

MANAGEMENT LETTER
AUD-FM-21-15

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

Kearney & Company, P.C. (referred to as “we” hereafter), has audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of and for the year ended September 30, 2020, and has issued our report thereon, dated December 15, 2020.¹ In planning and performing our audit of USIBWC’s financial statements, we considered USIBWC’s internal control over financial reporting and USIBWC’s compliance with certain provisions of applicable laws, regulations, and contracts. Our auditing procedures were designed for the purpose of expressing an opinion on the financial statements and not to provide assurances on internal control or compliance. Accordingly, we do not express an opinion on the effectiveness of USIBWC’s internal control over financial reporting or on USIBWC’s compliance with certain provisions of applicable laws, regulations, and contracts.

During our audit, we noted one matter related to internal control over financial reporting that we considered to be a significant deficiency under auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 19-03, “Audit Requirements for Federal Financial Statements.” This item is not repeated in this letter because it is explained in detail in our report on USIBWC’s FY 2020 financial statements.

Our procedures were designed primarily to enable us to form an opinion on USIBWC’s financial statements and therefore may not have identified all internal control weaknesses and instances of noncompliance that may exist. Although not considered to be material weaknesses, significant deficiencies, or reportable instances of noncompliance, we noted certain other matters involving internal control, operations, and noncompliance. These findings are summarized in Appendix A and are intended to assist USIBWC in strengthening internal controls and improving operating efficiencies. Comments from USIBWC management on this report are presented in Appendix B.

We appreciate the courteous and professional assistance provided by USIBWC personnel during our audit. These findings were discussed in detail with appropriate USIBWC officials.

¹ OIG, *Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2020 Financial Statements* (AUD-FM-21-09, January 2021).



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

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

Alexandria, Virginia
February 10, 2021

MANAGEMENT LETTER COMMENTS

REPEATED MANAGEMENT LETTER COMMENTS

During the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section’s (USIBWC), FY 2019 financial statements, a predecessor auditor identified matters that were reported in a management letter.¹ As described in Table 1, the severity of two issues included in the FY 2019 management letter have decreased, and Kearney & Company, P.C. (referred to as “we” hereafter), considers these items closed. Two issues remain open and we have updated these issues with information obtained during our audit of USIBWC’s FY 2020 financial statements.

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

FY 2019 Management Letter Findings	FY 2020 Status
Prompt Payment Act	Repeat
Payroll Control Deficiencies (Untimely Approval of Personnel Actions)	Repeat
Abnormal Construction-in-Progress Balances	Closed
Untimely Deobligation of Unliquidated Obligations	Closed

I. Prompt Payment Act

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

We tested 45 expense transactions recorded as of June 30, 2020, and identified 2 (4 percent) instances of noncompliance with the PPA. Specifically,

- One invoice was not paid within 30 days, but no interest was paid.
- One invoice was not paid within 30 days and the incorrect amount of interest was paid.

We found that the correct amount of interest was not paid for the exceptions identified because of incorrect entries in the Global Financial Management System of either the invoice receipt date or date of acceptance of goods or services, representing an incorrect start date for the payment period. The USIBWC management review of invoices did not detect these errors.

If the proper amount of interest penalties is not remitted to vendors as required, USIBWC is not in compliance with the PPA and vendors will not receive the full amount of late payment interest they are entitled to under the United States Code.

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

¹ OIG, *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2019 Financial Statements* (AUD-FM-20-23, March 2020).

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

II. Untimely Approval of Personnel Actions

USIBWC uses the Department of the Interior's payroll and personnel system, the Federal Personnel and Payroll System (FPPS). When an employee is hired, USIBWC officials use FPPS to process personnel actions. For example, when an employee is hired, USIBWC creates a Standard Form (SF) 52, Request for Personnel Action, in FPPS. Personnel actions are then documented on the SF 50, Notification of Personnel Action, which is created when USIBWC officials enter the data into FPPS.

To verify the timeliness and accuracy of personnel actions, we reviewed the SF 52s and SF 50s for proper and timely approvals for the 22 USIBWC employees hired during FY 2020. We found that the SF 50s and SF 52s for 2 (9 percent) employees were not approved prior to the effective date.

According to USIBWC officials, the exceptions were caused by human error. Additionally, USIBWC management acknowledged that USIBWC's pay and leave policy, from 2007, is outdated and should be updated. The potential for improper payments exists if personnel actions are not processed properly or timely.

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



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

February 3, 2021

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 2020 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 2020 Financial Statements. As requested, please find our updates on actions taken or planned for each of the recommendations. No other comments are provided on the draft report. Please advise if we may be of further assistance.

Sincerely,

Jayne Harkins Digitally signed by Jayne Harkins
Date: 2021.02.03 09:26:03 -0700

Jayne Harkins, P.E.
Commissioner

Attachments:
Updates on Actions Taken



INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

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If the proper amount of interest penalties is not remitted to vendors as required, USIBWC is not in compliance with the PPA and vendors did not receive the full amount of late payment interest they are entitled to under the United States Code.

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

Response: Management Concur

USIBWC has a reliable process that reviews all invoices against associated contracts for accuracy and validity, and scheduling for payment. Our Accounting Officer has conducted reviews of the process with the team to mitigate the potential of human error. In addition, greater oversight of invoices is being provided to ensure all vendors are properly set up in the system and monitor other invoices to ensure applicable interest is applied. Management fully understands the importance of compliance with PPA.



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Response: Management Concur

The USIBWC HRO is updating the Agency's 2007 Pay and Leave directive and will be drafting and incorporating a clear guide for processing and approval of personnel actions consistent with OPM's Guide to Processing Personnel Actions". The draft directive is projected to be in place by end of FY 2021. HRO has reviewed the process with the HRO team to ensure processing of 50s and 52s are done timely. In addition, HRO will be issuing detailed guidance this FY and will be providing training to all managers this month on the importance of timely submissions of SF52s. More in depth training is also planned for later this FY.