



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

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AUD-FM-17-29

Office of Audits

February 2017

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# Audit of the U.S. Section of the International Joint Commission, United States and Canada, FYs 2014 and 2015 Expenditures

## FINANCIAL MANAGEMENT DIVISION

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# OIG HIGHLIGHTS

AUD-FM-17-29

UNCLASSIFIED

February 2017

OFFICE OF AUDITS

Financial Management Division

## Audit of the U.S. Section of the International Joint Commission, United States and Canada, FYs 2014 and 2015 Expenditures

### What OIG Found

OIG found that the U.S. Section of the IJC generally expended funds during FYs 2014 and 2015 in accordance with applicable policies, laws, and regulations and that those expenditures were supported by appropriate documentation, as required by the Department's Foreign Affairs Handbook. Specifically, OIG tested 150 expenditures and found that 139 (93 percent) were made in accordance with applicable policies, laws, and Federal regulations. In addition, OIG found that 149 of 150 expenditures tested (99 percent) were supported by appropriate documentation that confirmed the validity and accuracy of the payments. However, OIG found that 11 of 150 expenditures tested (7 percent) were not compliant with the PPA and FAR payment requirements, which generally require Government organizations to make payment within 30 days of receipt of a proper invoice.

### What OIG Audited

The International Joint Commission, United States and Canada (IJC), is a binational commission established in 1910 by the Boundary Waters Treaty of 1909. The IJC was created to prevent and resolve boundary and water disputes between the United States and Canada. The IJC is composed of a U.S. Section and a Canadian Section. The U.S. Section of the IJC is funded via U.S. appropriations and receives a variety of support services from the Department of State (Department) in matters of budget, personnel, and general administration.

OIG conducted this audit of the U.S. Section of the IJC to determine whether (1) expenditures made in FY 2014 and FY 2015 were in accordance with applicable policies, laws, and Federal regulations and (2) contracted outside legal services were in accordance with Federal regulations.

### What OIG Recommends

OIG made one recommendation to the U.S. Section of the IJC to promote compliance with the Prompt Payment Act (PPA) and Federal Acquisition Regulation (FAR) payment requirements and to avoid unnecessary interest penalties. The U.S. Section of the IJC agreed to the recommendation, which OIG considers resolved, pending further action. The U.S. Section of the IJC's response and OIG's reply follow the recommendation in the Audit Results section of this report. The U.S. Section of the IJC's response to a draft of this report is reprinted in its entirety in Appendix B. OIG requested but did not receive formal comments from the Department's Bureau of Western Hemisphere Affairs.

The reason the U.S. Section of the IJC did not always comply with PPA and FAR requirements was, in part, because the IJC did not follow Department procedures concerning the timeliness of invoice processing or establish its own policies and procedures to ensure compliance. As a result, OIG determined that the U.S. Section of the IJC incurred over \$1,200 in interest penalties in FYs 2014 and 2015. Because OIG limited its testing to a sample of 150 expenditures out of a total universe of 1,619, it is possible that additional expenditures may not have been paid within 30 days, which could have increased the risk of additional interest penalties. Therefore, successfully addressing the deficiencies noted in this report regarding the timely processing of invoices could result in monetary savings by avoiding interest penalties.

In addition, OIG found that the U.S. Section of the IJC contracted outside legal services, which was in accordance with Federal regulations. Specifically, OIG determined that a contract executed by the U.S. Section of the IJC to obtain an expert legal opinion during the Federal Government's assessment of certain IJC recommendations was reasonable and made in accordance with Federal regulations.

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## OBJECTIVE

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The Office of Inspector General (OIG), Office of Audits, conducted this audit of the U.S. Section of the International Joint Commission, United States and Canada (U.S. Section of the IJC), to determine whether (1) expenditures made in FYs 2014 and 2015 were in accordance with applicable policies, laws, and Federal regulations and (2) contracted outside legal services were in accordance with Federal regulations.

## BACKGROUND

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The IJC is a binational commission of the United States and Canada established in 1910 by the Boundary Waters Treaty of 1909 (the Treaty), between the United States and Great Britain (on behalf of Canada). The IJC was created to prevent and resolve boundary water disputes between the United States and Canada. The IJC comprises a U.S. Section and a Canadian Section, each with three commissioners, including one chair from each country. The commissioners for the U.S. Section are appointed by the President.

The offices of the U.S. Section and the Canadian Section of the IJC are located in Washington, DC, and Ottawa, Ontario, respectively. Additionally, the IJC maintains a joint office, the Great Lakes Regional Office, in Windsor, Ontario. The Great Lakes Regional Office is equally supported by the two governments and serves primarily to staff IJC's activity related to the Great Lakes Water Quality Agreement.<sup>1</sup>

Under the Treaty, the salaries and personnel expenses of the IJC are paid by the respective governments, and all reasonable and necessary joint expenses are paid in equal parts by the two governments. The FY 2014 budget for the U.S. Section of the IJC was \$7.4 million, and the FY 2015 budget was \$7.7 million. The budget includes the U.S. Section's share of the Great Lakes Regional Office. Table 1 shows the FYs 2014 and 2015 expenditures by category for the U.S. Section of the IJC.

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<sup>1</sup> The Great Lakes Water Quality Agreement was signed by the United States and Canada in 1972 and is a formal agreement that reflects the two countries' commitment to resolve a wide range of water quality issues facing the Great Lakes basin and international section of the St. Lawrence River. The agreement was updated in 1978, 1987, and 2012.

**Table 1: U.S. Section of the International Joint Commission, Expenditures for FYs 2014 and 2015**

<b>Expense Category<sup>a</sup></b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Total</b>
Salary and Benefits	\$3,289,171	\$3,299,649	\$6,588,820
Contractual Services	3,269,033	2,595,179	5,864,212
Travel	389,066	304,784	693,850
Rent and Utilities	217,798	164,136	381,934
Supplies	86,700	95,349	182,049
Equipment	34,930	70,965	105,895
Printing	58,622	8,613	67,235
Mail and Freight	1,164	(197) <sup>b</sup>	967
<b>Total</b>	<b>\$7,346,484</b>	<b>\$6,538,478</b>	<b>\$13,884,962</b>

<sup>a</sup> Expense categories are based on budget object class codes, which is a classification system required by the Office of Management and Budget that presents obligations by the items or services purchased by the Federal Government.

<sup>b</sup> The negative expense amount is related to joint expenses incurred by the Great Lakes Regional Office. If the actual amount of expenses paid by the U.S. Section of the IJC is more than its share (half), a credit is given to the U.S. Section of the IJC, which may create a negative expense.

**Source:** Generated by OIG on the basis of expense data obtain from the Department of State's Global Financial Management System.

The U.S. Section of the IJC is funded via U.S. appropriations and receives a variety of support services from the Department of State (Department) in matters of budget, personnel, and general administration. This support includes providing the U.S. Section of the IJC with use of the Department's information systems for financial accounting, budget, travel, and payroll. In addition, officials from the U.S. Section of the IJC stated that they generally follow policies and procedures outlined in the Department's Foreign Affairs Manual (FAM) and Foreign Affairs Handbook (FAH).

## AUDIT RESULTS

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### **Finding A: Most Expenditures Were Made in Accordance With Applicable Policies, Laws, and Federal Regulations, but Some Expenditures Did Not Comply With the Prompt Payment Act and Federal Acquisition Regulation Payment Requirements**

OIG found that the U.S. Section of the IJC generally expended funds during FYs 2014 and 2015 in accordance with applicable policies, laws, and Federal regulations and that those expenditures were supported by appropriate documentation as required by the FAH. Specifically, OIG tested 150 expenditures and found that 139 (93 percent) were made in accordance with applicable policies, laws, and Federal regulations. In addition, OIG found that 149 of 150 expenditures tested (99 percent) were supported by appropriate documentation that confirmed the validity and accuracy of the payments. However, OIG found that 11 of 150 expenditures tested

(7 percent) were not compliant with the Prompt Payment Act of 1982<sup>2</sup> (PPA) and the Federal Acquisition Regulation<sup>3</sup> (FAR). The PPA and the FAR generally impose interest penalties on Federal agencies that make late payments on proper invoices. OIG also assessed whether the U.S. Section of the IJC contracted for outside legal services in accordance with Federal regulations and found that the U.S. Section of the IJC had done so.

The reason the U.S. Section of the IJC did not always comply with PPA and FAR payment requirements was, in part, because the IJC did not follow Department procedures concerning the timeliness of invoice processing or establish its own policies and procedures to ensure compliance. As a result, OIG determined that the U.S. Section of IJC incurred more than \$1,200 in interest penalties in FYs 2014 and 2015. Because OIG limited its testing to 150 expenditures from a sample universe of 1,619, it is possible that other expenditures may not have been paid within 30 days, which could have increased the risk of additional interest penalties. OIG statistically estimates that an additional 106 expenditures in FYs 2014 and 2015 may not have complied with the PPA. Therefore, successfully addressing the deficiencies noted in this report regarding the timely processing of invoices could result in monetary savings by avoiding interest penalties.

### ***Department Policies and Procedures***

The U.S. Section of the IJC is subject to the Department's policies for the Department systems and services it uses. The Department's financial management policy, as outlined in the FAM,<sup>4</sup> enables it to respond to the "financial reporting and other requirements of the executive and legislative branches" of the Government. The Department's policies are based on numerous Federal laws and regulations, such as the Budget and Accounting Procedures Act of 1950,<sup>5</sup> which sets forth the general policies for accounting for financial operations of U.S. Government agencies, and the Chief Financial Officers Act of 1990,<sup>6</sup> which specifically expresses congressional concern with the importance of financial management in decision making.<sup>7</sup> The Department identifies 20 Federal laws from which it derives its authority for its financial management policies and systems. The FAH, which provides specific guidance and procedures for implementing the Department's policies,<sup>8</sup> requires that all payments contain supporting documentation to ensure the payments are authorized, accurate, and legal and that goods were actually received and services were actually performed.

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<sup>2</sup> 31 U.S.C 3901 et seq.

<sup>3</sup> FAR 32.904, Determining payment due dates.

<sup>4</sup> 4 FAM 000, "Financial Management Policy, Organization, and Accounting Principles and Standards."

<sup>5</sup> 31 U.S.C. § 3512.

<sup>6</sup> 31 U.S.C. §§ 901-903.

<sup>7</sup> 4 FAM 031.3-1, "Statutory Authority and Basic Objective of the Department's Accounting System."

<sup>8</sup> 4 FAH-3 H-423.5, "Supporting Documentation."

### ***U.S. Section of the International Joint Commission FYs 2014 and 2015 Expenditures***

OIG found that the U.S. Section of the IJC generally expended funds during FYs 2014 and 2015 in accordance with applicable policies, laws, and Federal regulations. Specifically, OIG selected a statistical sample of 150 non-payroll expenditures,<sup>9</sup> valued at \$2.7 million, from a sample universe of 1,619 expenditures, valued at \$7.5 million. The expenditures in OIG's sample included transactions related to travel, interagency agreements, contracts with commercial vendors, utilities, and expenses related to the Great Lakes Regional Office. To ensure the expenditures in OIG's sample were authorized, accurate, and legal and that the goods were actually received and services were actually performed, OIG reviewed supporting documentation such as purchase orders, purchase agreements, travel authorizations, contracts, invoices, and receiving reports.

OIG tested expenditures for compliance with Federal laws and regulations using requirements in the FAM and the FAH and found that 139 of 150 expenditures tested (93 percent) complied with Department requirements. Further, the U.S. Section of the IJC provided adequate documentation that supported the validity and accuracy for 149 of 150 (99 percent) expenditures tested. The single exception related to a service contract for technical writing valued at \$9,300.

One area that warrants particular attention by the U.S. Section of the IJC is its invoice approval process. Specifically, OIG found that 11 of 150 expenditures tested (7 percent) were not compliant with the PPA and FAR payment requirements. The PPA and the FAR generally require that payments from Federal agencies to commercial vendors be made within 30 days of receipt of a proper invoice.<sup>10</sup> Although not all expenditures sampled were subject to PPA and FAR requirements, OIG found instances in which payments to commercial vendors were not paid within 30 days. OIG reviewed invoice approval forms for each expenditure sampled to test compliance with the PPA and FAR by comparing the date the invoice was accepted with the date it was paid. OIG found that the 11 noncompliant payments were from 5 to 67 days late.<sup>11</sup>

### ***Policies and Procedures Needed To Ensure Compliance With Prompt Payment Act and Federal Acquisition Regulation Payment Requirements***

The Government Accountability Office's report *Standards for Internal Control in the Federal Government*<sup>12</sup> states that internal control and other significant events need to be clearly

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<sup>9</sup> OIG sampled 150 unique document numbers, referred to as "expenditures" in this report. The sample of 150 expenditures contained 174 transactions, which OIG tested individually. Additional details on this sample are in Appendix A: "Purpose, Scope, and Methodology."

<sup>10</sup> 4 FAH-3 H-422.1, "Prompt Payment Act," and FAR subpart 32.9, "Prompt Payment."

<sup>11</sup> For this audit, OIG used the PPA and FAR general requirements that state that payment is due within 30 days of receipt of a proper invoice. OIG did not review contract details to determine whether alternative due dates were established, and officials from the U.S. Section of the IJC did not provide any such alternative due dates when presented with exceptions related to late payments.

<sup>12</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

documented and that the documentation should appear in management directives, administrative policies, or operating manuals. The absence of official policies and procedures increases the risk of errors and noncompliance with the law.

Although the U.S. Section of the IJC generally made expenditures in accordance with the FAM and the FAH, it did not always follow Department procedures related to the timeliness of invoice processing. For example, to ensure compliance with the PPA, the Department requires that invoices be reviewed and approved by appropriate personnel using a standardized invoice approval form prior to issuing payment.<sup>13</sup> Although the U.S. Section of the IJC completes the standardized invoice approval form during its invoice review process prior to authorizing the Department to pay an invoice on its behalf, it does not follow FAH requirements<sup>14</sup> to ensure payment within 30 days. Further, the U.S. Section of the IJC does not have its own formalized policies and procedures for the review and approval of invoices for payment, which should include instructions on the proper use of the standardized invoice approval form. OIG noted that the U.S. Section of the IJC did not consistently include the same information on the invoice approval form. For example, some approval forms identified the "acceptance" date as the date the invoice was received, but other approval forms used the date listed on the invoice as the "acceptance" date. Further, some invoice approval forms did not include any date for either the "acceptance" date or the "invoice received" date. When OIG discussed the inconsistencies with an official from the U.S. Section of the IJC, the official agreed that the invoice approval forms were filled out incorrectly. Inconsistent and incomplete use of the invoice approval form makes it more difficult to monitor the 30-day period by which the invoice needs to be paid.

### ***Prompt Payment Act and Federal Acquisition Regulation Interest Penalties***

In general, the PPA and the FAR impose interest penalties on agencies when required payments are not made 30 days after the receipt of a proper invoice (or by a contracted due date).<sup>15</sup> By failing to comply with the PPA and FAR payment requirements, the U.S. Section of the IJC incurred more than \$1,200 in interest penalties during FYs 2014 and 2015 combined. Because OIG limited its testing to a sample of 150 expenditures from a sample universe of 1,619, it is possible that other expenditures may not have been paid within 30 days, which could increase the risk of additional interest penalties. Therefore, successfully addressing the deficiencies noted in this report regarding the timely processing of invoices could result in monetary savings by avoiding interest penalties.

**Recommendation 1:** OIG recommends that the U.S. Section of the International Joint Commission develop and implement policies and procedures for reviewing and approving invoices for payment to comply with the Prompt Payment Act of 1982 and Federal Acquisition Regulation payment requirements.

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<sup>13</sup> The Bureau of the Comptroller and Global Financial Services established and required the use of a standardized invoice approval form (GSF-FO-CLM-041) to process payments (Department Notice, Domestic Commercial Vendor Invoice Approval Form Changes, March 15, 2010).

<sup>14</sup> 4 FAH-3 H-422.1-2, "Requirements."

<sup>15</sup> 31 U.S.C § 3902.

**Management Response:** The U.S. Section of the IJC agreed with the recommendation and stated that it was “in the process of developing policies and procedures for the review and approval of invoices for payment that include instructions on the proper use of the standardized invoice approval form in order to monitor the 30-day period by which the invoice needs to be paid.” The U.S. Section of the IJC added that it would “communicate the policies and procedures to all employees and provide training on invoice processing to ensure compliance.”

**OIG Reply:** OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the U.S. Section of the IJC has implemented policies and procedures for reviewing and approving invoices for payment that comply with PPA and FAR requirements.

### ***Contract for Outside Legal Services Complied With Federal Regulations***

In addition to testing expenditures, OIG assessed whether the U.S. Section of the IJC contracted for outside legal services in accordance with Federal regulations. In November 2014, the U.S. Section of the IJC contracted to obtain an outside expert legal opinion during the Federal Government’s assessment of the IJC-recommended revisions to a 1956 order of approval for the regulation of a St. Lawrence River power project.<sup>16</sup> To determine whether this contract was reasonable and in accordance with Federal regulations, OIG reviewed the contract documentation, applicable Federal laws and regulations, the Treaty, IJC rules of procedure, and the proposed revisions to the 1956 order of approval, known as Plan 2014.<sup>17</sup> In addition, OIG interviewed officials from the U.S. Section of the IJC about the contract. OIG determined that this contract complied with acquisition regulations and was made in accordance with Federal regulations. OIG also concluded that it was reasonable for the U.S. Section of the IJC to seek expert advice and retain an interest in the Federal Government’s assessment of IJC recommendations in Plan 2014.

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<sup>16</sup> International Joint Commission, “In the Matters of Development of Power in the International Rapids Section of the St. Lawrence River and Regulation of the Level of Lake Ontario” (July 1956).

<sup>17</sup> International Joint Commission, “Lake Ontario-St. Lawrence River Plan 2014: Protecting Against Extreme Water Levels, Restoring Wetland, and Preparing for Climate Change” (June 2014).

## RECOMMENDATION

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**Recommendation 1:** OIG recommends that the U.S. Section of the International Joint Commission develop and implement policies and procedures for reviewing and approving invoices for payment to comply with the Prompt Payment Act of 1982 and Federal Acquisition Regulation payment requirements.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG), Office of Audits, conducted this audit of the U.S. Section of the International Joint Commission, United States and Canada (U.S. Section of the IJC), to determine whether (1) expenditures made in FYs 2014 and 2015 were done in accordance with applicable policies, laws, and Federal regulations and (2) contracted outside legal services were done in accordance with Federal regulations.

OIG conducted this audit following a formal request from the Department of State (Department) Bureau of Western Hemisphere Affairs and an informal request from the U.S. Section of the IJC. OIG performed audit work from May to October 2016 in the Washington, DC, metropolitan area. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

To obtain background information for this audit, OIG reviewed prior Government Accountability Office reports and a prior OIG report related to the IJC. OIG reviewed the Boundary Waters Treaty of 1909 and other agreements between the United States and Canada related to the IJC, such as agreements related to the Great Lakes Regional Office. OIG interviewed key personnel from the U.S. Section of the IJC and reviewed the Department's financial management policy in the Foreign Affairs Manual (FAM) and the Foreign Affairs Handbook (FAH), which incorporate applicable Federal laws and regulations.<sup>1</sup>

### Work Related to Internal Controls

OIG performed steps to gain an understanding of internal controls related to the objectives and scope of the areas audited. Officials from the U.S. Section of the IJC informed OIG that they generally followed Department guidance in the FAM and the FAH. Accordingly, OIG reviewed relevant sections of the FAM and the FAH to determine whether the activities and processes of the U.S. Section of the IJC aligned with Department guidelines. OIG also reviewed the travel policies and procedures of the U.S. Section of the IJC and met with officials from the U.S. Section of the IJC to discuss internal policies and procedures related to obligating, expending, and monitoring funds, including the process for approving invoices. Work performed on internal controls during the audit and deficiencies identified are presented in the Audit Results section of the report.

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<sup>1</sup> The procurements of the U.S. Section of the IJC are subject to U.S. regulations and statutes. According to the U.S. Section of the IJC, the Department provides it with acquisitions support, including purchase cards, travel cards, and participation in Department contracts, pursuant to Article XII of the Boundary Waters Treaty of 1909. Therefore, it is appropriate to look for guidance on payment processes to the Prompt Payment Act of 1982 and the Federal Acquisition Regulation, both of which apply to the Department's payment practices.

## Use of Computer-Processed Data

OIG used computer-processed expense data during this audit extracted from the Department's Global Financial Management System's (GFMS) Data Warehouse.<sup>2</sup> OIG obtained expense detail for the period covering FYs 2014 and 2015 to aid in determining whether the U.S. Section of the IJC made expenditures in accordance with applicable laws and Federal regulations. GFMS is the Department's core financial system and is used to prepare its annual financial statements, which includes the financial data for the U.S. Section of the IJC that is audited annually by an independent public accounting firm. OIG relied on the work performed during the annual audit of the Department's financial statements to assess the reliability of the data. OIG performed additional procedures throughout the audit to assess the reliability of the GFMS expense data, which are detailed in the Audit Results section of the report. On the basis of this work and how the data would be used, OIG determined that the data used were sufficiently reliable to support the audit findings and subsequent recommendation.

## Detailed Sampling Methodology

OIG selected a statistical sample of unique document numbers, referred to as "expenditures" in this report, from GFMS expense data. OIG selected the universe of expenditures related to the U.S. Section of the IJC from GFMS for FYs 2014 and 2015, which contained a total of 8,379 individual transactions.<sup>3</sup> The universe was reduced to exclude payroll and related benefit expenditures,<sup>4</sup> non-payroll transactions valued at less than \$101, transactions valued at less than or equal to \$0, and transactions that occurred outside the scope period. As shown in Table A.1, the final universe for sampling was 1,823 expense transactions valued at \$7.5 million.

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<sup>2</sup> The GFMS Data Warehouse is a database tool that is used to create reports from Department financial records. All transactions recorded in GFMS are stored in the Data Warehouse and can be accessed, queried, downloaded, and analyzed.

<sup>3</sup> A single expense in GFMS has a unique document number, which may have one or more transactions associated with it.

<sup>4</sup> The salaries and benefits for employees of the U.S. Section of the IJC are paid through the Department's payroll system. Because the accounting of this payroll system is reviewed during the annual audit of the Department's financial statements and the financial statement auditors have not identified significant issues related to payroll and benefits, OIG excluded expenses related to payroll and employee benefits during this audit.

**Table A.1: Universe of Individual Expense Transactions**

	Number of Transactions	Value in GFMS
Total Universe of Expenditures	8,379	\$13,884,960
Less: Payroll and benefits greater than \$0	3,968	13,116,127
Transactions less than and equal to \$0	1,228	(6,800,952)*
Non-payroll transactions between \$.01 to \$100	1,356	48,290
Outside FY 2014–2015	4	3,190
<b>Sampling Universe</b>	<b>1,823</b>	<b>\$7,518,305</b>

\* Of the \$6.8 million in negative expenditures, \$6.5 million of expenditures (approximately 96 percent) are related to standard Department payroll accounting transactions that require a biweekly accrual that is reversed in the following pay period. The reversal of the accrual creates a negative expense in GFMS.

**Source:** OIG generated on the basis of data obtained from GFMS.

Using statistical software, OIG selected a statistical sample of expenditures from the sampling universe for detailed testing. The sampling universe of 1,823 transactions contained 1,619 unique document numbers from which OIG selected its sample. OIG used a partially dollar-weighted sampling design for statistical sampling to project to both number and amount in dollars for errors.<sup>5</sup> As shown in Table A.2, OIG's expenditure sample size was 150, which related to 174 individual transactions,<sup>6</sup> for a value of \$2.7 million.

**Table A.2: Sample Overview**

Expenditures	Number of Unique Document Numbers	Number of Transactions	Value in GFMS
Total Universe	5,618	8,379	\$13,884,960
Sampling Universe	1,619	1,823	\$7,518,305
<b>Sample Size</b>	<b>150</b>	<b>174</b>	<b>\$2,660,868</b>

**Source:** OIG generated on the basis of data from GFMS.

OIG tested each of the 150 expenditures (174 individual transactions) to determine the following:

1. Whether expenditures were supported by documentation that showed the proper approval of the obligation that matched the purchase order, blanket purchase agreement, interagency agreement, travel authorization, contract, or similar document as appropriate.
2. Whether expenditures were supported by a valid obligation.

<sup>5</sup> For a partially dollar-weighted design, the dollar-weighted portion is combined with a random sampling design. Therefore, 50 percent of the sample design is dollar weighted, and 50 percent is a simple random sampling design.

<sup>6</sup> Some document numbers in OIG's sample of 150 had more than 1 transaction associated with them. OIG tested all 174 transactions within its sample.

3. Whether expenditures contained the appropriate supporting documents, such as invoices, vouchers, and receiving reports.
4. Whether expenditures were supported by an invoice approval form, which documented approval by the contracting officer's representative or other official as appropriate.
5. Whether expenditures complied with the Prompt Payment Act and Federal Acquisition Regulation general 30-day payment requirements.<sup>7</sup>
6. Whether expenditure amounts in the GFMS agreed with the supporting documentation.

OIG reviewed electronic and hard-copy files located at the U.S. Section of the IJC's Washington, DC, office. OIG contacted the Department's Bureau of the Comptroller and Global Financial Services for supporting documentation related to interagency agreements between the U.S. Section of the IJC and other Governmental entities. Results of this testing are presented in the Audit Results section of this report.

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<sup>7</sup> During its audit, OIG used the Prompt Payment Act and Federal Acquisition Regulation general requirements that stated that payment is due within 30 days of receipt of a proper invoice. OIG did not review contract details to determine whether alternative due dates were established, and officials from the U.S. Section of the IJC did not provide alternative due dates when presented with OIG's exceptions related to late payments.

## APPENDIX B: U.S. SECTION OF THE INTERNATIONAL JOINT COMMISSION, UNITED STATES AND CANADA RESPONSE

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International Joint Commission  
Canada and United States



Commission mixte internationale  
Canada et États-Unis

February 1, 2017

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Dear Mr. Brown,

Thank you for your letter dated January 24, 2017, forwarding the draft report *Audit of the U.S. Section of the International Joint Commission, United States and Canada FYs 2014 and 2015 Expenditures*. We appreciate the opportunity to respond to the findings and recommendation in the audit report. OIG recommends that the U.S. Section develop and implement policies and procedures for reviewing and approving invoices for payment to comply with the Prompt Payment Act of 1982 and Federal Acquisition Regulation payment requirements.

Commissioners of the U.S. Section agree with the recommendation in the draft report. To address the recommendation we are in the process of developing policies and procedures for the review and approval of invoices for payment that include instructions on the proper use of the standardized invoice approval form in order to monitor the 30-day period by which the invoice needs to be paid. We will communicate the policies and procedures to all employees and provide training on invoice processing to ensure compliance. We anticipate that the policies and procedures and training for employees will be completed within two months. Once these procedures are finalized we will forward them to your office.

We appreciate you and your staff's time and attention given to the audit and the in-person meetings to discuss the audit process and findings. Addressing the issues raised in the audit will strengthen the IJC's fiscal integrity. Thank you again for your work.

Sincerely,

Lana Pollack  
U.S. Section Chair

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## ABBREVIATIONS

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FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
GFMS	Global Financial Management System
PPA	Prompt Payment Act of 1982
U.S. Section of the IJC	U.S. Section of the International Joint Commission, United States and Canada

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