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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-197710

June 10, 1983

To the Board of Directors
Export-Import Bank of the United States

We have examined the statements of financial condition of the Export-Import Bank of the United States (the Bank) as of September 30, 1982 and 1981, and the related statements of income (loss) and analysis of reserve for contingencies and defaults, and changes in financial position for the years then ended. Our examinations were made pursuant to 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Bank reports its income (loss) before providing a reserve for losses that may be sustained on loans, guarantees, and insurance. However, the Bank retains accumulated net income after dividends as a reserve for such losses. Due to a net loss in fiscal year 1982, the reserve decreased, and the risk that the Bank will incur further reductions in the reserve from possible future losses increased for several reasons.

--This increased risk is due primarily to increased loan purchases, outstanding purchase agreements, and principal and interest delinquencies. The adequacy of the reserve cannot be realistically assessed because of the uncertain nature of future economic and political conditions. (See Statement of Financial Condition and notes 4, 6, and 8.)

--Any losses the Bank may incur on purchases of defaulted commercial loans covered by Bank guarantees or insurance and rescheduled under countrywide debt consolidations also are chargeable against the reserve. In fiscal year 1982, the Bank purchased loans totaling \$45.9 million. Cumulative loan purchases since fiscal year 1977 have been \$332.8 million, while cumulative repayments have been \$44.3 million. Under existing agreements, the Bank may be called upon to purchase additional loans totaling as much as \$390.1 million. (See note 6.)



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--The reserve is also subject to impairment because the Bank's current funding rates are higher than its lending rates. As a result the Bank's average cost of borrowed funds as of September 30, 1982, exceeded its interest income from outstanding loans by about 3.4 percent. This represents a 0.5 percent increase over the 2.9 percent interest rate differential as of September 30, 1981. If this trend continues the Bank will suffer a loss again in fiscal year 1983 and possibly future years that would have the direct effect of further reducing the amount of the reserve.

Because of the various contingencies, we are unable to express an opinion on the adequacy of the reserve.

In our opinion, subject to the effects on the financial statements of the amount reserved for contingencies and defaults, the financial statements referred to above present fairly the financial position of the Export-Import Bank at September 30, 1982 and 1981, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



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of the United States



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WASHINGTON D.C. 20548

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June 10, 1983

To the Board of Directors
Export-Import Bank of the United States

We have examined the financial statements of the Export-Import Bank of the United States for the years ended September 30, 1982 and 1981, and have issued our report thereon dated June 10, 1983. As part of our examination, we made a study and evaluation of the Bank's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. This report pertains only to our study and evaluation of the system of internal accounting control for the year ended September 30, 1982. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Cash
- Loans receivable
- Interest and fees on loans
- Borrowings
- Interest paid on borrowings
- Administrative expenses

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.


The management of the Export-Import Bank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

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Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Export-Import Bank taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.


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To the Board of Directors
Export-Import Bank of the United States

We have examined the financial statements of the Export-Import Bank of the United States for the years ended September 30, 1982 and 1981, and have issued our report thereon dated June 10, 1983. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our review of compliance with laws and regulations for the year ended September 30, 1982.

In our opinion, the Export-Import Bank complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected the entity's financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that the Bank was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States

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