

GAO Highlights

Highlights of [GAO-14-708T](#), a testimony before the Committee on Financial Services, House of Representatives

Why GAO Did This Study

Ex-Im helps U.S. firms export goods and services by providing a range of financial products. The Export-Import Bank Reauthorization Act of 2012 increased the statutory ceiling on the agency's total exposure to \$140 billion in 2014. As a condition of raising the exposure limit, the act required Ex-Im to prepare a report with a Business Plan and analyses of key operational elements. The act also mandated GAO to evaluate the effectiveness of Ex-Im's risk management and analyze its Business Plan. GAO reported on these issues in March and May 2013, respectively (see [GAO-13-303](#) and [GAO-13-620](#)). In the reports, GAO made a total of eight recommendations—to which Ex-Im agreed.

This testimony is based on GAO's March and May 2013 reports. It discusses actions Ex-Im has taken in response to GAO recommendations on (1) estimating losses, managing financial risks, and forecasting exposure levels; and (2) managing and reporting on its workload. For the 2013 reports, GAO analyzed Ex-Im's financial data, policies and procedures, Business Plan, and processes for calculating program costs and loss reserves. GAO also interviewed Ex-Im officials and other entities involved in export financing.

View [GAO-14-708T](#). For more information, contact Mathew J. Scire at (202) 512-8678 or sciremj@gao.gov.

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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.