Independent Auditors’ Report on EXIM’s Compliance with the Payment Integrity Information Act of 2019 for FY 2020

April 22, 2021
OIG-AR-21-04
The Export-Import Bank of the United States (EXIM or the Agency) is the official export credit agency of the United States (U.S.). EXIM is an independent, self-financing executive agency and a wholly-owned U.S. government corporation. EXIM’s mission is to support jobs in the United States by facilitating the export of U.S. goods and services. EXIM provides competitive export financing and ensures a level playing field for U.S. exports in the global marketplace.

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

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

From: Jennifer Fain  
Acting Inspector General  

Subject: Independent Auditors’ Report on EXIM’s Compliance with the Payment Integrity Information Act of 2019 for FY 2020  

Date: April 22, 2021  

This memorandum transmits the Independent Auditors’ Report on EXIM’s compliance with the Payment Integrity Information Act (PIIA) of 2019 for fiscal year (FY) 2020. Under a contract monitored by this office, we engaged the independent public accounting firm of Ernst & Young LLP (EY) to perform the audit. The objective was to determine whether EXIM met all of the reporting requirements of PIIA in the payment integrity section of its FY 2020 Annual Report (AR) and accompanying materials. In addition, the audit assessed the accuracy and completeness of EXIM’s improper payment reporting and efforts to prevent and reduce improper payments.

EY determined that EXIM complied with the annual reporting requirements of PIIA for FY 2020 and its reporting was accurate and complete. In addition, EXIM has taken adequate steps to prevent and reduce improper payments and maintained adequate internal controls over the improper payment process. There are no recommendations in this report.

We appreciate the cooperation and courtesies provided to EY and this office during the audit. If you have questions, please contact me at (202) 565-3439 or jennifer.fain@exim.gov, or Courtney Potter at (202) 565-3976 or courtney.potter@exim.gov. You can obtain additional information about EXIM OIG and the Inspector General Act of 1978 at www.exim.gov/about/oig.
Independent Auditors’ Report on EXIM’s Compliance with the Payment Integrity Information Act of 2019

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

We conducted a performance audit of the Export-Import Bank of the United States’ (EXIM or the Agency) compliance with the required calculation and disclosure of Improper Payment Rates as of and for the fiscal year (FY) ending September 30, 2020. The objective was to determine if EXIM met all of the reporting requirements of the Payment Integrity Information Act of 2019 (PIIA) in the payment integrity section of its FY 2020 Annual Report (AR). In addition, the performance audit assessed the accuracy and completeness of the Agency’s improper payment reporting and efforts to prevent and reduce improper payments. EXIM’s management is responsible for complying with PIIA.

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

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

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

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Public Law 111-204) amended the Improper Payments Information Act of 2002 and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). In addition, section 3 of IPERA required Inspectors General to review each agency’s improper payment reporting and issue an annual report. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) repealed IPERA (and other laws), but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.
OMB published final guidance related to PIIA on March 5, 2021, instructing agencies to apply the requirements to FY 2021 reporting. As a result, we initiated and performed our FY 2020 performance audit using a combination of the requirements in OMB Circular A-123, Appendix C (M-18-20, June 2018), OMB Circular A-136 (August 2020), OMB Annual Data Call Instructions, and OMB Payment Integrity Question and Answer Platform, and the Council of the Inspectors General on Integrity and Efficiency Guide for Payment Integrity Information Act Compliance Reviews (November 2020).

Additionally, we determined that the internal controls within the context of the performance audit objective is significant. Accordingly, we obtained an understanding of the management process, evaluated the control environment, and determined whether EXIM maintained adequate internal controls over the improper payment process.

Based on the results of our procedures, we determined that EXIM met all of the PIIA reporting requirements and abided by the guidelines described above.

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

April 22, 2021
EXECUTIVE SUMMARY

Why We Did This Audit

The Payment Integrity Information Act of 2019 (PIIA) requires each agency’s Inspector General to perform an annual review of the agency’s compliance with improper payment reporting requirements, as stipulated in Office of Management and Budget (OMB) guidance.

The Export-Import Bank of the United States (EXIM) Office of Inspector General (OIG) engaged EY to conduct an independent audit to determine whether EXIM met all of the reporting requirements of PIIA in the payment integrity section of its fiscal year (FY) 2020 Annual Report (AR). In addition, the performance audit assessed the accuracy and completeness of EXIM’s improper payment reporting and efforts to prevent and reduce improper payments.

What We Recommend

There are no recommendations in this report.

What We Found

We determined that EXIM complied with the annual reporting requirements of PIIA for FY 2020 (see table below) and its reporting was accurate and complete. We also found that EXIM has taken adequate steps to prevent and reduce improper payments.

Table 1: EXIM’s Compliance with OMB Circular A-123
(Applicable Requirements)

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Published an Annual Report</th>
<th>Conducted a Risk Assessment</th>
<th>Report on Fraud Reduction Efforts in FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Authorizations</td>
<td>Compliant</td>
<td>Compliant</td>
<td>Compliant</td>
</tr>
<tr>
<td>Medium-term Authorizations</td>
<td>Compliant</td>
<td>Compliant</td>
<td>Compliant</td>
</tr>
<tr>
<td>Long-term Authorizations</td>
<td>Compliant</td>
<td>Compliant</td>
<td>Compliant</td>
</tr>
<tr>
<td>Cash-control Disbursements</td>
<td>Compliant</td>
<td>Compliant</td>
<td>Compliant</td>
</tr>
</tbody>
</table>

In addition, we evaluated EXIM’s assessment of the level of risk and quality of improper payments and methodology for the four payment programs to determine susceptibility to significant improper payments. We found that none of the four programs exceeded the PIIA-determined threshold to be considered susceptible to significant improper payments. Further, our review did not identify a higher risk score nor any additional areas that should be added to the Agency’s risk assessment. Lastly, we found that EXIM maintained adequate internal controls over the improper payment process.

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

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>i</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>ii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>iii</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>4</td>
</tr>
<tr>
<td>SCOPE AND METHODOLOGY</td>
<td>4</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>6</td>
</tr>
<tr>
<td>AUDIT RESULTS</td>
<td>7</td>
</tr>
<tr>
<td>EXIM Complied with PIIA for FY 2020 Payment Integrity Annual Reporting</td>
<td>7</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>9</td>
</tr>
<tr>
<td>APPENDICES</td>
<td>10</td>
</tr>
<tr>
<td>Appendix A: Management Response</td>
<td>10</td>
</tr>
<tr>
<td>Appendix B: Distribution List</td>
<td>11</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 1: EXIM’s Compliance with OMB Circular A-123 (Applicable Requirements) ....................... i
Table 2: Summary of EXIM’s Compliance with OMB Circular A-123, Appendix C ......................... 8
INTRODUCTION

The Payment Integrity Information Act of 2019 (PIIA; P.L. No. 116-117) repealed the Improper Payments Information Act of 2002 (IPIA; P.L. No. 107-300), the Improper Payments Elimination and Recovery Act of 2010 (IPERA; P.L. No. 111-204) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; P.L. No. 112-248) and consolidated the comparable provisions from the rescinded statutes into a single subchapter of the United States (U.S.) Code. PIIA requires Inspectors General to review and report on federal agencies’ annual improper payment information included in their Annual Reports to determine their compliance with the improper payment law. This report presents the results of our performance audit of the Export-Import Bank of the United States’ (EXIM or the Agency) compliance with PIIA and Office of Management and Budget (OMB) guidance for the fiscal year (FY) ending September 30, 2020. The objectives of the audit were to:

- Determine whether EXIM has met all requirements of PIIA in the payment integrity section of the fiscal year (FY) 2020 Annual Report (AR) and accompanying materials.
- Assess the accuracy and completeness of EXIM’s reporting and efforts to prevent and reduce improper payments.

In addition, we evaluated EXIM’s assessment of the level of risk and quality of improper payments and methodology for four payment programs (short-term authorizations, medium-term authorizations, long-term authorizations, and cash-control disbursements). EXIM issued its FY 2020 AR on November 13, 2020. EXIM determined that these programs were not susceptible to significant improper payments.

SCOPE AND METHODOLOGY

Scope

Our audit was performed from February 2, 2021 through April 22, 2021 and covered the information that was reported in the “Payment Integrity” section of EXIM’s FY 2020 Annual Report (AR). EXIM included information on four payment programs, as follows:

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

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1 See 31 U.S. Code Subchapter IV – Improper Payments; 31 USC § 3351.
2 See OMB Memorandum, Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement (OMB M-18-20, June 26, 2018).
and expense payments.

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

Our audit determined whether EXIM was compliant with the reporting requirements of the improper payment law for FY 2020 reporting. In addition, the audit assessed the accuracy and completeness of EXIM’s improper payment reporting and agency performance in preventing and reducing improper payments.

Methodology

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

To determine whether EXIM complied with the PIIA, we:

- Reviewed PIIA, OMB Circulars A-123 Appendix C (M-18-20) and A-136 to understand compliance and reporting requirements;
- Examined the improper payment section in EXIM’s FY 2020 AR to assess compliance with PIIA;
- Reviewed information on https://paymentaccuracy.gov through the annual OMB data call;
- Obtained an understanding of internal controls relative to the audit;
- Analyzed source data, including improper payment logs, cash disbursement details and questionnaires that EXIM used to support applicable payment integrity information in the AR;
- Concluded whether EXIM met each of the six PIIA compliance requirements: (A) Published financial statements of most recent fiscal year; (B) Conducted a program specific risk assessment; (C) Published improper payment rates, if required; (D) Published Corrective Action Plan (CAP), if required; (E) Published improper payment reduction targets, if required; (F) Reported an improper payment rate of less than 10 percent, if required. P.L. 116-117 § 3351 (2);
- Determined whether EXIM published improper payment information in the AR for the most recent fiscal year; and
- Assessed EXIM’s efforts to prevent and reduce improper payments.

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

**BACKGROUND**

IPERA amended IPIA and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by OMB. For programs or activities with estimated improper payments, each agency was required to prepare a report on actions it has taken or plans to take to recover improper payments and prevent future improper payments. In addition, section 3 of IPERA required Inspectors General to review each agency’s improper payment reporting and issue an annual report. On March 2, 2020, the PIIA repealed IPERA and other existing laws, but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General. PIIA also created four additional risk factors that must be used when determining a program’s risk susceptibility to improper payments.

An improper payment is any disbursement or transfer of federal funds to any non-federal person, non-federal entity or federal employee that is made by a federal agency, a federal contractor, a federal grantee, or a governmental or other organization administering a federal program or activity that should not have been made or that was made in an incorrect amount (either an overpayment or an underpayment), as well as other causes listed in the OMB implementation guidance. To improve accountability of federal agencies’ administration of funds, the improper payment laws require agencies, including EXIM, to annually report information to the President and Congress on the agency’s improper payments. OMB Circulars provide guidance on the implementation of and reporting under PIIA (OMB Circular A-123, Appendix C, parts I and II, and OMB Circular A-136, § II.4.5).[^5]

Additionally, in accordance with PIIA, EXIM performed a risk assessment of the programs it deemed low risk for significant improper payments, and which had not experienced a significant change in legislation and/or funding level. The risk assessment is performed once every three years. With OMB’s approval, EXIM reports its improper payments one year in arrears as the result of EXIM analysis not being available by November 15th of the current period. Based on the most recent risk assessment, which was performed in FY 2019 on FY 2018 transactions,[^6] and the validation of the risk assessment, performed in FY 2020 on FY 2019 data, EXIM deemed each of its four payment programs (short-term authorizations, medium-term authorizations, long-term authorizations and cash-control disbursements) as not susceptible to significant improper payments. Although OMB guidance was not finalized when EXIM conducted its verification of the risk assessment, EXIM reviewed its risk assessment process and concluded that the additional risk factors created by PIIA were


already incorporated in its existing risk assessment process. Further discussion can be found in the Audit Results section below.

As each program is deemed low risk, PIIA does not require EXIM to perform certain processes, including:

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

**AUDIT RESULTS**

**EXIM Complied with PIIA for FY 2020 Payment Integrity Annual Reporting**

For FY 2020, we determined that EXIM complied with PIIA for annual reporting consistent with OMB Circular A-123 (see Table 2 below for a summary) and its reporting was accurate and complete. In addition, EXIM performed the procedures outlined in the Risk Assessment Report aimed at reducing and recapturing improper payments. We evaluated the Agency’s efforts to prevent and reduce susceptibility to improper payments. We also evaluated EXIM’s oversight and internal controls to decrease improper payments. We also obtained the updates to the Risk Assessment Questionnaire. We evaluated EXIM’s compliance with the Do Not Pay Initiative and implementation of its Character, Reputational, and Transaction Integrity “CRTI” process. Finally, we reviewed EXIM’s Recapture Audit Plan and the development of a Fraud Risk Management (FRM) framework. Based on all of these combined efforts, we determined that EXIM has taken adequate steps to prevent and reduce improper payments.

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7 Supra note 2.

8 Supra note 6.

9 CRTI is a process initiated by EXIM to vet transaction participants. The process consists of an analysis of companies and individuals to identify potential fraud, corruption, and integrity risks associated with parties to a transaction.
EXIM conducted a validation of its 2019 risk assessment in FY 2020, utilizing FY 2019 data by conducting a qualitative and quantitative analysis of its four programs to determine whether each was susceptible to significant improper payments as defined by PIIA and OMB A-123 Appendix C. The qualitative analysis included a review of its total outlays, obligations, and improper payments. The quantitative analysis included review of the results from the questionnaire to program managers based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Management’s analysis determined that EXIM’s programs were not susceptible to significant improper payments, because none of its programs exceeded the established threshold or had significant changes or increases in funding since the last risk assessment was conducted in FY 2019.

Although management is responsible for assessing program risk for susceptibility for improper payments, it is only required to publish improper payment rates, corrective action plans, reduction target and report improper payment rates of less than 10 percent for each program that is assessed as susceptible to significant improper payments. Agency management is also responsible for publishing an improper payment estimate for any high priority programs that are identified by OMB. Since EXIM’s programs were not identified as high priority programs and the Agency deemed their programs as not susceptible, it was not required to publish data relative to these improper payment requirements.

We evaluated EXIM’s assessment of the level of risk for the four payment programs to determine susceptibility to significant improper payments by reviewing the validation of the risk assessment and analyzing improper payment logs, cash disbursement details and noted that none of the four programs exceeded the PIIA-determined threshold to be considered susceptible to significant improper payments. We also reviewed the AR and noted that EXIM disclosed information regarding fraud reduction efforts and conducted interviews with management about controls over the fraud. Our evaluation did not identify a higher risk score, nor any additional areas that should be considered by EXIM in its risk assessment process.
Lastly, we obtained an understanding of management procedures, oversight and controls in place to identify and prevent improper payments and controls surrounding the risk assessment compilation. This process included the review of questionnaire responses that were used by management to determine EXIM’s level of risk for improper payments. Additionally, we conducted interviews of management and walked through key controls over the payment process.

**CONCLUSION**

We determined that EXIM was compliant with the reporting requirements of PIIA for FY 2020 reporting and that the Agency maintained adequate internal controls over the improper payment process. As a result, there are no recommendations in this report.
DATE: April 13, 2021

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

THROUGH: Mary Jean Buhler, SVP & Chief Financial Officer

FROM: Adam Martinez, Chief Management Officer

SUBJECT: EXIM Management Response to the draft Independent Auditors’ Report on Export-Import Bank’s Compliance with the Payment Integrity and Information Act of 2019 for FY2020


EXIM notes that OIG staff indicated that EXIM’s payment integrity annual reporting for FY 2020 was “accurate and complete” and no recommendations were provided in the report.

We look forward to continued positive collaboration.

CC:
Henry Pitney, Acting SVP and General Counsel  
John Connor, Assistant General Counsel for Litigation, Fraud and Compliance  
Kenneth Tinsley, SVP and Chief Risk Officer  
Walter Hill, VP of Credit Policy and Compliance  
Inci Tonguch-Murray, SVP and Deputy Chief Financial Officer  
Nathalie Herman, VP and Treasurer  
Cristopolis Dieguez, Director, Internal Controls and Compliance
Appendix B: Distribution List

James Cruse, First Vice President and Vice Chairman (Acting)
Adam Martinez, Senior Vice President and Chief Management Officer
Madolyn Phillips, Deputy Chief Banking Officer
Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Henry Pitney, Senior Vice President and General Counsel (Acting)
Inci Tonguch-Murray, Senior Vice President and Deputy Chief Financial Officer
Patricia Wolf, Vice President and Controller
Cristopolis Dieguez, Director, Internal Controls and Compliance
Eleanor Crawford, Managing Director, Ernst & Young LLP
Angel Estrada, Senior Manager, Ernst & Young LLP
Courtney Potter, Deputy AIG for Audits and Evaluations, OIG
Arinee Tackoor, Senior Auditor and FAC-COR, OIG
Amanda Myers, Senior Counsel, OIG