

INDEPENDENT AUDITOR'S REPORT
AUD-FM-23-13

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

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

We have audited the accompanying 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, 2022 and 2021; 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, the accompanying financial statements present fairly, in all material respects, the financial position of USIBWC as of September 30, 2022 and 2021, 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 Opinion

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. 22-01, "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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 12 months beyond the financial statement date.

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 (hereinafter referred to as "required supplementary information") 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 GAAS, 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. 22-01, we have also issued reports, dated January 20, 2023, 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, 2022. 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. 22-01 and should be considered in assessing the results of our audits.



Alexandria, Virginia
January 20, 2023

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 Deputy Inspector General Performing the Duties of the 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. 22-01, “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, 2022, and we have issued our report thereon dated January 20, 2023.

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 opinions 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. 22-01. 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

We identified a deficiency in internal control, described below, that we consider 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 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 (OIG), we audited the Department's FY 2022 information security program, in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).² During that audit,³ 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 2022 Core IG FISMA Metrics Evaluation Guide" were operating 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 operate⁴ in a timely manner as well as inconsistent and ineffective scanning processes to identify and remediate 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 could be accessed by unauthorized individuals or that financial transactions could 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 2022 financial statements audit. We have

² Public Law No. 113-283, 128 STAT. 3082-3083 (December 18, 2014).

³ OIG, *Audit of the Department of State FY 2022 Information Security Program* (AUD-IT-22-43, September 2022).

⁴ According to the National Institute of Standards and Technology, Special Publication 800-37, rev. 2, "Risk Management Framework for Information Systems and Organizations," December 2018, page 91, an authorization to operate is "[t]he official management decision given by a senior Federal 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."

reported IT security control weaknesses and deficiencies as a significant deficiency in each of USIBWC’s financial statement audits since FY 2012.

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

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 2021 financial statements,⁵ 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 2021 Status	FY 2022 Status
Information Technology	Significant Deficiency	Significant Deficiency

USIBWC’s Response to Findings

USIBWC provided its response to our findings 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 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. 22-01 in considering the entity’s internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
January 20, 2023

⁵ OIG, *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, January 2022).

**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 Deputy Inspector General Performing the Duties of the 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. 22-01, "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, 2022, and we have issued our report thereon dated January 20, 2023.

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, and 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. 22-01.

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

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. 22-01 in considering the entity's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
January 20, 2023



INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

February 15, 2023

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

Subject: Draft Report: 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

Dear Mr. Brown,

We acknowledge receipt of the Draft Report - 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, and submit that we do not have any questions or comments regarding the content and language of the draft report. Please advise if we may be of further assistance.

Sincerely,

MARIAELEN A GINER Digitally signed by
MARIAELENA GINER
Date: 2023.02.15
10:39:16 -0700
Dr. Maria-Elena Giner, P.E.
Commissioner

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