



Management Alert: EXIM's Process for Vetting Conference Sponsors Needs Improvement



OIG-O-24-05
March 22, 2024

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



Management Alert

To: Lisa V. Terry
Senior Vice President and Chief Ethics Officer

James Coughlan
Senior Vice President and General Counsel

Anastasia Dellaccio
Senior Vice President, External Engagement

From: Eric Rivera ERIC RIVERA Digitally signed by ERIC RIVERA
Date: 2024.03.22 08:01:06
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Assistant Inspector General for Audits

Subject: Management Alert (OIG-O-24-05): The Export-Import Bank of the United States (EXIM)'s Process for Vetting Conference Sponsors Needs Improvement

Date: March 22, 2024

Executive Summary

The Office of Inspector General (OIG) found that the Export-Import Bank of the United States (EXIM) process for vetting conference sponsors needs improvement. Specifically, OIG determined that EXIM's criteria for evaluating sponsorship applications did not adequately consider appearance issues in regard to sponsors having current or prior business before the agency. For the agency's 2023 Annual Conference, OIG identified that six of seven conference sponsors provided a total of \$76,000 in sponsorship fees despite having business before EXIM. Of these six sponsors, two were involved in a \$900 million transaction EXIM authorized four months prior to the conference, three had active contracts with the agency valued at approximately \$9 million, and one was an EXIM delegated authority lender.¹ These relationships with EXIM could create an appearance that the agency may give preferential treatment to certain conference sponsors. According to the EXIM Charter, the Office of Ethics, which is led by the Chief Ethics Officer, has jurisdiction over all ethics matters related to the agency and must recommend administrative actions to establish or enforce standards of official conduct. However, OIG determined that EXIM's Office of Ethics' involvement in the conference

¹ Delegated authority lenders are private financial institutions and nonfinancial companies, subject to prior EXIM qualifications and criteria, which may be granted authority after a review process to commit EXIM resources for certain extensions of credit.

sponsorship solicitation process was not adequately documented. The insufficient documentation on the vetting of conference sponsors leads to questions about the sufficiency of the Office of Ethics' involvement in the process. OIG issued four recommendations to improve EXIM's processes for vetting potential Annual Conference sponsors.

OIG provided a draft of this report to EXIM on February 23, 2024. However, the agency did not meet established timelines for providing an official management response.² During the report comment period, EXIM officials raised questions about the bases for OIG's conclusions contained in this report. OIG believes that the evidence obtained provides a reasonable basis for the findings and recommendations outlined below. OIG conducted this work in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General*.

In its comments on the draft report, EXIM concurred with two recommendations and non-concurred with two recommendations. OIG considers two recommendations resolved and two recommendations unresolved. EXIM's response to each recommendation, and OIG's reply, can be found in the recommendations section of this report. EXIM's formal response letter is reprinted in its entirety in Appendix A.

Context

EXIM held its Annual Conference at a hotel in Washington, D.C. from October 19, 2023, through October 20, 2023. In a welcome letter, EXIM's President and Chair, The Honorable Reta Jo Lewis, described the event as "the U.S. [G]overnment's premier trade and export event." The 2023 conference was attended by approximately 939 participants, which included private sector partners, agency employees, other U.S. Government officials, and representatives from foreign export credit agencies. The 2023 Annual Conference cost approximately \$681,139, of which approximately \$320,570 was offset by registration and sponsorship fees collected by EXIM.³ EXIM has held an Annual conference since September 1990. According to records reviewed by OIG, EXIM permitted sponsorships for its annual conference as early as December 2014.

² In its initial request to EXIM, OIG requested that the agency provide technical comments and a signed response letter by no later than March 8, 2024. OIG received the technical comments on March 11, 2024, and EXIM requested an extension to provide the signed response letter. OIG provided the extension until March 13, 2024. However, on March 13, 2024, OIG only received a draft response letter. After the EXIM meeting held on March 14, 2024, OIG requested a signed response letter by March 18, 2024. OIG received the signed response letter on March 19, 2024.

³ The Office of Management and Budget (OMB) Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations, issued May 11, 2012, requires federal agency heads to report publicly on all conferences where net expenses for the agency were in excess of \$100,000 by January 31st of each year. The memorandum outlines the costs and information that must be reported annually. In previous years, EXIM has reported its conference spending in accordance with the requirement.

EXIM's Charter⁴ states that EXIM may impose and collect reasonable fees to cover costs of conferences and seminars sponsored by, and publications provided by EXIM. The agency has interpreted this authority to allow EXIM to accept sponsors for the annual conference.⁵ EXIM used a multi-tiered system for sponsorships in 2023, consisting of the following tiers and sponsoring fees:

- Diamond – \$32,000
- Platinum – \$ 16,000
- Gold – \$ 8,000
- Silver - \$4,000

Six sponsors provided funding for EXIM's 2023 Annual Conference. The list of sponsors is included in [Table 1](#).

On December 12, 2014, EXIM's Office of General Counsel (OGC) issued a memorandum providing guidance on how to obtain sponsors for its Annual Conference. On June 13, 2023, EXIM's OGC issued a new memorandum expanding the guidance previously provided in 2014. In addition, EXIM's Office of External Affairs issued guidance titled SOP – Standard Operating Procedure offering guidance on EXIM Sponsorship Solicitation, dated July 19, 2023. It is important to note that the Chief Ethics Officer role was created as part of EXIM's 2015 reauthorization⁶ and, according to Section 3(k)(3) of EXIM's Charter, the Office of Ethics—which is headed by the Chief Ethics Officer—has jurisdiction over all ethics matters related to the agency and must recommend administrative actions to establish or enforce standards of official conduct.

On November 15, 2023, OIG announced that it was conducting research on EXIM's Annual Conference; Annual Conference cost reporting; and any language pertaining to consideration of appearance of favoritism and recommendations. OIG is issuing this report of findings and recommendations associated with the resulting work. OIG conducted this work in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General*. OIG believes that the evidence obtained provides a reasonable basis for the findings and recommendations outlined below.

⁴ Pub. L. No. 116-94 [EXIM Charter, Sec. 2(a)(1)] (“[T]he Bank may impose and collect reasonable fees to cover the costs of conferences and seminars sponsored by, and publications provided by, the Bank, and may accept reimbursement for travel and subsistence expenses incurred by a director, officer, or employee of the Bank, in accordance with subchapter I of chapter 57 of title 5, United States Code.”)

⁵ OIG is not opining on EXIM's interpretation of its authorities for the purposes of this report.

⁶ Section 3(k)(2)(B) of the EXIM Charter states that “Not later than 180 days after the date of the enactment of the Export-Import Bank Reform and Reauthorization Act of 2015, the Chief Ethics Officer shall be (i) appointed by the President of the Bank from among persons...”

Criteria for Evaluating Sponsorship Applications did not Adequately Consider the Appearance Issues in Regard to Favoritism towards Sponsors

OIG found that EXIM’s process for addressing the appearance of favoritism, as it relates to conference sponsorship, needs improvement. Specifically, OIG determined that EXIM’s criteria for evaluating sponsorship applications did not adequately consider appearance issues in regard to sponsors having current or prior business before the agency. Most of the 2023 Annual Conference sponsors had business before the agency which may result in questions about the appearance of favoritism. Specifically, OIG identified that six of seven conference sponsors provided a total of \$76,000 in sponsorship fees despite having business before EXIM. Of these six sponsors, two were involved in a \$900 million transaction EXIM authorized four months prior to the conference, three had active contracts with the agency valued at approximately \$9 million, and one was an EXIM delegated authority lender. These relationships could create a perception by outside parties that EXIM is providing preferential treatment to the conference sponsors. For example, an external party may conclude that a contractor may receive preferential treatment during EXIM procurement processes as a result of their sponsorship. Similarly, an external party may conclude that an entity participating in EXIM financing may be afforded preferential treatment because it provided sponsorship funds. Table 1, below, contains the complete list of Annual Conference sponsors and their relationship to EXIM.

Table 1: 2023 Annual Conference Sponsors and Relationship to EXIM

Name of Sponsor	Relationship with EXIM	Sponsorship Level
Allen & Overy	EXIM awarded the sponsor a contract valued at \$3,068,500 on September 28, 2020. The award’s period of performance expires on April 13, 2024.	Silver (\$4,000)
Comerica Bank	EXIM granted the sponsor status as a delegated authority and fast track lender in 2018, permitting the sponsor to authorize EXIM-guaranteed working capital loans up to \$25 million per borrower.	Silver (\$4,000)
Cybastiontech	OIG did not identify any appearance issues relating to favoritism.	Gold (\$8,000)
Deloitte	EXIM has awarded approximately \$4 million in contracting projects to Deloitte from January 2021 through September 2023.	Platinum (\$16,000)
Ernst & Young	EXIM has awarded approximately \$2 million in contracting projects to Ernst & Young from July 2022 through September 2023. ^a	Silver (\$4,000)

Name of Sponsor	Relationship with EXIM	Sponsorship Level
Omatapalo	EXIM approved financing of approximately \$900 million in June 2023 to support the construction of two projects that will be implemented by the sponsor.	Platinum (\$16,000)
UGT Renewables/Sun Africa	EXIM approved financing of approximately \$900 million in June 2023 to support the construction of two projects that will be developed by the sponsor.	Diamond (\$32,000)

^a OIG provided the funding for and serves as the contracting officer’s representative for a contract totaling \$251,774 that was awarded during September 2023. OIG personnel were unaware of the sponsor’s participation in the EXIM Annual Conference until after the conference.

Source: Generated by OIG from data provided by EXIM.

OIG is identifying the names of the conference sponsors in this report because EXIM previously disclosed them publicly, including on the conference website. OIG’s findings pertain exclusively to deficiencies in EXIM’s vetting process for sponsors; OIG did not identify improper practices on the part of the sponsors.⁷

The potential for questions about favoritism, described above, occurred because EXIM’s criteria for reviewing sponsors was insufficient and needs improvement. In addition, the agency did not produce adequate documentary evidence of the decision to approve each individual sponsor organization. This lack of documentation leads to questions about the sufficiency of the Office of Ethics' involvement in the process of vetting conference sponsors.

According to the EXIM standard operating procedure dated July 19, 2023, EXIM used two criteria for vetting a conference sponsorship application. The document instructed agency employees to deny applications when:

- The entity is a participant to a transaction is scheduled for imminent Board vote; or
- The entity does not clear Character Reputational Transaction Integrity search (i.e., negative report).

EXIM’s criteria did not consider other relevant factors that may raise questions about preferential treatment for conference sponsors. OIG assesses that EXIM’s criteria for reviewing potential sponsors was overly narrow because it only considered transactions imminently scheduled for Board vote. Such a criterion would exclude transactions that had recently received board approval but still required agency action, as well as any additional transactions

⁷ In accordance with the James M. Inhofe National Defense Authorization Act for FY 2023 (Pub. L. No. 117-263 § 5274) the entities will be notified of this report and provided an opportunity to submit a written response.

under consideration by the agency. OIG also notes that the criteria did not consider whether a potential sponsor was seeking, or had, an active contract with the agency.

In addition, EXIM did not produce adequate documentary evidence of the decision to approve each individual sponsor organization. EXIM officials stated that all the sponsors were vetted by EXIM's Office of Ethics. However, OIG only found several e-mails stating that a discussion took place with the Office of Ethics. When interviewed by OIG, the Chief Ethics Officer expressed that EXIM's Office of External Engagements was primarily responsible for the conference and its sponsors. Moreover, EXIM officials did not document their substantive reasoning for the approval of sponsors. The insufficient documentation on the vetting of conference sponsors or the process, leads to questions about the sufficiency of the Chief Ethics Officer's involvement in the process. As outlined in Section 3(k)(3) of EXIM's Charter, the Office of Ethics has jurisdiction over all ethics matters related to the agency and must recommend administrative actions to establish or enforce standards of official conduct.

Because the agency did not adequately document its decision-making related to potential sponsors, OIG is identifying \$76,000 in questioned costs⁸ in connection with this management alert. This total is comprised of the sponsorship fees for the six sponsors of the 2023 Annual Conference that OIG identified as having business before the agency. Therefore, OIG is questioning the conference costs that were offset by the \$76,000 of fees collected. OIG is issuing four recommendations to improve EXIM's processes for soliciting and vetting conference sponsors. In the absence of further agency action, EXIM risks eroding public trust in the agency's programs and operations.

Recommendations

Recommendation 1: The Chief Ethics Officer, in coordination with other EXIM senior officials, should conduct an analysis to determine whether EXIM's practice of soliciting sponsorship fees sufficiently mitigates the appearance of favoritism towards any potential conference sponsor.

Management Response: In its March 19, 2024, response, EXIM did not concur with this recommendation. EXIM states that the products developed in advance of the 2023 Annual Conference sufficiently addressed concerns of whether sponsorship by an individual corporate entity that has or has had a relationship with EXIM could create an appearance issue. The management response further states that EXIM's Office of Ethics, Office of External Engagement, and the Office of the General Counsel will review and, if necessary, modify EXIM's processes, guidance, and/or policy regarding sponsorships in advance of every annual conference and will document its review of such documents. Furthermore, the response states that the Office of the Chief Ethics Officer will issue guidance and/or guidelines to all EXIM staff, concurrent with the publication of any sponsorship materials, that will outline employee

⁸ The Inspector General Act of 1978, as amended, 5 U.S.C. §405(a)(4)(B), defines a questioned cost as "a cost that is questioned by the [OIG] because of a finding that, at the time of the audit, such cost is not supported by adequate documentation."

obligations and responsibilities as it relates to the solicitation of sponsorship, and that the Office of the Chief Ethics Officer, under the direction of the Chief Ethics Officer, will make the final determination to approve or decline proposed sponsorships.

EXIM's full response is reprinted in Appendix A, below.

OIG Reply: OIG considers this recommendation unresolved. OIG acknowledges the actions that EXIM has taken to address appearance issues with potential conference sponsors. These actions, however, do not address the recommendation which calls for an analysis to determine whether EXIM's practice of soliciting sponsorship fees sufficiently mitigates the appearance of favoritism towards any potential conference sponsor. The recommendation can be closed when OIG receives and accepts documentation that demonstrates the results of the analysis.

Recommendation 2: The Chief Ethics Officer, in coordination with other EXIM senior officials, should consider developing updated criteria for reviewing sponsorship applications to mitigate potential favoritism concerns.

Management Response: In its March 19, 2024, response, EXIM concurred with this recommendation.

OIG Reply: OIG considers this recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the updated criteria reviewing sponsorship applications to mitigate potential favoritism concerns.

Recommendation 3: The Chief Ethics Officer, in coordination with other EXIM senior officials, should update its procedures to include steps for documenting the decision to accept or reject each potential sponsor.

Management Response: In its March 19, 2024, response, EXIM concurred with this recommendation.

OIG Reply: OIG considers this recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the updated procedures to include steps for documenting the decision to accept or reject each potential sponsor.

Recommendation 4: The Chief Ethics Officer, in coordination with other EXIM senior officials, should develop and implement a process to ensure that the office's involvement in matters pertaining to conference sponsorship is consistent with its role as described in the EXIM Charter.

Management Response: In its March 19, 2024, response, EXIM did not concur with this recommendation. In its response, EXIM states that in advance of the 2023 annual conference, the Chief Ethics Officer, her team, and other departments at EXIM (including the Office of External Engagement and the Office of the General Counsel) collaborated on the development of documents and processes regarding conference sponsorships. The Chief Ethics Officer advised on ethics, appearance, and conflict considerations and reviewed all materials prior to

their use. The Chief Ethics Officer has carried out her duties and responsibilities consistent with the role of her office as described in EXIM's Charter. EXIM's response further states that, going forward, internal documents regarding EXIM's sponsorship processes, guidance, etc. will include a statement that the Office of Ethics has the responsibility and authority to adjudicate and determine any conflicts, appearance, or ethics concerns as directed in EXIM's Charter and applicable Federal law and regulations.

EXIM's full response is reprinted in Appendix A, below.

OIG Reply: OIG considers this recommendation unresolved. OIG acknowledges the actions that EXIM has taken to clarify the role of the Chief Ethics Officer. These actions, however, do not address the recommendation, which calls for the development and implementation of a process to ensure that the office's involvement in matters pertaining to conference sponsorship is consistent with its role as described in the EXIM Charter. The recommendation can be closed when OIG receives and accepts documentation that demonstrates the development and implementation of the process.

Appendix A: Management Response



Helping American Businesses Win the Future

DATE: March 18, 2024

TO: Mr. Eric Rivera, Assistant Inspector General for Audits

THROUGH: Ravi Singh, Acting Senior Vice President and Chief Financial Officer

FROM: Lisa V. Terry, Senior Vice President and Chief Ethics Officer (CEO)
James Coughlan, Senior Vice President and General Counsel
Anastasia Dellaccio, Senior Vice President, External Engagement

SUBJECT: EXIM Management to “EXIM’s Process for Vetting Conference Sponsorships Needs Improvement”

RAVI SINGH Digitally signed by RAVI SINGH Date: 2024.03.19 11:18:13 -04'00'

LISA TERRY Digitally signed by LISA TERRY Date: 2024.03.18 17:14:03 -04'00'

JAMES COUGHLAN Digitally signed by JAMES COUGHLAN Date: 2024.03.19 09:57:54 -04'00'

Anastasia Dellaccio

Dear Mr. Rivera,

Thank you for providing the Export-Import Bank of the United States (“EXIM” or “EXIM Bank”) management with the Office of Inspector General’s (“OIG”) *EXIM’s Process for Vetting Conference Sponsorships Needs Improvement* Management Alert (OIG-O-24-05), dated March 2024 (the “Report”). EXIM’s leadership and management continue to fully support the OIG’s work, which we believe complements and enhances EXIM’s efforts to continually improve its processes. EXIM Bank is proud of the strong and cooperative relationship it has with the OIG.

EXIM takes the position that U.S. government agencies that accept fees from external private or public companies must determine that its acceptance of such fees are above reproach. We appreciate your review of our documentation and processes around conference sponsorships as well as suggestions to consider additional ways we might bolster our efforts to ensure we mitigate any appearances of favoritism EXIM is committed to acting in accordance with statute and regulations regarding U.S. government conferences and sponsorships.

Additionally, we appreciate the timeliness of this report as we are currently updating our procedures and guidance relating to conference sponsorship in advance of EXIM’s 2024 Annual Conference to be held in Washington, D.C. this June.

As an independent U.S. Government agency, we recognize that public trust and support is critical to the EXIM’s work and we are grateful to you for the oversight role your office plays in providing thoughtful recommendations that help ensure we can protect that trust and support.

Regarding the recommendations put forth in this report, EXIMs Management Responses are as follows:

Recommendation #1: The Chief Ethics Officer, in coordination with other EXIM senior officials, should conduct an analysis to determine whether EXIM’s practice of soliciting sponsorship fees significantly mitigates the appearance of favoritism towards any potential conference sponsor.

Management Response: EXIM management believes that the products developed in advance of the 2023 Annual Conference sufficiently addressed concerns of whether sponsorship by an individual

corporate entity that has or has had a relationship with EXIM could create an appearance issue. The Standard Operating Procedure, developed by EXIM's Office of External Affairs, Office of the General Counsel, and Office of Ethics, specifically uses the term "favoritism," stating that "EXIM should not show favoritism in selecting sponsors/exhibitors." Therefore, EXIM management respectfully does not concur with this recommendation.

Your report does raise some additional considerations, however, including Recommendation 2 regarding the criteria for vetting sponsorships. Furthermore, and as a general practice, the Office of Ethics, Office of External Engagement, and the Office of the General Counsel will review and, if necessary, modify EXIM's any processes, guidance, and/or policy regarding sponsorships in advance of every annual conference and will document its review of such documents.

Furthermore, consistent with the 2023 Annual Conference, the Office of the Chief Ethics Officer will issue guidance and/or guidelines to all EXIM staff, concurrent with the publication of any sponsorship materials, that will outline employee obligations and responsibilities as it relates to the solicitation of sponsorship. The Office of the Chief Ethics Officer, under the direction of the Chief Ethics Officer, will make the final determination to approve or decline proposed sponsorships.

Recommendation 2: The Chief Ethics Officer, in coordination with other EXIM senior officials, should consider developing updated criteria for reviewing sponsorship applications to mitigate potential favoritism concerns.

Management Response: EXIM concurs with this recommendation. The Office of Ethics will document a review of the criteria for vetting sponsors on an annual basis at least three months prior to each Annual Conference beginning in 2024 and will issue guidance to internal stakeholders as appropriate. Also, EXIM leaders, including the Chief Ethics Officer, will review and modify the Standard Operating Procedures as appropriate.

Recommendation 3: The Chief Ethics Officer, in coordination with other EXIM senior officials, should update its procedures to include steps for documenting the decision to accept or reject each potential sponsor.

Management Response: EXIM concurs with this recommendation. The Office of Ethics, the Office of the General Counsel, and the Office of External Engagement developed a detailed Standard Operating Procedure (SOP) on the sponsorship process, which was implemented in advance of the 2023 Annual Conference. As you are aware from your review, sponsorship applications are processed by a third-party vendor using our criteria. We will update the SOP to include a process for documenting the final list of sponsors, to include a notification from External Affairs to the Office of Ethics. Final determination of any sponsorship application rests with the Chief Ethics Officer.

Recommendation 4: The Chief Ethics Officer, in coordination with other EXIM senior officials, should develop and implement a process to ensure that the office's involvement in matters pertaining to conference sponsorship is consistent with its role as described in the EXIM Charter.

Management Response: In advance of the 2023 annual conference, the Chief Ethics Officer, her team, and other departments at EXIM (including the Office of External Engagement and the Office of the General Counsel) collaborated on the development of documents and processes regarding conference sponsorships. The Chief Ethics Officer advised on ethics, appearance, and conflict considerations and reviewed all materials prior to their use. The Chief Ethics Officer has carried out her duties and

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responsibilities consistent with the role of her office as described in EXIM's Charter. Therefore, we respectfully do not concur with your recommendation.

Going forward, internal documents regarding EXIM's sponsorship processes, guidance, etc. will include a statement that the Office of Ethics has the responsibility and authority to adjudicate and determine any conflicts, appearance, or ethics concerns as directed in EXIM's Charter and applicable Federal law and regulations.

CC: The Honorable Reta Jo Lewis, President and Chair of the Board of Directors
Brad Belzak, Senior Vice President and Chief of Staff
Hazeen Ashby, Deputy Chief of Staff and White House Liaison
Larry Decker, Senior Advisor to the President and Chair of the Board of Directors
Michaela Smith, Director of Audit and Internal Controls Program
Sunny Park, Internal Controls Officer

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oig.whistleblower@exim.gov

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