EXPORT-IMPORT BANK

Status of GAO Recommendations on Risk Management, Exposure Forecasting, and Workload Issues

What GAO Found

The U.S. Export-Import Bank (Ex-Im) has addressed recommendations GAO made in two 2013 reports that related to processes for estimating losses, managing financial risks, and forecasting outstanding financial commitments (exposure). In these reports, GAO found weaknesses in the processes, including limitations in Ex-Im’s data and models. Based on accounting standards for federal credit agencies, federal banking regulator guidance, and federal internal control standards, GAO made six recommendations that Ex-Im subsequently implemented. For example, GAO recommended that Ex-Im

- assess whether it was using the best available data for adjusting loss estimates for long-term credit transactions to account for global economic risk. In November 2013, Ex-Im replaced a 1-year forecast of global economic conditions it used in its loss estimation model with a 5-year forecast.
- retain point-in-time data on credit performance to conduct analyses to compare the performance of newer and more seasoned business at comparable points. Ex-Im began retaining such data in fiscal year 2013.
- report to Congress on scenarios used for and results of stress tests on its portfolio. In September 2013, Ex-Im began including this information in quarterly reports to Congress on the bank’s default rates.
- assess the sensitivity of its exposure forecast model to key assumptions and estimates and identify and report the range of forecasts these analyses produced. In response, Ex-Im created additional statistical models to validate its forecasts and provided a range of estimates.

Ex-Im also has begun to address two recommendations in GAO’s 2013 reports concerning the bank’s workload. In a March report, GAO found Ex-Im faced potential operational risks because administrative budgets and staff levels had not kept pace with growth in its portfolio and Ex-Im had not formally determined the level of business it could properly manage. In a May report, GAO found the Business Plan provided limited analysis of the adequacy of Ex-Im’s resources and ability to meet congressional mandates for credit transactions supporting small business and renewable energy. Based in part on federal internal control standards, GAO recommended that Ex-Im develop benchmarks to monitor and manage workload levels and provide Congress with more information on resources associated with meeting the mandates. To help address the recommendations, Ex-Im hired a contractor to develop workload benchmarks and a workload modeling tool. As of June 2014, this effort was ongoing. As a result, the two recommendations remain open.

While Ex-Im has been responsive to GAO’s recommendations, it is important to note that GAO has ongoing work examining other aspects of Ex-Im operations. Furthermore, managing a large export financing portfolio and its associated risks is challenging. Therefore, it will be important for Ex-Im to sustain the improvements it has made, effectively implement future audit recommendations, and carefully manage emerging risks.