



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

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

December 2, 2019

OIG-EV-20-01

The Export-Import Bank of the United States (EXIM or the Bank) is the official export credit agency of the United States. EXIM is an independent, self-financing executive agency and a wholly-owned U.S. government corporation. The Bank's mission is to support jobs in the United States by facilitating the export of U.S. goods and services. EXIM provides competitive export financing and ensures a level playing field for U.S. exports in the global marketplace.

The Office of Inspector General (OIG), an independent office within EXIM, was statutorily created in 2002 and organized in 2007. The mission of the 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.

This evaluation was conducted in accordance with the 2012 Quality Standards for Inspection and Evaluation as defined by the Council of Inspectors General on Integrity and Efficiency. This report does not constitute a government audit and therefore, it was not conducted following the Generally Accepted Government Auditing Standards (GAGAS).



Office of Inspector General

To: Mary Jean Buhler, Chief Financial Officer
Kenneth Tinsley, Senior Vice President and Chief Risk Officer

From: Jennifer Fain, Acting Inspector General 

Subject: Evaluation of EXIM's Portfolio Risk Management Procedures and CRO Responsibilities (OIG-EV-20-01)

Date: December 2, 2019

This report presents the results of the independent evaluation of EXIM's portfolio risk management procedures and Chief Risk Officer (CRO) responsibilities. The objective was 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 two related OIG projects completed in the third quarter of fiscal year (FY) 2019.¹ Under a contract monitored by this office, we engaged the independent consulting firm of Summit Consulting, LLC to perform the evaluation.

The report contains three recommendations for corrective action. In response to our report, management concurs with all three of the recommendations. Management's comments are included as appendix A in this report. We consider management's proposed actions to be responsive. The recommendations will be closed upon completion and verification of the proposed actions.

This evaluation was conducted in accordance with the 2012 *Quality Standards for Inspection and Evaluation* as defined by the Council of Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

We appreciate the cooperation and courtesies provided to Summit Consulting, LLC and this office during the evaluation. If you have questions, please contact me at (202) 565-3439 or jennifer.fain@exim.gov or Courtney Potter at (202) 565-3976 or courtney.potter@exim.gov. You can obtain additional information about the EXIM OIG and the Inspector General Act of 1978 at www.exim.gov/about/oig.

Attachment: Evaluation of EXIM's Portfolio Risk Management Procedures and Implementation of CRO responsibilities, OIG-EV-20-01, December 2019.

¹ 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).

EXECUTIVE SUMMARY

Evaluation of EXIM's PRM Procedures and CRO
OIG-EV-20-01, December 2, 2019

Why We Did This Evaluation

The Export-Import Bank Reform and Reauthorization Act of 2015 (the 2015 Reauthorization Act) requires the OIG to evaluate the Bank's portfolio risk management policies and the implementation of the duties assigned to the Chief Risk Officer (CRO) and to submit a written report with its findings to Congress every three years, with this version no later than December 4, 2019.

What We Recommend

We made two recommendations to bolster EXIM's Portfolio Risk Management (PRM) procedures and a third recommendation to improve the Bank's integration of risk management activities with internal controls:

1. Further develop the Bank's Enterprise Risk Management (ERM) program by revisiting the results of the Gartner maturity model analysis, with a focus on high priority areas and path to maturity outcomes, at appropriate management venues. This would include (a) documenting these efforts as they occur, such as through meetings that lay out the discussion of ERM maturity; (b) developing a current state of assessment of the status of the maturity of the EXIM program and discuss with the Enterprise Risk Committee (ERC); and (c) developing a timeline to revisit and evaluate maturity on a continuous basis allowing for more informed risk-based decision-making consistent with the Risk Appetite Framework (RAF) and Playbook directives.
2. Create a Bank-wide Model Risk Management (MRM) framework to ensure integrity of data products and continuity of model production.
3. Develop and finalize the Bank-wide Risk and Control Matrix and a Risk and Controls Self-Assessment that covers both financial and non-financial internal controls identification and mitigation of risks.

What We Found

In accordance with statutory requirements contained in the 2015 Reauthorization Act, we evaluated the Bank's portfolio risk management policies and the extent to which EXIM has implemented the provisions related to the appointment of the Chief Risk Officer and the duties ascribed to the CRO. As part of this effort, we reviewed prior reports; reviewed the Bank's documentation on PRM and MRM, the overall ERM program as a whole, as well as the role and responsibilities of the CRO; researched and reviewed laws, rules, regulations, and industry practices; and we conducted a limited round of interviews with the CRO and key stakeholders directly involved in managing Bank risks.

EXIM's current PRM processes and procedures are strong and improving. Broadly, key stakeholders have been working with the CRO to push forward items that will strengthen the PRM procedures and mitigate risks, as well as acknowledging areas where such efforts are either nascent or in need of additional attention.

We found that the Bank has implemented a structured ERM program and a continuous risk monitoring process especially through the efforts of the CRO, the risk management team and the ERC. We made recommendations on how to better utilize the existing ERM Maturity Model, as well as on how to improve the MRM procedures across EXIM. Additionally, we highlighted three ongoing efforts that should continue to be at the forefront of the Bank's priorities, including a recommendation to advance and publish two tools currently under development.

In total, we made two recommendations that will assist the Bank in continuing to bolster their PRM procedures if properly executed, as well as one additional recommendation to improve the integration of risk management activities with internal controls.

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ABBREVIATIONS AND GLOSSARY

Term	Description
Bank or EXIM	Export-Import Bank of the United States
CLF	Credit Loss Factor
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
CPC	Credit Policy and Compliance Division, EXIM
CREA	Country Risk and Economic Analysis Division, EXIM
CRO	Chief Risk Officer, EXIM
ERC	Enterprise Risk Committee, EXIM
ERM	Enterprise Risk Management
FY	Fiscal Year
MRM	Model Risk Management
OCFO	Office of the Chief Financial Officer, EXIM
OIG	Office of Inspector General, EXIM
OMB	Office of Management and Budget
PRM	Portfolio Risk Management
RAF	Risk Appetite Framework
RCM	Risk Control Matrix
RCSA	Risk Control Self-Assessment
Summit	Summit Consulting, LLC and EMY Consulting, LLC.

INTRODUCTION

The Export-Import Bank Reform and Reauthorization Act of 2015 (the 2015 Reauthorization Act or the Act) requires the Office of Inspector General (OIG) to audit or evaluate EXIM’s portfolio risk management procedures and the Bank’s implementation of the duties assigned to the Chief Risk Officer (CRO).² The first report was due to the Bank’s congressional committees of jurisdiction on December 4, 2016, with a report due not less than every three years thereafter.

This report presents the results of the independent evaluation conducted by Summit Consulting, LLC (Summit) and EMY Consulting.³ The objective was 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 two related reports issued in the third quarter of fiscal year (FY) 2019.⁴

SCOPE AND METHODOLOGY

We employed several steps to evaluate EXIM’s portfolio risk management (PRM) procedures and implementation of the CRO responsibilities took several steps. First, we reviewed prior reports, including the recommendations from the two reports issued by EXIM OIG in 2016 to comply with the provision of the 2015 Reauthorization Act, and reviewed the progress in closing the recommendations and any other supplemental actions taken on this front. Second, we reviewed the Bank’s documentation to understand the current state of the Bank’s processes and procedures for PRM and model risk management (MRM), the overall Enterprise Risk Management (ERM) program as a whole, as well as the role and responsibilities of the CRO. Third, we researched and reviewed laws, rules, regulations, and industry practices. Fourth, we conducted a limited round of interviews with the CRO and key stakeholders directly involved in managing Bank risks.⁵ Finally, we rolled all recommendations and findings into this report.

We conducted this evaluation from August 2019 to November 2019 in accordance with the 2012 *Quality Standards for Inspection and Evaluation* issued by the Council of Inspectors

² See Section 51007 of 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>.

³ EMY Consulting (EMY) is a professional services advisory firm based in Washington D.C. Summit teamed with EMY to perform the internal controls and risk management aspects of this engagement since these are areas of core competency for EMY.

⁴ *Supra* note 1.

⁵ These included the CRO and a member of his staff, the Chief of Staff, the Senior Vice President and Deputy Chief Financial Officer, the Senior Vice President of Office of Board Authorized Finance, the Senior Vice President of Small Business, and the Vice President of Credit Review and Compliance.

General on Integrity and Efficiency (CIGIE).⁶ We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

BACKGROUND

Established in 1934 through Executive Order, and subsequently made an independent agency of the United States (U.S.) through congressional charter in 1945, EXIM is a wholly-owned government corporation whose mission is to aid in financing and to facilitate the export of U.S. goods and services, and to contribute to the employment of U.S. workers. EXIM's charter, through its enabling legislation, establishes the Bank's operations and programs. With the passage of the 2015 Reauthorization Act, the authorization of the Bank's charter was extended to September 30, 2019.⁷ Subsequently, the authorization of the Bank's charter was extended through November 21, 2019, and most recently through December 20, 2019.⁸

The Bank's core financing programs include direct loans, loan guarantees, export credit insurance, and working capital loans and guarantees. The charter requires "reasonable assurance of repayment" for all Bank transactions, which are backed by the full faith and credit of the U.S. government.⁹ To ensure that it achieves its mission, the Bank manages a diverse set of challenges through its enterprise risk management procedures.

Portfolio Risk Management and CRO Responsibilities

The PRM procedures at the Bank are overseen by the CRO, and the CRO's responsibilities are laid out in the Bank's charter. Broadly, the CRO is required to oversee all issues relating to risk within the Bank and report directly to the President of the Bank. These responsibilities include both managing and mitigating risks related to Bank operations and programs; the CRO is expected to implement and execute the procedures that allow such risk management to be monitored, enabling the Bank to carry out its mission and achieve its strategic goals. The CRO is tasked with overseeing an integrated risk management program that covers all types of risk throughout the organization, from underwriting, credit, fraud, internal controls, and operational risks.

⁶ See <https://www.ignet.gov/sites/default/files/files/committees/inspect-eval/iestds12r.pdf>.

⁷ *Supra* note 2.

⁸ See the "Continuing Appropriations Act, 2020, and Health Extenders Act of 2019," which became public law on September 27, 2019 (Pub. L. No. 116-59) at <https://www.congress.gov/116/bills/hr4378/BILLS-116hr4378enr.pdf> and the "Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019," which became public law on November 21, 2019 (Pub. L. No. 116-69) at <https://www.congress.gov/116/bills/hr3055/BILLS-116hr3055enr.pdf>.

⁹ See *The Charter of the Export-Import Bank of the United States* at [http://www.exim.gov/sites/default/files/2015 Charter - Final As Codified - 02-29-2016.pdf](http://www.exim.gov/sites/default/files/2015%20Charter%20-%20Final%20As%20Codified%20-%2002-29-2016.pdf).

Prior Reviews of EXIM’s Portfolio Risk Management and CRO Responsibilities

In third quarter FY 2019, EXIM OIG issued two reports that in part meet the provision of the 2015 Reauthorization Act: (1) EXIM’s Implementation of Key Provisions of the 2015 Reform and Reauthorization Act; and (2) Evaluation of EXIM’s Credit Loss Factor Model and Loss Reserve Process.¹⁰

EXIM OIG Memorandum Report ([OIG-O-19-01](#))

On May 23, 2019, EXIM OIG issued the memorandum report entitled, EXIM’s Implementation of Key Provisions of the 2015 Reform and Reauthorization Act. EXIM was responsible for 14 of the 17 provisions in the 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 Act varied, for example, it mandated the implementation for a CRO and Chief Ethics Officer while additionally giving authority to the Bank to share risk with other parties. Moreover, the Act mandated additional reporting requirements and gave authority to the Bank to increase its medium-term financing amounts.

From July 2015 to April 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 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. The Bank did create a CRO position who was appointed by the president of the Bank to oversee all risk related issues. With the establishment of a quorum, EXIM’s Board approved the appointment of the CRO on May 30, 2019.¹¹ The memorandum report did not contain any recommendations for corrective action.

EXIM OIG Report ([OIG-EV-19-03](#))

On June 19, 2019, EXIM OIG issued the report entitled, Evaluation of EXIM’s Credit Loss Factor Model and Loss Reserve Process. The objective was to complete an independent evaluation of the Bank’s FY 2019 credit loss factor (CLF) model and to assess the reasonableness of the Bank’s overall loss reserve process; specifically, 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,

¹⁰ *Supra* note 1.

¹¹ 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.

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.

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. The report contained seven recommendations to improve model governance and risk management, documentation, and the methodologic approach and execution of the Process. As of the date of this report, EXIM management agreed with the recommendations and is in the process of implementing them.

EXIM OIG Reports ([OIG-EV-16-01](#) and [OIG-EV-17-01](#))

EXIM OIG issued two reports to meet the provision in the 2015 Reauthorization Act the first reporting year: (1) the Report on Portfolio Risk and Loss Reserve Allocation Policies; and (2) the Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities.¹² Collectively, the reports contained a total of 16 recommendations to improve EXIM's portfolio risk management process and procedures and implementation of the CRO responsibilities (see appendix B). As of the date of this report, 14 of the recommendations are closed. The Bank is in the process of implementing the remaining two open recommendations.

Appendix C of this report provides a summary of other prior reviews.

RESULTS IN BRIEF

EXIM has undertaken several steps to establish, mature, or improve PRM processes and procedures since the enactment of the 2015 Reauthorization Act and to address the recommendations in the OIG's two 2016 evaluation reports. There were several accomplishments and ongoing efforts by the Bank that directly relate to the PRM procedures and the implementation of the CRO responsibilities. Specifically, the Bank has implemented a structured ERM program and demonstrates a continuous risk monitoring process. Interviews with key stakeholders disclosed that several more changes are forthcoming, suggesting that EXIM is aware of areas for improvement and prepared to address them. Broadly, we identified two areas where the Bank can improve PRM by (1) updating its ERM maturity assessment as an ongoing item, and (2) establishing a Bank-wide MRM framework across models. We made two recommendations to further improve PRM at EXIM.

¹² See the Report on Portfolio Risk and Loss Reserve Allocation Process ([OIG-EV-16-01](#), July 28, 2016) and the Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities ([OIG-EV-17-01](#), December 2, 2016).

Additionally, we identified several ongoing efforts to build a Bank-wide integrated risk management framework with internal controls. We view this effort as critical to the Bank's continued progress in managing portfolio risk; we highlight these efforts and add one recommendation to reinforce their importance in the Other Matter section.

FINDINGS

Finding 1: EXIM has implemented a structured ERM program.

In response to the 2015 Reauthorization Act, we found that EXIM has implemented several steps to put an ERM program in place. This included taking corrective actions to address 14 recommendations made by the OIG to improve the Bank's PRM procedures and implementation of the CRO responsibilities (see appendix C). We found that the roles and responsibilities of the CRO are documented in the Enterprise Risk Committee (ERC) charter. Meeting minutes for ERC monthly meetings captured risk-related topics that EXIM management addressed, and decisions made from a risk perspective that impact Bank operations. The ERC approved the Bank's Risk Appetite Framework (RAF) which establishes a basis whereby risk can be addressed consistently across the Bank. Furthermore, we found that the ERM program ties to EXIM's strategy. For example, the FY 2018-2022 EXIM strategic plan¹³ explicitly states the Bank's goal to return EXIM to full operational capacity. Aligning with this goal, strategic initiatives include improving processes and efficiencies among members of banking teams, promoting risk-sharing through private partnerships and increasing operational processes across banking functions. Initiatives such as these require strict attention and monitoring of credit risk, portfolio risk management, and fraud risk management Bank-wide. This ties to the efforts that we validated are underway within the ERC and through the activities being espoused by the CRO, the CRO unit and overall Bank leadership.

The ERM organizational structure consists of the CRO with three reporting units/divisions—ERM unit, Credit Policy and Compliance (CPC) division, and Country Risk and Economic Analysis (CREA) division. We found that each unit/division has written responsibilities with respect to ERM. These were evidenced in thorough descriptions within an undated CRO slide presentation that was provided to us by the CRO. More specifically:

- The ERM Unit is “responsible for assisting the CRO in implementing an integrated risk management system for EXIM utilizing ERM”;
- The CPC is primarily responsible for “ensuring there is adequate governance regarding credit policies, guidelines, and procedures”; and
- The CREA performs the “country risk analysis for ICRAS as the basis for determining expected loss on cross-border commitments.”

¹³ N.B. The 2018-2022 EXIM Strategic Plan referenced was the one active and available online at the time of the evaluation. The Bank informed Summit that a new strategic plan is forthcoming, though the new plan was not reviewed or considered during the examination as our review predated its approval.

Lastly, significant work streams throughout EXIM that have an impact on and/or affect strategic and operational risk across the Bank’s operations have been identified and documented. In the same CRO slide deck mentioned previously, we were able to confirm, at a high level, the three lines of defense for EXIM-wide risk management.

RECOMMENDATIONS

We make no recommendations for this finding.

Finding 2: EXIM has implemented a continuous risk monitoring process.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Enterprise Risk Management: Integrating with Strategy and Performance Executive Summary*¹⁴ states “Enterprise risk management is more than a risk listing. It requires more than taking an inventory of all the risks within the organization. It is broader and includes practices that management puts in place to actively manage risk.” Further, the ERC’s charter specifically states that the ERC “develop, recommend, communicate and monitor the risk culture, risk appetite, risk tolerances and risk utilization for the enterprise and business unit levels.”

EXIM was able to demonstrate the efforts undertaken from a PRM perspective to monitor credit risk closely. The risk management framework around this process was evidenced in the PRM reports provided to us for review. These reports are produced monthly to monitor risk exposure and each report that we reviewed states specifically that “the Bank continuously monitors its portfolio of credit after they have been approved. This includes both continuous and scheduled risk-based reviews of the obligor’s debt service capacity considering all factors that directly impact ability and willingness to pay.” We also reviewed and received evidence that the results of PRC reports are presented monthly as detailed in the 12 months’ worth of ERC minutes that we reviewed.

Another area in which monitoring risks was evidenced is in the EXIM Fraud Risk Management process. We were provided a copy of the Fraud Risk Framework and, through interviews with the ERM unit personnel, obtained an understanding of the emphasis the Bank places on the fraud risk monitoring process. We understand also that this process is modeled after the directives and parameters set in the GAO Fraud Risk Framework.¹⁵ The Bank considers fraud risks as a key cross-cutting risk. A review of the EXIM Fraud Risk Framework indicated the following key takeaways:

¹⁴ COSO, ERM Executive Summary, June 2017, pg. 3, “Clearing Up a Few Misconceptions”.

¹⁵ We performed a high-level review of the EXIM Fraud Risk Framework as compared to the GAO Fraud Risk Framework. We also reviewed the two EXIM audit reports issued by GAO in July 2018 and May 2019 which were conducted to address a 2015 Act provision that required GAO to review EXIM’s antifraud controls. Seven recommendations from the 2018 report remain open; two recommendations from the May 2019 are open. The GAO acknowledged in its May 2019 report that EXIM is making progress in addressing fraud risk and in evolving its fraud risk management program. EXIM has implemented and submitted six out of seven recommendations for GAO’s review and closure.

- EXIM has zero tolerance for fraud and maintains a conservative fraud risk appetite.
- EXIM adheres to the GAO Fraud Risk Framework to minimize fraud. It manages their approach to risk taking in accordance with their established risk appetite.
- There are a wide range of internal fraud risk indicators and thresholds are being developed to assist in monitoring fraud risk levels.
- The Framework identifies fraud risk factors, schemes, owners, likelihood/impact scales, existing antifraud controls and provides fraud risk responses and EXIM Enterprise Risk Scoring metrics are within the framework.
- Risk impacts range from minimal to critical and aligns with reputation/public outreach, credit exposure and compliance.
- Individual program area fraud risk assessments are also conducted.

Credit Risk and MRM is an area where the Bank monitors its risks and is building out its capabilities. We were provided documentation, including some model risk management documentation¹⁶ and minutes from the ERC committee; we were also granted in-person interviews with the three owners of the major models at EXIM—Office of the Chief Financial Officer (OCFO), Office of Board Authorized Finance, and Office of Small Business. The CRO, members of the CRO's staff, and the model owners all expressed their desire to create an integrated system of MRM across the entire Bank, and that such an effort would involve adopting one of the government standard MRM frameworks and adapting it to the needs of the Bank (see Finding 4 below).

RECOMMENDATIONS

We make no recommendations for this finding.

Finding 3: EXIM should periodically revisit the ERM Maturity Model as part of its Portfolio Risk Management process.

As part of its work to bolster ERM, EXIM commissioned Gartner to provide a maturity model analysis on the state of the Bank's internal ERM process. This study provided a snapshot assessment of the Bank's ERM program and maturity level status as of September 2017. Maturity level assessments are a vital part of measuring the progress being made to implement a robust ERM program. EXIM has had to focus on establishing an ERM program, and the Gartner study was conducted as part of this process. Given the demands on the CRO and a limited staff over the past two years, evaluating and further maturation of the EXIM ERM program has been challenging. We were unable to identify demonstrated continuous monitoring of the maturity of its ERM program as recommended in the study.¹⁷

¹⁶ Specifically, the Credit Loss Factor model's FY 2018 Reestimate – Standard Operating Procedures.

¹⁷ While Bank management provided some evidence of risk management activities, the documents provided are only discrete examples and they do not demonstrate continuous evaluation of the maturity of the Bank's ERM program.

The assessment of the Bank’s current ERM maturity may be becoming out of date, and ERM maturity could backslide due to risks changing over time. Thus, to further mature EXIM’s ERM, we recommend that the Bank address ERM maturity more regularly as an explicit point of focus in appropriate venues, such as explicitly stated as an agenda item at ERC meetings, with the findings of the Gartner study providing the initial roadmap to achieving further maturation.

As background, the Gartner study was conducted as a part of EXIM’s efforts to develop and execute a successful RAF. Specifically, the study was commissioned as part of the Bank’s action plan to close a recommendation from the OIG 2016 evaluation report, which stated that “according to the ERM Playbook, an agency’s progress in developing and implementing a RAF should be forward-looking with assessments concerning maturity of the ERM program along the way” and “evaluation of ERM at an organization is a long-term, continuous process as needs and risks will change over time”. Although EXIM is not a Chief Financial Officers (CFO) Act agency, there are key tenets of the revised OMB Circular No. A-123, that were cited within the OIG December 2016 evaluation report regarding the need for a maturity model approach in the adoption of an ERM framework. Additionally, the ERM Playbook¹⁸ states that “a more mature risk organization will not only react to issues that arise but will be able to articulate the risks it faces and have in place management strategies to respond to those risks”. In September 2017, EXIM management engaged Gartner to prepare a measurement of the maturity of its risk management program. In 2018, Gartner also prepared results from a Top Ten Risk survey conducted internally at the Bank.

The Gartner report presents a roadmap that includes high priority risk areas as well as a path to maturity. As of September 2017, the functional maturity is noted at Level 3.¹⁹ The report also embedded each of the components of the RAF as recommended by the OIG. During interviews, EXIM management indicated that they may be comfortable with keeping the maturity at a Level 3. Although the nature of this report and its resulting analysis was discussed during interviews, EXIM management was not able to describe how the results of this maturity model analysis is used to continually evaluate its ERM program and how it is used to measure maturity and ERM progress over time. Further, we did not see evidence of discussions on ERM maturity as a specific agenda item in the ten months’ of ERC minutes that we reviewed.²⁰ The Gartner study was a strong step in assessing the Bank’s ERM model maturity; renewed and ongoing attention from both the study findings and ERM maturation in general can help the Bank better manage and evaluate its risks.

¹⁸ While the ERM Playbook is not designed to be used as a criteria for audits, it was discussed in the 2016 OIG recommendations and is thus pertinent to the current discussion. The relevant text is found on page 15 of the *Playbook: Enterprise Risk Management (ERM) for the U.S. Federal Government, Maturity of ERM Implementation*.

¹⁹ The report is on a Level scale from 1 to 5 and measures maturity, action steps and the importance of taking certain steps towards a higher level of maturity.

²⁰ Our review of ERC minutes included the past ten meetings, starting with the October 2018 meeting through the July 2019 meeting.

RECOMMENDATIONS

We recommend that EXIM:

1. Further develop the Bank's ERM program by revisiting the results of the Gartner maturity model analysis, with a focus on high priority areas and path to maturity outcomes, at appropriate management venues. This would include (a) documenting these efforts as they occur, such as through meetings that lay out the discussion of ERM maturity; (b) developing a current state of assessment of the status of the maturity of the EXIM program and discuss with the ERC; and (c) developing a timeline to revisit and evaluate maturity on a continuous basis allowing for more informed risk-based decision-making consistent with the RAF and Playbook directives.

Finding 4: Model Risk Management refinements should continue addressing inconsistencies across groups and improve documentation.

At present, EXIM's MRM policies and procedures are inconsistent across the different modeling groups. Additionally, while some of the modeling groups MRM frameworks contain many elements of a complete MRM framework, they do not fully adhere to all requisite standards. At present, there are three different government MRM frameworks that are considered as satisfying "best practices."²¹ Though several steps have been taken to establish model risk governance and mitigating certain risks, including designating a model risk management team within the ERC, the existing MRM framework is still a work in progress. We recommend that this maturation continue and be harmonized across modeling groups.

Broadly, there are three major modeling groups at the Bank, and each group has their own policies and procedure documents that serve as their MRM framework. Based on our discussion with the three owners of the modeling groups,²² the model owners each feel that their current procedures within their groups are sufficient to ensure that models are not generating errors or misstatements in the data products produced. However, accuracy of modeling outputs is only one risk that can arise from model ownership. As an example, due to the relatively small size of the modeling staff (and institutional knowledge hosted by these employees), creating adequate documentation has to be a focus to mitigate key-employee risk.²³ When asked about the state of documentation, the model owners noted

²¹ See FHFA's *Model Risk Management Guidance* (AB 2013-07), dated November 20, 2013, The Board of the Governors of the Federal Reserve System (FRB) (FRB SR 11-7, dated April 4, 2011) and the Office of the Comptroller of the Currency (OCC) (OCC 2011-12, dated April 4, 2011) *Supervisory Guidance on Model Risk Management*. These documents are available at https://www.fhfa.gov/SupervisionRegulation/AdvisoryBulletins/AdvisoryBulletinDocuments/AB_2013-07_Model_Risk_Management_Guidance.pdf, <https://www.federalreserve.gov/supervisionreg/srletters/sr1107.htm>, and <https://www.occ.gov/news-issuances/bulletins/2011/bulletin-2011-12.html>.

²² Note that we also reviewed the policies and procedure documents of the models.

²³ Tangentially, the Chairman's Chief of Staff also highlighted efforts to reduce the loss of institutional knowledge as a critical focus of the Chairman's Office.

that documentation was still a work in progress. Additionally, model run verifications that include internal checks within the modeling group are performed differently across the three groups. A uniform MRM policy should be adopted across groups to further align these procedures and minimize risks.

Part of a strong MRM process is also having a “second-line” of review, where an objective party can review a model, its outputs, and its structure. Currently, the second-line reviewer of the Bank’s models highlighted the need for a more cohesive MRM framework. In our interview with CPC leadership, who perform reviews of the Bank’s models, it was suggested that cooperative efforts are needed. However, other priorities may be superseding a strong push for MRM updates in the short term; these include other PRM items, such as Leadership’s focus on reauthorization and updating ERM items (including the Risk Control Self-Assessment (RCSA) and Risk Control Matrix (RCM)).

Overall, EXIM has never fully produced, integrated, or documented robust MRM policies and procedure. We note that EXIM does follow some strong MRM procedures outside of the documented procedures. However, by not enshrining these procedures in the MRM framework, EXIM increases the risk that the practices may not continue. Without formalizing a proper MRM framework, model runs may add risk to the portfolio. Some such risks include that key-person dependencies may cause disruptions to a model’s production schedules if said staff departs or takes on other roles within the Bank; model runs may lack proper verification, leading to inaccurate interpretation of results; lack of formal version control protocols mean model changes may be made and not documented or detected; or lack of legacy document control could lead to legacy code risk impacting estimates or being undetected. As EXIM’s models provide information and data relevant to key stakeholders and policymakers to make key financial decisions for the Bank, these deficiencies could lead to suboptimal policy decisions or exacerbate reputational, headline, strategic and operational risk.

Finally, it is our understanding that EXIM is considering adapting the FRB SR 11-7 framework as appropriate for the Bank. This is a nascent effort and would need to mature over time. If such a standard is adopted and steps taken to execute the framework successfully, it could satisfy the FRB notice requirements.

RECOMMENDATIONS

We recommend that EXIM:

2. Create a Bank-wide Model Risk Management framework to ensure integrity of data products and continuity of model production.

OTHER MATTER

Ongoing Activities: Continuing to Build a Bank-Wide Integrated Risk Management Framework with Internal Controls.

EXIM operated for an extended period without a Board quorum or Chairman. This status made having a top-down ERM focus and an integrated risk management program difficult to develop or maintain. After interviews with several members of management, the CRO, and CRO staff, we find that ERM and an integrated risk management process is a high priority for the Bank. Further, in our interview, the CRO outlined that initiating institutional change to improve ERM required a strong tone from the top as part of this effort. To demonstrate this commitment, we suggest prioritizing and finalizing a RCSA and RCM consistent with the new leaderships' vision and strategic initiatives. Further, we stress the need for integrated risk management with internal controls that are explicitly laid out which will help improve EXIM's ERM program.

As background, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control defines management's responsibilities for ERM and internal controls in federal agencies. The Circular was issued under the authority of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 as codified in Title 31 U.S.C. 3512, and the Government Performance and Results Act (GPRA) Modernization Act, Public Law 111-352. It emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing federal agency operations. Management must also evaluate the effectiveness of internal controls annually using the Green Book. Although we understand the OMB Circular A-123 was implemented for the CFO Act agencies and EXIM is not a CFO Act agency, there are still tenets within the CFO Act that provide the opportunity for operational integration of risks with the internal key controls that mitigate said risks; these tenants will help the Bank further mature their RMF. Currently, the Bank does have a comprehensive RAF in place that meets the general requirements of an overarching process for defining risk appetite and establishing risk tolerance thresholds.²⁴ Efforts are in place to enhance integration efforts per the RAF which has been approved by the ERC. For example, we were also able to see clear integration of risks and internal controls in the Fraud Risk Framework through observation of documentation and interviews with the ERM Unit and/or CPC personnel. During our verification review, however, we were unable to identify agency-wide integration of risk management and internal controls. Integration for the purposes of this review is defined as the integration of risk management activities with internal controls.

We found that the responsibility for integration of risks and internal controls within EXIM is disbursed throughout the Bank. We verified that the OCFO is responsible for overseeing financial-related controls. We were told that non-financial controls oversight is disbursed throughout EXIM, and that comprehensive documentation of this structure is forthcoming.

²⁴In the December 2016 OIG evaluation report, Recommendation #6 stressed the need for continuous improvement in EXIM risk management integration. The recommendation is closed.

Although the Bank-wide organizational chart includes internal controls related titles, the Bank was not able to produce an RCM or RCSA to show the relationship between risks and the controls that mitigate all risks, both financial and non-financial. We were further informed that such documentation, while currently being constructed, does not exist at this time.

We found also that the installation of the new EXIM leadership has helped move along several initiatives that were difficult to implement when the Bank did not have a quorum or a Chairman. Overall, support from new EXIM leadership, combined with operations and organizational culture changes, should strengthen EXIM's focus on implementation of effective Bank integration of internal controls and risk management processes. This will help EXIM manage risks related to compliance with external federal directives, regulations, and/or policies that can have a profound effect on the operations of the Bank. As part of its path forward, EXIM should make certain that the tools exist to accurately identify and determine which internal controls mitigate which risks; without integration, it can be difficult to determine whether the Bank's processes are functioning properly and how to best prioritize remediating identified gaps.

Additionally, EXIM should ensure they continue to support existing efforts within the Bank's operations spearheading internal controls and risk management integration. As part of this, the Bank should consider the Fraud Risk Framework effort as an internal best practice and role model for implementing risk management and internal controls integration throughout EXIM. EXIM is currently undertaking efforts to mitigate these risks, which obviates the need for a formal finding while such actions continue under a reasonable timeline.

As a final matter of note, we were told the RCM and RCSA are in the process of development and completion. We stress the importance of having such tools; producing and using such tools would demonstrate the Bank's stated commitment to an ERM program that also further identifies which internal controls mitigate which strategic, financial and operational risks.

RECOMMENDATIONS

We recommend that EXIM:

3. Develop the Bank-wide Risk and Control Matrix and a Risk and Controls Self-Assessment that covers both financial and non-financial internal controls identification and mitigation of risks.

CONCLUSION

EXIM's current PRM processes and procedures are strong and improving. Broadly, key stakeholders have been working with the CRO to push forward items that will greatly strengthen the PRM procedures and mitigate risks, as well as acknowledging areas where such efforts are either nascent or in need of additional attention. We found that the Bank has implemented a structured ERM program and a continuous risk monitoring process through the efforts of the CRO, the risk management team and the ERC. We made recommendations on how to better utilize the existing ERM Maturity Model, as well as on how to improve the MRM procedures across the Bank. Additionally, we highlighted three ongoing efforts that should continue to be at the forefront of the Bank's priorities. Overall, we have made two recommendations that will assist EXIM in continuing to bolster its PRM procedures if properly executed, as well as one additional recommendation to improve the integration of risk management activities with internal controls.

APPENDIXES

Appendix A: Management Response and OIG Evaluation



Reducing Risk. Unleashing Opportunity.

November 25, 2019

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

Dear Ms. Fain,

Thank you for providing the Export-Import Bank of the United States (“EXIM Bank” or “the Bank”) management with the Office of the Inspector General’s (“OIG”) “Evaluation of EXIM’s Portfolio Risk Management Procedures and Chief Risk Officer (CRO) Responsibilities”, OIG-EV-20-01, dated November 12, 2019 (the “CRO Evaluation report”). Management continues to support the OIG’s work which complements the Bank’s efforts to continually improve its processes. EXIM Bank is proud of the strong and cooperative relationship it has with the OIG.

As part of continuous improvement, EXIM is committed to strengthening its integration of risks and internal controls and appreciates the OIG concluding that “ERM and an integrated risk management process is a high priority for the Bank.”

EXIM Bank appreciates the OIG’s determination that “EXIM’s current Portfolio Risk Management (PRM) processes and procedures are strong and improving” and that “key stakeholders have been working with the CRO to push forward items that will strengthen the PRM procedures and mitigate risks, as well as acknowledging areas where such efforts are either nascent or in need of additional attention.”

Additionally, EXIM values the OIG’s determination that “the Bank has implemented a structured Enterprise Risk Management (ERM) program” and that “the ERM program ties to EXIM’s strategy.”

Also, EXIM values the OIG noting that “EXIM has implemented a continuous risk monitoring process.” Further, the OIG notes “EXIM was able to demonstrate the efforts undertaken from a PRM perspective to monitor credit risk closely.”

EXIM appreciates the OIG highlighting “the emphasis the Bank places on the fraud risk monitoring process.” Further, the OIG notes that EXIM’s Fraud Risk Framework “adheres to the GAO Fraud Risk Framework to minimize fraud” and that it demonstrates “clear

integration of risks and internal controls” and that “EXIM has zero tolerance for fraud and maintains a conservative fraud risk appetite.”

EXIM values the OIG highlighting that “the GAO acknowledged in its May 2019 report that EXIM is making progress in addressing fraud risk and in evolving its fraud risk management program.”

As the OIG notes, EXIM is not a CFO Act agency and “OMB Circular A-123 was implemented for the CFO Act agencies”. However, EXIM is committed to strengthening internal controls entity-wide and integrating them with risk management processes, as a key principle of the circular as a federal best practice.

The Bank continuously strives to improve its policies and practices and agrees to all three OIG recommendations issued in this report.

Recommendation 1: We recommend that EXIM further develop the Bank’s ERM program by revisiting the results of the Gartner maturity model analysis, with a focus on high priority areas and path to maturity outcomes, at appropriate management venues. This would include (a) documenting these efforts as they occur, such as through meetings that lay out the discussion of ERM maturity; (b) developing a current state of assessment of the status of the maturity of the EXIM program and discuss with the ERC; and (c) developing a timeline to revisit and evaluate maturity on a continuous basis allowing for more informed risk-based decision-making consistent with the RAF and Playbook directives.

Management response: Management agrees with the recommendation. EXIM will further develop the Bank’s ERM program by revisiting the results of the Gartner maturity model analysis, to include documenting such efforts, developing a current state of the assessment of EXIM’s ERM program maturity and discussing it with the ERC, and developing a timeline to revisit and evaluate maturity on a continuous basis.

Recommendation 2: We recommend that EXIM create a Bank-wide Model Risk Management framework to ensure integrity of data products and continuity of model production.

Management response: Management agrees with the recommendation. EXIM will create a Bank-wide Model Risk Management framework to ensure integrity of data products and continuity of model production.

Recommendation 3: We recommend that EXIM develop the Bank-wide Risk and Control Matrix and a Risk and Controls Self-Assessment that covers both financial and non-financial internal controls identification and mitigation of risks.

Management response: Management agrees with the recommendation. EXIM will continue to develop a Risk and Control Matrix and a Risk and Controls Self-Assessment. These tools will cover both financial and non-financial internal controls identification and mitigation of risks.

We thank the OIG for your efforts to ensure the Bank's policies and procedures continue to improve, as well as the work you do with us to protect EXIM funds from fraud, waste, and abuse. We look forward to strengthening our working relationship and continuing to work closely with the Office of the Inspector General.

Sincerely,



Adam Martinez
Chief Management Officer
Export-Import Bank of the United States

cc:

Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Mary Buhler, Senior Vice President and Chief Financial Officer
David Sena, Senior Vice President of Office of Board Authorized Finance
James Burrows, Senior Vice President of Small Business

OIG Evaluation

On November 25, 2019, EXIM provided its management response to a draft of this report, concurring with all of the OIG’s recommendations. The response identified the Bank’s actions to address the recommendations. OIG considers EXIM’s actions sufficient to resolve the reported recommendations. The recommendations will remain open until OIG determines that the agreed upon corrective actions are completed and responsive to the reported recommendations.

Appendix B: Prior Reviews

EXIM OIG Report ([OIG-EV-17-01](#))

On December 2, 2016, EXIM OIG issued its report entitled, Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities (OIG-EV-17-01, December 2, 2016). The objective of the evaluation was to evaluate EXIM’s portfolio risk management policies and the extent to which the Bank had implemented the responsibilities of the CRO. Although approval by the Board was pending due to the absence of a quorum, the Bank appointed a CRO according to the provisions in the 2015 Reauthorization Act. The assessment of EXIM’s risk policies determined that the Bank’s risk policy framework should be enhanced to document noncredit risks identified in the Risk Appetite Statement. Also, the Bank should strengthen the over-arching RAF that draws together all the separate policies and committees as well as a process for considering risk appetite and risk tolerance. The review of the duties assigned to the CRO confirmed that the CRO is performing duties related to managing and mitigating risk. However, further actions were necessary to clarify the CRO’s authority and responsibility with respect to the current allocation of risk management responsibilities Bank-wide. The report contained eight recommendations to further develop EXIM’s integrated risk management program. As of the date of this report, seven of the eight recommendations are closed (see Appendix C). The Bank is in the process of implementing the remaining open recommendation.

EXIM OIG Report ([OIG-EV-16-01](#))

On July 28, 2016, EXIM OIG issued the Report on Portfolio Risk and Loss Reserve Allocation Policies (OIG-EV-16-01, July 28, 2016). The objective of the evaluation was to assess EXIM’s actions to align its risk management policies and procedures with industry best practices. In conducting the review, OIG found that the Bank had made important progress in strengthening its risk management processes and governance framework. However, certain internal policies and processes could be improved to further align the Bank’s risk management policies and procedures with industry leading practices. For example, although the Bank had adopted the use of soft portfolio limits, it should develop more specific criteria, metrics and policies for managing risks of concentration of exposure in industry sectors or single obligors. Additionally, the portfolio risk dashboard provided a useful tool to aggregate portfolio exposures. However, further refinements were required to enhance its effectiveness as a risk management tool. The report contained eight recommendations to strengthen EXIM’s internal policies and processes for risk management. As of the date of this report, seven of the eight recommendations are closed (see Appendix C). The Bank is in the process of implementing the remaining open recommendation.

GAO Report ([GAO-19-337](#)) EXIM

On May 23, 2019, GAO issued the report entitled, Export-Import Bank: EXIM Should Explore Using Available Data to Identify Applicants with Delinquent Federal Debt. The 2015 Reauthorization Act required GAO to review the Bank’s antifraud controls within four years, and every four years thereafter. GAO made two recommendations to EXIM’s Chief Operating Officer (COO) to improve the Bank’s antifraud controls. As of the date of this report, the two recommendations are open.

GAO Report ([GAO-18-492](#)) EXIM

On July 19, 2018, GAO issued the report entitled, Export-Import Bank: The Bank Needs to Continue to Improve Fraud Risk Management. The 2015 Reauthorization Act required GAO to review the Bank’s antifraud controls within four years, and every four years thereafter. GAO made a total of seven recommendations to EXIM’s acting President and Chairman to improve the Bank’s antifraud controls. The seven recommendations remain open as of the date of this report, though EXIM has implemented and submitted six out of seven recommendations for GAO’s review and closure.

GAO Report ([GAO-13-620](#)) EXIM

On May 30, 2013, GAO issued the report entitled, Export-Import Bank: Additional Analysis and Information Could Better Inform Congress on Exposure, Risk, and Resources. The Export-Import Bank Reauthorization Act of 2012 (the 2012 Act) required GAO to conduct an evaluation of the Bank’s Business Plan and analyses. GAO made a total of four recommendations to improve the accuracy of EXIM’s forecasts of exposure and authorizations. All four of the recommendations are closed.

GAO Report ([GAO-13-303](#)) EXIM

On March 28, 2013, GAO issued the report entitled, Export-Import Bank: Recent Growth Underscores Need for Continued Improvements in Risk Management. The 2012 Act required GAO to conduct an evaluation of the Bank’s growth in business and the effectiveness of its risk management. GAO made a total of four recommendations to EXIM’s Chairman to improve the Bank’s internal risk processes. All four recommendations are closed.

Appendix C: Status of 2016 EXIM OIG Recommendations

Evaluation of Risk Management Procedures and Chief Risk Officer Responsibilities (OIG-EV-17-01, December 2, 2016)		
No.	Recommendation	Status
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 – Target Completion Date 03/31/2020
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.	Closed
3	EXIM Bank should review the alignment of the Bank’s risk management activities consistent with the “three lines of defense” framework and ensure that responsibility for the first line of defense and second line of defense are separated.	Closed
4	EXIM Bank should assess whether the CRO has sufficient staff, funding, and other resources to carry out the responsibilities assigned in the Act, and reassign resources or seek additional funding for the CRO as necessary.	Closed
5	EXIM Bank should enhance its risk policy framework to further document the non-credit risks that are identified in the Risk Appetite Statement.	Closed
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.	Closed
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.	Closed
8	To track the progress in developing the RAF, the Bank should develop a maturity model approach to assess each component of the RAF separately and in the aggregate, as recommended in the ERM Playbook.	Closed

Report on Portfolio Risk and Loss Reserve Allocation Policies (OIG-EV-16-01, July 28, 2016)		
No.	Recommendation	Status
1	Establish policies and attendant criteria to determine prudent soft limits on exposure concentrations and procedures to manage those exposures once identified, including options for reducing concentrated exposures, mitigating the risks of concentration exposures, or consideration of concentration risks in the transaction approval process.	Closed
2	As part of the implementation of the risk sharing pilot program as provided for in the 2015 Reauthorization Act, assess the potential role of the risk sharing program in mitigating portfolio concentration risk.	Closed
3	Engage an independent expert to complete the second half of the Credit Loss Factors (CLF) validation exercise in FY 2016 and to address the recommendations put forth in the final report. To ensure adequate	Closed

Report on Portfolio Risk and Loss Reserve Allocation Policies (OIG-EV-16-01, July 28, 2016)		
No.	Recommendation	Status
	independence of the review process, oversight of the project should be placed with individuals who are not responsible for development or use of the CLF model.	
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 – Target Completion Date 03/31/2020
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.	Closed
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.	Closed
7	Analyze the potential impact of covariance or correlation of risk factors, industries and regions on the probability distribution of losses of the credit portfolio. The outcome of this analysis would enhance the model’s predicative capability and inform the process of setting prudent soft limits.	Closed
8	Ex-Im Bank should develop and implement formal procedures to enhance the timeliness of the aggregation and reporting of risk management data, including the development of a consolidated dashboard for senior management that reports important risk management data on a monthly basis. This should include but not be limited to the following: (i) Aggregate portfolio concentrations on a sector, country and one obligor basis, delineating variance with established portfolio limits; (ii) Aggregate credit metrics of the portfolio including impaired loans and defaults; and (iii) Aggregate migration of risk ratings in specific sectors and obligors together with an average BCL risk rating for the portfolio.	Closed

Appendix D: Distribution List

Kimberly Reed, President and Chairman
David Fogel, Senior Vice President and Chief of Staff
Adam Martinez, Chief Management Officer
Lauren Fuller, Senior Advisor to the President and Chairman
Stephen Renna, Chief Banking Officer
Mary Jean Buhler, Chief Financial Officer
David Slade, Senior Vice President and General Counsel
David Sena, Senior Vice President of Board Authorized Finance
Inci Tonguch-Murray, Deputy Chief Financial Officer
Walter Hill, Vice President of Credit Review and Compliance
Cristopolis Dieguez, Director, Internal Controls and Compliance
Anthony Curcio, Principal, Summit Consulting, LLC
Mark Hutson, Manager, Summit Consulting, LLC
Joe McCormack, Senior Consultant, Summit Consulting, LLC
Elena Yearly, Founder and CEO, EMY Consulting
Courtney Potter, Deputy AIG for Audits and Evaluations, OIG
Amanda Myers, Counsel, OIG

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