



**Independent Auditor's Report
AUD-FM-20-22**

United States Commissioner
International Boundary and Water Commission, United States and Mexico, U.S. Section

Inspector General
U.S. Department of State

In our audit of the FY 2019 financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), we found:

- USIBWC's financial statements as of and for the fiscal year ended September 30, 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;¹ and
- no reportable noncompliance for FY 2019 with provisions of applicable laws, regulations, and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)² and other information included with the financial statements;³ (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, and contracts; and (4) agency comments.

Report on the Financial Statements

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, we have audited USIBWC's financial statements. USIBWC's financial statements

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

² The RSI consists of Management Discussion and Analysis, Deferred Maintenance and Repair, and the Combining Statement of Budgetary Resources.

³ Other Information consists of Table of Contents, Performance Information, the Summary of Financial Statement Audit, and Management Assurances.

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants / Management Consultants

1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

www.williamsadley.com

comprise the consolidated balance sheet as of September 30, 2019, and the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

We conducted our audit in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility

USIBWC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting Other Information included in documents containing the audited financial statements and auditor's report and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, USIBWC's financial statements present fairly, in all material respects, USIBWC's financial position as of September 30, 2019, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior Year Financial Statements

USIBWC's financial statements as of and for the year ended September 30, 2018, were audited by other auditors whose Independent Auditor's Report dated December 21, 2018, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the basic financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

USIBWC's Other Information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on USIBWC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audit of USIBWC's financial statements, we considered USIBWC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to USIBWC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

USIBWC management is responsible for maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

In planning and performing our audit of USIBWC's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered USIBWC's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on USIBWC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies⁴ or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of USIBWC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed in Appendix I, our audit identified one deficiency in control over IT that represents a significant deficiency in USIBWC's internal control over financial reporting. We considered this significant deficiency, which was also reported in the other auditors' FY 2018 audit report, in determining the nature, timing, and extent of our audit procedures on USIBWC's FY 2019 financial statements.

Although the significant deficiency in internal control did not affect our opinion on USIBWC's FY 2019 financial statements, misstatements may occur in unaudited financial information reported internally and externally by USIBWC because of this significant deficiency.

⁴ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our assessment of the current status of prior year significant deficiencies is presented in Appendix II.

In addition to the significant deficiency, we identified other control deficiencies in USIBWC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant USIBWC's management's attention. We have communicated these matters to USIBWC management and, where appropriate, will report on them separately.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of USIBWC's internal control over financial reporting and the results of our procedures and not to provide an opinion on the effectiveness of USIBWC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, and Contracts

In connection with our audit of USIBWC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contracts consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

USIBWC management is responsible for complying with laws, regulations, and contracts applicable to USIBWC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, and contracts applicable to USIBWC that have a direct effect on the determination of material amounts and disclosures in USIBWC's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to USIBWC.

Results of Our Tests for Compliance with Laws, Regulations, and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to USIBWC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts and the results of that testing and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering

compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, USIBWC provided a written response, which is presented in Appendix III. We did not audit USIBWC's response, and accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
January 24, 2020

Appendix I

Significant Deficiency in Internal Control

I. Information Technology

The International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), uses key information systems maintained by the Department of State, including general support systems and applications for accounting, budget execution, procurement, and logistics. The Department of State is responsible for maintaining an adequate information security program over these systems. The Department of State's general support system, a component of its information security program, is the gateway for all Department of State's systems, including 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.

In accordance with the Federal Information Security Modernization Act of 2014 (FISMA),¹ the Office of Inspector General (OIG) is responsible for the audit of the Department of State's information security program. In the FY 2019 FISMA report,² OIG reported security weaknesses that significantly impacted the Department of State's information security program. Specifically, OIG reported weaknesses in all eight FY 2019 Inspector General FISMA metric domains: risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning. OIG reported the following:

“The deficiencies identified with the information security program occurred for several reasons. For example, the Department [of State] has not completed the development and implementation of an information security risk management strategy and filled allocated resource positions to support the implementation of a Department-wide information security risk management strategy. Furthermore, the Department [of State] has not maintained a complete and accurate organization-wide information system inventory.”

Without an effective information security program, the Department of State 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 increase the risk that USIBWC will be unable to report financial data accurately.

The weakness reported by OIG as a result of the FISMA audit is considered to be a significant deficiency within the scope of our financial statement audit. Weaknesses in IT security controls have been reported as a significant deficiency in each audit since the audit of USIBWC's FY 2012 financial statements.

¹ Federal Information Security Modernization Act of 2014, Public L No. 113-283, 128 Stat. 3079-3080 (December 18, 2014).

² OIG, *Audit of the Department of State Information Security Program* (AUD-IT-20-04, October 2019).

Appendix II
Status of Prior Year Significant Deficiencies

Our assessment of the current status of prior year findings reported by other auditors is presented below.

Prior Year Finding	Current Year Status
Control Significant Deficiencies	
Manual Preparation of the Financial Statements	Closed ^a
Obligation Validity and Accuracy	Closed ^b
Information Technology	Open and repeated in the FY 2019 Audit Report

^a We determined that the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), implemented procedures to analyze, determine, and correct differences and document journal vouchers to support the adjustments and that management reviewed and approved all adjustments in FY 2019.

^b We determined that USIBWC implemented procedures to review and monitor obligation validity and accuracy. The deficiencies identified during the audit were less significant than in prior years. We have communicated the finding to USIBWC and will report on it separately.

**Appendix III
Management Response to Auditor's Report**



OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO, U. S. Section

February 12, 2020

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

Dear Mr. Brown:

We acknowledge receipt of the Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), 2019 Financial Statements dated February 6, 2020. Thank you for the opportunity to provide comments on the draft report. Below please find our comments to the audit recommendation. We have no suggested revisions to the draft report. Please advise if you have any questions or if we may be of any assistance.

Sincerely,

Jayne Harkins
Commissioner

Appendix III

Management Response to Auditor's Report

Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, AUD-FM-20-XX

I. Information Technology

The International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC) uses key information systems maintained by the Department of State, including general support systems and applications for accounting, budget execution, procurement, and logistics. The Department of State is responsible for maintaining an adequate information security program over these systems. The Department of State's general support system, a component of its information security program, is the gateway for all Department of State's systems, including 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.

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The weakness reported by OIG as a result of the FISMA audit is considered to be a significant deficiency within the scope of our financial statement audit. Weaknesses in IT security controls have been reported as a significant deficiency in each audit since the audit of USIBWC's FY 2012 financial statements.

Management Response:

The USIBWC management agrees with this recommendation. Management is fully aware of the inherit risk associated with the use of the Department's financial and other systems accessed via the Department of State's Global OpenNet (GO) portal. In an effort to mitigate the inherit risk, more frequent and more in-depth reviews and reconciliations will continue to be conducted by the divisions that rely on financial, contracting, and asset management systems to perform their respective missions. In addition, we will continue to work closely with the Department's systems management officials to stay current on pertinent systems IT security related matters.