



Office of Inspector General

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FY 2021 Congressional Budget Justification

Export-Import Bank of the United States
Office of Inspector General
Fiscal Year (FY) 2021
Congressional Budget Justification

Introduction

The Export-Import Bank of the United States (EXIM or the Bank) is a wholly owned government corporation, established in 1934 through Executive Order, and subsequently made an independent agency through congressional charter in 1945. As the official export credit agency of the United States (U.S.), EXIM's fundamental mission is to support American jobs by facilitating the export of U.S. goods and services through financing and insurance programs. The Bank's core financing programs include direct loans, loan guarantees, export credit insurance, and working capital loans and guarantees.

The Office of Inspector General (OIG) is an independent and objective oversight office created within EXIM by the Export-Import Bank Reauthorization Act of 2002 and the Inspector General Act of 1978, as amended (IG Act). This office was organized in 2007 following the appointment of its first Inspector General. It was created to promote the integrity, transparency and efficiency of EXIM programs and operations by providing independent oversight and objective reporting to multiple stakeholders including the Bank's Chairman and Congress. The mission of the OIG is to conduct and supervise audits, investigations, inspections and evaluations related to agency programs and operations; provide leadership and coordination as well as recommend policies that will promote economy, efficiency, and effectiveness in such programs and operations; and prevent and detect fraud, waste, abuse and mismanagement.

The OIG's Office of Audits and Evaluations (OAE) and the Office of Investigations (OI), supported by the Immediate Office (IO), conduct the work to accomplish the OIG's mission. Through its annual work plan, OAE conducts a variety of independent statutorily mandated and discretionary reviews to assess the vulnerability of the Bank's programs and operations to adverse impacts such as waste, fraud, abuse, and mismanagement. These reviews have resulted in recommendations to establish appropriate internal controls and policies and procedures that document the governance and accountability practices in place at EXIM. OI conducts investigations of allegations of wrongdoing that frequently result in convictions of subjects, such as exporters, buyers, brokers, manufacturers, lenders, shippers, and buyers. These cases have resulted in an estimated 200 years of prison time and approximately \$353 million in forfeitures, restitutions, repayments, and judgements.

The audits, investigations and other administrative and enforcement actions undertaken by the OIG have facilitated the federal government's recoupment of millions of dollars, have ensured that taxpayer funds have been spent more efficiently, and have aided in

preventing the future misappropriation of funds. As explained below, for every dollar spent on its budget since its inception, the OIG has returned more than \$7.54 from its investigations alone. Additionally, 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 through FY 2015, the OIG has returned more than 14 times its budget overall. The OIG continues to achieve these successes in the face of significant challenges, such as managing the effects of the prior lapse in authority while implementing new requirements set forth in the Bank's recent reauthorization.

On December 20, 2019, Congress reauthorized the Bank for another seven years (expiring December 31, 2026). The reauthorization contained a number of provisions restricting, maintaining and expanding the Bank's operating authority. Such provisions include:

- maintaining the exposure limit at \$135 billion;
- encouraging certain targeted small businesses to participate in international commerce;
- restricting the Bank's ability to conduct business with certain participants by requiring it to deny applications for financing if certain parties are convicted of defrauding EXIM within the previous five years;
- expanding its promotion of renewable energy sources to include energy efficiency and energy storage; and
- creating a temporary Board in the event of a lack of quorum for 120 consecutive days of a United States Presidential term.

After nearly four years, EXIM is operating with a quorum of Board members that can approve transactions above the current threshold of \$25 million, formulate policies, and delegate its authority.¹ OIG anticipates its oversight activities will expand as transaction approvals increase and the Bank addresses the various operational and structural changes resulting from the reauthorization.² For example, the Board recently authorized a \$5 billion direct loan to support the export of U.S. goods and services from multiple states for the development and construction of an integrated liquefied natural gas project. To address potential concerns related to reauthorization, OIG intends to conduct an independent evaluation of EXIM's reforms and other priorities. This review will provide an initial

¹ On May 8, 2019, the United States Senate confirmed three board members, including the President and Chairman of EXIM, who were sworn in shortly thereafter by the Bank.

² Such changes include: establishing China and Transformational Exports program to reserve 20 percent of EXIM's exposure cap for financing exports that compete directly with China or other countries; increasing the small business threshold to 30 percent beginning on January 1, 2021 (excluding terminated unutilized insurance authority that terminated during the fiscal year when calculating the small business threshold); and consulting with Department of State regarding the potential national interest impacts of financing in excess of \$25 million for transactions where the end user, lender, or obligor is the government of China.

assessment of the Bank's actions to improve accountability and transparency through reforms and other priorities. In addition, to address the administration's concerns related to attack and infiltration schemes against federal networks and systems, OIG also intends to audit EXIM's cybersecurity program to determine whether policies, practices, and system security controls protect the Bank's computer networks and data from cyber threats and vulnerabilities. The loss or disruption of EXIM's computer systems and data would have a profound impact on the agency's operations, assets, or individuals.

Summary of Budget Authority and Request:

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Request
Budget Authority	\$5,700,000	\$5,700,000	\$5,200,000
FTE	25	25	25

For FY 2021, EXIM OIG requests an aggregate budget of \$5.2 million to carry out mission-critical operations, with \$4.3 million to support personnel compensation and benefits for 25 full-time equivalents (FTE) and \$941,370 to support operating costs. This includes the audits, evaluations, and related work required by the IG Act and EXIM’s recently enacted reauthorization,³ as well as criminal investigations necessary to prevent, detect, and prosecute fraud against EXIM and the United States (U.S.).

This request reflects a \$500,000 decrease from the FY 2019 and FY 2020 enacted budgets and accounts for routine increases in grades and steps for personnel, as well as the one percent general pay raise (annualized) and increase in awards spending per Office of Management and Budget (OMB) guidance.

The following observations further support the OIG’s budget request:

EXIM OIG has generated a significant return on taxpayer investment

Since it became operational in FY 2009, EXIM OIG has generated significant cost savings to taxpayers, EXIM and the federal government. Its criminal investigations have produced approximately \$353 million in criminal and civil court-ordered forfeiture and restitution, fines, assessments, and recoveries, on average returning more than 7 times the OIG budget. This return on investment (ROI) metric does not include millions of dollars saved in cancelled transactions resulting from investigative findings referred to EXIM. Please see the attached table for further detail.

Although difficult to specifically quantify, the OIG’s audits, inspections and evaluations have also contributed to significant cost savings to taxpayers. Since FY 2015, OAE has made 252 recommendations to improve the operations and programs of EXIM, including \$6 million in questioned costs and funds put to better use. The OIG’s recommendations implemented by the Bank have strengthened internal controls and processes to assist in the prevention

³ Further Consolidated Appropriations Act 2020 (Pub. L. No. 116-94) (Division I, Title VI, Sections 401-409, Export-Import Bank) (Dec. 20, 2019).

of fraud and improper payments, minimized risk and significantly strengthened due diligence and oversight procedures.

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 \$5 million and \$19 million in claims annually between FY 2012 and FY 2015. The reduction in claims payments has significantly decreased taxpayer risk and contributed a substantial amount toward the funds the Bank has returned to the Treasury in recent years.

Inspector General Act Information

Section 6 of the IG Act requires the Inspector General to transmit certain information each fiscal year as part of its budget submission. In accordance with section 6 of the Act, EXIM OIG presents the following information:

- EXIM OIG requests a FY 2021 budget of \$5.2 million, supporting 25 FTEs and \$40,000 for training costs. The proposed funding level may directly impact and/or limit the number of discretionary reviews and investigations conducted by EXIM OIG of mission-critical Bank functions.
- This request includes \$17,160 to support the operations of the Council of Inspectors General on Integrity and Efficiency (CIGIE).

The FY 2021 budget request reflects a decrease from FYs 2019 and 2020 appropriations. To satisfy the budget reduction and incorporate pay and award increases, the request withdraws additional FTE, maintains vacancies in several positions, and reallocates positions.

FY 2021 baseline request of \$5.2 million supports mission critical and operational expenditures

For FY 2021, EXIM OIG requests a total of \$5.2 million to support approximately 25 OIG full-time career employees (FTE), including the vacant PAS Inspector General⁴ and Deputy Inspector General/Counsel positions.

The FY 2021 request supports mission critical and operational expenditures, comprised by approximately: 82 percent allocated to personnel and benefits costs for staff performing investigations, audits, evaluations and inspections; and 18 percent allocated to training for staff to maintain professional standards; information technology to support office

⁴ In October 2019, the President transmitted the nomination of Peter J. Coniglio to be EXIM's Inspector General, which is currently pending before the full Senate.

operations and investigations; travel to support international inspections and investigations; and other administrative and infrastructure support.

This funding request would enable the OIG to continue to promptly and proficiently perform statutorily-mandated activities required by the IG Act and other statutes. Pursuant to current law, EXIM OIG is required to supervise and report on the audit of the Bank's annual financial statements, as well as audit compliance with the Federal Information Security Modernization Act (FISMA). The OIG is also required to 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 evaluation, and investigations standards, including the Generally Accepted Government Auditing Standards (GAGAS) and the Attorney General's Guidelines for Investigations. Investing in adequate levels of staffing best serves the public by ensuring sufficient resources fulfill the OIG's critical mission objectives, while investing in training ensures such personnel excel in performing these duties. Similarly, investing in secure and modernized technology allows the OIG to leverage data and behavioral analytics to more efficiently and effectively identify targets susceptible to fraud, waste, abuse and mismanagement, especially in light of the breadth and complexity of the Bank's transactions.

For comparative purposes, the total FY 2021 funding request of \$5.2 million represents 0.010 percent of EXIM's \$54.7 billion total export finance portfolio at year-end FY 2019. With the proposed authorized FTEs, the ratio of OIG staff to EXIM portfolio is one OIG FTE to oversee every \$2.2 billion. This dollar amount is likely to substantially increase as the Bank authorizes billions of dollars in pending and prospective deals expected in FY 2020 and future years.

New statutory provisions for OIG oversight responsibilities anticipated

Mandatory audit and evaluation-related oversight is expanding. For example, the Digital Accountability and Transparency Act of 2014 (DATA Act) includes a mandate that took effect in FY 2017, which adds to the scope of the OIG's mandated audit work. Additionally, EXIM's recent reauthorization increased OIG's oversight in many areas. For example, operational changes arising from the recent reauthorization (such as the China and Transformational Exports program) may necessitate discretionary reviews by the OIG in the future.

Detailed Budget Request by Program Area:

Personnel Compensation

Approximately 82 percent of the OIG baseline budget request is for compensation and benefits to employ professional auditors, inspectors, analysts, criminal investigators, and administrative staff. The total personnel budget request provides for \$4,258,630 in salaries and benefits, allocated between three groups, Audits and Evaluations, Investigations, and Immediate Office and Management.

Office of Audits and Evaluations

Audits and Evaluations		
FY 2021 baseline:	\$1,516,409	10 FTE
Baseline adjustment:	\$26,437	-
Total request:	\$1,542,846	10 FTE

The FY 2021 baseline budget for the audit, inspection, and evaluation function represents personnel costs for 10 total FTE: eight auditors in the 0511 series, a senior inspector, and a financial analyst. The auditors in the 0511 series, include an Assistant IG for Audits and Evaluations at the Senior Level, a GS-15 supervisory audit manager, a GS-14 senior auditor, and five auditors at the GS-7/13 levels. The grades for the senior inspector and financial analyst are GS-14 and GS-13, respectively. The baseline adjustment accounts for routine increases in grades and steps for current personnel and annualized one percent salary increase per OMB guidance.

This group will likely produce six to nine products per year, including the statutorily-mandated annual financial statement, FISMA, and IPERA audits, biennial DATA Act audit, and the triennial portfolio risk management and CRO evaluation, 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 Bank's applicable reauthorization legislation.

Many of the business processes that support EXIM 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 the Bank's operations. EXIM OIG auditors and evaluators 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's financial statements. This budget request does not include the budgeted cost of the financial statement audit, which is passed on to EXIM; the OIG is responsible for certain cost overruns and for supplemental work performed by the independent public auditor that supports other OIG projects.

Office of Investigations

Investigations		
FY 2021 baseline:	\$1,604,104	8 FTE
Baseline adjustment:	\$29,163	-
Total request:	\$1,633,267	8 FTE

The FY 2021 baseline budget for the investigations function represents personnel costs for eight total FTEs, including six 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-12/14 levels. There are two analyst positions: a lead at the GS-14 level and one at the GS-13 level. The baseline adjustment accounts for routine increases in grades and steps for current personnel and annualized one percent salary increase per OMB guidance.

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 a positive ROI for a number 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 criminal investigative series.

Immediate Office and Management

Immediate Office and Management		
FY 2021 baseline:	\$1,068,902	7 FTE
Baseline adjustment:	\$13,615	-
Total request:	\$1,082,517	7 FTE

The FY 2021 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 attorney-advisor, a management analyst, and three administrative personnel who support all the teams in the OIG. The baseline adjustment accounts for routine increases in grades and steps for current personnel and annualized one percent salary increase per OMB guidance.

Administrative Expenses

Administrative Expenses	
FY 2021 baseline:	\$683,894
Program increase:	\$257,476
Total request:	\$941,370

The administrative expenses portion of the baseline budget request covers contracted audit and evaluation work, travel, training, information technology, equipment and supplies, communications, and transfer to support the operation of the CIGIE. This includes the increase in awards spending for high performing employees as outlined in OMB guidance. This was funded primarily through reductions in IT, travel, training and contracts. The OIG envisions an increase of \$257,476 in administrative expenses for FY 2021 due primarily to information technology services necessary for operations.

**Export-Import Bank of the United States
Office of Inspector General
Fiscal Year 2019 – 2021
Financial Summary**

	FY 2019 Request	FY 2020 Request	FY 2021 CBJ
Appropriation	\$5,700,000	\$5,700,000	
Budget Request	\$5,250,000	\$5,000,000	\$5,200,000
Carryover Used	\$850,000	\$0	\$0
Personnel Compensation	\$4,537,301	\$4,316,106	\$4,252,032
Administrative	\$592,699	\$563,894	\$731,370
Information Technology	\$20,000	\$20,000	\$130,000
Travel	\$60,000	\$60,000	\$40,000
Training	\$40,000	\$40,000	\$40,000
Communications	\$0	\$0	\$0
<i>Subtotal, Administrative</i>	\$712,699	\$683,894	\$941,370
Total	\$5,250,000	\$5,000,000	\$5,200,000

**Export-Import Bank of the United States
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Budget and Recoveries**

Budget	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	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	\$5,700,000
Criminal											
Restitution	\$2,538,650	\$44,833,107	\$18,961,970	\$24,943,058	\$19,375,440	\$13,608,036	\$13,669,380	\$20,262,740	\$4,726,581	\$3,352,795	\$166,271,757
Forfeiture	\$1,134,273	\$49,218,889	\$8,075,802	\$31,260,924	\$22,799,754	\$6,752,900	\$41,924,418	\$6,118	\$0	\$3,015,480	\$164,188,558
Fines	\$0	\$0	\$0	\$545,500	\$1,500	\$0	\$0	\$0	\$0	\$0	\$547,000
Special Assessment	\$300	\$1,500	\$1,900	\$2,700	\$900	\$1,600	\$1,300	\$0	\$600	\$300	\$11,100
Civil											
Fines	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000,000	\$0	\$0	\$0	\$5,000,000
Recoveries	\$0	\$0	\$0	\$0	\$3,500,000	\$3,800,000	\$0	\$0	\$0	\$0	\$7,300,000
Forfeiture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative											
Direct Repayment	\$0	\$2,649,282	\$5,932,985	\$810,000	\$0	\$151,902	\$0	\$0	\$0	\$0	\$9,544,169
Total Recoveries	\$3,673,223	\$96,702,778	\$32,972,657	\$5,756,2182	\$45,677,594	\$24,314,438	\$60,595,098	\$20,268,858	\$4,727,181	\$6,368,575	\$352,862,584
Return on Investment	1.47	38.68	8.24	14.85	8.96	4.23	10.10	3.56	0.83	1.12	7.54

**Export-Import Bank of the United States
Office of Inspector General
Audits, Inspections, Evaluations, and Other Reviews**

Results	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Reports and Memorandums Issued	10	11	12	8	9	50
Questioned Costs or Funds Put to Better Use	\$118,000	\$802,501	\$5,100,000	\$0	\$0	\$6,020,501
Recommendations	42	71	56	39	44	252