



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

Independent Auditors'  
Report on  
EXIM's FY 2019  
Payment Integrity  
Annual Reporting  
Compliance with  
Improper Payment  
Laws

May 11, 2020  
OIG-AR-20-05

The Export-Import Bank of the United States (EXIM or the Bank) is the official export credit agency of the United States. EXIM is an independent, self-financing executive agency and a wholly owned US government corporation. EXIM's mission is to support jobs in the United States by facilitating the export of US goods and services. EXIM provides competitive export financing and ensures a level playing field for US exports in the global marketplace.

The Office of Inspector General (OIG), an independent office within EXIM, was statutorily created in 2002 and organized in 2007. The mission of the EXIM OIG is to conduct and supervise audits, investigations, inspections and evaluations related to agency programs and operations; provide leadership and coordination as well as recommend policies that will promote economy, efficiency and effectiveness in such programs and operations; and prevent and detect fraud, waste, abuse and mismanagement.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.



*Office of Inspector General*

To: Mary Jean Buhler  
Chief Financial Officer

From: Jennifer Fain  
Acting Inspector General

Subject: Independent Auditors' Report on EXIM's FY 2019 Payment Integrity Annual Reporting Compliance with Improper Payment Laws

Date: May 11, 2020

This memorandum transmits the Independent Auditors' Report on EXIM's FY 2019 Payment Integrity Annual Reporting Compliance with Improper Payment Laws. Under a contract monitored by this office, we engaged the independent public accounting firm of Ernst & Young LLP (EY) to perform the audit. The objective of this audit was to determine whether the Bank was in compliance with fiscal year (FY) 2019 reporting requirements of the improper payment laws for its FY 2018 transactions.

EY determined that EXIM complied with the reporting requirements of the improper payment laws as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments as presented in the Bank's FY 2019 Annual Report. In addition, EXIM implemented corrective actions to address the risk assessment recommendations in the prior audit report ([OIG-AR-19-04](#), May 20, 2019). There are no recommendations in this report.

We appreciate the cooperation and courtesies provided to EY and this office during the audit. If you have questions, please contact me at (202) 565-3439 or [jennifer.fain@exim.gov](mailto:jennifer.fain@exim.gov) or Courtney Potter at (202) 565-3976 or [courtney.potter@exim.gov](mailto:courtney.potter@exim.gov). You can obtain additional information about EXIM OIG and the Inspector General Act of 1978 at [www.exim.gov/about/oig](http://www.exim.gov/about/oig).



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## Independent Auditors' Report on EXIM's Compliance with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012

The Senior Vice President and Chief Financial Officer and the Inspector General of the Export-Import Bank of the United States.

We conducted a performance audit of the Export-Import Bank of the United States' (EXIM or the Bank) compliance with the required calculation and disclosure of Improper Payment Rates as of and for the fiscal year (FY) ending September 30, 2019. The objective was to determine if EXIM was in compliance with the Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (hereinafter referred to collectively as "the improper payment laws"). EXIM's management is responsible for complying with the improper payment laws.

We conducted this performance audit in accordance with generally accepted *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The nature, timing and extent of the procedures selected depend on our judgment. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To assess EXIM's compliance, we performed specific procedures to address the objectives requested by the EXIM Office of Inspector General (OIG). See the Scope and Methodology section of this report.

This performance audit did not constitute an audit of financial statements in accordance with auditing standards generally accepted in the United States of America or *Government Auditing Standards*.

Based on the results of our procedures, EXIM complied with the reporting requirements of the improper payments laws as stipulated in the Office of Management and Budget (OMB) Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* as presented in the FY19 Annual Report (AR). Our findings and recommendations are documented in this report.

This report is intended solely for the information and use of EXIM, EXIM OIG, OMB, Congress and the US Government Accountability Office. The report is not intended to be, and should not be, used by anyone other than the specified parties.

May 11, 2020

# EXECUTIVE SUMMARY

Independent Auditors' Report FY 2019 Payment Integrity  
OIG-AR-20-05, May 11, 2020

## Why We Did This Audit

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) (hereinafter referred to collectively as “the improper payment laws”), requires each agency’s Inspector General to perform an annual review of the agency’s compliance with improper payments reporting requirements, as stipulated in Office of Management and Budget (OMB) guidance. The Office of Inspector General (OIG) engaged EY to conduct an independent audit to determine whether the Bank was in compliance with the reporting requirements of the improper payment laws for fiscal year (FY) 2019 reporting. In addition, the audit assessed the accuracy and completeness of EXIM’s improper payment reporting, agency performance in reducing and recapturing improper payments, and the Bank’s implementation of the prior-year audit recommendations.

## What We Recommend

EY noted that the three recommendations from FY 2018 were addressed by EXIM during FY 2019. There are no recommendations in this report.

## What We Found

We determined that EXIM complied with the reporting requirements of the improper payment laws as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments as presented in the Bank’s FY 2019 Annual Report.

During our audit, we also determined that EXIM implemented all three FY 2018 risk assessment recommendations during FY 2019, as discussed below.

In FY 2018, we found that EXIM did not have a detailed process in place to re-perform the FY 2018 Improper Payment Risk Assessment and did not show the relationship between the Risk Assessment and the Annual Report. For FY 2019, EXIM developed a comprehensive standard operating procedure for the improper payments risk assessment.

In addition, EXIM’s FY 2018 Risk Assessment Report indicated that employee compensation payments were part of EXIM’s improper payment assessment; however, EXIM did not perform this review and instead relied on a third-party processor. In FY 2019, we noted that EXIM included, as part of their IPERA qualitative review, the Division of Human Capital, focusing on cash disbursements to make the risk assessment more robust around employee compensation.

Lastly, in FY 2018 we noted that there was no formalized training for agency staff on how to perform the risk assessment. EXIM addressed this recommendation in FY 2019 by providing formalized training to the Internal Controls and Compliance (ICC) team within the Office of the Chief Financial Officer.

We were able to reasonably determine the completeness and accuracy of EXIM’s improper payment risk assessment for its payment programs and confirmed EXIM’s implementation of the prior-year recommendations.

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## INTRODUCTION

The Improper Payments Elimination and Recovery Act of 2010 (IPERA; P.L. No. 111-204) requires Offices of the Inspector General to review and report on federal agencies' annual improper payment information included in their Annual Reports to determine their compliance with the Improper Payments Information Act of 2002 (IPIA; P.L. No. 107-300), as amended by IPERA, as well as the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; P.L. No. 112-248) (collectively referred to as "the improper payment laws"). This report presents the results of our performance audit of the Export-Import Bank of the United States' (EXIM or the Bank) compliance with improper payment laws and Office of Management and Budget (OMB) guidance for the fiscal year (FY) ending September 30, 2019.<sup>1</sup> The objectives of the audit were to:

1. Determine whether EXIM was in compliance with the reporting requirements of the improper payment laws and OMB guidance,
2. Assess the accuracy and completeness of EXIM's improper payment reporting,
3. Assess agency performance in reducing and recapturing improper payments, and
4. Assess the Bank's implementation of the prior-year audit recommendations.

In addition, we evaluated EXIM's assessment of the level of risk and quality of improper payments and methodology for four payment programs (short-term authorizations, medium-term authorizations, long-term authorizations and cash-control disbursements). EXIM issued its FY 2019 Annual Report (AR) on November 13, 2019.<sup>2</sup> The Bank determined that these programs were not susceptible to significant improper payments.

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<sup>1</sup> See OMB Memorandum, Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement ([OMB M-18-20](#), June 26, 2018).

<sup>2</sup> See the Export-Import Bank for the United States Annual Report for the Years Ended September 30, 2019 and September 30, 2018 at [https://www.exim.gov/sites/default/files/reports/annual/2019/EXIM\\_2019%20AnnualReport\\_Web\\_SnlgPg\\_FINAL\\_03.31.2020.pdf](https://www.exim.gov/sites/default/files/reports/annual/2019/EXIM_2019%20AnnualReport_Web_SnlgPg_FINAL_03.31.2020.pdf).

## SCOPE AND METHODOLOGY

### Scope

Our audit was performed from October 1, 2019 through April 6, 2020 and covered the information that was reported in the “Payment Integrity” section of EXIM’s FY 2019 Annual Report. EXIM included information on four payment programs, as follows:

- Short-term authorizations: less than or equal to one year, regardless of dollar amount;
- Medium-term authorizations: more than one year and less than or equal to seven years and less than or equal to \$10 million;
- Long-term authorizations: more than seven years, or more than one year and more than \$10 million; and
- Cash disbursements: payments related to the disbursement of loans, claims and expense payments.

EXIM categorizes three of its four IPERIA programs based on credit standards. Since payments for authorizations can occur many years in the future, the Bank developed an internal control and assessment process to review the susceptibility of improper payments at the authorization level during its Risk Assessment.

Our audit determined whether EXIM was compliant with the reporting requirements of the improper payment laws for FY 2019 reporting. In addition, the audit assessed the accuracy and completeness of EXIM’s improper payment reporting, agency performance in reducing and recapturing improper payments, and EXIM’s implementation of the prior-year audit recommendation.

### Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards.<sup>3</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The nature, timing and extent of the procedures selected depend on our judgment. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether EXIM complied with the improper payment laws, we:

- Reviewed the improper payment laws and OMB circulars,
- Obtained and analyzed information from EXIM on the four payment programs,
- Reviewed improper payment information reported in EXIM’s FY 2019 AR and determined whether it met improper payment law disclosure requirements. Additionally, we verified that the Bank’s FY 2019 AR was published on EXIM.gov.<sup>4</sup>

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<sup>3</sup> See the U.S. Government Accountability Office’s Government Auditing Standards ([GAO-18-568G](#), July 2018).

<sup>4</sup> Supra note 2.



- Interviewed Bank personnel to obtain an understanding of (1) the processes and events related to determining improper payments, (2) the process for assessing the level of risk for each program, (3) EXIM's approach to meeting OMB's guidance, and (4) the processes to gain assurance about the quality of the improper payment estimates and methodology for each program,
- Inspected the risk assessment process and related results performed by EXIM, including the methodologies to determine completeness of its programs,
- Performed walk-throughs and inspected key processes, steps and documentation used to estimate improper payments in each program,
- Gained our understanding of internal control through our review of other auditor reports and through various walk-throughs held with key EXIM personnel engaged in the four payment processes, and
- Inspected EXIM's application of the Character, Reputational and Transaction Integrity (CRTI) process, which includes the assessment of the Do Not Pay Initiative at a program level in FY 2019.

We discussed the results of our work with EXIM and received written comments on the report's findings and conclusion. Refer to Appendix A of this report for EXIM's formal response.

## BACKGROUND

An improper payment is any disbursement or transfer of federal funds to any non-federal person, non-federal entity or federal employee that is made by a federal agency, a federal contractor, a federal grantee, or a governmental or other organization administering a federal program or activity that should not have been made or that was made in an incorrect amount (either an overpayment or an underpayment), as well as other causes listed in the OMB implementation guidance. To improve accountability of federal agencies' administration of funds, the improper payment laws require agencies, including EXIM, to annually report information to the President and Congress on the agencies' improper payments. OMB Circulars provide guidance on the implementation of and reporting under the IPIA (OMB Circular A-123, Appendix C, parts I and II, and OMB Circular A-136, § II.5.8).<sup>5</sup>

In the Independent Auditors' Report on EXIM's FY 2019 Payment Integrity Annual Reporting Compliance with Improper Payment Laws, EXIM complied with payment integrity reporting requirements for the FY 2019 reporting of its FY 2018 transactions and fully met payment integrity reporting requirements.<sup>6</sup>

Additionally, in accordance with OMB Circular A-123, EXIM performed a risk assessment of the programs it deemed low risk for significant improper payments and which had not experienced a significant change in legislation and/or funding level. The risk assessment is performed once every three years. With OMB's approval, EXIM reports its improper payments one year in arrears as the result of EXIM analysis not being available by November 15 of the current period. Based on the most recent risk assessment, which was performed in FY 2019 on FY 2018 transactions,<sup>7</sup> EXIM deemed each of its four payment programs (short-term authorizations, medium-term authorizations, long-term authorizations and cash-control disbursements) as not susceptible to significant improper payments.

As each program is deemed low risk, improper payment laws do not require EXIM to perform certain processes, including:

- Publishing improper payment estimates for all programs and activities identified in its risk assessment as susceptible to significant improper payments,
- Publishing the annual reduction targets for each program assessed to be at risk and measured for improper payments, and
- Reporting a gross improper payment rate of less than 10% for each program or activity for which an improper payment estimate was obtained and published in the AMR.

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<sup>5</sup> Supra note 1. See also [OMB Circular A-136](#) Revised, Financial Reporting Requirements (June 28, 2019).

<sup>6</sup> See the Independent Auditors' Report on EXIM's FY 2018 Payment Integrity Annual Reporting Compliance with Improper Payment Laws ([OIG-AR-19-04](#), May 20, 2019).

<sup>7</sup> The Export-Import Bank's Compliance with the Improper Payments Elimination Act of 2010: Review of Fiscal Year 2018, dated July 17, 2019 (i.e., the Risk Assessment Report).

## AUDIT RESULTS AND CONCLUSION

### EXIM Complied with the Improper Payment Laws for FY 2019 Payment Integrity Annual Reporting

For FY 2019, EXIM complied with the improper payment laws for annual reporting consistent with OMB Circular A-123 (see Table 1 below for a summary) and its reporting was accurate and complete.<sup>8</sup> In addition, the Bank performed the procedures outlined in the Risk Assessment Report aimed at reducing and recapturing improper payments.<sup>9</sup> Furthermore, we determined that EXIM adequately addressed all three of EY’s prior-year audit recommendations: (1) enhancing documented IPERA risk assessment procedures, (2) providing additional formalized training to agency staff on how to perform the risk assessment, and (3) amending the Risk Assessment Report language to accurately reflect procedures associated with employee compensation.

Table 1: Summary of EXIM’s Compliance with OMB A-123, Appendix C Checklist

Program Name	Published an Annual Report	Conducted a Risk Assessment, as required	Published an Improper Payment Estimate, as required	Published Corrective Action Plans, as required	Published and is Meeting Reduction Targets, as required	Report an Improper Payment Rate of Less Than 10%, as required
Short-term Authorizations	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required
Medium-term Authorizations	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required
Long-term Authorizations	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required
Cash Disbursements	Compliant	Compliant	Not Required	Not Required	Not Required	Not Required

Lastly, we evaluated EXIM’s assessment of the level of risk for the four payment programs to determine susceptibility to significant improper payments and the quality of improper payments estimates and methodologies. The Bank conducted an assessment of risk in FY 2019 utilizing FY 2018 data. Management’s analysis determined that the Bank programs were low risk and not susceptible to significant improper payments. Management is only required to determine improper payment rates where risk assessments were assessed as high risk. There are no recommendations in this report.

<sup>8</sup> Supra note 2.

<sup>9</sup> Supra note 7.

## APPENDIXES

### Appendix A: Management Response



*Reducing Risk. Unleashing Opportunity.*

**DATE:** May 6, 2020

**TO:** Jennifer Fain, Acting Inspector General  
Office of Inspector General

**THROUGH:** Mary Jean Buhler, SVP & Chief Financial Officer

**FROM:** Adam Martinez, Chief Management Officer

**ADAM MARTINEZ** Digitally signed by  
ADAM MARTINEZ  
Date: 2020.05.06  
13:52:21 -04'00'

**SUBJECT:** EXIM Management Response to the *draft* Independent Auditors' Report,  
*EXIM's FY 2019 Payment Integrity Annual Reporting Compliance with  
Improper Payment Laws*

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Thank you for providing the Export-Import Bank of the United States (“EXIM Bank” or “the Bank”) management with the Office of the Inspector General’s (“OIG”) Independent Auditors’ Report, *EXIM’s FY 2019 Payment Integrity Annual Reporting Compliance with Improper Payment Laws*, OIG-AR-20-05, dated April 15, 2020.

EXIM appreciates the work conducted by the OIG staff in evaluating EXIM’s compliance with reporting requirements of the improper payment laws and determining that EXIM’s reporting was “accurate and complete”. EXIM notes that there were no findings and no recommendations issued with this report, and as noted in the report, EXIM has “implemented all three FY 2018 risk assessment recommendations during FY 2019.”

We look forward to continued positive collaboration.

CC: Lauren Fuller, Senior Advisor to the President and Chairman  
David Fogel, Chief of Staff  
Ryan McCormack, Deputy Chief of Staff  
David Slade, SVP and General Counsel  
John Connor, Assistant General Counsel for Litigation, Fraud and Compliance  
Nathalie Herman, VP & Treasurer  
Cris Dieguez, Director, Internal Controls and Compliance

## Appendix B: Distribution List

Kimberly A. Reed, President and Chairman  
David Fogel, Senior Vice President and Chief of Staff  
Adam Martinez, Chief Management Officer  
Lauren Fuller, Senior Advisor to the President and Chairman  
Stephen Renna, Chief Banking Officer  
Kenneth Tinsley, Senior Vice President and Chief Risk Officer  
David Slade, Senior Vice President and General Counsel  
David Sena, Senior Vice President of Board of Authorized Finance  
Inci Tonguch-Murray, Deputy Chief Financial Officer  
Patricia Wolf, Vice President and Controller  
Nathalie Herman, Vice President and Treasurer  
Cristopolis Dieguez, Director, Internal Controls and Compliance  
Courtney Potter, Deputy AIG for Audits and Evaluations, OIG  
Amanda Myers, Counsel, OIG  
Eleanor Crawford, EY  
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