OBSERVATIONS AND COMMENTS

In accordance with the observations presented by the consultants in their report, the comments from the Administration are described below.

- The accounting model used is the "cash basis" model (income is recognized when cash is received in the bank account and expenses are recognized when they are known).
  - ❖ The Administration clarifies that the APICD applies a modified cash method, in accordance with the accounting policies prescribed by the 2003 Convention and the financial regulations in force. Consequently, the records observed do not present any inconsistencies. The modified cash method is a hybrid accounting system that allows for adequate control of cash without losing accuracy in financial information. This method prioritizes cash control and allows certain obligations to be recorded before payment, does not recognize long-term assets or depreciation, and facilitates budget accountability.

- The SAGE system does not have an automated budget control module. Consequently, budget monitoring is done manually.
  - ❖ Starting in 2025, the SAGE MIP Cloud system will be used, which already includes an automated budget control module. However, training by MIP is required, and this course costs approximately $5,000.00.

- Financial statement reports do not include integrated explanatory annexes to facilitate understanding and provide additional information.
  - ❖ Previously, reports were submitted to the Commission in greater detail, but Members subsequently requested simpler and more concise reports.

- A cyberattack occurred, resulting in limited access to the SAGE accounting system.
  - ❖ Nevertheless, virtual meetings were held with consultants to demonstrate how to use the Sage system.

- It was noted that there are new staff members in "training," and manual tasks and double checking are causing an operational overload.
  - ❖ The double-checking tasks have been completed, and each accounting unit employee now has clearly defined responsibilities and functions.

- The financial statements do not fully reflect the economic reality.
  - ❖ Management would like a more detailed explanation of this point.

- The criteria for recognizing assets, liabilities, income, and expenses are consistent and reasonable.
  - ❖ If the recognition criteria are consistent, Management inquires as to the justification for modifying the procedures currently in place.

- The 2023 audit report notes that certain guidelines from FASB 958, Accrual (Accounting Standard for Nonprofit Organizations), are included.
  - ❖ Management agrees, which is why the modified cash method is used.