



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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INTERNATIONAL DIVISION

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JUNE 1, 1979

Mr. John L. Moore, Jr.
President and Chairman
Export-Import Bank
of the United States

Dear Mr. Moore:

We have recently completed our audit of the Export-Import Bank (Eximbank) fiscal year 1978 financial statements. During the audit, we noted several ways in which Eximbank could improve its internal accounting controls and operational efficiency, including:

- Establishing an internal audit function.
- Establishing an automatic data processing (ADP) steering committee.
- Strengthening security controls over computerized systems.
- Improving ADP disaster recovery controls.

Although these matters did not affect our opinion on the financial statements and were not included in our letter to the Board of Directors, they are important, which is why we are bringing them to your attention now.

INTERNAL AUDIT FUNCTION

In our management letters of February 25, 1975, and March 11, 1976, we suggested that an internal audit function be established to give management another source of information and another basis for decisionmaking. However, during our recent audit, we noted that Eximbank still does not have an internal audit organization for conducting independent examinations.

As a matter of policy, for many years we have promoted strong internal audit systems in all Government agencies because internal auditing is an integral part of a good management system and contributes to a more efficient overall audit

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system. For example, in agencies which have strong internal auditing capabilities, we are able to concentrate more of our resources on major issues and problems that are of immediate concern to the Congress. The reliability of agency financial reports should not depend primarily upon independent auditing by the General Accounting Office; rather, reliability should be based principally on each agency's system of accounting and internal control procedures, including enough internal auditing to assure the reliability of financial reports prepared from the accounts.

The need for effective auditing systems in Federal agencies has been recognized by the Congress in a number of laws. In the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 65a), for example, the Congress stated that:

"The head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide * * * effective control over an accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit * * *."

More recently, the Congress emphasized the need for internal audit of programs and operations in Federal agencies by enacting the Inspector General Act of 1978 (Public Law 95-452). Although the internal audit requirements of this act and the Budget and Accounting Procedures Act of 1950 do not specifically apply to Government corporations, the interest of the Congress in internal auditing is clearly indicated by the legislation.

Eximbank also has recognized the importance of a system of internal control. In response to recommendations in our March 1976 letter, the President and Chairman of Eximbank stated that the agency was actively attempting to institute an internal audit staff. In recent discussions with Eximbank officials, however, we were told that Eximbank, as an alternative to the internal audit function, is training personnel in the Office of the Treasurer-Controller to perform operational audits of that office. In the long term, these personnel may conduct audits of special projects and organizationwide problems. The officials also stated that Eximbank is considering using the services of another Federal agency or private consulting firm to audit its ADP operations. Although each of these alternatives has merit, neither provides all the advantages of having a single audit organization or a principal official reporting to the agency head. These advantages include:

- A greater degree of independence from the officials directly responsible for the operations reviewed.
- A broad viewpoint of the interrelationship of organizations and functions within an agency.
- A better position for making systematic and independent evaluations of and reports on all agency programs.

Recommendation

We recommend that you initiate action to establish an internal audit function to review and evaluate Eximbank's operations and its financial and ADP systems.

ADP STEERING COMMITTEE

Our letters of February 1975 and March 1976 recommended that Eximbank establish an ADP steering committee and prepare a long-range ADP plan. During our recent audit, we noted that a long-range plan had been developed and that although a steering committee had been established it had been disbanded prior to our audit. We were told that the committee was dissolved because it was not effective. For example, it had concentrated too much on minor details and not enough on management oversight and evaluation. Eximbank officials also said that a steering committee is not needed because communications are open and good among representatives of top management, senior management of the data processing department, and representatives from departments that depend on ADP information.

These arguments notwithstanding, we continue to believe that a formally organized ADP steering committee that meets on a regular basis is a prerequisite to ensuring that Eximbank obtains optimum benefits from its ADP resources. An effective steering committee should result in better (1) ADP policies, (2) short and long-range plans for developing and implementing new systems, (3) evaluations of the needs for new computer equipment and assurance that it is acquired expeditiously, (4) use of agency resources to accomplish ADP policies and plans, and (5) considerations of data processing user priorities.

Recommendation

To develop clear objectives, well-defined responsibilities, and end-products that meet overall objectives, we recommend that Eximbank establish an ADP steering committee to initiate, guide, and review its data processing needs.

SECURITY CONTROLS

Basically, computer-generated data is a valuable asset and should receive the same degree of control placed on any equally valuable asset. Although Eximbank has implemented a security program for its automated information systems, controls over console and operation logs and the tape library could be improved.

Console and operation logs should clearly indicate job errors and reruns. However, Eximbank does not maintain such a log. As a result, there is no assurance that error conditions are systematically identified and resolved or that data files and reports are accurate.

Eximbank has not designated a tape librarian and computer operators have direct access to the tape library. As a result, security measures for data files are inadequate. Moreover, there is an inherent risk that (1) critical computer tapes may be misplaced, lost, or improperly manipulated, (2) obsolete or incorrect tapes may be processed, and (3) tapes may be accidentally erased. We discussed these matters with Eximbank officials and they agreed to take remedial actions.

Recommendations

We recommend that, to improve its security procedures, Eximbank revise current procedures and use a separate computer operation log to identify all jobs and all errors and reruns. At the end of each shift, the supervisor should review and initial both the operations log and the console and prepare a written description of actions taken during error conditions.

To strengthen controls over the tape library, we are recommending that an individual, other than a computer operator,

be designated as the tape librarian. This would appropriately segregate responsibilities and help to eliminate the security problems.

DISASTER RECOVERY CONTROLS

Disaster recovery controls are preventive procedures that help to protect critical files, programs, and systems documentation from fire and other hazards. Their purpose is to ensure that data processing can be continued in the event of a computer facility disaster. Controls include (1) remote storage of and limited access to comprehensive and current program documentation, (2) backup procedures for running the programs at another compatible data center, and (3) periodic testing of the procedures at the backup data center.

In our March 1976 letter, we recommended that Eximbank establish an offsite storage facility for duplicate critical computerized data files and develop a disaster recovery plan. During our recent review we noted that, while there is a facility for data files, program documentation is stored within the physical environment of Eximbank's ADP department. This documentation provides the primary means of communicating both the essential elements of the computer system and the logic followed by a computer program. Because copies of critical documentation are not stored at a remote location, Eximbank's computer programmers and systems analysts may not be able to recreate critical programs after a natural or manmade disaster.

We also noted that, although Eximbank has contracted with a commercial firm to provide disaster recovery backup services, the backup system has not been tested. Therefore, there is a risk that daily transaction processing would be curtailed, severely hampering Eximbank's missions.

Eximbank officials told us that they concurred with our views on the need for both offsite storage of critical documentation and periodic tests of disaster recovery procedures.

Recommendations

We recommend that you take actions necessary to (1) provide for offsite storage of critical computer program documentation and (2) periodically test disaster recovery procedures at Eximbank's backup data center.

We are sending copies of this report to the Director, Office of Management and Budget; House Committee on Government Operations; Senate Committee on Governmental Affairs; House and Senate Committees on Appropriations; House Committee on Banking and Currency; and Senate Committee on Banking, Housing, and Urban Affairs.

As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of the statements sent to the Committees.

Thank you for the cooperation and courtesy extended to us during our annual audit. As in prior years, we received outstanding cooperation and assistance from the entire Eximbank staff.

Sincerely yours,


J. K. Fasick
Director