



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

**Fiscal Year 2016**  
**Financial Statements Audit**  
**- Management Letter**

**March 6, 2017**  
**OIG-AR-17-03**

---

Information about specific vulnerabilities in IT systems has been redacted from the publicly released version of this report. The information withheld was compiled in connection with OIG law enforcement responsibilities and consists of information that, if released publicly, could lead to the circumvention of the law.

---



To: David Sena, Senior Vice President and Chief Financial Officer  
Howard Spira, Senior Vice President and Chief Information Officer

From: Terry Settle *TL*  
Assistant Inspector General for Audits

Subject: Fiscal Year 2016 Financial Statements Audit - Management Letter  
OIG-AR-17-03

Date: March 6, 2017

This memorandum transmits Deloitte and Touche LLP's (Deloitte) Management Letter on the Export-Import Bank of the United States' (EXIM Bank) financial statements for fiscal year ended 2016. Under a contract monitored by this office, we engaged the independent public accounting firm of Deloitte to perform an audit of EXIM Bank's financial statements. The contract required the audit to be performed in accordance with United States generally accepted government auditing standards and Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

This report contains comments and recommendations related to internal control deficiencies and other matters. Deloitte identified five deficiencies in EXIM Bank's internal control over financial reporting. The five internal control deficiencies noted in this report were not significant and therefore, the deficiencies were not required to be reported in the EXIM Bank's independent audit report. Deloitte's observations and recommendations, and management's responses regarding such matters are presented in the Attachment.

Deloitte is responsible for the attached management letter dated February 24, 2017, and the conclusions expressed in the letter. We do not express opinions on EXIM Bank's financial statements, internal control, or conclusions on compliance with laws and regulations.

We appreciate the cooperation and courtesies provided to Deloitte and this office during the audit. If you have questions, please contact Terry Settle, (202) 565-3498 or [Terry.Settle@exim.gov](mailto: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/about/oig](http://www.exim.gov/about/oig).

cc: C.J. Hall, Acting President and Chairman, Executive Vice President and Chief  
Operating Officer  
Angela Freyre, General Counsel  
Inci Tonguch-Murray, Deputy Chief Financial Officer  
Nathalie Herman, Treasurer, Office of the Chief Financial Officer  
Patricia Wolf, Controller, Office of the Chief Financial Office  
John Lowry, Director, Information Technology Security and Systems Assurance  
Duncan Barks, Partner, Deloitte and Touche LLP



**Deloitte & Touche LLP**  
7900 Tysons One Place  
Suite 800  
McLean, VA 22102-5974  
USA

Tel: +1 703 251 1000  
[www.deloitte.com](http://www.deloitte.com)

February 24, 2017

Mr. Michael McCarthy, Deputy Inspector General  
Export-Import Bank of the United States  
811 Vermont Avenue NW  
Washington, D.C. 20571

Dear Mr. McCarthy:

We have performed an audit of the financial statements of the Export-Import Bank of the United States ("EXIM Bank" or the "Bank") as of and for the year ended September 30, 2016 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"), the Generally Accepted Government Auditing Standard ("Yellow Book") issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* (collectively referred to as the "Auditing Standards") and have issued our report thereon dated November 10, 2016.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of EXIM Bank is responsible. These matters were communicated orally to Ms. Terry Settle, Assistant Inspector General for Audits, on November 22, 2016.

This report is intended solely for the information and use of the Office of Inspector General (OIG), management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

cc: The Management of Export-Import Bank of the United States

## **Our Responsibility under the Auditing Standards**

Our responsibility under the Auditing Standards has been described in our engagement letter dated August 26, 2016, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with Auditing Standards is to express an opinion on the fairness of the presentation of the Bank's financial statements for the year ended September 30, 2016, in conformity with accounting principles generally accepted in the United States of America, applicable for federal agencies, ("generally accepted accounting principles"), in all material respects. Our responsibilities under Auditing Standards include forming and expressing an opinion about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **Significant Accounting Policies**

The Bank's significant accounting policies are set forth in Note 1 to EXIM Bank's 2016 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended September 30, 2016.

We have evaluated the significant qualitative aspects of the EXIM Bank's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in EXIM Bank's 2016 financial statements include the allowances for losses on loans receivable, subrogated claims receivable, guarantees, and insurance. The allowances for losses reduce the recorded balances to their estimated net present value. The allowances are established through a provision charged to earnings. These estimates for losses are based upon the collectability of individual credits and their related cash flow forecasts, historical and current market loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, expected defaults, fees and recoveries, and prevailing world-wide economic and political conditions. Therefore, the value used to determine the allowances for losses is subject to the reasonableness of these estimates. Although

management believes the estimates underlying the calculation of specific allowances reflected in EXIM Bank's 2016 financial statements are reasonable, there can be no assurances that the Bank could ultimately realize these values. The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors' report on the financial statements, is our understanding and testing of the process used by management to develop the estimates.

### **Uncorrected Misstatements**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

### **Material Corrected Misstatements**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

### **Disagreements with Management**

We have not had any disagreements with management related to matters that are material to EXIM Bank's 2016 financial statements.

### **Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2016

### **Significant Findings or Issues Discussed, or Subject of Correspondence, with Management prior to Our Initial Engagement or Retention**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

### **Other Significant Findings or Issues Arising from the Audit Discussed, or Subject of Correspondence, with Management**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to OIG.

## **Significant Difficulties Encountered in Performing the Audit**

In our judgment, we received the full cooperation of EXIM Bank's management and staff and had unrestricted access to the Bank's senior management in the performance of our audit.

## **Management's Representations**

We have made specific inquiries of EXIM Bank's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the Bank is required to provide to its independent auditors under the Auditing Standards. We have attached to this letter, as Appendix B, a copy of the representation letter we obtained from management.

## **Control-Related Matters**

We have also identified, and included in Appendix A, deficiencies involving EXIM Bank's internal control over financial reporting as of September 30, 2016, that we wish to bring to your attention.

The definitions of a deficiency and a material weakness are also set forth in Appendix A.

Although we have included management's written response to our comments in Appendix A, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

\* \* \* \* \*

- Appendix A: Matters Related to Internal Control over Financial Reporting
- Appendix B: Representations from Management

## SECTION I—DEFICIENCIES

We identified the following deficiencies involving the Bank's internal control over financial reporting for the year ended September 30, 2016 that we wish to bring to your attention:

### 2016-001 Segregation of Duties EXIM Reporting System (ERS)

**Condition**—During our testing of ERS Segregation of Duties, we noted that the responsibilities for developing and migrating Extract-Transform-Load (ETL) object and dashboard report changes into the production environment for the ERS application are not appropriately segregated, as users who are members of both the (b) (4) groups have access to develop and migrate changes. As a result, four users have the ability to develop and migrate changes

**Criteria**—Criteria for our consideration according to the Federal Information System Controls Audit Manual ("FISCAM"), include, but are not limited to, the following:

- Resource owners have identified authorized users and the access they are authorized to have.
- Program development and maintenance, testing, and production programs are maintained separately (for example, libraries) and movement between these areas is appropriately controlled, including appropriate consideration of segregation of duties (see the Segregation of Duties control category).
- Access controls enforce segregation of duties.

**Cause**—The root cause of the deficiencies is as follows:

- Lack of segregation of duties is due to a small team of qualified individuals able to manage development responsibilities and production migration.
- The ERS change management team had multiple new members hired during the testing period, October 1, 2015 to September 30, 2016, including the hiring of a new Director of Reporting and Data Management.

**Effect or Potential Effect**—The effects or potential effects if the deficiencies are as follows:

- Inappropriate changes may be made to application systems or programs that contain relevant automated controls (i.e., configurable settings, automated algorithms, automated calculations, and automated data extraction) and/or report logic.
- Although there was a lack of segregation of duties, ERS application changes were appropriately tested and approved before being migrated into production.

**Recommendation**—We recommend that EXIM Bank perform the following measures:

- #1 Establish segregation of duties in the access privileges between developers and migrators of ETL and Dashboard report changes, or establish a documented detective control, in which the population of ERS (b) (4) tickets is cross-referenced to a source

system outside of the (b) (4) system (e.g., the ERS Database for ETL changes and the Catalog Manager for Dashboard reports) to confirm that there have been no changes migrated into the production environment without a corresponding approved (b) (4) ticket.

**EXIM Bank's Response to Finding**—EXIM Bank agrees with this recommendation. EXIM will perform three steps in order to implement this recommendation. (1) Develop a Configuration Management (CM) plan. (2) Identify CM members who will perform migration of ETL code and reports. (3) Establish controls. This effort will be completed by May 1, 2017.

### **2016-002 Privileged Access**

**Condition**—The (b) (4) account on the (b) (4) database maintained privileged access after it was no longer required. We ascertained that although the account maintained privileges it did not need, only users authorized to create database links on the (b) (4) Database, DBAs and the Director IT Information Assurance, had access to the account.

**Criteria**—Criteria for our consideration according to FISCAM, include, but are not limited to, the following:

- Access to sensitive/privileged accounts is restricted to individuals or processes having a legitimate need for the purposes of accomplishing a valid business purpose.
- Use of sensitive/privileged accounts is adequately monitored.
- Resource owners have identified authorized users and the access they are authorized to have.
- Security managers review access authorizations and discuss any questionable authorizations with resource owners.
- Access is limited to individuals with a valid business purpose (least privilege).
- Unnecessary accounts (default, guest accounts) are removed, disabled, or otherwise secured.

**Cause**—The root cause of the deficiencies is as follows:

- Oversight by Management, as the (b) (4) account privileges (used to create database links) were not removed after the access was no longer needed as of October, 1, 2016, when EXIM Bank transitioned from the Remedy ticketing system to the (b) (4) ticketing system.

**Effect or Potential Effect**—The effects or potential effects if the deficiencies are as follows:

- If users have access privileges beyond those necessary to perform their assigned duties, this may create improper segregation of duties or allow users to materially affect data and financial information.
- Although a privileged account was maintained, only authorized users had access to the account.

**Recommendation—#2** We recommend that, when EXIM Bank performs the Annual Access Review, EXIM Bank should consider not only users with access to the applications and (b) (4) database, but also the system and service accounts, including privileges associated with system accounts and users with access to system accounts in order to confirm the appropriateness of the access.

**EXIM Bank's Response to Finding**—EXIM Bank agrees with this recommendation. EXIM ascertained that the (b) (4) account on the (b) (4) database maintained privileged access after it was no longer required, however, although the account maintained privileges it did not need, only users authorized to create database links on the (b) (4) Database, namely, the (b) (4) DBAs and the Director IT Information Assurance, had access to the account. This account was closed on 11/04/2016.

### **2016-003 User Access Separation**

**Condition**—During our testing of user access separation and user deprovisioning, the following deficiencies were noted:

- One (1) contractor with read-only access to the (b) (4) firewall maintained an active account after his termination date.
- Five (5) users who were separated from the Bank retained active VPN accounts.
- One (1) separated user maintained access to the in-scope EXIM Online (EOL) application.
- One (1) separated user maintained access to the in-scope FMS-NG application.
- One (1) separated user maintained access to the in-scope EXIM Online (b) (4) application server.

**Criteria**—Criteria for our consideration according to FISCAM, include, but are not limited to, the following:

- Inactive accounts and accounts for separated individuals are disabled or removed in a timely manner.
- Unnecessary accounts (default, guest accounts) are removed, disabled, or otherwise secured.
- Access is limited to individuals with a valid business purpose (least privilege).

**Cause**—The root cause of deficiencies are due to the followings:

- Oversight on the part of the administrators responsible for terminating the users' access after receiving the separation email notice.

**Effect or Potential Effect**—The effects or potential effects if the deficiencies are as follows:

- If access were to be exploited, unauthorized changes could have been made to EXIM Bank's financial reporting systems. Nevertheless, compensating controls, such as the annual access review, were in place and operating effectively and the users did not

retain elevated privileges in the systems and did not login after separation, making the risk of a material misstatement as a result of these deficiencies low.

- Although terminated users maintained active accounts on various systems, the access was not used after termination.

**Recommendation**—We recommend that EXIM Bank perform the following measures:

- **#3** Generate a list of separated full time employees (FTEs) and contractors on a periodic/more frequent basis and send to system reviewers, such that the reviewers compare the list to the active users of their respective applications/layers to confirm that no separated users maintain active accounts.
- **#4** Enhance the separation process for both FTEs and contractors by re-assessing the email notification component of the control such that appropriate system administrators and managers are included on the “Employee Separations” and “Contractor Separations” distribution lists and to require an email response back from the system administrator in a timely manner confirming receipt of the notification email and/or an email response letting the HR/Security office know that the user’s access has been removed.

**EXIM Bank’s Response to Finding**—EXIM Bank agrees with this recommendation. In FY2016, EXIM expanded its monthly AD account reviews adding monthly reviews of the Bank’s major applications (Exim Online, FMS-NG, and APS). This augmented process that was established in FY2016 is reaching maturity and monthly activities reports for unused accounts and separated employees and contractors are produced. Additionally, EXIM Bank will review the email distribution lists for separated employees and contractors to ensure that System Administrators have access to separated users lists in order that all accounts that should be disabled are disabled on a timely basis. System Administrators will be required to reply on their effort to eliminate unneeded accounts for separated users. This effort will be completed by May 1, 2017.

## 2016-004 Password Configurations

**Condition**—During our testing of password configurations, the following deficiencies were noted

- The (b) (4) password profile for an in-scope (b) (4) database did not have the appropriate configurations for the complexity setting.
- After inspecting the (b) (4) file for two (2) in-scope database servers (b) (4), the (b) (4) configuration which determines the password history, is not set for either server. The (b) (4) setting configuration which was missing from the (b) (4) files for the Database servers is set to (b) (7)(E) days.
- Based on inspection of the (b) (4) and (b) (4) and password configurations requirements, noted that the minimum password length, complexity, password history, and password age settings were not configured in accordance with the Access Control Policy and IT Rules of Behavior Policy for one (1) in-scope application server (b) (4).

**Criteria**—Criteria for our consideration according to FISCAM, include, but are not limited to, the following:

- Password-based authenticators are not displayed when entered; are changed periodically (e.g., every 30 to 90 days); contain alphanumeric and special characters; are sufficiently long (e.g., at least eight characters in length); have an appropriate life (automatically expire); are prohibited from reuse for a specified period of time (e.g., at least 6 generations); and are not the same as the user ID.

**Cause**—The root cause of the deficiencies is as follows:

- (b) (4) : The configurations were not applied because the (b) (4) database was installed during the testing period (10/1/2015-9/30/2016) and the script used to create the profile included an error which prevented the profile from being created with the appropriate complexity password setting.
- (b) (4) : The configurations were not applied as the servers were installed during the testing period and the password settings from the prior servers were not carried over.

**Effect or Potential Effect**—The lack of password criteria or standards increases the risk a password may be guessed or obtained by an unauthorized individual and used to gain access to the system. Additionally, we noted that these exceptions are deviations from internal policy and do not represent a compliance issue related to laws and regulations.

**Recommendation**—We recommend that EXIM Bank perform the following measures:

- #5 Updated policies and scripts used for implementing new databases and servers should be made readily available to all System Engineers and IT personnel responsible for maintaining and installing new databases/(b) (4) appliances/servers so that the password settings for newly implemented databases/servers are (b) (7)(E) and in compliance.
- #6 Either amend the current Access Control Policy to include specific password requirements (e.g., password length, complexity, age, history, etc.) for each application and infrastructure layer or create a separate Access/Password Policy for these layers so that requirements (and any approved exceptions to requirements) are documented and can be referenced and applied.

**EXIM Bank's Response to Finding**—EXIM Bank agrees with this recommendation. EXIM will examine methods for ensuring that password settings are applied prior to production and remain in place while in production. Additionally, password requirements for applications and devices that connect to the Bank network that cannot comply with the Account Management Policy will have alternative password requirement and setting documented in the appropriate system security plan, for the system of which it is a part. This effort will be completed by August 1, 2017.

## 2016-005 Security Monitoring

**Condition**—We noted that for 3 of 25 sampled days, the daily Security report was not documented, compiled and sent to the Systems and Network Engineering staff.

**Criteria**—Criteria for our consideration according to FISCAM, include, but are not limited to, the following:

- Performance measures and compliance metrics monitor the security processes and report on the state of compliance in a timely manner.
- Management initiates prompt action to correct deficiencies. Action plans and milestones are documented.
- Deficiencies are analyzed in relation to the entire agency/entity and appropriate corrective actions are applied entity wide.
- Corrective actions are tested and are monitored after they have been implemented and monitored on a continuing basis.

**Cause**—The root cause of the deficiencies is as follows:

- The Security Report was not compiled due to a transition in responsibility from the individual previously responsible for compiling and sending out the Security Report to the new individual responsible, and the reports were simply not completed and sent out for these days.
- Before the new individual started, responsibility for compiling and distributing the daily Security Report was distributed among members of the Systems Engineering team.

**Effect or Potential Effect**—If the daily Security Report is not compiled and distributed, it is possible that the appropriate personnel responsible for taking action for security vulnerabilities and breaches may not be made aware in a timely manner to mitigate or remediate the security issue.

**Recommendation**—We recommend that EXIM Bank perform the following measures:

- **#7** Document a backup or 'buddy' system, as well as a Quality Assurance (QA) check, for the users who are primarily responsible for distributing the daily Security Report so that the report is documented, compiled, and sent out on a consistent frequency, or otherwise determine another method of documenting and communicating that the Security posture from the previous day has not changed.
- **#8** Meeting minutes are documented and stored for the periodic Security Meetings to document the monitoring and compliance of the security posture and vulnerabilities in a timely manner.

**EXIM Bank's Response to Finding**—EXIM Bank agrees with this recommendation. EXIM has assigned and documented primary and backup responsibility for the preparation of the Daily Security Report. EXIM Bank will examine approaches to enhance the existing manual process to achieve a consistent outcome. Additionally, minutes of periodic security meetings will review and evaluate significant content of the Daily Security Report. This effort will be completed by April 1, 2017.

## SECTION II—DEFINITIONS

The definitions of a deficiency and a material weakness are as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

\* \* \* \* \*



## APPENDIX B

### EXPORT-IMPORT BANK OF THE UNITED STATES

---

November 10<sup>th</sup>, 2016

Deloitte & Touche LLP  
7900 Tysons One Place  
McLean, VA 22102-4219

We are providing this letter in connection with your audits of the balance sheets of Export-Import Bank of the United States, (“Ex-Im Bank” or “we”) as of September 30, 2016 and 2015 and the related statements of net costs, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, (hereinafter referred to collectively as the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of Ex-Im Bank, its net costs of operations and changes in net position, and combined budgetary resources, in conformity with accounting principles generally accepted in the United States of America applicable to federal agencies (government GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position, net costs of operations and changes in net position, and combined budgetary resources in accordance with government GAAP.
- b. The design, implementation, and maintenance of internal controls
  - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - To prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

- 
1. The financial statements referred to above are fairly presented in accordance with government GAAP, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included by the laws and regulations to which Ex-Im Bank is subject, including the Export-Import Bank Act of 1945, as amended, and the Federal Credit Reform Act of 1990.
  2. The required supplemental information (Management's Discussion and Analysis), accompanying the financial statements is fairly presented and are consistent with the financial statements.
  3. Ex-Im Bank has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  4. Ex-Im Bank has provided you:
    - a. All financial records and related data.
    - b. All minutes of the meetings of directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - c. Regulatory examination reports, supervisory correspondence or agreements, enforcement actions, and similar materials from applicable regulatory agencies, (particularly, communications concerning supervisory actions or noncompliance with, or deficiencies in, rules and regulations).
  5. There has been no communication from regulatory agencies or from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements. Further, we have advised you that there are not any regulatory examinations in process or completed for which reports have not yet been issued.
  6. We have disclosed to you the latest results of management's risk assessment, including the status of undergoing risk assessment and including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  7. We have no knowledge of any fraud or suspected fraud affecting Ex-Im Bank involving:
    - a. Management.
    - b. Employees who have significant roles in internal control over financial reporting.
    - c. Others, when the fraud could have a material effect on the financial statements.
  8. We have no knowledge of any allegations of fraud or suspected fraud affecting Ex-Im Bank received in communications from employees, former employees, analysts, regulators, lenders, exporters, or others except for allegations of fraud deemed non-credible or deemed credible enough to have been referred to the Office of the Inspector General as of the date of this letter.
  9. There were no uncorrected misstatements in the financial statements that you have identified during the audit and communicated to us.
-

- 
10. We have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
  11. Significant assumptions used by us in making accounting estimates are reasonable.
  12. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with the Statement of Federal Financial Accounting Standard ("SFFAS") No. 5, Accounting for Liabilities of the Federal Government.
  13. We are not aware of any recent or pending legislation having direct effects on the operations of Ex-Im Bank that are required to be accrued or disclosed in the financial statements.
  14. According to OMB Circular A-136, Financial Reporting Requirements, we are not required to prepare the Schedule of Spending.
  15. We have no intention of terminating our participation in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) or taking any other action that could result in an effective termination or reportable event of any of the plans. We are not aware of any occurrences that could result in the termination of our participation in the CSRS or FERS. Although Ex-Im Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, Ex-Im Bank has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does Ex-Im Bank have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the Office of Personnel Management (OPM) for the Retirement Systems and are not allocated to the individual employers. OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual employer basis.
  16. We have disclosed to you the accounting conventions used when preparing our financial statements. We believe that the effect of applying these accounting conventions and the use of such applications, in particular the use of (a) August 31, 2016 outstanding balances, and (b) June 30, 2016 default rates, to compute the subsidy re-estimate as of September 30, 2016 are immaterial to the financial statements.
  17. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of the Federal Credit Reform Act of 1990. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
  18. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
-

- 
19. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy findings that you report.
  20. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
  21. We are responsible for implementing and maintaining financial management systems that comply substantially with Federal financial management systems requirements, Federal accounting standards, and application of the U.S. Government Standard General Ledger (USSGL) at the transaction level.
  22. We have assessed the financial management systems to determine whether they comply substantially with Federal financial management systems requirements, Federal accounting standards, application of and the USSGL at the transaction level. Our assessment was based on guidance issued by OMB.
  23. Ex-Im Bank's financial management systems complied substantially with Federal financial management systems requirements, Federal accounting standards, and application of the USSGL at the transaction level as of September 30, 2016.

Except where otherwise stated below, matters less than \$ 95,000,000, in the aggregate, are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

24. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
  25. Ex-Im Bank has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
  26. Regarding related parties:
    - a. We have disclosed to you the identity of Ex-Im's related parties and all the related party relationships and transactions of which we are aware.
    - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
  27. In preparing the financial statements in conformity with government GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
    - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a
-

---

condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

- b. The effect of the change would be material to the financial statements.
28. There are no:
- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements or as a basis for recording a loss contingency.
  - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with government GAAP.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SFFAS No. 5, Accounting for Liabilities of the Federal Government.
29. The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in the financial statements in accordance with government GAAP.
30. Ex-Im Bank has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. Ex-Im Bank has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
32. Regarding required supplementary information:
- a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with government GAAP.
  - c. The methods of presentation of the supplementary information have changed from those used in the prior period and, the reasons for such changes are to better represent budgetary information.
33. We have disclosed to you any changes in Ex-Im Bank's internal control over financial reporting that occurred during Ex-Im Bank's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, Ex-Im Bank's internal control over financial reporting.
34. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
35. For financial instruments with off-balance-sheet credit risk, we have disclosed the following:
- a. The face or contract amount.
-

- 
- b. The nature and terms, including a discussion of the following:
- Credit and market risks of those instruments.
  - Cash requirements of those instruments.
  - Related accounting policy pursuant to OMB Circular A-136.
- c. Ex-Im's policy for requiring collateral or other security to support financial instruments subject to credit risk, information about Ex-Im's access to that collateral or other security, and the nature and brief description of the collateral or other security supporting those financial instruments.
36. Ex-Im Bank believes that it does not have any derivative instruments that require identification or any embedded derivative instruments that require bifurcation.
37. Loan receivables and claims recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value and disclosed in the financial statements.
38. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
39. All impaired loan receivables have been properly recorded and disclosed in the financial statements.
40. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties have been properly recorded and disclosed in the financial statements.
41. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes, unless otherwise noted. All intra-governmental transactions and balances have been appropriately recorded, reported, and disclosed. We have reconciled intra-governmental transactions and balances with the appropriate trading partners for the four fiduciary transactions identified in Treasury's Intra-governmental Fiduciary Transactions Accounting Guide, and other intra-governmental asset, liability, and revenue amounts as required by the applicable OMB Bulletin.
42. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
43. No department of the Ex-Im Bank has reported a material instance of noncompliance with laws and regulations to us.
44. Ex-Im Bank is responsible for determining and maintaining the adequacy of the allowance for losses, as well as estimates used to determine such amounts. Management includes the undisbursed exposure as part of the outstanding balances in re-estimating the subsidy cost allowance for direct loans and the liability for loan guarantees, claims, and insurance. Management believes the allowance is adequate to absorb currently estimated credit losses in Ex-Im Bank's portfolio as of September 30, 2016. Management believes the allowance for losses has been determined in accordance with accounting principles generally accepted in the United States of America applicable
-

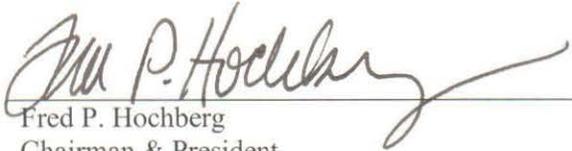
---

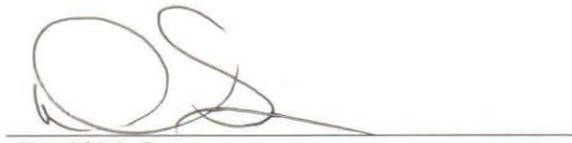
to federal agencies as of September 30, 2016. At September 30, 2016, management made its best judgment of identifiable probable losses in the loan, claim, insurance, and guarantee portfolios. Management believes that the assumptions, including the budget cost level for each individual credit exposure, used to determine the allowance are appropriate in the circumstances as of September 30, 2016.

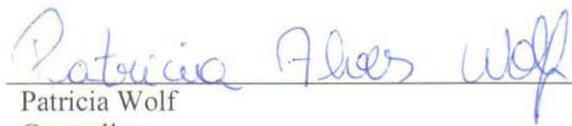
45. The allowance for losses provides for expected losses inherent in the loan, claim, guarantee, and insurance portfolios. The allowance is established as losses are estimated to have occurred through a provision charged to earnings. Write-offs are charged against the allowance when management believes the uncollectibility of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.
  46. The information presented on Ex-Im Bank's statement of budgetary resources ("SBR") agrees with the information submitted on Ex-Im Bank's year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This information will be used as input for the fiscal year 2016 actual column of the Program and Financing Schedules reported in the fiscal year 2016 Budget of the U.S. Government. Such information is supported by the related financial records and related data.
  47. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as pre-credit reform loan receivables, pre-credit reform guarantees, receivables from subrogated claims, claims payable, we believe that:
    - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.
    - b. The completeness and adequacy of the disclosures related to fair values are in conformity with government GAAP.
    - c. No events have occurred after September 30, 2016, but before November 10, 2016, the date the financial statements were available to be issued, that require adjustment to the fair value measurements and disclosures included in the financial statements.
  48. There have been no changes in the amount of capital stock held by the U.S. Treasury during the fiscal year.
  49. Ex-Im Bank is not obligated to repay the U.S. Treasury borrowings on a set payment schedule. Ex-Im Bank will repay the full amount of the borrowings by 2033.
  50. We have complied in all material respects with certain provisions of law, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statements amounts. We represent that the applicable laws and regulations with which noncompliance could have a direct and material effect are the following:
    - a. Export-Import Bank Act of 1945, as amended.
    - b. Federal Credit Reform Act of 1990.
    - c. OMB Circular A-136.
-

- 
- d. OMB Circular A-11.
  - e. Federal Financial Management Improvement Act of 1996.
  - f. Federal Acquisition Regulations (48 CFR Chapter 1).
  - g. Federal Information Security Management Act of 2002 (FISMA).
  - h. Government Corporation Control Act.
  - i. OMB Bulletin No. 07-04 Appendix E.
51. As of September 30, 2016, Ex-Im Bank was named in several legal actions, most of which involved claims under guarantee and insurance programs, while some involved claims under the Federal Tort Claims Act. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that these claims will not result in liabilities which would materially affect the financial position or results of operations of Ex-Im Bank.
52. Ex-Im Bank does not have earmarked funds as defined by SFFAS No. 27, "Identifying and Reporting Earmarked Funds."
53. We believe our allowance for losses is sufficient to cover any losses that Ex-Im Bank may incur with respect to transactions that may be the subject of fraud. For non-monitored transactions, when there is a payment default (under a direct loan) or claim payment (under a guarantee), Ex-Im Bank writes down the receivable to a Budget Cost Level 11 or 12. We are not aware of any credible evidence of fraud relating to monitored loans or guarantees, except as set forth in paragraph 8 above.
54. We are not aware of any violations of the Anti-deficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the years ended September 30, 2016 and 2015 and through the date of this letter.
55. Ex-Im Bank is not a party to major treaties or other international agreements except for an international agreement with the Government of Vietnam. We believe that the agreement does not result in any claims or contingencies which are required to be disclosed in Note 14, Commitments and Contingencies as required by OMB Circular No. A-136.
56. No events or transactions have occurred after September 30, 2016, but before November 10, 2016, the date the financial statements were available to be issued, that require consideration as adjustments to or disclosures in the financial statements.
-

---

  
Fred P. Hochberg  
Chairman & President

  
David M. Sena  
Chief Financial Officer

  
Patricia Wolf  
Controller

---

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

