



*Office of Inspector General
Export-Import Bank
of the United States*

Fiscal Year 2021 Financial Statements Audit Management Letter

November 12, 2021

OIG-AR-22-03

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: Mary Jean Buhler
Chief Financial Officer

Howard Spira
Senior Vice President and Chief Information Officer

From: Jennifer Fain
Acting Inspector General 

Subject: Fiscal Year 2021 Financial Statements Management Letter
(Report No. OIG-AR-22-03)

Date: November 12, 2021

This memorandum transmits the subject management letter on the financial statements of the Export-Import Bank of the United States (EXIM) for fiscal years ended September 30, 2021 and 2020. Under a contract monitored by our office, we engaged KPMG LLP, an independent public accounting firm, to perform the audit of EXIM's financial statements. The contract required the audit to be performed in accordance with U.S. generally accepted government auditing standards and the Office of Management and Budget Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

The attached report contains comments and recommendations relating to internal control deficiencies. The three internal control deficiencies identified by KPMG LLP were not significant and therefore, the deficiencies were not required to be reported in EXIM's independent auditors' report. KPMG LLP's observations and recommendations, and management's responses regarding such matters are presented in the attachment.

KPMG LLP is responsible for the attached management letter dated November 12, 2021, and the conclusions expressed therein. We do not express opinions on EXIM's financial statements, internal control, or conclusions on compliance and other matters.

We appreciate the cooperation and courtesies provided to KPMG LLP and this office during the audit. If you have questions, please do not hesitate to contact me at (202) 565-3439 or jennifer.fain@exim.gov or Courtney Potter at (202) 565-3976 or courtney.potter@exim.gov.

Attachment

cc: James G. Burrows, Jr., Acting President and Chair of EXIM Board of Directors
James Cruse, Acting First Vice President and Vice Chair of EXIM Board of Directors
Adam Martinez, Senior Vice President and Chief Management Officer
Madolyn Philips, Deputy Chief Banking Officer
Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Howard Spira, Senior Vice President and Chief Information Officer
Henry Pitney, Acting Senior Vice President and General Counsel
David Sena, Senior Vice President of Board Authorized Financed
Inci Tonguch-Murray, Senior Vice President and Deputy Chief Financial Officer
Patricia Wolf, Vice President and Controller
Nathalie Herman, Vice President and Treasurer
Maria Fleetwood, Vice President of Acquisition and Business Services
James P Hauer III, Partner, KPMG LLP
Courtney Potter, Deputy AIG for Audits and Evaluations, OIG
Arinee Tackoor, Senior Auditor and FAC-COR, OIG
Amanda Myers, Senior Counsel, OIG



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

November 12, 2021

Office of Inspector General
Export-Import Bank of the United States
Washington, DC

Office of the Chief Financial Officer
Export-Import Bank of the United States
Washington, DC

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Export-Import Bank of the United States (EXIM) as of and for the years ended September 30, 2021 and 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, we considered EXIM's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EXIM's internal control. Accordingly, we do not express an opinion on the effectiveness of EXIM's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated November 12, 2021 on our consideration of the EXIM's internal control over financial reporting

A deficiency in internal control 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. During our audit, we identified the following deficiencies in internal control:

During our audit, we identified deficiencies in internal control, which are summarized in Exhibit I. EXIM's responses to the findings identified in our audit are also included in Exhibit I. EXIM's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

FSA-NFR-2021-01 – Monitoring and Reporting Related Party Transactions

Condition

EXIM's reconciliation controls, over monitoring and reporting related party transactions, were not properly designed to ensure the completeness and accuracy of the total outstanding PEFCO guarantee balance was reported in EXIM's financial records. Specifically, EXIM did not identify, and record transactions related to PEFCO's secured notes.

Criteria

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* states:

1. Principle 10.02, *Design Control Activities*, "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks."
2. Principle 10.04, *Design Control Activities*, "Control activities can be either preventive or detective. The main difference between preventive and detective control activities is the timing of a control activity within an entity's operations. A preventive control activity prevents an entity from failing to achieve an objective or address a risk. A detective control activity discovers when an entity is not achieving an objective or addressing a risk before the entity's operation has concluded and corrects the actions so that the entity achieves the objective or addresses the risk."

Cause

Due to an oversight in the design of related party reconciliation control, a segment of the guaranteed portfolio of PEFCO was incorrectly excluded from the population used in the performance of the control.

Effect

Control weakness over the monitoring and reporting of all related party transactions resulted in an understatement of EXIM's outstanding guarantee principal balance by \$34.5 million as of September 30, 2021. EXIM management adjusted their financial records by posting a corrected audit misstatement entry on November 5, 2021.

Recommendation

We recommend that EXIM management:

1. Strengthen existing reconciliation controls to ensure that all loan activity, which is guaranteed by EXIM, is included and reviewed in the monthly related party reconciliation.

Management's Response

Management concurs with the Notification of Finding and Recommendation and will develop a corrective action plan to address the condition.

EXIM-FISMA-2021-01 – Weakness in Risk Management Plan of Action and Milestones (POA&Ms)

Condition

EXIM's use of Plan of Action and Milestones (POA&Ms) did not fully address the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 4, control CA-5. Specifically, we noted that the Bank management did not consistently maintain an up to date listing to include a revised or completion date for one (b) (4) POA&M where the scheduled completion date had passed.

Criteria

NIST SP 800-53 Revision 4, Recommended Security Controls for Federal Information Systems and Organizations, includes the following controls:

1. CA-5: Plan of Action and Milestones- The organization:
 - a. Develops a plan of action and milestones for the information system to document the organization's planned remedial actions to correct weaknesses or deficiencies noted during the assessment of the security controls and to reduce or eliminate known vulnerabilities in the system; and
 - b. Updates existing plan of action and milestones [Assignment: organization-defined frequency] based on the findings from security controls assessments, security impact analyses, and continuous monitoring activities.

Cause

Due to staffing limitations, management was unable to prioritize updating the POA&M status and completion dates when corrective actions were not implemented as planned.

Effect

Without an updated POA&M listing to track and analyze risk activities, EXIM may not be able to mitigate IT/cybersecurity risks appropriately and timely according to business requirements.

Recommendation

We recommend that EXIM Bank management:

2. Define the methodology and frequency in which POA&Ms should be updated.
3. Ensure completion of required/related fields to enable accurate reporting of items needing improvement.

Management's Response

Management concurs with the Notification of Finding and Recommendation and will develop a corrective action plan, with milestone dates, to address the condition.

IT-NFR-2021-01 – Weakness in (b) (4) Recertification

Condition

EXIM management has developed, documented, and implemented policies and procedures over the review of system access for (b) (4). EXIM's system access review process is an (b) (4) review that analyzes the continued appropriateness of (b) (4). The review process concludes when the reviewer certifies that (b) (4). During the period under audit, EXIM management delegated the responsibility for performance of the review to (b) (4). In April 2021, (b) (4) self-recertified (b) (4) during the (b) (4) review. As referenced in principle 10.03 of the GAO Standards, management should divide or segregate key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. On September 12, 2021, we informed EXIM management that due to the lack of an independent review, the (b) (4) review control was not properly designed and/or implemented.

Subsequently, on September 13, 2021, EXIM management utilized an independent reviewer, whose (b) (4) does not appear within the review, to complete a secondary review of (b) (4). The independent reviewer confirmed the appropriateness of (b) (4) for (b) (4) noted above. We determined that although the secondary review validated the appropriateness of (b) (4), the secondary review was conducted five (5) months later and only after notification of the control deficiency. Thus, this control is determined to not be appropriately designed, implemented, and operating effectively for the entirety of the audit period.

Criteria

Export Import Bank of the United States, (b) (4) states:

(b) (4)

Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, dated September 2014, states,

Principle 7.02, Identification of Risks,

“Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.”

Principle 10.03, Design of Appropriate Types of Control Activities,

“Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.”

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”

National Institute of Standards and Technology (NIST) 800-53 Revision 4 and noted that control AC-2 Account Management states:

Control: The organization:

“j. Reviews accounts for compliance with account management requirements [Assignment: organization-defined frequency]”

“Separation of duties addresses the potential for abuse of authorized privileges and helps to reduce the risk of malevolent activity without collusion. Separation of duties includes, for example:

(i) dividing mission functions and information system support functions among different individuals and/or roles;

(ii) conducting information system support functions with different individuals (e.g., system management, programming, configuration management, quality assurance and testing, and network security); and

(iii) ensuring security personnel administering access control functions do not also administer audit functions.”

Cause

EXIM management did not perform an adequate risk assessment to consider the risks associated with

(b) (4)

. As a result, EXIM’s policies and procedures did not specify that the review shall be independently conducted, and no (b) (4) should have the ability to review (b) (4) or mark (b) (4) as appropriate.

Effect

Ineffective controls related to (b) (4) increases the risk that unauthorized, or inappropriate activity could be performed without being timely detected. Such unauthorized activity could lead to a compromise in data confidentiality, integrity, and availability.

Recommendation

4. We recommend that EXIM management update and implement (b) (4) to outline that the (b) (4) review shall be independently conducted, and reviewers will not certify (b) (4) .

Management's Response

Management partially concurs with the factual accuracy of the NFR.

KPMG incorrectly states within the 'Conditions' section of the NFR that; "During the period under audit, EXIM management delegated the responsibility for performance of the review to (b) (4)." As a matter of correctness, EXIM delegated the responsibility for performance of the review to (b) (4).

We agree that KPMG found an error in our process when KPMG identified (b) (4) whom self-recertified (b) (4) during the (b) (4) review.

When KPMG's observation of (b) (4) self-recertified (b) (4) was brought to EXIM's attention, the completion of the (b) (4) review was properly performed within the FY, and resulted in EXIM meeting the NIST 800-53 Revision 4, Access Control (AC) – 2 Account Management control.

KPMG's Response

Management has concurred with the factual accuracy of the underlying control deficiency and acknowledge the deficiency existed during the period under audit.

Export-Import Bank of the US
 Summary of Corrected Audit Misstatements
 9/30/2021

Amounts in US Dollars
 Method Used to Quantify Audit Misstatements: Income Statement method

Detailed instructions on automatically populating the audit misstatements from the Tracker are provided in the "Instructions" tab.

ID	Description of misstatement	Type of misstatement	Identified During	Accounts	Debit	(Credit)	Impact of audit misstatements on financial statement captions														
							Statement of Net Cost Effect Debit/(Credit)			Statement of Changes in Net Position		Balance Sheet Effect Debit/(Credit)			Statement of Budgetary Resources						
							Net cost effect correcting the balance sheet in prior period (carried forward from prior period's column C)	Net cost effect of correcting the current period balance sheet	Net cost effect according to the Rollover (Income Statement) method	Beginning Balance	Financing Sources	Net Position at period end	Assets	Liabilities	Budgetary Resources	Status of Budgetary Resources	Outlays				
							B	C	D=B+C	E	F	G=D+E+F	H	I	J	K	L				
AM-1	To record one PEFCO related secured note, which was approved, issued, but not disbursed as of 9/30/2021.	Factual	Final	Guarantee Obligations	-	(34,531,389)															
				Guarantee Shipments	34,531,389	-															
				Total effect of corrected audit misstatements - Final																	

Note: KPMG notes that as this guarantee was not disbursed as of 9/30/2021, this corrected misstatement does not impact the Balance Sheet, Statement of Net Costs, or Statement of Changes in Net Position. It only impacts guaranteed loan exposure amount and footnote disclosure 3E and 3F.

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