



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

**FISCAL YEAR 2022  
MAJOR  
MANAGEMENT  
CHALLENGES**

*September 30, 2022  
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# A Message from the Inspector General



Each year, the Office of Inspector General (OIG) identifies the major management and performance challenges facing the Export-Import Bank of the United States (EXIM). The Reports Consolidation Act of 2000<sup>1</sup> requires inspectors general to summarize the most serious management and performance challenges facing their respective agencies. This report provides Congress, EXIM’s leaders, and the American taxpayers with OIG’s independent assessment of the most significant challenges facing EXIM in FY 2022 and beyond.

OIG identified these challenges based on independent research, assessment, and judgment; our own previous oversight work; and input from senior EXIM officials, including the President and Chair, other Members of the Board of Directors, and EXIM’s senior vice presidents. Based on this analysis, OIG identified the following five top management challenges in FY 2022:

- Advancing U.S. Economic and Strategic Interests;
- Addressing Portfolio Risk;
- Managing Human Capital;
- Implementing Controls in Core Management Functions; and
- Ensuring Unity of Effort and Eliminating Organizational Stovepipes.

Each challenge is described in detail in this report. To better highlight this information, OIG is for the first time publishing our assessment of EXIM’s major management challenges as a separate report.<sup>2</sup> Although OIG identified several new challenges in FY 2022, OIG previously reported similar challenges related to human capital, internal controls, and the COVID-19 pandemic.

I hope this report will assist EXIM leaders in their efforts to improve program performance and enhance the agency’s operations. In addition, this report will inform OIG’s oversight planning and frame discussions with congressional stakeholders to ensure OIG’s discretionary oversight engagements address the most significant performance and management challenges facing EXIM.

A handwritten signature in cursive script that reads "Parisa Salehi".

**Parisa Salehi**

Inspector General

<sup>1</sup> Pub L. No. 106-531, 114 Stat. 2537 (Nov. 2000).

<sup>2</sup> OIG previously reported this information in its semi-annual reports to Congress.

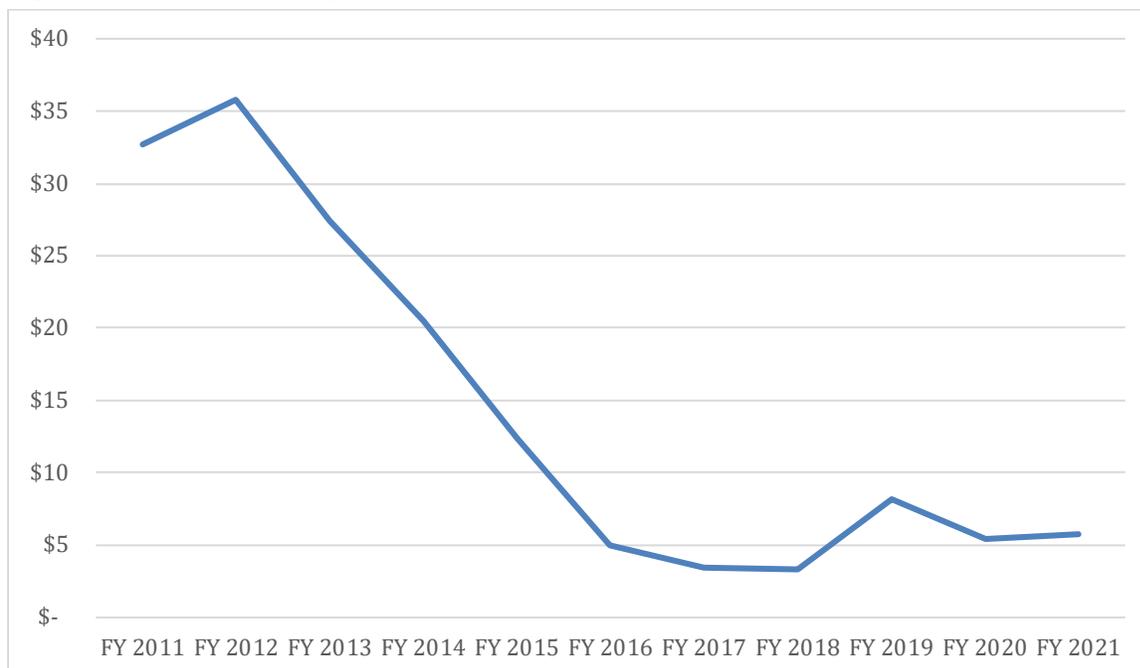
## Challenge 1: Advancing U.S. Economic and Strategic Interests

A significant challenge facing EXIM is how the agency can execute its core mission of supporting American jobs, while also advancing priority economic and strategic interests. In FY 2021, EXIM authorized a total of \$5.8 billion in transactions supporting nearly \$10 billion in export sales and 39,000 American jobs. However, as described below, these figures represent a significant decline in EXIM’s historical performance. EXIM must work to implement new mandates such as the China and Transformational Exports Program (CTEP) that seek to advance U.S. economic and strategic interests in a substantially reduced business environment.

### Resuming Business Activity

The annual value of EXIM’s authorized transactions remains significantly reduced despite EXIM efforts to resume previous levels of business activity. As previously reported, EXIM’s operations were severely impacted by events between 2015 and 2019. EXIM’s statutory authority lapsed between July 1 and December 4, 2015. Between July 2015 and May 2019, a lack of quorum on EXIM’s Board of Directors prevented the agency from authorizing transactions in excess of \$10 million. As a result, the total value of EXIM’s annual authorizations declined by nearly 84 percent—from \$20.5 billion in FY 2014 to \$3.3 billion in FY 2018. EXIM regained a Board quorum in 2019 and Congress subsequently reauthorized the agency through December 31, 2026. Despite these developments, EXIM has been unable to resume previous levels of business activity. As shown in Figure 1, below, the \$5.8 billion in total authorizations approved in FY 2021 is a significant reduction from FY 2011 and 2012 levels.

**Figure 1: Total Value of EXIM Authorizations, FY 2011–FY 2021 (\$ Billions)**



**Source:** Generated by OIG using EXIM data.

EXIM officials identified that reduced business activity was a significant challenge for the agency because it impeded its ability to promote U.S. exports and American jobs. When compared to the agency’s FY 2014 performance, EXIM’s FY 2021 authorizations resulted in a \$17.5 billion reduction in export sales and supported 125,000 fewer American jobs. EXIM officials attributed the agency’s difficulties in generating new business to uncertainties caused by the lingering effects of the COVID-19 pandemic and the long lead time required to develop medium- and long-term transactions.<sup>3</sup> As described below, EXIM officials also expressed concern that EXIM was losing competitiveness relative to foreign export credit authorities (ECAs) and needed to modernize its business practices. To address these concerns, EXIM established a new division in FY 2022 to market EXIM’s medium- and long-term programs and products to strategically significant regions and business sectors.

## Enhancing Competitiveness and Modernizing Business Practices

EXIM faces significant competition from foreign ECAs and the agency has been slow to modernize its business practices. EXIM’s 2021 Competitiveness Report<sup>4</sup> observed that foreign ECAs—including those party to the Organization of Economic Cooperation and Development’s (OECD) Arrangement on Officially Supported Export Credits—are enhancing their product offerings to address the needs of exporters or potential exporters. Moreover, EXIM observed that a substantial number of OECD Arrangement ECAs became more proactively involved in their governments’ national economic and trade goals. In her introduction to the report, EXIM’s President and Chair wrote, that “[w]hile the U.S. has taken initial steps to fold export credit into strategies to compete with China and reinvigorate domestic manufacturing capacity, America still lags behind several OECD competitors.” The 2021 Competitiveness Report also presented survey and focus group results which indicate American exporters and lenders are dissatisfied with the agency’s business practices, including the length of time required to approve transactions.

## Achieving Statutory Goals and National Interest Objectives

EXIM faces difficulties in meeting the goals associated with congressional mandates and other initiatives that seek to advance U.S. national interests. Congress directed in EXIM’s 2019 reauthorization that the agency establish CTEP, with a goal of reserving 20 percent of EXIM’s exposure cap for financing exports that compete directly with China or for exports in sensitive, high-technology industries. EXIM is also subject to similar congressional direction to make more financing available for environmentally beneficial exports, to support American small businesses, and to facilitate U.S. exports to Sub-Saharan Africa. In 2022, EXIM announced the creation of the Make More in America initiative to close supply chain gaps by providing domestic financing. Senior EXIM officials told OIG that initiatives such as CTEP and the Make More in America domestic financing initiative presented an opportunity for EXIM to diversify its portfolio and advance U.S. national interests.

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<sup>3</sup> During EXIM’s review of a draft of this report, the agency noted that business activity between 2009 and 2014 was especially high in the context of the global financial crisis and subsequent Eurozone crisis, which constrained liquidity in the global financial system. Accordingly, the agency questioned whether authorizations during this time period was the most appropriate comparison in evaluating EXIM’s current level of business activity.

<sup>4</sup> Export-Import Bank of the United States, *Report to the U.S. Congress on Global Export Credit Competition* (June 2022).

EXIM’s performance in relation to the congressional mandates, described above, decreased in recent years. Between FY 2020 and 2021, total authorizations supporting small businesses declined by \$454.3 million (21.8 percent), while total authorizations in support of environmentally beneficial exports and exports to Sub-Saharan Africa declined by \$20.7 million (22.4 percent) and \$94.1 million (68.7 percent), respectively. EXIM authorized \$141.3 million in transactions in support of the CTEP mandate in FY 2021, the first full year in which CTEP was fully operational. Although EXIM reserved 20 percent of total financing authority for such transactions, the authorized total represented 2.5 percent of total authorizations and less than 0.1 percent of EXIM’s total financing authority. In FY 2022, OIG conducted an audit of EXIM’s implementation of key provisions of the 2019 reauthorization. OIG found that EXIM made limited progress in authorizing transactions in support of CTEP and exports of renewable energy, energy efficiency, and energy storage technologies.<sup>5</sup>

Several obstacles hindered EXIM in achieving its congressional mandates and other national interest objectives. For example, EXIM had not allocated dedicated resources for the Make More in America initiative. Senior officials interviewed by OIG also lacked a common understanding of the appropriate role of the initiatives in relation to the agency’s core lending activities. Although some officials interviewed by OIG believed EXIM should more aggressively pursue projects that advance specific national interests like competition with China, other EXIM officials indicated they believe such transactions compete with the agency’s core lending activities. Finally, several EXIM officials told OIG that increased risks associated with certain transactions complicated EXIM’s ability to achieve congressional mandates. Most notably, transactions related to CTEP involve increased technology and other risks, making them more difficult to develop and approve.

## Challenge 2: Addressing Portfolio Risk

In FY 2022, EXIM faced challenges as it attempted to manage default and concentration risks. EXIM experienced an increase in defaults on credits within its active portfolio since the onset of the COVID-19 pandemic. More recently, global inflationary pressures and Russia’s 2022 war against Ukraine have impacted the performance of some transactions. Accordingly, the OIG anticipates these challenges will persist in the upcoming fiscal year.

### Managing Default Risk

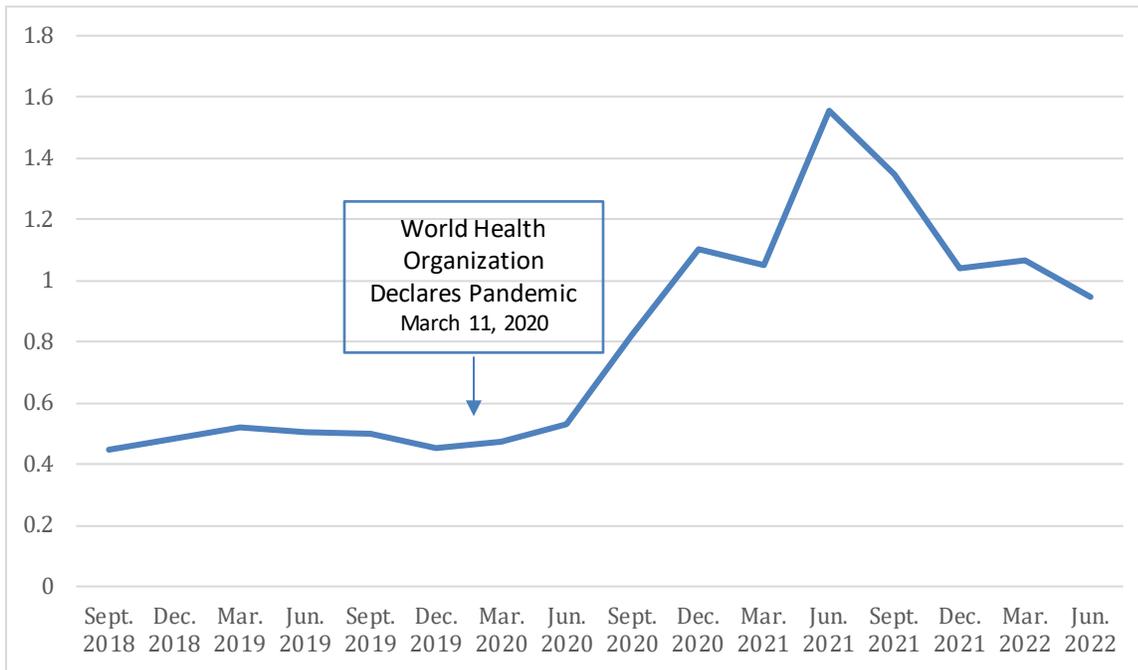
Managing EXIM’s default rate was a significant challenge for the agency in FY 2022. EXIM is required by law to report quarterly on the rate at which entities the agency has provided short-, medium-, or long-term financing are in default on a payment obligation. Although EXIM’s reported default rate has historically been less than 1 percent, it increased to a peak of 1.56 percent in June 2021. As shown in Figure 2, below, EXIM’s default rate has since declined. However, at the time OIG produced this report, EXIM officials estimated that the rate would again increase at the conclusion of FY 2022. The increase in EXIM’s default rate is, in part, a result of external geopolitical and macroeconomic factors such as the ongoing effects of the COVID-19 pandemic on economies and certain sectors, Russia’s 2022 war against Ukraine, and

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<sup>5</sup> OIG, *Audit of EXIM’s Implementation of Key Provisions of the 2019 Reauthorization Act and Other Priorities*, (OIG-AR-22-08, September 30, 2022).

global inflationary pressures. However, the effect of non-performing credits on EXIM’s default rate was amplified by reduced business activity and the declining value of EXIM’s portfolio.

**Figure 2: EXIM Default Rate, FY 2019 – Present (Percent)**



**Source:** Generated by OIG using EXIM data.

Further default rate increases have the potential to significantly affect EXIM’s ability to accomplish its mission of supporting U.S. jobs and facilitating the export of U.S. goods and services. EXIM is subject to a statutory two percent default rate cap, at which point the agency’s lending cap would freeze. Several senior EXIM officials told OIG that the consequences of hitting the default rate cap presented an “existential threat” to the agency. Other officials expressed concern that the default rate cap prevented EXIM from pursuing riskier transactions that advance U.S. national interests, such as congressionally mandated work related to the CTEP as well as potential transactions in furtherance of the Administration’s priorities. OIG initiated a review of EXIM’s practices to manage the default rate in June 2022 and will report results in early FY 2023.

## Diversifying EXIM’s Portfolio

EXIM’s active portfolio may be at increased risk of default because the agency has not sufficiently managed concentration risk. In FY 2021, the aircraft industry was EXIM’s largest single sector of exposure, followed by oil and gas.<sup>6</sup> Combined, these two sectors accounted for more than \$26.3 billion in exposure or 63.8 percent of EXIM’s total exposure. Senior EXIM officials told OIG this lack of diversification in the agency’s portfolio magnified the effects of risk events like the COVID-19 pandemic, which has contributed to recent increases in EXIM’s default rate. Despite ongoing efforts to diversify its portfolio, EXIM has struggled to generate business

<sup>6</sup> In FY 2022, commodities overtook the airline industry to become EXIM’s largest sector of exposure.

in other sectors, including in sectors for which EXIM has a congressional mandate. For example, EXIM only authorized \$11.7 million to support U.S. exports related to renewable energy in FY 2021. This total was a decrease of more than half from FY 2020 volumes despite EXIM having a statutory requirement to promote exports of renewable energy.<sup>7</sup> EXIM noted that generating business in areas such as areas still required that the associated transactions be creditworthy and align with EXIM's statutory and policy requirements, including the requirement that EXIM financing not compete with private sector financing. In FY 2022, EXIM produced an updated strategic plan that included a goal addressing portfolio concentration risk.<sup>8</sup>

## Challenge 3: Managing Human Capital

OIG previously identified human capital as a major management challenge for EXIM; human capital management continued to be a challenge in FY 2022. As described below, nearly a quarter of EXIM's workforce is currently eligible for retirement and the agency lacks specialized expertise in key areas. EXIM's increasing in-office presence as the COVID-19 pandemic subsides also impacted agency staffing in FY 2022.

### Recruiting and Retaining a Skilled Workforce

EXIM faces persistent challenges recruiting and retaining a skilled workforce. Nearly a quarter of EXIM's workforce—23 percent—is currently retirement eligible. In the next 5 years, the percentage of retirement eligible employees will increase to an estimated 38 percent. EXIM's percentage of retirement eligible employees exceeds the U.S. Government average.<sup>9</sup> In interviews with OIG, senior EXIM officials said the agency had not sufficiently planned for anticipated retirements and that some recent retirements left EXIM understaffed in specialized areas.

In FY 2022, EXIM developed new guidance to enhance succession planning and minimize risks associated with EXIM's aging workforce. However, EXIM faces difficulties competing with other Federal agencies and the private sector for talent. In some cases, EXIM lacks employees with specialized expertise related to the agency's mission. EXIM requires employees with the specialized banking, legal, technical, and policy expertise to execute its mission. EXIM competes for such talent with the private sector and other Federal agencies, including some with special pay authorities related to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. EXIM officials also told OIG that the agency's lapse in authorization and lack of Board quorum from 2015 to 2019 resulted in increased employee attrition and may be deterring some candidates from seeking employment with EXIM. Senior officials told OIG that, in some cases, the agency lacked or had difficulty recruiting employees with specialized expertise. For example, EXIM faces difficulties recruiting specialized talent related to IT, as well as expertise

<sup>7</sup> During EXIM's review of this report, the agency indicated it made progress increasing authorizations related to renewable energy in FY 2022. At the time this report was published, EXIM reported that it had authorized \$52.6 million in FY 2022 transactions to support U.S. exports related to renewable energy.

<sup>8</sup> Export-Import Bank of the United States, *Strategic Plan FY 2022-2026* (April 2022).

<sup>9</sup> In 2018, Office of Personnel Management data indicated that 14 percent of the federal workforce was retirement eligible. OIG was not able to obtain more recent data in advance of the publication deadline for this report.

related to EXIM’s congressional mandates such as CTEP which involve national security and high-technology fields.

EXIM’s human capital challenges, described above, are complicated by long-standing issues associated with its human resources support. In 2016, a small agency compliance review conducted by the Office of Personnel Management identified deficiencies in EXIM’s human resource processes. A subsequent review by the same office in 2021 revealed improvements. Nevertheless, challenges remain. Notably, EXIM lacked a permanent chief human capital officer for the duration of FY 2022, requiring EXIM’s Chief Management Officer to serve concurrently in that role. During interviews with OIG, senior EXIM officials said hiring actions generally required long lead times and, in some cases, did not yield candidates of sufficient quality.

### Adapting EXIM’s Post-Pandemic Operations

The COVID-19 pandemic continued to affect EXIM operations in FY 2022, including its in-office presence. EXIM executed reentry of its employees in March 2022. As part of this policy, EXIM required all employees to physically report to its workspaces a minimum number of days each week; EXIM planned to increase regular in-office presence in 2023. EXIM officials told OIG the agency’s implementation of this decision negatively impacted employee morale. Specifically, some EXIM employees viewed the decision as inconsistent with past agency guidance that suggested EXIM would maximize telework and remote work flexibilities. Other employees expressed concern about the health and safety implications of EXIM’s increased in-office presence. Two of the 15 employees<sup>10</sup> who departed EXIM following the March 2022 reentry decision explicitly stated they left the agency because of their unwillingness to report to the physical workspace.

## Challenge 4: Implementing Controls in Core Management Functions

EXIM made progress in FY 2022 improving its internal controls, but additional steps are required. OIG previously identified internal controls and EXIM’s declining resource allocation as a management challenge for the agency. As described below, the agency’s limited budgetary resources also presented challenges.

### Implementing Effective Internal Controls

EXIM made progress developing and implementing an effective internal controls program in FY 2022; however, additional action is required. In a recent audit, OIG found that EXIM lacked effective internal controls over its improper payment annual review process.<sup>11</sup> Similarly, OIG’s audit of EXIM’s FY 2021 financial statements identified three internal control deficiencies; although they were not deemed significant deficiencies.<sup>12</sup> Finally, an OIG audit of EXIM’s procurement practices identified the improper award of approximately \$4.1 million in contract

<sup>10</sup> This figure does not reflect interns who departed during the same period.

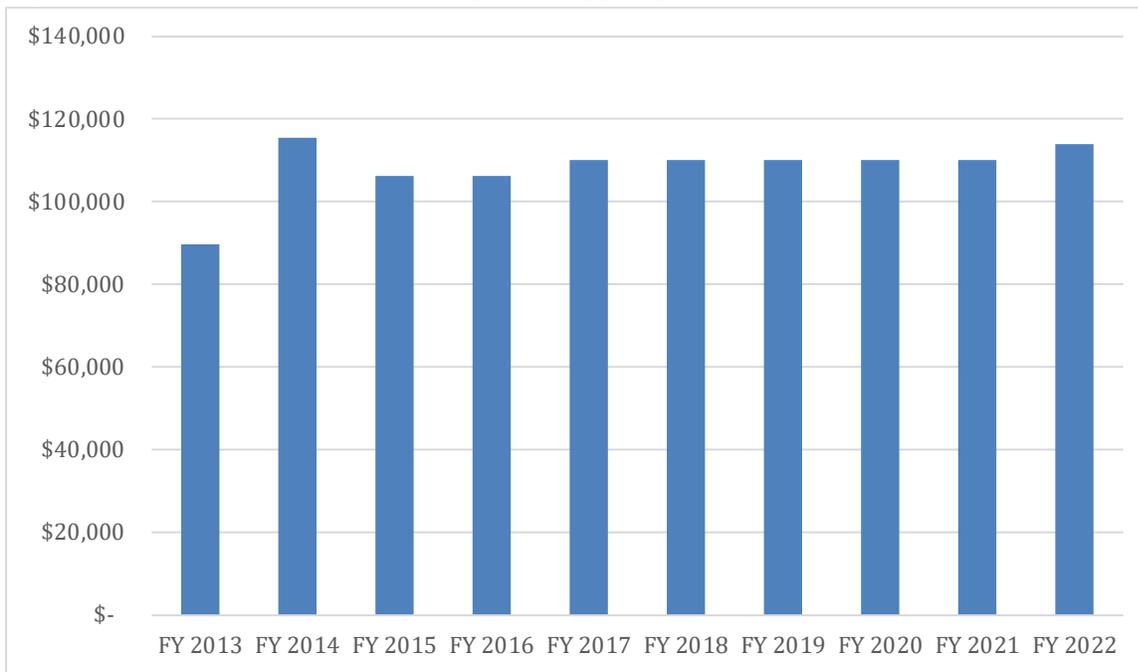
<sup>11</sup> OIG, *Independent Auditors’ Report on EXIM’s Compliance with the Payment Integrity Information Act of 2019 for FY 2021*, (OIG-AR-22-05, June 28, 2022).

<sup>12</sup> OIG, *Audit of the Export-Import Bank of the United States Fiscal Year 2021 Financial Statements*, (OIG-AR-22-02, November 12, 2021).

task orders.<sup>13</sup> These improper awards occurred, in part, because EXIM lacked sufficient internal controls related to its procurement processes. Despite these findings, OIG observed improvements in FY 2022. For example, OIG’s audit of EXIM’s information security program found that the agency’s information security program and practices were effective and that the agency successfully remediated the three deficiencies reported in OIG’s FY 2021 FISMA performance audit.<sup>14</sup> During interviews with OIG, EXIM officials also described actions they were taking to improve the agency’s internal control program.

## Managing Limited Resources

**Figure 3: EXIM Administrative Expense Appropriations, FY 2013–FY 2022 (\$ Thousands)**



Source: OIG.

EXIM’s limited budget for administrative operations requires the agency to carefully target resources to ensure the agency adequately performs mission-critical functions. As shown in Figure 3, above, EXIM’s appropriated funding for administrative operations has not kept pace with inflation or recent expansions to EXIM’s statutory mission.<sup>15</sup> Although EXIM received a \$4 million increase in its FY 2022 administrative expense appropriation, EXIM officials told OIG that budget constraints prevented the agency from fully funding all requirements. For example, EXIM employees reported that budget constraints caused the agency to defer modernization of legacy IT systems nearing the end of their life cycle. Such an action, while minimizing up-front costs, will result in greater recurring costs to the taxpayer. EXIM officials also expressed concern about the agency’s ability to absorb anticipated cost increases on multi-year IT contracts.

<sup>13</sup> OIG, *Audit of EXIM’s Contracting Process for Awarding Task Orders Under OASIS SB*, (OIG-AR-22-06, September 30, 2022).

<sup>14</sup> OIG, *Independent Audit on the Effectiveness of EXIM’s Information Security Program and Practices Report – Fiscal Year 2021*, (OIG-AR-22-04, February 11, 2022).

<sup>15</sup> For example, EXIM’s 2019 reauthorization directed that the agency create the China and Transformational Exports Program.

## Challenge 5: Ensuring Unity of Effort and Eliminating Stovepipes

Poor coordination and dispersed authority continue to be a root cause of some of EXIM’s management challenges, described above. Senior EXIM officials told OIG the organization had not put in place corporate processes to ensure unity of effort and accountability. Officials also told OIG that EXIM’s organizational structure created stovepipes which impeded information sharing. Specifically, multiple senior officials described challenges obtaining timely and comprehensive information from different EXIM operating units. Agency officials also expressed concern that that operating units were afforded too much autonomy and that the agency lacked the corporate processes necessary to ensure transparent, inclusive, and data-driven decision making. For example, officials told OIG this lack of internal transparency impeded EXIM’s ability to reallocate staffing and other resources to the agency’s top priorities.

EXIM’s current President and Chair was sworn into office on February 16, 2022 and took some action to improve internal communication. For example, the Chair recruited a new employee to serve as chief of staff and was considering additional governance reforms at the time this report was published. Nevertheless, EXIM officials told OIG that vacancies in key agency positions, such as that of the Chief Banking Officer,<sup>16</sup> impeded efforts to improve internal processes and execute the Chair’s vision for the organization.

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<sup>16</sup> At the time of this report’s publication, the position of Chief Banking Officer was filled by an employee serving in an acting capacity.

## HOW TO REPORT FRAUD, WASTE, AND ABUSE

The Inspector General Act of 1978, as amended, empowers the Inspector General (IG) to 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, EXIM 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:

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Export-Import Bank of the U.S.  
811 Vermont Avenue, NW  
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