Independent Auditors’ Report on Export-Import Bank’s FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws

May 9, 2018
OIG-AR-18-05
To: Inci Tonguch-Murray, Acting Senior Vice President and Chief Financial Officer
From: Erica Wardley, Acting Assistant Inspector General for Audits
Subject: Independent Auditors’ Report on Export-Import Bank’s FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws
Date: May 9, 2018

This memorandum transmits the Independent Auditors’ Report on Export-Import Bank’s FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws. Under a contract monitored by this office, we engaged the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to perform the audit. The objective of this audit was to determine the Bank’s fiscal year (FY) 2017 payment integrity annual reporting compliance with the improper payment laws for its FY 2016 transactions.

CLA determined that the EXIM Bank’s FY 2017 Payment Integrity annual reporting fully complied with all reporting requirements of the improper payments laws, as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements. While the Bank fully met payment integrity reporting requirements, we noted that the Annual Report discussion could be improved by (1) clarifying the recapture audit plan discussion to be consistent with the Bank’s policies and procedures and (2) discussing funds recovered through sources other than payment recapture audits. The report contains one recommendation and management concurred with the recommendation. We consider management’s proposed actions to be responsive and the recommendation will be closed upon completion and verification of the proposed actions.

We appreciate the cooperation and courtesies provided to CLA and this office during the audit. If you have questions, please contact me at (202) 565-3963 or erica.wardley@exim.gov. You can obtain additional information about the Export-Import Bank Office of Inspector General and the Inspector General Act of 1978 at http://www.exim.gov/about/oig.

cc: Jeffrey Goettman, Executive Vice President, Chief Operating Officer and Head of Agency
    Kevin Turner, Senior Vice President and General Counsel
    Jesse Law, Senior Vice President, Chief of Staff and White House Liaison
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    Patricia Wolf, Vice President Controller, Office of the Chief Financial Officer
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The Export-Import Bank of the United States (EXIM Bank) is the official export credit agency of the United States. EXIM Bank is an independent, self-sustaining executive agency and a wholly-owned U.S. government corporation. EXIM Bank’s mission is to support jobs in the U.S. by facilitating the export of U.S. goods and services. EXIM 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 EXIM Bank, was statutorily created in 2002 and organized in 2007. The mission of the EXIM 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.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).
Why We Did This Audit

Improper payments are payments made in the wrong amount, to the wrong entity, or for the wrong reason. They can result from processing errors, a lack of information, or fraud. In accordance with 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) (herein after referred to collectively as the “improper payments laws”), each agency’s Inspector General is required 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 objective of this audit was to determine the Export-Import Bank’s (“EXIM Bank” or “the Bank”) Fiscal Year (FY) 2017 payment integrity annual reporting compliance with the improper payment laws for its FY 2016 transactions.

What We Recommend

We recommend that the EXIM Bank revise the Recapture Audit Plan discussion in its Annual Report to (i.) remove any terminology that may be construed as misleading, (ii.) accurately reflect the Bank’s policies and procedures for the recapture of improper payments and the decision to not perform recapture audits, and (iii.) discuss recaptured improper payments in accordance with OMB guidance.

What We Found

The audit determined that the EXIM Bank’s FY 2017 Payment Integrity annual reporting fully complied with all reporting requirements of the improper payments laws, as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements. The Bank’s FY 2017 reporting covers its FY 2016 transactions, as the Bank has received OMB approval to perform and report on its improper payments assessment one year in arrears.

Agencies are required to perform risk assessments at least once every three years for programs that are deemed to be low risk for significant improper payments and have not experienced a significant change in legislation and/or funding level. EXIM Bank conducted a risk assessment in FY 2015 of its FY 2014 transactions, and its programs were deemed low risk for significant improper payments. For the Bank’s FY 2015 reporting, the OIG found that the Bank fully complied with all reporting requirements of the improper payments laws, as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements. In FYs 2015 and 2016, there were no new programs added or significant changes to existing programs. Further, there was a significant decline in the Bank’s business volume and outstanding exposure for FY 2016 in comparison to FY 2015 due to the lapse in the Bank’s authority and the lack of a quorum for the transaction of business. Consequently, the Bank’s exposure to improper payments was reduced. Therefore, in FYs 2016 and 2017, program-specific risk assessments were not required, and were not conducted, for EXIM Bank’s FYs 2015 and 2016 transactions, respectively. EXIM Bank reported that it will perform the next extensive review of improper payments for its FY 2017 transactions, which will be reflected in its FY 2018 payment integrity reporting.

We found the Bank complied with all payment integrity reporting requirements for the FY 2017 reporting of its FY 2016 transactions. While the Bank fully met payment integrity reporting requirements, we noted that the Annual Report discussion could be improved by (1) clarifying the recapture audit plan discussion to be consistent with the Bank’s policies and procedures and (2) discussing funds recovered through sources other than payment recapture audits. In addition, we observed that the Bank could provide additional context on the Bank’s risk assessment process to inform the reader on why the FY 2015 risk assessment was discussed in the FY 2017 Annual Report.

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

This report presents the results of our audit of the Export-Import Bank’s (“EXIM Bank” or “the Bank” or “EXIM”) compliance with 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) (herein after referred to collectively as the “improper payments laws”). The objective of this audit was to determine the Bank’s fiscal year (FY) 2017 payment integrity annual reporting compliance with the improper payment laws for its FY 2016 transactions. To address our objective, we reviewed the Office of the Chief Financial Officer’s (OCFO) policies and procedures for implementing the improper payments laws, EXIM Improper Payments Review Policies and Procedures, which required the Bank to assess and report on improper payments for FY 2016 transactions in FY 2017.¹ We also reviewed the Office of Management and Budget’s (OMB) Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments; OMB Circular A-136, Financial Reporting Requirements, as revised; the Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government; prior OIG and GAO audit reports relevant to our audit objective; and consulted with the OIG’s Office of Investigation and Office of Inspections and Evaluations.

To determine whether the EXIM Bank was in compliance with reporting requirements of the improper payments laws for FY 2017 reporting, we reviewed the payment integrity discussion in the Bank’s FY 2017 Annual Report. We also reviewed the monitoring documentation maintained by the Bank, and interviewed Bank personnel responsible for monitoring and reporting on improper payments. During the audit, we noted that there were no open prior year audit recommendations.

We conducted this performance audit from February 2018 through April 2018 in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions. We conducted our audit on-site at EXIM Bank in Washington, DC, as well as remotely at the CliftonLarsonAllen office in Arlington, VA from January through May 2018.

BACKGROUND

Each year, the Federal Government wastes billions of taxpayer dollars on improper payments. To reduce improper payments, the President signed into law the Improper ¹ EXIM Bank has received OMB approval to perform and report on its improper payments assessment one year in arrears.
Payments Information Act of 2002 (IPIA). Congress amended IPIA by enacting the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and required OMB to prescribe guidance to implement their requirements. The improper payment laws require agencies to annually review all their programs and activities, and identify those susceptible to significant improper payments. Agencies must report in their annual Performance and Accountability Report (PAR) or Agency Financial Report (AFR) (also referred to as the “Annual Report”) their estimates of significant improper payments for programs and activities determined to be at risk and actions to reduce them. According to OMB’s interpretation, the improper payments laws require agencies to examine “the risk of, and feasibility of recapturing, improper payments in all programs and activities” that are recognized as programs by the public, OMB or Congress, and those that entail program management or policy direction. In addition, Inspectors General are required to determine whether their respective agencies are compliant with improper payments reporting requirements.

EXIM Bank Programs and Activities

EXIM Bank is an independent executive agency and a wholly-owned United States (U.S.) government corporation. EXIM Bank is the official export-credit agency of the U.S. and offers export financing through four main programs:

- **Direct Loans** – These loans are underwritten and approved by EXIM Bank and disbursed directly to foreign buyers of U.S. goods and services.

- **Loan Guarantees** – These guarantees are underwritten and approved by EXIM Bank or delegated authority lenders and cover the repayment risk on the foreign buyer’s debt obligations incurred in the purchase of U.S. exports. In the event of a payment default by the borrower (the foreign buyer), a claim may be submitted for payment of the guaranteed amount.

- **Working Capital Guarantees** – These working capital guarantees are underwritten and approved by EXIM Bank or delegated authority lenders and provide repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. In the event of a payment default by the borrower (the U.S. exporter), a claim may be submitted by the guaranteed lender for payment of the guaranteed amount.

- **Export Credit Insurance** – These insurance policies are underwritten and approved by EXIM Bank and cover U.S. exporters that sell their goods overseas or to a financial institution that is offering either the foreign buyer or the U.S. exporter credits. The insured party named on the policy may submit a claim in the event of a payment default by the foreign buyer.
EXIM Bank’s total exposure as of September 30, 2016 was $87.3 billion\(^2\), of which 70.7 percent was comprised of guarantees and insurance transactions. The remaining 29.3 percent was comprised of direct loans. During FY 2016, EXIM authorized $5.037 billion for guarantees and insurance. There were no new direct loan authorizations in FY 2016.

**OMB Guidance**

OMB is responsible for issuing guidance to agencies for implementing the requirements of the improper payments laws. The implementing guidance in OMB Circular A-123, Appendix C\(^3\) requires federal agencies to complete the following steps:

- **Step 1**: Review all programs and activities and identify those that are susceptible to significant improper payments.\(^4\)

- **Step 2**: Obtain a statistically valid estimate of the annual amount of improper payments in programs and activities that are identified in Step 1 as susceptible to significant improper payments.

- **Step 3**: Implement a plan to reduce improper payments.

- **Step 4**: Report an estimate of the annual amount and rate of improper payments for all programs and activities determined to be susceptible to significant improper payments in the AFR or PAR.

OMB Circular A-123, Appendix C also includes six reporting requirements to determine if the agencies:

- Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website.

- Conducted a program-specific risk assessment for each program or activity as required.

- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments as required.

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\(^2\) EXIM Bank’s total exposure as of September 30, 2017 was $72.5 billion.

\(^3\) OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (M-15-12, October 2014)

\(^4\) “Significant improper payments” are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays).
• Published programmatic corrective action plans in the PAR or AFR as required.

• Published and met annual reduction targets for each program assessed to be at risk and measured for improper payments.

• Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.

OMB provides more detailed reporting guidance in OMB Circular A-136, *Financial Reporting Requirements*, which is updated annually. Section II.5.5, *Payment Integrity*, of the OMB Circular A-136, dated August 15, 2017, streamlined reporting requirements by requiring agencies to report information on payment integrity, including disclosing payments that were processed correctly and those that were improper in each agency's AFR or PAR, as follows:

• Payment Reporting – This requirement is applicable for all programs and activities deemed susceptible to significant improper payments that are tested as required under OMB Circular A-123, Appendix C, Step 2.

• Recapture of Improper Payments Reporting – This requirement is applicable for all programs and activities that expend $1 million or more annually. When applicable, agencies shall describe any action the agency has taken or plans to take to recover improper payments and prevent future improper payments. The discussion should describe:

  i. the actions and methods used by the agency to recoup overpayments;
  ii. a justification of any overpayments that have been determined not to be collectable; and
  iii. any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences).

If the agency has determined a payment recapture audit program is not cost-effective, the agency must provide the justification and a summary of the analysis that it used to determine that conducting a payment recapture audit program for the program or activity was not cost effective.

Further, for each program or activity that expends $1 million or more annually and

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either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit, the agency is required to report the amount recovered through recapture audits and amounts recovered through sources other than payment recapture audits, including the percent such amounts represent of the total overpayments identified for recapture. For example, agencies could report on improper payments identified through statistical samples, agency post-payment reviews or audits, OIG reviews, self-reported overpayments, or reports from the public. Agencies may group amounts by program or activity or in total per the source of recapture, as appropriate.

- **Agency Improvement of Payment Accuracy with the Do Not Pay Initiative** – This requirement is applicable for all programs and activities. IPERIA requires agencies to review pre-payment and pre-award information to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. Procedures for review must ensure that a thorough review of eligibility includes relevant information from multiple sources. The Do Not Pay Initiative encompasses all the data sets required for pre-payment checks and several, but not all, of the data sets used in pre-award. These data sets include central portals such as the Treasury Working System, as well as agency-specific data sets that serve particular program needs. Agencies may provide on an annual basis a brief narrative of the reduction in improper payments that is attributable to the Do Not Pay Initiative. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards.

- **Barriers** – This requirement is applicable for all programs and activities with improper payments that exceed the statutory thresholds as determined under OMB Circular A-123, Appendix C, Step 2.

- **Accountability** – This requirement is applicable for all programs and activities with improper payments that exceed the statutory thresholds as determined under OMB Circular A-123, Appendix C, Step 2.

- **Agency Information Systems and Other Infrastructure** – This requirement is applicable for all programs and activities with improper payments that exceed the statutory thresholds as determined under OMB Circular A-123, Appendix C, Step 2.

- **Sampling and Estimation** – This requirement is applicable for all programs and activities deemed susceptible to significant improper payments that are tested as required under OMB Circular A-123, Appendix C, Step 2.

**EXIM Bank's Improper Payments Review Process for FY 2017 Reporting**

Agencies are required to perform risk assessments at least once every three years for programs that are deemed to be low risk for significant improper payments and have not experienced a significant change in legislation and/or funding level. EXIM Bank conducted
a risk assessment in FY 2015 of its FY 2014 transactions, and its programs were deemed low risk for significant improper payments. For the Bank's FY 2015 reporting, which covered FY 2014 transactions, the OIG found that the Bank fully complied with all reporting requirements of the improper payments laws, as stipulated in OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, and OMB Circular A-136, *Financial Reporting Requirements*. In FYs 2015 and 2016, there were no new programs added or significant changes to existing programs. Further, there was a significant decline in the Bank's business volume and outstanding exposure for FY 2016 in comparison to FY 2015 due to the lapse in the Bank's authority and the lack of a quorum for the transaction of business. Consequently, the Bank's exposure to improper payments was reduced. Therefore, in FYs 2016 and 2017 program-specific risk assessments were not required, and were not conducted, for EXIM Bank's FYs 2015 and 2016 transactions, respectively. EXIM Bank reported that it will perform the next extensive review of improper payments for its FY 2017 transactions, which will be reflected in its FY 2018 payment integrity reporting.

**AUDIT RESULTS**

**EXIM Bank’s FY 2017 Payment Integrity Annual Reporting Fully Complied with the Improper Payments Laws for FY 2016 Transactions**

EXIM Bank's FY 2017 payment integrity annual reporting fully complied with all reporting requirements of the improper payments laws as stipulated in OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*. OMB provides specific guidance on what each agency Inspector General should review to determine if an agency is compliant with the improper payments laws. Table 1 summarizes the six requirements and the results of our audit of EXIM Bank's compliance.
Table 1. Summary of EXIM Bank’s Compliance with Improper Payments Requirements

<table>
<thead>
<tr>
<th>OMB Circular A-123 Improper Payments Requirement</th>
<th>Yes, No, or Not Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did the agency…</td>
<td></td>
</tr>
<tr>
<td>1. Publish an AFR or PAR for the most recent fiscal year and post that report and any accompanying materials required by OMB on the agency website?</td>
<td>Yes&lt;sup&gt;6&lt;/sup&gt;</td>
</tr>
<tr>
<td>2. Conduct a program-specific risk assessment for each program or activity as required?</td>
<td>Not Required&lt;sup&gt;7&lt;/sup&gt; based on the EXIM Bank’s low risk determination in FY 2015 and no significant changes in programs in FYs 2015 and 2016</td>
</tr>
<tr>
<td>3. Publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments as required?</td>
<td>Not Required based on the EXIM Bank’s risk assessment for FY 2015</td>
</tr>
<tr>
<td>4. Publish programmatic corrective action plans in the PAR or AFR as required?</td>
<td>Not Required based on the EXIM Bank’s risk assessment for FY 2015</td>
</tr>
<tr>
<td>5. Publish and meet annual reduction targets for each program assessed to be at risk and measured for improper payments?</td>
<td>Not Required based on the EXIM Bank’s risk assessment for FY 2015</td>
</tr>
<tr>
<td>6. Report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR?</td>
<td>Not Required based on the EXIM Bank’s risk assessment for FY 2015</td>
</tr>
</tbody>
</table>

We also determined that the EXIM Bank fully complied with all payment integrity reporting requirements of OMB Circular A-136, *Financial Reporting Requirements*, for its FY 2017 reporting. As the Bank’s programs were deemed low risk for significant improper payments, program-specific risk assessments were not required in FYs 2016 and 2017, respectively.


<sup>7</sup> IPERA requires agencies to conduct improper payment risk assessments for all programs, unless they receive a waiver from OMB. For programs that are deemed to be low risk of significant improper payments, agencies must perform risk assessments at least once every three years. However, if a low risk program experiences a significant change in legislation and/or a significant increase in its funding level, agencies are required to reassess the program’s risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment. EXIM Bank conducted a risk assessment in FY 2015 and its FY 2014 programs were deemed low risk for significant improper payments. As the Bank’s program did not experience significant changes in FYs 2015 and 2016, program-specific risk assessments were not required in FYs 2016 and 2017, respectively.
payments, the following reporting requirements were not applicable to the Bank for FY 2017:

- Barriers
- Accountability
- Agency Information Systems and Other Infrastructure
- Sampling and Estimation

Further, the revised FY 2017 OMB Circular A-136 removed the reporting requirement for the risk assessment process and the related prior year detailed guidance. However, we found that the Bank’s discussion of its methodology in the FY 2017 Annual Report was informative and necessary to demonstrate compliance with OMB Circular A-123, Appendix C. While the Bank’s FY 2017 reporting met payment integrity reporting requirements, we noted that the Annual Report discussion could be improved by (1) clarifying the recapture audit plan discussion to be consistent with the Bank’s policies and procedures and (2) discussing funds recovered through sources other than payment recapture audits. In addition, we observed that the Bank could provide additional context on the Bank’s risk assessment process to inform the reader on why the FY 2015 risk assessment was discussed in the FY 2017 Annual Report.

**Finding 1: While EXIM Bank Fully Met Payment Integrity Reporting Requirements, Discussion in the Annual Report Could Be Improved**

**Recapture Audit Plan Discussion is Unclear, Incomplete, and Inconsistent with the Bank’s Policies and Procedures**

The recapture audit plan discussion in the FY2017 Annual Report is not clear. The *Recapture Audit Plan* section in the FY2017 Annual Report starts out by saying “EXIM updated its Recapture Audit Plan in 2016 to reflect and enhance the process needed to ensure timely recover[y] of an improper payment”. However, the “Recapture Audit Plan” terminology could be misleading. Based on our review of the Bank’s policies and procedures for implementing the improper payments laws, *EXIM Improper Payments Review Policies and Procedures*, the Bank does not have a Recapture Audit Plan – an audit plan that actively looks to identify improper payments – as it is not considered to be cost effective. Rather, the Bank has a process in place to recapture improper payments if and when they are identified through sources other than payment recapture audits.

The Bank described its recapture process within the *Recapture Audit Plan* section. The last two sentences under this section state: “With a determination of low susceptibility of improper payments, no overpayments, and strong detective and preventive internal controls, the Bank did not deem it necessary or cost effective to implement a performance recapture program. Additionally, when the next recapture audit is conducted, EXIM will work with the Office and Management and Budget on a cost effectiveness analysis of a Recapture Audit.” As noted above, the Bank has an improper payments recapture process, but not a “recapture audit” program. Further, the Bank’s *EXIM Improper Payments Review Policies and Procedures* conclusively state that a recapture audit is not cost effective and “would not
provide more value to the current process in place”. They do not identify the need for additional analysis that will be performed working with OMB. Therefore, the discussion in the Annual Report is not consistent with the Bank’s policies and procedures.

Further, the **Recapture Audit Plan** section in the FY2017 Annual Report does not discuss whether the Bank recovered funds through sources other than payment recapture audits or the Bank’s policies and procedures related to such reporting. According to OMB Circular A-136, the agency is required to report the amount recovered through recapture audits and amounts recovered through sources other than payment recapture audits, including the percent such amounts represent of the total overpayments identified for recapture. Examples include reporting on improper payments identified through statistical samples, agency post-payment reviews or audits, OIG reviews, self-reported overpayments, or reports from the public. Agencies are instructed to group amounts recovered by program or activity or in total per the source of recapture, as appropriate.

**Other Observation**

In addition, we observed that the payment integrity discussion in the FY 2017 Annual Report does not provide context on why it discusses the FY 2015 risk assessment and susceptibility of improper payments. Context would be provided by discussing the OMB guidance that allows agencies to perform risk assessments at least once every three years for programs that (1) are deemed low risk of significant improper payments and (2) have not experienced a significant change in legislation and/or a significant increase in its funding level. While the FY 2017 Annual Report discusses how the Bank’s programs meet this OMB guidance at the end (section Current IPERIA Status for EXIM), additional clarification earlier on would help the reader better understand why the FY 2015 risk assessment is being discussed in FY 2017. For example, the FY 2017 Annual Report payment integrity discussion would have been clearer if the (i.) IPERIA Requirements section would have discussed OMB guidance for low risk programs and (ii.) EXIM Methodology section would have discussed why a new risk assessment was not performed in FY 2017.

**CONCLUSION**

We found the Bank complied with all payment integrity reporting requirements for the FY 2017 reporting of its FY 2016 transactions. As discussed above, while the Bank fully met payment integrity reporting requirements, we noted that the Annual Report discussion could be improved by (1) clarifying the recapture audit plan discussion to be consistent with the Bank’s policies and procedures and (2) discussing funds recovered through sources other than payment recapture audits. We provided one recommendation that we believe will add clarity to the Payment Integrity’s recapture audit plan discussion in the Annual Report.
Lastly, we observed that the Bank could provide additional context on the Bank’s risk assessment process to inform the reader on why the FY 2015 risk assessment was discussed in the FY 2017 Annual Report. However, we recognized that the risk assessment discussion is not required by OMB guidance; therefore, no recommendation was made.

**Recommendation, Management’s Comments, and Auditors’ Response**

We recommend that the Office of the Chief Financial Officer:

1. Revise the *Recapture Audit Plan* discussion in the Annual Report to (i.) remove any terminology that may be construed as misleading, (ii.) accurately reflect the Bank’s policies and procedures for the recapture of improper payments and the decision to not perform recapture audits, and (iii.) discuss recaptured improper payments in accordance with OMB guidance.

**Management’s Comments**

EXIM Bank Management concurred with our recommendation. Management stated it will revise the *Recapture Audit Plan* discussion to ensure it is more clear and concise. Management will remove all terminology that may be construed as misleading, accurately reflect the Bank’s policies and procedures and the decision to not perform recapture audits, and report all recaptured improper payments in accordance with OMB guidance.

**Auditors’ Response**

EXIM Bank Management’s proposed actions are responsive to the recommendation. The recommendation will be closed upon completion and verification of the proposed actions.
Appendix A: Management Response

May 8, 2018

Terry Settle
Acting Inspector General
Office of the Inspector General
Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, DC 20571

Dear Ms. Settle,

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 on Export-Import Bank’s FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws” (the “Report”). Management continues to support the OIG’s work which complements the Bank’s efforts to continually improve its processes. EXIM Bank is proud of the strong and cooperative relationship it has with the OIG.

The OIG contracted with CliftonLarsonAllen LLP (“CLA”) to conduct an audit of the Bank’s payment integrity and improper payment practices. The Bank appreciates CLA recognizing that the Bank “fully complied with all reporting requirements of the improper payments laws, as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements.”

The OIG, through CLA, has made one new recommendation to further enhance current policies and improve payment integrity and improper payment reporting. The Bank concurs with the recommendation and will move forward with implementing the recommendation.

Recommendation 1: We recommend that the Office of the Chief Financial Officer revise the Recapture Audit Plan discussion in the Annual Report to (i.) remove any terminology that may be construed as misleading (ii.) accurately reflect the Bank’s policies and procedures for the recapture of improper payments and the decision to not perform recapture audits, and (iii.) discuss recaptured improper payments in accordance with OMB guidance.

Management Response: The Bank concurs with this recommendation.

The Bank’s Office of the Chief Financial Officer (OCFO) will revise the Recapture Audit Plan discussion to ensure it is more clear and concise. OCFO will remove all terminology that may be construed as misleading, accurately reflect the Bank’s policies and procedures and the decision to not perform recapture audits, and report all recaptured improper payments in accordance with OMB guidance.
Management Response: The Bank concurs with this recommendation.

The Bank’s Office of the Chief Financial Officer (OCFO) will revise the Recapture Audit Plan discussion to ensure it is more clear and concise. OCFO will remove all terminology that may be construed as misleading, accurately reflect the Bank’s policies and procedures and the decision to not perform recapture audits, and report all recaptured improper payments in accordance with OMB guidance.

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 EXIM 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,

Jeffrey Goettman
Acting Head of Agency
Executive Vice President and Chief Operating Officer
Export-Import Bank of the United States