate Result: Internews organized a group of 66 regional independent television stations into a news exchange network which jointly produces a weekly half-hour news program called "Local Time."

**Contribution of USAID/Moscow Media Activities towards Achieving
Intermediate and Sub-Intermediate Results**

**Sub-Intermediate Result 2.1.2.3
Financial and institutional status of the media sector better developed.**

Activity: Media Development Program - <i>Moscow Media Law and Policy Institute</i>	U.S. Partner: Benjamin Cardozo School of Law Russian Partner: Moscow State Academy of Law	Date of Agreement: 10/01/95-12/31/97	Amount: \$408,150
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Description: Establish the Moscow Media Law and Policy Institute which serves as an educational and research resource used by media professionals, lawmakers, lawyers and scholars.

Contribution to Intermediate Result: The Institute was established and is currently conducting courses on media law and policy issues, through its own training and conferences. The Institute also expanded its circulation to 1,000 subscribers of their monthly publication of the ZIP Newsletter. The Institute has also published a media law and policy casebook which is currently being taught at the Moscow School of Journalism.

Activity: Media Development Program - <i>National Association of Telebroadcasters (NAT)</i>	U.S. Partner: None Russian Partner: NAT	Date of Agreement: 1/1/96-12/31/96	Amount: \$310,570
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Description: Support for the NAT (founded in 1995) as an activist industry association modelled on the National Association of Telebroadcasters.

Contribution to Intermediate Result: NAT established its own office in Moscow, and confirmed through field site visits to five stations that NAT is an active and useful organization who has had two notable successes, reduction of one type of income tax for independent stations from about 35% to about 22%, and the Value Added Tax has been removed from advertising, which essentially makes advertising cheaper to buy.

Activity: Media Development Program - <i>Sister Cities International Newspaper Partnerships Program</i>	U.S. Partner: Various US Newspapers Russian Partner: Various Russian Newspapers	Date of Agreement: 10/1/95-12/31/97	Amount: \$498,478
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Description: Pairs independent newspapers in the regions with U.S. counterparts with training programs in distribution, production, design, information exchange and advertising.

Contribution to Intermediate Result: Based on our visits to 3 of the 12 partnerships, we confirmed that the American and Russian partners are working together to enhance operations. For example, at one newspaper visited, based on the American partners recommendations, the Russian newspaper revised the advertising department, introduced commissions for advertising sales personnel, and reduced overly high advertising rates, which lead to increased revenues from advertising.

<p>Contribution of USAID/Moscow Media Activities towards Achieving Intermediate and Sub-Intermediate Results</p>

<p>Activity: Media Development Program -<i>Tomsk TV2/Downtown Community TV</i></p>	<p>U.S. Partner: Downtown Community Television Russian Partner: Tomsk TV-2</p>	<p>Date of Agreement: 2/22/96-12/31/97</p>	<p>Amount: \$229,295</p>
<p>Description: Pilot project to educate a variety of community groups in the uses of broadcast television. It will contribute to community cohesion and the principle of democratic forum while building goodwill and community service profile. Project will emphasize the development of young talent.</p> <p>Contribution to Intermediate Result: Production equipment was installed in Tomsk training facility. U.S. partner helped to install equipment, train personnel on its use and help develop the course curriculum to be taught at the training facility. Currently, training facility enrolled 24 students. Facility was donated by local community center which charges the students membership fees and contributes a stipend to the personnel training the students.</p>			
<p>Activity: Media Development Program -<i>Ural State University Broadcast Journalism School</i></p>	<p>U.S. Partner: University of North Carolina Russian Partner: Ural State University</p>	<p>Date of Agreement: 9/1/95-12/31/96</p>	<p>Amount: \$105,364</p>
<p>Description: Supports enrichment of the Ural State program through equipment enhancement and faculty exchanges.</p> <p>Contribution to Intermediate Result: Computer and editing equipment delivered to Ural State and reconstruction of training facility complete. Delays in the installation of the training equipment has caused overall delays in the accomplishment of this activity's purpose.</p>			