



May 2019

EXPORT-IMPORT BANK

EXIM Should Explore Using Available Data to Identify Applicants with Delinquent Federal Debt

GAO Highlights

Highlights of [GAO-19-337](#), a report to congressional committees

Why GAO Did This Study

As the export credit agency of the United States, EXIM's mission is to help support U.S. jobs by facilitating the export of U.S. goods and services through direct loans, loan guarantees, working capital guarantees, and credit insurance. In September 2018, the total outstanding and undisbursed amount of these products and unrecovered default claims was about \$60.5 billion, according to EXIM.

The Export-Import Bank Reform Reauthorization Act of 2015 included a provision for GAO to review EXIM's antifraud controls. This report (1) describes key antifraud controls EXIM says it has for mitigating fraud risks identified by GAO, and describes EXIM's efforts to perform a fraud risk assessment that considers these fraud risks; and (2) identifies EXIM's procedures to detect delinquent federal debt owed by applicants and participants, and assesses additional opportunities to use readily available data to do so. GAO analyzed 44 EXIM-associated court cases of fraud adjudicated from calendar years 2012 through 2017, examined EXIM transaction data, and interviewed EXIM and GSA officials. GAO also analyzed data identifying delinquent federal debt as well as EXIM's procedures for doing so.

What GAO Recommends

GAO is recommending that EXIM assess the practicality of using available SAM data and data-analytical approaches to detect applicants and participants with potential delinquent federal debt. EXIM concurred with GAO's recommendations.

View [GAO-19-337](#). For more information, contact Seto J. Bagdoyan at (202) 512-6722 or bagdoyans@gao.gov.

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EXIM Should Explore Using Available Data to Identify Applicants with Delinquent Federal Debt

What GAO Found

The Export-Import Bank of the United States (EXIM) reported having antifraud controls in place for mitigating the fraud risks that GAO identified and communicated to EXIM officials. GAO reviewed 44 EXIM-associated court cases involving fraud and identified fraud risks involving the four fraud risk factors illustrated in the figure below. GAO communicated these fraud risks to EXIM officials, and they provided examples of antifraud controls they use to help mitigate these fraud risks for their major financing products. In February 2019, EXIM also provided documentation reflecting its efforts to conduct a fraud risk assessment that considered various fraud risks affecting its major financing product lines, including fraud risks GAO identified during this review.

Four Fraud Risk Factors GAO Identified during Its Examination of 44 Court Cases Adjudicated from Calendar Years 2012 through 2017



Source: GAO analysis of Export-Import Bank of the United States (EXIM) information. | GAO-19-337

EXIM has procedures to identify applicants and participants with delinquent federal debt, such as obtaining applicants' credit reports that may indicate these debts when they apply to EXIM's financing programs. However, EXIM is missing additional opportunities to use readily available data containing delinquent federal debt indicators from the General Services Administration's (GSA) System for Award Management (SAM) to detect applicants and participants that may have delinquent federal debt. Federal law states that applicants who are delinquent on federal nontax debts may not receive federal direct loans, loan guarantees, or loan insurance until the delinquent debt is satisfactorily resolved. Using data from SAM, GAO found that, from calendar years 2014 through 2016, EXIM authorized transactions that had an aggregate authorization value of about \$1.7 billion and were associated with 32 U.S.-based companies that had a delinquent federal debt indicator in SAM in the same month EXIM authorized these transactions. While these results alone do not mean EXIM should have suspended these transactions, they do indicate that there is a practical opportunity to use SAM data to help determine applicants' eligibility. Without assessing the practicality of pursuing such readily available data, EXIM is potentially forgoing opportunities to perform additional due diligence that would help inform its decisions about applicants' and participants' program eligibility and fraud risks.

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Abbreviations

CRTI	Character, Reputational, and Transaction Integrity
EXIM	Export-Import Bank of the United States
FAR	Federal Acquisition Regulation
Fraud Risk Framework	<i>A Framework for Managing Fraud Risks in Federal Programs</i>
Green Book	Standards for Internal Control in the Federal Government
GSA	General Services Administration
OMB	Office of Management and Budget
SAM	System for Award Management

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May 23, 2019

Congressional Committees

The mission of the Export-Import Bank of the United States (EXIM) is to help support American jobs by facilitating the export of U.S. goods and services. EXIM is a wholly-owned government corporation that serves as the export credit agency of the United States, and, according to EXIM, it is intended to serve as a financier of last resort for U.S. companies that seek to sell and export their goods or services to foreign buyers and that cannot obtain private financing for their deals. Thus, EXIM is intended to assume the credit and country risks that the private sector is unable or unwilling to accept.¹

To support U.S. exports, EXIM offers four financing programs (also known as financing products)—direct loans, loan guarantees, working capital loan guarantees, and export-credit insurance. In accordance with federal law, applicants for these financing programs who are delinquent on certain federal debts may not receive federal financial assistance from EXIM until they satisfactorily resolve the delinquency or are granted a waiver.² According to EXIM officials, the agency's financing programs support tens of thousands of American jobs and enable billions of dollars in U.S. export sales annually. EXIM is backed by the full faith and credit of the U.S. government, which means taxpayers could be responsible for losses arising from EXIM's operations, including losses due to fraud.³ Total actual outstanding exposure, as of September 2018, was \$60.5 billion, according to EXIM.⁴

¹See, 12 U.S.C. § 635. EXIM is a wholly-owned government corporation, as defined in 31 U.S.C. § 9101(3)(C).

²31 U.S.C. § 3720B.

³EXIM officials told us the agency sets aside reserves to cover all expected losses, so that it would only be in extreme circumstances that taxpayers would be responsible for EXIM's losses.

⁴For both financial-statement and analytical purposes, EXIM defines outstanding exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance, including any unrecovered balances of payments made on default claims submitted to and approved by EXIM. The claims payments are made by EXIM while acting as guarantor or insurer under the export guarantee and insurance programs. According to EXIM, exposure does not include accrued interest or transactions pending final approval.

EXIM requires periodic reauthorization from Congress. Congress last did so in 2015,⁵ after a debate that included discussion of fraud risks at EXIM.⁶ As part of its 2015 reauthorization, Congress included a provision in statute for us to review the adequacy of the design and effectiveness of EXIM's antifraud controls, and review a sample of EXIM transactions, within 4 years of reauthorization.⁷ This review is the second of two that we conducted to meet this congressional mandate prior to the expiration of EXIM's current authorization in September 2019.

In our first report, issued in July 2018,⁸ we assessed EXIM's fraud risk management practices against leading practices of GAO's *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework).⁹ We found that EXIM, in managing its vulnerability to fraud, had adopted some of the leading practices called for in the Fraud Risk Framework. For example, EXIM had identified a dedicated entity within the agency to lead fraud risk management, which is one of the leading practices of the framework. However, we found that EXIM was not planning and conducting regular fraud risk assessments as called for in the Fraud Risk Framework. At the time, EXIM officials told us they planned to implement the framework, but did not provide us documentation describing in detail how they would ensure that their planned fraud risk assessment was consistent with leading practices of the framework. As a result, we recommended, among other things, that EXIM should ensure that its

⁵Export-Import Bank Reform Reauthorization Act of 2015, Pub. L. No. 114-94, div. E, title LI, 129 Stat. 1312, 1763–71 (2015). EXIM's authority to approve transactions lapsed from July 1, 2015, through December 4, 2015, a period when Congress had not reauthorized EXIM.

⁶Discussion of fraud risks included an EXIM employee's guilty plea in federal court to charges of bribery, among other misconduct. According to EXIM's Office of the Inspector General, the former loan officer pleaded guilty to one count of bribery of a public official, for accepting more than \$78,000 in bribes in return for expediting the bribe-payer's applications and overlooking the bribe-payer's previous defaults in his recommendation to approve subsequent transactions guaranteed by EXIM.

⁷This review is to also occur every 4 years thereafter. See 12 U.S.C. § 635a-6(b).

⁸GAO, *Export-Import Bank: The Bank Needs to Continue to Improve Fraud Risk Management*, [GAO-18-492](#) (Washington, D.C.: July 19, 2018).

⁹GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015). Each of the Fraud Risk Framework's four *components* is broken down into *overarching concepts*, which in turn include *leading practices* that demonstrate ways for program managers to carry out the overarching concepts. We use the components, overarching concepts, and leading practices nomenclature throughout this report.

fraud risk assessments and fraud risk profile address known methods of fraud and other inherent fraud risks. EXIM agreed with this recommendation. In February 2019, EXIM provided documentation reflecting its efforts to implement the recommendations from our July 2018 report. GAO requested additional documentation from EXIM to evaluate the extent to which EXIM has implemented these recommendations and will continue to monitor EXIM's progress in implementing these recommendations.

In this second report, we (1) describe key antifraud controls EXIM says it has for mitigating fraud risks we identified in closed cases of fraud, and describe EXIM's efforts to perform a fraud risk assessment that considers these fraud risks; and (2) identify EXIM's procedures for detecting delinquent federal debt owed by applicants and participants, and assess additional opportunities to use readily available data to do so.¹⁰

To describe key antifraud controls EXIM says it has for mitigating fraud risks identified in closed cases of fraud, we first identified closed cases of alleged fraud associated with EXIM's programs that were adjudicated from calendar years 2012 through 2017.¹¹ We identified 44 cases that fit our selection criteria. These cases were identified by reviewing press releases from EXIM's Office of the Inspector General; press releases from the U.S. Department of Justice; and court documents. We examined the closed cases to determine the fraud risks associated with each. Although we examined all known adjudicated fraud cases from calendar years 2012 through 2017, these cases are not necessarily representative of the extent or the types of presently undiscovered fraud or fraud risks that may exist across all EXIM financing products. In this report, we do not disclose the specific fraud risks we identified so that potential perpetrators of fraud do not become aware of their existence. Instead,

¹⁰In this report, we define "applicants" to include buyers, borrowers, exporters, and guaranteed lenders applying to EXIM's financing programs during the preauthorization (i.e., underwriting) phase. We define "participants" to include buyers, borrowers, exporters, and guaranteed lenders participating in EXIM's financing programs during the postauthorization (i.e., maturity) phase, which could also include applicants. We include these entities in our definition of "applicants" and "participants" because EXIM officials told us that EXIM generally applies the restrictions regarding delinquent Federal Debtors described in 31 U.S.C. § 3720B to these entities.

¹¹We chose this period to capture cases adjudicated within 5 years of when we began our audit work. Given that it takes time for cases of alleged fraud to be adjudicated, the fraudulent transactions that occurred in these 44 cases may have actually occurred in years prior to 2012.

this report generally describes the “fraud risk factors” that potentially presented an opportunity for the fraud risk to occur.¹² See appendix I for the results of our analysis of the 44 closed cases of alleged fraud.

Following our identification of the fraud risks from the closed cases, we then identified key antifraud controls EXIM reported having in place by reviewing the practices, policies, and procedures that EXIM currently uses to mitigate the fraud risks. To describe EXIM’s efforts to perform a fraud risk assessment that considers these fraud risks, we interviewed appropriate EXIM management responsible for antifraud activities to inquire about such plans and reviewed documentation supporting EXIM’s efforts in this regard. These interviews included EXIM’s chief operating officer; assistant general counsel for litigation, fraud and compliance; and the vice president of the Credit Review and Compliance Division.

To identify EXIM’s procedures for detecting delinquent federal debt owed by applicants and participants, we reviewed EXIM’s Loan Guarantee and Insurance Manual and program financing applications. Additionally, we interviewed and received written responses from appropriate senior EXIM management, including EXIM’s chief operating officer; vice president and deputy chief operating officer; chief information officer; and senior vice president for strategy and performance. In assessing opportunities for EXIM to use readily available data to detect delinquent federal debt owed by applicants and participants, we requested and combined selected EXIM participant and transaction data and matched these data, using participants’ unique Tax Identification Numbers and Data Universal Numbering System numbers, to a limited data set of entity registrants from the General Services Administration’s (GSA) System for Award Management (SAM).¹³ SAM is a government-wide acquisition and award support system intended to make the process of doing business with the

¹²According to GAO’s Fraud Risk Framework, a “fraud risk factor” describes what conditions or actions are most likely to cause or increase the chances of a fraud risk occurring. This may reflect fraud risk factors highlighted in the *Standards for Internal Control in the Federal Government*. See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014), commonly known as the “Green Book.”

¹³These EXIM data covered all four EXIM financing products; specifically, transactions authorized from calendar year 2014 through calendar year 2016. The SAM entity registration data contain entities that registered to do business with the federal government from calendar year 2014 to calendar year 2016, which we obtained from GSA.

federal government more efficient.¹⁴ Federal agencies can also use SAM to search entities' financial information, including financial information pertaining to an entity's "Debt Subject to Offset" status, which could indicate that the entity has delinquent federal tax or nontax debt. Our analysis included the same entities that EXIM officials told us EXIM includes in its underwriting approach. For example, as mentioned above, our analysis included buyers, borrowers, exporters, and guaranteed lenders applying to EXIM's financing programs, because EXIM officials told us that the agency applies the 31 U.S.C. § 3720B restrictions to these applicants. We did not include suppliers, because EXIM officials told us EXIM does not apply the 31 U.S.C. § 3720B restrictions to these entities. On the basis of our discussions with EXIM and GSA officials and our own testing of the data, we concluded that the data elements used for this work were sufficiently reliable for the purposes of this report.

We conducted this performance audit from October 2017 to April 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.





Background

EXIM Financing Product Types

As described in figure 1, to support U.S. exports, EXIM offers four major types of financing products: direct loans, loan guarantees, export-credit insurance, and working capital guarantees. Regardless of type, EXIM's financing products generally have one of three maturity periods: Short-term transactions are for less than 1 year; medium-term transactions are from 1 to 7 years long; and long-term transactions are more than 7 years.

¹⁴While businesses do not have to register in SAM to do business with EXIM, domestic or foreign business entities must register in SAM if they also plan to conduct business as a contractor for the federal government under the Federal Acquisition Regulation (FAR).

Figure 1: Major Types of Financing Products Provided by EXIM

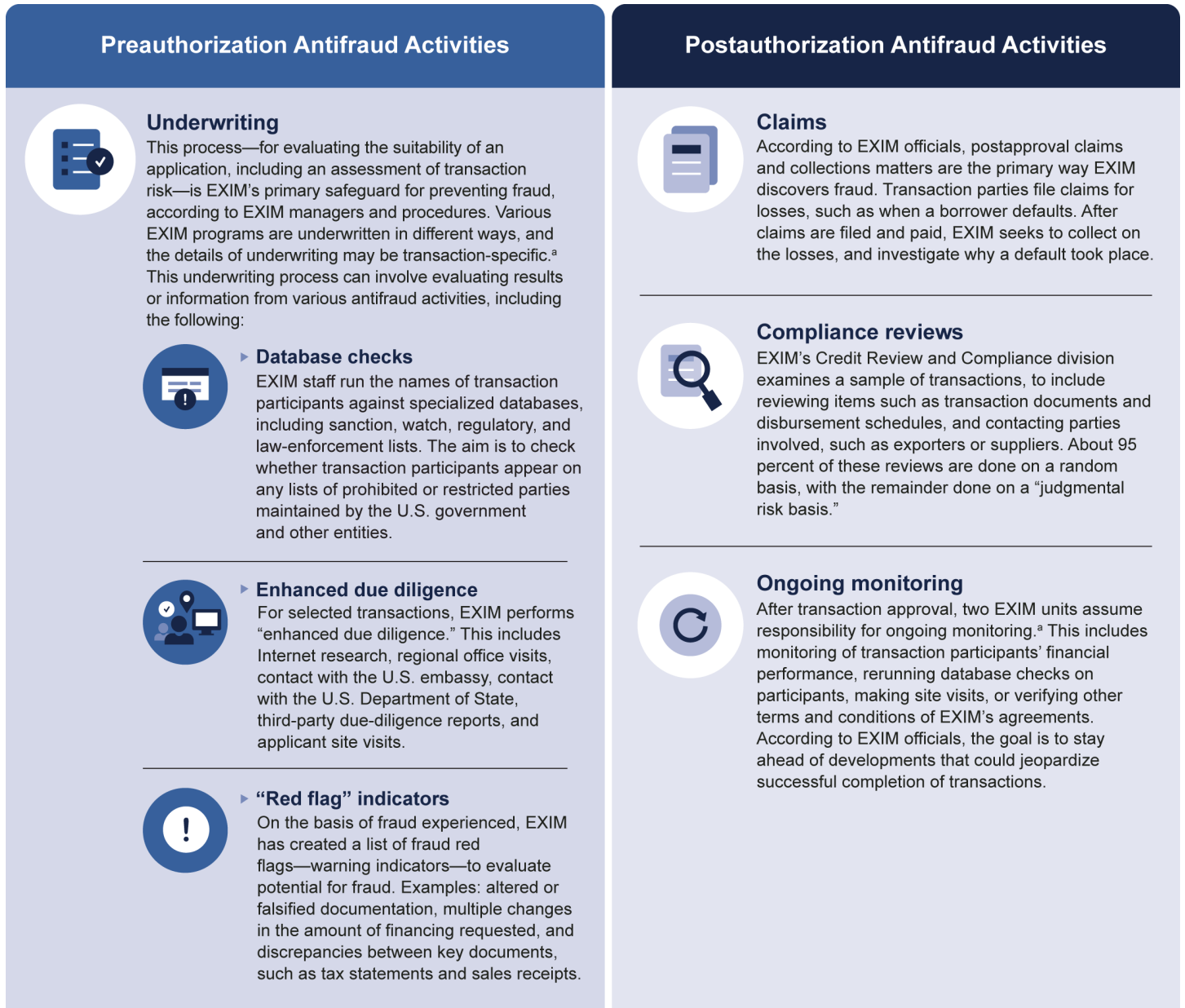
Type of financing	Description
 Direct loan	The Export-Import Bank of the United States (EXIM) lends money to a foreign buyer, to finance the buyer's purchase of goods or services from a U.S. exporter.
 Loan guarantee	A private-sector financial institution lends money to a foreign buyer of U.S. goods or services, and EXIM guarantees repayment of the loan to the financial institution.
 Credit insurance	EXIM insures payments due to a U.S. exporter or lender after sale of goods or services to a foreign buyer.
 Working capital	A form of loan guarantee. EXIM guarantees loans by private lenders to U.S. exporters for working capital funds, which are used to produce or market goods and services for export.

Source: GAO presentation of information from EXIM and the Congressional Research Service. | GAO-19-337

As we reported in July 2018, for all financing types, EXIM currently conducts a number of preauthorization and postauthorization antifraud activities. See the examples shown in figure 2.¹⁵

¹⁵Many transactions are underwritten by EXIM staff. Some transactions—medium-term and working capital loan guarantees—rely on underwriting by outside lenders under delegated authority. Under such authority, the outside lenders act on EXIM's behalf, and their transactions receive the same guarantees as EXIM-underwritten transactions. In such delegated transactions, EXIM requires and relies on antifraud provisions imposed by the outside lenders' financial regulators. These lenders also perform their own due-diligence checks before authorizing funding.

Figure 2: Examples of Export-Import Bank of the United States (EXIM) Preauthorization and Postauthorization Antifraud Activities



Source: EXIM. | GAO-19-337

^aAccording to EXIM procedures: “In all [EXIM] programs, the underwriters and loan officers (to the extent the loan officers are different than the underwriters), as well as [others who may be involved in processing the transaction] should be aware of the risks of fraud in their transactions, should be alert to indications of fraud, and should consider fraud risks in the course of underwriting.” According to

EXIM managers, the Transportation Portfolio Management Division monitors transactions such as helicopters, corporate aircraft, and commercial jetliners. The Asset Management Division monitors nontransportation transactions, ranging from small working capital deals up to multi-billion-dollar projects.

Fraud Risk Management

Fraud and “fraud risk” are distinct concepts. Fraud—obtaining something of value through willful misrepresentation—can be challenging to detect and adjudicate because of its deceptive nature. Fraud risk exists when individuals have an opportunity to engage in fraudulent activity, have an incentive or are under pressure (e.g., financial pressures) to commit fraud, or are able to rationalize committing fraud. When fraud risks can be identified and mitigated, fraud may be less likely to occur. Although the occurrence of fraud indicates there is a fraud risk, a fraud risk can exist even if actual fraud has not yet been identified or adjudicated.

According to the *Standards for Internal Control in the Federal Government*, executive-branch agency managers are responsible for managing fraud risks and implementing practices for combating those risks.¹⁶ Specifically, federal internal control standards call for agency management officials to assess the internal and external risks (including fraud risks) their entities face as they seek to achieve their objectives. The standards state that as part of this overall assessment, management should consider the potential for fraud when identifying, analyzing, and responding to risks.¹⁷ Risk management is a formal and disciplined practice for addressing risk and reducing it to an acceptable level.¹⁸

The leading practices in the Fraud Risk Framework call for agencies to identify inherent fraud risks affecting the program, examine the suitability of existing fraud controls, and then prioritize mitigating “residual” fraud risks—that is, risks remaining after antifraud controls are adopted. Specifically, according to the assess component of the Fraud Risk Framework, managers who effectively assess fraud risks attempt to fully consider the specific fraud risks the agency or program faces, analyze the potential likelihood and impact of fraud schemes, and then ultimately document prioritized fraud risks. Moreover, managers can use the fraud risk assessment process to determine the extent to which controls may

¹⁶GAO-14-704G.

¹⁷GAO-14-704G.

¹⁸MITRE, *Government-wide Payment Integrity: New Approaches and Solutions Needed* (McLean, Va.: February 2016).

no longer be relevant or cost-effective. Leading practices that are consistent with this component include

- conducting quantitative or qualitative fraud risk assessments at regular intervals, or both, of the likelihood and impact of inherent risks on the program's objectives, and determining the agency's risk tolerance for the inherent fraud risks;
- identifying specific sources for gathering information about fraud risks, including information on fraud schemes that are reflected in adjudicated cases of fraud;
- examining the suitability of existing fraud controls for preventing fraud and mitigating fraud risks identified;¹⁹ and
- documenting in the program's fraud risk profile the analysis of the types of inherent fraud risks assessed, their perceived likelihood and impact, managers' risk tolerance, and the prioritization of the inherent fraud risks and any residual fraud risks.

As we reported in July 2018, the Fraud Reduction and Data Analytics Act of 2015 requires the Office of Management and Budget (OMB) to establish guidelines that incorporate the leading practices of GAO's Fraud Risk Framework. The act also requires federal agencies to submit to Congress a progress report each year, for 3 consecutive years, on implementation of the risk management and internal controls established under the OMB guidelines.²⁰ OMB published guidance under OMB Circular A-123 in 2016 affirming that federal managers should adhere to the leading practices identified in the Fraud Risk Framework. As we reported in December 2018, EXIM identifies itself as subject to the act, and, as such, follows it.²¹ The Fraud Risk Framework is also aligned with

¹⁹According to the Fraud Risk Framework, preventive fraud control activities generally offer the most cost-effective investment of resources in fraud risk management. Therefore, effective managers of fraud risks focus their efforts on fraud prevention in order to avoid pursuing a costly "pay-and-chase" approach, to the extent possible, which refers to the practice of detecting fraudulent transactions and attempting to recover funds after payments have been made.

²⁰See Office of Management and Budget, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular No. A-123 (July 15, 2016).

²¹See GAO, *Fraud Risk Management: OMB Should Improve Guidelines and Working-Group Efforts to Support Agencies' Implementation of the Fraud Reduction and Data Analytics Act*, [GAO-19-34](#) (Washington, D.C.: Dec. 4, 2018).

federal internal control standards, specifically Principle 8 (“Assess Fraud Risk”) of the Green Book.²²

Federal internal control standards also state that excessive pressures, such as financial pressures (e.g., delinquent federal debt), can pose a fraud risk factor to agency programs as these pressures can provide an incentive or motive to commit fraud. Although the existence of financial pressure alone does not necessarily indicate that fraud exists or will occur, financial pressure is often present when fraud does occur.

Delinquent Federal Debt and EXIM Financing Programs

Applicants for EXIM programs who have delinquent federal debt may not be able to obtain certain types of financing until they resolve their debts. Specifically, under 31 U.S.C. § 3720B, applicants who are delinquent on federal nontax debts may not receive federal financial assistance, including such assistance provided by EXIM, until they satisfactorily resolve the delinquency (e.g., pay in full or negotiate a new repayment plan). However, 31 U.S.C. § 3720B also provides that an agency head may waive this restriction. Additionally, OMB’s Circular No. A-129, Policies for Federal Credit Programs and Non-Tax Receivables, prescribes to agencies the policies, procedures, and standards for screening program participants to determine whether they are delinquent on any federal debt when applying to federal credit programs.²³

²²As we reported in July 2018, EXIM told us it is not subject to the *Standards for Internal Control in the Federal Government* (i.e., the Green Book) because it is a government-owned corporation, but voluntarily seeks to follow Principle 8 of the federal internal control standards. Principle 8 requires federal managers to consider the potential for fraud when identifying, analyzing, and responding to risks; this can include considering types of fraud, fraud risk factors, and fraud risks. See [GAO-14-704G](#).

²³Office of Management and Budget, Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables* (January 2013).

EXIM Reported Antifraud Controls for Mitigating Fraud Risks Identified and a Fraud Risk Assessment That Considered Those Risks

We identified fraud risks—generally involving four overall fraud risk factors—by examining EXIM-associated court cases of fraud adjudicated from calendar year 2012 through calendar year 2017.²⁴ We then communicated these fraud risks to EXIM, and EXIM officials reported examples of existing controls it uses to help detect and mitigate these fraud risks. EXIM also provided documentation reflecting its efforts to conduct a fraud risk assessment that considered various fraud risks affecting its major financing product lines, including fraud risks we identified during this review.

Closed Cases of Fraud Generally Involve Four Fraud Risk Factors

We identified fraud risks—generally involving four overall fraud risk factors—by examining 44 EXIM-associated closed court cases of fraud adjudicated from calendar year 2012 through calendar year 2017.²⁵ Specifically, the various fraud risks we identified overall involved one or more of the fraud risk factors illustrated in figure 3 below:

- opportunities to falsify self-reported information on applications or transaction documents;
- financial pressures that potentially incentivized participants or employees to commit fraud;
- opportunities to circumvent or take advantage of EXIM or lender controls; or
- opportunities to circumvent the intent of EXIM's programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods.

²⁴These fraud cases generally involved participants associated with EXIM transactions and participating in various fraudulent transaction schemes for purpose of defrauding EXIM.

²⁵As mentioned earlier, we do not disclose the specific fraud risks we identified so that potential perpetrators of fraud do not become aware of their existence. Instead we discuss fraud risk factors, which, according to GAO's Fraud Risk Framework, describe what conditions or actions are most likely to cause or increase the chances of a fraud risk occurring.

See appendix I for a summary of these 44 cases we reviewed.

Figure 3: Four Fraud Risk Factors GAO Identified during Its Examination of 44 Court Cases Associated with the Export-Import Bank of the United States (EXIM) and Adjudicated from 2012 to 2017.



Source: GAO analysis of EXIM information. | GAO-19-337

These 44 cases illustrate the financial risks associated with fraud against EXIM. Federal and state courts combined have ordered restitution of \$82.4 million in the 44 adjudicated cases, but much of that restitution has not yet been paid. For example, as of October 2018, the total remaining unpaid restitution amount is \$71.6 million, or over 80 percent. In one fraud case we reviewed, which was adjudicated in 2013, a federal court ordered a convicted U.S. exporter to pay EXIM \$8.6 million in restitution for the fraud that he committed in a loan guarantee program. Since 2013, the participant has paid back \$25.00 of this amount.

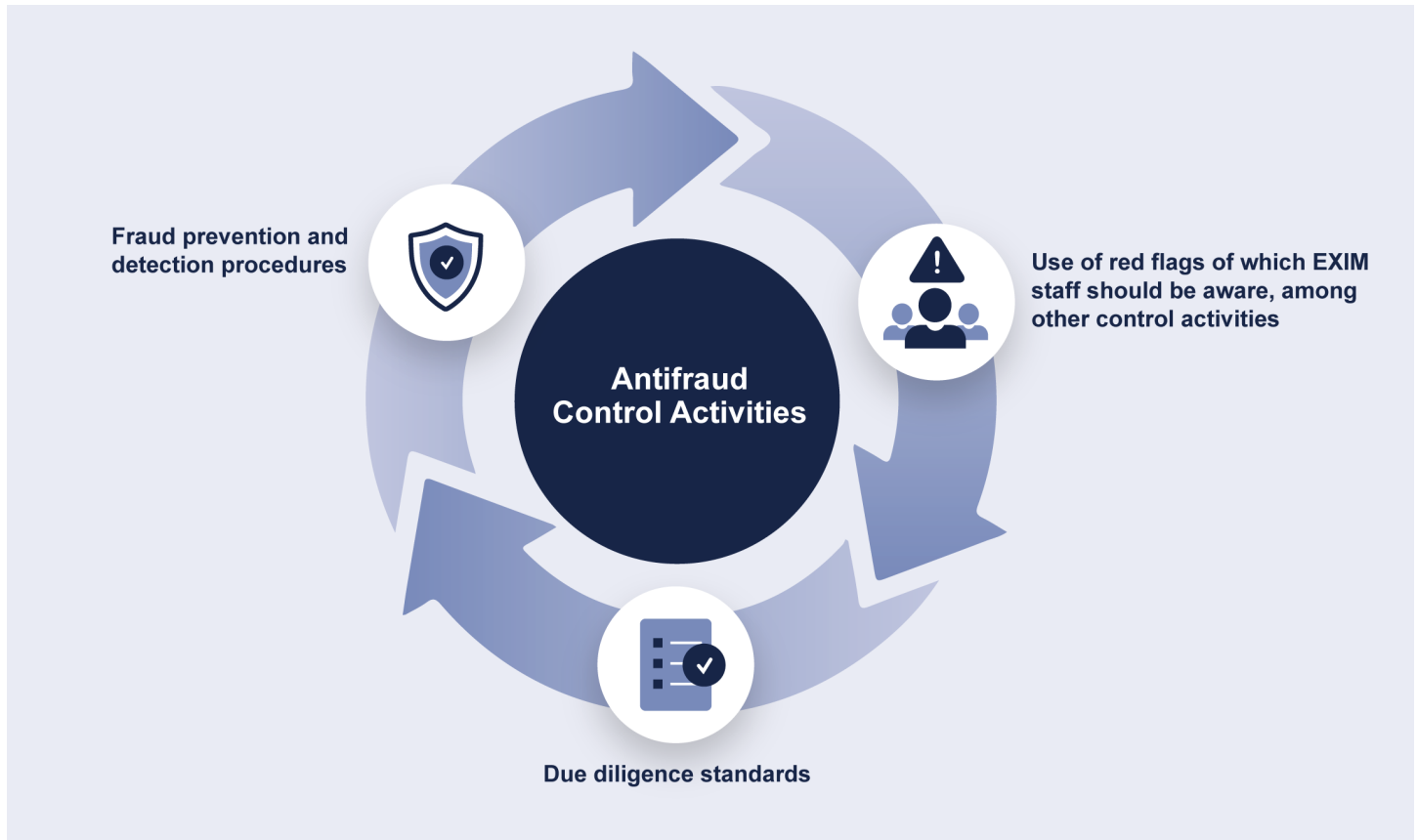
EXIM Reported Antifraud Controls for Mitigating Fraud Risks Identified in Closed Cases

EXIM reported having existing antifraud controls to mitigate the fraud risks we identified. Specifically, we communicated to EXIM the fraud risks we identified from our review of the 44 adjudicated cases. In response, EXIM officials described general antifraud controls the agency currently uses to help detect and mitigate each of the fraud risks we identified. The officials stated that EXIM has experience with all the fraud risks we identified and stated that they were generally confident that EXIM's antifraud controls were appropriate for mitigating the risks. EXIM officials consider many of the fraud risks that we identified as risks that could impact any of the agency's financing programs (i.e., credit insurance, loan guarantees, direct loans, or working capital guarantee programs).

EXIM officials provided examples of the general antifraud controls that they said EXIM uses to mitigate the fraud risks we identified across all agency financing products. According to EXIM officials and as illustrated in figure 4 below, these controls include: fraud prevention and detection procedures; due diligence standards; and a list of "red flags" that EXIM staff should be aware of and is used to identify indicators of potential fraud and corruption that may appear on EXIM transaction documents. Officials said that their confidence in the controls stems from seeing a reduction in fraud cases since the early 2000s after these antifraud controls were put in place.²⁶

²⁶We did not independently verify the effectiveness of any of these control activities provided by EXIM or whether EXIM fraud has in fact lessened since the early 2000s, as that was outside the scope of our review.

Figure 4: Examples of Antifraud Control Activities That EXIM Uses to Mitigate Fraud Risks GAO Identified



Source: GAO analysis of Export-Import Bank of the United States (EXIM) information. | GAO-19-337

EXIM officials clarified that this confidence does not stem from completing a comprehensive fraud risk assessment of fraud risks impacting all of its financing products consistent with the leading practices in the Fraud Risk Framework.

EXIM's Fraud Risk Assessment Considered Fraud Risks Identified

EXIM also provided documentation reflecting its efforts to conduct a fraud risk assessment that considered various fraud risks affecting its major financing product lines, including fraud risks we identified during this review. EXIM officials said that the fraud risks we identified were generally already known to EXIM as they relate to or are very similar to those fraud risk factors contained in EXIM's list of red flags. EXIM officials acknowledged that assessing its fraud risks and evaluating the agency's existing antifraud controls may indicate opportunities for EXIM to further

adapt EXIM's antifraud controls to mitigate any residual fraud risks within its tolerance level. Such assessments can further help EXIM mitigate fraud and the resulting effects across all product lines before they occur, which includes the length of time it can take for EXIM to fully recover from restitution losses after fraud has been perpetrated, as illustrated in the 44 cases presented in appendix I.

EXIM Has Procedures for Detecting Delinquent Federal Debt Owed by Applicants and Participants but Is Missing Additional Opportunities to Use Readily Available SAM Data to Do So

EXIM has procedures for detecting delinquent federal debt owed by EXIM applicants and participants. However, EXIM is missing additional opportunities to use readily available SAM data to identify ineligible applicants or participants that may have delinquent federal debt, and to use such data to determine eligibility or assess repayment fraud risk.²⁷

²⁷We define "repayment fraud risk" in this report to mean the risk of nonpayment due to potential fraud, such as financial pressures potentially created by delinquent federal debt that can provide incentives to commit fraud during the application process or to not repay loans during an EXIM transaction, or both. Such examples include: (1) applicants that may intentionally lie about their federal delinquent debt status to obtain loans or credit guaranteed or insured by EXIM that may never be repaid due to these financial pressures; or (2) participants that may intentionally divert loan or credit proceeds for personal use or benefit (i.e., not for the export of U.S. goods) that may never be repaid due to these financial pressures.

EXIM Has Procedures to Detect Delinquent Federal Debt Owed by Applicants and Participants

EXIM has procedures to detect delinquent federal debt owed by applicants and participants that include reviewing their credit reports and requiring applicants to certify that they and other participants do not have such delinquent debt. Under 31 U.S.C. § 3720B, applicants who are delinquent on federal nontax debts may not receive federal financial assistance, including direct loans, loan guarantees, or loan insurance until they satisfactorily resolve the delinquency (e.g., pay in full or negotiate a new repayment plan).²⁸ 31 U.S.C. § 3720B does not address delinquent federal tax debt; however, such delinquent federal debt may also pose a fraud risk or repayment fraud risk to EXIM's financing programs. Additionally, OMB Circular No. A-129 prescribes to agencies the policies, procedures, and standards for screening program participants to determine whether they are delinquent on any federal debt when applying to federal credit programs, including

- recommending that agencies ask applicants to self-certify on their applications that they have no delinquencies;
- requiring agencies to obtain and review applicants' credit reports; and
- encouraging agencies to use appropriate databases, such as the Department of the Treasury's Do Not Pay portal sources²⁹ to identify delinquent federal debtors during the application screening process.³⁰

According to EXIM officials, the agency employs procedures to ensure its policies and processes meet these requirements for applicable financing

²⁸31 U.S.C. § 3720B only applies to nontax delinquent federal debt, and the agency head may waive this requirement. However, EXIM told us that it does not have a waiver policy for allowing transactions involving delinquent federal debtors given its certification requirements and other due-diligence efforts we detail in the section below.

²⁹Do Not Pay is a no-cost analytics tool which federal agencies can use to detect and prevent improper payments made to loan recipients. Federal agencies can use Do Not Pay to check many data sources at one time to verify a recipient's eligibility for such payments.

³⁰See OMB Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*.

products.³¹ Specifically, and as illustrated in figure 5 below, these procedures include reviewing the following:

- **Self-certifications:** EXIM applications for relevant financing programs include a self-certification by the applicant that the applicant does not have delinquent federal debt. However, as we have reported in the past, relying on applicants to self-report adverse actions on their applications, instead of verifying such information, could cause an agency to miss opportunities to develop a more-complete picture of the applicants.³²
- **Credit reports:** EXIM obtains credit reports for applicants and participants in some financing products.³³ In particular, EXIM's internal Loan Guarantee and Credit Insurance Manual of 2015 communicates the 31 U.S.C. § 3720B restriction to loan officers and instructs them to review the borrower's credit report to check whether the borrower is delinquent on any federal debt. If the loan officer finds that the credit report reflects such delinquent federal debt, the manual further instructs the loan officer to advise and request guidance from EXIM's Trade Finance Director and the Office of General Counsel. However, as we have reported in the past, some delinquent federal tax debt may not appear on the credit reports unless the Internal Revenue Service has filed a lien on the delinquent federal tax debt.³⁴
- **World Check:** EXIM, through the assistance of a third-party vendor, also makes use of some data sources listed in the Do Not Pay sources as part of its prescreening application process and possibly

³¹EXIM officials told us that the agency applies the 31 U.S.C. § 3720B restrictions regarding delinquent federal debtors generally to buyers or borrowers in EXIM financing products. Additionally, as a matter of extra precaution, EXIM applies them as well to "applicants," who may or may not be buyers or borrowers, and to exporters. However, according to EXIM officials, the 31 U.S.C. § 3720B restrictions are not applied to all EXIM participants, such as suppliers. Nevertheless, EXIM officials told us that they believe EXIM's underwriting approach is broader than what is required by Section § 3720B, and EXIM would inquire further into any borrower's delinquent federal debt uncovered during underwriting.

³²GAO, *Medicare Program: Additional Actions Needed to Improve Eligibility Verification of Providers and Suppliers*, [GAO-15-448](#) (Washington, D.C.: June 25, 2015).

³³EXIM will obtain credit reports on applicant buyers and borrowers in short-term financing products; exporters in credit insurance products; and buyers and borrowers in medium-term financing products.

³⁴GAO, *Federal Tax Debts: Factors for Considering a Proposal to Report Tax Debts to Credit Bureaus*, [GAO-12-939](#) (Washington, D.C.: Sept. 10, 2012).

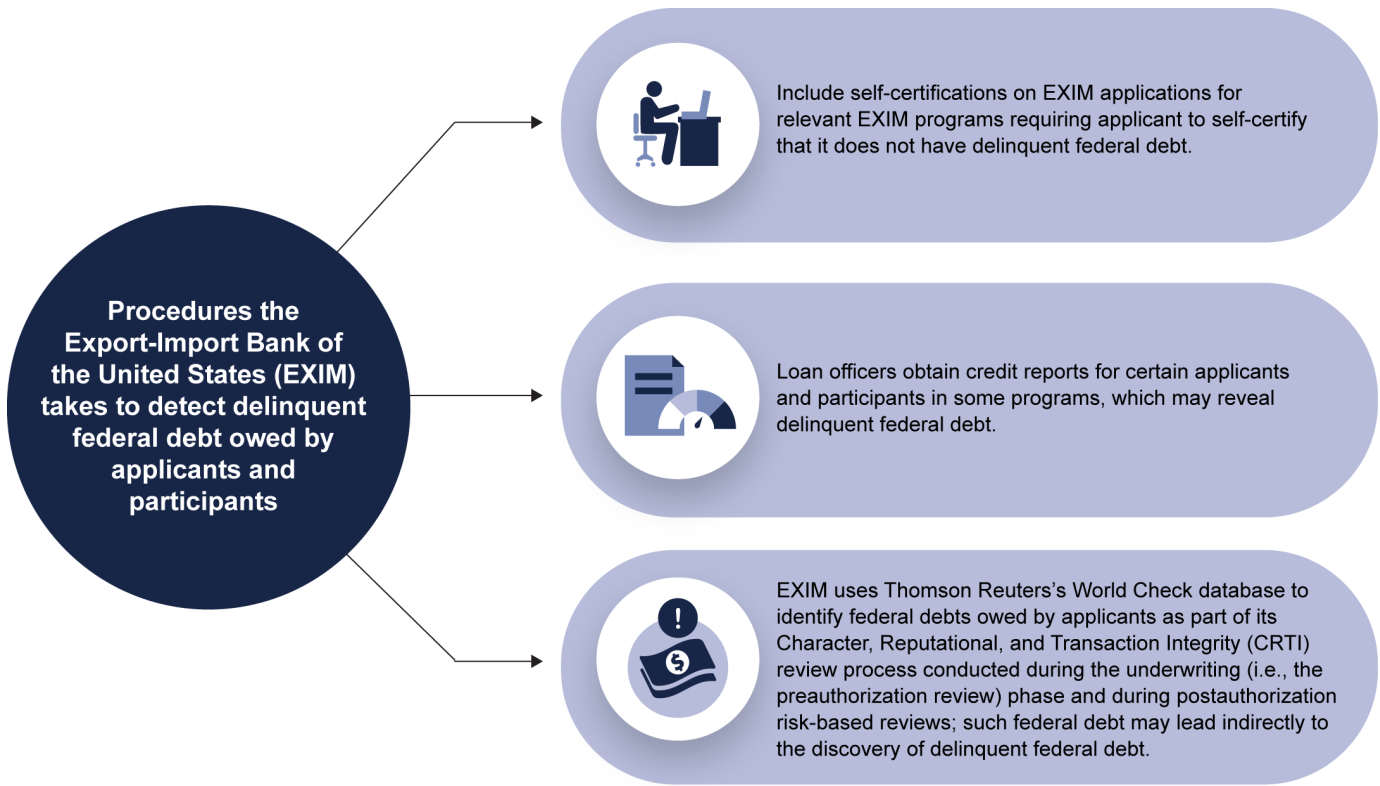
during postauthorization risk-based reviews.³⁵ Specifically, EXIM officials told us that EXIM uses Thomson Reuters's World Check database to identify federal debts owed by applicants as part of its Character, Reputational, and Transaction Integrity (CRTI) review process that is managed by EXIM's Credit Review and Compliance Division.³⁶ The World Check database currently checks over 20 different watch lists and other databases, including lists of entities excluded from doing business with the federal government maintained in GSA's SAM.³⁷ According to EXIM, other sources in the World Check database that reveal such federal debts could also lead indirectly to the discovery of delinquent federal debt. However, as discussed below, this check of SAM does not involve a check of delinquent federal debt. This CRTI review process is conducted during the underwriting (i.e., the preauthorization review) phase and may occur throughout the life cycle of transactions, such as during EXIM's postauthorization risk-based reviews. EXIM officials told us that, as part of this process, loan officers or other EXIM officials send the names of applicants to EXIM librarians, who perform a manual search of the World Check database, review results, and return relevant results to EXIM officials for their consideration. EXIM officials noted that this process can be challenging, particularly when librarians perform searches on applicants with common names, which produce many results that are not useful.

³⁵In September 2014, we recommended that EXIM incorporate searches of databases related to the Do Not Pay program into its preauthorization and postauthorization review processes to help identify transaction applicants with delinquent federal debt that would then not be eligible for loan guarantees. In response to this recommendation, EXIM evaluated the feasibility of using the Do Not Pay portal and found that the costs of doing so would outweigh any benefits. However, EXIM identified the Thomson Reuters's World Check database as being more relevant to the international nature of its business, and revised its preauthorization and postauthorization review processes to incorporate checks of this data solution. We closed this recommendation as implemented as these actions satisfied the intent of that report's recommendation. See, GAO, *Export-Import Bank: Enhancements Needed in Loan Guarantee Underwriting Procedures and for Documenting Fraud Processes*, GAO-14-574 (Washington, D.C.: Sept. 9, 2014).

³⁶EXIM's Credit Review and Compliance Division is responsible for monitoring compliance with the CRTI and due-process procedures and performs random and risk-based compliance reviews of EXIM transactions.

³⁷The lists of entities excluded from doing business with the government we refer to are listed as government-entered exclusion records in SAM.

Figure 5: Procedures EXIM Takes to Identify Applicants or Participants That May Have Delinquent Federal Debt



Source: GAO analysis of EXIM information. | GAO-19-337

EXIM officials told us that EXIM does not track information on instances in which an applicant's delinquent federal debt prevents a transaction from moving forward or prevents a specific applicant's participation in a transaction. Consequently, EXIM officials told us that EXIM has no records of this happening. However as described in greater detail below, EXIM does not make use of readily available SAM data to identify delinquent federal debts owed by applicants and participants, which could limit its ability to detect instances in which applicants and participants owe these debts.

EXIM Is Missing Additional Opportunities to Use Readily Available SAM Data to Detect Applicants and Participants That May Have Delinquent Federal Debt

EXIM is missing additional opportunities to use readily available SAM registration data to identify potentially ineligible applicants and participants³⁸ that may have delinquent federal debt or may otherwise pose a repayment fraud risk. Specifically, while EXIM employs procedures that may reveal applicants' delinquent federal debts, as described above, EXIM's procedures for identifying applicants and participants with delinquent federal debt do not include a search of a specific data element in the SAM database that can be used to detect delinquent federal debtors. The data element we refer to here is the Debt Subject to Offset flag, which may reflect both nontax and tax delinquent federal debts owed. As mentioned previously, SAM is a government-wide information system that federal agencies can use to obtain information on businesses that do business with the federal government, including an entity's Debt Subject to Offset status. The Debt Subject to Offset data element in SAM indicates that the entity potentially has a delinquent federal debt subject to collection under the Treasury Offset Program.

The GSA officials who maintain the SAM database told us that all federal agencies have the legal authority to use the SAM registration database free of charge. Specifically, all federal agencies can use this database to manually search by an entity's name, Data Universal Numbering System number, or Tax Identification Number for the purpose of detecting whether the entity potentially has delinquent federal debt, such as by identifying whether an entity's SAM record contains the Debt Subject to Offset flag.³⁹ Further, GSA officials also told us that all federal agencies are able to request batches of SAM registration data free of charge, for the purpose of matching these data to agency data by entities' names, Data Universal Numbering System numbers, or Tax Identification

³⁸Here, we define "participants" to include the same entities that EXIM told us it includes in its underwriting approach. As mentioned above, EXIM officials told us that the agency applies the 31 U.S.C. § 3720B restrictions regarding delinquent federal debtors generally to buyers or borrowers in EXIM financing programs. Additionally, as a matter of extra precaution, EXIM applies them as well to "applicants," who may or may not be buyers or borrowers, and to exporters. We do not include suppliers as participants because EXIM told us it does not apply the 31 U.S.C. § 3720B restrictions to these entities. Additionally, we include guaranteed lenders as "participants" because they receive the credit in a loan guarantee, which is one type of financial assistance to which 31 U.S.C. § 3720B applies.

³⁹According to GSA, the Department of the Treasury's Bureau of the Fiscal Service relies on Tax Identification Numbers to match against data maintained in the Treasury Offset Program delinquent-debtor database to determine whether such Tax Identification Numbers are associated with entities having potential delinquent federal tax and nontax debt.

Numbers for the purpose of identifying entities that may have the Debt Subject to Offset flag in SAM, among other available data.⁴⁰

Performing data analytics, such as batch matching,⁴¹ on available data is a leading practice cited in the Fraud Risk Framework that we have reported can help improve agency efforts to combat fraud.⁴² In particular, we have found in prior work that using available data to verify that EXIM's transaction applicants are not delinquent on federal debt can help EXIM assure applicant eligibility is consistent with federal guidance, provide reasonable assurance of repayment, and help prevent fraud.⁴³ We have also found that using available data to independently verify self-reported delinquent federal debt information, such as self-reported information on delinquent federal tax debt owed, is a key detection and monitoring component of fraud prevention.⁴⁴

We identified additional opportunities for EXIM to manually use SAM's online database or data-matching approaches to identify applicants or participants with potential delinquent federal debt. Specifically, we registered in SAM to conduct several manual searches (by entities' Data Universal Numbering System numbers, Tax Identification Numbers, and names) and confirmed that it can be used to conduct such searches without incurring any external costs charged by GSA. For example, we conducted two Data Universal Numbering System number searches and found two active EXIM participants appearing in SAM's registration database with a Debt Subject to Offset flag. We also obtained historical SAM data from GSA and EXIM transaction data and confirmed that these

⁴⁰Specifically, GSA officials said that federal agencies can request access to additional levels of SAM data, such as For Official Use Only or Sensitive data (which includes the entity's Tax Identification Number and Electronic Funds Transfer data) for program-management purposes. This data access is at no cost to the agencies and allows for batch or bulk matching in the receiving agency system.

⁴¹As we have reported in the past, batch matching is a process in which an agency can match, by a unique identifier (e.g., Tax Identification Number, Data Universal Numbering System number, etc.) multiple entities against an authorized and available database at one time. See GAO, *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended*, [GAO-17-15](#) (Washington, D.C.: Oct. 14, 2016).

⁴²[GAO-18-492](#).

⁴³[GAO-14-574](#).

⁴⁴GAO, *Security Clearances: Additional Mechanisms May Aid Federal Tax-Debt Detection*, [GAO-13-733](#) (Washington, D.C.: Sept. 10, 2013).

data sources could be used to identify EXIM applicants and participants with potentially delinquent federal debt in a batch match (rather than manual, case-by-case searches). As illustrated in our batch-matching results below, we found this data-matching process can provide an opportunity to match these data sets using the Tax Identification Numbers and Data Universal Numbering System numbers for the entities in both data sets.

Our batch-matching analyses indicated that, from calendar year 2014 through calendar year 2016, EXIM authorized transactions that had an aggregate authorization value of approximately \$34.3 billion.⁴⁵ Of that amount, we found the following:

- An aggregate authorization value of about \$1.7 billion was associated with 32 U.S.-based companies that had a delinquent federal debt indicator in SAM in the same month that these transactions were authorized.⁴⁶ The transactions mostly involved U.S.-based applicants and exporters. As mentioned above, associated parties we reviewed included not only the applicant, but also participants involved, including the borrower, buyer, and exporter, which may or may not be the applicant. While the results of this analysis do not mean that EXIM should have suspended these transactions in accordance with 31 U.S.C. § 3720B, these results nonetheless indicate that the data in SAM that indicate delinquent federal debt could provide an opportunity for EXIM to identify important indicators of applicants or other transaction participants with potential delinquent federal debt when determining their program eligibility and assessing any related fraud risks or repayment risks they present during EXIM's

⁴⁵The SAM entity registration data that we requested contained entities that registered to do business with the federal government from calendar year 2014 through calendar year 2016, which were the most readily available data at the time of our review.

⁴⁶EXIM officials told us that the data they provided us did not contain sufficient information to identify how much authorized financing is associated with each of the participants involved in each of the transactions we identified. Further, EXIM officials expressed concerns about whether other EXIM data could reliably calculate how much of the total authorized financing was associated with each of these companies. Thus, we present the total amount of authorized financing associated with 32 U.S.-based companies that had a delinquent federal debt indicator in SAM in the same month that these transactions were authorized as \$1.7 billion. The actual authorized amount that a company may have received from the transactions with which it was associated could have been less than the aggregate amount EXIM authorized for the entire transaction. The transaction data EXIM provided to us indicate that EXIM authorized about \$34.3 billion in total transactions during this same period.

preauthorization CRTI reviews.⁴⁷ Because the Debt Subject to Offset flag may indicate either nontax debts or tax debts, it is possible that some of these entities owed delinquent federal nontax debts that are applicable under 31 U.S.C. § 3720B, indicating EXIM should have considered suspending these transactions.⁴⁸ However, it is also possible that some of these entities owed delinquent federal tax debts that are not applicable under 31 U.S.C. § 3720B, but that may pose a fraud risk or repayment risk nonetheless. By using the Debt Subject to Offset flag as an indicator of these delinquent federal debts and gathering additional information on the specific facts and circumstances of each case, EXIM would be better positioned to assess the relevant compliance, fraud, and repayment risks an applicant's or participant's delinquent federal debt may pose.

- An aggregate authorization value of about \$4.1 billion was associated with 97 U.S.-based companies that had a delinquent federal debt indicator in SAM during the transaction maturity period (i.e., after the month they were approved, but before the transactions' maturity date).⁴⁹ These transactions mostly involved U.S.-based applicants and exporters. As mentioned above, associated parties we reviewed included not only the applicant, but also participants involved, including the borrower, buyer, and exporter, which may or may not be the applicant. 31 U.S.C. § 3720B may prevent applicants with federal financial debts from obtaining loans, guarantees, and insurance; thus,

⁴⁷We did not review the underlying applications submitted to determine whether these companies self-certified to having delinquent federal debt as part of their applications, nor did we review whether EXIM was aware of any potential federal debt owed by applicants before approving these transactions, because doing so was outside the scope of our review.

⁴⁸As mentioned, EXIM also has the right to waive the requirement to suspend applications for those entities owing nontax debts under 31 U.S.C. § 3720B. Additionally, the Debt Subject to Offset flag is populated twice a week in SAM. Thus, it is possible that these entities may have paid off any relevant nontax debts between the time of the Debt Subject to Offset flag in SAM and the date their transactions were approved. For example, the debt subject to offset may have been populated to show debt on a Monday, the debt was paid off on Tuesday morning, and the transaction approved on Tuesday afternoon, before the Debt Subject to Offset flag is repopulated later that same week to reflect the debt as paid.

⁴⁹We were unable to determine how much of this \$4.1 billion represents financing for these 97 companies, as opposed to financing for other companies involved with these transactions, due to the data limitations described above. The actual authorized amount that a company may have received from the transactions with which it was associated could have been less than the aggregate amount EXIM authorized for the entire transaction. The transaction data EXIM provided to us indicate that EXIM authorized about \$34.3 billion in total authorizations during this same period.

it does not apply to any delinquent federal debt accrued after loan approval. However, we looked at potential delinquent debt accrued after approval because delinquent debt accrued after approval and during the transaction maturity period might affect EXIM's view of a financing product's repayment risk. Further, EXIM already conducts similar postauthorization monitoring to identify such risks through its use of World Check as part of its CRTI process described above. Thus, these results nonetheless illustrate that EXIM can use SAM data during EXIM's postauthorization CRTI reviews to identify transaction participants with potential delinquent federal debt and determine the extent to which they may pose a repayment fraud risk.

Prior to sharing our results with EXIM, EXIM officials told us that they have access to SAM entity registration records, but they believe searching the SAM registration database is a time-consuming process that should be reserved for rare circumstances. Further, EXIM officials also told us that using the SAM registration database to identify applicants or participants that have the Debt Subject to Offset flag in SAM would yield few results because the vast majority of their financing program participants are foreign-based entities, and thus would not also be contractors for the U.S. government and registered in SAM.⁵⁰ However, we identified many U.S.-based entities that had a delinquent federal debt indicator either in the month a transaction was approved, or during the transaction's maturity period, by searching in the SAM database and analyzing SAM data for EXIM applicant and participants, as described above. Further, it is not clear whether performing manual searches or batch matches with SAM data to identify delinquent federal debtors would be any more time-consuming than EXIM's current procedures for doing so, which include manual searches of World Check and obtaining and reviewing credit reports, as described above.

When we met with EXIM officials to communicate our batch-matching results above, they expressed concern that these results could imply that EXIM is doing business with applicants or participants with delinquent federal debt. They then indicated that they were interested in obtaining

⁵⁰Although U.S.-based or foreign-based EXIM applicants or participants may not be required to register in SAM to participate in EXIM financing programs, they could nonetheless be registered in SAM if they are also conducting business with another federal agency pursuant to the Federal Acquisition Regulation (FAR). For example, according to SAM guidance, any domestic or foreign business (known as an "entity" in SAM) wishing to conduct business with the federal government under a FAR-based contract must be registered in SAM.

SAM registration data so that they could determine whether it would be feasible for them to perform the same type of analysis that we performed. In a subsequent meeting, EXIM officials informed us that they were also able to obtain current SAM registration data, analyze the SAM data against active EXIM participant data, and find dozens of active EXIM participants with the Debt Subject to Offset flag in SAM.

The results of our analyses, as well as EXIM's own experience with the SAM data, suggest EXIM also has an additional and practical opportunity to incorporate searches of SAM entity registration data as part of its postapproval monitoring of transactions to enhance its monitoring of and response to risks in ongoing transactions. *Standards for Internal Control in the Federal Government* state that management should use quality data to achieve agency objectives. For example, this could include agencies obtaining relevant operational, financial, or compliance-related data from reliable internal and external sources in a timely manner based on identified information requirements, and then using such data to make informed decisions and evaluate performance in achieving program objectives and addressing risks.

Without also pursuing available debt data in SAM's registration database, as an additional layer of due diligence, to identify applicants with delinquent federal debt during underwriting and compliance reviews, EXIM is potentially forgoing practical opportunities to use such data when determining applicants' program eligibility and to adopt leading practices for managing repayment fraud risks across EXIM's financing programs. In particular, such available SAM data can provide opportunities to

- verify independently the applicants' self-certification of delinquent federal debts they owe and assess whether the applicants may have misrepresented⁵¹ their delinquent federal debt status on their applications, which is a fraud risk in the application process;
- detect potential delinquent federal debts that are not apparent in credit reports; and
- make informed eligibility decisions during preauthorization CRTI reviews and assess repayment fraud risk during postauthorization CRTI reviews.

⁵¹Misrepresented information applicants self-reported on their applications was a common fraud risk we identified across the 44 cases we reviewed during this audit. For example, 30 cases involved this fraud risk.

Conclusions

EXIM assumes the credit and country risks that the private sector is unable or unwilling to accept, including the risk of losses due to fraud. EXIM's financing products face various fraud risks, and EXIM has begun to take steps to consider these fraud risks as part of a full fraud risk assessment, as we recommended in July 2018. However, because it remains unclear whether EXIM's actions fully respond to the recommendations of our July 2018 report, we will continue to monitor EXIM's progress in fully assessing its fraud risks. EXIM also employs procedures to detect delinquent federal debt owed by EXIM applicants and participants. However, EXIM is missing opportunities to use readily available SAM data to identify applicants or participants that may misrepresent their delinquent federal debt status and pose a repayment fraud risk to EXIM financing programs. Applicants or participants with delinquent federal debt could be one of many repayment fraud risks that could indicate an increased risk of nonrepayment and incentives to commit fraud against EXIM. EXIM officials believe searching SAM is a time-consuming process that would yield few results. However, manually searching SAM's online registration database for the purpose of determining whether an applicant or participant may have a Debt Subject to Offset flag may not be any more time-consuming than what EXIM currently performs through its preauthorization or postauthorization CRTI reviews. Nevertheless, we demonstrate in this report the practicality and illustrate results of using such data through multiple approaches, such as batch matching, without incurring any external costs charged by GSA. By assessing the practicality of searching SAM data, EXIM may determine that this source of data provides an additional tool for combating fraud. Implementing these antifraud activities could further help EXIM verify program eligibility, identify repayment fraud risk, and provide EXIM with reasonable assurance that it is effectively and efficiently carrying out its mission of supporting U.S. jobs and the export of U.S. goods.

Recommendations for Executive Action

We are making the following two recommendations to EXIM:

EXIM's chief operating officer should direct EXIM's Credit Review and Compliance Division to assess and document the practicality of incorporating into its preauthorization CRTI reviews searches of data elements in SAM that indicate delinquent federal debts owed by applicants, and, if practical, implement relevant approaches—such as manual searches or batch matching. (Recommendation 1)

EXIM's chief operating officer should direct EXIM's Credit Review and Compliance Division to assess and document the practicality of incorporating into its postauthorization CRTI reviews searches of data elements in SAM that indicate delinquent federal debts owed by applicants and participants, and, if practical, implement relevant approaches—such as manual searches or batch matching. (Recommendation 2)

Agency Comments and Our Evaluation

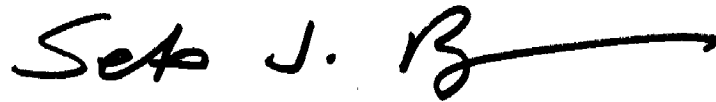
We provided a draft of this report to EXIM for review and comment. In its written comments, reproduced in appendix II, EXIM concurred with our recommendations and stated that it will move forward to implement them. EXIM also provided technical comments, which we incorporated as appropriate.

In its written comments, EXIM noted a number of points it referred to as “key concerns.” These points do not disagree with our findings, conclusions, or recommendations. Specifically, EXIM stated that the 44 cases we reviewed involved transactions that were approved between 2002 and 2012 and that it will continue to work with the Department of Justice to collect restitution payments. Additionally, EXIM stated that it is in full compliance with 31 U.S.C. § 3720B and the related provisions of OMB Circular A-129 guidance regarding restrictions on doing business with delinquent federal debtors. However, assessing EXIM's compliance with 31 U.S.C. § 3720B or OMB Circular A-129 was outside the scope of this report.

Finally, for the purpose of implementing our recommendations, EXIM requested the data pertaining to the U.S.-based companies that we found to have a delinquent federal debt indicator in SAM. To identify those companies, we used (1) an extract of data that EXIM provided to us, and (2) GSA SAM data, which EXIM told us it can and has already obtained directly from GSA. We will provide EXIM with a copy of the EXIM data it requested. However, we believe EXIM will be better positioned to assess the practicality of checking the SAM delinquent federal debt flag by continuing to obtain the SAM data directly from GSA.

We are sending copies of this report to the appropriate congressional committees, the president and board chairman of EXIM, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-6722 or bagdoyans@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Seto J. Bagdoyan". The signature is written in a cursive style with a long horizontal stroke extending to the right from the end of the name.

Seto J. Bagdoyan
Director
Forensic Audits and Investigative Service

List of Committees

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Lindsey Graham
Chairman
The Honorable Patrick Leahy
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
United States Senate

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

The Honorable Nita Lowey
Chairwoman
The Honorable Hal Rogers
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
House of Representatives

Appendix I: Summary of GAO Review of 44 Cases Adjudicated from Calendar Years 2012 through 2017

The table below summarizes the information we reviewed during our review of the 44 Export-Import Bank of the United States (EXIM)-associated cases of alleged fraud that we were able to identify and determine were adjudicated from calendar years 2012 through 2017. Such information includes financing product types, dates adjudicated, fraud schemes, fraud risk factors involved, and the amount of EXIM restitution owed and paid to EXIM. As mentioned earlier, the fraud risks we identified in these 44 cases related to one or more of the following four fraud risk factors: (1) opportunities to falsify self-reported information on applications or transaction documents, (2) financial pressures that potentially incentivized participants or employees to commit fraud, (3) opportunities to circumvent or take advantage of EXIM or lender controls, or (4) opportunities to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods.

**Appendix I: Summary of GAO Review of 44
Cases Adjudicated from Calendar Years 2012
through 2017**

Table 1: Summary of GAO Review of 44 Export-Import Bank of the United States (EXIM) Court Cases of Alleged Fraud Adjudicated from Calendar Years 2012 through 2017

Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 1: Multibuyer Credit Insurance (2017)	<ul style="list-style-type: none"> U.S. exporter of meat products conspired between 2011 and 2012 to obtain EXIM-guaranteed loans based on bogus sales and shipping documents. Instead of using loan proceeds to export meat products to foreign buyers, exporter used loan proceeds to pay off previous loans. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on loan applications and transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. Financial pressures that potentially incentivized participants or employees to commit fraud. Opportunity to circumvent or take advantage of EXIM or lender controls. 	\$754,220	\$50,000
Case 2: Working Capital Loan Guarantee and Multibuyer Credit Insurance (2017)	<ul style="list-style-type: none"> Between 2012 and 2015, purported exporter obtained EXIM-guaranteed loans and credit insurance based on bogus financial information, and then defaulted on the loans. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. 	\$922,106	\$922,106

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Cases Adjudicated from Calendar Years 2012
through 2017**

Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 3: Loan Guarantee (2015–2016)	<ul style="list-style-type: none"> U.S. exporter of lumber conspired with bogus foreign buyers and borrowers from 2007 to 2012 to obtain EXIM-guaranteed loans based on bogus sales and shipping documents. Exporter's shipments to foreign buyers and borrowers were never made. Instead, exporter used loan proceeds for his and buyers' and borrowers' personal use. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications and transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. Opportunity to circumvent or take advantage of EXIM or lender controls. 	\$1,951,643	\$18,766
Case 4: Loan Guarantee (2015–2016)	<ul style="list-style-type: none"> Coconspirator involved in same fraud scheme in Case 3, but adjudicated separately. 	<ul style="list-style-type: none"> Same fraud risk factors as Case 3. 	See Case 3	See Case 3
Case 5: Loan Guarantee (2015–2016)	<ul style="list-style-type: none"> Coconspirator involved in same fraud scheme in Case 3, but adjudicated separately. 	<ul style="list-style-type: none"> Same fraud risk factors as Case 3. 	See Case 3	See Case 3
Case 6: Loan Guarantee (2015–2016)	<ul style="list-style-type: none"> Coconspirator involved in same fraud scheme in Case 3, but adjudicated separately. 	<ul style="list-style-type: none"> Same fraud risk factors as Case 3. 	See Case 3	See Case 3
Case 7: Loan Guarantee (2016)	<ul style="list-style-type: none"> U.S. owner of popcorn company obtained a business loan guaranteed by EXIM. In 2013, owner diverted funds from the secured EXIM account established for loan repayment to a separate business account. Owner defaulted on the EXIM-guaranteed loan. 	<ul style="list-style-type: none"> Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. Financial pressures that potentially incentivized participants or employees to commit fraud. 	\$110,679	\$45,100

**Appendix I: Summary of GAO Review of 44
Cases Adjudicated from Calendar Years 2012
through 2017**

Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 8: Multibuyer Credit Insurance (2016)	<ul style="list-style-type: none"> Between 2007 and 2012, U.S. owner of an aircraft brokerage and export business devised a scheme to defraud a lender and EXIM by obtaining EXIM-guaranteed multibuyer credit insurance through the lender. Owner submitted bogus invoices and shipping documents falsely claiming that foreign buyers had purchased aircraft and parts from his business. Owner then falsely reported that foreign buyers had defaulted on payments for the purchases. The false reports caused the lender to pay exporter's claims and then for the lender to file claims for reimbursement with EXIM. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on loan applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$131,215	\$5,000
Case 9: Loan Guarantee / Credit Insurance (2014)	<ul style="list-style-type: none"> U.S. exporter of industrial equipment conspired with bogus foreign buyers and borrowers between 2005 and 2007 to obtain EXIM-guaranteed loans based on bogus applications and shipping documents. Exporter used loan proceeds for his and buyers' and borrowers' personal use. No exports ever occurred and loans eventually defaulted. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds for personal use or benefit instead of for the export of U.S. goods. 	\$11,846,922	\$0.00
Case 10: Loan Guarantee (2016)	<ul style="list-style-type: none"> U.S. owner of a foreign pecan brokerage company conspired with others to provide false information in order to obtain loans from U.S. lenders that were guaranteed by EXIM. In 2006, the owner and others provided fraudulent documents to obtain EXIM-guaranteed loans which were to be used by the owner to purchase U.S. goods. No U.S. goods were ever purchased and exported, and loans subsequently defaulted. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds for personal use or benefit instead of for the export of U.S. goods. 	\$58,000	\$10,025

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 11: Loan Guarantee (2015)	<ul style="list-style-type: none"> Fraud committed by EXIM loan officer who accepted bribes from an exporter and a financing broker to expedite and recommend approval of unqualified loan applications. From 2006 to 2013, loan officer was persuaded by the exporter and broker to accept bribes for facilitating the approval of EXIM-guaranteed loans. Through the EXIM loan officer's efforts, multiple guaranteed loans were approved. The exporter subsequently defaulted on a number of the loans. 	<ul style="list-style-type: none"> Financial pressures that potentially incentivized participants or employees to commit fraud. 	\$78,000	\$4,355
Case 12: Loan Guarantee (2015–2016)	<ul style="list-style-type: none"> Coconspirator involved in same fraud scheme in Case 3, but adjudicated separately. 	<ul style="list-style-type: none"> Same fraud risk factors as Case 3. 	See Case 3	See Case 3
Case 13: Loan Guarantee (2015–2016)	<ul style="list-style-type: none"> Coconspirator involved in same fraud scheme in Case 3, but adjudicated separately. 	<ul style="list-style-type: none"> Same fraud risk factors as Case 3. 	See Case 3	See Case 3
Case 14: Multibuyer Credit Insurance (2015)	<ul style="list-style-type: none"> From 2006 to 2010, foreign business owner provided false representations and documentation to obtain credit export insurance guaranteed by EXIM. Foreign business owner falsely represented that his business had paid a U.S. supplier for goods, and that these goods had been exported to his business. No U.S. goods were ever exported to the foreign business, which subsequently defaulted. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$4,488,000	\$100

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 15: Loan Guarantee (2015)	<ul style="list-style-type: none"> From 2005 to 2010, U.S. exporter and foreign business owner provided false information on documents to obtain several loans that were guaranteed by EXIM. Exporter and foreign business owner provided fraudulent documents showing that U.S. metal fabrication equipment had been purchased and shipped to the foreign business. No U.S. goods were ever exported, and foreign business owner subsequently defaulted on loans. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$3,516,154	\$0.00
Case 16: Working Capital Loan Guarantee (2015)	<ul style="list-style-type: none"> In 2007 and 2008, chief financial officer of a computer and electronic waste recycling company submitted documents to lender that falsely inflated the company's account receivables balances. Lender extended the EXIM-guaranteed working capital loan to the company based on the fraudulent account receivables information and other false documents. Company subsequently defaulted on the guaranteed loan. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Financial pressures that potentially incentivized participants or employees to commit fraud. 	\$1,473,999	\$1,600
Case 17: Loan Guarantee (2014)	<ul style="list-style-type: none"> Between 2002 and 2010, U.S. exporter of agricultural equipment, exporter's agents, and foreign buyer participated in a fraud scheme in which they marked up the price of the exporter's U.S. made goods to obtain a larger loan from lender that EXIM guaranteed. They diverted the loan proceeds to fund disallowable local construction costs for a construction project in Turkey. Foreign buyer defaulted on loan after making one payment. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$ 3,500,000	\$3,500,000

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 18: Loan Guarantee (2014)	<ul style="list-style-type: none"> • In 2006, foreign business owner and U.S. exporter conspired to submit false application, invoices, and shipping documents to a U.S. lender to obtain a loan that was guaranteed by EXIM. • Business owner and exporter falsely indicated that loan was to be used for construction equipment from the U.S. exporter that had allegedly been purchased by and shipped to the foreign business. • No U.S. equipment was ever exported, and foreign business owner subsequently defaulted on the loan. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$166,120	\$166,120
Case 19: Loan Guarantee / Credit Insurance (2014)	<ul style="list-style-type: none"> • Coconspirator involved in same fraud scheme in Case 9, but adjudicated separately. 	<ul style="list-style-type: none"> • Same fraud risk factors as Case 9. 	See Case 9	See Case 9
Case 20: Multibuyer Credit Insurance (2014)	<ul style="list-style-type: none"> • In 2009, U.S. owner of a boat manufacturing company and his coconspirator agent/broker provided false information to obtain multibuyer loan insurance that was guaranteed by EXIM. • Owner provided false information claiming that he had sold and exported boat equipment to foreign buyers. • No U.S. goods were ever exported, and business owner subsequently defaulted on loan. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$ 355,652	\$14,319

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 21: Loan Guarantee (2014)	<ul style="list-style-type: none"> Between 2003 and 2005, foreign buyer and U.S. business owner conspired to create and submit false documents to a U.S. lender and EXIM to obtain a medium-term guaranteed loan. Business owner and buyer provided fraudulent documents showing that U.S. equipment had been purchased and shipped to the foreign business. No U.S. goods were ever exported, and foreign business owner subsequently defaulted on the loan. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$4,735,759	\$5,050
Case 22: Loan Guarantee (2014)	<ul style="list-style-type: none"> Coconspirator involved in same fraud scheme in Case 18, but adjudicated separately. 	<ul style="list-style-type: none"> Same fraud risk factors as Case 18. 	See Case 18	See Case 18
Case 23: Loan Guarantee (2013)	<ul style="list-style-type: none"> Coconspirator in Case 10. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$154,463	\$100,000

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated ^a	Restitution amount paid to EXIM as of October 2018
Case 24: Multibuyer Credit Insurance (2013)	<ul style="list-style-type: none"> • In 2009, owner of U.S. business falsely purported to be involved in the export of computer and electronics to fictitious foreign buyers and conspired with an agent/broker and other coconspirators to create and submit false applications, invoices, purchase orders, and other documents to a U.S. lender to obtain a loan, guaranteed by EXIM. • No U.S. goods were ever exported, and business owner subsequently defaulted on loan. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent or take advantage of EXIM or lender controls. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$446,876	\$6,553
Case 25: Loan Guarantee (2013)	<ul style="list-style-type: none"> • Foreign owner of a refrigeration company conspired with U.S. exporter and other coconspirators, from October 2006 until February 2009, to create and submit fraudulent application, shipping documents, false invoices, false bills of lading, and other documents to a U.S. lender. • In order to obtain an EXIM-guaranteed loan, foreign owner indicated he had purchased U.S.-made equipment from the U.S. exporter. • No U.S. goods were ever exported, and foreign business owner subsequently defaulted on the loan. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$527,378	\$127,088

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 26: Loan Guarantee (2013)	<ul style="list-style-type: none"> Coconspirator in Cases 9 and 19 above. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$1,976,000	\$0.00
Case 27: Loan Guarantee (2013)	<ul style="list-style-type: none"> Coconspirator in Cases 9 and 19 above. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$571,002	\$0.00
Case 28: Loan Guarantee (2013)	<ul style="list-style-type: none"> Ranch owner in Mexico conspired with coconspirators from 2003 to 2007 to defraud a lender and EXIM. Ranch owner provided false information to obtain bank loans that were guaranteed by EXIM. To obtain loans, the ranch owner and others provided fraudulent documents showing that U.S. equipment had been purchased and shipped to various foreign buyers. No U.S. goods were ever exported, and ranch owner subsequently defaulted on loans. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$2,845,691	\$2,845,691

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 29: Loan Guarantee (2013)	<ul style="list-style-type: none"> • From 2005 to 2007, U.S. owner of shipping companies conspired with a U.S. exporter and others to provide false information in order to obtain several bank loans that were guaranteed by EXIM. • Owner and others provided fraudulent documents showing that U.S. equipment had been purchased and shipped to foreign buyers that were involved in the scheme. • No U.S. goods were ever exported, and owner subsequently defaulted on loans. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$1,742,891	\$0.00
Case 30: Loan Guarantee (2013)	<ul style="list-style-type: none"> • U.S. owner of a metal building design and export business conspired with others to provide false information in order to obtain multiple bank loans that were guaranteed by EXIM. • Between 2004 and 2009, owner, along with coconspirators, provided fraudulent documents to show that U.S. equipment had been purchased and shipped to foreign buyers. • No U.S. goods were ever exported, and business owner/exporter subsequently defaulted on all the loans. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$8,582,823	\$25.00

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 31: Loan Guarantee (2013)	<ul style="list-style-type: none"> • Farm owner in Mexico conspired with U.S. exporter and others to provide false information in order to obtain bank loan from a U.S. finance company that was guaranteed by EXIM. • From 2002 to 2008, farm owner, exporter, and others provided fraudulent documents to lender and EXIM showing that U.S construction equipment had been purchased and shipped to the farm owner. • U.S. equipment was never exported, and farm owner subsequently defaulted on the loan. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Financial pressures that potentially incentivized participant to commit fraud. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$660,000	\$660,000
Case 32: Loan Guarantee / Credit Insurance (2013)	<ul style="list-style-type: none"> • U.S. trade finance consulting firm conspired with buyers and borrowers from 2005 to 2007 to prepare and submit fictitious loan applications and purchase and shipping documents to obtain loans guaranteed by EXIM. • Owner of the consulting firm and buyers and borrowers used loan proceeds for their personal benefit. • Many of the loans defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$10,179,335	\$0.00

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 33: Loan Guarantee (2013)	<ul style="list-style-type: none"> Foreign owner of several fruit and produce companies conspired with others to provide false information in order to obtain loans from a U.S. lender that were guaranteed by EXIM. In 2008 and 2009, foreign owner provided fraudulent documents showing that U.S. fruit packaging equipment and other products had been purchased and shipped to his businesses. No U.S. goods were ever exported to the foreign business owner. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$1,356,172	\$1,356,172
Case 34: Multibuyer Loan Guarantee (2013)	<ul style="list-style-type: none"> U.S. owner of a ceramic tile and equipment business purported to be in the business of exporting tile and tile-cutting equipment to foreign buyers. Owner and his agent/broker developed a scheme to defraud lender and EXIM by fraudulently obtaining a loan insured by EXIM. From 2009 to 2010, owner and broker provided fraudulent documents showing that U.S. tile and tile-cutting equipment had been purchased and shipped to foreign buyers. No U.S. goods were ever exported, and U.S. business owner subsequently defaulted on the loan. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent or take advantage of EXIM or lender controls. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$141,053	\$4,260

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 35: Loan Guarantee (2013)	<ul style="list-style-type: none"> • Foreign financial consultant conspired with others, including two U.S. exporters and a foreign buyer, to obtain several loans that were guaranteed by EXIM. • Between 2005 and 2007, consultant and coconspirators created false loan applications, financial statements, and shipping documents to support the purported export of U.S. goods to Mexico. • No U.S. goods were ever exported, and loans subsequently defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$7,172,865	\$0.00
Case 36: Loan Guarantee (2013)	<ul style="list-style-type: none"> • U.S. owner of an armored glass business purported to be in the business of exporting its products to foreign buyers. • Owner and his agent/broker developed a scheme to defraud lender and EXIM by fraudulently obtaining loans insured by EXIM. • From 2008 to 2010, owner and broker provided fraudulent documents, including commercial invoices and shipping documents that falsely showed that armored glass products had been purchased and exported to foreign buyers. • No U.S. goods were ever exported, and U.S. business owner subsequently defaulted on loans. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent or take advantage of EXIM or lender controls. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$345,728	\$0.00

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 37: Loan Guarantee (2012)	<ul style="list-style-type: none"> • U.S. business owner, who purported to be an exporter of U.S.-manufactured garbage trucks, developed a scheme to defraud a U.S. lender and EXIM by fraudulently obtaining a loan insured by EXIM. • From 2008 to 2009, owner and coconspirators provided fraudulent documents that falsely showed that garbage trucks manufactured in the United States had been purchased and exported to foreign buyers. • In one transaction, instead of purchasing and exporting U.S.-made garbage trucks, the owner wired loan disbursements directly to a foreign buyer who used the money to buy lower-cost garbage trucks from Germany. • No U.S. goods were ever exported, and U.S. business owner subsequently defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Financial or other pressures that potentially incentivized participant to commit fraud. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$496,869	\$70,391
Case 38: Loan Guarantee / Credit Insurance (2012)	<ul style="list-style-type: none"> • U.S. exporter conspired with and solicited bogus foreign buyers and borrowers to export equipment and buses made in the United States. • Exporter conspired with buyers and borrowers from 2003 to 2006 to prepare and submit fictitious loan applications and purchase and shipping documents to obtain loans guaranteed by EXIM. • Exporter and buyer-borrowers used loan proceeds for personal benefit. • Many of the loans defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications and transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$10,000,000	\$832,658

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 39: Loan Guarantee (2012)	<ul style="list-style-type: none"> • Employee of a major U.S. bank devised a scheme to steal funds belonging to EXIM. • Between July 2006 and May 2010, the employee initiated multiple unauthorized funds transfers out of a bank account, which held funds belonging to EXIM, to another account accessible to the employee. Over the course of 2 years, employee then made over 30 unauthorized withdrawals from the second account by taking out money orders and official bank payments. • The employee used the money orders and official bank payments to satisfy personal debts and tax obligations. 	<ul style="list-style-type: none"> • Financial pressures that potentially incentivized participants or employees to commit fraud. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. • Opportunity to circumvent or take advantage of EXIM or lender controls. 	\$169,582	\$0.00
Case 40: Multibuyer Loan Guarantee (2012)	<ul style="list-style-type: none"> • U.S. owner of an electronics business that exported electronic equipment to foreign buyers conspired with his agent/broker to provide false information in order to obtain loans guaranteed by EXIM. • From 2008 to 2009, the owner and his agent/broker provided fraudulent documents to obtain EXIM-guaranteed loans which purportedly were to be used by foreign buyers to purchase electronic equipment from the U.S. business. • No U.S. goods were ever purchased, and loans subsequently defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent or take advantage of EXIM or lender controls. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$355,046	\$9,439

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 41: Loan Guarantee (2012)	<ul style="list-style-type: none"> • Foreign owner of a pecan brokerage company conspired with others to provide false information in order to obtain loans from U.S. lenders that were guaranteed by EXIM. • In 2006, the owner and others provided fraudulent documents to obtain EXIM-guaranteed loans which were to be used by the nut brokerage owner to purchase U.S. goods. • No U.S. goods were ever purchased and exported to the foreign owner and loans subsequently defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$0.00	\$0.00
Case 42: Loan Guarantee (2012)	<ul style="list-style-type: none"> • Owner of a farm equipment sales company in the United States conspired with others to provide false information in order to obtain loans from U.S. lenders that were guaranteed by EXIM. • In 2006 and 2007, the owner and others provided fraudulent documents to obtain EXIM-guaranteed loans; loan proceeds were purportedly to be used by foreign buyers for farm equipment purchases from the U.S. owner. • No U.S. goods were ever exported, and loans subsequently defaulted. 	<ul style="list-style-type: none"> • Opportunity to falsify self-reported information on applications or transaction documents. • Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$553,148	\$475

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Case number, financing product type, and years adjudicated	Summary of fraud scheme	Related fraud risk factors GAO identified	Restitution amount owed to EXIM since adjudicated^a	Restitution amount paid to EXIM as of October 2018
Case 43: Loan Guarantee (2012)	<ul style="list-style-type: none"> Office manager for a U.S. exporting company conspired with the principal coconspirator (exporting company owner) and foreign buyers to obtain more than \$20 million in fraudulent loan transactions that were guaranteed by EXIM. From 2003 to 2009, the office manager, company owner, and others falsified documents provided to U.S. lending banks and to EXIM, which fraudulently showed that certain U.S. goods had been purchased and had been or would be shipped to foreign buyers. No U.S. goods were ever exported and many of the loans subsequently defaulted, causing EXIM to pay millions of dollars in claims. 	<ul style="list-style-type: none"> Opportunity to falsify self-reported information on applications or transaction documents. Opportunity to circumvent the intent of EXIM's financing programs by diverting loan proceeds and other EXIM financing for personal use or benefit instead of for the export of U.S. goods. 	\$5,000	\$0.00
Case 44: Loan Guarantee (2012)	<ul style="list-style-type: none"> Underwriter for business loans for a major U.S. bank worked on, and facilitated approval of, loans guaranteed by EXIM. In 2006, the underwriter was persuaded by a foreign buyer to accept a bribe for facilitating the approval of an EXIM-guaranteed loan for the foreign buyer. Through the underwriter's efforts, the loan was approved. The buyer subsequently defaulted on the loan. 	<ul style="list-style-type: none"> Opportunity to circumvent or take advantage of EXIM or lender controls. 	\$50,000	\$50,000

Source: GAO analysis of EXIM, Department of Justice, and court information. | GAO-19-337

Note: For some cases (e.g., Cases 10 and 41), some coconspirators were involved in the same fraud scheme but were held to be "severally liable," which means that each coconspirator was adjudicated separately and held individually liable for their respective restitution amount based on their percentage of fault. For other cases (e.g., Cases 3, 4, 5, and 6), however, some coconspirators were involved in the same fraud scheme but were instead held to be jointly and severally liable, which means they were adjudicated separately and each had a respective proportion of liability; however, the victim may collect up to the full amount of restitution owed from any of the coconspirators.

^aEXIM reported that it will continue to work with the U.S. Department of Justice to collect these outstanding restitution amounts.

Appendix II: Comments from the Export-Import Bank of the United States



Reducing Risk. Unleashing Opportunity.

April 12, 2019

Seto J. Bagdoyan
Director, Forensic Audits and Investigative Service
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20584

Dear Mr. Bagdoyan:

Thank you for providing the Export-Import Bank of the United States (“EXIM” or the “Bank”) with the Government Accountability Office (GAO) draft report, “EXIM Should Explore Using Available Data to Identify Applicants with Delinquent Federal Debt” (GAO-19-337). The Bank supports the GAO’s work and audits which complement the Bank’s efforts to continuously improve its practices and procedures. EXIM Bank is proud of its cooperative relationship with the GAO.

We appreciate the GAO recognizing that “EXIM, in managing its vulnerability to fraud, had adopted some of the leading practices called for in the Fraud Risk Framework.” As you know, for many years, the Bank has been very effective in preventing, detecting, mitigating and prosecuting fraud in EXIM transactions, through various procedures and continuous improvement. Among the steps the Bank has undertaken, the Bank has instituted the following:

- Transaction Due Diligence guidelines in 2007;
- Character, Reputational, and Transaction Integrity (CRTI) process in 2009;
- Due Diligence Standards and Know-Your-Customer (KYC) requirements in 2014; and
- Prevention, Detection, and Prosecution of Fraud procedures, formally in 2015.

EXIM takes all GAO reports and recommendations very seriously and has agreed to implement all of them. From 2012 until the most recent GAO report in July 2018, GAO has issued eight reports with 16 recommendations. EXIM has implemented all 16 GAO recommendations and provided materials to GAO to validate its actions and subsequently close out each recommendation. Pursuant to the 2018 GAO report, “The Bank Needs to Continue to Improve Fraud Risk Management, (GAO-18-492, July 19, 2018)”, the Bank is implementing all seven recommendations. On February 21, 2019, the Bank submitted to the GAO information and materials to validate its actions related to six out of seven recommendations. The Bank submitted information evidencing the completion of its fraud



risk assessments, a fraud risk profile for each of the credit programs, and specific and measurable fraud risk appetite and tolerance levels in line with the GAO's Framework ("A Framework for Managing Fraud Risks in Federal Programs", July 28, 2015). The Bank is in receipt of GAO's April 2, 2019 request for additional information to clarify the information that was provided and is working with GAO to address its questions. Further, the Bank will take action on the recommendations coming out of this report.

As highlighted in the Omissions and Errata List response from EXIM to GAO, there are some key concerns EXIM would like to raise with the report findings.

The report references 44 cases, which were transactions that were actually approved between 2002 and 2012, and ultimately adjudicated between 2010 and 2017. During these years EXIM authorized 33,602 transactions with a total authorized amount of \$201 billion. The report also references restitution payments that are owed to the Bank for these cases. The Bank will continue to work with the Department of Justice to collect restitution payments.

Additionally, the report and recommendations mention the Bank's opportunity to assess the practicality of searching the "Debt Subject to Offset flag" in SAM to identify applicants and participants with delinquent federal debt. First, we note that EXIM is in full compliance with all requirements of 31 U.S.C. 3720B (the applicable statute), and the related provisions of OMB Circular A-129, regarding restrictions on doing business with delinquent Federal debtors. This is corroborated by GAO's recent audit of the Bank's Underwriting. GAO recently found in its draft GAO report, "Enhancements Needed in Credit Program Underwriting Policies and Procedures (GAO-19-43)," that "EXIM Policies and Procedures Were Consistent with Federal Guidance for Applicant Screening," which includes delinquency on federal debt policies and procedures requiring applicants to make certifications under the penalty of law. Second, in determining the practicality of searching SAM data to perform this level of due diligence, the Bank would appreciate receiving the data pertaining to the 32 and 97 U.S.-based companies that GAO determined had a delinquent federal debt indicator in SAM. This data will enable EXIM to implement the GAO recommendation to "assess...the practicality" of checking the SAM delinquent debtor flag. For example, as a potential fraud-prevention or mitigation tool, checking the flag on transactions after approval, during the monitoring stage, would only be pertinent to borrowers, inasmuch as the U.S. exporter is no longer involved in the transaction at that point. Without access to the data it will be difficult to assess the Report's reference to "U.S.-



based” parties because the vast majority of EXIM’s borrowers are foreign, not U.S.-based. Additionally, access to the GAO data is critical to understanding which, and how many, parties are, in fact, “delinquent debtors”. For example, EXIM identified one transaction with a \$900 million exposure in which the party informed us they had never been notified of its delinquent debt (which was less than \$2000) and therefore was not, under the applicable rules, a “delinquent debtor”. As an integral part of EXIM’s review of SAM data elements, we continue to ask GAO to provide us with its data used to support its conclusions.

The GAO has made two recommendations in this report regarding the practicality of searching SAM. The Bank concurs with both recommendations and will move forward with implementing the recommendations.

Recommendation 1: EXIM’s chief operating officer should direct EXIM’s Credit Review and Compliance Division to assess and document the practicality of incorporating into its preauthorization CRTI reviews searches of data elements in SAM that indicate delinquent federal debts owed by applicants, and, if practical, implement relevant approaches – such as manual searches or batch matching.

Management Response: The Bank agrees with this recommendation.

The Bank will assess and document the practicality of incorporating into its preauthorization CRTI reviews searches of data elements in SAM that indicate delinquent federal debts owed by applicants, and, if practical, implement relevant approaches – such as manual searches or batch matching. As an integral part of EXIM’s review of SAM data elements, we ask GAO to provide us with the data used to make this recommendation. As previously stated, this data will enable EXIM to correlate its findings with GAO’s data and determine the number of EXIM borrowers that are included in those 32 and 97 U.S.-based companies, and the amounts that tie to EXIM borrowers.

Recommendation 2: EXIM’s chief operating officer should direct EXIM’s Credit Review and Compliance Division to assess and document the practicality of incorporating into its post authorization CRTI reviews searches of data elements in SAM that indicate delinquent federal debts owed by applicants, and, if practical, implement relevant approaches – such as manual searches or batch matching.

Management Response: The Bank agrees with this recommendation.

The Bank will assess and document the practicality of incorporating into its post authorization CRTI reviews searches of data elements in SAM that indicate delinquent



federal debts owed by applicants, and, if practical, implement relevant approaches – such as manual searches or batch matching. As an integral part of EXIM’s review of SAM data elements, we ask GAO to provide us with the data used to make this recommendation. As previously stated, this data will enable EXIM to correlate its findings with GAO’s data and determine the number of EXIM borrowers that are included in those 32 and 97 U.S.-based companies, and the amounts that tie to EXIM borrowers.

EXIM is committed to the continuous improvement of its processes to reduce, mitigate, and eliminate fraud and hold accountable those who attempt to defraud the U.S. government. We look forward to strengthening our working relationship and continuing to work closely with the Government Accountability Office.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Goettman". The signature is fluid and cursive.

Jeffrey Goettman
Executive Vice President and Chief Operating Officer
Export-Import Bank of the United States

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Seto J. Bagdoyan, (202) 512-6722 or bagdoyans@gao.gov

Staff Acknowledgments

In addition to the contact named above, Jonathon Oldmixon (Assistant Director), Flavio Martinez (Analyst in Charge), Mason Calhoun, Marcus Corbin, Anthony Costulas, Adam Cowles, David Dornisch, Heather Dunahoo, Paulissa Earl, Colin Fallon, Dennis Fauber, Jennifer Felder, Dragan Matic, Maria McMullen, Christopher H. Schmitt, Albert Sim, Sabrina Streagle, and Steve Westley made key contributions to this report.

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