



Audit of EXIM's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019



OIG-AR-24-03
May 24, 2024

Office of Inspector General
Export-Import Bank of the United States



MEMORANDUM

To: Ravi Singh
Acting Senior Vice President and Chief Financial Officer

From: Eric Rivera
Assistant Inspector General for Audits

Subject: Audit of EXIM's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019 (OIG-AR-24-03)

Date: May 24, 2024

Attached is the report on the Audit of EXIM's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019. The objective of this audit was to determine whether EXIM complied with the Payment Integrity Information Act of 2019 and guidance prescribed by the Office of Management and Budget for fiscal year 2023.

OIG conducted this audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the finding and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the finding and conclusions based on the audit objectives.

This report contains one recommendation. OIG considers management's proposed actions to be responsive. The recommendation will be closed upon completion and verification of the proposed action.

OIG appreciates the cooperation and courtesies provided during the audit. If you have questions, please contact me at (202) 565-3219 or eric.rivera@exim.gov or Drew Smith at (202) 578-4689 or andrew.smith@exim.gov.



**Office of Inspector General
Export-Import Bank of the United States**

OIG-AR-24-03

What OIG Audited

The Office of Inspector General (OIG) audited the Export-Import Bank of the United States' (EXIM) fiscal year (FY) 2023 compliance with the Payment Integrity Information Act of 2019 (PIIA). The objective of this audit was to determine whether EXIM complied with PIIA and guidance prescribed by the Office of Management and Budget (OMB) for FY 2023.

What OIG Recommends

Based on the results of this audit, OIG determined that EXIM complied with the requirements of PIIA during FY 2023. OIG recommended the following measure to strengthen EXIM's effectiveness in managing payment integrity:

1. Revise the payment integrity risk assessment questionnaires, and the associated training, to ensure clarity and tailor questions specifically to the unique aspects of each program to avoid ambiguities and promote consistency in responses.

In its comments on the draft report, EXIM concurred with the recommendation.

EXECUTIVE SUMMARY

**Audit of EXIM's FY 2023 Compliance with the
Payment Integrity Information Act of 2019
May 24, 2024**

What OIG Found

OIG conducted this audit to determine whether EXIM complied with PIIA and guidance prescribed by OMB for FY 2023. OIG found that EXIM successfully met the requirements stipulated by PIIA and made significant improvements implementing prior OIG recommendations. This report highlights the outcome of the audit, focusing on the effectiveness of EXIM's procedures and controls in maintaining payment integrity.

In FY 2023, EXIM demonstrated compliance with PIIA. Key achievements include the proper posting of the annual financial statement and related payment integrity information on the agency's website, as required by OMB. Additionally, the review confirmed that EXIM conducted the required improper payment risk assessments for each program with annual outlays exceeding \$10 million.

Feedback from participants indicated that the risk assessment questionnaires and training could be better tailored to the distinct characteristics of each program group. Some respondents noted that certain questions were "not well written," suggesting a misalignment with program-specific needs. The standardized approach to the questionnaires and training does not account for the unique attributes and risk profiles of different program groups within EXIM. This lack of customization may lead to ineffective risk management strategies and inefficient allocation of resources, potentially increasing vulnerability to improper payments.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Export-Import Bank of the United States¹ (EXIM) complied with the Payment Integrity Information Act of 2019² (PIIA) and guidance prescribed by the Office of Management and Budget (OMB) for fiscal year (FY) 2023.

BACKGROUND

Payment Integrity Information Act Seeks to Reduce Risks of Improper Payments

PIIA, enacted on March 2, 2020, seeks to reduce the federal government's improper payments through enhanced detection, prevention, and recovery efforts. The legislation mandates that all federal agencies, including EXIM, intensify efforts to manage and report on payment integrity. Under the provisions of PIIA, agencies are required to perform risk assessments for programs with significant expenditure, identify areas susceptible to improper payments, and implement corrective actions to mitigate these risks.

OMB supports the implementation of PIIA by issuing specific guidelines and circulars, such as OMB Circular A-123, Appendix C, which details the requirements for managing federal funds and improving payment accuracy.³ Agencies are expected to integrate these guidelines into their operational policies and procedures to ensure an appropriate framework for financial management and oversight.

OIG Previously Identified Deficiencies in EXIM's PIIA Compliance

In previous FY 2021⁴ and FY 2022⁵ audits, OIG identified areas where EXIM did not comply with PIIA requirements. For example, OIG's FY 2022 audit found that while EXIM showed improvement and was compliant with three of the four PIIA requirements, it fell short in fully assessing the risk of improper and unknown payments, as mandated. This inability to adequately conclude whether programs were likely to make improper or unknown payments above or below statutory thresholds led to a finding of non-compliance for that year.

¹ EXIM was founded in 1934 as an independent federal agency that promotes and supports American jobs by providing competitive and necessary export credit financing to help U.S. companies compete for global sales through loan guarantee, direct loan, and insurance programs.

² Public Law 116-117

³ OMB, Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement" (Revised March 5, 2021).

⁴ OIG, *Independent Auditors' Report on EXIM's Compliance with the Payment Integrity Information Act of 2019 for FY 2021* (June 28, 2022, OIG-AR-22-05).

⁵ OIG, *Audit of EXIM's Fiscal Year 2022 Compliance with The Payment Integrity Information Act of 2019* (May 17, 2023, OIG-AR-23-05).

EXIM Utilizes Structured Process to Evaluate Improper Payment Risks

To comply with PIIA, EXIM developed policies and procedures aimed at implementing a structured approach to evaluating the risks of improper payments across programs with significant financial outlays. EXIM's approach to risk assessment includes a review of all programs with annual expenditures exceeding \$10 million. This review employs both qualitative and quantitative methods to assess potential risks. To prioritize these efforts, EXIM categorizes payments into three types: proper, improper, and unknown, focusing the assessment on activities most susceptible to resulting in improper payments.

The risk assessment process is initiated annually with an Improper Payments Risk Assessment Kickoff and Training Meeting. This session is orchestrated by EXIM's Internal Controls and Compliance group, located within the Office of the Chief Financial Officer (OCFO). The session covers an overview of applicable laws and regulations and delineates the roles of each participant.

Following the kickoff meeting, EXIM deploys a single risk assessment questionnaire. OCFO selects managers and subject matter experts from 13 organizations within EXIM involved in fund disbursements to complete this questionnaire. These individuals are chosen based on their knowledge and proximity to the respective programs and functions. The questionnaire is designed to obtain risk-related information, to help EXIM gauge the likelihood of improper or unknown payments.

FINDING

In OIG's review of EXIM's compliance with PIIA requirements for FY 2023, as detailed in OMB Circular A-123, Appendix C, EXIM met all applicable PIIA-related requirements. Accordingly, OIG concluded that EXIM complied with PIIA requirements for FY 2023.⁶ However, feedback from participants indicated that EXIM's risk assessment questionnaires were not adequately tailored to the distinct characteristics of each program group. This lack of specificity, stemming from a standardized approach, led to inaccuracies in risk identification and assessment, potentially resulting in ineffective risk management and inefficient resource allocation. This finding highlights areas for improvement to enhance the overall effectiveness and precision of EXIM's payment integrity framework.

Finding: Risk Assessment Questionnaire Needs Improvement

OIG found that EXIM's risk assessment questionnaire could be better tailored to the distinct characteristics of each program group. Currently, the questionnaire applies a standardized approach that does not account for the unique attributes and risk profiles of different program groups within EXIM. This generic approach has led to inaccuracies in risk identification and assessment, as evidenced by feedback from questionnaire respondents. For example, one

⁶ For a detailed breakdown of these requirements and EXIM's compliance, refer to Appendix C.

respondent noted that certain questions were "not well written," indicating a misalignment between the questionnaire design and the specific needs of the program being assessed. This comment is representative of broader concerns identified through additional feedback which highlighted similar issues across EXIM program groups.

According to OMB Circular A-123, Appendix C, and recognized best practices in risk management, risk assessment tools and processes should be closely aligned with the specific operational and financial contexts of the programs they evaluate.⁷ Specifically, OMB advises agencies to develop a risk assessment methodology that is appropriate and further specifies that qualitative risk assessments should ensure that proper consideration has been given to relevant factors that would help prove that the program is likely to be above or below the statutory threshold.⁸ According to EXIM risk assessment questionnaire respondents, the questionnaire applies a standardized approach that does not account for the unique attributes and risk profiles of different program groups within the agency. The lack of specificity and customization in the questionnaire stems from a one-size-fits-all approach, which can obscure the true risk landscape of each program, leading to potential oversights in identifying and managing areas susceptible to improper payments. Respondents' comments in the survey indicated a lack of understanding of some questions, suggesting that the training provided by EXIM could be enhanced to include more opportunities for clarifying questions and better address common challenges encountered. This would ensure that all participants are better equipped to assess their respective program risks and improve the accuracy of their responses.

This misalignment may result in ineffective risk management strategies, where EXIM's efforts to prevent improper payments are not as effective as they could be. The generalized approach can also lead to an inefficient allocation of resources, where efforts to mitigate risks are not proportionate to the actual risks faced by different program areas.

Recommendation 1: OIG recommends that EXIM's Chief Financial Officer revise the payment integrity risk assessment questionnaires, and the associated training, to ensure clarity and tailor questions specifically to the unique aspects of each program to avoid ambiguities and promote consistency in responses.

⁷ Best practices in risk management are included in the following sources; *ISO 31000:2018 - Risk Management - Guidelines*, *COSO Enterprise Risk Management Framework*, and *Project Management Institute - Practice Standard for Risk Management*.

⁸ OMB, Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement" (Revised March 5, 2021) pg. 14 (II.A.1.a).

RECOMMENDATION

OIG provided a draft of this report to EXIM stakeholders for their review and comment on the finding and recommendation. OIG issued the following recommendation to EXIM. The agency's complete response can be found in Appendix B.

Recommendation 1: OIG recommends that EXIM's Chief Financial Officer revise the payment integrity risk assessment questionnaires, and the associated training, to ensure clarity and tailor questions specifically to the unique aspects of each program to avoid ambiguities and promote consistency in responses.

Management Response: In its May 15, 2024, response (See Appendix B), EXIM concurred with the recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and reviews the documentation supporting the implementation of the recommended action.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that OIG plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the finding and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. OIG conducted this audit from December 2023 to April 2024.

Throughout the audit, auditors considered the possibility of fraud, waste, and abuse in the program.

Objective and Scope

OIG conducted this audit to determine whether the Export-Import Bank of the United States (EXIM) complied with the Payment Integrity Information Act of 2019 (PIIA) and guidance prescribed by the Office of Management and Budget (OMB) for Fiscal Year 2023.

The audit included a review of financial statement data from October 1, 2022, to September 30, 2023, to assess compliance with requirements and supplemental guidance. OIG conducted the audit fieldwork at EXIM Headquarters.

Methodology

To determine whether EXIM complied with PIIA, OIG reviewed applicable federal laws, regulations, OMB guidance, and agency policies and procedures. Additionally, OIG reviewed applicable program documentation and related external reports.

OIG conducted portions of this audit remotely and relied on audio- and video-conferencing tools in addition to in-person interviews with EXIM personnel. OIG reviewed pertinent records and reviewed the substance of this report and its findings and recommendation with offices, individuals, and organizations affected by the review. OIG used professional judgment and analyzed physical and documentary evidence to develop its finding, conclusion, and actionable recommendation.

To accomplish the audit objective, OIG:

- Reviewed the payment integrity section of EXIM's FY2023 financial statement and accompanying materials to assess the agency's compliance with PIIA and related OMB guidance.

- Reviewed information on the Payment Accuracy website through the annual OMB payment integrity data call.¹ The information collected through the data call and published on the Payment Accuracy website is considered accompanying materials to the financial statement.
- Reviewed applicable federal laws, OMB guidance, and agency policy and procedures including but not limited to:
 - “Payment Integrity Information Act of 2019” (PIIA), dated March 2, 2020;
 - OMB M-21-19, “Transmittal of Appendix C to Circular A-123, Requirements for Payment Integrity Improvement,” dated March 5, 2021;
 - OMB Circular A-136, “Financial Reporting Requirements,” dated May 19, 2023; and
 - EXIM’s Payment Integrity Policy and Procedures rev August 17, 2023.
- Requested and analyzed source data from the agency used to support applicable payment integrity information in the financial statement and accompanying materials and to ensure accuracy and completeness of the information.
- Requested documentation and analyzed data to conclude whether EXIM met each of PIIA compliance requirements for each of the reported programs. EXIM must meet all the requirements to be compliant.
- Reviewed prior EXIM OIG reports and assessments relevant to the objective.²
- Reviewed prior reports and assessments from other federal agencies related to the objective.

In planning and performing the audit, OIG obtained an understanding of internal controls to the extent necessary to satisfy the audit objective. OIG assessed the internal control components

¹PaymentAccuracy.gov is a U.S. government website managed by OMB. It provides data and information related to the accuracy of payments made by federal agencies. The site features payment error rates for various government programs, showcasing efforts towards reducing improper payments. It serves as a public transparency tool where agencies report their annual improper payment rates and their actions to reduce and recover improper payments, as mandated by PIIA and other related legislation. This website was reviewed to assess EXIM’s compliance with federal requirements for reporting and reducing improper payments, as part of the audit’s evaluation of the agency’s payment integrity processes.

² Audit of EXIM’s Fiscal Year 2022 Compliance with The Payment Integrity Information Act of 2019 and Independent Auditors’ Report on EXIM’s Compliance with the Payment Integrity Information Act of 2019 for FY 2021 (oversight.gov).

and identified the following internal control components and underlying principles significant to the audit objective:³

Table 1: Internal Control Components	
Components	Underlying Principles
Control Environment	Organizational structure has clearly defined roles and responsibilities.
Risk Assessment	Management has conducted internal and external risk assessments. Can include studies or follow ups on implementation recommendations.
Control Activities	Relevant information systems have business rules in place to ensure the transactions are properly authorized, processed accurately, and that the data is valid and complete.
Information & Communication	Relevant, reliable, and timely exchange of information between program office personnel, as well as external parties.
Monitoring	Effective monitoring internal control occurs during the normal course of business. Includes periodic data reviews/reconciliations/data comparison.

Based on the nature of the data collected and reviewed, the audit team concluded that the data derived from the digitally signed questionnaires are reliable for the purpose of assessing EXIM's compliance with PIIA. The reliability of these data supports the integrity of the audit findings and contributes to the robustness of the recommendation provided in the report.

³ The federal internal control standards are organized into five components (control environment, risk assessment, control activities, information and communication, and monitoring) and seventeen related principles (requirements). See *Standards for Internal Control in the Federal Government*, GAO-14-704G (September 2014).

APPENDIX B: MANAGEMENT RESPONSE



Helping American Businesses Win the Future

DATE: May 15, 2024

TO: Eric Rivera, Assistant Inspector General for Audits

FROM: Ravi Singh, Acting Senior Vice President and Chief Financial Officer **RAVI SINGH** Digitally signed by Ravi Singh
Date: 2024.05.15 15:43:05 -0400

SUBJECT: Audit of EXIM's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019 (OIG-AR-24-03)

Dear Mr. Rivera,

Thank you for providing the Export-Import Bank of the United States ("EXIM" or "EXIM Bank") management with the Office of Inspector General's ("OIG") draft report *Audit of EXIM's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019*, OIG-AR-24-03, dated May 1, 2024 (the "Report"). Management will continue to support the OIG's work, which complements EXIM's efforts to improve its processes and programs.

EXIM is pleased that the OIG found that EXIM "successfully met the requirements stipulated by the PIIA and made significant improvements implementing prior OIG recommendations" from OIG's FY 2023 PIIA compliance review.

OIG has made one recommendation. EXIM concurs with the recommendation and will move forward with implementing the recommendations.

Recommendation: OIG recommends that EXIM's Chief Financial Officer revise the payment integrity risk assessment questionnaires, and the associated training, to ensure clarity and tailor questions specifically to the unique aspects of each program to avoid ambiguities and promote consistency in responses.

APPENDIX B: MANAGEMENT RESPONSE CONTINUED

Management response: EXIM concurs with this recommendation.

EXIM will develop a plan to revise the payment integrity risk assessment questionnaires, and the associated training, to ensure clarity and tailor questions specifically to the unique aspects of each program to avoid ambiguities and promote consistency in responses.

CC:

The Honorable Reta Jo Lewis, President and Chair of the Board of Directors
Brad Belzak, Senior Vice President and Chief of Staff
Hazeen Ashby, Deputy Chief of Staff and White House Liaison
Larry Decker, Senior Advisor to the President and Chair
Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Bryan Rolfe, Acting Senior Vice President, Office of Board Authorized Finance
Courtney Chung, Senior Vice President and Chief Management Officer
James Coughlan, Senior Vice President and General Counsel
Michaela Smith, Director of Audit and Internal Controls Program
Raymond Philpot, Internal Controls Officer

APPENDIX C: SUMMARY OF EXIM'S COMPLIANCE WITH OMB CIRCULAR A-123, APPENDIX C

Table 2: Summary of EXIM's Compliance with OMB Circular A-123, Appendix C

Program Name	Published Payment Integrity Information with Annual Report	Posted Annual financial statement and accompanying materials on agency website	Conducted IP risk assessments for each program with annual outlays >\$10m at least once in the last three years	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Published IP and UP estimates for programs susceptible to significant IPs	Published corrective action plans for each program susceptible to significant IPs	Published IP and UP reduction targets for each program for which estimate above the statutory threshold	Has demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Has developed a plan to meet the IP and UP reduction target	Reported an IP and UP estimate of <10% for each program for which an estimate was published
Short-term Authorizations	Compliant	Compliant	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required	Not Required	Not Required
Medium-term Authorization	Compliant	Compliant	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required	Not Required	Not Required
Long-term Authorizations	Compliant	Compliant	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required	Not Required	Not Required
Cash-control Disbursements	Compliant	Compliant	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required	Not Required	Not Required

Source: Generated by OIG from documents provided by EXIM and information contained in OMB Circular A-123, Appendix C.

ABBREVIATIONS

EXIM	Export-Import Bank of the United States
FY	Fiscal Year
IP	Improper Payment
OCFO	The Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
UP	Unknown Payment

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