



Office of Inspector General

To: Jeffrey Gerrish
Acting President and Chairman

From: Parisa Salehi PARISA SALEHI | Digitally signed by PARISA SALEHI
Date: 2018.09.26 16:04:17 -0400'
Acting Inspector General

Subject: External Peer Review of the Office of Inspections and Evaluations

Date: September 26, 2018

I am pleased to provide you with a copy of the recently completed external peer review report on the inspection and evaluation organization of the Export-Import Bank (EXIM) Office of Inspector General (OIG).

The Farm Credit Administration and the Corporation for National and Community Service Offices of Inspector General (Review Team) conducted the peer review to assess the extent to which EXIM OIG met the seven required standards in the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation. The standards assessed by the Review Team were Quality Control, Planning, Data Collections and Analysis, Evidence, Records Maintenance, Reporting, and Followup. The Review Team concluded that EXIM OIG's policies and procedures and the two reports reviewed, generally met the seven standards assessed and complied with our own internal policies and procedures.

If you have any questions, please do not hesitate to contact me.

Enclosure

**OFFICE OF
INSPECTOR GENERAL**

Peer Review Report

**Inspection and Evaluation
Peer Review of the U.S.
Export-Import Bank Office
of Inspector General**

Issued September 25, 2018



FARM CREDIT ADMINISTRATION

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Farm Credit Administration

Office of Inspector General
1501 Farm Credit Drive
McLean, Virginia 22102-5090

September 25, 2018

Parisa Salehi
Acting Inspector General
U.S. Export-Import Bank Office of Inspector General



Dear Ms. Salehi,

This required external peer review was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Inspection and Evaluation Committee guidance as contained in the *CIGIE Guide for Conducting Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General*. The peer review was conducted from July 2018 through September 2018.

The CIGIE External Peer Review Team (Review Team), which consisted of personnel from the Farm Credit Administration and the Corporation for National and Community Service Offices of Inspector General (OIG), assessed the extent to which the U.S. Export-Import Bank Office of Inspector General (EXIM OIG) met seven standards in the CIGIE Quality Standards for Inspection and Evaluation, January 2012 (Blue Book), specifically: Quality Control; Planning; Data Collection and Analysis; Evidence; Records Maintenance; Reporting; and Followup. This assessment included a review of the EXIM OIG's internal policies and procedures implementing the seven required standards. It also included a review of selected inspection and evaluation reports issued between July 2017 and June 2018 to determine whether the reports complied with the covered Blue Book standards and the EXIM OIG's internal policies and procedures.

The Review Team determined that the EXIM OIG's policies and procedures generally met the seven Blue Book standards addressed in the external peer review. In addition, the two reports reviewed by the Review Team generally met the Blue Book standards and complied with EXIM OIG's internal policies and procedures.

We have issued a letter that sets forth recommendations based on the Review Team's conclusions. We also discussed additional observations and suggestions with your Inspection and Evaluation staff. Based on the actions implemented as a result of the peer review, we consider all recommendations closed. Thank you for the cooperation and professionalism of your staff.

Sincerely,



Wendy Laguarda
Inspector General
Farm Credit Administration

Enclosures

Scope and Methodology

This peer review was conducted from July to September 2018. The Review Team conducted an onsite visit from July 25-26, 2018 at the EXIM OIG in Washington, DC.

The scope of the review was limited to the period July 1, 2015 through June 30, 2018. The Review Team focused the review on reports issued between July 2017 and June 2018. The Review Team interviewed management and Inspection and Evaluation (I&E) staff during the site visit. There were no constraints on the review or the site visit.

The Review Team selected and reviewed the following I&E reports completed by the EXIM OIG:

Report Title	Report Date
Report on EXIM Bank's Local Cost Policy and Procedures	September 2017
Report on Transportation Portfolio Management Division's Risk Rating Process	August 2017

Results and Findings

INTERNAL POLICIES AND PROCEDURES

Based on the Review Team's assessment, when implemented, the EXIM OIG's policies and procedures would sufficiently address the seven required Blue Book standards. Discussed below are those areas where the Review Team found that the EXIM OIG's policies and procedures could be improved to increase clarity and transparency.

COMPLIANCE WITH STANDARDS

The following is a summary of the Review Team's assessment of the two EXIM OIG reports against the seven Blue Book standards included in this review.

1. QUALITY CONTROL

The Blue Book standard for inspection work is: *"Each OIG organization that conducts inspections should have appropriate internal quality controls for that work."* Key elements of this standard include establishing mechanisms for quality control, documenting those mechanisms, and ensuring adequate supervision.

Policies and Procedures

The EXIM OIG primarily uses the Office of Inspections and Evaluations Manual (OIE Manual) to document internal I&E policies and procedures. For Quality Control, the Review Team found the policies and procedures were generally adequate, but need to be improved in several areas.

The policies and procedures for supervisory reviews need to be clarified. The OIE Manual identifies roles and responsibilities of I&E management and staff. The OIE Manual states responsibilities include supervisory reviews at “critical junctures” during the process. However, “critical junctures” are not defined in the OIE Manual. Overall, the OIE Manual does not stipulate which steps within the I&E process must be approved and how the reviews will be documented in the project files.

In addition, policies and procedures for the quality assurance process need to be consistent and reconciled. The EXIM OIG Policy No. 115, Quality Assurance, states that the head of each component is responsible for establishing policies and procedures for conducting internal quality assurance reviews. The policy also states these reviews should be managed and documented as standalone projects and should be planned, documented, and reported. The OIE Manual, however, outlines the independent referencing verification process on projects as the quality assurance review, which means it is not a standalone project. Thus, the OIE Manual and the Quality Assurance Policy do not agree and create inconsistencies.

Findings

Both reviewed reports met the Quality Control Standard and adhered to the associated internal policies and procedures. However, we identified several opportunities for improvement in this area.

The Review Team found that both project files for the selected reports reviewed lacked easily identifiable supervisory review documentation. Both files contained evidence that supervisory reviews and involvement occurred at certain times during the review. For example, the documentation in both files that were reviewed showed that supervisors had signed the independent referencing verification form, attended interviews, and made comments or edits to reports. However, without a definition of “critical junctures” or a list of mandatory approval items, it was difficult to ascertain whether supervisory review and approvals were done consistently within the office. During interviews, staff stated supervisors were involved throughout the project, but the approval process and involvement was informal when it came to documentation in the project files.

The Blue Book, in support of the Quality Control Standard, states that supervisors should work with inspection team members to reach agreement as to the work the team will do and how they are to proceed. Clarifying “critical junctures” and when and how supervisory reviews and approvals are to be done and documented in the file would clearly show the responsibilities of supervisors and improve the overall quality control process.

The Review Team also found that the I&E unit had not conducted a Quality Assurance Review as a standalone project as identified in the EXIM OIG policy. The Blue Book, in support of the Quality

Control Standard, states that organizations should seek to have quality control mechanisms that provide an independent assessment of inspection processes/work. Clarifying the Quality Assurance Review process and reconciling the differences in internal policies and procedures would increase the quality control process.

2. PLANNING

The Blue Book standard for inspection work is: *"Inspections are to be adequately planned."* Key elements of this standard include creating a work plan, coordination (both internal and external), and research.

Policies and Procedures

The policies and procedures for research and coordination in the planning phases need to be clarified. Specifically, the OIE Manual says collaboration on assignments is strongly encouraged, but, it does not address coordination with other inspection, audit, and investigative entities for I&E projects. The OIE Manual also does not specifically address the study of previous relevant reviews to facilitate understanding of the program or activity to be inspected nor does it address followup on significant findings and recommendations.

Findings

Both reviewed reports met the Planning Standard and the associated internal policies and procedures. However, we identified several opportunities for improvement in this area.

The Review Team found that both project files reviewed lacked documentation showing coordination with other appropriate units and organizations that could be affected by the I&E activities. The Blue Book, in support of the Planning Standard, states that inspection planning includes coordinating planned activities with other inspection, audit, and investigative entities, as well as appropriate organizations that could be affected by the activities.

The Review Team found that the research section of the project files could also be improved. The Blue Book, in support of the Planning Standard, states that research should attempt to identify the results of previous reviews that may be relevant to the inspection, and inspectors should followup on known significant findings and recommendations that directly relate to the current inspection. The project files contained copies of prior reports, but it was impossible to ascertain what followup work was performed on findings and recommendations.

In sum, the internal policies do not address coordination, prior review requirements, followup, or how these items should be documented in the project files. This type of information would strengthen the planning process.

3. DATA COLLECTION AND ANALYSIS

The Blue Book standard for inspection work is: *"The collection of information and data will be focused on the organization, program, activity, or function being inspected, consistent with the*

inspection objectives, and will be sufficient to provide a reasonable basis for reaching conclusions.” This standard requires covered I&E organizations to describe the project’s sources of data and information in the supporting documentation, ensure information is appropriately scoped, employ procedures to ensure data reliability and validity, and ensure that the confidentiality of sources and sensitive information is safeguarded. Key elements of the standard related to data analysis include ensuring that data is reviewed for accuracy and reliability, information is appropriately presented and documented, procedures provide for supervisory review, and findings satisfy objectives.

The policies and procedures, when implemented, address the Data Collection and Analysis Standard. Both reviewed reports met the Data Collection and Analysis Standard and the associated internal policies and procedures.

4. EVIDENCE

The Blue Book standard for inspection work is: *“Evidence supporting inspection findings, conclusions, and recommendations should be sufficient, competent, and relevant and should lead a reasonable person to sustain the findings, conclusions, and recommendations.”* Key elements of this standard include ensuring that evidence is sufficient to persuade a knowledgeable person of the validity of the related findings and recommendations, is collected and evaluated using reasonable methods, and has a logical relationship to the issue(s) being addressed.

The policies and procedures, when implemented, address the Evidence Standard. Both reviewed reports met the Evidence Standard and adhered to the associated internal policies and procedures.

5. RECORDS MAINTENANCE

The Blue Book standard for inspection work is: *“All relevant documentation generated, obtained, and used in supporting inspection findings, conclusions, and recommendations should be retained for an appropriate period of time.”* Key elements of this standard include ensuring that supporting information is effectively organized, provides a record of the nature and scope of the inspection, and provides sufficient information for supervisors to manage and evaluate staff; and that the organization has policies and procedures for document retention.

The policies and procedures, when implemented, address the Records Maintenance Standard. Both reviewed reports met the Record Maintenance Standard and adhered to the associated internal policies and procedures.

6. REPORTING

The Blue Book standard for inspection work is: *“Inspection reporting shall present factual data accurately, fairly, and objectively and present findings, conclusions, and recommendations in a persuasive manner.”* Key elements of this standard include ensuring that reporting is timely,

accurate, and objective; provides sufficient context, describes objectives, scope, and methods; uses clear and concise language; and includes a statement that the inspection was conducted in accordance with the standards. The standard also requires that findings are supported by evidence, conclusions are logical inferences, and recommendations describe what should be corrected.

The policies and procedures, when implemented, address the Reporting Standard. Both reviewed reports met the Reporting Standard and adhered to the associated internal policies and procedures.

7. FOLLOWUP

The Blue Book standard for inspection work is: *“Appropriate followup will be performed to ensure that any inspection recommendations made to Department/Agency officials are adequately considered and appropriately addressed.”* Key elements of this standard include that the I&E organization determines whether agency officials take action to correct problems, performs followup work as appropriate to verify management actions, and considers prior recommendations and the need for followup when planning and conducting new inspections.

Policies and Procedures

The Review Team found the current followup process is not fully documented in the OIE Manual. Specifically, the OIE Manual documents the process to be followed on reporting phases and agreement with recommendations. However, the OIE Manual does not state the process to determine whether agency officials have taken timely, complete, and reasonable actions. Of note, based on our review, there is an effective process implemented within the EXIM OIG, but the process is not documented in the OIE Manual.

Findings

The Review Team found that for both projects reviewed, an effective strategy was in place to continuously monitor recommendation status. The Review Team found that even though the process was not documented, as noted above, the EXIM OIG implemented proper followup and reporting techniques in accordance with the Followup Standard.

Recommendations

Based on the Review Team’s review of the EXIM OIG’s policies and procedures and adherence to the Blue Book standards listed above, we recommend the following to improve EXIM OIG’s inspections and evaluations:

1. Identify approval points for supervisory review and document required approvals in the Inspection and Evaluation policies and procedures.
2. Revise the Inspection and Evaluation policies and procedures on the Quality Assurance Review to reconcile with the OIG Quality Assurance Policy regarding a standalone review requirement.

3. Implement and document a process for coordination with internal and external organizations.
4. Implement and document a process to identify and followup on significant findings and recommendations from previous reviews.
5. Document the recommendation followup process in the Inspection and Evaluation policies and procedures or other internal policy.

Actions Taken in Response to the Peer Review

In response to the peer review, EXIM OIG concurred with the recommendations in the report (see Enclosure 2). EXIM OIG also implemented several changes to inspections and evaluations. The EXIM OIG revised the Inspection and Evaluations policies to: identify supervisory review and documentation requirements, implement a standalone quality assurance review, and document the recommendation followup process. EXIM OIG also revised the planning requirements for inspections and evaluations to include a coordination process and followup on previous reviews in workpaper requirements.

In addition, EXIM OIG notified the Review Team of plans to restructure the Office of Inspections and Evaluations and implement a new workpaper management system. Based on the information provided to the Review Team, the changes planned, in conjunction with revised policies and procedures, will improve the EXIM OIG's inspection and evaluation process.

Because of the actions implemented, we consider all five recommendations closed.

Reviewed Organization Comments to Report



Office of Inspector General

September 19, 2018

Ms. Wendy Laguarda
Inspector General
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102

Dear Ms. Laguarda:

Thank you for the opportunity to respond to your September 10, 2018, draft letter of comment on the external peer review of the U.S. Export-Import Bank (EXIM), Office of Inspector General (OIG) inspection and evaluation function. We appreciate the efforts of the Review Team from the Farm Credit Administration and the Corporation for National and Community Service Offices of Inspector General. We are very pleased with the outcome of the peer review and conclusion that our policies and procedures and the two reports reviewed, generally met the seven required Blue Book standards assessed and complied with our own internal policies and procedures.

The draft letter of comment included three areas where the Review Team determined EXIM OIG's inspection and evaluation policies and procedures could be improved to increase clarity and transparency. Our responses to the five recommendations in the draft letter are below.

Finding Quality Control – Clarify Policies and Procedures for Supervisory Reviews and the Quality Assurance Review Process

We concur with your recommendations to (1) “identify approval points for supervisory review and document required approvals in the inspection and evaluation policies and procedures,” and (2) “revise the inspection and evaluation policies and procedures on the Quality Assurance Review to reconcile with the OIG Quality Assurance Policy regarding a standalone review requirement.” We updated the inspection and evaluation policies and procedures to address the recommendations.

Finding Planning – Clarify Policies and Procedures for Coordination, Prior Review Requirements, and Following Up

We concur with your recommendation to (3) “implement and document a process for coordination with internal and external organizations,” and (4) “implement and document a process to identify and followup on significant findings and

recommendations from previous reviews.” The inspection and evaluation policies and procedures have been updated to address the recommendations.

Finding Follow Up – Fully Document the Current Process for Following Up

We concur with your recommendation to (5) “document the recommendation followup process in the inspection and evaluation policies and procedures or other internal policy.” We updated the inspection and evaluation policies and procedures to address the recommendation.

We appreciate the Review Team’s professionalism in conducting this external peer review and in making the recommendations contained in the draft letter of comment. If you have any questions or comments relating to our response to the draft letter, please contact me at (202) 565-3974.

Sincerely,

PARISA SALEHI Digitally signed by PARISA SALEHI
Date: 2018.09.19 15:37:13 -0400

Parisa Salehi
Acting Inspector General