

MANAGEMENT LETTER
AUD-FM-22-25

To the United States Commissioner of the International Boundary and Water Commission, United States and Mexico, U.S. Section, and the Senior Official Performing the Duties of the Inspector General of the U.S. Department of State:

Kearney & Company, P.C. (referred to as “we” hereafter), has audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of and for the year ended September 30, 2021, and has issued our report thereon, dated January 14, 2022.¹ In planning and performing our audit of USIBWC’s financial statements, we considered USIBWC’s internal control over financial reporting and USIBWC’s compliance with certain provisions of applicable laws, regulations, and contracts. Our auditing procedures were designed for the purpose of expressing an opinion on the financial statements and not to provide assurances on internal control or compliance. Accordingly, we do not express an opinion on the effectiveness of USIBWC’s internal control over financial reporting or on USIBWC’s compliance with certain provisions of applicable laws, regulations, and contracts.

During our audit, we noted one matter related to internal control over financial reporting that we considered to be a significant deficiency under 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 Bulletin No. 21-04, “Audit Requirements for Federal Financial Statements.” This item is not repeated in this letter because it is explained in detail in our report on USIBWC’s FY 2021 financial statements.

Our procedures were designed primarily to enable us to form an opinion on USIBWC’s financial statements and therefore may not have identified all internal control weaknesses and instances of noncompliance that may exist. Although not considered to be a reportable instance of noncompliance, we noted one other matter involving noncompliance. This finding is summarized in Appendix A and is intended to assist USIBWC in improving operating efficiencies.

We appreciate the courteous and professional assistance provided by USIBWC personnel during our audit. These findings were discussed in detail with appropriate USIBWC officials, and management’s response to the draft of this report is presented in its entirety in Appendix B.

¹ Office of Inspector General, *Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2021 and FY 2020 Financial Statements* (AUD-FM-22-24, February 2022).



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

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
March 14, 2022

MANAGEMENT LETTER COMMENTS

REPEATED MANAGEMENT LETTER COMMENTS

During the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section’s (USIBWC) FY 2020 financial statements, Kearney & Company, P.C. (referred to as “we” hereafter), identified matters that were reported in a management letter.¹ As described in Table 1, the severity of one issue included in the FY 2020 management letter has decreased, and we consider this item to be closed. One issue remains open, and we have updated this issue with information obtained during our audit of USIBWC’s FY 2021 financial statements.

Table 1: Current Status of Prior-Year Management Letter Findings

FY 2020 Management Letter Findings	FY 2021 Status
Prompt Payment Act	Repeat
Payroll Control Deficiencies (Untimely Approval of Personnel Actions)	Closed

I. Prompt Payment Act

USIBWC is subject to the Prompt Payment Act (PPA),² which generally requires that Federal agencies pay commercial vendors within 30 days of the receipt of a proper invoice. When timely payments are not made, the PPA requires that agencies calculate and include interest penalties in the vendor payment. USIBWC uses the Department of State’s Global Financial Management System (GFMS) to make payments to vendors.

We tested 78 expense transactions recorded as of June 30, 2021, and identified 5 (6 percent) instances of noncompliance with the PPA. Specifically, USIBWC overpaid interest for five invoices that were not paid within 30 days.

According to USIBWC officials, the Department of State identified a potential issue in how GFMS calculates interest for invoices with due dates on weekends or holidays, as noted with the five exceptions. Department of State officials indicated that they were making systemic changes to GFMS to ensure that PPA interest is accurately calculated in these situations.

If interest penalty errors to vendors continue, USIBWC may not be in compliance with the PPA. Furthermore, USIBWC could miss opportunities to apply the funds that were paid because GFMS miscalculated interest payments to other purposes.

This issue was initially reported in the FY 2019 management letter.

¹ Office of Inspector General, *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2020 Financial Statements* (AUD-FM-21-15, February 2021).

² 31 United States Code § 39, “Prompt Payment.”



OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

March 2, 2022

Mr. Norman P. Brown
United States Department of State
Assistant Inspector General for Audits
Office of Inspector General
Washington, D. C. 20520

Subject: Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2021 Financial Statements

Dear Mr. Brown:

We acknowledge receipt of the draft report Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2021 and FY 2020 Financial Statements. As requested, please find our updates on actions taken or planned for each of the recommendations. No other comments are provided on the draft report. Please advise if we may be of further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dr. Mana-Elena Giner".

Dr. Mana-Elena Giner, P.E.
Commissioner



OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

**INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO**

I. Prompt Payment Act (PPA)

USIBWC is subject to the Prompt Payment Act (PPA),² which generally requires that Federal agencies pay commercial vendors within 30 days of the receipt of a proper invoice. When timely payments are not made, the PPA requires that agencies calculate and include interest penalties in the vendor payment. USIBWC uses the Department of State's Global Financial Management System to make payments to vendors.

We tested 78 expense transactions recorded as of June 30, 2021 and identified 5 (6 percent) instances of noncompliance with the PPA. Specifically, USIBWC overpaid interest for five invoices that were not paid within 30 days.

According to the USIBWC officials, the Department of State identified a potential issue in how GFMS calculates interest for invoices with due dates on weekends or holidays, as noted with the five exceptions. Department of State officials indicated that they were making systematic changes to GFMS to ensure that PPA interest is accurately calculated in these situations.

If interest penalty errors to vendor continue, USIBWC may not be in compliance with the PPA. Furthermore, USIBWC could miss opportunities to apply the funds that were paid because GFMS miscalculates interest payments to other purposes.

This issue was initially reported in the FY 2019 management letter.

Response: Management Concur

USIBWC has a reliable process that reviews all invoices against associated contracts for accuracy and validity, and scheduling for payment. Our Finance and Accounting Division has communicated with Department of State and they have informed USIBWC that the system has been corrected to remedy these issues. Management fully understands the importance of compliance with PPA.