

# Office of Inspector General

EXPORT-IMPORT BANK *of the* UNITED STATES



## SEMIANNUAL *Report to Congress*

October 1, 2009 to March 31, 2010

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## The Export-Import Bank of the United States

(Ex-Im Bank/Bank) is the official export credit agency of the United States. The mission of the Bank is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank enables U.S. companies — large and small — to turn export opportunities into sales that helps to maintain and create U.S. jobs and contribute to a stronger national economy. In fiscal year 2009, the Bank authorized transactions totaling \$21 billion. Ex-Im Bank is an independent executive agency and a wholly owned U.S. government corporation that is celebrating 75 years of service to the nation in 2009. Information about the Bank is available at [www.exim.gov](http://www.exim.gov).

## The Office of Inspector General

(OIG) was organized in 2007 as an independent office within Ex-Im Bank to support its mission and goals by detecting and responding to fraud, waste, and abuse involving Ex-Im Bank programs and personnel and to promote economy and efficiency in operations. The Inspector General Act of 1978 charges the Inspector General with responsibility for conducting audits, inspections, and investigations. The Inspector General keeps the Chairman of Ex-Im Bank and Congress fully and currently informed about problems and deficiencies relating to the administration of Ex-Im Bank programs and operations.

## Online Availability

Reports of OIG audits, evaluations, and other activities are available at [www.exim.gov/oig](http://www.exim.gov/oig). Information about the responsibilities of Inspectors General across the U.S. government can be found at [www.ignet.gov](http://www.ignet.gov).

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OSVALDO L. GRATACOS  
ACTING INSPECTOR GENERAL

EXPORT-IMPORT BANK  
OF THE UNITED STATES

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April 30, 2010

Fred P. Hochberg  
Chairman and President  
Export-Import Bank of the U.S.  
811 Vermont Avenue, N.W.  
Washington, DC 20571

Dear Chairman Hochberg:

This *Semiannual Report to Congress* of the Office of Inspector General (OIG) of the Export-Import Bank of the United States (Ex-Im Bank) summarizes the work of the OIG during the reporting period of October 1, 2009 to March 31, 2010. During this time, OIG staff completed significant audits and investigations of Ex-Im Bank programs and operations, while laying the groundwork for expanded operations in the future. The rapid and effective development of this office is particularly important in view of Ex-Im Bank's leading role in responding to the decrease in private sector export funding resulting from the international financial crisis and its crucial role in the recently unveiled National Export Initiative.

The reporting period is highlighted by the following accomplishments:

1. Twelve arrests, indictments, and informations produced by this office
2. Ex-Im Bank cost savings arising from investigative work in collaboration with Ex-Im Bank management exceeded \$6.5 million
3. Ex-Im Bank's financial statement audit
4. Fiscal Year 2009 Information Security Program and Practices and Technical Configuration Reviews

I am very proud of the fine work of the OIG leadership team of Jean Smith, Assistant Inspector General for Audits, and Larry Valett, Assistant Inspector General for Investigations, in achieving the results described in this report. I look forward to providing future reports to Congress of the expanding work of this new office as it accomplishes the OIG mission within Ex-Im Bank.

A handwritten signature in blue ink, appearing to read "Osvaldo L. Gratacos".

Osvaldo L. Gratacos  
Acting Inspector General

## OVERVIEW

The Office of Inspector General (OIG) is an independent office within the Export-Import Bank of the United States (Ex-Im Bank) that supports Ex-Im Bank's mission and goals by working to promote economy and efficiency in Ex-Im Bank operations while preventing, detecting, and responding to fraud, waste, and abuse involving Ex-Im Bank programs and operations. The Inspector General Act of 1978 (IG Act), as amended, charges the Inspector General with responsibility for conducting audits, evaluations, inspections, and investigations and keeping the Chairman of Ex-Im Bank and Congress fully and currently informed about problems and deficiencies relating to the administration of Ex-Im Bank programs and operations.

The Ex-Im Bank OIG, initially organized in August 2007, has a staff of ten career professionals (five criminal investigators, three auditors, an attorney, and an administrative specialist). Since October 7, 2009, Deputy Inspector General and Counsel, Osvaldo L. Gratacos, has served as Acting Inspector General. During this period, Ex-Im OIG has increased audit, evaluation, and investigative activity, a trend expected to continue in succeeding reporting periods.

**In addition to the audits and investigations described in the following sections of this report, activities during this period included the following:**

- Meet regularly with Ex-Im Bank's Office of General Counsel and Asset Management Division staff to discuss referrals to the OIG of claims and other matters where evidence indicating the possibility of fraudulent acts has been identified and to coordinate with Bank staff in support of OIG investigations.
- Evaluate the feasibility of conducting onsite inspections throughout all phases of Ex-Im Bank transactions to assess transaction integrity and conformity to applicable laws and representations made to Ex-Im Bank.
- Expand the responsibilities of the Counsel to the Inspector General to include the role of Deputy Inspector General to ensure continuity of leadership when the Inspector General stepped down in October 2009.
- Address several matters of common interest with Ex-Im Bank's Audit Committee in a mutually supportive manner consistent with the independence of the OIG and a positive relationship with Ex-Im Bank. The OIG also met with the contractor selected by the Audit Committee to provide internal audit services for Ex-Im Bank.
- Develop the full range of written policies required to support the operations of the OIG in the areas of strategic goals, audits, investigations, staff performance goals and reviews, and general administrative matters.
- Participate in monthly meetings with Inspectors General of other agencies responsible for regulating the U.S. financial sector to discuss issues of common interest, including agency and inspector general responses to the international financial crisis.
- Assist Ex-Im Bank leadership in assessing ways to improve programs and operations in anticipation of Ex-Im Bank's role as part of the National Export Initiative unveiled by President Obama during his State of the Union address.
- Participate in the Council of Inspectors General on Integrity and Efficiency efforts in proposing legislative changes to the Paperwork Reduction Act, IG Reform Act, and IG Subpoena Authority bill.

## Summary of Activities

As required by the IG Act, an activity summary of the audits, evaluations, requests from Congress, Hotline complaints, and fraud investigation referrals addressed by Ex-Im Bank OIG for this reporting period follows.

### AUDITS AND EVALUATIONS

The Office of Audit completed two audits during the six months ended March 31, 2010:

1. Ex-Im Bank's Financial Statements for Fiscal Year 2009
2. Fiscal Year 2009 Information Security Program and Practices and Technical Configuration Reviews

At the end of the reporting period, the Office of Audit had two reviews in process:

1. Sponsored Transactional Travel Audit
2. Follow-Up of Medium Term Export Credit Program Audit Recommendations

### Audits Issued During Period

***Audit of the Export-Import Bank's Financial Statements for Fiscal Year 2009 (OIG-AR-10-01, November 13, 2009)***

[http://www.exim.gov/oig/documents/Audit\\_fiscal\\_year2009\\_FinancialStatements.pdf](http://www.exim.gov/oig/documents/Audit_fiscal_year2009_FinancialStatements.pdf)

An independent public accountant (IPA), working under OIG supervision, conducted an audit of Ex-Im Bank's financial statements for fiscal year (FY) 2009. The IPA issued an unqualified opinion on Ex-Im Bank's financial statements and reported that no material weaknesses were identified and found no reportable noncompliance with laws and regulations.

During the annual financial statement audit, the IPA noted certain deficiencies related to Ex-Im Bank's internal control over financial reporting and other matters. Seven recommendations were made to

correct the deficiencies. The recommended actions to strengthen controls were as follows:

1. Remove administrative access from users of a major system where daily job responsibilities are not required and actively monitor administrative level access privileges.
2. Automate the process of preparing and summarizing cash flows, perform a detailed review of the cash flow models in advance of time when the re-estimate calculation is performed, and utilize a data integrity checklist to assist in the detailed review to check for formulaic and linkage issues.
3. Correct the software to ensure that expired contracts are properly removed.
4. Improve the level of review of the capitalized interest calculations and related journal entries.
5. Perform a roll forward reconciliation of the allowance for credit losses balance and perform an analysis of each significant component within the roll forward at a level of precision necessary to identify any significant error.
6. Complete the confirmation process prior to the date when audit confirmations are prepared. Improve processes and procedures to ensure that Ex-Im Bank is timely notified of changes affecting its portfolio.
7. Automate the process of allocating insurance receipts to the proper cohort in the financing account to reduce the number of unallocated items.

OIG issued a summary of the findings and recommendations and management's responses in the report *Fiscal Year 2009 Financial Statement Audit – Management Letter Excerpt (OIG-AR-10-03, March 9, 2010)*

[http://www.exim.gov/oig/documents/management\\_letter\\_web\\_posting.pdf](http://www.exim.gov/oig/documents/management_letter_web_posting.pdf)

***Fiscal Year 2009 Information Security Program and Practices and Technical Configuration Reviews (OIG-AR-10-02, January 25, 2010)***

The Federal Information Security Management Act (FISMA) requires an annual independent evaluation of Ex-Im Bank's information security program and practices. The OIG contracted with an IPA to determine whether Ex-Im Bank met FISMA requirements and to evaluate Ex-Im Bank's privacy program and privacy impact assessment process. The audit also included a supplemental technical review that consisted of performing internal and external

network vulnerability assessments and analyzing configurations against the appropriate guidance.

The audit found that Ex-Im Bank adequately addressed many FISMA requirements, including:

- Addressing all findings issued as part of the prior year FISMA audit
- Completing the certification and accreditation for the infrastructure general support system
- Selecting and testing required minimum security controls
- Developing and testing contingency plans for all three major systems
- Maintaining an adequate Plan of Action and Milestones process
- Developing incident reporting policies and procedures
- Implementing Federal Desktop Core Configuration security settings.

While the above are positive efforts, additional action is needed to comply fully with guidance issued by the Office of Management and Budget and the National Institute of Standards and Technology. The audit made four recommendations that should strengthen Ex-Im Bank's information security.

Because this report addresses issues associated with information security at Ex-Im Bank, the OIG did not make the report available on-line.

## **On-going Audits**

### ***Sponsored Transactional Travel Audit***

The OIG is completing audit fieldwork to evaluate Ex-Im Bank's policies and procedures for sponsored transactional travel. The audit objectives are to determine whether nonfederal sponsored transactional travel:

1. Policies and procedures comply with federal regulations,
2. Controls are adequate to ensure compliance with regulations, and
3. Policies and procedures on the collection of reimbursements are adequate.

Audit work commenced in January 2010. The OIG anticipates issuing an audit report in June 2010.



### ***Follow-Up of Medium Term Export Credit Program Audit Recommendations***

The OIG contracted with an IPA to perform audit follow-up to determine whether corrective action taken by management on findings and recommendations previously reported in the following two Medium Term Export Credit Program audit reports were fully implemented.

*Medium Term Export Credit Program – Information Technology (IT) Systems, Support and Governance (OIG-AR-09-05, June 12, 2009)*  
<http://www.exim.gov/oig/documents/MTITauditreportfinal.pdf>

*Medium Term Export Credit Program – Credit and Fraud Risk Management and Business Process Improvement (OIG-AR-09-04, March 30, 2009)*  
[http://www.exim.gov/oig/documents/MT\\_Program\\_Business\\_Process\\_Final\\_Audit\\_Report.pdf](http://www.exim.gov/oig/documents/MT_Program_Business_Process_Final_Audit_Report.pdf)

At the end of this reporting period, the IPA was in the planning phase of the audit.

## **Government Accountability Office (GAO)**

The IG Act states that each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation. During this period, the GAO referenced Ex-Im Bank in two GAO reports:

*IRAN SANCTIONS: Complete and Timely Licensing Data Needed to Strengthen Enforcement of Export Restrictions (GAO-10-375, March 2010)*

This report referenced the Iran Sanctions Act, which allows the president to sanction persons who provide Iran with goods, technology, or services if they know that doing so would contribute materially to Iran's ability to acquire or develop (1) chemical, biological, or nuclear weapons or related technologies or (2) destabilizing numbers and types of advanced conventional weapons. The Act requires the president to impose at least two of several sanctions. One of the sanctions is denying assistance from Ex-Im Bank for exporting to foreign persons.

*INTERNATIONAL TRADE: Observations on U.S. and Foreign Countries' Export Promotion Activities (GAO-10-310T, December 9, 2009)*

GAO's testimony before the U.S. Senate Subcommittee on International Trade, Customs, and Global Competitiveness, Committee on Finance, presented observations about U.S. export promotion efforts expressed in reports from 2006 to 2009 and observations about foreign export promotion activities. This testimony referenced conclusions that Ex-Im Bank has taken positive steps toward determining the number of transactions that directly benefit small business, and improving the system for estimating the value of direct small business support for transactions in which the exporter is not known at the time that Ex-Im Bank authorizes the transaction.

GAO has also referenced Ex-Im Bank's need to improve performance monitoring.

[See GAO's reports: *Export Promotion: Export-Import Bank Has Met Target for Small Business Financing Share*, (GAO-08-419T, January 17, 2008) and *Export-Import Bank: Performance Standards for Small Business Assistance Are in Place but Ex-Im Is in the Early Stages of Measuring Their Effectiveness*, (GAO-08-915, July 17, 2008).]

## **Audit Follow-Up**

Recommended actions remain open on two audits reported in the previous Semiannual Report:

***Medium Term Export Credit Program – Credit and Fraud Risk Management and Business Process Improvement (OIG-AR-09-04, March 30, 2009).***

[http://www.exim.gov/oig/documents/MT\\_Program\\_Business\\_Process\\_Final\\_Audit\\_Report.pdf](http://www.exim.gov/oig/documents/MT_Program_Business_Process_Final_Audit_Report.pdf)

Of the eight recommendations, management stated that it had completed action on one recommendation and was either making substantial progress in implementing the specific recommendations or pursuing alternatives that Ex-Im Bank believes will effectively address the report's findings. Management anticipates that most, if not all, of the recommendations will be closed within six months.

The remaining seven recommendations are open:

1. Require onsite inspections and appraisals of equipment being exported for medium term (MT) transactions as part of the credit underwriting due diligence.
2. Make payment frequency consistent with local country norms, most of which require monthly payments.
3. Institute a formal lender oversight function.
4. Revamp Ex-Im Bank's exposure fee pricing structure for nonsovereign MT Program transactions to more effectively account for transaction-level risk.
5. Evaluate the impact of implementing a greater degree of risk sharing or other incentives for nonsovereign transactions.
6. Develop procedures to improve the turnaround time in processing applications.
7. Develop a strategic plan for the MT Program.

***Medium Term Export Credit Program – Information Technology (IT) Systems, Support and Governance (OIG-AR-09-05, June 12, 2009)***  
<http://www.exim.gov/oig/documents/MTITauditreportfinal.pdf>

Management reported that corrective action had been completed on four of the five recommendations. The remaining open recommendation is to develop an IT Strategic Plan aligned with the Medium Term Program business plan.

## **INVESTIGATIONS AND HOTLINE ACTIVITY**

### **Milestones and Noteworthy Accomplishments**

#### **The Office of Investigations achieved several milestones in meeting mission objectives to investigate trade finance and export credit fraud impacting Ex-Im Bank**

The following actions have occurred in ongoing investigations resulting from investments made by the Office of Investigations in training, infrastructure, and in law enforcement resources:

- Achieving \$6,518,958 in cost savings for Ex-Im Bank stemming from referrals of active investigative information
- Expanding the fraud investigations case portfolio to 410 individual claims paid by Ex-Im Bank, representing more than \$327 million
- Obtaining six criminal indictments, five criminal informations, and one civil complaint for forfeiture against subjects of ongoing investigations worked jointly with the Federal Bureau of Investigation (FBI) and other law enforcement agencies
- One arrest made by the FBI pursuant to ongoing joint investigative operations with the Ex-Im Bank OIG
- Two federal search warrants executed against subjects in ongoing investigations
- Three investigative matters referred to the Department of Justice for prosecutive decision
- Four plea agreements signed by subjects pursuant to ongoing investigative matters
- Eighty referrals of investigative information to Ex-Im Bank Office of General Counsel concerning potential fraud and funds at risk to support enhanced due diligence efforts in approving, processing, and monitoring export credit loan guarantees and insurance policies



## Summary of Investigations

The Office of Investigations evaluates all referrals of possible fraud or illegality affecting Ex-Im Bank or its programs and activities. Such referrals are received from a variety of sources—Ex-Im Bank employees, Ex-Im Bank Office of General Counsel, participants in Ex-Im Bank transactions, other government agencies, and the OIG Hotline. Evaluations that identify reasonable indications of possible fraud or illegality result in an investigation. These investigations are summarized in the table below.

<b>Summary of Investigative Activity During Period</b>	<b>Investigations Totals</b>	<b>No. of Claims*</b>	<b>Net Amount of Claims**</b>
Investigations open as of October 1, 2009	35	369	\$306,003,496
Opened during period	7	52	\$32,916,611
Closed during period	(7)	(11)	(\$11,077,974)
Investigations open as of March 31, 2010	35	410	\$327,842,133

\*The number of claims subject to investigation. Not all investigations involve claims paid by Ex-Im Bank. The referral of a claim to the OIG for investigation does not establish the existence of fraud, and not all claims included in a case under investigation are necessarily fraudulent until proven so by evidence developed in the investigation. The number of claims may vary during the course of an investigation as facts and findings develop.

\*\*The net amount of claims may vary between reporting periods as post-default interest accrues and collection expenses are incurred and as Ex-Im Bank recovers funds through its civil collection efforts. Accordingly, the net dollar amount of claims reported is subject to fluctuation between reporting periods.

The following table breaks down the 410 claims that are currently the focus of open investigations by the Ex-Im Bank OIG by the fiscal years in which the transactions were authorized (which would generally be the year in which any associated fraud was committed). The period between the date a transaction is authorized and any claim resulting from fraudulent activity can range from a few months to many years.

<b>Year Transaction Authorized</b>	<b>No. of Claims*</b>	<b>Net Amount Of Claims**</b>
2000 and earlier	17	\$8,296,489
2001	24	\$26,974,479
2002	43	\$19,629,765
2003	81	\$55,540,920
2004	138	\$156,349,293
2005	48	\$28,241,640
2006	36	\$22,617,446
2007	16	\$5,903,563
2008	7	\$4,288,538
<b>TOTAL</b>	<b>410</b>	<b>\$327,842,133</b>

\*The number of claims subject to investigation. Not all investigations involve claims paid by Ex-Im Bank. The referral of a claim to the OIG for investigation does not establish the existence of fraud, and not all claims included in a case under investigation are necessarily fraudulent until proven so by evidence developed in the investigation. The number of claims may vary during the course of an investigation as facts and findings develop.

\*\*The net amount of claims may vary between reporting periods as post-default interest accrues and collection expenses are incurred and as Ex-Im Bank recovers funds through its civil collection efforts. Accordingly, the net dollar amount of claims reported is subject to fluctuation between reporting periods.

## Summary of Investigative Results

The Office of Investigations obtained the following actions during this reporting period.

<b>Results of Prosecutive Actions, October 1, 2009–March 31, 2010</b>	<b>Ex-Im OIG Only</b>	<b>Joint Investigations*</b>	<b>Totals</b>
Matters referred to Dept. of Justice	2	1	3
Criminal indictments / informations / complaints	0	12	12
Convictions / settlements / judgments**	0	4	4
Prison time (including time suspended)	0	0	0
Probation	0	0	0
Community service	0	0	0
Fines and recoveries (including civil)	0	0	0
<b>Results of Administrative Actions</b>	<b>Ex-Im OIG Only</b>	<b>Joint Investigations*</b>	<b>Totals</b>
Suspensions	0	0	0
Debarments	0	0	0
Compliance agreements	0	0	0
Other administrative/disciplinary actions	0	0	0
Administrative recoveries, repayments, cost savings	\$1,000,000	\$5,518,958	\$6,518,958

\* With another federal agency

\*\* Includes plea agreements

## Hotline Activity

The Ex-Im OIG maintains a Hotline reachable by telephone, e-mail, or mail to receive reports of fraud, waste, and abuse in Ex-Im Bank programs and operations. Hotline reports are evaluated by OIG's investigative team and may result in the

initiation of an investigation, referral to other law enforcement authorities having jurisdiction, or referral to management for administrative action.

The OIG received seven Hotline reports during the reporting period. Four were referred for investigation, and three were addressed without further referral. One pending Hotline complaint that had been under review as of the last reporting period was addressed without further referral, and another pending complaint was referred for investigation. Hotline reports can be made by phone at 1-888-EXIM-OIG (1-888-644-3946), by e-mail to [JGhotline@exim.gov](mailto:JGhotline@exim.gov), or by mail or delivery service to Ex-Im Bank OIG Hotline, Office of Inspector General, 811 Vermont Ave., N.W., Washington, DC 20571. The OIG will not disclose the identity of persons making a report through the Hotline without their consent unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation.

### **Criminals Use an Array of Methods to Defraud Ex-Im Bank**

Two of Ex-Im Bank's key programs—the loan guarantee program and the export credit insurance program—have been particularly susceptible to fraud schemes by foreign borrowers, U.S.-based exporters, and others, including deal brokers commonly referred to as “agents” or “finders” who assist in arranging the transactions and shipments. These two programs account for most of the investigations currently under way. Criminal activity exploits certain processes within the programs in order to induce Ex-Im Bank to approve fraudulent loan guarantees or insurance coverage.

- **Loan Guarantee Program.** Ex-Im Bank assists exporters by guaranteeing term financing from a commercial lender to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services. Ex-Im Bank's guarantee of a lender's loan to an international buyer is used to finance purchases of U.S. goods and services. Criminals have submitted false financial statements of foreign borrowers in order to induce Ex-Im Bank to provide its guarantee coverage for a loan for which the borrowers might otherwise be ineligible, and by submitting false documentation to the guaranteed lender and Ex-Im Bank regarding the shipment, nature, or quantity of the U.S. goods allegedly being exported.

The following investigative results reported this period occurred within the loan guarantee program.



### ***Colombian National Pleads Guilty to Role in Defrauding Ex-Im Bank of More Than \$1 Million***

On November 20, 2009, Febe Durango-Rueda pleaded guilty to participating in a scheme to defraud Ex-Im Bank of more than \$1 million. Durango was arrested by special agents of the Ex-Im Bank OIG on May 4, 2009, at Miami International Airport while attempting to enter the United States. According to plea documents, Durango was the president of Droservicios Ltda., a Colombian medical services company. Durango admitted that she and others falsified financial statements that Droservicios submitted to Ex-Im Bank in support of a loan guarantee for a deal worth more than \$1.3 million.

Durango and others applied for an Ex-Im Bank loan guarantee that purported to be for the purpose of increasing Droservicios' leasing services of specialized medical equipment to public health institutions. Durango admitted that she and others then shipped medical equipment of much lesser value than the equipment that was the basis for the Ex-Im Bank guaranteed loan and fabricated invoices to fraudulently reflect that the specialized medical equipment was purchased and shipped. Durango and others shared the difference in the loan amount and the purchase price of the equipment that was actually purchased and shipped. According to court documents, Durango and others then allowed the loan to default, triggering Ex-Im Bank's obligation to cover the debt. Ex-Im Bank paid more than \$1.3 million to satisfy the guarantee.

Durango faces a maximum sentence of five years in prison and a \$250,000 fine. Durango has agreed to pay \$139,064 in forfeiture and make full restitution in the amount of \$1,332,081. Durango's sentencing date is pending.

The scheme was discovered by Ex-Im Bank staff in October 2006 and referred to Ex-Im Bank OIG in 2007 for further investigation. The case is being prosecuted by the Department of Justice Criminal Division's Fraud Section. The case is being investigated by Ex-Im Bank OIG and the U.S. Postal Inspection Service.

### ***Mexican National Arrested for Role in Defrauding Ex-Im Bank***

Oswaldo Kuchle-Lopez was indicted on February 10, 2010, by a federal grand jury in El Paso, Texas, in connection with an alleged scheme to defraud Ex-Im Bank. Kuchle-Lopez was detained by Customs and Border Protection officers on February 17, 2010, at the Paso Del Norte Port of Entry and then arrested by FBI special agents.

According to the indictment, Kuchle-Lopez, with the assistance of co-conspirators, entered into a \$1,997,458.00 loan agreement to purchase equipment including cement pumper trucks, cement mixer trucks, and dump trucks in 2004. That loan was insured by Ex-Im Bank, and the loan proceeds were wired to an account held by Kuchle-Lopez. The indictment alleges that Kuchle-Lopez signed a letter falsely stating that he had received the equipment in Mexico. According to the charges, Kuchle-Lopez ceased to make the required loan payments, resulting in a default that caused Ex-Im Bank to pay the claim in August 2007.

The indictment further alleges that, in another transaction, Kuchle-Lopez obtained another Ex-Im Bank guaranteed loan under his Mexican company known as Rancho Santa Marcela. He obtained this loan through a lender in the amount of \$1,309,688 for the purchase of agricultural equipment. The proceeds of the loan were to be used to purchase and export goods made in the United States, which were never exported. The indictment alleges that this loan also resulted in a default, causing Ex-Im Bank to pay a claim in October 2007.

The schemes were discovered pursuant to a joint investigation by the Ex-Im Bank Office of Inspector General, the Federal Bureau of Investigation – El Paso Field Division, and the U.S. Immigration and Customs Enforcement office in El Paso.

### ***Mexican National Pleads Guilty to Role in Defrauding Ex-Im Bank of Nearly \$1 Million***

Pursuant to an ongoing investigation, a Mexican national pleaded guilty on December 2, 2009, to participating in a scheme to defraud Ex-Im Bank of nearly \$1 million. The guilty plea was pursuant to a four-count criminal information charging the subject with conspiracy to defraud Ex-Im Bank and to commit wire fraud. While attempting to cross the U.S. border into El Paso, Texas, the subject was arrested by special agents of Ex-Im Bank OIG and the U.S. Immigration and Customs Enforcement on September 8, 2009. In the plea, the subject admitted to falsely representing to a lending bank in El Paso that the subject was the owner of a nonexistent company. The subject applied for a loan of more than \$900,000, provided the bank with false financial statements for the fictitious company, and falsely represented that the loan proceeds were to be used to purchase heavy equipment manufactured in the United States. According to the charge, the subject and others received the proceeds of the loan and disbursed them for their personal benefit. When the subject failed to repay the loan, the loan defaulted and the lending bank filed a recoupment claim with Ex-Im Bank. Ex-Im Bank paid more than \$995,000 to satisfy the guarantee. Sentencing of the subject is currently pending.

The scheme was discovered by Ex-Im Bank OIG agents during a review of another ongoing investigative matter, and is being worked in close coordination with other law enforcement partners. The plea was part of an ongoing investigation concerning suspected fraud in nearly \$4.81 million in insurance claims paid by Ex-Im Bank.

### ***Texas Resident Charged with Conspiracy to Commit Fraud against Ex-Im Bank***

In a case related to the above matter, a Texas resident pleaded guilty, on October 30, 2009, to participating in a scheme to defraud Ex-Im Bank of nearly \$1.5 million. The plea was pursuant to a two-count criminal information charging the subject with conspiracy, wire fraud, and aiding and abetting. The subject was arrested on August 20, 2009, pursuant to an arrest warrant sought by special agents of Ex-Im Bank OIG. The subject was an exporter in three Ex-Im Bank guaranteed loans involving the fraudulent export of manufacturing equipment. During 2007, the buyers in Mexico defaulted on the loans, causing Ex-Im Bank to pay claims of more than \$1.5 million. The criminal information also charged a criminal forfeiture against the subject totaling more than \$1 million. The scheme involved the fraudulent sale and shipment of U.S. exports to Mexico.

### ***Seven Persons Charged for Ex-Im Bank Loan Fraud in Ongoing Investigation***

Pursuant to another ongoing investigation, five persons were indicted and two more were charged via a criminal information, for their role in a scheme to defraud Ex-Im Bank. These charges cap ongoing investigative efforts into the purported sale of U.S. goods to foreign borrowers resulting in the production of false loan documents, false shipping documents, and the transfer of cash—in lieu of goods—to foreign borrowers who then default, causing Ex-Im Bank to pay the claim. This continuing investigation is being worked in close coordination with other law enforcement partners.

### ***Special Agents Work Collaboratively with Ex-Im Bank to Help Protect Funds at Risk***

To the extent permissible and within the confines and limitations of an investigation, special agents work collaboratively to share investigative intelligence with Ex-Im Bank Office of General Counsel, Ex-Im Bank Credit and Risk Management Division, and Ex-Im Bank Asset Management Division to help identify fraudulent activity within Ex-Im Bank transactions and to protect taxpayer funds.

During this reporting period, Ex-Im Bank OIG communicated with Ex-Im Bank management to enhance the monitoring of several existing transactions and due diligence reviews of proposed transactions based on developed investigative leads. For example, the OIG shared active law enforcement intelligence with Ex-Im Bank on two separate occasions concerning suspected criminal activity by participants in transactions under review. As a result of information provided, Ex-Im Bank canceled one insurance policy that was up for renewal and declined financing in another transaction, resulting in a combined cost savings of \$6,518,958.

Additionally during this reporting period, the OIG has made 80 referrals of investigative information to the Ex-Im Bank Office of General Counsel concerning potential fraud and funds at risk.

These efforts are part of the Office of Investigations' objective to protect funds at risk concurrent with ongoing criminal investigations, and to enhance Ex-Im Bank's capabilities in monitoring, oversight, and civil collection efforts involving transactions in which fraud is uncovered.



## CROSS-REFERENCE TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

Set forth below are cross-references of the reporting requirements prescribed by the identified sections of the IG Act to the specific pages in this Semiannual Report where they are addressed.

CITATION	REPORTING REQUIREMENTS	PAGE
Section 4(a)(2)	Review of legislation and regulations	Page 2
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	Pages 7 - 8
Section 5(a)(4)	Matters referred to prosecutorial authorities	Page 12
Section 5(a)(5)	Summary of instances in which information was refused	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and recommendations that funds be put to better use	None
Section 5(a)(7)	Summary of each particularly significant report	Pages 3 - 5
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	None
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	Page 12
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	None

## Office of Inspector General (OIG) Hotline

### Reporting Fraud, Waste, and Abuse

The Inspector General Act of 1978 states that the Inspector General (IG) may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.

Whether reporting allegations via telephone, mail, or in person, the OIG will not disclose the identity of persons making a report without their consent unless the IG determines such disclosure is unavoidable during the course of the investigation.

### REPORTING METHODS

You may submit your complaint or information by these methods:

**In person:** At the Office of Inspector General  
Export Import Bank of the US  
811 Vermont Avenue, NW  
Washington, D.C. 20571

**By Telephone:** 1- 888-OIG-EXIM (1-888-644-3946)

**By Mail:** Ex-Im Hotline  
Office of Inspector General  
Export Import Bank of the US  
811 Vermont Avenue, NW  
Washington, D.C. 20571

**By E-mail:** [IGHotline@exim.gov](mailto:IGHotline@exim.gov)



## Office of Inspector General

EXPORT-IMPORT BANK *of the* UNITED STATES

811 Vermont Avenue, N.W. Suite 978  
Washington, DC 20571  
Telephone 202.565.3908 - Facimile 202.565.3988