



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

JUN 10 2010

The Honorable Edward Drusina, U.S. Commissioner  
International Boundary and Water Commission  
United States and Mexico, U.S. Section  
4171 North Mesa Street, Suite C-100  
El Paso, TX 79902-1441

Dear Commissioner Drusina:

The management letter related to the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section's (USIBWC) financial statements as of and for the years then ended September 30, 2009 and 2008 (AUD/FM-10-20), is enclosed. This management letter, prepared by Leonard G. Birnbaum and Company, LLP (LGB), an independent external auditor, discusses issues that were identified during the audit of the financial statements. These weaknesses, although of concern, did not rise to the level necessary to be included in the report on the financial statement audit.

Although OIG provided the draft management letter to USIBWC for comments on May 17, 2010, USIBWC did not provide a response.

The Office of Inspector General will not track the recommendations made in the management letter through its formal compliance process. However, the financial statement auditors will evaluate compliance during future audits of the financial statements.

If you or members of your staff have any questions, please contact me or Evelyn R. Klemstine, Assistant Inspector General for Audits, at (202) 663-0372 or by e-mail at [klemstinee@state.gov](mailto:klemstinee@state.gov). You may also contact Gayle Voshell at (703) 284-2681 or by e-mail at [voshellg@state.gov](mailto:voshellg@state.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "H. Geisel", written over a large, light-colored oval shape.

Harold W. Geisel  
Deputy Inspector General

Enclosure: As stated.

cc: RM/DCFO – Christopher H. Flaggs  
WHA/MEX – Stewart D. Tuttle  
Leonard G. Birnbaum and Company, LLP – Leslie A. Leiper

**Management Letter Related to the  
Audit of the International Boundary and Water Commission,  
United States and Mexico, U.S. Section,  
2009 and 2008 Financial Statements**

**AUD/FM-10-20, June 2010**

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WASHINGTON, DC  
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REDWOOD CITY, CALIFORNIA

April 12, 2010

To the United States Commissioner,  
International Boundary and Water Commission,  
United States and Mexico, United States Section:

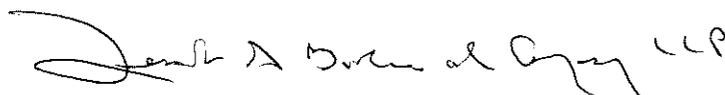
We have audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), for the years ended September 30, 2009 and 2008, and have issued our report thereon dated April 12, 2010 (AUD/FM-10-05). In planning and performing our audit of USIBWC's financial statements, we considered USIBWC's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted a matter involving internal control over financial reporting that we considered to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants. We reported this deficiency in the report referenced.

Our audit procedures were designed primarily to enable us to form an opinion on the financial statements and therefore may not identify all weaknesses in internal control that may exist. However, we would like to take this opportunity to use our knowledge of USIBWC gained during the audit to provide comments and suggestions that we hope will be useful to you.

Although not considered to be significant deficiencies, we noted certain matters involving internal control and other operational matters that are presented in the attachment to this letter for your consideration. These observations are intended to improve USIBWC's internal control or result in other operating efficiencies.

Very truly yours,

  
Leonard G. Birnbaum and Company, LLP

Attachment: As stated

Management Letter Related to the  
International Boundary and Water Commission,  
United States and Mexico, U.S. Section,  
2009 and 2008 Financial Statements

**Observations and Conclusions**

1. Property, Plant, and Equipment

Although USIBWC has taken steps to improve internal controls related to property and equipment, we continued to find deficiencies. Accountability for property located at field offices has been a longstanding concern. The physical inventory reports provided by USIBWC's Property Officer identified several findings relating to the accountability over personal property. During our testing, we noted one item that could not be traced to the listing of assets. We also noted that five of 19 items tested had minor differences in the valuation. In an effort to correct these deficiencies, the Property Officer has provided a number of recommendations to each field office that need to be completed.

USIBWC had recently transferred data to a new system. During reconciliation, USIBWC found more than \$4 million in differences.

In addition, we noted that the Property Officer had access to recordkeeping and conducts the physical inventories of assets. There should be a separation of duties between accounting for assets and custodial or operating responsibility.

*We recommend that USIBWC*

- *ensure that complete and comprehensive physical inventories of all accountable personal property are performed on a regular basis and that exceptions identified during the inventory process are corrected in a timely manner,*
- *complete its efforts to correct data in its new inventory system, and*
- *ensure a separation of the duties between staff that performs physical inventories of assets and recordkeeping.*

2. Undelivered Orders

We noted that USIBWC did not have adequate control over undelivered orders (UDO). Management performed an assessment of open UDOS but failed to deobligate items it identified as unnecessary. USIBWC does not have specific procedures that detail the UDO review procedures; rather, it follows requirements for the reviews contained in Department of the Treasury and Government Accountability Office guidance.

*We recommend that USIBWC create agency-specific procedures for reviewing undelivered orders. The procedures should include steps for action to be taken by management on results of reviews to ensure the unneeded obligations are promptly deobligated.*

### 3. Payroll Compliance

We noted discrepancies during our testing of payroll compliance:

- Premium Pay – Premium pay for two of six employees did not match the auditor’s calculations.
- Retirement – Withholdings for six of 50 employees did not match the auditor’s calculations. In addition, agency contributions for five of 50 employees did not match the auditor’s calculations.
- Thrift Savings Plan – Two of 50 employees did not have agency contributions for Thrift Savings as required.
- Health Benefits – Two of 50 employees selected for testing had employee withholdings and agency contributions that did not match the auditor’s calculations.

Employees have the ability to make changes to their payroll withholdings electronically via “Employee Express.” The Office of Personnel Management (OPM) has guidelines for filing documents in personnel folders, including documentation of benefit enrollments processed electronically. USIBWC is subject to OPM personnel recordkeeping authority.

*We recommend that USIBWC devise an agency-specific policy for changes made by employees to their benefits via Employee Express. Guidelines should include requirements for employees to notify the agency of any changes made and to provide OPM approved documentation of enrollments processed electronically. These documents should be properly filed and maintained in the personnel folders.*

### 4. Earned Revenue

During audit work, we noted that six of 43 items of earned revenue tested had discrepancies. Four of the discrepancies were attributable to revenue not being recorded within the proper period. USIBWC could not support that it had approved one item. In addition, we were unable to reconcile two items with the accounts receivable amount.

*We recommend that USIBWC ensure that earned revenue transactions are recorded in the proper period, are properly approved, and are reconciled with the accounts receivable amount.*

**Table 1: Follow-up of Observations From the FY 2008 Management Letter**

Observation Number	FY 2008 Observation	FY 2009 Status	FY 2009 Comment
1. Property and Equipment	We found that accountability for property located at field offices was an issue. On-site physical inventories were not conducted at the field office by headquarters property personnel. The physical inventories conducted by the field offices continued to identify discrepancies.	Open	See observation 1.
	USIBWC was in the process of transferring data to a new system. During reconciliation, USIBWC found discrepancies between data in the new system and the property records.	Open	See observation 1.
	We identified discrepancies with the amount of depreciation reported because the automated depreciation process was not fully implemented	Closed	
2. Internal Audit Function	The authority prescribed by the USIBWC Directive, Volume 1, Chapter 501, <i>Internal Evaluations</i> , from which IBWC derives its policies and procedures, is outdated. This directive was last updated on January 9, 1996.	Closed	
3. Accounts Payable	We identified several transactions that had been paid but that were still recorded as accounts payable.	Closed	
	We found that a number of travel transactions were incorrectly posted in the general ledger.	Closed	
4. Other Liabilities	USIBWC did not have a process to include accurate information on other liabilities in its quarterly financial statements.	Closed	

Observation Number	FY 2008 Observation	FY 2009 Status	FY 2009 Comment
5. Management's Discussion and Analysis	USIBWC did not prepare a Management Discussion and Analysis for inclusion with its 2008 financial statements.	Closed	
6. Deferred Maintenance	USIBWC's reported deferred maintenance is not the result of a consistently applied interpretation of Statement of Federal Financial Accounting Standards (SFFAS) No. 6, <i>Accounting for Property, Plant, and Equipment</i> .	Closed	