



Office of Inspector General

EXPORT-IMPORT BANK OF THE UNITED STATES

OFFICE OF INSPECTOR GENERAL

FY 2020 CONGRESSIONAL BUDGET JUSTIFICATION

**Export-Import Bank of the United States
Office of Inspector General (OIG)
Fiscal Year (FY) 2019 Budget Request**

I. Summary of the Budget Request

	FY 2018 Actual	FY 2019 President's Budget	FY 2019 Estimate	FY 2020 Request
Budget Authority	\$5,700,000	\$4,750,000	\$5,700,000	\$5,000,000

II. Analysis

History of the OIG and Return on Investment

The Export-Import Bank Office of Inspector General is an independent and objective oversight office created within EXIM Bank under the Inspector General Act of 1978, as amended. This office commenced operations in FY 2008 following the appointment of its first Inspector General. Appropriations for FY 2009-2011 were at a start-up level of \$2.5 million. In FY 2012 and FY 2013, the OIG was funded at \$4 million (with sequestration reduction to \$3.875 million in FY 2013). The OIG was funded at \$5.1 million in FY 2014, \$5.75 million in FY 2015, \$6 million in FY 2016, and \$5.7 million in FY 2017 and FY 2018. The House and Senate Committee marks for FY 2019 are at \$5.7 million. The request for FY 2020 is reduced by not filling certain vacant positions and not filling planned new positions that have never been filled during the lengthy uncertainty about the future of EXIM Bank.

EXIM Bank Office of Inspector General audits, inspections, evaluations, and investigations produce quantifiable cost savings to the Bank and the U.S. Treasury.

Before the OIG was created, limited investigative and prosecutive efforts in prior years contributed to a perception that defrauding EXIM Bank did not carry significant risk, particularly for foreign parties. The lack of effective deterrence encouraged others to attempt similar crimes. An active program of investigating and arresting foreign nationals responsible for fraudulent schemes has been implemented and has generated results. Since 2009, the OIG has secured 104 indictments or informations, which are federal criminal or civil charges against parties who have attempted to defraud the Bank or affiliated financial institutions, and 80 convictions. OIG, in cooperation with the Department of Justice, has extradited defendants from Mexico, Argentina, and the United

Arab Emirates. Arrests have led related parties to make unsolicited offers to EXIM Bank to repay outstanding amounts owed on other non-performing transactions.

These criminal investigations have produced \$340 million in criminal and civil court-ordered forfeiture and restitution, fines, assessments, and recoveries. (See attached table). The forfeiture, restitution and recoveries are directly attributable to EXIM transactions and are ordered to be repaid by the court during sentencing. In addition, since the establishment of the OIG, claims paid arising from fraud against the Bank have declined significantly, especially in the medium-term program. Specifically, EXIM paid between \$70 to \$100 million in medium-term program related claims annually between FY 2009 and FY 2011, and between \$3 million and \$19 million in claims annually between FY 2012 and FY 2017. This reduction in claims payments has contributed a substantial amount toward the funds the Bank has returned to the Treasury in recent years.

Even using the most conservative methodology, the EXIM Bank OIG has produced cost savings to the federal government of several multiples of its budget. Counting court-ordered fines, forfeitures, restitution, and special assessments directly resulting from OIG investigations of \$340 million, the OIG has returned more than 8 times its total budget during its ten years of operation of approximately \$41 million. Including cost savings from transactions canceled based on OIG referrals of \$47 million and the reduction in medium-term claims of at least \$80 million annually from FY 2012 onward, the OIG has returned more than 20 times its budget.

Summary Support for the Budget Request - Mission Critical (Non-discretionary)

For FY 2020, EXIM Bank OIG requests a total of \$5 million to support approximately 25 OIG full-time career employees (FTE), including the vacant PAS Inspector General position. This would align with the current staffing of 25 FTE as of January 2019.

The FY 2020 request supports mission critical and operational expenditures – approximately 86 percent personnel and benefits costs for staff performing investigations, audits, and inspections; with the remaining 14 percent allocated to travel to support international inspections and investigations; training for staff to maintain professional standards; technology to support office operations and investigations, and other administrative support.

This funding request would allow the OIG to continue performing the statutorily-mandated activities required by the Inspector General Act of 1978, as amended, and other statutes. Pursuant to current law, the OIG is required to supervise and report on the audit of the Bank's annual financial statements, audit compliance with the Federal Information Security Modernization Act (FISMA), report on the Bank's compliance with the Improper Payments laws, conduct a risk assessment of the Bank's purchase card programs, and comply with auditing, inspection, and investigations standards, including the Generally

Accepted Government Auditing Standards (GAGAS), Quality Standards for Inspection and Evaluation, and the Attorney General’s Guidelines for Investigations. In FY 2017, a new statutory mandate took effect requiring a biennial IG audit of agency implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act).

For comparative purposes, the total FY 2020 funding request of \$5 million represents 0.008 percent of EXIM Bank's \$60.5 billion total export finance portfolio at year end FY 2018. With the proposed authorized FTEs, the OIG staff vs. EXIM Bank's portfolio ratio is one OIG FTE to oversee every \$2.4 billion dollars.

Detailed Budget Request by Program Area:

Personnel Compensation

Approximately 86 percent of the OIG baseline budget request is for compensation and benefits to employ professional auditors, bank inspectors, criminal investigators, and administrative staff. The total personnel budget request is for \$4,316,106 in salaries and benefits to fully fund current positions and to account for expected retirements and other attrition.

Audits and Evaluations

FY 2019 baseline:	\$2,100,032	14 FTE
Baseline adjustment:	\$50,000	
Program decrease:	\$(340,000)	(2 FTE)
Total request:	\$1,810,032	12 FTE

The baseline budget for the audit and evaluation function represents personnel costs for 14 FTEs. The audit component consists of eight auditors in the 0511 series, including an Assistant IG for Audits and Evaluations at the Senior Level, a GS-15 supervisory audit manager, two GS-14 senior auditors, and four auditors at the GS-9 through GS-13 levels. The inspection and evaluation component consists of six FTE inspectors, including a GS-15 supervisory inspector manager, and five inspectors at the GS-9 through GS-14 levels. The baseline adjustment includes a \$50,000 placeholder for routine increases in grades and steps for current personnel but no salary increase per OMB guidance. Finally, we envision a program decrease of \$340,000 representing a reduction in FTEs from 14 to 12 for FY 2020.

This group will produce six to nine products per year, including the statutorily-mandated annual financial statement, FISMA, and IPERA audits, and the biennial DATA Act audit, and two to five additional projects identified based on the annual audit, inspection, and evaluation plan risk assessment. For example, the group conducts inspections, focusing on transactions that present higher risks to the Bank due to the large size of the transaction, long tenor of exposure, unstable countries, etc. The group

also conducts policy evaluations that are responsive to congressional interest and requests, in particular issuing reports that are responsive to mandates in the 2015 reauthorization legislation.

Many of the business processes that support EXIM Bank activities are specialized functions not found in other government agencies, requiring that the OIG hire private sector consultants and auditors with relevant skills and experience in order to adequately evaluate and recommend improvements to many aspects of EXIM Bank's operations. EXIM OIG auditors and inspectors must meet the respective professional standards and complete continuing professional education.

The OIG will continue to oversee an independent public auditor to conduct the annual audit of EXIM Bank's financial statements. This budget request does not include the budgeted cost of the financial statement audit, which is passed on to EXIM Bank; the OIG is responsible for certain cost overruns and for supplemental work performed by the independent public auditor that supports other OIG projects.

Investigations

FY 2019 baseline:	\$1,491,546	7 FTE
Baseline adjustment:	\$25,000	
Program decrease:	\$(220,000)	(1 FTE)
Total request:	\$1,296,546	6 FTE

The baseline budget for the investigations function represents personnel costs for seven total FTE, including five special agents in the 1811 series and two analysts. The special agents in the 1811 series include an Assistant IG for Investigations at the Senior Level, a GS- 15 manager, and four agents at the GS-13/14 levels. There are two analyst positions – a lead at the GS-14 level and one at the GS-13 level. The baseline adjustment includes routine increases in steps for current personnel. The proposed reduction is to eliminate a special agent position, which is expected to be vacated in FY 2019 due to the retirement of the incumbent.

More than 80 percent of loan losses incurred by EXIM Bank, and loan fraud cases (civil and criminal), involve foreign borrowers. This makes investigating and prosecuting these cases more challenging and expensive. These complex, multijurisdictional investigations require criminal investigators and analysts with expertise in bank fraud, trade finance, and money laundering.

Since the second part of FY 2010, the OIG has received a significant increase of fraud allegations in complex structured/project finance transactions involving corruption and international money laundering raising the level of complexity of the investigations. EXIM OIG is also now participating in multiple interagency task forces, such as the Export Enforcement Coordination Center.

Due to increased benefits and availability pay, special agents in the 1811 series have a higher cost-per-FTE than other federal series. However, as discussed above, the creation

of a federal law enforcement capacity within EXIM OIG provides return on investment of multiples of these costs. EXIM OIG also employs investigative and financial analysts in the investigations function, who serve as a critical force multiplier at a lower cost structure than the 1811 series.

Immediate Office and Management

FY 2019 baseline:	\$1,184,528	7 FTE
Baseline adjustment:	\$25,000	
Total request:	\$1,209,528	7 FTE

The FY 2019 baseline budget for the immediate office and management represents personnel costs for seven FTEs, including the PAS Inspector General, a Deputy Inspector General/Counsel at the Senior Level, an Assistant IG for Management and Policy at the Senior Level, an attorney-advisor, an IT specialist, and three administrative personnel who support all the teams in the OIG. The baseline adjustment accounts for routine increases in steps for current personnel.

Administrative Expenses

FY 2019 baseline:	\$712,699
Program decrease:	\$(28,805)
Total request:	\$683,894

The administrative expenses portion of the budget request represents approximately 14 percent of the total request. This budget covers contracted audit work, travel, training, information technology, equipment and supplies, and transfers to the Council of Inspectors General on Integrity and Efficiency (CIGIE) and OPM. This includes sufficient funding for training and for CIGIE as required by the Inspector General Reform Act of 2008. The baseline adjustment accounts for investments in information technology upgrades which will allow us to streamline operations and realize future administrative savings. We envision a decrease of \$28,805 in administrative expenses for FY 2020.

**Export-Import Bank of the United States
Office of Inspector General
FY 2018 - 2019
FINANCIAL SUMMARY**

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 REQUEST
Appropriation	\$5,700,000		
Budget Request	\$5,000,000	\$5,250,000	\$5,000,000
Carryover Used	\$250,000		
Obligations/Expenses			
Personnel Compensation	\$4,762,133	\$4,537,301	\$4,316,106
Administrative			
Administrative	\$337,867	\$592,699	\$563,894
Information Technology	\$50,000	\$20,000	\$20,000
Travel	\$60,000	\$60,000	\$60,000
Training	\$40,000	\$40,000	\$40,000
Communications	\$0	\$0	\$0
Subtotal, Administrative	\$487,867	\$712,699	\$683,894

\$ 5,250,000 \$ 5,250,000 \$ 5,000,000

**EXIM OIG BUDGET
AND RECOVERIES**

BUDGET	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	TOTAL
	\$2,500,000	\$2,500,000	\$4,000,000	\$3,875,000	\$5,100,000	\$5,750,000	\$6,000,000	\$5,700,000	\$5,700,000	\$41,125,000
Criminal										
Criminal Restitution	\$2,538,650	\$44,833,107	\$18,961,970	\$24,943,058	\$19,375,440	\$15,559,679	\$13,669,380	\$20,262,740	\$4,726,581	
Criminal Forfeiture	\$1,134,273	\$49,218,889	\$8,075,802	\$31,260,924	\$22,799,754	\$8,704,543	\$41,924,418	\$6,118	\$0	
Criminal Fines	\$0	\$0	\$0	\$545,500	\$1,500	\$0	\$0	\$0	\$0	
Criminal Special Assessment	\$300	\$1,500	\$1,900	\$2,700	\$900	\$1,300	\$1,300	\$0	\$300	
Civil										
Civil Fines	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000,000	\$0	\$0	
Civil Recoveries	\$0	\$0	\$0	\$0	\$3,500,000	\$3,800,000	\$0	\$0	\$0	
Civil Forfeiture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Recoveries	\$3,673,223	\$94,053,496	\$27,039,672	\$56,752,182	\$45,677,594	\$28,065,522	\$60,595,098	\$20,268,858	\$4,726,881	\$340,852,526
RETURN ON INVESTMENT	1.47	37.62	6.76	14.65	8.96	4.88	10.10	3.56	0.83	8.29