



SEMIANNUAL
REPORT TO CONGRESS
OCTOBER 1, 2015 TO MARCH 31, 2016





EXPORT-IMPORT BANK OF THE UNITED STATES (Ex-Im Bank or the Bank) is the official export credit agency of the United States. Ex-Im Bank supports the financing of U.S. goods and services in international markets, turning export opportunities into actual sales that help U.S. companies of all sizes to create and maintain jobs in the United States.

Ex-Im Bank assumes the credit and country risks that the private sector is unable or unwilling to accept. Ex-Im Bank also helps U.S. exporters remain competitive by countering the export financing provided by foreign governments on behalf of foreign companies. More than 80 percent of Ex-Im Bank's transactions have been made available for the direct benefit of U.S. small businesses in recent years.

More information about Ex-Im Bank is at www.exim.gov.

THE OFFICE OF INSPECTOR GENERAL (OIG), an independent office within Ex-Im Bank, was statutorily created in 2002 and organized in 2007. The mission of Ex-Im Bank 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 is dedicated to acting as an agent of positive change to help Ex-Im Bank improve its efficiency and effectiveness. It keeps Ex-Im Bank's Chairman and President and Congress fully informed about problems and deficiencies along with any positive developments relating to Ex-Im Bank administration and operations.

More information about the OIG including reports of audits, inspections, and evaluations is at www.exim.gov/about/oig. Information about inspectors general in the U.S. government is at www.ignet.gov.



From the Inspector General

In the first half of FY 2016, the Export-Import Bank Office of Inspector General continued its work in advising the management of the Ex-Im Bank and the Congress on recommendations for improving Bank operations and detecting, preventing, and prosecuting fraud.

In our last semiannual report, we reported that the major management challenge facing Ex-Im Bank was managing the lapse in the Bank's authorization. As of June 30, 2015, the authority of the Bank to incur new obligations lapsed pursuant to its charter. As a result, at the beginning of FY 2016, Ex-Im Bank lacked authority to enter into new transactions, but under its charter, was required to fulfill existing commitments and manage its outstanding portfolio. In December 2015, Congress passed a law renewing the authority of the Bank to engage in new transactions and making reforms to the Bank's risk management and governance structure, which was signed by the President on December 4, 2015. Despite the renewed statutory authority, the Bank's ability to execute its mission has been limited by the absence of quorum on its Board of Directors since July 2015, which is required for approval of medium term and long term transactions over \$10 million. At the time of this report, two of the five Presidentially appointed, Senate-confirmed director positions are filled, with one additional Presidential appointment pending before the Senate. Because the charter requires a minimum of three Board members as a quorum to take action, the Bank cannot currently approve new medium term and long term transaction over \$10 million, or approve the appointment of a Chief Risk Officer and Chief Ethics Officer as required by the reauthorization legislation.

In the first half of FY 2016, the OIG published five audit reports and one inspection report. These included the statutorily mandated audits of the Bank's financial statements and information security, risk-based audits of claims processing and contracting, and an inspection report on the NewSat satellite financing that resulted in a default of approximately \$139 million. In addition, our office continued its focus on investigating fraud related to Ex-Im Bank transactions. Working with the Department of Justice, we obtained additional criminal convictions of the leaders of a conspiracy to defraud private lenders of approximately \$8 million and Ex-Im Bank of approximately \$2 million. Furthermore, the OIG continued its fraud prevention efforts by conducting several training and seminar sessions both inside and outside the Bank.

None of these accomplishments would be possible without the hard work, professionalism, and dedication of our excellent staff. The goal of our office is to continue to provide timely, accurate, and credible information to aid Bank officials and Congress as Ex-Im Bank implements new legislative mandates.

Michael T. McCarthy
DEPUTY INSPECTOR GENERAL



Highlights

The **Office of Audits** (OA) completed five audits:

Audit of the Export-Import Bank of the United States Fiscal Year 2015 Financial Statements

(OIG-AR-16-01, November 13, 2015)

Fiscal Year 2015 Financial Statement Audit – Management Letter

(OIG-AR-16-03, February 12, 2016)

Under a contract overseen by OA, Deloitte and Touche LLP conducted the independent audit of Ex-Im Bank's financial statements for fiscal year 2015 and found (1) the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles; (2) there were no material weaknesses or significant deficiencies in internal control; and (3) there were no instances of reportable noncompliance with laws and regulations or other matters it tested.

As a supplement to the Independent Auditor's report on the FY 2015 Financial Statements, Deloitte and Touche LLP issued a management letter that identified nine deficiencies in Ex-Im Bank's internal control over financial reporting, which did not rise to level of material weaknesses or sufficient deficiencies, but should be corrected. Deloitte and Touche LLP made nine recommendations to correct these deficiencies and management concurred with the recommendations.

Independent Audit of Export-Import Bank's Information Security Program for Fiscal Year 2015

(OIG-AR-16-02, February 2, 2016)

Under a contract overseen by OA, Cotton & Company LLP performed an audit of Ex-Im Bank's Information Security Program for FY 2015. The audit determined that overall Ex-Im Bank's information security program and practices are substantially effective. Ex-Im Bank continued to improve and strengthen its information security program during fiscal year 2015. However, Ex-Im Bank has a few areas in which additional improvements can be made. The report contains four new recommendations and four re-issued recommendations. Management concurred with the recommendations.

Independent Audit of the Export-Import Bank's Short-Term Insurance Claims Processing

(OIG-AR-16-04, March 16, 2016)

Under a contract overseen by OA, Cotton & Company LLP performed an audit of Ex-Im Bank's Short-Term Insurance Claims Processing. The audit determined Ex-Im Bank's short-term insurance claims filed in FYs 2014 and 2015 were generally processed in compliance with the Bank's policies and procedures. The audit also

determined that as of September 30, 2015, these policies and procedures were suitably designed to provide reasonable assurance that improper claim approvals, denials, and reconsiderations were prevented or timely detected. Further, the audit identified that tested processing controls were generally operating effectively during this period. However, the audit found several areas for improvement, including incomplete guidance for identifying and addressing fraud risks; areas in which the actions required and/or the parties responsible for a specified action were not clear; and areas in which the procedures did not reflect current operating practices or were outdated. The audit also found that Claims Reconsideration Committee (CRC) policies and procedures did not identify factors the CRC should consider in claim reconsiderations, require documenting the basis for individual claim reconsideration decisions, or provide a mechanism to assure policies and procedures are up to date. As a result, the audit identified inadequately documented claim reconsideration payment approvals resulting in \$296,000 of unsupported questioned costs. Further, the audit found deficiencies in the operating effectiveness of four internal control activities. Finally, the audit identified a control deviation related to inadequate documentation for a single buyer credit limit. The report contained 11 recommendations and management concurred with all 11 recommendations.

Audit of Export-Import Bank's Contracting Processes

(OIG-AR-16-05, March 30, 2016)

We conducted this audit to determine whether Ex-Im Bank's contracting processes were in compliance with federal regulations and guidance, and the Bank's contract administration policy. We found that the Ex-Im Bank's Office of Contracting Services (OCS) does not have adequate internal controls to ensure Ex-Im Bank's contracting processes comply with federal contracting regulations. Specifically, we identified that: (1) OCS does not have a comprehensive set of written policies and procedures to ensure it follows sound contract processes in compliance with federal regulations; (2) many Bank employees do not understand the roles and responsibilities of contracting officers as outlined by the Federal Acquisition Regulation (FAR); (3) Contracting Officer Representatives (CORs) are not properly certified, trained and designated as required by the FAR; (4) OCS has not identified the specific contract characteristics or thresholds that would require the involvement of the Office of General Counsel (OGC) in the acquisition process and (5) contract data is not readily available. As result of the identified control deficiencies, we found: (1) improper, duplicate and untimely payments; (2) unauthorized commitments; and (3) incomplete contract files. In particular, we identified (1) \$304,462 in questioned costs and \$117,083 in funds for better use for an IT contract and (2) missing documentation supporting a \$75,622 five-year vehicle lease. The report contained seven recommendations and management concurred with all seven recommendations.



The **Office of Inspections and Evaluations** (OIE) completed one inspection report:

Inspection Report on Jabiru Satellite Ltd.

(OIG-INS-16-01, December 22, 2015)

The OIE completed an inspection of the Jabiru-1 Satellite Project financing. The project involved the construction and launch of a satellite with projected costs of approximately \$620 million. Ex-Im Bank provided a \$300.5 million direct loan commitment, of which \$139.1 million was disbursed before funding was halted. The project posed numerous challenges to Ex-Im Bank and other lenders, leading to defaults under the project's credit agreements with the lenders and its underlying satellite construction contract with Lockheed Martin. The \$139.1 million owed to Ex-Im Bank by NewSat and the project is in default. The report found that although Ex-Im Bank identified and mitigated many of the project specific risks of the transaction, the Bank did not sufficiently address the risk of the inexperienced and financially weak Sponsor-Guarantor, NewSat. The report also found that the transaction structure did not adequately protect Ex-Im Bank against the risk of the Borrower's default under the satellite construction contract, as it did not provide senior lenders with a secured interest in the underlying Project assets during construction. The report identified that Ex-Im Bank's policies and practices for monitoring transactions during the time between Board approval and operative status are less developed than post-operative monitoring procedures. Finally, the inspection found that NewSat's financial condition was deteriorating prior to closing, but Ex-Im Bank did not identify these issues, and NewSat did not make timely disclosures of these issues as required. The report included four recommendations and Ex-Im Bank management concurred with all four recommendations.

The **Office of Investigations** (OI) concluded the following actions:

Criminal conspiracy, fraud, and money-laundering convictions

In March 2016, three co-conspirators pled guilty for their roles in a scheme to defraud two commercial lenders and the Ex-Im Bank out of more than \$11 million. The individuals utilized companies they controlled to create fictitious invoices for sales and purported exports of merchandise that never occurred. These invoices were sold to two Miami-area commercial lenders in a process called "factoring," which allowed the conspirators to receive cash for approximately 90 percent of the value of the merchandise listed on the fake invoices, according to the plea. They admitted that, in order to continue the scheme, they created additional fictitious invoices, transferred the funds they received through numerous bank accounts under their control and, in a Ponzi-style scheme, used a portion of the new proceeds to pay off prior factored invoices. When the Miami lenders refused to extend further credit, the conspirators created false invoices and shipping documents to obtain

a loan guaranteed by the Ex-Im Bank. Rather than acquiring, selling and shipping American manufactured goods as required by Ex-Im Bank guaranteed loan, the conspirators used the loan proceeds to pay off earlier factored invoices, thereby extending the scheme, and kept the balance of the loan proceeds for themselves. To successfully bring this case, OIG special agents and analysts traced the laundering of funds through more than 50 accounts.

Fraud conviction of Brazilian national extradited from United Arab Emirates

In an example of international cooperation, a Brazilian national who was extradited from the United Arab Emirates pled guilty to wire fraud in the Middle District of Florida in February 2016. The defendant defrauded a Miami-area lender and the Ex-Im Bank and an indictment and an arrest warrant was issued for him while he was residing in Brazil. In June 2015, he was arrested at Abu Dhabi International Airport by authorities in the United Arab Emirates, based on an INTERPOL Red Notice, and in August 2015, special agents of the Ex-Im Bank OIG took custody of the exporter and returned him to the U.S. to face charges.

Investigated employee and program integrity matters

OIG investigated employee misconduct cases and referred results to Bank management for appropriate action, including one substantiated case of misuse of a government-issued travel card and another substantiated case of use of illicit drugs. OIG special agents also worked collaboratively to share investigative intelligence with Ex-Im Bank to help identify potential and suspected fraudulent activity within Bank transactions and to protect Bank funds at risk. During this reporting period, OIG made 29 referrals of investigative information to OGC concerning potential fraud and funds at risk for enhanced due diligence by Ex-Im Bank. OIG agents also conducted training and outreach with various lenders and partners to enhance investigative and financial intelligence sharing.





Office of Audits

The **Office of Audits** (OA) conducts and oversees independent and objective audits relating to Ex-Im Bank programs to improve Ex-Im Bank operations. All OIG audits are performed in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. Furthermore, OA refers irregularities and other suspicious conduct detected during audits to the Office of Investigations for investigative consideration.

OA completed five audits:

- Audit of the Export-Import Bank of the United States Fiscal Year 2015 Financial Statements
- Fiscal Year 2015 Financial Statement Audit – Management Letter
- Independent Audit of Export-Import Bank’s Information Security Program for Fiscal Year 2015
- Independent Audit of Export-Import Bank’s Short-Term Insurance Claims Processing
- Audit of Export-Import Bank’s Contracting Processes

At the end of the reporting period, OA had two audits and one review in progress:

- Audit of Export-Import Bank’s Compliance with the Improper Payments Elimination and Recovery Act of 2010 for FY 2015 Reporting
- Audit of the Export-Import Bank’s Oversight of Working Capital Guarantee Delegated Authority Lenders
- Review of the Export-Import Bank’s Lease of a Luxury Vehicle

Reports Issued

Audit of the Export-Import Bank of the United States Fiscal Year 2015 Financial Statements

(OIG-AR-16-01, November 13, 2015)

www.exim.gov/sites/default/files/oig/pressreleases/Audit%20of%20Export-Import%20Bank%20of%20the%20United%20States%20Fiscal%20Year%202015%20Financial%20Statements%20%28OIG-AR-16-01%29.pdf

Fiscal Year 2015 Financial Statement Audit – Management Letter

(OIG-AR-16-03, February 12, 2016)

www.exim.gov/sites/default/files/oig/audit/FINAL%20MANAGEMENT%20LETTER%20Redacted.pdf

Under a contract overseen by OA, the OIG engaged the independent public accounting firm of Deloitte and Touche LLP to perform an audit of Ex-Im Bank’s financial statements for fiscal year 2015. Deloitte and Touche LLP found:



- (1) the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;
- (2) there were no material weaknesses or significant deficiencies in internal control; and
- (3) there were no instances of reportable noncompliance with laws and regulations or other matters it tested.

In addition to the Independent Auditor's report on the FY 2015 Financial Statements, Deloitte and Touche LLP issued a management letter that identified nine deficiencies in Ex-Im Bank's internal control over financial reporting, which did not rise to level of material weaknesses or sufficient deficiencies, but should be corrected. Specifically, Deloitte and Touche LLP found:

- (1) Ex-Im Online (EOL) change management was not properly documented;
- (2) testing and approval of patches applied to the firewall/IPS system were not always documented prior to the patches being migrated into production;
- (3) privileged level access security was not always appropriate;
- (4) access request and approval documentation was not available for all new users of Financial Management System-Next Generation (FMS-NG);
- (5) separated employees maintained active accounts after their separation dates;
- (6) password configurations were not always applied;
- (7) daily security reports were not always compiled and distributed;
- (8) one employee did not have a valid background check on file; and
- (9) one disbursement was certified and sent without proper supporting documentation.

Deloitte and Touche LLP recommended that Ex-Im Bank

- (1) update its change management policy and procedure, require documentation to be maintained for each change, and implement a formal control to document review and approval of each step in the change management process;
- (2) document the change management process for firewall/IPS system patches at a level of precision such that it can be consistently executed;

(3) follow its current access deprovisioning process, enhance the deprovisioning process with additional separation notifications, consider increasing the frequency of the current Annual Access Review, and enhance the review process to document and review certain privileged access levels;

(4) consider including a user access conversion strategy such as documenting a plan for converting user access, documenting a mapping of roles, creating a complete list of users, and obtaining final approval from key stakeholders;

(5) enhance and follow the process for removing user access as part of the employee separation process and take follow-up action for each separated user to confirm access was removed;

(6) configure the password settings for its systems in accordance with its access control policy and review settings for new systems upon installation and on a periodic basis to ensure compliance with associated policies;

(7) determine backups for the users who are primarily responsible for distributing the daily security report or determine an alternative method of documenting and communicating the review;

(8) keep track of the security status of employees who have clearances that are close to expiring and perform checks more frequently than annually; and

(9) maintain an automated disbursement process to ensure that there is no confusion regarding the amounts requested to be disbursed. Management concurred with the recommendations.

Independent Audit of Export-Import Bank's Information Security Program for Fiscal Year 2015

(OIG-AR-16-02, February 2, 2016)

www.exim.gov/sites/default/files//oig/audit/Independent%20Audit%20of%20Export-Import%20Bank%27s%20Information%20Security%20Program%20for%20Fiscal%20Year%202015_Applied%20Redactions.pdf

Under a contract overseen by OA, the OIG engaged the independent public accounting firm of Cotton & Company LLP (Cotton) to perform an audit of Ex-Im Bank's Information Security Program for FY 2015. The audit determined that overall Ex-Im Bank's information security program and practices are substantially effective. While Ex-Im Bank continues to improve and strengthen its information security program, it is not compliant with all FISMA requirements. Specifically:

(1) Personal Identity Verification (PIV) access for multifactor network authentication had not been implemented agency-wide because not all contractors were using



PIV cards for logical access as required by the Homeland Security Presidential Directive-12 (HSPD-12);

(2) an effective account management process had not been implemented to ensure accounts are periodically reviewed for appropriateness and disabled when users leave the agency or after a specified period of inactivity;

(3) Management had not implemented appropriate security controls identified in the report for access to Ex-Im Bank data;

(4) Management had not implemented certain security controls in compliance with established Bank policies;

(5) Management had not adequately documented required National Institute of Standards and Technology (NIST) controls in a particular System Security Plan (SSP);

(6) Management had not adequately documented configuration management plans for certain systems;

(7) Management had not adequately remediated Plan of Action and Milestones (POA&M) items in a timely manner; and

(8) Management had not adequately tested its Continuity of Operations Plan (COOP) capabilities and effectiveness.

The report included four re-issued recommendations and four new recommendations to:

(1) fully implement the use of PIV cards to achieve multifactor authentication to the Ex-Im Bank network for all access;

(2) ensure that the account review process is conducted in accordance with policies and procedures and that inactive accounts are disabled or terminated when required;

(3) deploy security controls identified in the report;

(4) improve security controls over the area identified in the report;

(5) update the particular SSP;

(6) document configuration management plans for certain systems that address specific requirements;

(7) implement a process to ensure that all system POA&Ms are reviewed on an organizationally defined frequency and that milestones are updated to reflect actions taken to remediate items; and

(8) ensure that testing of the COOP is performed on an annual basis to ensure the Bank is prepared to continue operations and appropriately respond to potential disasters. Management concurred with the recommendations.

Independent Audit of Export-Import Bank's Short-Term Insurance Claims Processing

(OIG-AR-16-04, March 26, 2016)

www.exim.gov/sites/default/files//oig/audit/Independent%20Auditors%20Report%20on%20the%20Export-Import%20Banks%20Short-Term%20Insurance%20Claims%20Processing.pdf

Under a contract overseen by OA, Cotton & Company LLP performed an audit of Ex-Im Bank's Short-Term Insurance Claims Processing. The audit determined:

- Ex-Im Bank's short-term insurance claims filed in FYs 2014 and 2015 were generally processed in compliance with the Bank's policies and procedures;
- as of September 30, 2015, the policies and procedures were suitably designed to provide reasonable assurance that improper claim approvals, denials, and reconsiderations were prevented or timely detected; and
- tested processing controls were generally operating effectively during this period.

However, the audit identified several areas for improvement, including findings of:

- incomplete guidance for identifying and addressing fraud risks, areas in which the actions required and/or the parties responsible for a specified action were not clear, and areas in which the procedures did not reflect current operating practices or were outdated; and
- Claims Reconsideration Committee (CRC) policies and procedures that did not identify factors the CRC should consider in claim reconsiderations, require documenting the basis for individual claim reconsideration decisions, or provide a mechanism to assure policies and procedures are up to date.

As a result, the audit identified inadequately documented claim reconsideration payment approvals resulting in \$296,000 of unsupported questioned costs.



Further, the audit identified:

- deficiencies in the operating effectiveness of four internal control activities including missing loss certification, missing buyer notification letters, missing release and assignment documentation and incorrect signatures following CRC decisions; and
- a control deviation related to inadequate documentation for a single buyer credit limit.

The report contained 11 recommendations to:

- (1) establish a review mechanism for the manual;
- (2) augment the manual to incorporate fraud procedures and guidance;
- (3) establish a mechanism to ensure Claims Officers (COs) receive training on fraud procedures and guidance;
- (4) augment the manual to provide guidance of factors to determine whether COs should obtain third-party carrier documentation;
- (5) address areas in which the manual was not clear;
- (6) address undocumented and outdated procedures;
- (7) revise governance documents to articulate the CRC's purpose and basis for its decisions;
- (8) document the rationale for or seek recovery of \$296,000 in inadequately supported claims payments;
- (9) assure COs follow required procedures;
- (10) augment the manual with documentation and approval requirements for consultations with underwriting divisions; and
- (11) require the Claims Processing Group to locate and store missing FY 2015 claim documentation.

Management concurred with all 11 recommendations.

Audit of Export-Import Bank's Contracting Processes

(OIG-AR-16-05, March 30, 2016)

www.exim.gov/sites/default/files//oig/reports/FINAL%20CONTRACT%20REPORT%20for%20issuance.pdf

We conducted this audit to determine whether Ex-Im Bank's contracting processes were in compliance with federal regulations and guidance, and the Bank's contract administration policy. We found that the Ex-Im Bank's Office of Contracting Services (OCS) does not have adequate internal controls to ensure Ex-Im Bank's contracting processes comply with federal contracting regulations. Specifically, we identified that:

- (1) OCS does not have a comprehensive set of written policies and procedures to ensure it follows sound contract processes in compliance with federal regulations;
- (2) many Bank employees do not understand the roles and responsibilities of contracting officers as outlined by the Federal Acquisition Regulation (FAR);
- (3) Contracting Officer Representatives (CORs) are not properly certified, trained and designated as required by the FAR;
- (4) OCS has not identified the specific contract characteristics or thresholds that would require the involvement of the Office of General Counsel (OGC) in the acquisition process; and
- (5) contract data is not readily available.

As result of the identified control deficiencies, we found:

- (1) improper, duplicate and untimely payments;
- (2) unauthorized commitments; and
- (3) incomplete contract files.

In particular, we identified (1) \$304,462 in questioned costs and \$117,083 in funds for better use for an IT contract and (2) missing documentation supporting a \$75,622 five-year vehicle lease.

The report contained seven recommendations for Ex-Im Bank to:

- (1) develop a comprehensive set of written policies and procedures to ensure contracts are administered and monitored in accordance with federal regulations;
- (2) provide training and written guidance to Ex-Im Bank employees on the roles and responsibilities of Contracting Officers and the processes and procedures of OCS;



- (3) develop a comprehensive set of written policies and procedures for the certification, training and designation of CORs;
- (4) in conjunction with OGC, develop policies and procedures that identify the specific contract characteristics or thresholds that would require the involvement of OGC;
- (5) ensure contract data is maintained and readily available;
- (6) recover the duplicate payment of \$3,240 from the vendor; and
- (7) develop a process to prevent erroneous contract payments and inaccurate recording of invoice payment information.

Management concurred with all seven recommendations.

Ongoing Audits

Audit of Export-Import Bank's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for FY 2015

Each year, the federal government wastes billions of taxpayer dollars on improper payments. To reduce improper payments, the President signed into law the Improper Payments Information Act of 2002 (IPIA) which was then amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). As amended, IPIA requires agencies to review their programs and activities each fiscal year and identify those susceptible to significant improper payments. In addition, Inspectors General are required to determine whether their respective agencies are compliant with the improper payment laws and may also evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments.

We are conducting this audit to determine whether Ex-Im Bank was in compliance with the reporting requirements of the improper payment laws for FY 2015 reporting. In addition, we will assess the accuracy and completeness of Ex-Im Bank's improper payment reporting, the Bank's implementation of prior year audit recommendations, and the Bank's effort to reduce and recover improper payments. The report will be issued in the semiannual period ending September 30, 2016.

Audit of the Export-Import Bank's Oversight of Working Capital Guarantee Delegated Authority Lenders

Ex-Im Bank's working capital guarantees assist U.S. exporters in obtaining loans that support the raw material, labor, and overhead costs of manufacturing an export item or

providing a service to an international buyer. Approximately 80 percent of Ex-Im Bank's working capital guarantees are made by delegated authority lenders. Given the reliance on these delegated authority lenders for the success of the program, effective management and monitoring of the delegated authority lenders by Ex-Im Bank is critical. The Business Credit Division of Ex-Im Bank conducts periodic examinations of the delegated authority lenders to review on-going transactions and lender compliance with the program. The objective of the audit is to determine if Ex-Im Bank's oversight of delegated authority lenders is effective to ensure lenders are complying with program guidance and using the program in accordance with stated objectives. The report will be issued in the semiannual period ending September 30, 2016.

Review of the Export-Import Bank's Lease of a Luxury Vehicle

During a recent audit of Ex-Im Bank's Contracting Processes (OIG-AR-16-05), we found that the modification documentation to justify the five-year lease of a luxury vehicle totaling \$75,622, including insurance, was missing from the contract file. The justification did not address why the vehicle was "essential" to the Bank's mission as required by federal contracting regulations. During our review of the documentation supporting the contract modification, we also identified questions and concerns related to (1) the costs of leasing the vehicle through a private vendor rather than the General Services Administration in terms of the base cost of the car, gas, maintenance, repairs, etc.; and (2) the costs paid to the contractor for private insurance when the federal government is self-insured. Due to these concerns, we are continuing to examine this procurement. A supplemental report, if warranted, will be issued in the semiannual period ending September 30, 2016.





Office of Inspections and Evaluations

The **Office of Inspections and Evaluations** (OIE) conducts independent inspections and policy evaluations to assess the efficiency and effectiveness of Ex-Im Bank's programs, operations, and transactions. All OIE assignments are performed in accordance with Council of Inspectors General on Integrity and Efficiency (CIGIE) guidelines and standards including the 2010 Quality Standards for Inspections and Evaluations. OIE works in tandem with the Office of Audit and the Office of Investigations whenever appropriate. Moreover, OIE refers irregularities and other suspicious conduct detected during its reviews to the Office of Investigations for investigative consideration. During the first half of FY 2016, OIE completed one inspection report:

Inspection Report on Jabiru Satellite Ltd.

(OIG-INS-16-01, December 22, 2015)

www.exim.gov/sites/default/files/oig/reports/JABIRU%20INSPECTION%20REPORT%20redacted_0.pdf

The Jabiru-1 Satellite Project involved the construction and launch of a satellite with projected costs of approximately \$620 million. Ex-Im Bank provided a \$300.5 million direct loan commitment, of which \$139.1 million was disbursed before funding was halted. The project posed numerous challenges to Ex-Im Bank and other lenders from the outset, including an inexperienced and financially weak corporate sponsor (NewSat), cost overruns, and significant corporate governance issues at both the Project and at NewSat. These factors would eventually lead to defaults under the project's credit agreements with the lenders and its underlying satellite construction contract with Lockheed Martin (LM). In April 2015, the lenders and the Administrators engaged in insolvency and bankruptcy proceedings in Australia and the U.S. in an attempt to restructure the project and continue the satellite construction, but these efforts were unsuccessful. NewSat was liquidated and LM owns the unfinished satellite. The \$139.1 million owed to Ex-Im Bank by NewSat and the Project is in default.

Our inspection generated several findings:

- (1) Although Ex-Im Bank identified and mitigated many of the project specific risks of the transaction, the Bank did not sufficiently address the risk of the inexperienced and financially weak Sponsor-Guarantor, NewSat. OIG found that NewSat lacked sufficient financial resources, management depth, technical expertise, and independent board member oversight to properly manage such a large project;
- (2) The transaction structure did not adequately protect Ex-Im Bank against the risk of the borrower's default under the satellite construction contract, as it did not provide senior lenders with a secured interest in the underlying project assets during construction;
- (3) Ex-Im Bank's policies and practices for monitoring transactions during the time between Board approval and operative status are less developed than post-operative



monitoring procedures. We found delays in addressing corporate governance issues and downgrading the risk rating; and

(4) NewSat's financial condition was deteriorating prior to closing, but Ex-Im Bank did not identify these issues, and NewSat did not make timely disclosures of these issues as required by the finance documents.

The report included four recommendations to address the findings:

(1) Ex-Im Bank should revise its credit policies for satellite financings to better protect its interests against the risk of non-completion during the time before a project becomes operational;

(2) Ex-Im Bank should complete a review of its financing policies and strategies in the satellite sector, including a risk review of its current exposure to the satellite industry, assessment of the implications of the Jabiru Satellite Ltd. (JSL) default, and dialogue with key satellite manufacturers to revisit current market practices regarding the lender's inability to establish a security interest in a satellite while it is under construction;

(3) Ex-Im Bank should revise its policies for monitoring transactions during the time between approval and operating status to provide additional monitoring comparable to post-operative procedures; and

(4) Ex-Im Bank should revise its policies to require a follow up analysis of the transaction risk rating and participant creditworthiness prior to financial closing when circumstances indicate a possible material change since the Board approval of the transaction such as: (i) indications of deterioration of the financial condition of key participants; and (ii) the obligor(s) failure to meet certain conditions precedent.

Management concurred with all four recommendations.

Ongoing Projects

Follow-up Report on Ex-Im Bank's Portfolio Risk and Loss Reserve Allocation Policies

In separate reports, both the OIG and the General Accountability Office (GAO) have identified opportunities for Ex-Im Bank to strengthen its loss reserve and risk management practices. In September 2012, the OIG issued a report titled Report on Portfolio Risk and Loss Reserve Allocation Policies, which made seven recommendations. OIG's follow-up report seeks to assess Ex-Im Bank's progress to date on the various recommendations put forth in the report, benchmark the Bank's current risk management policies with best

practices and to provide new recommendations and guidance for the Chief Risk Officer (CRO) and Risk Management Committee (RMC). We expect to issue this report in the semiannual period ending September 30, 2016.

Evaluation of Asset Monitoring Division's BCL Risk Rating Review Policies, Procedures and Processes

OIE is conducting an evaluation of the Budget Cost Level (BCL) risk rating review policies, procedures and processes as observed by the Asset Monitoring Division (AMD) for post-operative monitoring. The OIG seeks to ascertain the level of credit analysis, methodology employed, and timing of the BCL risk rating review process for transactions. The evaluation will include the testing of a judgmental sample of transactions managed and monitored by the Project & Corporate Portfolio Management Group (PCPM) and the Portfolio Monitoring & Control Group (PCMG) within AMD. We expect to issue this report in the semiannual period ending September 30, 2016.

Evaluation of Credit Guarantee Facility Program: Policies and Procedures

OIE is conducting an evaluation of Ex-Im Bank's Credit Guarantee Facility (CGF) Program Policies and Procedures. The OIG seeks to ascertain the adequacy of Ex-Im Bank's transaction due diligence, reputational and integrity assessment, post-closing monitoring, and compliance with the policies related to the CGF program. As part of our review, OIG will examine a sample of five CGF transactions with claw back provisions that allow the borrower to finance goods and services previously purchased. We expect to issue this report in the semiannual period ending September 30, 2016.





Office of Investigations

The **Office of Investigations** (OI) conducts and coordinates investigations relating to alleged or suspected violations of Federal laws, rules, or regulations occurring in Ex-Im Bank programs and operations, which may result in criminal or civil prosecution and/or administrative sanctions. The subjects of OI investigations can be program participants, contractors, Ex-Im Bank management or employees. OI's investigations are supported by Investigative and Financial Analysts whom conduct tactical and strategic intelligence analysis in support of OI's investigations.

Summary of Investigations

OI evaluates all reports of possible fraud or illegality affecting Ex-Im Bank programs and activities. Such reports are received from a variety of sources including Ex-Im Bank employees, OGC, participants in Bank transactions, other government agencies, and the Ex-Im Bank OIG Hotline. Evaluations that identify reasonable indications of possible fraud or illegality result in an investigation. These investigations are summarized in the table below.

Activity	Investigations
Open as of September 30, 2015	31
Opened during period	12
Closed during period	10
Open as of March 31, 2016	33

Of the 33 current open investigations, the following table depicts the category of Ex-Im Bank program affected by the investigation based on the allegations received:

Program	Number of Investigations
Export Credit Insurance	14
Loan Guarantee	8
Working Capital Guarantee	5
Program Integrity	4
Employee Integrity	1
Other	1



Summary of Investigative Results

OI obtained the following investigative actions during this reporting period.

DESCRIPTION	OIG	JOINT ACTIVITIES*	TOTAL
Matters Referred for Prosecution Consideration	1	0	1
Criminal Indictments, Informations, Complaints	0	0	0
Guilty Pleas Entered	1	9	10
Criminal Judgments	1	9	10
Civil Recoveries	0	0	0
Prison Time (months)	0	12	12
Probation (months)	36	0	36
Court Ordered Fines, Restitution, and Forfeiture	\$110,679	\$1,924,418	\$2,035,097
Administrative Actions**	2	0	2
Administrative Employee Actions***	1	0	1
Administrative Cost Savings and Repayments	\$0	0	\$0

* Joint investigations with other law enforcement agencies.

** Administrative actions are responses by Ex-Im Bank to stop transactions, cancel policies, or protect funds at risk based upon investigative findings.

*** Administrative employee actions are responses by Ex-Im Bank to terminate or discipline Ex-Im Bank employees based upon investigative findings.

Investigations

Export Credit Insurance & Loan Guarantee Program

Ex-Im Bank's export credit insurance and guarantee programs have been susceptible to fraud schemes by foreign borrowers, U.S. based exporters, and other transaction participants. One fraudulent scheme to exploit these programs involves the falsification of shipping records to convince Ex-Im Bank that the described goods have been shipped when in fact they have not. Other fraud schemes involve submitting false financial statements of foreign borrowers in order to induce Ex-Im Bank to provide its guarantee coverage for a loan for which they might otherwise be ineligible, and by submitting false documentation to the guaranteed lender and Ex-Im Bank regarding the shipment, nature, or quantity of the U.S. goods allegedly being exported.

Successful investigative efforts within the export credit insurance and guarantee programs during the reporting period include the following:

Conviction of ringleaders of \$11 million fraud scheme

In the culmination of a long-running investigation that had previously produced several guilty pleas, three individuals pled guilty for their roles in a scheme to defraud two commercial lenders and Ex-Im Bank out of more than \$11 million. Guillermo A. Sanchez-Badia, his daughter Isabel C. Sanchez, and his son-in-law Gustavo Giral entered guilty pleas in February and March 2016. Sanchez and his co-conspirators utilized companies they controlled to create fictitious invoices for sales and purported exports of merchandise that never occurred. These invoices were sold to two Miami-area commercial lenders in a process called “factoring,” which allowed the conspirators to receive cash for approximately 90 percent of the value of the merchandise listed on the fake invoices, according to the plea. Sanchez admitted that, in order to continue the scheme, he and his co-conspirators created additional fictitious invoices, transferred the funds they received through numerous bank accounts under their control and, in a Ponzi-style scheme, used a portion of the new proceeds to pay off prior factored invoices. Sanchez admitted that when the Miami lenders refused to extend further credit, he and his co-conspirators created false invoices and shipping documents to obtain a loan guaranteed by the Ex-Im Bank. Rather than acquiring, selling and shipping American manufactured goods as required by Ex-Im Bank guaranteed loan, Sanchez and his co-conspirators used the loan proceeds to pay off earlier factored invoices, thereby extending the scheme, and kept the balance of the loan proceeds for themselves. The factoring loans and the Ex-Im Bank guaranteed loan ultimately defaulted, causing more than \$11 million dollars in total losses to the lenders and the U.S., including approximately \$2 million to Ex-Im Bank.

Additionally, Fredy Moreno-Beltran, a foreign-based buyer from Bogata, Columbia who had previously surrendered to Ex-Im Bank law enforcement authorities and entered a guilty plea, was sentenced to 366 days incarceration, two years of supervised release, and restitution of \$1,924,418 for his role in the scheme.

Conviction of extradited foreign national

In an example of international cooperation, Martin Slone, a Brazilian national who was extradited from the United Arab Emirates, pled guilty to wire fraud in the Middle District of Florida in February 2016. Slone defrauded a Miami-area lender and the Ex-Im Bank and an indictment and an arrest warrant was issued for him while he was residing in Brazil. In June 2015, he was arrested at Abu Dhabi International Airport by authorities in the United Arab Emirates (UAE), based on an INTERPOL Red Notice, and in August 2015, special agents of the Ex-Im Bank OIG took custody of Slone and returned him to the U.S. to face charges.



Slone owned and operated an aircraft brokerage and export business in Florida called Woolie Enterprises Inc. In September 2007, he sought and received an insurance policy from Ex-Im Bank to insure aircraft sales from Woolie to purported buyers in Brazil. Slone submitted false information regarding Woolie's export activity to the lending bank and Ex-Im Bank. Slone created fake invoices and documents falsely claiming that foreign buyers had purchased aircraft and parts from Woolie, and then falsely reported that those foreign buyers had defaulted on payments, causing Ex-Im Bank to pay Woolie approximately \$197,690.

Convictions for working capital guarantee fraud

In November 2015, Kermit W. Highfield, the owner of the shuttered Preston Farms Popcorn, LLC (Preston) in Kentucky, pleaded guilty to bank fraud, stemming from a business loan that was insured by the Ex-Im Bank working capital guarantee program. This loan was an advance on payments due from Preston's international buyers. Under the terms of the loan, Preston was required to instruct buyers of the product to transmit payments into a specific account, and those funds were to be used to pay off the guaranteed loan. However, Highfield admitted to instructing Preston's buyers to deposit payments into other bank accounts controlled by Highfield and Preston. The funds were diverted and used by Highfield to pay for Preston operating expenses. Preston defaulted on the loan, and the Ex-Im Bank reimbursed the lender, resulting in a loss of \$110,678.74 to the Ex-Im Bank. In February 2016, Highfield was sentenced to serve a three year period of supervised release and to pay full restitution. Highfield has repaid \$15,000 of the total loss.

In another investigation involving an Ex-Im Bank working capital guarantee, five defendants entered guilty pleas during this reporting period. Stefano Guido Vitale pled guilty in March 2016 and Alan Michael Leschyshyn pled guilty in February 2016 to conspiracy to commit bank, mail and wire fraud; conspiracy to commit money laundering; and wire fraud. Tammy Roth Hanania and Edward Peter Hanania pled guilty in February 2016 and Bree Ann Davis pled guilty in December 2015 to conspiracy to commit mail and wire fraud and money laundering. The co-conspirators scheme produced approximately \$2.5 million in fraudulently obtained proceeds which the defendants agreed to launder through various bank accounts. The defendants used and established business entities during their scheme to sell, at a discount, nonexistent commercial account receivables. The co-conspirators approached factoring companies as sellers of customized gaming vault bundles and presented fabricated invoices as evidence the defendants were owed a certain amount of money for goods provided to another one of their business entities. To establish creditworthiness of these companies and to convince the factoring company the credit risk was minimal; documents were fabricated and/or altered and provided to the factoring company by the defendants, according to the charges. The defendants used an Ex-Im Bank working capital guarantee and short-term multi-buyer insurance to convince financial institutions to increase the credit line through the fictitious sale of U.S. exports.

Export-Import Bank Employee & Program Integrity

OI conducts investigations involving allegations of criminal activity or serious misconduct by Ex-Im Bank employees that could threaten its reputation, the quality or validity of executive decisions, the security of personnel or business information entrusted to Ex-Im Bank, or result in financial loss.

Employee integrity investigations which substantiated misconduct include:

OI investigated an allegation that an Ex-Im Bank employee had misused his government issued travel card and failed to make timely payments on the improper charges. The card had been suspended and an attempt at renewal was declined by the credit card company. The allegation of misuse of the travel card were substantiated. The employee used his government issued travel card for alcohol and transportation near his duty station when not on travel status. The employee was personally liable for the improper charges and no government funds were misused. The findings were referred to management for appropriate action, and the employee is no longer employed by Ex-Im bank.

OI investigated allegations that an employee was under the influence of marijuana while at work. The investigation substantiated the allegations which were supported by an admission by the employee to recreational marijuana use during his employment. The employee acknowledged a drug problem and sought assistance from the Employee Assistance Program. The findings of this investigation were provided to Ex-Im Bank's senior management for action deemed appropriate. The employee is no longer employed at Ex-Im Bank.

Other Investigative Results

To the extent permissible and within the confines and limitations of an investigation, OI Special Agents work collaboratively to share investigative intelligence with OGC, the Credit and Risk Management Division, and the Asset Management Division of Ex-Im Bank to help identify potential and suspected fraudulent activity within Ex-Im Bank transactions and to protect funds at risk.

During this reporting period, OI communicated with Ex-Im Bank management to enhance the monitoring of existing transactions and due diligence reviews of proposed transactions based on developed investigative leads. OI shared active law enforcement intelligence with OGC on several matters concerning suspected criminal activity by participants involved in active policies or transactions under review. OI made 29 referrals of investigative information to OGC concerning potential fraud and funds at risk for enhanced due diligence by Ex-Im Bank.



These efforts are part of the OI continuing objective to expeditiously protect funds at risk concurrent in monitoring, oversight, and collection efforts involving transactions in which fraud is uncovered.

Hotline Activity

The Ex-Im Bank OIG maintains a hotline to receive reports of fraud, waste, and abuse in Ex-Im Bank programs and operations. Hotline reports are evaluated by our investigative team and, based on the available evidence, may result in the initiation of an investigation, audit, referral to other law enforcement authorities having jurisdiction, or referral to management for administrative action.

The OIG received eight hotline reports during the reporting period. Six were referred for investigations, one was resolved and closed by the hotline and one was referred outside of the OIG.

Hotline reports can be made by any of the following methods:

- Phone at 1-888-OIG-EXIM (1-888-644-3946);
- E-mail to IGhotline@exim.gov, or;
- In person or mail/delivery service to Ex-Im Bank OIG Hotline, Office of Inspector General, 811 Vermont Avenue, NW, Room 1052-1, Washington D.C. 20571.

The OIG will not disclose the identity of a person making a report through the hotline without their consent unless the IG determines such disclosure is unavoidable during the course of an investigation.



Office of Inspector General Management Initiatives

Fraud Awareness Training and Outreach

As part of the OIG's mission to prevent and detect fraudulent activity, efforts have been made to meet with and educate stakeholders about the various risks and fraud scenarios most commonly seen in trade finance, export credit fraud, and money laundering cases. OIG participates in the Bank's mandatory new employee orientation program to educate new Bank federal employees on their responsibilities and how to spot indicators of fraud. During this reporting period, OI representatives conducted briefings on Ex-Im operations, common fraud scenarios and money laundering patterns with representatives from Capital One Bank and the World Bank. On March 4, 2016, OI participated in a presentation to the United Kingdom, National Crime Agency, Special Operations Division personnel in the United Kingdom. The presentation focused on the function of Ex-Im Bank and the utilization of undercover operatives in complex financial investigations.

International and Domestic Collaboration

The OIG participates in meetings with the Berne Union, the worldwide organization of export credit, insurance, and investment agencies. These meetings allow the OIG to discuss areas of interest in the export credit field and to benchmark Ex-Im Bank's practices with other export credit agencies. Since the majority of OIG investigations and inspections are focused on international transactions, the OIG continually seeks to partner with international organizations to collaborate and exchange ideas and information on how to work together in identifying, preventing, and investigating fraud.

International Association of Credit Portfolio Managers

The OIG participates in meetings with the International Association of Credit Portfolio Managers (IACPM), an international association established in 2001 to further the practice of credit exposure management. These meetings allow the OIG to discuss areas of interest in the field of credit portfolio management and to benchmark Ex-Im Bank's practices with other financial institutions including export credit agencies, multilateral development banks and global financial institutions.

Council of Inspectors General on Integrity and Efficiency

The OIG participates in the activities of the Council of Inspectors General on Integrity and Efficiency (CIGIE), including the Legislation Committee and the CIGIE Inspection and Evaluation Committee, as well as the Council of Counsels to the Inspectors General.



Review of Legislation and Regulations

Pursuant to section 4(a)(2) of the Inspector General Act of 1978, as amended, the OIG reviews proposed and existing legislation and regulations related to Ex-Im Bank's programs and operations. During the reporting period, the OIG worked through the CIGIE Legislation Committee to monitor and comment on proposed legislation on Inspector General reforms.

Government Accountability Office

The Inspector General (IG) Act states that each IG shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation. During the reporting period, the OIG shared information with GAO and met with GAO officials to discuss ongoing and planned work. GAO did not issue any reports during the reporting period that addressed Ex-Im Bank procedures or mission.

Peer Review Reporting

The Ex-Im Bank OIG audit function last passed peer review on September 24, 2014, and all recommendations have been fully implemented. The Ex-Im Bank OIG investigations function last passed peer review on May 22, 2014, and all recommendations have been fully implemented. The next peer reviews are scheduled for 2017.

The Ex-Im OIG will be conducting a peer review of the audit function of the Government Printing Office OIG in 2016.



Appendix A

Open Recommendations from prior reporting periods

This table shows that 31 recommendations from 14 reports issued up to September 30, 2015 remain open at the end of this reporting period. Eighteen (18) open recommendations are from reports issued in FY 2015. The remaining 13 open recommendations are from reports issued from FY 2012 to FY 2014. Reports from prior periods are no longer listed when all recommendations have been closed.

Report Date	Report Title	Total	Recommendations			Latest Target Closure Date
			Open	Closed	Unresolved	
Last Period (4/1/15 – 9/30/15)						
Audits						
OIG-AR-15-07 28 Sept 2015	Audit of Ex-Im Bank's Data Reliability	4	2	2	0	9/30/16
OIG-AR-15-06 12 May 2015	Audit of Ex-Im Bank's Compliance with IPERA for FY 2014 Reporting	3	1	2	0	6/30/16
Inspections and Evaluations						
OIG-INS-15-02 28 Sept 2015	Report on the Project Financing of Sasan Power Limited	6	6	0	0	6/30/16
OIG-EV-15-01 8 Sept 2015	Follow-up Report on Ex-Im Bank's Economic Impact Procedures	2	2	0	0	9/30/16
Prior Periods (prior to 4/1/15)						
Audits						
OIG-AR-15-05 31 Mar 2015	Audit of Ex-Im Bank's Planning and Implementation of FMS-NG	7	1	6	0	6/30/16
OIG-AR-15-04 23 Mar 2015	Audit of Ex-Im Bank's Short-Term Multi-buyer Insurance Program	7	3*	4	0	6/30/16
OIG-AR-15-03 9 Feb 2015	FY 2014 Information Security Program and Practices Audit	3	2	1	0	9/30/16
OIG-AR-14-03 26 Mar 2014	FY 2013 Information Security Program and Practices Audit	6	1	5	0	9/30/16
OIG-AR-14-01 11 Dec 2013	Audit of Ex-Im Bank's Content Policy	3	3	0	0	9/30/16
OIG-AR-13-05 26 Sept 2013	Audit of Ex-Im Bank's Management of the Direct Loan Program	4	1	3	0	6/30/16
OIG-AR-12-05 28 Sep 2012	Audit of Export-Import Bank's Short-Term Insurance Program	10	4	6	0	6/30/16
Inspections and Evaluations						
OIG-INS-15-01 31 Mar 2015	Report on Ghana Credits: Ridge Hospital Complex & Kumawu-Mampong Water Treatment Works	5	1	3	1	6/30/16
OIG-INS-14-01 18 June 2014	Report on the PNG LNG Project Financing	3	2	1	0	6/30/16
OIG-INS-13-01 30 Sep 2013	Report on Minera y Metalurgica del Boleo S.A.	7	2	5	0	6/30/16
TOTALS		70	31	38	1	

* One open recommendation from this report included \$118,000 of unsupported questioned costs.



Appendix B

Audit and Inspection Reports Issued from October 1, 2015 – March 31, 2016

	Report No./Date	Report Title	Management Decisions Reached on Recommendation	Total Questioned Costs	Unsupported Costs	Funds for Better Use	Disallowed Costs
1	OIG-AR-16-01 13 Nov 2015	FY 2015 Financial Statement Audit	0/0	0	0	0	0
2	OIG-INS-16-01 22 Dec 2015	Report on Jabiru Satellite Ltd.	4/4	0	0	0	0
3	OIG-AR-16-02 2 Feb 2016	FY 2015 Information Security Program Audit	4/4	0	0	0	0
4	OIG-AR-16-03 12 Feb 2016	FY 2015 Financial Statement Management Letter	9/9	0	0	0	0
5	OIG-AR-16-04 16 Mar 2016	Audit of Short-Term Insurance Claims Processing	11/11	\$296,000	\$296,000	0	0
6	OIG-AR-16-05 30 Mar 2016	Audit of Ex-Im Bank's Contracting Processes	7/7	\$304,462	0	\$117,083	\$304,462
Totals				\$600,462	\$296,000	\$117,083	\$304,462



Appendix C

Significant Recommendations from Previous Semiannual Reports on which Corrective Action Has Not Been Completed

We have identified three significant recommendations from previous semiannual reports on which corrective action has not been completed.

OIG-AR-14-01, Report on Ex-Im Bank's Implementation of Content Policy, December 11, 2013

Recommendation 1: Implement procedures to verify the accuracy of exporter self-certifications of content for a representative sample of transactions throughout each fiscal year.

Expected implementation date: September 30, 2016

OIG-INS-15-02, Report on the Project Financing of Sasan Power Limited, September 28, 2015

Recommendation 1C: To enhance transparency and to ensure a systematic approach to the risk rating methodology, the Bank should provide written criteria or benchmarks as to what constitutes a "Low, Moderate or High" risk rating for each factor considered in developing the risk rating for a transaction.

Expected implementation date: June 30, 2016

OIG-INS-13-01, Report on Minera y Metalurgica del Boleo S.A., September 30, 2013

Recommendation 5: OIG recommends that Ex-Im Bank evaluate its current fraud prevention practices for local costs, with a view to establishing a more robust and proactive approach. Ex-Im Bank should review and benchmark current practices with the best practices currently employed by other multilateral agencies and U.S. federal agencies. In addition to the current representations from the Borrower, Ex-Im Bank may want to encourage its Borrowers to adopt certain contractual provisions: a provision obligating the Borrower to maintain accurate books and records; an effective system of internal controls; and a contractual right of termination in case of breach of anti-corruption laws.

Following the practice of various multilateral financial institutions, Ex-Im Bank may consider including additional prohibited practices in its contractual agreements with the Borrower, which may extend to entities that the Borrower owns or controls. This provision would enable broader and more consistent due diligence requirements with respect to local cost providers. Finally, OIG recommends a provision encouraging transaction parties to report fraud, waste and abuse and corruption to the Inspector General of Ex-Im Bank.

Expected implementation date: June 30, 2016



Appendix D

Inspector General Act reporting requirements

Inspector General Act citation	Requirement definition	Page
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	5-8
Section 5(a)(2)	Recommendations for Corrective Actions	41
Section 5(a)(3)	Prior Significant Audit Recommendations Yet to Be Implemented	45
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	31
Sections 5(a)(5) and 6(b)(2)	Summary of Refusals to Provide Information	None
Section 5(a)(6)	Audit Products Issued Including Total Dollar Values of Questioned Costs, Unsupported Costs, and Recommendations that Funds Be Put to Better Use	43
Section 5(a)(7)	Summary of Particularly Significant Reports	5-8
Section 5(a)(8)	Total Number of Reports and Total Dollar Value for Audits with Questioned Costs	43
Section 5(a)(9)	Total Number of Reports and Total Dollar Value for Audits with Recommendations that Funds Be Put to Better Use	43
Section 5(a)(10)	Summary of Prior Audit Products for which No Management Decision Has Been Made	None
Section 5(a)(11)	Description and Explanation of Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions with which the Inspector General Disagreed	None
Section 5(a)(13)	Reporting in Accordance with Section 5(b) of the Federal Financial Management Improvement Act of 1996 Remediation Plan	None



How to report fraud, waste, and abuse

The Inspector General Act of 1978 states that the Inspector General (IG) may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety. Whether reporting allegations via telephone, mail, or in person, the OIG will not disclose the identity of persons making a report without their consent unless the IG determines such disclosure is unavoidable during the course of the investigation. You may submit your complaint or information by these methods:

In person

Office of Inspector General
Export-Import Bank of the U.S.
811 Vermont Avenue, NW
Washington, D.C. 20571

Telephone

1- 888-OIG-EXIM
(1-888-644-3946)

Mail

Office of Inspector General Hotline
Export-Import Bank of the U.S.
811 Vermont Avenue, NW
Washington, D.C. 20571

E-mail

IGHotline@exim.gov



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