



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

SEMIANNUAL REPORT TO CONGRESS

April 1, 2018 to September 30, 2018

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About Our Organization

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.

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

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.

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

This year we mark the 40th anniversary of the Inspector General Act and the creation of the original 12 Offices of Inspector General. Our office was created in 2007. Since that time, we have been part of a community that has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the federal government. Every six months we provide Congress with a report detailing our independent oversight of EXIM Bank during the reporting period. In the years to come, we look forward to continuing our efforts to provide independent and effective oversight of EXIM and working with the CIGIE on important issues that cut across our government.

I am pleased to submit this semiannual report to Congress detailing the work we completed from April 1, 2018 through September 30, 2018. This semiannual report includes EXIM OIG's annual assessment of the major management challenges facing the agency. Although the Bank's charter was renewed in December 2015, EXIM cannot carry out all aspects of its mission. Since the Board of Directors still lacks a quorum, the Bank cannot approve any new medium and long-term transactions over \$10 million. At the beginning of FY 2019, only the Chairman and President and the Vice Chair and First Vice President positions of the Board were filled with acting officials pursuant to the Federal Vacancies Reform Act. All four of President Donald J. Trump's nominees for EXIM's Board of Directors were approved by the Senate's Banking committee but their nominations still await Senate confirmation. Filling these key positions is essential to ensuring the appropriate management and oversight of the Bank's operations.

During this semiannual period, the OIG published two audit reports, one inspection report and one risk assessment. These included an annual audit of the Bank's compliance with improper payments laws, an audit of the medium-term early problem credits, an inspection of the Bank's Kenya Airways transaction and a risk assessment of EXIM's purchase card program. Working with our partners at the U.S. Department of Justice, we obtained a "conspiracy to commit wire fraud" charge against an individual who had a multi-million dollar advance fee scheme. EXIM OIG's Office of Investigations continued its fraud prevention efforts by conducting outreach and training programs. Our office obtained a "false, fictitious or fraudulent claims" charge against an individual who falsely certified that two international customers had defaulted on their invoice payments; a "false statement to a bank" charge against an individual who obtained a working capital loan; and substantiated an allegation of an EXIM employee's time and attendance fraud.

I am pleased to report that the Office of Inspections and Evaluations passed its peer review. All of these accomplishments are due to the hard work and dedication of our outstanding staff, who provide independent and objective oversight. We are committed to promoting excellence, integrity and accountability within the programs, operations and management of EXIM Bank.

The goal of our office is to provide timely, accurate, credible and actionable reports to the Bank, Congress and the public. We hope you find this report informative.

Parisa Salehi

Acting Inspector General

Highlights

The **Office of Audits and Evaluations** (OAE) completed two audits, one inspection and one risk assessment during the six months ending September 30, 2018:

Independent Auditors' Report on Export-Import Bank's FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws ([OIG-AR-18-05, May 9, 2018](#))

Under a contract overseen by OAE, an independent accounting firm performed an audit of EXIM compliance with the reporting requirements of the improper payments laws for fiscal year (FY) 2017. The independent accounting firm determined that EXIM Bank's FY 2017 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 one recommendation and EXIM concurred with the recommendation.

Audit of the Export-Import Bank's Medium-Term Early Problem Credits ([OIG-AR-18-06, September 26, 2018](#))

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 were 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. We found that EXIM documented the factors that led to the early problems on the two loans we sampled and generally followed its policies and procedures and federal guidelines for the origination and claims and recovery processes. The report contains six recommendations and EXIM agreed to implement all six recommendations.

Inspection of EXIM's 2014 Transaction with Kenya Airways ([OIG-INS-18-01; September 26, 2018](#))

We completed an inspection of EXIM's transaction with Kenya Airways to ascertain the adequacy of the Bank's due diligence, risk assessment, transaction structuring, and policy compliance as it relates to the transaction. The transaction comprised an \$821.4 million comprehensive guarantee to support the airline's purchase of aircraft and a spare engine in 2014. We found that EXIM generally conducted sufficient due diligence, assessed risk, and adequately structured the transaction in accordance with Bank policies and procedures. In addition, to effectively monitoring the airline's performance, EXIM successfully restructured the transaction. However, the Bank can more fully document its analysis of projected financial

results and assumptions when establishing the ability of the borrower to repay its debt. Lastly, the Bank can improve the transportation origination risk rating model to address limitations in the scale used to determine the final Budget Cost Level (BCL) risk rating for a transaction. The report contains two recommendations and EXIM agreed to implement both recommendations.

Risk Assessment of Export-Import Bank's Purchase Card Program

[\(September 26, 2018\)](#)

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 Bank's purchase cards in order to determine the scope, frequency and number of periodic audits the OIG will conduct. Our risk assessment determined that EXIM 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 Bank's total FY 2017 administrative expenditures. Additionally, we found the policies, procedures and internal controls for the Purchase Card Program were generally sufficient. We also noted that EXIM Bank timely submitted its Charge Card Management Plan to OMB by the January 31, 2018 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 **Office of Investigations** (OI) concluded the following actions:

Criminal and Civil Complaints

OI continued its focus on investigating fraud related to EXIM Bank transactions. Working with the Department of Justice, we obtained a charge of "false statement to a Bank" against an individual who willfully and falsely overstated assets in relation to a line of credit, which subsequently defaulted.

In addition, we obtained a civil complaint against a medical equipment supplier. The owner fraudulently certified that his company made five shipments containing \$4.9 million worth of equipment. The investigation revealed that the company had made only one shipment containing a fraction of the equipment.

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

Suspension and Debarment Initiative

EXIM 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. Notable activity during this semiannual reporting period includes a three year suspension of a company, Global Export Machinery, Inc. and its principals—Guillermo Sanchez, Isabel Sanchez and Gustavo Giral.

EXIM Bank Management Challenges

The Reports Consolidation Act of 2000 requires an annual summary of what the Inspector General considers the most serious management and performance challenges facing the agency. Also required is a brief assessment of the agency's progress in addressing those challenges. Through our audits, inspections, evaluations and investigations, we work with Bank management in recommending actions that best address those challenges. We have identified the following topics as the top management challenges facing the Bank at the beginning of FY 2019.

Managing Uncertainty About EXIM Bank's Authority and Future

Managing the effects of the continuing lapse in authority and uncertainty about the future of EXIM Bank continue to be the top management challenges facing the Bank. In FY 2016 and FY 2017, we reported that the top management challenges facing EXIM Bank were managing lapses in authority to incur new obligations, first due to the expiration of the Bank's charter between July and December 2015 and later by the absence of a quorum on the Board of Directors. As a result of these two lapses, EXIM Bank was unable to commit to any new transactions in the second half of 2015, and since December 2015 has been unable to approve any medium or long-term transactions over \$10 million.

At the beginning of FY 2019, the Bank still lacks the ability to carry out all aspects of the mission authorized by its charter due to continuing vacancies on the Board of Directors that have not been filled. President Donald J. Trump has nominated individuals for all four of the vacant seats on the Board of Directors, but they still are awaiting confirmation by the Senate. Due to the lack of a Board of Directors, the seat of the Chairman and President is being filled currently by an acting official pursuant to the Federal Vacancies Reform Act.

As a result of the lapses in authorization, EXIM Bank's level of business activity has been drastically lower than in previous years, with new authorizations slipping from \$20.5 billion in FY 2014, the last year the Bank was fully authorized, to \$12.4 billion in FY 2015, \$5 billion in FY 2016, \$5.6 billion in FY 2017 and \$3 billion in FY 2018. Since July 2015, EXIM Bank has been absent from the marketplace in several sectors where it previously provided extensive support for U.S. exports, particularly the financing of wide-body aircraft and structured and project finance infrastructure transactions. This high amount of uncertainty about the Bank's future is hindering EXIM Bank's customer relations and outreach activities. As a result, some businesses have turned to foreign export credit agencies where they might otherwise have turned to EXIM.

Reauthorization

Despite the ongoing lapse in authority, management continues to plan optimistically, in preparation for the restoration of the Bank to its full authority. Meanwhile, facing the impending expiration of EXIM Bank's charter on September 30, 2019, management is also focused on ensuring the optimal allocation of resources to the current ongoing functions of the Bank, such as the short-term and working capital programs, and the monitoring of operative transactions.

Additionally, the lapse in a Board quorum prevents EXIM Bank from fully implementing the enterprise risk management structure that was required by the 2015 reauthorization. For

example, the Bank has initiated meetings of the Risk Management Committee, which is comprised of three non-EXIM management members of the Board of Directors along with the EXIM Bank President and EXIM Bank First Vice President serving as ex officio members. However, the committee cannot fulfill the governance role that Congress envisioned until the non-management directors have been confirmed by the Senate.

Human Capital

As previously reported, the uncertainty about the Bank's future generates ongoing human capital management challenges for EXIM Bank. This uncertainty has caused staff retention problems and has severely hindered recruitment efforts. For example, management has reported that the Bank has tried to fill vacant positions but top candidates have turned down employment offers, citing uncertainty over the future of the Bank. At the same time, the Bank is understaffed in some areas and several key senior officials with extensive institutional knowledge are eligible to retire. Assuming reauthorization, the Bank will nonetheless face significant management challenges related to human capital. Specifically, despite the several months that will be needed to hire and train new full-time staff, the Bank will still have to be able to ensure that appropriate staff and administrative resources are available for transaction due diligence and monitoring. This interval between reauthorization and the hiring and training of new staff could increase risk both for due diligence and monitoring.

Modernizing Information Technology Infrastructure

EXIM Bank continues to face a major management challenge in trying to develop, implement, and maintain a hybrid mix of commercial-off-the-shelf technology products with outdated legacy systems, many of which are over thirty years old. While EXIM Bank has made significant progress, limited budgetary resources are severely restricting the Bank's ability to develop user-friendly, customer-facing systems that would enable it to compete with foreign competitors.

Internal Controls

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

Office of Audits and Evaluations

OAE conducts and oversees independent and objective audits, inspections and policy evaluations of EXIM Bank’s programs and operations to assess the efficiency and effectiveness of EXIM 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 Bank 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 the OI whenever appropriate and refers any irregularities and other suspicious conduct to the OI for investigative consideration.

Summary of Activities

During this semiannual reporting period, OAE completed two audits, one inspection and one risk assessment:

- Independent Auditors’ Report on Export-Import Bank’s FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payments Laws
- Audit of the Export-Import Bank’s Medium-Term Early Problem Credits
- Inspection of EXIM’s 2014 Transaction with Kenya Airways
- Risk Assessment of Export-Import Bank’s Purchase Card Program

At the end of the reporting period, OAE had two audits and two evaluations in progress:

- Audit of EXIM Bank’s Fiscal Year 2018 Financial Statements
- Independent Audit of Export-Import Bank’s Information Security Program Effectiveness for FY 2018
- Evaluation of EXIM’s Small Business Strategy
- Evaluation of EXIM’s Additionality Policy and Procedures

Reports Issued

Independent Auditors’ Report on Export-Import Bank’s FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment Laws
[\(OIG-AR-18-05, May 9, 2018\)](#)

Improper payments are payments made in the wrong amount, to the wrong entity, or for the wrong reason. They can result from processing errors, a lack of information, or fraud. In accordance with 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), each agency’s Inspector General is required to perform an annual review of their agency’s compliance with improper payments reporting requirements.

Under a contract overseen by OAE, an independent accounting firm performed an audit of EXIM compliance with the reporting requirements of the improper payments laws for FY 2017

reporting. The independent accounting firm determined that EXIM Bank's FY 2017 Payment Integrity annual reporting fully complied with all reporting requirements of the improper payments laws as stipulated in OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments.

We recommended that the EXIM Bank revise the Recapture Audit Plan discussion in its Annual Report to (i) remove any terminology that may be construed as misleading, (ii) accurately reflect the Bank's policies and procedures for the recapture of improper payments and the decision to not perform recapture audits, and (iii) discuss recaptured improper payments in accordance with OMB guidance. EXIM concurred with the recommendation.

Audit of the Export-Import Bank's Medium-Term Early Problem Credits

[\(OIG-AR-18-06, September 26, 2018\)](#)

EXIM Bank's charter requires a reasonable assurance of repayment for all Bank transactions backed by the full faith and credit of the U.S. government. Therefore, the Bank uses a number of risk-management techniques throughout the different stages of an export financing transaction to mitigate a wide variety of risks—credit, political, market, concentration (industry, geographic or obligor), foreign currency and operational risks. Medium-term guarantee transactions are less than or equal to \$10 million (excluding exposure fees) and usually have a repayment term of one to seven years. EXIM uses loan guarantees to assist U.S. exporters by protecting against the commercial and political uncertainty of exporting. Through a medium-term guarantee, EXIM provides guarantees to U.S. and foreign lenders that make a loan to a foreign buyer to purchase U.S. goods and services.

For our audit, we selected and reviewed two transactions that exhibited early problems of credit repayment soon after the transactions were approved. The objectives of this audit were 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.

We found that EXIM generally followed its policies and procedures and federal guidelines for the origination and claims and recovery processes and also documented the factors that led to the early problems on the two loans we sampled. One of the companies defaulted due to an unforeseen bankruptcy and EXIM's default review found that the company had potential cash flow issues during underwriting. However, we were unable to determine if this risk was properly mitigated during origination since EXIM procedures did not require loan officers to document how the Operations Cash Flow to Debt Service calculation was considered in his or her analysis.

Our audit also found that EXIM did not conduct a Character, Reputation and Transaction Integrity (CRTI) check for all required transaction participants; does not require loan officers to obtain credit information for principal owners of closely held companies; does not require the identification and validation of the source of the borrower's down payment for its transactions; does not require supporting documents for its Additionality determinations; and that the

Master Guarantee Agreement for the Medium-Term Guarantee Program has not been updated since 2001.

We made six recommendations to improve the Bank's due diligence procedures:

1. Review the CRTI procedures to determine how they may be updated to ensure all required participants are included.
2. Establish procedures necessary to reduce transactional credit risk for transactions involving principal owners of closely held companies where legally permissible.
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 include all supporting documentation in the credit file.
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.
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.
6. Finalize the revisions of the Master Guarantee Agreement used in the Medium-Term Loan Guarantee Program.

EXIM agreed to implement all six recommendations.

Inspection of EXIM's 2014 Transaction with Kenya Airways ([OIG-INS-18-01; September 26, 2018](#))

We completed an inspection of EXIM's transaction with Kenya Airways to ascertain the adequacy of the Bank's due diligence, risk assessment, transaction structuring and policy compliance as it relates to the transaction. The transaction comprised an \$821.4 million comprehensive guarantee to support the airline's purchase of aircraft and a spare engine in 2014.

EXIM Bank generally conducted sufficient due diligence, assessed risk and adequately structured the transaction in accordance with Bank policies and procedures. EXIM also effectively monitored the airline's performance and successfully restructured the transaction. However, the Bank can improve its credit review process. First, EXIM can more fully document its analysis of projected financial results and assumptions when establishing the ability of the borrower to repay its debt. Second, EXIM also can improve the transportation origination risk rating model to address limitations in the scale used to determine the final BCL risk rating for a transaction.

We made two recommendations to improve the Transportation Division’s credit review process:

1. Update policies and procedures to ensure the analysis of the borrower’s financial projections and assumptions is fully documented and supported in the transaction records (e.g., Board Memo).
2. Revise the transportation origination risk rating model to ensure the final rating outcomes comport to the Bank’s BCL risk rating scale of 1 to 11. This would include updating related policies and procedures.

EXIM agreed to implement both recommendations.

Risk Assessment of EXIM’s Purchase Card Program ([September 26, 2018](#))

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 Bank’s purchase cards in order to determine the scope, frequency and number of periodic audits the OIG will conduct. Our risk assessment found that EXIM 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 Bank also submitted its Charge Card Management Plan to the OMB in a timely manner, meeting the required January 31, 2018 deadline. Therefore, we will not be conducting an audit of the Purchase Card Program until the results of our annual risk assessment changes.

Ongoing Projects

Audit of EXIM Bank’s Fiscal Year 2018 Financial Statements

An independent public accountant, working under OIG supervision, is conducting an audit to issue an opinion on the accuracy and completeness of EXIM Bank’s financial statements for FY 2018, which will be issued in the semiannual period ending March 31, 2019. A related management letter report will also be issued in the semiannual reporting period ending March 31, 2019.

Independent Audit of EXIM Bank’s Information Security Program Effectiveness for FY 2018

Under a contract overseen by OAE, an independent public accounting firm is conducting an audit to determine whether EXIM Bank 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, 2019.

Evaluation of EXIM's Small Business Strategy

The objective of the evaluation is to assess the effectiveness of EXIM's Small Business Strategy and related policies and procedures. The report will be issued in the semiannual period ending March 31, 2019.

Evaluation of EXIM's Additionality Policy and Procedures

The objective of the evaluation is to ascertain the methodology and criteria used to comply with the EXIM's 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. The report will be issued in the semiannual period ending March 31, 2019.

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 EXIM 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, EXIM's 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, 2018	31
Opened during period	3
Closed during period	13
Open as of September 30, 2018	21

Of the 21 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	9
Loan Guarantee	5
Working Capital Guarantee	3
Direct Loan	0
Letter of Interest	3
Other	1

Investigative Results

OI obtained the following investigative actions during this reporting period:

Description	OIG	Joint Activities*	Total
Matters Referred for Prosecution Consideration	6	0	6
Matters referred for State and Local Consideration	0	0	0
Criminal Indictments, Informations and Complaints	0	0	0
Guilty Pleas Entered	2	0	2
Criminal Judgments	0	1	1
Civil Actions	0	0	0
Civil Recoveries	0	0	0
Prison Time (months)	0	267	267
Probation (months)	24	108	132
Court Ordered Fines, Restitution and Forfeiture	\$93,017	\$4,501,800	\$4,594,817
Administrative Actions**	0	0	0
Administrative Employee Actions***	3	0	3
Administrative Cost Savings and Repayments	\$0	\$0	\$0
Suspensions and Debarments	4	2	6

* 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” (IGIS). IGIS 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 that they might otherwise be ineligible or submitting false documentation to the guaranteed lender and EXIM Bank regarding the shipment, nature or quantity of the U.S. goods allegedly being exported.

In the second half of FY 2018, OI continued its efforts to improve the integrity of EXIM Bank's programs by recovering funds and deterring those who may be contemplating fraud against the Bank. OI investigated employee misconduct and obtained criminal and civil prosecutions.

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

Criminal Fraud Sentences

On June 12 and August 17, 2018, working with the Federal Bureau of Investigations, a defendant and his co-conspirators were sentenced for "conspiracy to commit wire fraud" in convictions involving an advanced fee scheme. The convicted felons used purported EXIM Bank financed transactions to fraudulently deceive individuals into investing in three fake business ventures. The three men were sentenced to a combined total of over 22 years in prison, nine years of probation and ordered to pay more than \$4 million in restitution to their victims.

On July 31, 2018, a business owner was sentenced to 24 months of probation and was ordered to pay restitution of \$92,817.66 to EXIM Bank after pleading guilty to one count of "false, fictitious or fraudulent claims" to defraud the EXIM Bank of approximately \$150,000.

On May 18, 2018, a defendant who had previously pled guilty to one count of providing false statements to a bank in connection with a working capital loan guaranteed by EXIM Bank was ordered to pay restitution in the amount of \$132,263 to EXIM Bank.

EXIM 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:

Investigated Employee Integrity Matters

OI investigated employee misconduct cases and referred results to Bank management for appropriate action, including one substantiated case of misuse of sick leave and two other unrelated time and attendance abuse matters.

EXIM Bank Employee Misuses Sick Leave

In March 2018, the OGC alleged that an EXIM Bank employee had used leave hours donated under the Voluntary Leave Transfer Program to take a personal vacation. An investigation determined that the employee used a combination of accrued annual leave, accrued sick leave and donated leave to take vacations to the Bahamas and Jamaica in 2017, in violation of the Code of Federal Regulations. Based in part on the results of this investigation, OGC recommended that the employee be terminated for misconduct. Ultimately, the employee was allowed to resign in lieu of termination effective August 11, 2018. We also referred two matters to the Bank for administrative consideration. Based on OI's referrals, the agency took administrative actions, which included two letters of reprimand.

Fraud Prevention Efforts

OIG special agents worked collaboratively to share investigative intelligence with EXIM Bank to help identify potential and suspected fraudulent activity within Bank transactions and to protect Bank funds at risk. OI also continued fraud prevention efforts by conducting outreach and training programs.

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 EXIM Bank's OGC, EXIM's Credit and Risk Management Division and EXIM's Asset Management Division 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 EXIM Bank's OGC on several matters concerning suspected criminal activity by participants involved in active insurance policies or transactions under review. OI made eight referrals of investigative information to EXIM's 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

EXIM 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 14 hotline reports during the reporting period. One was referred for investigation, and 13 were resolved, closed, or referred to other entities.

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

- By phone: 1-888-OIG-EXIM (1-888-644-3946);
- By email: IGHotline@exim.gov, or;
- In person or by mail/delivery service to:
EXIM Bank OIG Hotline
Office of Inspector General
811 Vermont Avenue, NW, Room 1052-1
Washington, DC 20571

EXIM 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

EXIM 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 business interests of the U.S. This initiative strives for more dialogue between EXIM 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, three individuals and three companies were referred for consideration to EXIM Bank suspension and debarment officials. For all six suspension and debarments the suspension and debarment official is taking appropriate action to protect the business integrity of the federal government.

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. EXIM 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.

EXIM OIG agents gave an overview presentation to the U. S. Department of Homeland Security's (DHS) Homeland Security Investigations (HSI) officials at HSI's National Targeting Center in Sterling, Virginia. The presentation resulted in a Memorandum of Understanding between DHS/HSI and EXIM Bank/EXIM OIG, which allows both parties to share data and intelligence research for trade transparency purposes.

International and Domestic Collaboration

EXIM OIG participates in meetings with the Berne Union, an international nonprofit trade organization representing export credit and investment insurance agencies. These meetings allow EXIM OIG to discuss areas of interest in the export credit field and to benchmark EXIM Bank's practices with other export credit agencies. Since the majority of EXIM 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.

During this reporting period, an OI representative conducted a series of international briefings in Bangkok, Thailand on complex fraud scenarios and money laundering schemes. Representatives from nine Southeast Asian nations attended the training seminars, which were held at the International Law Enforcement Academy. These sessions are part of a joint initiative by the U.S. Department of State and the U.S. Department of Justice's Office of Overseas Prosecutorial Development and Training to train and advise foreign investigators and prosecutors in asset forfeiture, money laundering and counterterrorism.

Council of Inspectors General on Integrity and Efficiency

The OIG participates in the activities of the CIGIE, including the Legislation Committee and the CIGIE Inspection and Evaluation Committee, as well as the Council of Counsels to the Inspectors General. During this reporting period, EXIM OIG investigators gave an EXIM/OIG/OI overview to members of the CIGIE Internal Affairs and Quality Assurance working group. In addition, an OIG staff member served as a subcommittee chairperson for the CIGIE Enterprise Risk Management Group. EXIM OIG also provided substantive comments to CIGIE’s Legislation Committee regarding a bill entitled, “The Anti-deficiency Reform and Enforcement Act of 2018.”

Review of Legislation and Regulations

Pursuant to section 4(a)(2) of the Inspector General (IG) Act of 1978, as amended, EXIM OIG reviews proposed and existing legislation and regulations related to EXIM Bank’s programs and operations.

Government Accountability Office

The 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 the Government Accountability Office (GAO) and met with GAO officials to discuss ongoing and planned work. GAO issued two reports during the reporting period on fraud risk management performance and the status of end-use monitoring of dual-use exports.

Export-Import Bank: The Bank Needs to Continue to Improve Fraud Risk Management ([GAO-18-1492; July 19, 2018](#))

The EXIM Bank Reform and Reauthorization Act of 2015 included a provision for GAO to review the Bank’s antifraud controls within four years, and every four years thereafter. Between October 2016 to July 2018, GAO conducted a performance audit to determine if EXIM has established an organizational culture and structural controls to prevent losses from fraud.

GAO found that the Bank has taken steps to improve its fraud risk management. The study made seven recommendations, centering on conducting a fraud risk assessment, tailored to the Bank’s operations. This will serve as the basis for the design and evaluation of appropriate antifraud controls, including adopting more of GAO’s fraud risk management framework. EXIM agreed to complete a fraud risk assessment by December 2018 and to establish a fraud risk profile by February 2019.

Export-Import Bank: Status of End-Use Monitoring of Dual-use Exports as of August 2018 ([GAO-18-68R3; August 30, 2018](#))

GAO is required to report annually on the end uses of dual-use exports financed by EXIM Bank during the second preceding fiscal year. This report reviewed EXIM Bank’s monitoring of dual-use exports that it continued to finance in FY 2016. Specifically, GAO examined (1) the status of the Bank’s FY 2016 end-use determinations as of August 2018 and (2) identified any new dual-use exports financed by the Bank in FY 2017.

GAO found that EXIM received all documents for one transaction on time and made a timely dual-use determination. However, this determination was not clearly documented until three months later. For a second dual-use transaction, the Bank made a timely dual-use compliance determination even though it received the documentation several days late. A third transaction the Bank was monitoring ended because it was paid off four and a half years early. 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 Bank did not finance any new exports under its dual-use authority in FY 2017.

APPENDIX A

Open Recommendations from Prior Reporting Periods

This table shows 36 recommendations from 11 reports issued prior to March 31, 2018 remain open at the end of this reporting period. There are 18 open recommendations from reports issued in FY 2018 and the other 18 open recommendations are from reports issued from FY 2016 to FY 2017. 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 (10/1/17 – 3/31/18)						
Audits						
OIG-AR-18-01 8 Nov 2017	Independent Auditors’ Report on EXIM Bank’s DATA Act Submission	13	8	5	0	11/8/2018
OIG-AR-18-02 14 Dec 2017	FY 2017 Financial Statements Audit	3	3	0	0	11/15/2018
OIG-AR-18-03 26 Feb 2018	FY 2017 Financial Statements Audit – Management Letter	13	6	7	0	11/15/2018
OIG-AR-18-04 8 Mar 2018	Independent Audit of EXIM Bank’s Information Security Program for FY 2017	1	1	0	0	10/31/2018
Prior Periods (prior to 10/1/17)						
Audits						
OIG-AR-16-05 30 Mar 2016	Audit of EXIM Bank’s Contracting Processes	7	1	6	0	12/31/2017
OIG-AR-16-07 28 Sept 2016	Audit of the Examinations of Delegated Authority Lenders	12	1	11	0	9/30/2018
OIG-AR-17-04 15 Mar 2017	Independent Audit of EXIM Bank’s Information Security Program for FY 2016	9	3	6	0	12/31/2018
OIG-AR-17-05 29 Sept 2017	Audit of the EXIM Bank’s Disbursement Processes	9	2	7	0	9/30/2018
Inspections and Evaluations						
OIG-EV-16-01 28 Jul 2016	Follow-Up Report on Portfolio Risk and Loss Allocation Policies	8	4	4	0	3/30/2018
OIG-EV-17-01 2 Dec 2016	Evaluation of Risk Management Procedures and CRO Responsibilities	8	5	3	0	3/30/2018
OIG-EV-17-03 30 Mar 2017	Report on EXIM Bank’s CGF Program	5	2	3	0	3/30/2018
Totals		88	36	52	0	

APPENDIX B

Audit and Evaluation Reports Issued from April 1, 2018 – September 30, 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-18-05 9 May 2018	Independent Auditors' Report on EXIM Bank's FY 2017 Payment Integrity Annual Reporting Compliance with Improper Payment	1/1	0	0	0	0
2	OIG-AR-18-06 26 Sept 2018	Audit of the EXIM Bank's Medium-Term Early Problem Credits	6/6	0	0	0	0
3	OIG-INS-18-01 26 Sept 2018	Inspection of EXIM's 2014 Transaction with Kenya Airways	2/2	0	0	0	0
4	26 Sept 2018	Risk Assessment of EXIM Bank's Purchase Card Program	0/0	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

The following four significant recommendations were agreed to by EXIM Bank but have not been implemented as of September 30, 2018. We are committed to working with EXIM management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained and concerted efforts.

Audit of the Export-Import Bank's Contracting Processes

[\(OIG-AR-16-05, March 30, 2016\)](#)

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 Federal Acquisition Regulations.

Expected implementation date: December 31, 2017.

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 Officers 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 30, 2018.

Recommendation 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.

Expected implementation date: March 30, 2018.

Recommendation 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.

Expected implementation date: March 30, 2018.

APPENDIX D

Open Recommendations

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
Audit of EXIM Bank's Contracting Processes (OIG-AR-16-05; March 30, 2016)						
1	Develop a comprehensive set of written policies and procedures for the EXIM Bank's acquisition services to ensure contracts are administered and monitored in accordance with the FAR.	Open	12/31/2017	Agree	0	0
Audit of EXIM 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	9/30/2018	Agree	0	0
Independent Audit of EXIM Bank's Information Security Program Effectiveness for FY 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.	Open	12/31/2018	Agree	0	0
3	We recommend that the EXIM Bank CIO implement necessary security procedures that exist across all operating platforms in the Bank's network environment.	Open	12/31/2018	Agree	0	0
4	We recommend that the EXIM Bank CIO 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	12/31/2018	Agree	0	0
Audit of EXIM Bank's Disbursement Processes (OIG-AR-17-05; September 29, 2017)						
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
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)						
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	Open	11/08/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	procedures, as appropriate, to ensure that this information is accurately extracted from EXIM Bank's source systems and transferred to FPDS-NG and ASP.					
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	11/08/2018	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	11/08/2018	Agree	0	0
9	The OCFO develop, document, and implement a policy requiring that all journal vouchers adjusting obligated balances include object classes.	Open	11/08/2018	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	11/08/2018	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	11/08/2018	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	11/08/2018	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	11/08/2018	Agree	0	0
Audit of EXIM Bank's FY 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

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
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 qualitative considerations on the outputs of the cash flow model.	Open	11/15/2018	Agree	0	0
FY 2017 Financial Statements Audit Management Letter (OIG-AR-18-03; February 26, 2018)						
3	Address the existing vulnerabilities identified during our assessment consistent with NIST guidelines.	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
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	Open	11/15/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	Government Corporations outlined in OMB Circular A-136, Financial Reporting Requirements.					
Independent Audit of EXIM Bank's Information Security Program Effectiveness for FY 2017 (OIG-AR-18-04; March 18, 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	10/31/2018	Agree	0	0
Independent Auditors' Report on EXIM Bank's FY 2017 Payment Integrity Annual reporting Compliance with Improper Payment Laws (OIG-AR-18-05; May 9, 2018)						
1	Revise the Recapture Audit Plan in the Annual Report to (i) remove any terminology that may be construed as misleading, (ii) accurately reflect the Bank's policies and procedures for the recapture of improper payments and the decision not to perform recapture audits, and (iii) discuss recaptured improper payments in accordance with OMB guidance.	Open	5/9/2019	Agree	0	0
Audit of EXIM Bank's Medium-Term Early Problem Credits (OIG-AR-18-06; September 26, 2018)						
1	Review the CRTI procedures to determine how they may be updated to ensure all required participants are included.	Open	9/26/2019	Agree	0	0
2	Establish procedures necessary to reduce transactional credit risk for transactions involving principal owners of closely held companies, where it's legally permissible.	Open	9/26/2019	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	9/26/2019	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	9/26/2019	Agree	0	0
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	9/26/2019	Agree	0	0
6	Finalize the revisions of the Master Guarantee Agreement used in the Medium-Term Loan Guarantee Program.	Open	9/26/2019	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 those exposures once identified, including options for reducing concentrated exposures, mitigating the risks of concentration exposures, or consideration	Open	3/30/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	of concentration risks in the transaction approval process.					
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 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	3/30/2018	Agree	0	0
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 noncredit 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	Open	3/30/2018	Agree	0	0

	Recommendation	Status	Expected Implementation Date	Management Agree or Disagree	Questioned Cost	Funds for Better Use
	designing a comprehensive Risk Appetite Framework that provides an overarching process for defining risk appetite and establishing risk tolerance thresholds for its key risks.					
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 decisionmakers including the Board; and establish procedures for consideration of waivers to the policy. This would include documenting the supporting evidence in the credit file.	Open	3/30/2018	Agree	0	0
Inspection of EXIM's 2014 Transaction with Kenya Airways (OIG-INS-18-01; September 26, 2018)						
1	Update policies and procedures to ensure the analysis of the borrower's financial projections and assumptions is fully documented and supported in the transaction records (e.g., Board Memo).	Open	TBD	Agree	0	0
2	Revise the transportation origination risk rating mode to ensure the final rating outcomes comport to the Bank's BCL risk rating scale of 1 to 11. This would include updating related policies and procedures.	Open	TBD	Agree	0	0
Totals					\$0	\$0

APPENDIX E

Peer Review Reporting

Office of Inspections and Evaluations

On September 25, 2018, the Farm Credit Administration OIG issued the final report on the external peer review of EXIM OIG's inspection and evaluation function. The Farm Credit Administration and the Corporation for National and Community Service Offices of Inspector General (Review Team) conducted the peer review. The Review Team concluded that EXIM OIG's policies and procedures and the two reports reviewed, generally met the seven standards required by CIGIE and complied with our own internal policies and procedures. A copy of the final report can be found on the [EXIM OIG website](#).

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; 9-13
Section 5(a)(3)	Prior Significant Audit Recommendations Yet to Be Implemented	26
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	16
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	25
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	25 27-32
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	27-32
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	None

Inspector General Act Citation	Requirement Definition	Page
	Recommendations from Previous Peer Review that Remain Outstanding or Have Not Been Fully Implemented	
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	16
Section 5(a)(18)	Metrics Used for Developing Data for Statistical Tables	16
Section 5(a)(19)(A) – (B)	Senior Government Employee Substantiated Misconduct, Facts, Disposition	18
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

HOW TO REPORT FRAUD, WASTE, AND ABUSE

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

In person

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

Telephone

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

Mail

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

E-mail

IGHotline@exim.gov

**Office of Inspector General
Export-Import Bank *of the* United States
811 Vermont Avenue, NW
Washington, DC 20571**

**Telephone 202-565-3908
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