

UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General



System Review Report
On the
Export-Import Bank
of the United States
Office of Inspector General

September 24, 2014



UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

System Review Report

September 24, 2014

To: Michael T. McCarthy, Acting Inspector General
Export-Import Bank of the United States

We have reviewed the system of quality control for the audit organization of the Export-Import Bank of the United States (Ex-Im Bank OIG) in effect for the year ended March 31, 2014. A system of quality control encompasses Ex-Im Bank OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. Ex-Im Bank OIG is responsible for establishing and maintaining a system of quality control that is designed to provide Ex-Im Bank OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and Ex-Im Bank OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General dated September 2014. During our review, we interviewed Ex-Im Bank OIG personnel and obtained an understanding of the nature of the Ex-Im Bank OIG audit organization, and the design of Ex-Im Bank OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits", and administrative files to test for conformity with professional standards and compliance with Ex-Im Bank OIG's system of quality control. The audits selected represented a reasonable cross-section of Ex-Im Bank OIG audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with Ex-Im Bank OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the Ex-Im Bank OIG audit organization. In addition, we tested compliance with Ex-Im Bank OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of Ex-Im Bank OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies Ex-Im Bank OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of Ex-Im Bank in effect for the year ended March 31, 2014, has been suitably designed and complied with to provide Ex-Im Bank OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. Ex-Im Bank OIG has received an External Peer Review rating of pass.

As is customary, we have issued a letter dated September 24, 2014, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to Ex-Im Bank OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether Ex-Im Bank OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on Ex-Im Bank OIG's monitoring of work performed by IPAs.



David Berry, Inspector General

Enclosure

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the Ex-Im Bank OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 2 of the 2 audit reports issued during the period April 1, 2013, through March 31, 2014. We also reviewed the internal quality control reviews performed by Ex-Im Bank OIG.

In addition, we reviewed Ex-Im Bank OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 2013, through March 31, 2014. During the period, Ex-Im Bank OIG contracted for the audit of its agency's Fiscal Year 2013 financial statements. Ex-Im Bank OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the Headquarters Office of the Ex-Im Bank OIG in Washington, D.C.

Reviewed Engagements Performed by Ex-Im Bank OIG

Report No.	Report Date	Report Title
OIG-AR-14-01	December 11, 2013	Export-Import Bank's Content Policy: Opportunities Exist to Improve Controls and Address the Impact of Voluntary Reporting
OIG-AR-13-05	September 26, 2013	Export-Import Bank's Management of Direct Loans and Related Challenges

Reviewed Monitoring Files of Ex-Im Bank OIG for Contracted Engagements

Report No.	Report Date	Report Title
OIG-AR-14-02 / OIG-AR-14-04	December 13, 2013 / March 21, 2014	Audit of the Export-Import Bank of the United States Fiscal Year 2013 Financial Statements / Fiscal Year 2013 Financial Statement Audit Management Letter



UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

September 24, 2014

To: Michael T. McCarthy, Acting Inspector General
Export-Import Bank of the United States

We reviewed the system of quality control for the audit organization of the Export-Import Bank of the United States Office of the Inspector General (Ex-Im Bank OIG) in effect for the year ended March 31, 2014, and have issued our report thereon dated September 24, 2014, in which Ex-Im Bank OIG received a rating of pass. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The findings described below were not considered to be of sufficient significance to affect the opinion expressed in that report. Ex-IM Bank OIG's comments to our findings are included as an enclosure.

Finding 1 – Policies and Procedures not in accordance with *Government Auditing Standards*.

Although we determined that the Ex-Im Bank OIG's Audit Policy Manual met standards, it could be improved by addressing or otherwise clarifying its policies with regard to the following items:

- Removal of a posted report and posting a public notification to Web site users when a threat to independence is identified after the report is issued (Section 3.26);
- Procedures for providing other auditors with documentation in a timely manner when the work is being used by other auditors (Section 4.16);
- Procedures for reporting findings of noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse directly to parties outside the audited entity and obtaining confirmations from outside parties as needed (Section 4.30);
- Procedures to ensure auditors obtain an understanding of information systems controls and related audit procedures needed when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives (Sections 6.24, 6.27);
- Procedures to cover potential re-issued or reposted reports on the Web site when auditors discovered that they did not have sufficient, appropriate evidence to support the reported findings or conclusions after the report was issued (Section 7.07);

- Procedures for ensuring that the audit report contains any significant facts that if not disclosed would mislead users, misrepresent the results, or conceal improper or illegal practices (Section 7.17);
- Procedures for reporting known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the audited entity when managements fails to (i) report such information to satisfy legal or regulatory requirements or (ii) take timely and appropriate steps to respond to such information (Sections 7.24-7.26);
- Procedures for modifying the GAGAS compliance statement when auditors do not comply with all applicable GAGAS requirement (Section 7.31);
- Procedures for indicating in the report that comments were not provided by management (Section 7.38); and
- Procedures for describing how confidential and sensitive information will be reported, and how to disclose, in a report released to the public, that certain information was omitted or redacted. (Sections 7.39, 7.42-7.43).

Recommendation – That Ex-Im Bank OIG update the Audit Policy Manual to include the items noted above.

Views of Responsible Official.

Ex-Im Bank OIG agreed that, although the Audit Policy Manual met standards, the Manual could be improved by addressing the items noted. The Manual will be updated to include these items by December 31, 2014.

Finding 2 – Overall assessment of evidence not documented

Section 6.69 of *Government Auditing Standards* states that auditors should determine the overall sufficiency and appropriateness of evidence to provide a reasonable basis for the findings and conclusions, within the context of the audit objectives, and should perform and document an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence. Ex-Im Bank OIG’s Audit Policy Manual contains this language.

Although we found that the collective evidence was sufficient in the two audits reviewed, an overall assessment of the collective evidence used to support findings was not documented for either audit.

Recommendation – That Ex-Im Bank OIG develop a process to ensure that their procedures regarding the documentation of the overall assessment of the collective evidence used to support findings are implemented.

Views of Responsible Official.

Ex-Im Bank OIG agreed with the finding. A requirement to ensure that a summary workpaper is prepared for each audit documenting the overall assessment of the collective evidence will be in place by December 31, 2014.

Finding 3 – Communication of timing of the audit and planned reporting not documented

Section 6.47 of *Government Auditing Standards* states that auditors should communicate an overview of the objectives, scope, and methodology and the timing of the performance audit and planned reporting (including any potential restrictions on the report) to management and those charged with governance. Section 6.49 states that the auditors should document this communication.

For the Export-Import Bank's Content Policy audit (OIG-AR-14-01), communication of the timing of the audit and planned reporting to management and those charged with governance was not documented in the workpapers.

Recommendation – That Ex-Im Bank OIG develop procedures to ensure that communication regarding the requirements of section 6.47 is properly documented, as required by section 6.49.

Views of Responsible Official.

Ex-Im Bank OIG agreed with the finding. A standard entrance conference agenda will be developed by December 31, 2014.

A handwritten signature in black ink, appearing to read 'David Berry', written in a cursive style.

David Berry, Inspector General

Enclosure



To: David Berry, Inspector General
National Labor Relations Board

From: Mike McCarthy, Acting Inspector General
Export-Import Bank of the United States

Subject: Response to Draft Peer Review Letter

Date: September 23, 2014

Thank you for providing us an opportunity to respond to the Draft System Review Report and accompanying letter that was provided on September 19, 2014. We appreciate the efforts of the National Labor Relations Board Office of Inspector General in conducting our external peer review.

As noted in the draft report, the Export Import Bank (Ex-Im Bank) Office of Inspector General (OIG) received an External Peer Review rating of *pass*. This rating demonstrates that the system of quality control for the audit organization of Ex-Im Bank in effect for the year ended March 31, 2014, has been suitably designed and complied with to provide Ex-Im Bank OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We concur with the rating provided.

The letter accompanying the System Review Report included three findings which were not considered to be of sufficient significance to affect the opinion expressed in the report. The findings resulted in three recommendations to improve Ex-Im Bank OIG's policies and procedures. Our responses to the three recommendations are below.

Recommendation 1 – That Ex-Im Bank OIG update the Audit Policy Manual to include the items noted above.

We agree that Ex-Im Bank OIG's Audit Policy Manual met standards but could be improved by addressing or otherwise clarifying our policies with regard to the items mentioned in the report. The Audit Policy Manual will be updated to include these items by December 31, 2014.

Recommendation 2 – That Ex-Im Bank OIG develop a process to ensure that their procedures regarding the documentation of the overall assessment of collective evidence used to support findings are implemented.

As noted in the letter, the collective evidence in the two audits reviewed was sufficient and appropriate to provide a reasonable basis for the findings and conclusions. Nevertheless, we agree that an overall assessment of the collective evidence was not properly documented. We concur with the recommendation and as such, we will ensure that a summary workpaper is prepared for each audit documenting the overall assessment of the collective evidence. This requirement will be in place by December 31, 2014.

Recommendation 3 – That Ex-Im Bank OIG develop procedures to ensure that communication regarding the requirements of section 6.47 is properly documented, as required by section 6.49.

For one of the audits reviewed, communication of the timing of the audit and planned reporting to management and those charged with governance was not documented in the workpapers. We concur with the recommendation and will develop a standard entrance conference agenda to ensure that communication of the timing of the audit and planned reporting is properly documented as required. The agenda will be developed by December 31, 2014.

We appreciate the professionalism of the NLRB OIG auditors during the peer review. If you have any questions, please do not hesitate to call Terry Settle, Assistant Inspector General for Audits at (202) 565-3498.