October 31, 2007

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Madam Speaker:

I am pleased to provide you a copy of the annual report to Congress on Overseas Private Investment Corporation (OPIC) audit and investigative activities, pursuant to the Inspector General Act Amendments of 1988.

OPIC received an unqualified audit opinion on its FY 2007 financial statements, as it has every year of its history. The audit was performed KPMG LLP and we are pleased to report that they found no material weaknesses.

If you have any questions or would like further information, please let me know.

Sincerely,

[Signature]

Robert Mosbacher, Jr.
President & CEO

Enclosure
INTRODUCTION

Pursuant to Section 8G of the Inspector General Act Amendments of 1988, the Overseas Private Investment Corporation (OPIC) is presenting the following annual report which provides Audit and Investigative Activities for Fiscal Year (FY) 2007.

INDEPENDENT AUDIT

KPMG, LLP Audit Report

OPIC received an unqualified audit opinion on its FY 2006 financial statements.

The independent accounting firm KPMG LLP performed the FY 2006 audit, which was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 06-03, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 06-03 required that KPMG LLP perform the audits to obtain reasonable assurance about whether OPIC’s financial statements are free of material misstatement. KPMG LLP opined that OPIC’s FY 2006 financial statements present fairly, in all material respects, the financial position of the Overseas Private Investment Corporation as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards KPMG also issued reports dated November 14, 2006 on their consideration of OPIC’s internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. Those reports included Independent Auditors’ Reports on Financial Statements; Internal Control Over Financial Reporting; Compliance and Other Matters; and Compliance with Laws and Regulations.

OPIC’s FY 2006 audited financial statements were submitted to the Office of Management and Budget (OMB) on November 15, 2006. The audited financial statements and accompanying reports were included in OPIC’s Management Report for
FY 2006 submitted to OMB and Congress pursuant to the Chief Financial Officers Act of 1990.

SIGNIFICANT REVIEWS

Internal Control Reviews

In June 2007, under the leadership of a Senior Assessment Team (SAT), an inter-departmental group composed of all OPIC departments conducted testing of various internal control processes using OMB Circular A-123, "Management's Responsibility for Internal Control," guidance. Results of the testing have been finalized, and a report from the Senior Assessment Team through the Chief Financial Officer to the Senior Management Council, consisting of all OPIC Vice Presidents, was completed in October 2007.

In August 2007, OPIC's Board of Directors recently established Audit Committee awarded a contract to MorganFranklin to perform a risk assessment of OPIC processes and from the results to develop a three year internal control audit plan. MorganFranklin spent several months on site at OPIC learning about the organization and assessing the risk levels in each organization with regard to internal controls over financial reporting. On October 17, 2007, MorganFranklin issued its final report to the Audit Committee and OPIC management who have approved the report. Next steps will include testing and evaluating the top risk areas as identified by MorganFranklin in accordance with OMB Circular A-123.

Risk Management

OPIC remains focused on Agency-wide risk management and the refinements and enhancement of risk management policies and practices. Over FY 2007, the Loss Reserves Methodology was reviewed and updated to reflect new GAAP guidance and best practices in the industry. Particular attention was given to the Insurance Reserves Methodology, where a more robust methodology to test the adequacy of OPIC reserves for this portion of the portfolio was developed.

OPIC continued the practice of independently evaluating the credit quality of the Finance and Investment Funds portfolios. The reviews focus on validation of the risk rating recommendations and the extent of loss in the event of default within the different portfolios. Particular attention continues to be given to cross-sections of the portfolio exhibiting higher risk profiles through a quarterly review process that identifies credit quality deterioration in the portfolio, with particular attention to criticized assets and guarantees.

In FY 2007, the OPIC Board of Directors Audit Committee was briefed on the current risk profile of the OPIC portfolio and the loss reserves methodology followed by the agency. Periodic briefings on risk management and portfolio quality will continue to be made to the Board Audit Committee and Senior Management.
Office of Accountability

The Office of Accountability reports directly to OPIC’s President and CEO, and is independent of project operations. The mandate of the Office of Accountability is to deliver ombudsman and compliance review services in a manner that is fair, objective and transparent to all stakeholders.

In January 2007 the Office of Accountability completed its first environmental compliance review. Pursuant to established procedures, the findings and response are publicly posted on the OPIC web site. There were no problem-solving or compliance review requests registered in FY 2007.

REFERRALS

Department Of Justice Referrals

During this reporting period OPIC made no referrals to the Department of Justice.