



*Office of Inspector General
Export-Import Bank
of the United States*

SEMIANNUAL

REPORT TO CONGRESS

October 1, 2017 to March 31, 2018

EXPORT-IMPORT BANK OF THE UNITED STATES (EXIM Bank, EXIM, or the Bank) is the official export credit agency of the United States (U.S.). EXIM 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. The Bank assumes the credit and country risks that the private sector is unable or unwilling to accept. EXIM Bank also helps U.S. exporters remain competitive by countering the export financing provided by foreign governments on behalf of foreign companies. Approximately 90 percent of the Bank's transactions were made available for the direct benefit of U.S. small businesses in recent years.

More information about EXIM Bank is at www.exim.gov.

THE OFFICE OF INSPECTOR GENERAL (OIG), an independent office within EXIM Bank, was statutorily created in 2002 and organized in 2007. The mission of EXIM 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 EXIM Bank improve its efficiency and effectiveness. It keeps EXIM Bank's Chairman and President and Congress fully informed about problems and deficiencies along with any positive developments relating to EXIM 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 can be found at www.ignet.gov and www.oversight.gov.

From the Inspector General

In the first half of fiscal year (FY) 2018, the EXIM Bank Office of Inspector General continued its work in advising EXIM Bank management and the Congress on recommendations for improving Bank operations and detecting, preventing, and prosecuting fraud.

In our last semiannual report, we reported that a major management challenge facing the Bank continued to be managing uncertainty about EXIM's authority and future direction. After a six month lapse in authority to incur new obligations, EXIM's charter was renewed in December 2015. However, since then EXIM has lacked a quorum on its Board of Directors, resulting in the Bank being unable to approve new medium and long-term transactions over \$10 million. At mid FY 2018, EXIM Bank still lacks the ability to carry out the mission authorized by its charter because all five seats on the Board of Directors are currently vacant, with the seats of the Chairman & President and Vice-Chairman & First Vice President being filled by acting officials pursuant to the Vacancies Act. Filling these key positions is essential to resolving uncertainty about the future of EXIM and carrying out the governance structure specified in EXIM Bank's charter.

During this semiannual period, the OIG published four audit reports. These included the statutorily-mandated audits of the Bank's financial statements, Digital Accountability and Transparency Act submission and information security as well as the financial statement management letter. In addition, our office continued its focus on investigating fraud related to EXIM Bank programs and transactions. Working with the Department of Justice, we obtained a guilty plea to one count of providing false statements to a bank, a guilty verdict against two individuals for wire fraud and conspiracy to commit wire fraud, and a guilty plea to one count of false claims. The Office of Investigations also continued fraud prevention efforts by conducting outreach and training programs.

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 in shaping the future of EXIM Bank.



Terry L. Settle

Acting Inspector General

Highlights

The **Office of Audits** (OA) completed three audits and issued four reports:

Independent Auditors' Report on Export-Import Bank's DATA Act Submission
(OIG-AR-18-01, November 8, 2017)

Under a contract overseen by OA, Cotton & Company LLP (Cotton) performed an audit of EXIM Bank's Digital Accountability and Transparency Act of 2014 (DATA Act) submission for the second quarter of FY 2017. The audit found the Bank had invested significant effort in implementing processes for responding to DATA Act requirements. For the Bank's first official DATA Act submission, the audit determined that EXIM adhered to all but one of the government-wide data standards and that the Bank's financial and award data submission was not always accurate, complete, timely, or of quality. The audit report included 13 recommendations and management concurred with the recommendations.

Audit of the Export-Import Bank of the United States Fiscal Year 2017 Financial Statements
(OIG-AR-18-02, December 14, 2017)

Under a contract overseen by OA, KPMG LLP conducted the independent audit of EXIM Bank's financial statements for FY 2017 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; and (3) there were no instances of reportable noncompliance with laws and regulations or other matters it tested. The audit identified one significant internal control deficiency that resulted from the Bank's existing Cash Flow model and credit reform re-estimate process not being documented at a sufficient level of detail to enable an independent reviewer to assess the reasonableness of the cash flow model, its assumptions, and relevant qualitative considerations. KPMG made three recommendations to correct the deficiencies and management concurred with the recommendations.

Fiscal Year 2017 Financial Statement Audit Management Letter
(OIG-AR-18-03, February 26, 2018)

As a supplement to the Independent Auditor's report on the FY 2017 Financial Statements, KPMG LLP issued a management letter that identified eight deficiencies in EXIM Bank's internal control over financial reporting, which did not rise to the level of material weaknesses or significant deficiencies, but should be corrected. KPMG LLP made 13 recommendations to correct these deficiencies and management concurred with the recommendations.

Independent Audit of Export-Import Bank's Information Security Program Effectiveness for FY 2017
(OIG-AR-18-04, March 8, 2018)

Under a contract overseen by OA, Cotton performed an audit of EXIM Bank's Information Security Program for FY 2017. The audit determined that while EXIM Bank addressed several of the challenges identified during previous audits, its information security program and practices were not effective overall when assessed against the revised Department of Homeland Security reporting metrics. EXIM Bank has not effectively implemented a mature information security

program. The audit report included one new recommendation and three partially reissued recommendations and management concurred with the recommendations.

The **Office of Inspections and Evaluations** (OIE) addressed outstanding recommendations from earlier reports, continued to work on one inspection, and commenced two new evaluations during this semiannual period.

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

Criminal Convictions

OI continued its focus on investigating fraud related to EXIM Bank programs and transactions. Working with the Department of Justice, OI obtained a conviction of one count of “false statement to a Bank” against an individual who willfully and falsely overstated assets in relation to a working capital guarantee which subsequently defaulted.

In addition, OI obtained guilty verdicts against two individuals following a two week trial in Spokane, WA. The pair defrauded multiple individuals out of approximately \$2 million in an advance fee scheme while purporting to have a \$23.5 million Letter of Interest with EXIM.

OI also successfully obtained a guilty plea to one count of false claims by a Country Club Hills, IL man who misled two customers to deposit payments into his private account and then filed claims with EXIM stating the customers defaulted on their deals.

Finally, OI continued fraud prevention efforts by conducting outreach and training programs.

Suspension and Debarment Initiative

The OIG continues to work with EXIM management to implement a more robust Suspension and Debarment program at EXIM Bank, which serves as a critical tool to prevent waste and fraud and protect the business interests of the U.S. This initiative includes dialogue between OIG and EXIM Bank management officials to determine potential obstacles to taking suspension and debarment action, and plans to overcome those obstacles. During this reporting period, eight matters were referred for consideration to the EXIM Bank suspension and debarment officials.

Office of Audits

The **Office of Audits** (OA) conducts and oversees independent and objective audits of EXIM Bank's programs and operations. All OIG audits are performed in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. OA staff may also perform evaluations, conduct research projects; provide advisory or consulting services to EXIM Bank management; or provide information, comments and other services to outside parties. Furthermore, OA refers irregularities and other suspicious conduct detected during audits to the Office of Investigations for investigative consideration.

During this semiannual reporting period, OA issued four audit reports:

- Independent Auditors' Report on the Export-Import Bank's DATA Act Submission
- Audit of the Export-Import Bank of the United States Fiscal Year 2017 Financial Statements
- Fiscal Year 2017 Financial Statement Audit Management Letter
- Independent Audit of Export-Import Bank's Information Security Program Effectiveness for FY 2017

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

- Audit of EXIM Bank's Early Problem Credits
- Independent Audit of Export-Import Bank's FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws

Reports Issued

Independent Auditors' Report on Export-Import Bank's DATA Act Submission

(OIG-AR-18-01, November 8, 2017)

<https://www.exim.gov/sites/default/files/oig/audit/401.0-Independent%20Auditors%20Report%20on%20EXIM%20Bank%27s%20DATA%20Act%20Submission-%28OIG-AR-18-01%29.pdf>

Under a contract overseen by OA, Cotton & Company LLP (Cotton) performed an audit to assess (1) EXIM Bank's implementation and use of the government-wide financial data standards established by the Office of Management and Budget and Treasury, and (2) the accuracy, completeness, timeliness, and quality of EXIM Bank's financial and award data submitted for publication on USASpending.gov for the second quarter of FY 2017. For the Bank's first official DATA Act submission, the audit found that EXIM adhered to all but one of the government-wide data standards and that EXIM's financial and award data submission was not always accurate, complete, timely, or of quality. EXIM has not fully designed and implemented processes, systems, and controls to reasonably assure that its data reported under the DATA Act comply with OMB and Treasury requirements. Specifically, after reviewing 268 sample records, Cotton reported

- (1) EXIM Bank did not correctly identify 18 amendments to its loan, guarantee, and insurance authorizations in File D2;
- (2) 64 sampled transactions contained at least one data element that was not accurate;
- (3) EXIM Bank's summary-level information reported in File A and File B did not contain all transactions and File B did not contain object classes for 29 transactions;
- (4) certain appropriations' unpaid obligations reported in File B did not match the Bank's adjusted trial balance as of March 31, 2017;
- (5) due to timing differences, File C did not include 17 procurement actions that occurred during the second quarter of FY 2017; and
- (6) 41 awardees or recipients were not included in File E, which is derived by the Treasury DATA Act Broker, and the names of highly compensated officer(s) and their total compensation were omitted for two awardees.

Cotton recommended that EXIM Bank:

- (1) assure its financial assistance amendments link to the original award;
- (2) identify and correct the cause of accuracy errors;
- (3) improve controls over data entry in Federal Procurement Data System – Next Generation;
- (4) improve its review of data submitted to USASpending.gov's Award Submission Portal;
- (5) implement reviews of Files D1 and D2;
- (6) assure all appropriations subject to the DATA Act are reported;
- (7) reconcile File B to EXIM Bank's trial balance and File C to File D1;
- (8) identify and correct the cause of variances in the amounts reported in File B;
- (9) require that all journal vouchers include an object class;
- (10) develop and implement a plan to assure spending data contain object classes;
- (11) implement procedures to assure contracts are recorded in its financial system timely;
- (12) require the SAO to obtain and review all reconciliations and reviews of DATA Act submissions; and
- (13) reassess its process for preparing its quarterly submission to assure data are submitted timely.

Management concurred with the recommendations.

Audit of the Export-Import Bank of the United States Fiscal Year 2017 Financial Statements

(OIG-AR-18-02, December 14, 2017)

<https://www.exim.gov/sites/default/files/oig/audit/Audit%20of%20the%20Export-Import%20Bank%20of%20the%20United%20States%20FY%202017%20Financial%20Statements.pdf>

Under a contract overseen by OA, KPMG LLP conducted the independent audit of EXIM Bank’s financial statements for FY 2017 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; however, a deficiency was identified that was considered to be a significant deficiency; and
- (3) there were no instances of reportable noncompliance with laws and regulations or other matters it tested.

The significant deficiency resulted from the Bank’s existing Cash Flow model and credit reform re-estimate process not being documented at a sufficient level of detail to enable an independent reviewer to assess the reasonableness of the cash flow model, its assumptions, and relevant qualitative considerations.

KPMG LLP recommended that EXIM Bank:

- (1) consider enhancing the model documentation to articulate how the cash flow model works and the rationale used in the models. The documentation should be at a sufficient level of detail to enable a reviewer to independently analyze the model;
- (2) assess periodically the need to modify the cash flow model to adjust the lifetime probability of default (PD) assumption to account for the age and performance of each deal; and
- (3) document, in sufficient detail, additional qualitative considerations used by management to calculate re-estimates for financial statement reporting, that clearly bridges the gap between model historical performance and the resulting calculations. The documentation should include a quantification of the impact of these qualitative considerations on the outputs of the cash flow model.

Management concurred with the recommendations.

Fiscal Year 2017 Financial Statement Audit Management Letter

(OIG-AR-18-03, February 26, 2018)

https://www.exim.gov/sites/default/files/oig/audit/Fiscal%20Year%202017%20Financial%20Statement%20Audit%20Management%20Letter%20_Redacted.pdf

As a supplement to the Independent Auditor’s report on the FY 2017 Financial Statements, KPMG LLP issued a management letter that identified eight deficiencies in EXIM Bank’s internal control over

financial reporting, which did not rise to the level of material weaknesses or significant deficiencies, but should be corrected. Specifically KPMG LLP found:

- (1) access to develop and migrate application changes to production were not properly segregated; changes migrated were not tracked and reviewed to ensure that improper changes were not deployed; and inappropriate access was granted to three users;
- (2) vulnerability management processes need improvement;
- (3) users maintained an active account and access to an application after separation from the Bank;
- (4) termination processes do not ensure all user accounts for terminated personnel are disabled across all applications and systems in a timely manner;
- (5) EXIM Bank did not develop/enhance and implement configuration policies;
- (6) processes and controls were not sufficiently designed and implemented to ensure repayment amortization schedules related to existing guaranteed credits are accurate and reflect the most current terms of the transactions when payment terms are modified without a formal transaction amendment;
- (7) documentation improvements are needed for (1) judgments made to assign the final BCL in order to enable a reviewer to easily assess the reasonableness of the BCL score assigned and (2) the assessment that the BCL credit scores should not change from the date of the annual review to the financial statement date, or the date on which FCRA re-estimates are performed that use these BCL credit scores; and
- (8) controls are needed to timely identify and report budgetary and proprietary account balances in EXIM Bank's annual financial statements in accordance with federal guidance.

KPMG LLP recommended that EXIM Bank:

- (1) document and implement a process for the periodic review of changes migrated to production to ensure that unauthorized changes do not bypass the change management process;
- (2) update and implement policies and procedures to ensure that the identified vulnerabilities are monitored and tracked for remediation;
- (3) address the existing vulnerabilities identified during our assessment to be consistent with NIST guidelines;
- (4) continue to improve its vulnerability management program to help ensure that operating systems and applications are properly configured and timely updated on a routine basis throughout the EXIM Bank enterprise;
- (5) enhance the current process requiring all service request tickets for access terminations to include attachments identifying each individual user to be deactivated;

- (6) enhance the current processes for off-boarding and periodic review of users with accounts to ensure that items are disabled in a timely manner upon the user's separation from the Bank;
- (7) modify the current termination process in order to ensure that all accounts are disabled of the employee/ contractor effectively being terminated from the bank;
- (8) enhance the current processes for off-boarding of users to ensure that the IT Help Desk and IT Infrastructure group are notified about removing access within a timely manner from employee/contractor separation;
- (9) document/enhance and implement standards to include all operating systems, databases, applications, and network devices;
- (10) develop and implement procedures and internal controls over the guarantee portfolio balance monitoring process, to ensure the records related to each credit guaranteed are accurate and capture all relevant and current repayment amortization schedule of the transaction;
- (11) expand the documentation of the BCL credit score determinations by requiring preparers and reviewers to describe rationale, judgments, and decisions related to qualitative inputs. The documentation should be at a sufficient level of detail to enable an independent reviewer to arrive at the same BCL determination and be readily available for examination;
- (12) formalize a process to supplement the active monitoring of the portfolio by documenting an update for those deals where the annual BCL review was performed prior to the date that the FCRA re-estimates for financial statements are calculated. The documentation should be at a sufficient level of detail to enable an independent reviewer to understand the update procedures performed and conclusions reached, and be readily available for examination; and
- (13) continue to develop and implement internal controls over the preparation and review of the annual financial statements and related disclosures, such as developing/using a financial reporting checklist to mitigate the risk of non-compliance with GAAP and, where applicable, the general guidance for Government Corporations outlined in OMB Circular A-136, Financial Reporting Requirements.

Management concurred with the recommendations.

Independent Audit of Export-Import Bank's Information Security Program Effectiveness for FY 2017
(OIG-AR-18-04, March 8, 2018)

<https://www.exim.gov/sites/default/files/oig/audit/Independent%20Audit%20of%20Export-Import%20Bank%27s%20Information%20Security%20Program%20f....pdf>

Under a contract overseen by OA, Cotton performed an audit of EXIM Bank's Information Security Program for FY 2017. The audit determined that while EXIM Bank addressed several of the challenges identified during previous audits, its information security program and practices were not effective overall when assessed against the revised Department of Homeland Security (DHS) reporting metrics. EXIM Bank had not effectively implemented a mature information security program. Specifically, the Bank had not consistently implemented its current Configuration Management (CM), Identity and Credential Access Management (ICAM), Information Security Continuous Monitoring (ISCM), Incident

Response, and Contingency Planning (CP) policies, plans, procedures, and strategies organization-wide, which impacts the maturity and effectiveness of its overall information security program.

Cotton evaluated EXIM Bank’s information security program against the DHS FY 2017 Inspector General (IG) Federal Information Systems Modernization Act metrics, which use a five-level maturity model scale, and found that the Identify domain scored at Level 4: Managed and Measurable, and is therefore considered effectively implemented. The remaining framework areas – Protect, Detect, Respond, and Recover – scored at Level 3 or below and were therefore considered ineffective, as stipulated by DHS’s FY 2017 IG FISMA metrics. However, although the Respond and Recover domains did not meet Level 4 requirements, based on testing performed, Cotton judgmentally determined that they were generally effective. EXIM Bank’s overall score for its information security program was Level 3: Consistently Implemented.

In addition, although the Bank effectively implemented 14 of the 18 NIST SP 800-53, Rev. 4 controls that were tested for the Infrastructure GSS, Cotton identified several areas for improvement. Specifically, Bank management:

- (1) has not effectively implemented a vulnerability management program (2016 prior-year finding);
- (2) has not effectively implemented baseline configurations and documented deviations for information technology (IT) products (2016 prior-year finding);
- (3) has not effectively developed and implemented a monitoring and auditing process that identifies and remediates gaps in the Bank’s information assurance control implementation and that validates compliance with the Bank’s privacy and awareness training program; and
- (4) did not consistently implement firewall rule capabilities at all Bank locations. The Bank remediated this issue during the audit; therefore, no recommendation was issued.

The report included three reissued recommendations and one new recommendation for EXIM Bank to:

- (1) implement procedures to evaluate and improve the maturity and effectiveness of the Bank’s information security program (reissued recommendation);
- (2) improve vulnerability management (reissued recommendation);
- (3) adequately document and implement baseline configuration settings for information technology (IT) products (reissued recommendation); and
- (4) develop and implement a monitoring and auditing process that identifies and remediates gaps in the Bank’s information assurance control implementation and that validates compliance with the Bank’s privacy and awareness training program.

Management concurred with the recommendations.

Ongoing Projects

Audit of EXIM Bank's Early Problem Credits

EXIM Bank's charter requires a reasonable assurance of repayment for all Bank transactions which are backed by the full faith and credit of the U.S. government. To comply with this requirement, the Bank must manage a wide variety of risks associated with providing export financing including credit, political, market, concentration (industry, geographic or obligor), foreign-currency, and operational risks. The Bank uses a number of risk-management techniques throughout the different stages of a transaction.

The objectives of this audit are to determine (1) what caused the problems for EXIM Bank's medium-term guarantees that experienced early problems, and (2) if the origination and claims and recovery processes for these guarantees were in accordance with EXIM Bank's policies and procedures and federal guidelines. The report will be issued in the semiannual period ending September 30, 2018.

Independent Audit of Export-Import Bank's FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws

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 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. Under a contract overseen by OA, an independent public accounting firm is conducting this audit to determine the Bank's FY 2017 Payment Integrity annual reporting compliance with the improper payment laws for its FY 2016 transactions. The report will be issued in the semiannual period ending September 30, 2018.

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 EXIM Bank’s programs, operations, and transactions. All OIE assignments are performed in accordance with the Council of Inspectors General on Integrity and Efficiency guidelines and standards including the 2012 Quality Standards for Inspection and Evaluation. OIE works in tandem with the Office of Audits 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.

At the end of the reporting period, OIE had one inspection and two evaluations in progress:

- Inspection of Kenya Airways/Tsavo Aircraft Financing LLC
- Evaluation of EXIM Bank’s Additionality Policy and Procedures
- Evaluation of EXIM Bank’s Small Business Strategy

Ongoing Projects

Inspection of Kenya Airways/Tsavo Aircraft Financing LLC

As part of its oversight role in addressing the effectiveness and efficiency of EXIM Bank’s programs and operations, OIE is conducting an inspection of the Kenya Airways/Tsavo Aircraft Financing LLC financings. OIG seeks to ascertain the adequacy of the Bank’s due diligence, risk assessment, transaction structuring, and policy compliance. This report will be issued in the semiannual period ending September 30, 2018.

Evaluation of EXIM Bank’s Additionality Policy and Procedures

Additionality is defined as the probability that an export transaction would not go forward without EXIM Bank support. Factors supporting this assertion include: 1) The existence of foreign officially supported export credit competition; and 2) The existence of financing gaps, where commercial financing is not available on economically viable terms, but EXIM Bank can still find a reasonable assurance of repayment.

The objective of this assignment is to evaluate the Bank’s methodology and criteria used to comply with additionality requirements, the adequacy of the Bank’s due diligence and analysis, and the extent to which the analysis is documented and available for examination. This report will be issued in the semiannual period ending September 30, 2018.

Evaluation of EXIM Bank’s Small Business Strategy

The objective of this assignment is to evaluate the effectiveness of EXIM’s Small Business strategy and related policies and procedures. This report will be issued in the semiannual period ending September 30, 2018.

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 EXIM 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, EXIM Bank management or employees. OI's investigations are supported by Investigative and Financial Analysts who 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 EXIM Bank programs and activities. Such reports are received from a variety of sources including EXIM Bank employees, Office of General Counsel (OGC), participants in Bank transactions, other government agencies, and the EXIM 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, 2017	28
Opened during period	8
Closed during period	4
Open as of March 30, 2017	32

Of the 32 current open investigations, the following table depicts the category of EXIM Bank program affected by the investigation based on the allegations received:

Program	Number of Investigations
Export Credit Insurance	13
Loan Guarantee	6
Working Capital Guarantee	4
Direct Loan	1
Letter of Interest	3
Employee Integrity	1
Other	4

Summary of Investigative Results

OI obtained the following investigative actions during this reporting period:

Description	OIG	Joint Activities*	Total
Matters Referred for Prosecution Consideration	3	2	5
Matters referred for State and Local Consideration	0	0	0
Criminal Indictments, Informations, Complaints	0	0	0
Guilty Pleas Entered	2	1	3
Criminal Judgments	0	2	2
Civil Actions	0	0	0
Civil Recoveries	0	0	0
Prison Time (months)	0	0	0
Probation (months)	0	0	0
Court Ordered Fines, Restitution, and Forfeiture	\$0	\$0	\$0
Administrative Actions**	0	0	0
Administrative Employee Actions***	1	0	1
Administrative Cost Savings and Repayments	\$0	\$0	\$0
Suspensions and Debarments	8	0	8

* Joint investigations with other law enforcement agencies.

** Administrative actions are responses by EXIM Bank to stop transactions, cancel policies, or protect funds at risk based on investigative findings.

*** Administrative employee actions are responses by EXIM Bank to terminate or discipline EXIM Bank employees based on investigative findings.

The metrics used in this report were obtained from a system of records entitled, "EIB-35-Office of Inspector General Investigative Records" also known as "CMTS". CMTS is a Structured Query Language (SQL) database used by OI to store its records related to criminal, civil, and administrative investigations. The database contains assignments, allegations, investigative activities, actions, dates, and identifying information about potential subjects and individuals related to these investigations. The system is able to generate metrics reports, which track judicial, administrative, and other investigative actions and activities. The database generates statistical reports on a variety of OI products including: Hotlines, Complaints, Subpoenas, and Investigations.

Investigations

Export Credit Insurance and Loan Guarantee Programs

EXIM 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 EXIM 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 EXIM 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 EXIM 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:

Lima, Ohio Man Pleads Guilty to making a False Report to a Bank

On November 20, 2017, Terry Jerome Ellis (Ellis), 77, the owner of T.J. Ellis Enterprises, Inc. of Lima, Ohio, pled guilty to one count of providing false statements to a bank in connection with a working capital loan which was guaranteed by EXIM Bank. According to the plea agreement, Ellis presented borrowing base certificates to the lending institution, which he knew to be fraudulent, in order to keep the working capital loan open. Under the terms of the loan, Ellis was required to certify the company's export-related assets, including accounts receivable, to the lending institution monthly in order to keep the working capital loan active. In doing so, Ellis willfully and falsely overstated assets in relation to his working capital loan. Ultimately the company defaulted on the loan causing a loss of approximately \$3 million to the United States. On March 6, 2018, Ellis was sentenced to 36 months' probation. A ruling on restitution remains pending before the court.

Spokane, Washington pair convicted of Wire Fraud

On February 9, 2018, Anthony Thompson (Thompson), 64 and Derrick Fincher (Fincher), 48 were found guilty of violating Title 18, USC, Sections 1343 and 1349, Wire Fraud and Conspiracy to Commit Wire Fraud. This guilty verdict was reached after a two week jury trial in the Eastern District of Washington where an EXIM Bank employee testified for the prosecution. Thompson and Fincher defrauded multiple individuals using an "advance fee scheme" purporting to have a \$23.5 million Letter of Interest (LOI) with the EXIM Bank and defrauded several individuals out of approximately \$2 million from 2012 to 2015. Thompson and his associates had, in part, used fraudulent LOIs from several banks, including EXIM Bank, as a means to defraud their alleged victims.

Chicago-area business owner pleads guilty to False Claim to a Bank

On January 17, 2018, Victor Luyi Ogbebor (Ogbebor), 61, the owner of Aegis Trading and Shipping Company (Aegis) of Country Club Hills, Illinois, pled guilty to one count of false claims stemming from a business loan which was insured by EXIM Bank. According to the plea agreement Ogbebor made, presented and caused to be presented to EXIM Bank, claims that he knew were false, fictitious and fraudulent. Under the terms of the loan, Ogbebor was required to instruct his international customers to transmit payments to a specific bank account in the name of the lender, however, Ogbebor instructed two customers to deposit payments into other bank accounts which were controlled by Ogbebor and Aegis. Ogbebor then filed claims

with EXIM Bank alleging that these customers had defaulted. This scheme caused over \$150,000 in losses to the United States.

Export-Import Bank Employee and Program Integrity

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

Employee integrity investigations, which substantiated misconduct include:

Submission of False Timesheets

During this period we conducted an investigation into allegations that an EXIM employee resigned from the Bank in lieu of termination and remained on the EXIM payroll for seven weeks beyond the resignation date. The investigation found that the employee had sent inappropriate messages of a sexual nature to a prospective Bank applicant using a personal messenger account. The messages were brought to the attention of EXIM management who gave the employee the choice to resign or face termination. After the employee chose to resign, the employee's manager directed two EXIM Bank employees to submit timesheets for the employee for the following four pay periods. The timesheets claimed a combination of leave, telework, and other credit hours which resulted in improper payments to the employee. OI's findings were referred to the U.S. Department of Justice, which declined prosecution on January 22, 2018, in favor of administrative action. The matter was referred to EXIM Bank for administrative consideration.

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 Office of Risk Management, and the Asset Management Division of EXIM Bank to help identify potential and suspected fraudulent activity within EXIM Bank transactions and to protect funds at risk.

During this reporting period, OI communicated with EXIM 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 insurance policies or transactions under review. OI made 30 referrals of investigative information to OGC concerning potential fraud and funds at risk for enhanced due diligence by EXIM Bank.

These efforts are part of OI's 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 EXIM Bank OIG maintains a hotline to receive reports of fraud, waste, and abuse in EXIM 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 twelve hotline reports during the reporting period. Two were referred for investigations, and ten were resolved and closed by the hotline.

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 EXIM Bank OIG Hotline, Office of Inspector General, 811 Vermont Avenue, NW, Room 1052-1, Washington DC 20571.

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

Office of Inspector General Management Initiatives

Suspension and Debarment Initiative

OIG continues to work with EXIM Bank management to implement a more robust Suspension and Debarment program at the Bank, which would serve as a critical tool to prevent waste and fraud and protect the interests of the U.S. This initiative strives for more dialogue between OIG and EXIM Bank management officials to determine potential obstacles to taking suspension and debarment actions, and plans to overcome those obstacles.

During this reporting period, eight matters were referred for consideration to the EXIM Bank suspension and debarment officials. No action has been taken by the Bank regarding these referrals.

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. The OIG participates in the Bank's mandatory new employee orientation program to educate new EXIM Bank federal employees on their responsibilities and how to spot indicators of fraud.

During this reporting period, OI representatives conducted a briefing on common fraud scenarios and money laundering patterns with representatives at the Fraud Analytics for Government training session by The Performance Institute.

International and Domestic Collaboration

The OIG participates in meetings with the Berne Union, an international not-for-profit trade organization representing export credit and investment insurance agencies. These meetings allow the OIG to discuss areas of interest in the export credit field and to benchmark EXIM Bank's practices with other export credit agencies (ECAs). Since the majority of OIG investigations and inspections are focused on international transactions, we continually seek to partner with international organizations to collaborate and exchange ideas and information on how to work together in identifying, preventing, and investigating fraud. OIE participated in several discussions with representatives from other ECAs and multilateral institutions to discuss and promote risk management and integrity due diligence best practices.

International Association of Credit Portfolio Managers

The OIG participates in meetings with the International Association of Credit Portfolio Managers, 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 EXIM Bank's practices with other financial institutions including ECAs, 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 CIGIE Audit Committee, Inspection and Evaluation Committee, as well as the Council of Counsels to the Inspectors General. During this reporting period, an I&E representative participated in the CIGIE Enterprise Risk Management Working Group and currently serves as Chair of the subcommittee for small OIGs.

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 EXIM Bank's programs and operations.

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 specifically addressed EXIM Bank procedures or mission.

APPENDIX A

Open Recommendations from Prior Reporting Periods

This table shows that 29 recommendations from nine reports issued up to September 30, 2017 remain open at the end of this reporting period. Twenty-two open recommendations are from reports issued in FY 2017. The remaining seven open recommendations are from reports issued in FY 2016. Reports from prior periods are no longer listed when all recommendations have been closed.

Report No./ Date	Report Title	Recommendations				Latest Target Closure Date
		Total	Open	Closed	Unresolved	
Last Period (4/1/17 – 9/30/17)						
Audits						
OIG-AR-17-05 29 Sept 2017	Audit of the Export-Import's Disbursement Processes	9	5	4	0	9/28/18
Inspections and Evaluations						
OIG-EV-17-06 29 Sept 2017	Report on EXIM Bank's Local Cost Policy and Procedures	6	4	2	0	7/31/18
OIG-EV-17-05 30 Aug 2017	Report on TPMD's Risk Rating Process	3	3	0	0	6/30/18
Prior Periods (prior to 3/31/17)						
Audits						
OIG-AR-17-04 15 Mar 2017	Independent Audit of Export-Import Bank's Information Security Program for Fiscal Year 2016	9	3	6	0	12/31/18
OIG-AR-16-07 28 Sept 2016	Audit of the Examinations of Delegated Authority Lenders	12	1	11	0	9/30/18
OIG-AR-16-05 30 Mar 2016	Audit of EXIM Bank's Contracting Processes	7	1	6	0	12/31/17
Inspections and Evaluations						
OIG-EV-17-03 30 Mar 2017	Report on EXIM Bank's CGF Program	5	2	3	0	3/30/18
OIG-EV-17-01 2 Dec 2016	Evaluation of Risk Management Procedures and CRO Responsibilities	8	5	3	0	3/30/18
OIG-EV-16-01 28 July 2016	Follow-up Report on Portfolio Risk and Loss Reserve Allocation Policies	8	5	3	0	3/30/18
Totals		67	29	38	0	

APPENDIX B

Audit and Evaluation Reports Issued from October 1, 2017 – March 31, 2018

	Report No./Date	Report Title	Management Decisions Reached on Recommendation	Total Questioned Cost	Unsupported Cost	Funds for Better Use	Disallowed Cost
1	OIG-AR-18-01 8 Nov 2017	Independent Auditors Report on EXIM Bank's DATA Act Submission	13/13	0	0	0	0
2	OIG-AR-18-02 14 Dec 2017	FY 2017 Financial Statement Audit	3/3	0	0	0	0
3	OIG-AR-18-03 26 Feb 2018	FY 2017 Financial Statement Audit Management Letter	13/13	0	0	0	0
4	OIG-AR-18-04 8 Mar 2018	FY 2017 Information Security Program Audit	1/1	0	0	0	0
Totals				0	0	0	0

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-EV-16-01, Follow-Up Report on Portfolio Risk and Loss Reserve Allocation Policies, July 28, 2016

Recommendation 1: Establish policies and attendant criteria to determine prudent soft limits on exposure concentrations and procedures to manage those exposures once identified, including options for reducing concentrated exposures, mitigating the risks of concentration exposures, or consideration of concentration risks in the transaction approval process.

Expected implementation date: June 30, 2018

OIG-AR-16-05, Audit of EXIM Bank's Contracting Processes, March 30, 2016

Recommendation 1: Develop a comprehensive set of written policies and procedures for the Export Import Bank's acquisition services to ensure contracts are administered and monitored in accordance with the FAR.

Expected implementation date: December 31, 2017

OIG-EV-17-05, Report on TPMD's Risk Rating Process, August 30, 2017

Recommendation 1: For BCL risk rating analysis: Introduce quantitative benchmarks for key risk metrics, including transportation sector specific ranges whenever possible, and re-evaluate the use of specific benchmark and benchmark ranges on scheduled intervals.

Adopt a consistent methodology for evaluating qualitative criteria. For example, Bank guidance should include a consistent methodology for rating consistency between BCL risk factor grades and risk ratings as well as clear risk rating criteria for individual risk factors.

Expected implementation date: June 30, 2018

APPENDIX D

Open Recommendations

Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use	
Audit of the Export Import Bank's Contracting Processes (OIG AR 16 05, March 30, 2016)						
1	Develop a comprehensive set of written policies and procedures for the Export Import Bank's acquisition services to ensure contracts are administered and monitored in accordance with the FAR.	Open	9/30/2017	Agree	0	0
Audit of Export Import Bank's Examinations of Delegated Authority Lenders Participating in the Working Capital Guarantee Program (OIG AR 16 07, September 28, 2016)						
12	Update its Master Guarantee Agreement, dated December 31, 2005 to ensure the policies are up to date and in line with current best practices and to address internal control deficiencies.	Open	3/30/2018	Agree	0	0
Independent Audit of Export Import Bank's Information Security Program Effectiveness for Fiscal Year 2016 FISMA (OIG AR 17 04, March 15, 2017)						
1	We recommend that the EXIM Bank CIO (a) Perform an assessment of EXIM Bank's current information security program to identify the cost-effective security measures required to achieve a fully mature program, and (b) Implement appropriate processes and procedures to improve the information security program and align it with Level 4: Managed and Measurable IG metrics.	Open	9/1/2017	Agree	0	0
3	We recommend that the EXIM Bank CIO (a) Continue with their remediation efforts, and (b) implement further procedures operating platforms.	Open	6/30/2017	Agree	0	0
4	We recommend that the EXIM Bank CIO (a) Document and implement baseline configuration settings for all information technology products deployed within the Bank, and (b) Document justifications or compensating controls for any deviations from established baseline configuration settings for each of the information technology products deployed within the Bank.	Open	8/1/2017	Agree	0	0
Audit of the Export Import Bank's Disbursement Processes (OIG AR 17 05, September 29, 2017)						
1	Develop a comprehensive written policy and procedures for the disbursement processes. The policy and procedures should address reoccurring variations in disbursement practices and require unique	Open	9/29/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	circumstances necessitating a deviation from a policy or procedure to be documented and justified within the disbursement files.					
3	Within the disbursement policy and procedures, require evidence of actual payment such as a photocopy of a commercial bank's advice of payment to the U.S. exporter or photocopy of both sides of a cancelled check made payable to the U.S. exporter. If confirmation of payment via letter or "paid stamp" continues to be allowed, require documentation of the mitigating controls put in place to ensure payment is valid.	Open	9/29/2018	Agree	0	0
5	Develop a risk-based approach for reviews performed by CRC to ensure adequate coverage of all areas relying on third-party review and self-certification, such as letter of credit and medium-term guarantee disbursements. The CRC reviews should be used to determine if the front-end internal controls prior to EXIM Bank disbursement approval require modification.	Open	9/29/2018	Agree	0	0
6	Reassess and document the rationale for providing 100 percent unconditional guarantees under the medium-term guarantee program given the reliance on the guaranteed lenders to review disbursement documentation.	Open	9/29/2018	Agree	0	0
9	Implement a process for recording and validating disbursement data between EOL, FMS-NG, and the GL on at least a quarterly basis so that third-party requests for validated data can be completed in a timely manner and staff can effectively track program performance.	Open	9/29/2018	Agree	0	0
Independent Auditors Report on EXIM Bank's DATA Act Submission (OIG AR 18 01, November 8, 2017)						
1	We recommend that the SAO and the Working Group develop, document, and implement corrective actions, including modifying source systems, if necessary, to assure that the Bank properly links modifications of loans, guarantees, and insurance to the original award, assigns amendments an amendment number, and properly reports the amendments in File D2.	Open	11/8/2018	Agree	0	0
2	Determine the root cause of the errors that we detected in our testing of Files D1 and D2 and take the necessary actions to	Open	11/8/2018	Agree	0	0

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	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	correct the errors and revise the relevant procedures, as appropriate, to ensure that this information is accurately extracted from EXIM Bank’s source systems and transferred to FPDS-NG and ASP.					
3	Design, document, and implement a process to enter data into FPDS-NG accurately. Procedures should include review processes to help ensure that the Bank detects and promptly corrects any clerical errors and that FPDS-NG data are aligned with supporting documentation and other authoritative sources, such as SAM.	Open	11/8/2018	Agree	0	0
4	Improve the design of the Bank’s review of its loan, guarantee, and insurance data submissions to USASpending.gov, including performing a more detailed review and including additional data elements in the review.	Open	11/8/2018	Agree	0	0
5	Design, document, and implement a process for reviewing Files D1 and D2 before the SAO submits and certifies the Bank’s quarterly DATA Act submission. Procedures should include steps for documenting any variances identified, including any necessary corrective actions, and notifying the Treasury DATA Act Broker of any errors identified in data that the Treasury DATA Act Broker uses to derive Files D1 and D2.	Open	11/8/2018	Agree	0	0
6	The SAO, in coordination with the Working Group, design, document, and implement a periodic process for assessing whether each of the Bank’s TAS should be included in the Bank’s financial and award data submitted for publication on USASpending.gov.	Open	11/8/2018	Agree	0	0
7	The OCFO develop, document, and implement internal control procedures to reconcile File B to the adjusted trial balance and File C to File D1 (and vice versa). The process should consider whether adjustments should be made to Files B, C, or D1 and document variances detected.	Open	11/8/2018	Agree	0	0
8	The OCFO and SAO identify and document the root cause of the variances in File B and take timely, appropriate corrective action.	Open	11/8/2018	Agree	0	0
9	The OCFO develop, document, and implement a policy requiring that all journal vouchers adjusting obligated balances include object classes.	Open	11/8/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
10	The SAO, in coordination with the OCFO, develop and document a corrective action plan to assure that the Bank accurately and completely reports object classes in all financial and award data submissions (i.e., Files B and C).	Open	11/8/2018	Agree	0	0
11	The OCFO design, document, and implement a process to help ensure that the Bank records contract actions in FMS-NG in a timely manner and at the correct amounts.	Open	11/8/2018	Agree	0	0
12	The SAO, in conjunction with the OCFO, document and follow a process by which the SAO obtains and reviews the completed reconciliations of File B to the adjusted trial balance and of File C to File D1 (and vice versa) before certifying the Bank's quarterly financial and award submissions to USASpending.gov.	Open	11/8/2018	Agree	0	0
13	We recommend that the SAO and the Working Group reassess their process for generating, reviewing, and certifying DATA Act files and make any adjustments necessary to help ensure that the Bank submits all data to the Treasury DATA Act Broker and the SAO certifies the data within the timeframes prescribed by OMB and Treasury guidance. The SAO and the Working Group should also implement a task schedule for all planned reconciliations and reviews that allows time for necessary corrective actions.	Open	11/8/2018	Agree	0	0
Audit of the Export Import Bank of the United States Fiscal Year 2017 Financial Statements (OIG AR 18 02, December 14, 2017)						
1	Consider enhancing the model documentation to articulate how the cash flow model works and the rationale used in the models. The documentation should be at a sufficient level of detail to enable a reviewer to independently analyze the model.	Open	11/15/2018	Agree	0	0
2	Assess periodically the need to modify the cash flow model to adjust the lifetime PD assumption to account for the age and performance of each deal.	Open	11/15/2018	Agree	0	0
3	Document, in sufficient detail, additional qualitative considerations used by management to calculate re-estimates for financial statement reporting, that clearly bridges the gap between model historical performance and the resulting calculations. The documentation should include a quantification of the impact of these	Open	11/15/2018	Agree	0	0

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Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
qualitative considerations on the outputs of the cash flow model.					
Fiscal Year 2017 Financial Statement Audit Management Letter (OIG AR 18 03, February 26, 2018)					
1 Document and implement a process for the periodic review of changes migrated to production to ensure that unauthorized changes do not bypass the change management process.	Open	11/15/2018	Agree	0	0
2 Update and implement policies and procedures to ensure that the identified vulnerabilities are monitored and tracked for remediation. a. Ensure the issues reported and timelines are defined and monitored. b. Ensure that all systems are address the issues reported.					
3 Address the existing vulnerabilities identified during our assessment consistent with NIST guidelines.	Open	11/15/2018	Agree	0	0
4 Continue to improve its vulnerability management program to help ensure that operating systems and applications are properly configured, and timely updated on a routine basis throughout the EXIM Bank enterprise.	Open	11/15/2018	Agree	0	0
5 Enhance the current process requiring all service request tickets for access terminations to include attachments identifying each individual user to be deactivated.	Open	11/15/2018	Agree	0	0
6 Enhance the current processes for off-boarding and periodic review of users with accounts to ensure that items are disabled in a timely manner upon the user's separation from the Bank.	Open	11/15/2018	Agree	0	0
7 Modify the current termination process in order to ensure that all accounts are disabled of the employee/ contractor effectively being terminated from the bank.	Open	11/15/2018	Agree	0	0
8 Enhance the current processes for off-boarding of users to ensure that the IT Help Desk and IT Infrastructure group are notified about removing access within a timely manner from employee/contractor separation.	Open	11/15/2018	Agree	0	0
9 Document/enhance and implement standards to include all operating systems, databases, applications, and network devices.	Open	11/15/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
10	Develop and implement procedures and internal controls over the guarantee portfolio balance monitoring process, to ensure the records related to each credit guaranteed are accurate and capture all relevant and current repayment amortization schedule of the transaction.	Open	11/15/2018	Agree	0	0
11	Expanding the documentation of the BCL credit score determinations by requiring preparers and reviewers to describe rationale, judgments, and decisions related to qualitative inputs. The documentation should be at a sufficient level of detail to enable an independent reviewer to arrive at the same BCL determination and be readily available for examination.	Open	11/15/2018	Agree	0	0
12	Formalizing a process to supplement the active monitoring of the portfolio by documenting an update for those deals where the annual BCL review was performed prior to the date that the FCRA re-estimates for financial statements are calculated. The documentation should be at a sufficient level of detail to enable an independent reviewer to understand the update procedures performed and conclusions reached, and be readily available for examination.	Open	11/15/2018	Agree	0	0
13	Continue to develop and implement internal controls over the preparation and review the annual financial statements and related disclosures, such as developing/using a financial reporting checklist to mitigate the risk of non-compliance with GAAP and, where applicable, the general guidance for Government Corporations outlined in OMB Circular A-136, Financial Reporting Requirements.	Open	11/15/2018	Agree	0	0
Independent Audit of Export-Import Bank's Information Security Program Effectiveness for Fiscal Year 2017 FISMA (OIG AR 18 04, March 8, 2018)						
1	We recommend that the EXIM Bank CIO develop and implement a monitoring and auditing process that identifies and remediates gaps in the Bank's information assurance control implementation and that validates compliance with the Bank's privacy and awareness training program.	Open	3/31/2019	Agree	0	0
Follow Up Report on Portfolio Risk and Loss Reserve Allocation Policies (OIG EV 16 01, July 28, 2016)						
1	Establish policies and attendant criteria to determine prudent soft limits on exposure concentrations and procedures to manage	Open	3/30/2018	Agree	0	0

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those exposures once identified, including options for reducing concentrated exposures, mitigating the risks of concentration exposures, or consideration of concentration risks in the transaction approval process.

3	Engage an independent expert to complete the second half of the Credit Loss Factors (“CLF”) validation exercise in FY 2016 and to address the recommendations put forth in the final report. To ensure adequate independence of the review process, oversight of the project should be placed with individuals who are not responsible for development or use of the CLF model.	Open	3/30/2018	Agree	0	0
4	Engage an independent expert to evaluate the remaining models as part of phase three testing of the BCL review, beginning with project finance, and to address the recommendations put forth in the final report. To ensure adequate independence of the review process, oversight of the project should be placed with individuals who are not responsible for development or use of the risk rating models.	Open	3/30/2018	Agree	0	0
5	OIG recommends that Ex-Im Bank further develop the scope (e.g., sector and one obligor) and frequency of stress testing protocols to analyze potential vulnerabilities due to the Bank’s portfolio concentrations and incorporate the results of the stress testing into key risk management policies including the Bank’s risk appetite statement, risk tolerance levels, and the use of risk sharing as provided for in the 2015 Reauthorization Act.	Open	3/30/2018	Agree	0	0
6	In addition to the two percent default cap, Bank staff should establish additional criteria for the setting of prudent soft limits on exposure concentrations, including one obligor related concentrations. This may include percentage thresholds of credit loss reserves and earnings, current industry conditions, current exposure, nominal limits on the risk rating of the borrower and program specific objectives.	Open	3/30/2018	Agree	0	0

Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities (OIG EV 17 01, December 2, 2016)

1	To clarify the authority and responsibility of the CRO with respect to the current allocation of risk management responsibilities across the agency, EXIM Bank should formally document the risk management roles, responsibilities and authority of its line of defense functions; clarify responsibilities and interaction	Open	3/30/2018	Agree	0	0
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between different senior management committees and divisions; identify the individuals and functions to be responsible for each; and address any gaps in those responsibilities.

2	EXIM Bank should review the Enterprise Risk Committee approval process to specify the authority and responsibility of the CRO over risk policies, procedures, and reports.	Open	3/30/2018	Agree	0	0
5	EXIM Bank should enhance its risk policy framework to further document the non credit risks that are identified in the Risk Appetite Statement.	Open	3/30/2018	Agree	0	0
6	The Bank should continue to improve its integrated risk management program by designing a comprehensive Risk Appetite Framework that provides an overarching process for defining risk appetite and establishing risk tolerance thresholds for its key risks.	Open	3/30/2018	Agree	0	0
7	The Bank should update its current Risk Appetite Statement and establish aggregate thresholds for each of its key risks in accordance with federal guidance.	Open	3/30/2018	Agree	0	0

Report on EXIM Bank's Credit Guarantee Facility Program (OIG EV 17 03, March 30, 2017)

4	With respect to amendments to the terms and conditions of transactions previously approved by the Board: (i) enhance policies and procedures for CGFs to ensure the adequacy and consistency of the Bank's due diligence (e.g., Iran sanctions due diligence) in consideration of those amendments; and (ii) in accordance with the Bank's Individual Delegated Authority policy, develop an internal process to assess the level of materiality of proposed amendments and to discern the need to revert back to the Board for approval. Such a process should involve a deliberative body such as the Transaction Review Committee.	Open	3/30/2018	Agree	0	0
5	Review and update the reachback policy for the CGF program to be consistent with actual practice and reduce the need for waivers. In reviewing and updating the reachback policy, the Bank should analyze the case-by-case determination of a reachback relative to the average policy date (i.e., operative date); consider establishing limits on the utilization of the facility for reachback transactions; set requirements for communicating analysis of reachback issues to decision makers including the Board; and establish procedures for consideration of waivers to the policy. This would include documenting	Open	3/30/2018	Agree	0	0

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the supporting evidence in the credit file.

Report on Transportation Portfolio Management Division’s Risk Rating Process (OIG EV 17 05, August 30, 2017)

1	For TPMD, similar to recommendation 3 in the OIG’s Report on the Asset Management Division’s Risk Rating Process: (a) Introduce quantitative benchmarks for key risk metrics, including transportation sector specific ranges whenever possible, and re-evaluate the use of specific benchmark and benchmarks ranges on scheduled intervals. Provide explanations to justify data outliers when rating differs; and (b) Adopt a consistent methodology for evaluating qualitative criteria. For example, Bank guidance should include a consistent methodology for rating consistency between BCL risk factor grades and risk ratings as well as clear risk rating criteria for individual risk factors.	Open	6/30/2018	Agree	0	0
2	Systematically introduce standalone financial metrics to rate leasing companies in the TPMD portfolio given the growing importance of leasing companies in the sector. Along the same lines, evaluate use of current metrics for non-passenger airline obligors such as cargo airlines and railroad companies.	Open	6/30/2018	Agree	0	0
3	Introduce a risk-based approach to proactively identify inspection targets, set routine inspection timeframes, and fully incorporate results of inspections in risk rating reports.	Open	3/30/2018	Agree	0	0

Report on EXIM Bank’s Local Cost Policy and Procedures (OIG EV 17 06, September 29, 2017)

1	Issue detailed procedures and guidelines on its current process for reviewing and approving local cost goods and services, providers and amounts using the Acquisition List. This would include determining whether the current definition of what constitutes “sufficient detail” is adequate and clarifying the roles and responsibilities of Bank staff, timeline and requirements for administering the Acquisition List.	Open	1/31/2018	Agree	0	0
3	For reimbursement requests, update the procedures and guidelines for local cost to require, at minimum, the submission of information that describes in sufficient detail the goods or services being invoiced for confirmation with the approved Acquisition List; therefore, creating a verifiable audit trail.	Open	7/31/2018	Agree	0	0
4	In the event that invoices are submitted in a foreign language, the Bank should establish a transparent and documented	Open	1/31/2018	Agree	0	0

process by which Bank staff review and approve those invoices.

6	Update procedures and guidelines for local cost to clarify how to treat vertically integrated companies and their affiliates with respect to the Acquisition List and CRTI screening when those subsidiaries or affiliate firms are providing local cost goods or services as a primary provider or sub-contractor. This would include updating the Acquisition List to distinguish between the specific entity providing local cost goods or services.	Open	4/30/2018	Agree	0	0
Totals					\$0	\$0

APPENDIX E

Peer Review Reporting

Office of Audits

On September 8, 2017, the National Archives and Records Administration (NARA) OIG completed its peer review of the Office of Audit and issued a rating of pass. All recommendations issued by NARA have been fully implemented.

On June 2, 2017, the OA completed a peer review of the audit function of the Government Publishing Office (GPO) OIG and issued a rating of pass with deficiency and made two recommendations. The recommendations from this report are still outstanding, but the Acting Inspector General stated he plans to implement them:

Recommendation No. 1 – GPO OIG should develop and implement controls to ensure issued reports fully reflect the results of the audit work performed and communicate the results of the audit in a complete, convincing, and clear manner.

Recommendation No. 2 – GPO OIG should remove Report 16-19, Information Technology: Oracle Maintenance and Support Licenses, from its website and reissue it to the agency once the report is compliant with Government Auditing Standards.

Office of Investigations

On September 11, 2017, the Board of Governors of the Federal Reserve System (FRB) OIG issued its final report on the system of quality control for the EXIM Bank OIG's investigation function. The FRB OIG issued a rating of compliant with the standards required by CIGIE and applicable Attorney General's guidelines. A copy of the FRB OIG report can be found on the EXIM Bank OIG website at www.exim.gov/sites/default/files/oig/reports/EXIMOIGOI%20QAR%20091117.pdf. There are no outstanding recommendations from this peer review.

APPENDIX F

Inspector General Act Reporting Requirements

Inspector General Act Citation	Requirement Definition	Page
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	5-6
Section 5(a)(2)	Recommendations for Corrective Actions	10-14
Section 5(a)(3)	Prior Significant Audit Recommendations Yet to Be Implemented	32
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	22
Sections 5(a)(5) and 6(c)(2)	Summary of Refusals to Provide Information	None
Section 5(a)(6)	Audit, Inspection and Evaluation Products Issued Including Total Dollar Values of Questioned Costs, Unsupported Costs, and Recommendations That Funds Be Put to Better Use	30
Section 5(a)(7)	Summary of Particularly Significant Reports	5-6
Section 5(a)(8)	Total Number of Reports and Total Dollar Value for Audits, Inspections and Evaluations with Questioned and Unsupported Costs	29,30 34-43
Section 5(a)(9)	Total Number of Reports and Total Dollar Value for Audits, Inspections and Evaluations with Recommendations That Funds Be Put to Better Use	None
Section 5(a)(10)(A) – (C)	Summary of Prior Audit, Inspection and Evaluation Products for Which No Management Decision Has Been Made, No Comment was Returned Within 60 Days, Recommendation Exists Regarding Aggregate Cost Savings	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 804(b) of the Federal Financial Management Improvement Act of 1996 Remediation Plan	None
Section 5(a)(14)	Results of Peer Review Conducted by Another IG; or Date of Last Peer Review If No Peer Review Conducted During Reporting Period	45
Section 5(a)(15)	List of Outstanding Recommendations from Peer Review Conducted by Another IG That Have Not Been Fully Implemented	None
Section 5(a)(16)	List of Peer Reviews of Another IG During the Reporting Period Including Outstanding Recommendations from Previous Peer Review That Remain Outstanding or Have Not Been Fully Implemented	45

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Section 5(a)(17)(A) – (D)	Total Investigative Report, Referred to the DOJ, Number of Persons Referred to State and Local Authorities, Total Indictments, etc. That Resulted from Prior Referral to Prosecuting Authorities	22
Section 5(a)(18)	Metrics Used for Developing Data for Statistical Tables	22
Section 5(a)(19)(A) – (B)	Senior Government Employee Substantiated Misconduct, Facts, Disposition	24
Section 5(a)(20)	Whistleblower Retaliation	None
Section 5(a)(21)(A) – (B)	Interfered with OIG Independence Through Withholding Budget or Causing Delay	None
Section 5(a)(22)(A) – (B)	Report Closed but Not Disclosed to the Public	None

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