

INDEPENDENT AUDITOR'S REPORT
AUD-FM-24-13

To the United States Commissioner of the International Boundary and Water Commission, United States and Mexico, U.S. Section, and the Acting Inspector General:

Report on the Audit of the Financial Statements***Qualified Opinion***

We have audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), which comprise the consolidated balance sheets as of September 30, 2023 and 2022; the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the years then ended; and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of USIBWC as of September 30, 2023 and 2022, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

In our report dated January 20, 2023, we expressed an opinion that USIBWC's financial statements presented fairly, in all material respects, the financial position of USIBWC as of September 30, 2022, 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.

During FY 2023, our audit procedures determined that the amount of construction-in-progress reported in USIBWC's FY 2023 and FY 2022 financial statements might be materially misstated. USIBWC was unable to provide timely and complete evidential matter to enable us to perform audit procedures to confirm whether certain construction-in-progress amounts were valid and supported. Specifically, USIBWC could not provide documentation demonstrating that some projects were ongoing, canceled, or completed. Consequently, we were unable to determine whether any adjustments to the FY 2023 and FY 2022 financial statements were necessary. As a result of these limitations, our present opinion on USIBWC's FY 2022 consolidated balance sheet; the related consolidated statement of net cost and changes in net position and the combined statement of budgetary resources for the year then ended; and the related notes to the financial statements, as presented herein, is different from that expressed in our previous report. Our previous opinion should not be relied upon.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. 24-01, “Audit Requirements for Federal Financial Statements.” Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USIBWC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USIBWC’s ability to continue as a going concern for a reasonable period of time.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of USIBWC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USIBWC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Combining Statement of Budgetary Resources, Deferred Maintenance and Repairs, and Land be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB Circular A-136, "Financial Reporting Requirements," and the Federal Accounting Standards Advisory Board, which consider the information to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with *Government Auditing Standards*, which consisted of making inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01, we have also issued reports, dated January 23, 2024, on our consideration of USIBWC's internal control over financial reporting and on our tests of USIBWC's compliance with certain provisions of applicable laws, regulations, and contracts for the year ended September 30, 2023. 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 *Government Auditing Standards* and OMB Bulletin No. 24-01 and should be considered in assessing the results of our audits.

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

Alexandria, Virginia
January 23, 2024

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the United States Commissioner of the International Boundary and Water Commission, United States and Mexico, U.S. Section, and the Acting Inspector General:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, “Audit Requirements for Federal Financial Statements,” the financial statements and the related notes to 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, 2023, and we have issued our report thereon dated January 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered USIBWC’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USIBWC’s internal control. Accordingly, we do not express an opinion on the effectiveness of USIBWC’s internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982,¹ 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 have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 deficiency in USIBWC’s internal control to be a material weakness.

¹ Federal Managers’ Financial Integrity Act of 1982, Public Law No. 97-255, 96 STAT 814 (September 8, 1982).

Material Weakness

Property and Equipment

USIBWC reported more than \$850 million in net property and equipment on its FY 2023 consolidated balance sheet. Real property consisted primarily of functional facilities and capital improvements to these facilities. Real property accounts included land, buildings, structures, leasehold improvements, and construction-in-progress (CIP). Personal property consisted of several asset categories, including vehicles, security equipment, communication equipment, and software. We identified control deficiencies with USIBWC's property and equipment processes that, when aggregated, constituted a material weakness in internal control. The individual deficiencies that we identified are summarized as follows:

- Construction Projects – As of September 30, 2023, USIBWC reported over \$63 million in construction projects.² Construction costs for projects that meet a “capitalization threshold”³ should be recorded as CIP, an asset account, during the design and construction phases. Once a construction project is substantially complete, USIBWC should transfer the cost of the project to a different asset account so that the item can be depreciated.⁴

We identified instances in which completed projects were not transferred from CIP to another asset account, CIP additions were not recorded in a timely manner, negative CIP balances were recorded, and potentially invalid CIP projects were reported. USIBWC was unable to provide documentation to support the negative or potentially invalid projects. Although USIBWC has ad hoc procedures in place related to accounting for construction costs, the procedures were not sufficient to ensure that construction costs were reported in a timely manner or that completed construction projects were transferred to the correct asset account when the projects were substantially complete. Additionally, USIBWC lacked sufficient internal controls to ensure that CIP projects with negative balances and potentially invalid projects were monitored and resolved in a timely manner. Specifically, USIBWC did not perform periodic reviews of ongoing projects to ensure that CIP balances were accurate. The inaccurate and untimely recording of construction costs resulted in misstatements to USIBWC's financial statements. In addition, USIBWC's inability to identify and support the status of construction projects increased the likelihood that USIBWC's asset and expense accounts contained material misstatements.

- Personal Property – USIBWC uses a property management system to track, manage, and record personal property transactions. Information in the property system is periodically merged or reconciled with the financial management system to centrally account for the acquisition, disposal, and transfer of personal property. During audit testing, we identified a significant number of personal property transactions that were not recorded in

² Projects could include new construction, real property renovations, or improvements to leased property.

³ USIBWC's capitalization threshold for CIP is \$25,000.

⁴ Depreciation is the allocation of the acquisition cost of an asset, less its estimated salvage value or residual value, over its estimated useful life for all capitalized assets except land.

the correct fiscal year. We also identified one asset that was not recorded in the financial management system. In addition, we identified inaccurately reported disposals for assets that were still in service. Furthermore, we identified obsolete assets that remained in the property and financial management systems despite being removed from service. Finally, we identified a significant number of assets that were inappropriately recorded as expenses rather than being capitalized as required. USIBWC's processes and controls did not ensure that transactions to record acquisitions and disposals of personal property were supported by documentation or recorded in a consistent and accurate manner. USIBWC did not have procedures in place to ensure the validity of disposals. USIBWC also did not have procedures in place to review the status of capital assets to identify potentially obsolete assets. Additionally, USIBWC did not implement new controls when transitioning to a new payment system to ensure the notification of the receipt of capital assets. The exceptions identified resulted in significant misstatements to USIBWC's prior year financial statements. In addition, the lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.

* * * * *

A significant deficiency is a deficiency, or a 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 USIBWC's internal control to be a significant deficiency.

Significant Deficiency

Information Technology

USIBWC uses key information systems maintained by the Department of State (Department), including general support systems and applications for accounting, budget execution, procurement, and logistics. The Department is responsible for maintaining an adequate information security program over these systems. The Department's general support system, a component of its information security program, is the gateway for all of the Department's systems, including the key financial management systems used by USIBWC. Generally, control deficiencies noted in the information security program are inherited by the systems that reside in it.

On behalf of the Office of Inspector General, we performed an audit of the Department's FY 2023 information security program in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).⁵ During that audit,⁶ we concluded that the Department did not have an effective organization-wide information security program. Specifically, we determined that eight of nine domains included in the "FY 2023-2024 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics" were operating

⁵ Public Law 113-283 (December 18, 2014), codified at Title 44 United States Code Chapter 35, Subchapter II, "Information Security."

⁶ Office of Inspector General, *Audit of the Department of State FY 2023 Information Security Program* (AUD IT 23-31, September 2023).

below an effective level. Some of the deficiencies identified that we determined had an impact on internal controls related to financial reporting were the lack of an effective process to authorize and reauthorize the Department’s information systems to operate in a timely manner,⁷ as well as ineffective processes to track and remediate identified vulnerabilities.

Without an effective information security program, the Department remains vulnerable to IT-centered attacks and threats to its critical mission-related functions. Information security program weaknesses can affect the integrity of financial applications, which increases the risk that sensitive financial information can be accessed by unauthorized individuals or that financial transactions can be altered either accidentally or intentionally. Information security program weaknesses and deficiencies increase the risk that USIBWC will be unable to report financial data accurately.

We considered the weaknesses and deficiencies identified during the FISMA audit to be a significant deficiency within the scope of the FY 2023 financial statement audit. We have reported weaknesses and deficiencies in Information Technology security controls as a significant deficiency in each of USIBWC’s financial statement audits since FY 2012.

Status of Prior Year Findings

In the Independent Auditor’s Report on Internal Control Over Financial Reporting that was included in the audit report on USIBWC’s FY 2022 financial statements,⁸ we noted one issue that was related to internal control over financial reporting. The status of this issue is summarized in Table 1.

Table 1. Status of Prior Year Finding

Control Deficiency	FY 2022 Status	FY 2023 Status
Information Technology	Significant Deficiency	Significant Deficiency

USIBWC’s Response

USIBWC provided its response to the draft report in a separate letter included in this report as Appendix A. We did not audit management’s response and, accordingly, express no opinion on it.

⁷ According to the National Institute of Standards and Technology, Special Publication 800-37, rev. 2, “Risk Management Framework for Information Systems and Organizations, A System Life Cycle Approach for Security and Privacy” (December 2018), page 91, an authorization to operate is “the official management decision given by a senior [f]ederal official or officials to authorize operation of an information system and to explicitly accept the risk to agency operations (including mission, functions, image, or reputation), agency assets, individuals, other organizations, and the Nation based on the implementation of an agreed-upon set of security and privacy controls.”

⁸ Office of Inspector General, *Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2022 and FY 2021 Financial Statements* (AUD-FM-23-13, March 2023).



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 USIBWC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01 in considering the entity's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

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

Alexandria, Virginia
January 23, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, AND CONTRACTS**

To the United States Commissioner of the International Boundary and Water Commission, United States and Mexico, U.S. Section, and the Acting Inspector General:

We have audited, 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. 24-01, “Audit Requirements for Federal Financial Statements,” the financial statements and the related notes to 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, 2023, and we have issued our report thereon dated January 23, 2024.

Report on Compliance

As part of obtaining reasonable assurance about whether USIBWC’s financial statements are free from material misstatement, we performed tests of USIBWC’s compliance with certain provisions of applicable laws, regulations, and contracts, noncompliance with which could have a direct and material impact on the determination of financial statement amounts and disclosures. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, and contracts applicable to USIBWC. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

During the audit, we noted a matter involving compliance, which we will report to USIBWC management in a separate letter.

USIBWC’s Response

USIBWC provided its response to the draft report in a separate letter included in this report as Appendix A. We did not audit management’s response and, accordingly, express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with laws, regulations, and contracts and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01 in considering USIBWC's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
January 23, 2024



INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

March 2, 2024

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

Subject: Draft Independent Auditor's Report Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements

Dear Mr. Brown:

We acknowledge receipt of the draft report Independent Auditor's Report Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements. As requested, please find on the attached addendum our updates on actions taken or planned for each of the recommendations to address the Report's findings of material weaknesses in internal controls for construction in progress (CIP) and Property and Equipment.

To highlight a few key areas for construction in progress (CIP) and property and equipment below are a few improvements we will be focusing in on.

1. In FY 2024, we will complete a historical reconciliation to determine status of designs or projects. We will address all corrective actions and will determine if the FY 2023 statement amendment is needed.
2. In April 2024, we are developing quarterly reports to closely monitor all construction project status and designs throughout its lifecycle. Initially, this effort will include monthly meetings with Finance, Engineering, Master Planning, on the entire lifecycle of all projects with the intent of a new directive being developed.
3. In FY 2024, we will review and update the Finance standard operating procedures (SOPs) to include the lifecycle of projects across our portfolio and we agree that expanding them will further strengthen internal controls.
4. USIBWC has hired a new Supervisory Logistics Management Specialist to oversee the Personal Property Office to assist with implementing internal controls to ensure compliance and a need to update our processed to capture new assets and conduct proper disposals.

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5. We have reviewed our Personal Property procedures and will be updating them to follow DOS directives and policies. Finance is now tracking all invoices for personal property and will be adding this new process to the SOP as stated above.
6. We agree that USIBWC needs to implement controls over Invoice Processing Platform (IPP) to ensure that proper processes are in place for property and equipment. In the last 2 years, we have purchased an unprecedented amount of heavy equipment. In FY 2024 as part of this update, both personal property office and finance will be tracking purchases, property and equipment that will result in stronger internal controls.

USIBWC remains committed to expand the use of data analytics to support decision and policy making. USIBWC remains committed to overseeing the assessment of internal controls over our programs, operations, financial systems, and financial reporting. We adhere to the provisions of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) to mitigate material weaknesses and ensure compliance.

We contracted a consultant to streamline in FY 2024 our administrative process to reduce human error, to produce dashboards, and further strengthen our internal controls. It will link procurement, finance, and budget systems to provide automation, transparency, and oversight, to improve decision making.

These efforts will further support organizational change management and enhance relationships and promote capturing of best practices across USIBWC between administrative and programmatic operations. Please see attached addendum for additional planning efforts USIBWC is undergoing for construction in progress and personal property modernization efforts to strengthen our internal controls.

Sincerely,

MARIAELENA
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GINER
Date: 2024.03.02 10:34:17 -0702

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

AddendumMaterial Weakness in Internal Control: Property and Equipment**Report Finding:**

USIBWC reported more than \$850 million in net property and equipment on its FY 2023 consolidated balance sheet. Real property consisted primarily of functional facilities and capital improvements to these facilities. Real property accounts included land, buildings, structures, leasehold improvements, and construction-in-progress (CIP). Personal property consisted of several asset categories, including vehicles, security equipment, communication equipment, and software. We identified control deficiencies with USIBWC's property and equipment processes that, when aggregated, constituted a material weakness in internal control. The individual deficiencies that we identified are summarized as follows:

Construction Projects – As of September 30, 2023, USIBWC reported over \$63 million in construction projects. Construction costs for projects that meet a “capitalization threshold” should be recorded as CIP, an asset account, during the design and construction phases. Once a construction project is substantially complete, USIBWC should transfer the cost of the project to a different asset account so that the item can be depreciated.

We identified instances in which completed projects were not transferred from CIP to another asset account, CIP additions were not recorded in a timely manner, negative CIP balances were recorded, and potentially invalid CIP projects were reported. USIBWC was unable to provide documentation to support the negative or potentially invalid projects. Although USIBWC has ad hoc procedures in place related to accounting for construction costs, the procedures were not sufficient to ensure that construction costs were reported in a timely manner or that completed construction projects were transferred to the correct asset account when the projects were substantially complete.

Additionally, USIBWC lacked sufficient internal controls to ensure that CIP projects with negative balances and potentially invalid projects were monitored and resolved in a timely manner. Specifically, USIBWC did not perform periodic reviews of ongoing projects to ensure that CIP balances were accurate. The inaccurate and untimely recording of construction costs resulted in misstatements to USWIBC's financial statements. In addition, USIBWC's inability to identify and support the status of construction projects increased the likelihood that USIBWC's asset and expense accounts contained material misstatements.

Legend:

- ✓ = Complete
- ⊕ = In Progress
- = Not Started

Construction Projects

1st Weakness Identified:	Audit found that completed projects were not transferred from CIP to another asset account; and CIP additions were not recorded in a timely manner.
Response:	USIBWC's process is to review the Construction-in-Progress (CIP) after the quarter closes. In the FY2023 audit, one project was untimely transferred upon completion and 3 transactions out of the 237 transactions tested were not recorded timely.

FY 2023 Accomplishments

- ✓ USIBWC has created an internal intranet SharePoint site to drive compliance, decision making, improve business processes, and to further communications and transparency within the Agency.
- ✓ In 2023, our field offices have implemented a preventative maintenance tracking system via Microsoft Teams for their heavy operating equipment, overall facilities repair, and maintenance needs.
- ✓ The Master Planning Team has started weekly meetings to track all projects which includes Finance, Engineering, and the field offices.

FY 2024 Planned Actions

- ⊕ Finance will conduct the Construction in Progress reconciliations *prior* to the end of the quarter to ensure all items are reviewed and capitalized in the current period to reduce untimely transfers.
- ⊕ USIBWC in partnership with Department of State, are creating dashboards using data from our DOS systems to expand the use of data analytics to support decision and policy creation.
- ⊕ USIBWC has recently invested resource into an asset management contracting firm in FY 2024 to begin the development of an overall CIP. This system will be rolled out in four phases, and it will contain a detailed listing of all real property. It will also be tracking preventative maintenance required as well as any maintenance, improvements and future funding requests that will be needed.
- Finance will meet quarterly with each office to ensure that they understand the Property Assurance and Substantially Complete data calls and ensure data integrity.
- Our updated processes will be documented in the Finance Standard Operating Procedures (SOPs). The SOPs will be reviewed and updated annually with executive leadership.
- Implementation of Annual Work Plans - These are strategic working sessions between the Administrative Department and the HQs Divisions and 13 Field Offices at USIBWC.
 - An annual work plan consists as a workload and resource planning communication tool between Administrative Department and HQs Divisions/Field Offices reviewing the overall major issues, budget needs, personnel, aging facility repairs/maintenance, construction projects (CIP), Information Technology and Safety and Health Section.
 - The Annual Work plans will be conducted quarterly to ensure assessment and oversight over all our programs, operations, financial systems, and financial reporting. Specifically, closely monitoring planned expenditures for construction or improvement of existing federal facilities.
 - These meetings will help improve operational efficiency by ensuring that budgets are adhered to, policies are followed, capital shortages are identified, and accurate reports are generated for leadership. These meetings create a management lifecycle through the establishment of a strategic planning process driven by data, supported with evidence, and focused on results and compliance.

New USIBWC Annual Work Plan Cycle - FY 2026 DRAFT Concept below



2nd Weakness Identified:	USIBWC has ad hoc procedures in place related to accounting for construction costs, the procedures were not sufficient to ensure that construction costs were reported in a timely manner or that completed construction projects were transferred to the correct asset account when the projects were substantially complete.
Response:	USIBWC has the following internal controls to address accounting for construction costs and that they were reported in timely manner, and transferred to the correct asset account when the projects were complete.

FY 2023 Accomplishments	FY 2024 Planned Actions
<ul style="list-style-type: none"> ✓ The Finance team sends two data calls to relevant staff quarterly, the substantially completed review data call and the property assurance data call. <ul style="list-style-type: none"> ▪ The substantially completed data call goes out to pertinent individuals that have information on the status of the construction contracts, who are to note the status on the data call so that Finance can track the pending estimated completion date. ▪ The property assurance data call goes out to all field offices and requests information on any new projects that are being constructed, as well as any building or structure that has been disposed of, so that Finance can account for these items timely. ✓ The quarterly Construction in Progress reconciliations review is designed to determine if a contract has been fully expended. 	<p>To further improve the process, Finance will do the following:</p> <ul style="list-style-type: none"> ⦿ Conduct the Construction in Progress reconciliations prior to the end of the quarter so that Finance can ensure all items are reviewed and capitalized in the current period to reduce untimely transfers. ⦿ Coordinate with the Master Planning Team that is tracking all projects. ⦿ Meet quarterly with each office to ensure that they understand the Property Assurance and Substantially Complete data calls, so that we get the most accurate data and can answer questions. ⦿ Our updated processes will be documented in the Finance Standard Operating Procedures (SOPs). The SOPs will be reviewed and updated annually with executive leadership.

3rd Weakness Identified:	USIBWC was unable to provide documentation to support the negative or potentially invalid projects and negative CIP balances were recorded, and potentially invalid CIP projects were reported. USIBWC lacked sufficient internal controls to ensure that CIP projects with negative balances and potentially invalid projects were monitored and resolved in a timely manner. USIBWC did not perform periodic reviews of ongoing projects to ensure that CIP balances were accurate. USIBWC's inability to identify and support the status of construction projects increased the likelihood that USIBWC's asset and expense accounts contained material misstatements.
Response:	USIBWC does quarterly reviews of the CIP balances. In FY2017, USIBWC started accounting for all new expenditures by contract number which resulted in better tracking and timely clearing substantially completed projects. The review was insufficient due to the historical reconciliation (projects prior to 2017) not being completed in the time allotted by the auditors. USIBWC agrees that insufficient controls were in place prior to 2017 related to accounting for construction costs.

FY 2023 Accomplishments	FY 2024 Planned Actions
<ul style="list-style-type: none"> ✓ USIBWC has started the historical reconciliation (projects prior to 2017) and has identified 38% of the unknown items. 	<p>To further improve the process, Finance will do the following:</p> <ul style="list-style-type: none"> ⦿ Conduct the Construction in Progress reconciliations prior to the end of the quarter so that Finance can ensure all items are reviewed and capitalized in the current period to reduce untimely transfers. ⦿ Coordinate with the Master Planning Team that is tracking all projects. ⦿ Meet quarterly with each office to ensure that they understand the Property Assurance and Substantially Complete data calls, so that we get the most accurate data and can answer questions. ⦿ Document in a White Paper all historical findings and detail explanations of the issues that caused them. ⦿ Will work with DOS, OIG, on closing these historical projects to ensure CIP projects are recorded accurately to further strengthen internal control procedures.

Personal Property

Personal Property: – USIBWC uses a property management system to track, manage, and record personal property transactions. Information in the property system is periodically merged or reconciled with the financial management system to centrally account for the acquisition, disposal, and transfer of personal property.

During audit testing, we identified a significant number of personal property transactions that were not recorded in the correct fiscal year. We also identified one asset that was not recorded in the financial management system. In addition, we identified inaccurately reported disposals for assets that were still in service. Furthermore, we identified obsolete assets that remained in the property and financial management systems despite being removed from service. Finally, we identified a significant number of assets that were inappropriately recorded as expenses rather than being capitalized as required.

USIBWC's processes and controls did not ensure that transactions to record acquisitions and disposals of personal property were supported by documentation or recorded in a consistent and accurate manner. USIBWC did not have procedures in place to ensure the validity of disposals. USIBWC also did not have procedures in place to review the status of capital assets to identify potentially obsolete assets.

Additionally, USIBWC did not implement new controls when transitioning to a new payment system to ensure the notification of the receipt of capital assets. The exceptions identified resulted in significant misstatements to USIBWC's prior year financial statements. In addition, the lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.

1st Weakness Identified:	Audit identified a significant number of personal property transactions that were not recorded in the correct fiscal year.
Response:	In FY2021, USIBWC transitioned some invoices being reviewed and approved in Invoice Processing Platform (IPP). During the conversion, previous management determined that preparing a receiving report would not be necessary for the invoices processed in IPP as it was a duplication of work. The Personal Property Office process was to track all equipment and follow up to ensure that we received it and entered it in the State Department's asset management system timely. However, this resulted in a significant number of personal property transactions not recorded in the correct fiscal year.

FY 2023 Accomplishments

FY 2024 Planned Actions

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| <ul style="list-style-type: none"> ✓ Finance is tracking all equipment after we process the invoice until we see it interface with ILMS and shows up on the Personal Property report that Department of State sends to USIBWC quarterly. ✓ Finance is alerting the Personal Property Office of the delivery of equipment when we are processing invoices. | <ul style="list-style-type: none"> ○ USIBWC will be working closely with Department of State to further identify improved processes, training opportunities, and development SOPs regarding the IPP. ○ Personal Property Office will track all property acquired and follow-up with the subject matter experts to ensure timely processing. ○ Will provide Cost Center manager training to further strengthen internal controls. |
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2nd Weakness Identified:	Audit identified one asset that was not recorded in the financial management system.
Response:	This was a piece of survey equipment that was received on 9/18/2023. The invoice was submitted on 9/28/2023 for \$44,495.55 and was pending in IPP at the end of the fiscal year. This invoice was still in process and Finance did not know the equipment had been received. The asset was created in ILMS on 10/02/2023, this is currently pending correction with DOS to reflect the correct received date.

FY 2023 Accomplishments

FY 2024 Planned Actions

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| <ul style="list-style-type: none"> ✓ Finance is tracking all equipment after we process the invoice until we see it interface with ILMS and shows up on the Personal Property report that Department of State sends to USIBWC quarterly. ✓ Finance is alerting the Personal Property Office of the delivery of equipment when we are processing invoices. | <ul style="list-style-type: none"> ○ Finance will have training with staff to ensure they have an understanding of what constitutes a capital expenditure and how to properly track these actions. |
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3rd Weakness Identified:	Audit identified inaccurately reported disposals for assets that were still in service and identified obsolete assets that remained in the property and financial management systems despite being removed from service.
Response:	USIBWC Personal Property Office personnel were going in to ILMS and manually disposing of assets instead of allowing the DS-132 fully process in the system and the work to dispose of the assets properly.

FY 2023 Accomplishments

FY 2024 Planned Actions

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| <ul style="list-style-type: none"> ✓ USIBWC Finance team has strengthened internal controls through new process improvements with our personal property accountable property supervisor involving monthly meeting and tracking invoices paid for capital property to ensure that they are properly recorded on the Capital Personal Property reports. ✓ USIBWC Property Management Officer (PMO) has partnered with the Department of State Personal Property Desk Officer in the deployment of a strategic action plan on disposal efforts, data integrity management, and updating role designation in FY 2024 in alignment with 14 FAM 211 2-1. ✓ To further manage these efforts, USIBWC hired a new Supervisory Logistics Management Specialist started at USIBWC as the Accountable Property Officer (APO) to oversee the Personal Property Office and to assist with implementing internal control processes to ensure compliance and strengthen internal controls. | <p>All of these action items will be completed by October 2024 and will result in 100% Accountability for FY2025.</p> <ul style="list-style-type: none"> ○ An overall clean-up on the inventory, in order to Clear the system to provide for data integrity going forward, we have to clear the pending DS-132s in the system (over 130 pending). USIBWC has been instructed by DOS to not open the FY24 inventory (usually 10/1), because of the complexity of issues and concerns with FY23 and previous inventory management. USIBWC will open the inventory in April 2024 after Training. ○ USIBWC to Participate in Domestic Support Training (Deep Dive/ Clean-Up of Property Records. This training is scheduled for April/June/September 2024 for all supply technicians and managers. ○ USIBWC has communicated and is in partnership with our 13 field offices for the creation of a dedicated disposal team of internal experts. Department of State disposal experts are also working with us to effectively and efficiently dispose of assets beginning in March 2024. ○ Currently, USIBWC has over 10,000 personal property assets. In FY2024, USIBWC will be changing internal policy guidelines and follow DOS |
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highlighting these items to the Personal Property Offices so that these items are received in a timely manner.

- Ⓞ Finance is working with personnel to ensure that receiving reports are prepared timely and requiring submission of the delivery slip or any other documentation provided once items have been delivered to ensure accuracy of data entered in the system.
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