



OFFICE OF INSPECTOR GENERAL
EXPORT-IMPORT BANK
of the UNITED STATES

**Independent Auditor's Report on the
Export-Import Bank's
Data Reliability**

September 28, 2015
OIG-AR-15-07



EXPORT-IMPORT BANK
of the **UNITED STATES**

INSPECTOR GENERAL

September 28, 2015

To: C.J. Hall, Executive Vice President and Chief Risk Officer
Claudia Slacik, Senior Vice President for Export Finance and Chief Banking Officer
David Sena, Senior Vice President and Chief Financial Officer

From: Terry Settle, Assistant Inspector General for Audits

Subject: Independent Auditor's Report on the Export-Import Bank's Data Reliability

This memorandum transmits Cotton & Company LLP's audit report on Export-Import Bank's Data Reliability. Under a contract monitored by this office, we engaged the independent public accounting firm of Cotton & Company to perform the audit. The objectives of the audit were to determine if the data recorded in the Ex-Im Bank Reporting System (ERS) were adequately supported by source documentation and were accurate, complete, and reliable.

Cotton & Company determined the data recorded in ERS were generally supported by source documentation. Further, the recorded information was generally accurate and reliable and the fields were populated completely. Of the 6,509 data elements that were tested, Cotton & Company identified 44 elements from 8 different fields that were inaccurately recorded. In their review of 283 authorizations, Cotton & Company found 36 authorizations that had at least 1 data element recorded inaccurately for authorization amount, disbursement amount, repayment amount, small business amount, woman-owned amount, minority-owned amount, or primary supplier. Cotton & Company also encountered difficulties testing disbursement amounts for working capital guarantee authorizations and were unable to determine whether the assumed disbursements were recorded timely. Finally, Cotton & Company found that the Office of the Chief Financial Officer was unable to provide source documentation on a timely basis, which made it difficult to conduct an efficient audit and obtain sufficient, appropriate evidence to provide a basis for our audit conclusions. The report contains four recommendations and management concurred with all four recommendations. We consider management's

proposed actions to be responsive and the recommendations will be closed upon completion and verification of the proposed actions.

We appreciate the cooperation and courtesies provided to Cotton & Company and this office during the audit. If you have questions, please contact me at (202) 565-3498 or terry.settle@exim.gov. You can obtain additional information about the Export-Import Bank Office of Inspector General and the Inspector General Act of 1978 at www.exim.gov/oig.

cc: Fred Hochberg, Chairman and President
Angela Freyre, General Counsel
Michael Cushing, Senior Vice President and Chief Operating Officer
Inci Tonguch-Murray, Deputy Chief Financial Officer
Cristopolis Dieguez, Business Compliance Analyst
Steven Koons, Partner, Cotton & Company LLP



Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

September 28, 2015

Terry Settle
Assistant Inspector General for Audits
Export-Import Bank
811 Vermont Avenue, NW
Washington, DC 20571

Subject: Independent Auditors' Report on the Export-Import Bank's Data Reliability

Dear Ms. Settle:

Cotton & Company LLP is pleased to submit its performance audit report on the reliability of data recorded in the Export-Import Bank of the United States (Ex-Im Bank or the Bank) Reporting System (ERS). Specifically, we determined 1) whether the data recorded in ERS are adequately supported by source documentation and 2) if the data are accurate, complete, and reliable. Cotton & Company conducted an independent performance audit of data pertaining to long-term (LT) direct loan, loan guarantee, working capital guarantee, and Global Credit Express (GCE) authorizations. Cotton & Company conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS), as established in the Government Accountability Office (GAO)'s *Government Auditing Standards*, December 2011 Revision.

Please feel free to contact me with any questions.

Sincerely,
COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Steven M. Koons".

Steven M. Koons, CPA, PMP
Partner

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

The Office of Inspector General, an independent office within Ex-Im Bank, was statutorily created in 2002 and organized in 2007. The mission of the Ex-Im Bank Office of Inspector General 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.

ACRONYMS

APS	Application Processing System
EOL	Ex-Im Online
ERS	Ex-Im Bank Reporting System
FMS-NG	Financial Management System – Next Generation
FY	fiscal year
F&A	Financial and Administrative System
GAGAS	generally accepted government auditing standards
GAO	Government Accountability Office
GCE	Global Credit Express
GPRA	Government Performance and Results Act
LT	long-term
MT	medium-term
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
Q	quarter

Executive Summary

Independent Audit of Ex-Im Bank's Data Reliability

September 28, 2015

OIG-AR-15-07

Why OIG Contracted for This Audit

The Export-Import Bank of the United States (Ex-Im Bank or the Bank) stores authorization and other information related to its products in the Ex-Im Bank Reporting System (ERS), a data warehouse storing information from a variety of systems and used for management analysis and external reporting. The Office of Inspector General contracted us to conduct a performance audit of the reliability of the Bank's ERS data for long-term (LT) direct loan, medium-term (MT) and LT loan guarantee, working capital guarantee, and Global Credit Express (GCE) products.

What We Recommended

We made four recommendations for Ex-Im Bank: (1) review the process for recording and reviewing authorization, disbursement, repayment, small business, woman-owned, minority-owned, and primary supplier data fields in ERS to determine how specific errors occurred; correct the errors; and revise the process; (2) conduct a comprehensive review using source documentation to determine whether the currently-recorded ERS data are accurate and supported, and make necessary corrections in the population for disbursement, repayment; small business, woman-owned and minority-owned data fields; (3) communicate to staff the importance of providing data to auditors on a timely basis and take actions to manage concurrent priorities and consistently adhere to deadlines and audit milestones; and (4) review the procedures for storing and retrieving data so that data are readily retrievable for both management needs and review by auditors. Management concurred with all four recommendations.

What We Found

The objectives of this performance audit were to determine if the data recorded in ERS were adequately supported by source documentation and were accurate, complete, and reliable. We determined the data recorded in ERS were generally supported by source documentation. Further, the recorded information was generally accurate and reliable and the fields were populated completely. Specifically, we reviewed 23 data fields for each transaction in our sample, equating to 6,509 data elements being tested. Of these 6,509 data elements, we identified 44 elements from 8 different fields that were inaccurately recorded. We did not identify errors in the other 15 fields we tested. In our review of 283 authorizations for LT direct loans, MT and LT guarantees, working capital guarantees, and GCEs combined, we found 36 authorizations that had at least 1 data element recorded inaccurately. The figure below summarizes the errors we identified.

Overall summary of numbers of errors and projected errors

Fields	Numbers of Errors	Projected Error Rates
Authorizations	1	0.85%
Disbursement Amount*	2	1.38%
Repayment Amount	4	1.02%
Small Business Amount	6	0.78%
Woman-Owned Amount	6	1.60%
Minority-Owned Amount	11	3.41%
Primary Supplier	12	1.55%
Disbursement Date**	2	

Note: Projected error rates represent point estimates.

*Disbursement amount information does not reflect results for working capital guarantees.

**Errors related to disbursement date were not statistically projected.

We also encountered difficulties testing disbursement amounts for working capital guarantee authorizations and were unable to determine whether the assumed disbursements were recorded timely. While we questioned disbursement amounts for 22 working capital guarantees, we did not include them in our disbursement projections. The Bank should accurately and timely record transactions. We determined that these errors represent increased risks to the Bank's ability to use ERS data for reliable management analysis and accurate reporting. Moreover, the questioned disbursement amounts for the working capital guarantees raise questions as to whether the Bank has sufficient processes to timely and accurately capture information in ERS or the source systems that feed into ERS.

We also found that the Office of the Chief Financial Officer (OCFO) was unable to provide source documentation on a timely basis, which made it difficult to conduct an efficient audit and obtain sufficient appropriate audit evidence to provide a basis for our audit conclusions. Although we ultimately were able to obtain sufficient information with the exception of working capital guarantee disbursements, the delays increased audit costs and delayed reporting of results. The delays we encountered on this performance audit impeded the Office of Inspector General's ability to carry out its authorities and provide the necessary oversight to serve the public interest.

For additional information, contact the Office of the Inspector General at (202) 565-3908 or visit www.exim.gov/oig.

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Objectives

This report presents the results of Cotton & Company LLP's (Cotton & Company) performance audit of the reliability of the Export-Import Bank of the United States (Ex-Im Bank or the Bank)'s data recorded in the Ex-Im Bank Reporting System (ERS) for long-term (LT) direct loan, medium-term (MT) and LT loan guarantee, working capital guarantee, and Global Credit Express (GCE) products. The objectives of this performance audit were to determine if the data recorded in ERS were adequately supported by source documentation and were accurate, complete, and reliable.

Scope and Methodology

Cotton & Company planned and performed the audit to determine whether Ex-Im Bank's ERS data are accurate, complete, and reliable, and supported by source documentation. Specifically, we designed our test procedures to meet the above-listed objectives for the four Bank products we audited: LT direct loans, MT and LT guarantees, working capital guarantees, and GCEs. Insurance products were not included in the scope of our audit due to the high volume and low dollar amount of the transactions.

We conducted interviews and made inquiries of personnel from the Office of the Chief Financial Officer (OCFO), and the Business Credit, Operations and Data Quality, Transportation, and Structured and Project Finance Divisions to obtain an understanding of the types of source documentation available for the four products we tested. We documented our testing methodology by creating a planning memorandum and audit work program. In addition, we prepared a detailed plan for stratified classic variables sampling, which is a sampling methodology that uses normal distribution theory to evaluate the dollar amount of selected characteristics of a population on the basis of a sample of the items constituting the population. The stratified sample can also be evaluated for attributes. This sample evaluation methodology uses the hypergeometric distribution to evaluate the rate of occurrence of selected characteristics of a population on the basis of a sample of the items constituting the population. We performed the projections and evaluations of the sample only on a stratified attributes basis. We did this because the types of errors we found seem unrelated to dollar amounts and more indicative of system and process weaknesses.

We obtained a population of ERS authorizations issued during the following periods:

- Fiscal Year (FY) 2014 - related data was as of September 30, 2014 and
- FY 2015 quarter (Q) 1 and Q2 (October 1, 2014 through March 31, 2015) - related data was as of March 31, 2015.

The OCFO told us the FY 2015 data were from a test environment, but that it reconciled the data to ensure they were correct. In addition, we performed limited procedures to validate

the completeness of the population. Specifically, for the FY 2014 data, we assessed the completeness of the ERS data by agreeing amounts and quantities to the FY 2014 Authorizations Summary included in Ex-Im Bank's 2014 Annual Report and reviewing the financial statement auditors' consideration of such amounts and quantities. For the FY 2015 data, no such information was available at the time of our audit. Accordingly, we validated the completeness of the ERS data by comparing it to two source systems: Ex-Im Online (EOL) and the Application Processing System (APS) used for processing Ex-Im Bank's products. We determined that these ERS data were sufficiently reliable for us to sample each of the products we audited. However, we did not perform other completeness procedures to determine if there were unrecorded transactions.

We stratified the population of authorizations and selected stratified random probability samples of MT and LT guarantees, working capital guarantees, and GCEs. For LT direct loans, there were only 16 items in the population. As such, we tested all 16 items. No MT direct loans were in the population. Figure 1 shows the sample size and population information of the data:

Figure 1: Population of data recorded in Ex-Im Bank's ERS for FY 2014 and Q1 and Q2 FY 2015

Products	Total Population	Total Amount Authorized	No. of Transactions in Sample	Total Amount Authorized of Transactions in Sample
LT Direct Loans	16	\$1,937,648,266	16	\$1,937,648,266
MT and LT Loan Guarantees	148	14,924,335,414	90	14,256,992,282
Working Capital Guarantees	529	2,732,666,987	139	1,649,600,980
Global Credit Express (GCE)	81	30,215,000	38	14,650,000
Totals	774	\$19,624,865,667	283	\$17,858,891,528

We performed tests of authorization data on the samples for each of the four products we audited. We examined source documentation and related evidence, including applications, board authorization memoranda, promissory notes, amortization schedules, engineering reports, loan authorization notices, borrower's requests for disbursement, and other Ex-Im Bank documentation. Some of this documentation is prepared as part of Ex-Im Bank's internal control activities; however, we did not test, and therefore we did not conclude on, the design or operating effectiveness of internal controls. For each item selected, we tested whether information recorded in ERS was supported by source documentation and accurately recorded. See Appendix A for the detailed list of ERS fields we tested.

As noted above, we audited the reliability of authorization data recorded in ERS, Ex-Im Bank's data warehouse. We did not conduct a financial statement audit, nor did we audit data directly from the financial management system. Accordingly, we do not express an opinion or provide any assurance on Ex-Im Bank's financial statements.

We conducted our audit on-site at Ex-Im Bank in Washington, DC, as well as remotely at the Cotton & Company office in Alexandria, VA, during March 2015 through September 2015.

Cotton & Company conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS), as established in the Government Accountability Office (GAO)'s *Government Auditing Standards*, December 2011 Revision. 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 audit objectives.

We discussed our findings and conclusions with management officials on September 2, 2015; provided management with a draft of our report on September 8, 2015; and included their comments and our responses to them where appropriate.

Background

Ex-Im Bank is an independent, self-sustaining executive agency and a wholly-owned United States government corporation. Ex-Im Bank's charter, *The Export Import Bank Act of 1945*, as amended through Public Law 112-122, May 30, 2012, states:

It is the policy of the United States to foster expansion of exports of manufactured goods, agricultural products, and other goods and services, thereby contributing to the promotion and maintenance of high levels of employment and real income, a commitment to reinvestment and job creation, and the increased development of the productive resources of the United States.

To fulfill its charter, Ex-Im Bank assumes the credit and country risks that the private sector is unable or unwilling to accept. The Bank provides working capital guarantees, export credit insurance, loan guarantees, and direct loans to counter the export financing provided by foreign governments on behalf of foreign companies and help U.S. exporters remain competitive.

For working capital guarantees, Ex-Im Bank provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The working capital guarantee may be approved for a single loan or a revolving line of credit. Ex-Im Bank's working capital guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

Export credit insurance allows U.S. exporters to sell their goods overseas by protecting them against the risk of foreign-buyer or other foreign-debtor default for political or commercial reasons, allowing them to extend credit to their international customers.

Loan guarantees on a MT or LT basis cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. Generally, both the MT and LT guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods. In the event of a payment default by the borrower, Ex-Im Bank will pay to the lender the outstanding principal and interest on the loan.

Ex-Im Bank offers MT and LT fixed-rate loans directly to foreign buyers of U.S. goods and services. Ex-Im Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. In addition, Ex-Im Bank offers GCE loans, in which creditworthy small business exporters may be eligible for 6- or 12-month revolving lines of credit of up to \$500,000.

The information for authorizations related to these various products is stored in ERS, a data warehouse. The information in ERS originates in a variety of other systems, including:

- EOL, a web-based infrastructure that allows users (i.e., exporters, importers) to submit information electronically and check on export/import records. EOL is used to capture initial application data and track documents.
- APS, a system used to process products from the initial customer contact to application receipt, underwriting evaluation, and when applicable, underwriting approval.
- Financial and Administrative System (F&A), an in-house, custom developed financial system of Ex-Im Bank. The Bank used F&A for FY 2014 activities.
- Financial Management System – Next Generation (FMS-NG), a commercial-off-the-shelf system comprised of Oracle Federal Financials and Oracle Loans. Ex-Im Bank initiated its FMS-NG implementation project in FY 2012 and launched the use of FMS-NG on October 1, 2014, for FY 2015 activities. Ex-Im Bank continues to work on reconciling and integrating FMS-NG with Bank operations.

During our audit, we determined that the data recorded in ERS were generally supported by source documentation. Further, the recorded information was generally accurate and reliable and the fields were populated completely. However, we identified instances where the Bank recorded inaccurate information with respect to the fields that we tested. Specifically, the Bank did not accurately record in ERS certain (1) authorization, disbursement, and repayment amounts; (2) small business, woman-owned, and minority-owned participation amounts; and (3) primary suppliers. Figure 2 presents an overall summary of the numbers of errors and projected error rates for each of these categories:

Figure 2: Overall summary of numbers of errors and projected errors

Fields	Numbers of Errors	Projected Error Rates
Authorizations	1	0.85%
Disbursement Amount*	2	1.38%
Repayment Amount	4	1.02%
Small Business Amount	6	0.78%
Woman-Owned Amount	6	1.60%
Minority-Owned Amount	11	3.41%
Primary Supplier	12	1.55%
Disbursement Date**	2	

Note: Projected error rates represent point estimates.

*Disbursement amount information does not reflect results for working capital guarantees.

**Errors related to disbursement date were not statistically projected.

Furthermore, we encountered difficulties testing disbursement amounts for the working capital guarantee authorizations. Based on the ERS data we received, we were unable to determine whether assumed disbursements were recorded timely. Accordingly, we did not include working capital guarantees in our disbursement projections.

We determined that these errors represented increased risks to the Bank’s ability to use ERS data for reliable management analysis and accurate reporting, including external publications, such as Ex-Im Bank’s Government Performance and Results Act (GPRA) Reports and Annual Reports. Moreover, the difficulties we encountered in testing the working capital guarantee disbursements raise questions as to whether the Bank has sufficient processes to timely and accurately capture information in ERS or the source systems that feed into ERS.

In addition, we found that the OCFO was unable to provide source documentation on a timely basis, which made it difficult to conduct an efficient audit and obtain sufficient appropriate audit evidence to provide a basis for our audit conclusions. Although we ultimately were able to obtain sufficient information with the exception of working capital guarantee disbursements, the delays increased audit costs and delayed reporting of results. The delays we encountered on this performance audit impeded the Office of Inspector

General's (OIG) ability to carry out its authorities and provide the necessary oversight to serve the public interest.

We made four recommendations to address the above issues. These recommendations, if implemented, should help improve reliability of data in ERS. Ex-Im Bank management agreed with our recommendations and stated that it has already taken action in response to our recommendations. Ex-Im Bank management's responses to the findings identified in our performance audit are included within the report and in Appendix B. We did not audit Ex-Im Bank management's responses, and accordingly, we express no opinion on them.

Finding 1: ERS Is Generally Accurate, But Contains Various Recording Errors

We determined that the data recorded in ERS were generally supported by source documentation. Further, the recorded information was generally accurate and reliable and the fields were populated completely. Specifically, we reviewed 23 data fields for each transaction in our sample, equating to 6,509 data elements being tested. Of these 6,509 data elements, we identified 44 elements from 8 different fields that were inaccurately recorded. We did not identify errors in the other 15 fields we tested. In our review of 283 authorizations for LT direct loans, MT and LT guarantees, working capital guarantees, and GCEs combined, we found 36 authorizations that had at least 1 data element recorded inaccurately. Specifically, the Bank did not accurately record in ERS certain (1) authorization, disbursement, and repayment amounts; (2) small business, woman-owned, and minority-owned participation amounts; and (3) primary suppliers. Numbers of errors and projected error rates are summarized above in figure 2 and detailed in the sections below. In addition, we questioned disbursement amounts for 22 working capital guarantees. In accordance with GAO's *Standards for Internal Control in the Federal Government (1999)*, the Bank should accurately and timely record transactions. The Bank should have sufficient control activities to ensure that all transactions are completely and accurately recorded. We determined that these errors represent increased risks to the Bank's ability to use ERS data for reliable management analysis and accurate reporting. Moreover, the questioned disbursement amounts for the working capital guarantees raise questions as to whether the Bank has sufficient processes to timely and accurately capture information in ERS or the source systems that feed into ERS.

Ex-Im Bank Incorrectly Recorded Certain Authorization, Disbursement, and Repayment Amounts in ERS

We found that Ex-Im Bank's ERS data contained errors related to the authorization, disbursement, and repayment amounts for some of the authorizations we tested.

Authorization

For one working capital guarantee authorized in FY 2015, the authorized amount recorded in ERS did not agree with supporting documentation; the amount recorded in ERS was overstated by \$900. Based on our statistical projections of these results, we projected

seven errors with authorized amounts for working capital guarantees (1.24 percent). We are 95 percent confident that there are no more than 32 possible errors (6.04 percent) in the working capital guarantee population. The overall projected error rate for authorizations for all the populations was 0.85 percent with an upper error limit of 4.23 percent at the 95 percent confidence interval.

Disbursements

For LT and MT guarantees, we noted two instances in which the disbursement amounts recorded in ERS were understated and did not agree with source documentation, such as promissory notes and disbursement requests from external lenders. The projection of this error rate was 2.28 percent and the upper error limit was 6.08 percent. The overall projected error rate for the entire population was 1.38 percent with an upper error limit of 4.20 percent at the 95 percent confidence level. The two instances resulted in \$194 million that was not recorded in ERS as of March 31, 2015; our sample had more than \$6 billion of recorded disbursements, excluding working capital guarantees which we will discuss separately below. The two instances involved one FY 2015 LT guarantee and one FY 2015 MT guarantee for which we observed promissory note and disbursement request support, respectively, that evidenced there should have been disbursements recorded as of March 31, 2015. Along with the FY 2015 launch of FMS-NG on October 1, 2014, the OCFO told us it conducted a post-implementation exercise to reconcile FMS-NG data prior to this data being released in ERS. The OCFO also told us that as part of this reconciliation, the two instances mentioned above had been identified and were subsequently corrected. Summary results of our testing and our related statistical projections are presented in Figure 3, below.

Figure 3: Disbursement amounts, errors, projected error rates, and upper limits of error rates

Products	Disbursement Results			
	Total Disbursements in Sample	Absolute Amount of Errors	Projected Error Rates	Upper Limits of Error Rates
LT Direct Loans*	\$58,351,362	\$0	0.00%	0.00%
MT and LT Loan Guarantees	6,293,118,566	194,408,211	2.28%	6.08%
Global Credit Express (GCE)	4,407,503	0	0.00%	4.94%
Overall Summary	\$6,355,877,431	\$194,408,211	1.38%	4.20%

*Given there were only 16 LT direct loans in the population, we tested all items. Therefore, we did not need to make statistical projections.

Note: Projected error rates represent point estimates; upper limits of error rates represent the maximum possible error rate at the 95 percent confidence level. The overall summary projected error rates and upper limits of error rates are based on overall statistical projections and are not the sum of detailed amounts for each product.

We encountered difficulties testing disbursement amounts for the working capital guarantee authorizations and accordingly, did not include working capital guarantees in our disbursement projections. In the case of working capital guarantees, Ex-Im Bank does not track actual cash flows, but rather records assumed disbursements when certain conditions are met, including receipt of fees, required documentation from delegated authority lenders, and Ex-Im Bank authorization.

The ERS data from which we selected our statistical sample contained aggregated disbursement and repayment information as of September 30, 2014, for FY 2014 authorizations and as of March 31, 2015, for Q1 and Q2 FY 2015 authorizations. OCFO provided ERS data by individual transaction date to facilitate our testing of the disbursements and repayments for items we selected. The disaggregated ERS data provided by OCFO did not agree to the original data we received. After several inquiries, we ultimately learned these differences existed because the disaggregated ERS data were based upon the effective dates of the transactions, not based upon the general ledger posting dates. It is OCFO's practice to record the effective date of a disbursement as the disbursement date in ERS, even if that date is months prior to the general ledger posting date of the assumed disbursement.

As such, based on the ERS data we received, we were unable to determine whether assumed disbursements were recorded timely. The disaggregated data contained disbursement dates that were backdated to the actual effective date of the assumed disbursement, rather than the date the disbursement was posted in the general ledger. Accordingly, we did not project results for working capital guarantees. For working capital guarantees authorized in FY 2014, we were able to test the amounts, but were unable to test the timeliness of recording. For Q1 and Q2 FY 2015 working capital guarantees, we questioned 22 of the 25 working capital guarantee authorizations in our sample for which ERS had a recorded disbursement amount of \$0.00 as of March 31, 2015. Further, we noted that only 4 of the total population of 98 working capital guarantees authorized in Q1 and Q2 of FY 2015 had recorded disbursements.

Given that the FY 2015 authorizations occurred as early as October 1, 2014, and we saw evidence of the receipt of fees, we would have expected more disbursements to be recorded as of March 31, 2015. During the audit, the Bank did not provide evidence for us to determine whether or not all conditions were met to have assumed the disbursements on all of the sampled working capital guarantees as of March 31. However, we were able to confirm that at least some of the transactions should have had assumed disbursements recorded. OCFO attributes the recording delays to its operational processes, citing that it can take a significant amount of time to confirm that all conditions are met to record an assumed disbursement. OCFO also cited delays in recording the assumed disbursements as a result of the prioritization of FMS-NG implementation activities, which included a post-implementation exercise to reconcile FMS-NG data prior to the data being released in ERS. OCFO told us the first Bank-wide release of FY 2015 Q1 financial data occurred in June 2015, and that it must validate before releasing them to external parties.

OCFO's process means that the working capital guarantee assumed disbursement amounts in ERS may be incomplete at any given time, such that Ex-Im Bank is unable to reliably determine the amounts outstanding for those authorizations. It is important that this information is accurate as it is used to calculate loss reserves. Further, the delays raise question about the efficiency and effectiveness of OCFO's process for recording assumed disbursements.

Finally, we noted two instances in which the effective date for the disbursement recorded in ERS differed from the source documentation. Even though the two ERS disbursement dates were incorrect, the amounts were recorded correctly. We did not project these errors.

Repayments

We noted four instances in which the ERS repayment amount did not agree with source documentation, such as promissory note amortization schedules, decision memoranda, and wire transfer evidence. Specifically, we noted two LT guarantees, one MT guarantee, and one GCE for which the recorded repayment amounts were incorrect. The repayment amounts for the two LT guarantees and one MT guarantee did not agree with the assumed repayments in the source documentation. The one repayment error for a GCE involved an FY 2014 repayment of \$1,941 that was recorded early in FY 2015. OCFO stated it did not believe this represented an error as it occurred as a result of their process for recording transactions and the cash was accounted for on the financial statements. However, since the repayment event occurred in FY 2014, it should be accounted for in the Bank's FY 2014 reporting system data. Summary results of our testing and our related statistical projections are presented in Figure 4, below.

Figure 4: Repayment amounts, repayment errors, projected error rates, and upper limits of error rates

Products	Repayment Results			
	Total Repayments in Sample	Absolute Amount of Errors	Projected Error Rates	Upper Limits of Error Rates
LT Direct Loans*	\$0	\$0	0.00%	0.00%
MT and LT Loan Guarantees	131,223,901	1,718,711	3.89%	8.78%
Working Capital Guarantees	151,849,930	0	0.00%	4.29%
Global Credit Express (GCE)	100,000	1,941	2.63%	8.64%
Overall Summary	\$283,173,831	\$1,720,652	1.02%	4.16%

*Given there were only 16 LT direct loans in the population, we tested all items. Therefore, we did not need to make statistical projections.

Note: Projected error rates represent point estimates; upper limits of error rates represent the maximum possible error rate at the 95 percent confidence level. The overall summary projected error rates and upper limits of error rates are based on overall statistical projections and are not the sum of detailed amounts for each product.

Inaccurate authorization, disbursement, and repayment amounts impair the Bank's ability to monitor amounts outstanding and report the status of such information in external publications such as the GPRA and Annual Reports.

Ex-Im Bank Inaccurately Recorded Certain Small Business, Woman-Owned, and Minority-Owned Participation Amounts in ERS

Ex-Im Bank did not properly record some small business, woman-owned, and minority-owned participation amounts in ERS. Specifically, we found 23 errors in the sampled authorizations we tested. These errors included understatements and overstatements.

We noted six instances in which the small business amount recorded in ERS differed from the source documentation, the engineering memorandum, for each corresponding authorization. Summary results of our testing and our related statistical projections are presented in Figure 5, below.

Figure 5: Small business errors, projected error rates, and upper limits of error rates

Product	Small Business			
	Absolute Amount of Errors	Numbers of Errors in Sample	Projected Error Rates	Upper Limits of Error Rates
LT Direct Loans*	\$1,918,816	4 of 16	25.00%	25.00%
MT and LT Loan Guarantees	10,650,768	2 of 90	1.35%	4.73%
Working Capital Guarantees	0	0 of 139	0.00%	4.29%
Global Credit Express (GCE)	0	0 of 38	0.00%	4.94%
Overall Summary	\$12,569,584	6 of 283	0.78%	3.82%

*Given there were only 16 LT direct loans in the population, we tested all items. Therefore, we did not need to make statistical projections.

Note: Projected error rates represent point estimates; upper limits of error rates represent the maximum possible error rate at the 95 percent confidence level. The overall summary projected error rates and upper limits of error rates are based on overall statistical projections and are not the sum of detailed amounts for each product.

We noted six instances in which the woman-owned amount recorded in ERS differed from the amount listed in the application. Summary results of our testing and our related statistical projections are presented in Figure 6, below.

Figure 6: Woman-owned errors, projected error rates, and upper limits of error rates

Product	Woman-Owned			
	Absolute Amount of Errors	Numbers of Errors in Sample	Projected Error Rates	Upper Limits of Error Rates
LT Direct Loans*	\$0	0 of 16	0.00%	0.00%
MT and LT Loan Guarantees	0	0 of 90	0.00%	3.38%
Working Capital Guarantees	51,300,000	3 of 139	1.14%	5.55%
Global Credit Express (GCE)	1,425,000	3 of 38	7.89%	16.05%
Overall Summary	\$52,725,000	6 of 283	1.60%	4.80%

*Given there were only 16 LT direct loans in the population, we tested all items. Therefore, we did not need to make statistical projections.

Note: Projected error rates represent point estimates; upper limits of error rates represent the maximum possible error rate at the 95 percent confidence level. The overall summary projected error rates and upper limits of error rates are based on overall statistical projections and are not the sum of detailed amounts for each product.

We noted 11 instances in which the minority-owned amount recorded in ERS differed from the amount listed in the application. Summary results of our testing and our related statistical projections are presented in Figure 7, below.

Figure 7: Minority-owned errors, projected error rates, and upper limits of error rates

Product	Minority-Owned			
	Absolute Amount of Errors	Numbers of Errors in Sample	Projected Error Rates	Upper Limits of Error Rate
LT Direct Loans*	\$0	0 of 16	0.00%	0.00%
MT and LT Loan Guarantees	4,992,000	1 of 90	0.68%	4.05%
Working Capital Guarantees	38,700,000	4 of 139	2.38%	9.67%
Global Credit Express (GCE)	2,670,000	6 of 38	15.79%	24.69%
Overall Summary	\$46,362,000	11 of 283	3.41%	6.95%

*Given there were only 16 LT direct loans in the population, we tested all items. Therefore, we did not need to make statistical projections.

Note: Projected error rates represent point estimates; upper limits of error rates represent the maximum possible error rate at the 95 percent confidence level. The overall summary projected error rates and upper limits of error rates are based on overall statistical projections and are not the sum of detailed amounts for each product.

In addition, we identified one FY 2014 GCE authorization that was recorded in ERS as minority-owned, but was not supported by Ex-Im Bank’s documentation. However, Ex-Im Bank management provided third-party evidence that this authorization was recorded correctly as minority-owned in response to our questions. This third-party information was not contained in Ex-Im Bank’s supporting documentation.

Inaccurate small business, woman-owned, and minority-owned participation amounts increase the risk of unreliable reporting used for making decisions. For example, the Bank may not be able to accurately respond to congressional, Freedom of Information Act, and OIG requests. Furthermore, internal and external reports, such as the GPRA and Annual Reports, may not be accurate.

Ex-Im Bank Inaccurately Recorded Certain Primary Suppliers in ERS

We noted inconsistent use of the primary supplier field in ERS for MT and LT guarantees. Although an authorization can involve many suppliers, the primary supplier field captures the most significant supplier. In our statistical sample, we identified 12 authorizations for which the primary supplier in ERS was incorrect. These 12 authorizations related to the Transportation Division and involved the sale of aircraft to various entities. The aircraft manufacturer was listed as one of the multiple suppliers on the board memorandum participant attachment; however, “Various US small businesses” was recorded as the primary supplier in ERS. Based on the product description and discussions with Ex-Im Bank personnel, we determined that the aircraft manufacturer should have been listed as the primary supplier in ERS. Based on our statistical projections of these results, we are 95 percent confident that there are no more than an additional five errors (for a total of 17 possible errors) in the population. We did not identify similar errors for LT direct loans, working capital guarantees, or GCEs. Improper recording of primary supplier information reduces the reliability of ERS data for management’s analysis and reporting.

Recommendations, Management's Response, and Evaluation of Management's Response

Recommendations:

We recommend that the Chief Financial Officer, Chief Banking Officer, and Chief Risk Officer:

1. Review Ex-Im Bank's process for recording and reviewing the following data fields in ERS to determine how these specific errors occurred; correct the errors; and revise the process as appropriate:
 - a. Authorization, disbursements, and repayments;
 - b. Small business, woman-owned, and minority-owned amounts; and
 - c. Primary supplier.
2. Conduct a comprehensive review using source documentation to determine whether the currently-recorded ERS data are accurate and supported, and make necessary corrections in the population for the following data fields:
 - a. Disbursements and repayments; and
 - b. Small business, woman-owned, and minority-owned amounts.

Management's Response:

Ex-Im Bank Management concurred with both recommendations and stated it will correct the 44 identified errors, review the cause of the errors, and revise the processes or procedures, as appropriate. In addition, management stated it would conduct a comprehensive review to determine whether the currently-recorded ERS data are accurate and supported. Management also plans to establish a working group to address this recommendation.

Our Evaluation of Management's Response:

Ex-Im Bank Management's proposed actions are responsive to the recommendations. Therefore, the recommendations are considered resolved and will be closed upon completion and verification of the proposed actions.

Finding 2: Ex-Im Bank's OCFO Did Not Provide Documentation on a Timely Basis

The Bank's OCFO did not provide ERS data and related source documentation on a timely basis. Without management's cooperation, it is difficult to conduct an efficient audit and obtain sufficient appropriate audit evidence to provide a basis for findings and conclusions. For example, on March 26, 2015, prior to the start of our audit, we informed the OCFO management that we would need to obtain ERS data for FY 2014 and Q1 and Q2 of FY 2015. The OCFO promptly provided the FY 2014 data on April 7. During the entrance conference

held on April 17, the OCFO explained that the FY 2015 data would be available in ERS within a few days. We followed up on April 22 and after additional follow-up emails, we finally received the ERS data for Q1 and Q2 of FY 2015 on May 7, approximately five weeks after the initial request and more than two weeks after the OCFO stated the information would be available in ERS. In addition, it took more than six weeks to obtain the information needed to validate the completeness of the FY 2015 Q1 and Q2 population and it took more than nine weeks to receive certain disbursement and repayment information.

Although we ultimately were able to obtain sufficient information with the exception of working capital guarantee disbursements, the delays increased audit costs and delayed reporting of results. The delays we encountered on this performance audit impeded OIG's ability to carry out its authorities and provide the necessary oversight to serve the public interest.

The OCFO communicated its competing priorities, including continued FMS-NG implementation activities, which were OCFO's priorities based on instructions it said it received from the Bank's Chairman and Chief Risk Officer. The OCFO indicated that it did not realize the extent to which FMS-NG activities would impact its ability to respond to audit requests. The OCFO also noted that preparation for congressional hearings was a secondary reason for the delays. We considered these other priorities by initially requesting only information that should be readily available and adjusting due dates. Nevertheless, the OCFO was unable to handle the concurrent priorities, and we still encountered delays and missed audit deadlines.

However, we found that the Business Credit, Operations and Data Quality, and Transportation Divisions were responsive to our requests for information throughout the audit. These offices provided support for the tested transactions, walked us through the supporting documentation for example transactions, and were available to answer questions that arose during our reviews of source documentation.

GAO's *Standards for Internal Control in the Federal Government* (1999) states that all documentation and records should be properly managed and maintained. This means that documentation and records should be readily available and locatable. Moreover, an October 23, 2014, letter from Chairman and President Fred P. Hochberg reminds Ex-Im Bank employees and contractors to be responsive to audit requests. In addition, the Bank issued a related policy, GC-2014-002, *Policy on Cooperation with the Office of Inspector General*, which states that "All employees are expected to cooperate with officials and employees of the OIG by fully providing information and by providing assistance and support as is needed for the OIG to properly carry out the provisions of the IG Act."¹

¹ The Inspector General Act of 1978 (P.L. 95-452), as amended in 2002 (P.L. 107-189) established an independent Office of Inspector General within EXIM.

Recommendation, Management's Response, and Evaluation of Management's Response

Recommendation:

We recommend that the Chief Financial Officer and Chief Risk Officer:

3. Communicate to staff the importance of providing data to auditors on a timely basis and take actions to manage concurrent priorities and consistently adhere to deadlines and audit milestones to help ensure successful completion of audits and timely issuance of audit reports.
4. Review the procedures for storing and retrieving data so that data are readily retrievable for both management needs and for review by auditors.

Management's Response:

Ex-Im Bank management concurred with both recommendations. Management stated that the CFO will communicate to staff the importance of meeting audit deadlines and require staff to provide written notification to the CFO in cases where there are issues meeting audit deadlines. In turn, notification will then be provided to the OIG. In addition, Ex-Im Bank management stated that the CFO will recirculate the October 23, 2014, letter from the Chairman of the Bank and the Policy on Cooperation with the OIG. Finally, management stated it would review procedures for storing and retrieving data so that data are readily retrievable. Management noted that it generated data for our audit from a test environment during FMS-NG implementation, but that it has resolved implementation issues and that storing and retrieving data is no longer an issue.

Our Evaluation of Management's Response:

Ex-Im Bank management's proposed actions are responsive to the recommendations. Therefore, the recommendations are considered resolved and will be closed upon completion and verification of the proposed actions.

Appendix A: ERS Fields Tested

As part of our audit, we tested information recorded in ERS for the following list of fields:

- Authorization Fiscal Year
- Authorization Date
- Deal Submitted Date
- Deal Program Description
- Current Budget Cost Level (risk rating)
- Initial Budget Cost Level (risk rating)
- Term Code
- Primary Applicant Name
- Primary Borrower Name
- Primary Supplier Name
- Primary Exporter Name
- Primary Buyer Name
- Primary Export Product Description
- Life to Date Claim Total Paid Amount
- Life to Date Authorization Amount
- Life to Date Small Business Authorization Amount
- Life to Date Minority-Owned Authorization Amount
- Life to Date Woman-Owned Authorization Amount
- Life to Date Disbursements/Shipments
- Disbursement Date
- Life to Date Outstanding Exposure Amount
- Life To Date Repaid
- Repayment Date

Appendix B: Management Comments



EXPORT-IMPORT BANK
OF THE UNITED STATES

September 22, 2015

Michael McCarthy
Deputy Inspector General
Office of the Inspector General
Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, DC 20571

Dear Mr. McCarthy,

Thank you for providing the Export-Import Bank of the United States ("Ex-Im Bank" or "the Bank") Management with the Office of the Inspector General's ("OIG") "Independent Auditor's Report on the Export-Import Bank's Data Reliability", dated September 8, 2015 (the "report"). Management continues to support the OIG's work which complements the Bank's efforts to continually improve its processes. Ex-Im Bank is proud of the strong and cooperative relationship it has with the OIG.

The OIG conducted an audit of the data in Ex-Im Bank's data warehouse, Ex-Im Bank's Reporting System ("ERS") for 283 long-term direct loans, long-term and medium term guarantees, working capital guarantees and global credit express authorizations to determine whether it was accurate, complete and reliable and supported by source documentation. The audit tested 6,509 data elements and found that 6,465 data elements were accurately recorded. The Bank appreciates the OIG finding that during its review "the data recorded in ERS was generally supported by source documentation. Further, the recorded information was generally accurate and reliable and the fields were populated completely."

The OIG has made four recommendations to improve upon the Bank's recording of information in ERS. The Bank concurs with all four recommendations, and has already taken action to fully address one of the recommendations. We will move forward with implementing the three remaining recommendations next fiscal year.

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811 VERMONT AVENUE, N.W. WASHINGTON, D.C. 20571

Recommendation 1: Review Ex-Im Bank's process for recording and reviewing the following data fields in ERS to determine how these specific errors occurred; correct the errors; and revise the process as appropriate: (a) Authorization, disbursements, and repayments; (b) Small business, woman owned amounts; and (c) Primary supplier.

Management Response: The Bank concurs with this recommendation.

The Bank fully agrees with the need for accurate data on Ex-Im Bank supported transactions. The Bank will correct the 44 errors identified in the audit of 6,509 data fields. Further, the Bank will review the cause of the errors and revise the process or procedures as appropriate.

Recommendation 2: Conduct a comprehensive review using source documentation to determine whether the currently-recorded ERS data are accurate and supported, and make necessary corrections in the population for the following data fields: (a) Disbursements and repayments; and (b) Small business, woman owed, and minority owned amounts.

Management Response: The Bank concurs with the recommendation.

The Bank will conduct a comprehensive review using source documentation to determine whether the currently-recorded ERS data are accurate and supported, and make necessary corrections in the population for disbursements and repayments. The Bank's Audit Liaison group will work with the relevant divisions and coordinate a working group to address this recommendation.

Recommendation 3: Communicate to staff the importance of providing data to auditors on a timely basis and take actions to manage concurrent priorities and consistently adhere to deadlines and audit milestones to help ensure successful completion of audits and timely issuance of audit reports.

Management Response: The Bank concurs with this recommendation.

The Bank is committed to providing information to the auditors on a timely basis. As explained to the auditor at the entrance conference on April 17, 2015, the Bank was faced with competing priorities, including post-implementation of a new financial management system and congressional hearing preparation. In discussions between the Bank's Chief Risk Officer and the Deputy Inspector General, the OIG was alerted to the Bank's competing priorities and Management's concerns regarding the additional workload from this audit. Management acknowledges, however, that in some cases Bank staff may not have met deadlines which had been indicated to OIG staff. Staff will endeavor to ensure that there is a clear understanding and mutual agreement of deadlines between the Bank and OIG.

The Chief Financial Officer ("CFO") will take the following actions to communicate to staff the importance of providing timely information to the auditors. First, the CFO will circulate an email to staff informing them of the importance of meeting audit deadlines. As staff strives to meet those deadlines of the OIG, issues may arise. If this is the case, staff must document issues in writing and notify the CFO. Written notification will be submitted to the OIG. Second, the CFO will recirculate the October 23, 2014 letter from the Chairman of the Bank and the Policy on Cooperation with the OIG, reminding staff to respond and cooperate fully with OIG officials.

Recommendation 4: Review the procedures for storing and retrieving data so that data are readily retrievable for both management needs and for review by auditors.

Management Response: The Bank concurs with this recommendation.

The Bank will review the procedures for storing and retrieving data so that data are readily retrievable for both management needs and for review by auditors. It is important to note that the auditors requested data for this audit that was in a test environment, with the implementation of the new financial management system still being reconciled, tested and validated. With post implementation issues worked out, storing and retrieving data is no longer an issue. On June 15, 2015, the Bank released FY 2015 data.

We thank the OIG for your efforts to ensure the Bank's policies and procedures continue to improve, as well as the work you do with us to protect Ex-Im funds from fraud, waste, and abuse. We look forward to strengthening our working relationship and continuing to work closely with the Office of the Inspector General.

Sincerely,



Charles J. Hall
Executive Vice President and Chief Risk Officer
Export-Import Bank of the United States

To Report Fraud, Waste, or Abuse, Please Contact:

Email: IGHotline@exim.gov

Telephone: 1-888-OIG-Ex-Im (1-888-644-3946)

Fax: (202) 565-3988

Address: Office of Inspector General
Export-Import Bank of the United States
811 Vermont Avenue, NW
Suite 138
Washington, DC 20571

Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits please contact Terry Settle, Acting Assistant Inspector General for Audits, at Terry.Settle@exim.gov or call (202) 565-3498. Comments, suggestions, and requests can also be mailed to the attention of the Assistant Inspector General for Audits at the address listed above.



For additional information, contact the Office of the Inspector General at (202) 565-3908 or visit www.exim.gov/oig.



Office of Inspector General
Export-Import Bank *of the* United States
811 Vermont Avenue, NW
Washington, DC 20571
202-565-3908
www.exim.gov/oig