

INDEPENDENT AUDITOR'S REPORT
AUD-FM-22-24

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

Report on the Financial Statements

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, 2021 and 2020; 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.

Management's Responsibility 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; this includes 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. Management is also responsible for preparing, measuring, and presenting the required supplementary information in accordance with accounting principles generally accepted in the United States of America; 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 required supplementary information.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 21-04, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 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 under 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 includes evaluating the appropriateness of 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 audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USIBWC as of September 30, 2021 and 2020, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Deferred Maintenance and Repair, which includes the condition assessments of heritage assets, and the Combining Statement of Budgetary Resources (hereinafter referred to as "required supplementary information") be presented to supplement the financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 did not audit and 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. 21-04, we have also issued reports, dated January 14, 2022, 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, 2021. 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. 21-04 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 14, 2022

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 Senior Official 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. 21-04, "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, 2021, and we have issued our report thereon dated January 14, 2022.

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) to determine the 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. 21-04. 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 and 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, Pub. L. No. 97-255, 96 STAT 814 (September 8, 1982).

We identified a deficiency in internal control, described below, as an item 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 2021 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 2021 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics, Version 1.1" were operating below an effective level. Some of the deficiencies identified that we determined impacted internal controls related to financial reporting were:

- Lack of an effective process to timely authorize and reauthorize the Department's information systems to operate.⁴
- Incomplete and ineffective periodic reviews of privileged user accounts.⁵
- 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

² Public Law No. 113-283, 128 STAT. 3079-3080 (December 18, 2014).

³ Office of Inspector General, *Audit of the Department of State FY 2021 Information Security Program* (AUD-IT-22-06, October 2021).

⁴ According to the National Institute of Standards and Technology, Special Publication (SP) 800-37, rev. 2, "Risk Management Framework (RMF) for Information Systems and Organizations," December 2018, at 91, an authorization to operate is "the 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."

⁵ National Institute of Standards and Technology, SP 800-53, rev. 4, "Security and Privacy Controls for Information Systems and Organizations," January 2015, at B-17, defines a privileged user as a "user that is authorized (and therefore, trusted) to perform security-relevant functions that ordinary users are not authorized to perform."

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 2021 financial statements audit. We have reported IT security control weaknesses and deficiencies 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, which was included in the audit report on USIBWC’s FY 2020 financial statements,⁶ 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 2020 Status	FY 2021 Status
Information Technology	Significant Deficiency	Significant Deficiency

USIBWC’s Response to This Report

USIBWC management has acknowledged receipt of our report in a separate letter without additional comment. That letter is included in this report as Appendix A. We did not audit management’s response and, accordingly, we 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. 21-04 in considering the entity’s internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
January 14, 2022

⁶ 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).

**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 Senior Official 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. 21-04, "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, 2021, and we have issued our report thereon dated January 14, 2022.

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. 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. 21-04.

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. 21-04 in considering the entity's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
January 14, 2022



INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

January 31, 2022

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 2021 and FY 2020 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 2021 and FY 2020 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,

MARIAELENA
GINER

Digitally signed by
MARIAELENA GINER
Date: 2022.02.01 07:33:21
-0700

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

• 4191 N. Mesa Street • El Paso, Texas 79902-1441
(915) 832-4100 • Fax: (915) 832-4190 • <http://www.ibwc.gov>