



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

# SEMIANNUAL REPORT TO CONGRESS

April 1, 2019 to September 30, 2019

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# About Our Organization

**THE EXPORT-IMPORT BANK OF THE UNITED STATES** (EXIM or the Bank) is the official export credit agency of the United States (U.S.). EXIM 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 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.

For more information, please see [EXIM's website](#).

**THE OFFICE OF INSPECTOR GENERAL** (OIG), an independent oversight office within EXIM, was statutorily authorized in 2002 and organized in 2007. The mission of EXIM OIG is to promote the integrity, transparency and efficiency of EXIM programs and operations by conducting and supervising audits, investigations, inspections, and evaluations related to agency programs and operations; providing leadership and coordination, as well as recommending policies that promote economy, efficiency, and effectiveness in such programs and operations; and preventing and detecting fraud, waste, abuse, and mismanagement.

The OIG is dedicated to acting as an agent of positive change to help EXIM improve its efficiency and effectiveness. It keeps EXIM's Chairman and President and Congress fully informed about problems and deficiencies along with any positive developments relating to EXIM administration and operations.

Find more information about EXIM OIG, including reports of audits, inspections and evaluations, on our [website](#). For more information on inspectors general in the U.S. government, please see the [Council of the Inspectors General on Integrity and Efficiency](#) (CIGIE) and CIGIE's [Oversight](#) websites.

## A Message from the Inspector General

I am pleased to submit this Semiannual Report on the activities and accomplishments of EXIM OIG from April 1, 2019, through September 30, 2019. In the second half of fiscal year (FY) 2019, EXIM OIG continued its work in advising EXIM management and Congress on recommendations for improving Bank operations, as well as detecting, preventing, and prosecuting fraud. This semiannual report details that work and includes OIG's annual assessment of the major management challenges facing the agency in the upcoming fiscal year. The key management issues identified and discussed are managing uncertainty, reauthorization, human capital, information technology, and internal controls. During this semiannual period, the OIG published four reports—an audit report on improper payments, an evaluation report on the credit loss factor model and loan loss reserve process, and two memorandum reports on the key provisions of the 2015 Reauthorization Act and the annual risk assessment of the purchase card program. The Office of Audits and Evaluations (OAE) also completed a peer review of the audit function of the Corporation for Public Broadcasting OIG.

In addition, our office continued its focus on investigating fraud related to EXIM and EXIM transactions. Over the past six months, the Office of Investigations (OI) facilitated the federal government's restitution of millions of dollars associated with an OI investigation of a private individual who falsely represented EXIM financial backing in 2017. As reported during the prior period, OI worked with the U.S. Department of Justice (DOJ) to obtain a guilty plea from this subject for wire fraud. During this reporting period, that individual was ordered to forfeit and pay restitution of over six million dollars. OI also obtained a guilty plea and conviction that resulted in a 66 month prison sentence and \$217,315 in restitution to private citizen victims. This individual falsified EXIM records and feigned EXIM involvement in order to solicit illegal proceeds from deceived investors between 2017 and 2018. OI further secured indictments in two ongoing investigations for obstruction of justice and providing false claims to the government. OI staff continued fraud prevention efforts by conducting outreach and training programs. Lastly, OI completed a positive and successful peer review of the investigation function of the Peace Corps OIG.

As exemplified by our work over the past six months, the OIG remains committed to our mission to detect and deter waste, fraud, and abuse, and promote accountability, efficiency, and effectiveness through our oversight of EXIM's programs and operations. None of these accomplishments would be possible without the hard work, professionalism, and dedication of our staff, who continue to provide independent and effective oversight through timely, accurate, and credible information to aid Bank officials and Congress in addressing important issues facing the public and EXIM.

**Jennifer Fain**

Acting Inspector General

# Highlights

The **Office of Audits and Evaluations (OAE)** completed one audit, one evaluation, and two assessments:

*Independent Auditor’s Report on Export-Import Bank’s FY 2018 Payment Integrity Annual Reporting Compliance with Improper Payment Laws*

([OIG-AR-19-04](#), May 20, 2019)

Under a contract overseen by OAE, an independent accounting firm performed an audit of EXIM’s compliance with the reporting requirements of the improper payments laws for fiscal year (FY) 2018. The independent accounting firm determined that the Bank’s FY 2018 payment integrity annual reporting fully complied with all reporting requirements of the improper payments laws as stipulated in Office of Management and Budget (OMB) Circular A-123. The report contained three recommendations to improve EXIM’s improper payment risk assessment process. Bank management concurred with the recommendations.

*EXIM’s Implementation of Key Provisions of the 2015 Reform and Reauthorization Act*

([OIG-O-19-01](#), May 23, 2019)

We completed an assessment of EXIM’s implementation of the key provisions of the Export-Import Bank Reform and Reauthorization Act of 2015 (the 2015 Act).<sup>1</sup> Our review of the 2015 Act identified 17 provisions, of which the Bank is responsible for 14. The Bank generally addressed all of the 14 key provisions outlined in the 2015 Act that fall within its purview. The memorandum report did not include recommendations.

*Evaluation of EXIM’s Credit Loss Factor Model and Loss Reserve Process*

([OIG-EV-19-03](#), June 19, 2019)

Under a contract overseen by OAE, a consulting services firm conducted an independent evaluation of EXIM’s FY 2019 Credit Loss Factor (CLF) model and an assessment of the reasonableness of the Bank’s overall loss reserve process (Process). The evaluation determined that the Bank’s Process can create reasonable estimates of the credit subsidy and loss reserve estimates. The Bank’s documentation, methodological approach and execution of the Process were found to be reasonable pending changes and enhancements to existing documentation. However, the consulting services firm found that the Process requires several manual steps and the model risk management policies are insufficiently documented regarding the execution of roles. Whereas manual steps introduce the risk of calculation error to the model, insufficient documentation introduces key person risk. The evaluation concluded that the Process should be more rigorous with robust safeguards, better diagnostics, and easier replicability. Seven recommendations were made to improve model governance and risk management, documentation, and the methodologic approach and execution of the Process. Bank management concurred with the recommendations.

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<sup>1</sup> See the *Export-Import Bank Reform and Reauthorization Act of 2015*, included in “Division E—Export-Import Bank of the United States” of the “FAST Act,” which became public law on December 4, 2015 (Pub. L. No. 114-94) at <https://www.congress.gov/114/bills/hr22/BILLS-114hr22enr.pdf>.

*Risk Assessment of EXIM's Purchase Card Program*

([OIG-O-19-02](#), September 19, 2019)

In accordance with the Government Charge Card Abuse Prevention Act of 2012, we conducted a risk assessment to identify and analyze the risks of illegal, improper, or erroneous use of EXIM's purchase cards in order to determine the scope, frequency and number of periodic audits the OIG will conduct. Our risk assessment determined that the Bank's risk of illegal, improper, or erroneous use within the purchase card program was low. Overall, we determined that the purchase card expenditures were immaterial in comparison to EXIM's total FY 2018 administrative expenditures. Additionally, we found the policies, procedures and internal controls for the Purchase Card Program were generally sufficient. We also noted that EXIM timely submitted its Charge Card Management Plan to OMB by the January 31, 2019 deadline. Accordingly, we do not intend to conduct an audit specifically of the Purchase Card Program. However, we will base future Purchase Card Program audits on the results of our annual risk assessment. The memorandum report did not include recommendations.

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

*Criminal Convictions*

OI continued its focus on investigating fraud related to EXIM transactions. Working with DOJ and the U.S. Postal Service Office of Inspector General, OI obtained a delayed restitution and forfeiture judgement against an individual who willfully and purposefully defrauded investors by fraudulently claiming that funding had been secured from the Bank.

In addition, OI and DOJ obtained a guilty plea from an individual in Pembroke Pines, FL. This individual defrauded multiple individuals out of over two hundred thousand dollars in a scheme where he fraudulently represented that he would serve as an intermediary with EXIM in obtaining loans on the clients' behalf to fund their construction projects in Africa.

OI also obtained indictments against individuals in two separate ongoing investigations. In the first, an individual was indicted on one count of obstruction of justice and three counts of making false declarations to a grand jury for intentionally misleading a federal grand jury in connection with an EXIM OIG investigation. In the second case, an individual was indicted on one count of making false claims when the individual allegedly filed a claim with EXIM after having been paid by their foreign customer.

*Suspension and Debarment*

The OIG continues to work with EXIM management to implement a more robust suspension and debarment program at the Bank. This program serves as a critical tool to protect the federal government from fraud, waste and abuse. Dialogue is ongoing between OIG and EXIM management officials to determine potential obstacles to pursuing suspension and debarment actions, as well as plans to overcome those obstacles. During this reporting period, three matters were referred to the EXIM suspension and debarment official for consideration. Additionally, two entities were suspended and five were debarred from doing business with the federal government.

# EXIM Management Challenges

The Reports Consolidation Act of 2000 requires the agency’s Inspector General to summarize the most serious management and performance challenges facing the agency and briefly assess the agency’s progress in addressing those challenges. This requirement is consistent with our duties under the Inspector General Act of 1978, as amended, to conduct audits, inspections, evaluations and investigations to promote economy, efficiency, and effectiveness in EXIM programs and operations. The following topics represent EXIM OIG’s perspective on the top management challenges facing EXIM in FY 2020. We highlight persistent management and performance challenges that hamper the Bank’s efforts to accomplish its mission efficiently and effectively. We acknowledge past and ongoing efforts by EXIM’s senior leadership to address the challenges within the Bank’s control as identified in this report. Nonetheless, we identify areas that require continuing focus and improvement.

## Managing Uncertainty About EXIM’s Authority and Future

Managing the effects of the prior lapse in authority and uncertainty about the future of EXIM continue to be the top management challenges facing the Bank. The Export-Import Bank Act of 1945 established a five-member Board of Directors (Board), comprised of members of both political parties, to govern EXIM’s operations. It also mandated a quorum of at least three Board members to conduct the Bank’s business. Without the mandatory quorum, the Bank could not approve financing over \$10 million with a repayment term of seven years or longer, make policies, or delegate authority. As discussed in prior semiannual reports, the Board lacked a quorum for nearly four years from July 2015 until May 2019, significantly impeding the Bank’s operations and resulting in attrition of human capital.

On May 8, 2019, the Senate established a quorum of Board members by confirming three of the five pending nominations: the President and Chairman (term expiring January 20, 2021); a member (term expiring January 20, 2023); and another member (term expiring January 20, 2021). To date, the Senate has not confirmed the other two pending nominees: the Vice President and Vice-Chairman (term expiring January 20, 2021); and the final member (term expiring January 20, 2023). If the Senate does not act on the remaining nominations, the Board will again lack a quorum in little over a year.<sup>2</sup>

Since the quorum was restored, the three-member Board of Directors began fulfilling outstanding 2015 reauthorization requirements that previously could not be implemented without Board action. For example, the Board appointed a Chief Ethics Officer (CEO) and a Chief Risk Officer (CRO), raised the medium-term loan program cap from \$10 million to \$25 million, and increased staff authority to approve small business export financing from \$10 million to \$25 million. Similarly, the Board regularly meets to approve transactions and conduct EXIM’s business.

However, in light of EXIM’s reduced workforce, the pipeline of transactions over the past several years creates additional management challenges in the upcoming fiscal year. Further, given the conflicting legislation regarding EXIM’s 2019 reauthorization (discussed below), the inconsistency and unpredictability of future enterprise continues to cause substantial risk to

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<sup>2</sup> This presumes that the current Board members will serve their full terms.

EXIM's long-term operations. This uncertainty also hinders EXIM's customer relations and outreach activities, compounding the risks to the Bank and causing some businesses to seek aid from foreign export credit agencies in lieu of the United States' export credit agency.

## Reauthorization

Due to the possibility that reauthorization legislation may not be enacted, EXIM continues to prepare for a potential lapse in authorization, the uncertainty of which generates significant management challenges. Congress enacted a continuing resolution to temporarily extend the expiration of EXIM's statutory authority from September 30, 2019, to November 21, 2019. On November 21, 2019, Congress again temporarily extended the Bank's statutory authority from November 21, 2019, to December 20, 2019. It is currently unclear whether Congress will allow the reauthorization to lapse, enact another continuing resolution temporarily extending the Bank's authority, or enact a long-term extension. During the 116th Congress, at least four divergent bills addressing EXIM's 2019 reauthorization were proposed, ranging from termination of EXIM in its entirety to ten-year reauthorization. Most recently, the House of Representatives passed a reauthorization bill on November 15, 2019, which required substantive changes to the Bank's charter.

If Congress does not enact reauthorization legislation on or before December 20, 2019, EXIM's statutory authority will lapse and it will no longer have authority to authorize new transactions, engage in business development or perform various other functions.<sup>3</sup>

When this previously occurred in FY 2015, EXIM encountered substantial drops in business activity, from \$20.5 billion in FY 2014 (the last year the Bank was fully authorized) to \$3 billion in FY 2018. Given the continued effects of the prior lapse in authorization and the lack of quorum, it is difficult to ascertain how damaging another lapse would be to EXIM's programs and operations.

Additionally, even if an authorization lapse does not occur, the uncertainty of short-term continuing resolutions temporarily extending the expiration of authority creates more challenges. EXIM expends resources that would otherwise be dedicated to EXIM programs and routine operations in order to prepare for a potential lapse regardless of whether that lapse ultimately occurs. For example, EXIM expends resources analyzing the legal and technical lapse requirements and training its employees to ensure that the Bank's operations after the lapse proceeded lawfully and efficiently.

## Human Capital

As previously reported, the uncertainty about EXIM's future generates ongoing human capital management challenges, causing problems with staff retention and severely hindering recruitment efforts. For example, management has reported that EXIM tried to fill vacant positions but top candidates turned down employment offers, citing uncertainty over the

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<sup>3</sup> See the Report on EXIM Bank's Activities in Preparation for and During its Lapse in Authorization ([OIG-EV-17-02](#), March 30, 2017).

Bank's future. At the same time, EXIM's programs and operations are encumbered with understaffing and several key senior officials with extensive institutional knowledge are eligible to retire. Even after the quorum was reestablished, EXIM has encountered difficulty in recruitment in light of the uncertainty of future reauthorization. Assuming reauthorization occurs, the Bank will still face significant management challenges related to human capital. Specifically, the pipeline of transactions creates a substantial burden on understaffed areas. For example, EXIM authorized \$3.3 billion for 2,389 transactions in FY 2018, while nearly \$40 billion in transactions were pending review in FY 2019. Comparatively, when EXIM was previously fully operational in FY 2014, it authorized \$20.5 billion for 3,746 transactions with twice the current staffing levels. At this time, it is unclear whether the structural reorganization will ease or increase management challenges. Regardless, the interval between reauthorization and the hiring and training of new staff will likely increase risk both for due diligence and monitoring.

### Modernizing Information Technology Infrastructure

EXIM continues to face a management challenge in trying to develop, implement, and maintain a hybrid mix of commercial technology products with an outdated legacy system which is over thirty years old. Although EXIM has made significant progress in developing and implementing plans to modernize its IT systems and its legacy system currently operates on a modern, patched and secure infrastructure, the use of legacy systems increases risk because legacy IT resources are particularly vulnerable to malicious cyber activity and may require additional funding for hardening or support to address evolving threats to information security. Further, legacy systems contribute to weaker internal controls, particularly with reference to due diligence and fraud monitoring.

### Internal Controls

We are pleased to report that EXIM continues to make significant progress in improving internal controls in the Bank's programs and operations.

# Office of Audits and Evaluations

**OAE** conducts and oversees independent and objective audits, inspections, and policy evaluations of EXIM’s programs and operations to assess the efficiency and effectiveness of the Bank’s programs, operations and transactions. All audits are performed in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. OAE staff also may perform evaluations; conduct research projects; provide advisory or consulting services to EXIM management; or provide information, comments and other services to outside parties.

All inspection and evaluation assignments are performed in accordance with the CIGIE guidelines and standards, including the 2012 Quality Standards for Inspection and Evaluation. OAE works in tandem with OI whenever appropriate and refers any irregularities and other suspicious conduct to OI for investigative consideration.

## Summary of Activities

During this semiannual reporting period, OAE completed one audit, one evaluation, and two assessments:

- Independent Auditor’s Report on Export-Import Bank’s FY 2018 Payment Integrity Annual Reporting Compliance with Improper Payment Laws
- EXIM’s Implementation of Key Provisions of the 2015 Reform and Reauthorization Act
- Evaluation of EXIM’s Credit Loss Factor Model and Loss Reserve Process
- Risk Assessment of EXIM’s Purchase Card Program

At the end of the reporting period, OAE had four audits and one evaluation in progress:

- Audit of EXIM’s FY 2019 Financial Statements
- Audit of EXIM’s Compliance with FISMA for FY 2019
- Audit of EXIM Compliance with the DATA Act of 2014
- Audit of EXIM’s Suspension and Debarment Process
- Evaluation of EXIM’s Portfolio Risk Management and CRO Responsibilities

## Reports Issued

### ***Independent Auditor’s Report on Export-Import Bank’s FY 2018 Payment Integrity Annual Reporting Compliance with Improper Payment Laws***

[\(OIG-AR-19-04\)](#), May 20, 2019)

An improper payment is any disbursement or transfer of federal funds to any non-federal person, non-federal entity, or federal employee that is made by a federal agency, contractor, grantee; or a governmental or other organization administering a federal program or activity that should not have been made or that was made in an incorrect amount (either overpayments or underpayments. The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) requires each

agency's Inspector General to perform an annual review of the agency's compliance with improper payments reporting requirements.

Under a contract overseen by OAE, an independent accounting firm conducted an independent audit to determine whether the Bank was in compliance with the reporting requirements of the improper payment laws for FY 2018 reporting. In addition, the audit assessed the accuracy and completeness of EXIM's improper payment reporting, agency performance in reducing and recapturing improper payments, and the Bank's implementation of the prior year audit recommendation. The independent accounting firm determined that EXIM complied with the reporting requirements of the improper payment laws for FY 2018. Three recommendations were made to improve the Bank's improper payment risk assessment process:

- (1) Enhance documented IPERIA risk assessment procedures to outline steps utilized by EXIM to show the relationship among programs between its various reports;
- (2) Provide more formalized training to agency staff on how to perform the risk assessment to ensure that sufficient personnel have a consistent understanding of the process to (a) be able to perform the function and (b) be able to explain the sources and rationale behind the analysis; and
- (3) Amend the current Risk Assessment Report to accurately reflect the assessment procedures associated with employee compensation.

EXIM management concurred with the recommendations.

#### ***EXIM's Implementation of Key Provisions of the 2015 Reform and Reauthorization Act***

[\(OIG-O-19-01\)](#), May 23, 2019)

On May 23, 2019, EXIM OIG issued the memorandum report entitled, EXIM's Implementation of Key Provisions of the 2015 Reform and Reauthorization Act (the 2015 Act). EXIM was responsible for 14 of the 17 provisions in the 2015 Act. The objective of the review was to assess the Bank's actions to implement the provisions. EXIM generally addressed all of the 14 provisions which tasked the Bank with addressing taxpayer protection, increasing accountability, promoting small business exports, modernizing operations, and a range of other matters. The requirements of the 2015 Act varied, for example, it mandated the creation of two positions-- CEO and CRO—while additionally giving authority to the Bank to share risk with other parties. Moreover, the 2015 Act mandated additional reporting requirements and gave authority to EXIM to increase its medium-term financing amounts.

From July 2015 to May 2019, EXIM did not have more than two serving board members, thus no quorum existed. In order to validate meetings or voting actions for any and all business of the Bank, a quorum is required, which consists of three members. Therefore, some of the necessary managing and functioning authorities of the Bank had been on hold. For example, Section 51005 of the 2015 Act required EXIM to increase accountability by creating the CRO position, appointed by the president of the Bank and approved by the Board, to oversee all issues relating to risk within the Bank. EXIM did create a CRO position. With the establishment

of a quorum, EXIM’s Board approved the appointment of the CRO on May 30, 2019.<sup>4</sup> The memorandum report did not contain any recommendations for corrective action.

***Evaluation of EXIM’s Credit Loss Factor Model and Loss Reserve Process***

([OIG-EV-19-03](#), June 19, 2019)

Under a contract overseen by OAE, a consulting services firm specializing in federal credit and risk analytics conducted an independent evaluation of EXIM’s FY 2019 credit loss factor (CLF) model and an assessment of the reasonableness of the Bank’s overall loss reserve process to (1) determine the reasonableness of the model, focusing on changes since 2015, and (2) assess the model risk management policies surrounding the production of the CLF model outputs. EXIM’s CLF model and loss reserve process (collectively, the Process) produces an estimate of the expected cost of the Bank’s lending and guarantee portfolio on an annual basis. Therefore, the CLF model and loss reserve process represent a significant risk based on the materiality of the Process’ data integrity, documentation, management processes, and the controls.

The consulting services firm found that EXIM’s FY 2019 CLF model and loss reserve process can create reasonable estimates of the credit subsidy and loss reserve estimates. Furthermore, the Bank’s documentation, methodological approach and execution of the Process were found to be reasonable pending changes and enhancements to existing documentation. However, the Process requires several manual steps and the model risk management policies are insufficiently documented regarding the execution of roles. Whereas manual steps introduce the risk of calculation error to the model, insufficient documentation introduces key person risk. Therefore, the Process should be more rigorous with robust safeguards, better diagnostics, and easier replicability. Seven recommendations were made to improve model governance and risk management, documentation, and the methodologic approach and execution of the Process.

- (1) Creating a single consolidated technical note, or adding a justifications section to existing documentation, that thoroughly describes modeling choices (including the selection criteria for the statistical calculations used).
- (2) Adding a comprehensive change log to existing documentation that is updated whenever the model or process is changed that includes how assumption changes are executed.
- (3) Adding or appending current documentation with a comprehensive Policies and Procedures guide that outlines requirements to deem a run “successfully executed.”
- (4) Update the FY 2019 SOP and ensure that each calculation step is accurately reflected in the CLF Model User Guide. This would include revising the SOPs to verify that results can be replicated with just the user guide and archived data files after model updates.
- (5) Automate calculations and data transformation steps, especially across files and applications.

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<sup>4</sup> On May 8, 2019, three Board members, which includes the President and Chairman of EXIM, were confirmed by the U.S. Senate and sworn in shortly thereafter by the Bank.

- (6) Build out the error checking and reporting functions for the model.
- (7) Expanding the current model program into a formal Model Risk Management (MRM) framework, particularly with an expansion to include better risk mitigation surrounding error checking, statistical reporting, execution of model changes, and role definition. One of these roles should include documentation updates (i.e., a checklist item) to ensure that the SOP matches the current process to reduce errors.

EXIM management agreed with the recommendations and is in the process of implementing them.

#### ***Risk Assessment of EXIM's Purchase Card Program***

([OIG-O-19-02](#), September 19, 2019)

In accordance with the Government Charge Card Abuse Prevention Act of 2012, we conducted a risk assessment to identify and analyze the risks of illegal, improper or erroneous use of EXIM's purchase cards in order to determine the scope, frequency and number of periodic audits the OIG will conduct. Our risk assessment found that the Bank's policies, procedures and internal controls for the Purchase Card Program were sufficient; risk of misuse was low; and purchase card charges made up less than one percent of total administrative expenditures for FY 2018. EXIM also submitted its Charge Card Management Plan to the OMB in a timely manner, meeting the required January 31, 2019 deadline. Therefore, we will not be conducting an audit of the Purchase Card Program until the results of our annual risk assessment changes. The memorandum report did not contain any recommendations for corrective action.

## Ongoing Projects

#### ***Audit of EXIM Bank's Fiscal Year 2019 Financial Statements***

An independent public accountant, working under OAE supervision, is conducting an audit to issue an opinion on the accuracy and completeness of EXIM's financial statements for FY 2019, which will be issued in the semiannual period ending March 31, 2020. A related management letter report will also be issued in the semiannual reporting period ending March 31, 2020.

#### ***Audit of EXIM's Compliance with FISMA for FY 2019***

Under a contract overseen by OAE, an independent public accounting firm is conducting an audit to determine whether EXIM developed adequate and effective information security policies, procedures, and practices in compliance with Federal Information Security Modernization Act (FISMA). The report will be issued in the semiannual reporting period ending March 31, 2020.

#### ***Audit of EXIM Compliance with the DATA Act of 2014***

Under a contract overseen by OAE, an independent public accounting firm is conducting an audit to determine the completeness, accuracy, timeliness, and quality of the financial and award data that EXIM submitted the first quarter of fiscal year (FY) 2019 for publication on USASpending.gov, and (2) EXIM's implementation and use of the government-wide financial data standards established by OMB and the U.S. Department of the Treasury. The report will be issued in the semiannual reporting period ending March 31, 2020.

***Audit of EXIM's Suspension and Debarment Process***

The objective of this performance audit is to determine whether EXIM's Suspension and Debarment program is operating and performing in accordance with applicable (1) EXIM policies and procedures, and (2) federal laws, regulations, and guidelines. The report will be issued in the semiannual period ending March 31, 2020.

***Evaluation of EXIM's Portfolio Risk Management Procedures and CRO Responsibilities***

Under a contract overseen by OAE, a consulting services firm specializing in federal credit and risk analytics is conducting an independent evaluation of EXIM's portfolio risk management procedures and CRO responsibilities. The objective is to evaluate and provide an update on the status of EXIM's (1) portfolio risk management procedures, and (2) implementation of the duties assigned the CRO. In addition, the report provides a roll up of a two related reports issued in the third quarter of FY 2019.<sup>5</sup> The report will be issued in the semiannual period ending March 31, 2020.

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<sup>5</sup> See the Assessment of EXIM's Implementation of Key Provisions of the 2015 Reform and Reauthorization Act ([OIG-O-19-01](#), May 23, 2019) and Evaluation of EXIM's Credit Loss Factor Model and Loss Reserve Process ([OIG-EV-19-03](#), June 19, 2019).

# Office of Investigations

**OI** conducts and coordinates investigations relating to alleged or suspected violations of federal laws, rules, or regulations occurring in EXIM 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, 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 programs and activities. Such reports are received from a variety of sources including Bank employees, Office of General Counsel (OGC), participants in Bank transactions, other government agencies, and the EXIM 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 April 1, 2019	25
Opened during period	5
Closed during period	9
Open as of September 30, 2019	21

Of the 21 current open investigations, the following table depicts the category of EXIM program affected by the investigation based on the allegations received:

Program	Number of Investigations
Export Credit Insurance	11
Loan Guarantee	2
Working Capital	4
Letter of Interest	2
Employee Integrity	1
Other (i.e., proactive investigations)	1

## Investigative Results

OI obtained the following investigative actions during this reporting period:

Description	OIG	Joint Activities*	Total
Matters Referred for Prosecution Consideration	0	2	2
Matters referred for State and Local Consideration	0	1	1
Criminal Indictments, Informations, Complaints	1	1	2
Guilty Pleas Entered	1	0	1
Criminal Judgments	1	0	1
Civil Actions	1	0	1
Civil Recoveries	0	0	0
Prison Time (months)	66	0	66
Probation (months)	36	0	36
Court Ordered Fines, Assessments, Restitutions, and Forfeitures	\$217,515	\$6,151,060	\$6,368,575
Administrative Actions**	1	0	1
Administrative Employee Actions***	0	0	0
Administrative Cost Savings and Repayments	\$0	\$0	\$0
Suspensions and Debarments	4	3	7

\* Joint investigations with other law enforcement agencies.

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

\*\*\* Administrative employee actions are responses by EXIM to terminate or discipline 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

As a general matter, EXIM'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 was to exploit these programs through the falsification of purchase and shipping records in order to convince the Bank that the described goods have been purchased and shipped when in fact they have not. Other typical fraud schemes involve submitting false financial statements of foreign borrowers in order to induce EXIM 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 the Bank regarding the shipment, nature, or quantity of the U.S. goods allegedly being exported. Another type of fraud occurs

when domestic exporters or manufacturers falsely report customer orders or on-hand inventories in order to fraudulently draw down on working capital credit lines. Successful investigative efforts within EXIM's programs during the reporting period include the following:

### ***Criminal Fraud Sentences and Indictments***

During a previous reporting period (March 8, 2018), Isaac Voss entered a guilty plea to a violation of Title 18, U.S.C. § 1343 (Wire Fraud) in the District of Oregon (Case No. 16-cr-00487). Mr. Voss used his company, XFuels, to obtain money from people across Oregon, California and Washington over a four-year period beginning in 2011. Those investors were tricked into handing over their cash because of elaborate marketing materials produced by Mr. Voss, including fliers, brochures and a website containing false information about XFuels that promised technology and investment opportunities. During this time frame, Mr. Voss fraudulently claimed that EXIM was an investor in his project and that funding had been secured from EXIM. On October 9, 2018, Isaac Voss was sentenced to 37 months in prison followed by 36 months of supervised release and a \$100 special court assessment. Mr. Voss' restitution judgement was delayed while the Court researched his ability to provide restitution. On April 2, 2019, Mr. Voss, was ordered to pay \$3,015,480 in criminal forfeiture and \$3,135,480 in criminal restitution.

On April 9, 2019, Bernd Rind, a U.S. businessman, pled guilty to a violation of 18 U.S.C. § 1343 (Wire Fraud) and a violation of 18 U.S.C. § 1028A(a)(1) (Aggravated Identity Theft) in the Southern District of Florida (Case No. 18-cr-60323). Mr. Rind solicited clients in Africa by fraudulently representing that he would serve as an intermediary with EXIM in obtaining loans on the clients' behalf to fund their construction projects. To garner confidence in his ability to deliver EXIM loans, he sent letters to clients, which falsely and fraudulently represented that EXIM had approved multi-million dollar loans for the clients' projects. The defendant's fraudulent conduct included fabricating these letters, using the official EXIM letterhead and the names of EXIM employees, of whom the defendant had knowledge through prior correspondence with EXIM. On June 25, 2019, Mr. Rind was sentenced to 66 months in prison and 36 months of supervised probation for orchestrating this wire fraud scheme. On September 13, 2019, Mr. Rind was also ordered to pay \$217,315 in restitution and a \$200 special court assessment.

On July 22, 2019, an individual was indicted on one count of violating Title 18 U.S.C. § 1503 (Obstruction of Justice) and three counts of 18 U.S.C. § 1623 (False Declarations to a Grand Jury) in the Middle District of Louisiana and later surrendered to EXIM OIG agents. According to the indictment, the defendant intentionally misled a federal grand jury and knowingly made materially false declarations to that grand jury in connection with an investigation being conducted by EXIM OIG and DOJ. This individual is believed to have received funds in a Business Email Compromise scheme, in which the buyer in an EXIM-guaranteed transaction was directed by unknown persons to make payment in the transaction to a bank account unrelated to the exporter. The funds were then removed from that account and disbursed to likely co-conspirators.

On September 10, 2019, an individual was indicted for violating Title 18 U.S.C. § 287 (False, Fictitious and Fraudulent Claims) in the Southern District of Florida. According to the indictment, the defendant presented a false claim to EXIM indicating that one of the

defendant's international customers defaulted on payments of invoices guaranteed by EXIM. It was alleged that the claim was fraudulent as the defendant knew that the customer had made the payments in question.

## Other Investigative Results

On April 22, 2019, the United States Attorney's Office for the District of Columbia filed a civil False Claims Act suit in U.S. District Court for the District of Columbia against two companies, one U.S. and one Mexican, which are owned by the same individuals. The civil complaint alleges that the defendants knowingly submitted and/or aided in the submission of bills, invoices, checks, records statements, other documents and testimony in connection with an EXIM-guaranteed loan knowing full well that they were false. As a result of the above false or fraudulent claims, the federal government suffered damages totaling \$1,365,284.97, plus interest. The federal government and the defendant's attorney are currently engaged in preliminary settlement negotiations.

The OIG continues to work with EXIM management to implement a more robust Suspension and Debarment program at the Bank. This program serves as a critical tool to prevent waste and fraud and protect the interests of the United States. Dialogue is ongoing between OIG and EXIM management officials to determine potential obstacles to pursuing suspension and debarment actions, as well as plans to overcome those obstacles. During this reporting period, three matters were referred to the EXIM suspension and debarment official for consideration. In addition, two entities (Bernd Rind and his company B&T Trust LLC) were suspended and five additional entities (Victor Ogbemor and his company Aegis Trading & Shipping Company; TJ Ellis and his company TJ Ellis Enterprises; and Daniel Leon) were debarred from doing business with the federal government.

To the extent permissible and within the confines and limitations of an investigation, OI Special Agents work collaboratively to share investigative intelligence with EXIM's OGC, Office of Risk Management, and Asset Management Division to help identify potential and suspected fraudulent activity within Bank transactions and to protect funds at risk. During this reporting period, OI communicated with the newly appointed Chairman of EXIM and several senior staff by making presentations on the OI's historical metrics, investigative process, historical case work examples, and commonly found red flag indicators in several of the Bank's insurance and guarantee programs.

Additionally, 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 45 referrals of investigative information to OGC concerning potential fraud and funds at risk for enhanced due diligence by EXIM. Additionally, OI investigative analysts responded to almost 850 deconfliction requests from the Department of Homeland Security (DHS), Immigration and Customs Support (ICE), Export Enforcement Coordination Center (E2C2).

## Hotline Activity

EXIM OIG maintains a hotline to receive reports of fraud, waste, and abuse in EXIM 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, inspection, evaluation, or referral to other law enforcement authorities having jurisdiction, or referral to Bank management for administrative action.

The OIG received five hotline reports during this semiannual reporting period. Two were referred internally, two were resolved and closed by the hotline, and one was opened as an investigative matter.

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

- Phone at 1-888-OIG-EXIM (1-888-644-3946);
- E-mail at [IGhotline@exim.gov](mailto:IGhotline@exim.gov), or;
- In person or mail/delivery service to EXIM 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

## Fraud Awareness Training and Outreach

As part of the OIG’s mission to prevent and detect fraudulent activity, continual efforts are 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. OI met and briefed the new Chairman and several members of her senior staff on OI’s historical metrics, investigative process, historical case work examples, and commonly found red flag indicators in several of the Bank’s insurance and guarantee programs.

## Council of Inspectors General on Integrity and Efficiency

The OIG participates in the activities of the CIGIE, including the Audit Committee, the Inspection and Evaluation Committee, the Legislation Committee, as well as the Council of Counsels to the Inspectors General. Through CIGIE, EXIM OIG continues to coordinate and collaborate with other OIG partners to use resources more effectively, share knowledge, strengthen oversight and serve our critical mission.

## President’s Management Agenda

The President’s Management Agenda and OMB memoranda [M-17-26](#) and [M-18-23](#) emphasize the need for U.S. federal agencies to refocus resources away from “unnecessary and obsolete policies, guidance, and reporting requirements” toward “mission-critical objectives and high-value work.” To support this initiative, the Administration has rescinded numerous “redundant, obsolete, or unnecessary requirements” from Federal agencies. Further, OMB has proposed to eliminate or modify over 400 congressionally required documents they believe to be outdated or unnecessary in the [Elimination of Unnecessary Agency Reports](#). In concert with OMB’s guidance, EXIM OIG is reviewing its current administrative and risk assessment processes to achieve the following desired outcomes:

- Streamline internal processes and communication through automation and use of SharePoint.
- Optimize scarce resources through prioritizing assignments, setting performance metrics, clear allocation of responsibilities, using templates, etc.
- Greater use of data analytics by using a dashboard that provides a comprehensive historical database of EXIM transactions that will allow users to conduct queries, analysis, reporting, and data visualization.
- Incorporate risk management within all key processes to ensure that risks can be managed effectively.

## 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’s programs and operations. During this reporting period, EXIM OIG participated in a Whistleblower Protection Coordinator working group and assisted a CIGIE working group focused on CIGIE Legislative Priorities, including testimonial subpoena authority and reviews of congressional initiatives related to amendments to the Inspector General Reform Act of 2008. The working group briefed staff

members in both the House and Senate committees of jurisdiction as to the benefits that could be realized from enhancing access to testimonial evidence, which is often a critical component of IG oversight, as well as the practical ramifications of proposed legislation on the IG community.

## 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 on ongoing and planned work with General Accountability Office (GAO) officials. GAO issued three reports during the reporting period on credit program underwriting, fraud risk management, and end-use monitoring of dual-use exports.

***Enhancements Needed in Credit Program Underwriting Policies and Procedures*** ([GAO-19-43](#), May 14, 2019)

The EXIM Bank Reauthorization Act of 2012 included a provision for GAO to review EXIM's underwriting process for loan and loan guarantee transactions. GAO evaluated EXIM's underwriting policies and procedures against federal guidance and found that the Bank's process for updating its underwriting policies and procedures were properly designed and implemented, but could be enhanced. The report made two recommendations: that EXIM's Chief Operating Officer (COO) should (1) consider establishing documented policies and procedures for (a) determining medium-term delegated authority lenders' eligibility for continued participation in EXIM's programs and (b) decertifying or taking other appropriate actions for such lenders that do not meet compliance or eligibility standards; and (2) establish documented policies and procedures for periodically reviewing credit programs in which the government bears more than 80 percent of any loss to determine whether private sector lenders should bear a greater share of the risk. EXIM concurred with the recommendations.

***EXIM Should Explore Using Available Data to Identify Applicants with Delinquent Federal Debt*** ([GAO-19-337](#), May 23, 2019)

The EXIM Bank Reform and Reauthorization Act of 2015 included a provision for GAO to review EXIM's anti-fraud controls. GAO analyzed various EXIM-related fraud court cases from 2012 to 2017, examined EXIM transaction data, interviewed officials and compared data identifying delinquent federal debt against EXIM's procedures. GAO found that the Bank reported antifraud controls for mitigating the four fraud risks identified by GAO, as well as a fraud risk assessment considering those risks GAO also found that although EXIM has procedures for detecting delinquent federal debt owed by applicants and participants, it missed additional opportunities to use readily available GSA System for Award Management (SAM) data to do so. The report made two recommendations, that EXIM's COO should direct EXIM's Credit Review and Compliance Division to assess and document the practicality of incorporating into its (1) *preauthorization* and (2) *postauthorization* CRTI reviews searches of data elements in SAM that indicate delinquent federal debts owed by applicants, and, if practical, implement relevant approaches—such as manual searches or batch matching. EXIM concurred with the recommendations.

***Export-Import Bank: Status of End-Use Monitoring of Dual-Use Exports as of August 2019*** ([GAO-19-656R](#), August 12, 2019)

GAO is required to report annually on the end uses of dual-use exports financed by EXIM during the second preceding fiscal year. This report reviewed EXIM’s monitoring of dual-use exports that it continued to finance in FY 2017. Specifically, GAO examined (1) the status of the Bank’s FY 2017 end-use determinations as of August 2019 and (2) identified any new dual-use exports financed by the Bank in FY 2018.

GAO previously reported on three transactions in the prior year’s report. Of the three, only one transaction required documentation in 2019. GAO found that EXIM received all documents for that transaction on time and made a timely dual-use determination. The study made no recommendations.

Since dual-use transactions require a quorum of EXIM Board members for approval, and EXIM’s Board has not had a quorum since mid-2015, GAO found that EXIM did not finance any new exports under its dual-use authority in FY 2018.

# APPENDIX A

## Open Recommendations from Prior Reporting Periods

This table shows that 43 recommendations from nine reports issued up to March 31, 2019, remain open at the end of this reporting period. Twenty-nine open recommendations are from reports issued in FY 2019. The remaining 14 open recommendations are from reports issued from FY 2016 to FY 2018. Reports from prior periods are no longer listed when all recommendations have been closed.

Report No./ Date	Report Title	Total	Recommendations			Latest Target Closure Date
			Open	Closed	Unresolved	
Last Period (10/1/18 – 3/31/19)						
Audits						
OIG-AR-19-02 17 Dec 2018	FY 2018 Financial Statements Audit Management Letter	11	11	0	0	3/31/2020
OIG-AR-19-03 13 Mar 2019	Independent Audit of EXIM Bank's Information Security Program Effectiveness for FY 2018 FISMA	14	14	0	0	3/13/2020
Inspections and Evaluations						
OIG-EV-19-01 27 Nov 2018	Evaluation of EXIM's Additionality Policy and Procedures	4	4	0	0	3/31/2020
Prior Periods (prior to 10/1/18)						
Audits						
OIG-AR-17-05 29 Sept 2017	Audit of the Export-Import Bank's Disbursement Processes	9	1	8	0	12/31/2019
OIG-AR-18-01 8 Nov 2017	Independent Auditors' Report on EXIM Bank's Data Act Submission	13	4	9	0	12/31/2019
OIG-AR-18-06 26 Sept 2018	Audit of EXIM Medium-Term Early Problem Credits	6	5	1	0	3/31/2020
Inspections and Evaluations						
OIG-EV-16-01 28 Jul 2016	Report on Portfolio Risk and Loss Reserve Policies <sup>6</sup>	8	1	7	0	3/31/2020
OIG-EV-17-01 2 Dec 2016	Evaluation of Risk Management Procedures and CRO Responsibilities	8	1	7	0	3/31/2020
OIG-EV-17-03 30 Mar 2017	Report on EXIM Bank's CGF Program	5	2	3	0	3/31/2020
<b>Totals</b>		<b>78</b>	<b>43</b>	<b>35</b>	<b>0</b>	

<sup>6</sup> This evaluation report ([OIG-EV-16-01](#), July 28, 2016) was revised and issued on August 29, 2019.

## APPENDIX B

### Audit and Evaluation Reports Issued from April 1, 2019 – September 30, 2019

	Report No./Date	Report Title	Management Decisions Reached on Recommendation	Total Questioned Cost	Unsupported Cost	Funds for Better Use	Disallowed Cost
1	OIG-AR-19-04 20 May 2019	Independent Auditor's Report on Export-Import Bank's FY 2018 Payment Integrity Annual Reporting Compliance with Improper Payment Laws	3/3	0	0	0	0
2	OIG-O-19-01 23 May 2019	EXIM's Implementation of Key Provisions of the 2015 Reform and Reauthorization Act	0/0	0	0	0	0
3	OIG-EV-19-03 19 Jun 2019	Evaluation of EXIM's Credit Loss Factor Model and Loss Reserve Process	7/7	0	0	0	0
4	OIG-O-19-02 19 Sep 2019	Risk Assessment of EXIM's Purchase Card Program	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 two significant recommendations that were agreed to by EXIM but have not been implemented as of September 30, 2019. We are committed to working with Bank management to expeditiously address the management decision and correct action process, recognizing that certain initiatives will require long-term, sustained and concerted efforts.

#### **Report on Portfolio Risk and Loss Reserve Policies<sup>7</sup>**

([OIG-EV-16-01](#), July 28, 2016)

**Recommendation 4:** Engage and 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 the development or use of the risk rating models.

Expected implementation date: March 31, 2020.

#### **Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities**

([OIG-EV-17-01](#), December 2, 2016)

**Recommendation 1:** To clarify the authority and responsibility of the Chief Risk Officer 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 between different senior management committees and divisions; identify the individuals and functions to be responsible for each; and address any gaps in those responsibilities.

Expected implementation date: March 31, 2020.

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<sup>7</sup> Ibid.

# APPENDIX D

## Open Recommendations

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
<b>Report on Portfolio Risk and Loss Reserve Allocation Policies (OIG-EV-16-01, July 28, 2016)<sup>8</sup></b>						
4	Engage and 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 the development or use of the risk rating models.	Open	3/31/2020	Agree	0	0
<b>Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities (OIG-EV-17-01, December 2, 2016)</b>						
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 between different senior management committees and divisions; identify the individuals and functions to be responsible for each; and address any gaps in those responsibilities.	Open	3/31/2020	Agree	0	0
<b>Report on EXIM Bank's CGF Program (OIG-EV-17-03, March 30, 2017)</b>						
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	10/31/2019	Agree	0	0
5	Review and update the reach back policy for the CGF program to be consistent with actual practice and reduce the need for waivers. In reviewing and updating the	Open	3/31/2020	Agree	0	0

<sup>8</sup> Ibid.

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	reach back policy, the Bank should analyze the case-by-case determination of a reach back relative to the average policy date (i.e., operative date); consider establishing limits on the utilization of the facility for reach back transactions; set requirements for communicating analysis of reach back issues to decision makers including the Board; and establish procedures for consideration of waivers to the policy. This would include documenting the supporting evidence in the credit file.					
Audit of the Export-Import Bank's Disbursement Processes (OIG-AR-17-05, September 29, 2017)						
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	12/31/2019	Agree	0	0
Independent Auditors Report on EXIM Bank's DATA Act Submission (OIG-AR-18-01, November 8, 2017)						
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 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.	Open	12/31/2019	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	12/31/2019	Agree	0	0
9	The OCFO develop, document, and implement a policy requiring that all journal vouchers adjusting obligated balances include object classes.	Open	12/31/2019	Agree	0	0
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	12/31/2019	Agree	0	0
Audit of the EXIM Medium-Term Early Problem Credits (OIG-AR-18-06, September 26, 2018)						
2	Establish procedures necessary to reduce transactional credit risk for transactions involving principal owners of closely held companies, where it's legally permissible.	Open	3/31/2020	Agree	0	0
3	Develop policies and procedures to require the identification and validation of the borrower's source of down payment prior to the lender's cash disbursement and that all supporting documentation is included in the credit file.	Open	3/31/2020	Agree	0	0
4	Develop policies and procedures to perform appropriate due diligence checks (i.e., CRTI check) on the source of down payment if the source is not the borrower.	Open	3/31/2020	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
5	Enhance EXIM's policies and procedures to require the loan officer to document the analysis of Operations Cash Flow to Debt Service ratio and how it was considered in EXIM's decision making process.	Open	3/31/2020	Agree	0	0
6	Finalize the revisions of the Master Guarantee Agreement used in the Medium-Term Loan Guarantee Program.	Open	3/31/2020	Agree	0	0
Evaluation of EXIM's Additionality Policy and Procedures (OIG-EV-19-01, November 27, 2018)						
1	For medium-term transactions, ensure the reason for Bank support is documented in the decision memo as required.	Open	3/31/2020	Agree	0	0
2	For long-term transactions, ensure the required checklists and/or appendixes for additionality are completed and documented in the credit file.	Open	3/31/2020	Agree	0	0
3	Revise the additionality policy and procedures to require the confirmation of information to be documented in the credit file.	Open	3/31/2020	Agree	0	0
4	Re-evaluate the current additionality policy and procedures for short-term transactions to identify an approach to improve how determinations are supported and verifiable at the transaction level.	Open	3/31/2020	Agree	0	0
FY 2018 Financial Statements Audit Management Letter (OIG-AR-19-02, December 17, 2018)						
1	Create and require the use of separate accounts.	Open	3/31/2020	Agree	0	0
2	Limit account privileges of roles to functions and responsibilities.	Open	3/31/2020	Agree	0	0
3	Limit access by activity.	Open	3/31/2020	Agree	0	0
4	Ensure password management controls for accounts are enforced.	Open	3/31/2020	Agree	0	0
5	Enhance controls to ensure they are properly monitored, reviewed, and that reviews are documented and communicated to management.	Open	3/31/2020	Agree	0	0
6	Implement policies to ensure incompatible roles for all information systems are documented and procedures are implemented to ensure those roles are appropriately segregated.	Open	3/31/2020	Agree	0	0
7	Continue to enhance 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	3/31/2020	Agree	0	0
8	Assess the need to further modify the cash flow model to adjust the lifetime PD assumption to account for the age and performance of each deal, or document the determination as to how such a model change would have an insignificant effect on the model results.	Open	3/31/2020	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
9	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.	Open	3/31/2020	Agree	0	0
10	Develop and implement a correction to the FMS posting logic for credit memo account transactions.	Open	3/31/2020	Agree	0	0
11	Develop and implement controls to review the completeness and accuracy of posted journal entries for reversing/correcting transactions.	Open	3/31/2020	Agree	0	0
Independent Audit of EXIM Bank's Information Security Program Effectiveness for FY 2018 FISMA (OIG-AR-19-03, March 13, 2019)						
1	Formally document policies and procedures that address the NIST SP 800-53, Revision 4, RA-1, CM-1, CM-8, CA-7, and SA-5 security controls.	Open	3/13/2020	Agree	0	0
2	Document policies, procedures, and plans and/or strategies for monitoring assets.	Open	3/13/2020	Agree	0	0
3	Address mission and business process considerations for information security.	Open	3/13/2020	Agree	0	0
4	Update policies, procedures, and strategy for Information Security Continuous Monitoring (ISCM).	Open	3/13/2020	Agree	0	0
5	Update the overarching ISCM procedures and strategy.	Open	3/13/2020	Agree	0	0
6	Establish criteria to measure the effectiveness of the ISCM program.	Open	3/13/2020	Agree	0	0
7	Assess assets and analyze event data in real-time for compliance.	Open	3/13/2020	Agree	0	0
8	Implement NIST SP 800-53, Rev. 4, security control requirement IR-4 and NIST 800-61, Rev. 2, guidance and include detailed steps for responding to an incident.	Open	3/13/2020	Agree	0	0
9	Ensure policies and procedures are up to date and include the aspects of lessons learned from training and testing.	Open	3/13/2020	Agree	0	0
10	Fully document, finalize, and approve a plan to address business and mission requirements.	Open	3/13/2020	Agree	0	0
11	Fully document policies, procedures, and/or strategies that adhere to NIST SP 800-53 security control requirement CP-2 and NIST SP 800-34 guidance.	Open	3/13/2020	Agree	0	0
12	Identify potential disruptions for the Bank and its systems and incorporate the results into the analysis and strategy development efforts for the Bank and in-scope systems continuity plans.	Open	3/13/2020	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
13	Fully document and perform system reviews, training, and simulations on an annual basis and retain the test results.	Open	3/13/2020	Agree	0	0
14	Develop and include a business continuity plan within system documentation.	Open	3/13/2020	Agree	0	0
Evaluation of EXIM's Credit Loss Factor Model and Loss Reserve Process (OIG-EV-19-03, June 19, 2019)						
1	Creating a single consolidated technical note, or adding a justifications section to existing documentation, that thoroughly describes modeling choices (including the selection criteria for the statistical calculations used).	Open	6/19/2020	Agree	0	0
2	Adding a comprehensive change log to existing documentation that is updated whenever the model or process is changed that includes how assumption changes are executed.	Open	6/19/2020	Agree	0	0
3	Adding or appending current Policies and Procedures guide that outlines requirements to deem a run "successfully executed."	Open	6/19/2020	Agree	0	0
4	Update the FY 2019 SOP and ensure that each calculation step is accurately reflected in the CLF Model User Guide. This would include revising the SOPs to verify that results can be replicated with just the user guide and archived data files after model updates.	Open	6/19/2020	Agree	0	0
5	Automate calculations and data transformation steps, especially across files and applications.	Open	6/19/2020	Agree	0	0
6	Build out the error checking and reporting functions for the model.	Open	6/19/2020	Agree	0	0
7	Expanding the current model program into a formal MRM framework, particularly with an expansion to include better risk mitigation surrounding error checking, statistical reporting, execution of model changes, and role definition. One of these roles should include documentation updates (i.e., a checklist item) to ensure that the SOP matches the current process to reduce errors.	Open	6/19/2020	Agree	0	0
<b>Totals</b>					\$0	\$0

## APPENDIX E

### Peer Review Reporting

Pursuant to Sections 5(a)(14), (15), and (16) of the Inspector General Act, as amended, this section provides information on peer reviews of EXIM OIG's audit, inspection, evaluation, and investigation functions.

#### Office of Audits and Evaluations

The latest peer review of EXIM OIG's audit function was conducted by the National Archives and Records Administration OIG, whose [report](#) was issued on September 8, 2017. The Office of Audits received an external peer review rating of pass on the system of quality control for the audit function. There are no outstanding recommendations from this peer review. The next peer review of the audit function is scheduled for FY 2020.

The first peer review of EXIM OIG's inspection and evaluation function was conducted by the Farm Credit Administration and the Corporation for National and Community Services OIGs (the Review Team), whose [report](#) was issued on September 25, 2018. The Review Team concluded that EXIM OIG's Office of Inspections and Evaluations generally met the seven CIGIE quality standards assessed and complied with internal policies and procedures. There are no outstanding recommendations.

On September 11, 2019, OAE completed a peer review of the audit function of the Corporation for Public Broadcasting OIG and issued a peer review rating of pass. The [report](#) did not contain any recommendations.

#### Office of Investigations

The most recent peer review of EXIM OIG's investigation function was conducted by the Board of Governors of the Federal Reserve System OIG, whose [report](#) was issued on September 11, 2017. OI received a rating of compliant with the standards required by CIGIE and the applicable Attorney General guidelines. There are no outstanding recommendations from this peer review. The next peer review of the investigation function is scheduled for FY 2020.

On May 21, 2019, OI completed a peer review of the investigation function of the Peace Corps OIG. OI concluded that the system of internal safeguards and management procedures for the investigative function of the Peace Corps OIG in effect for the year ended 2019, was in compliance with the quality standards established by CIGIE and other applicable guidelines and statutes.

# APPENDIX F

## Inspector General Act Reporting Requirements

Inspector General Act Citation	Requirement Definition	Page
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-4
Section 5(a)(2)	Recommendations for Corrective Actions	3-4; 10-13
Section 5(a)(3)	Prior Significant Audit Recommendations Yet to Be Implemented	27
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	17
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	26
Section 5(a)(7)	Summary of Particularly Significant Reports	3-4
Section 5(a)(8)	Total Number of Reports and Total Dollar Value for Audits, Inspections and Evaluations with Questioned and Unsupported Costs	26; 28-32
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	26; 28-32
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	33
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	33; None

Inspector General Act Citation	Requirement Definition	Page
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	17
Section 5(a)(18)	Metrics Used for Developing Data for Statistical Tables	17
Section 5(a)(19)(A) – (B)	Senior Government Employee Substantiated Misconduct, Facts, Disposition	None
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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