

**MANAGEMENT LETTER**  
AUD-FM-24-15

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

Kearney & Company, P.C. (referred to as “we” hereafter), 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, 2023, and issued our report thereon, dated January 23, 2024,<sup>1</sup> in accordance with auditing standards generally accepted in the United States of America; 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 24-01, *Audit Requirements for Federal Financial Statements*. In planning and performing our audit of USIBWC’s financial statements, we considered USIBWC’s internal control over financial reporting and 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 assurance on internal control over financial reporting or compliance with certain provisions of applicable laws, regulations, and contracts. 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.

Our audit report on USIBWC’s FY 2023 financial statements<sup>2</sup> included one material weakness and one significant deficiency related to internal control over financial reporting. These items are not repeated in this letter because they are explained in our report on USIBWC’s FY 2023 financial statements. Although not considered to be a material weakness, significant deficiency, or reportable instance of noncompliance, we noted a certain matter involving noncompliance. This finding is summarized in Appendix A.

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

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<sup>1</sup> Office of Inspector General, *Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements* (AUD-FM-24-13, March 2024).

<sup>2</sup> Ibid.



The purpose of this letter is to communicate the finding identified during the audit, as summarized in Appendix A, to USIBWC management, those charged with governance, and others within USIBWC and the Office of Inspector General. Accordingly, this report is not suitable for any other purpose.

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

Alexandria, Virginia  
April 2, 2024

## MANAGEMENT LETTER COMMENTS

### ISSUE REPEATED FROM PRIOR YEAR

During the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section’s (USIBWC) FY 2022 financial statements, Kearney & Company, P.C. (referred to as “we” hereafter), identified matters that were reported in a management letter.<sup>1</sup> As described in Table 1, one issue that was reported in the FY 2022 management letter remains open, and we have updated this issue with information obtained during our audit of USIBWC’s FY 2023 financial statements. The severity of two issues increased and those issues were included in our Report on Internal Control Over Financial Reporting.<sup>2</sup>

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

FY 2022 Management Letter Findings	FY 2023 Status
Prompt Payment Act	Repeat
Accounting for Personal Property	Report on Internal Control
Untimely Recording of Constructed Assets	Report on Internal Control

#### I. Prompt Payment Act

USIBWC is subject to the Prompt Payment Act (PPA),<sup>3</sup> which generally requires that federal agencies pay commercial vendors within 30 days of the receipt of a proper invoice. When payments are not made in a timely manner, the PPA requires that agencies calculate and include interest penalties in the vendor payment. USIBWC uses the Department of State’s (Department) Global Financial Management System (GFMS) to make payments to vendors.

We tested 78 expense transactions recorded as of June 30, 2023, and identified 3 (4 percent) instances of noncompliance with the PPA. Specifically, USIBWC overpaid interest for three invoices that were not paid within 30 days.

USIBWC officials asked Department officials about the cause of the incorrect interest payments. The Department identified an issue with how GFMS calculates interest for invoices having due dates on weekends or holidays, as noted with the three exceptions. Although Department officials indicated that they had implemented systematic changes to GFMS to address the issue, we continued to identify interest miscalculations in FY 2023.

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<sup>1</sup> 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 2022 Financial Statements* (AUD-FM-23-14, March 2023).

<sup>2</sup> Office of Inspector General, *Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements* (AUD-FM-24-13, March 2024).

<sup>3</sup> 31 United States Code §§ 3901-3907, “Prompt Payment.”

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

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



OFFICE OF THE COMMISSIONER  
UNITED STATES SECTION

INTERNATIONAL BOUNDARY AND WATER COMMISSION  
UNITED STATES AND MEXICO

March 23, 2024

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 2023 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 2023 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,

MARIAELENA  
GINER Digitally signed by MARIAELENA  
GINER  
Date: 2024.03.29 13:26:11 -0500

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

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**I. Prompt Payment Act**

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We tested 78 expense transactions recorded as of June 30, 2023, and identified 3 (4 percent) instances of noncompliance with the PPA. Specifically, USIBWC overpaid interest for three invoices that were not paid within 30 days.

USIBWC officials asked Department officials about the cause of the incorrect interest payments. The Department identified an issue with how GFMS calculates interest for invoices having due dates on weekends or holidays, as noted with the three exceptions. Although Department officials indicated that they had implemented systematic changes to GFMS to address the issue, we continued to identify interest miscalculations in FY 2023.

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

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

**Response: Management Concur**

In FY19, The Department first reported this system issue to USIBWC in the FY 2019 management letter. The incorrect interest payments that the Department identified as a Department of State system issue with regards to how GFMS calculates interest for invoices having due dates on weekends or holidays, as noted with the three exceptions. Although Department officials indicated that they had implemented systematic changes to GFMS to address the issue, USIBWC continues to identify interest miscalculations in FY 2023. USIBWC has continued communications with Department of State on this system issue, and Department of State officials were going to meet with Treasury to ensure that the update they applied to their system would comply with the Prompt Payment Act. Although Department of State officials indicated that they had implemented systematic changes to GFMS to address the issue, USIBWC continues to see miscalculations.

To mitigate these Department of State system issues, USIBWC has implemented its own additional internal controls that consist of the following;

Since FY 2022, we implemented a process to review pending invoices every 3 days in IPP and we further send reminders to the COR or Acquisitions Team to process invoices in their workload que to ensure timely processing of payments. As a result, we decreased the instances of noncompliance with PPA by 50% from last year’s FY 2022 management letter. In addition, USIBWC instituted a process improvement strategy to further strengthen FY 2024 planned actions laid out in our March 2, 2024 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 (*Footnote 2*), specifically #3 key area actions – “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.”