

Office of Inspector General
EXPORT-IMPORT BANK *of the* UNITED STATES



SEMIANNUAL
Report to Congress

October 1, 2008 *to* March 31, 2009

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The Export-Import Bank of the United States (Ex-Im 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 help to maintain and create U.S. jobs and contribute to a stronger national economy. In FY 2008, the Bank authorized 2,793 transactions totaling \$14.4 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.

The Office of Inspector General (OIG) was organized in 2007 as an independent office within Ex-Im Bank to support the Bank's 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 Bank operations. The Inspector General is charged by the Inspector General Act of 1978 with responsibility for conducting audits, inspections and investigations, and keeping the Chairman of Ex-Im Bank and the Congress fully and currently informed about problems and deficiencies relating to the administration of Ex-Im Bank programs and operations.

Online Availability – this report and copies of other reports describing OIG audits, evaluations and other actions addressed in this report are available at www.exim.gov/oig. Information about the responsibilities of Inspectors General across the U.S. government can be found at www.ignet.gov.

Additional Copies – for additional copies of this report or those from prior periods, write:

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MICHAEL W. TANKERSLEY
INSPECTOR GENERAL

EXPORT-IMPORT BANK OF THE UNITED STATES

From the Inspector General:

This fourth *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, 2008 to March 31, 2009. OIG staff have during this time completed significant audits, evaluations and investigations of Ex-Im Bank programs and operations, while laying the groundwork for expanded operations in future periods. The rapid and effective development of this office is particularly important at this time in view of the Bank's leading role in responding to the decrease in private sector export funding resulting from the international financial crisis.

The OIG completed its initial phase of hiring during the period by adding four experienced special agents and two experienced auditors, bringing the OIG headcount to a total of eleven, compared to one, the Inspector General, as of March 31, 2008. The OIG's staff are executing the responsibilities of the office with a high degree of energy and professionalism, marking significant achievements in audits and investigations, while simultaneously working to achieve familiarity with the people and operations of Ex-Im Bank and assisting with the development of OIG policies and procedures.

The auditing team completed four significant engagements during the period: the annual audit of Ex-Im Bank's financial statements, an audit of the security of the Bank's IT systems responding to the Federal Information Security Management Act of 2002 (FISMA) and a performance audit and related evaluation report examining the Bank's medium term export credit insurance and guarantee programs. The medium term programs were the target of significant fraud during the period of 2002 to 2006 that has been publicly reported, and they continue to experience significant default claims. The performance audit report presents eight recommendations to augment the work undertaken by management to improve the performance of the medium term programs by accelerating the Bank's responsiveness to its customers, more consistently implementing procedures to decrease fraud exposure and providing additional tools with which to more effectively manage risk in the programs.

The Office of Investigations has rapidly developed its capability to investigate fraud in the Bank's export credit transactions, establishing effective working relationships with U.S. government law enforcement and administrative offices having direct access to critical resources, such as the Postal Inspection Service, the U.S. Maritime Administration and Immigration and Customs Enforcement, as well as private sources that include banks, exporter security offices, shippers and insurance industry groups. The OIG at March 31, 2009 had open 35 distinct fraud investigations, representing more than \$230 million of claims paid by the Bank in more than 240 separate transactions. We are working actively with the Department of Justice to investigate, indict and convict the responsible parties. In coming months I expect to be able to announce the successful execution of searches and seizures, arrests and indictments of individuals responsible

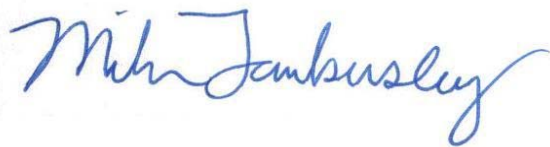
for serious frauds against Ex-Im Bank in cases developed by the Ex-Im Bank OIG investigations team.

In a notable early success, an OIG investigator helped save the Bank, and taxpayers, more than \$1 million during the reporting period by moving quickly to develop evidence that conclusively established that asserted exports of equipment purportedly covered by the Bank's insurance had not occurred. This evidence allowed the Bank to deny payment of a claim and terminate coverage under an insurance policy. We are working to expand this capability to become a regular element of the Bank's consideration of the relevant categories of claims.

The OIG's development owes much to the assistance of other members of the inspector general community who have provided guidance, loaned personnel, offered examples of effective policies and answered every call for help promptly and generously. In an effort to return this support, the OIG serves as the liaison between the cross-government organization that supports the inspector general mission - the Council of Inspectors General on Integrity and Efficiency (CIGIE) created pursuant to the Inspector General Reform Act of 2008 - and the U.S. government's Chief Information Officer (CIO) Council. In this role the OIG serves as a conduit for the effective flow of important information between the Office of Management and Budget (OMB), CIO's managing the government's vast information technology operations and the inspector general community.

Examples of the OIG's service as CIO Council Liaison during the reporting period include (i) organizing the participation of independent inspector general IT operations in a government-wide response to a potential security threat, (ii) coordinating initial communications between OMB and the inspector general community in the days following the enactment of the American Recovery and Reinvestment Act (ARRA), until the Recovery Accountability and Transparency Board's staff could organize and assume the task, and (iii) preparing and distributing monthly digests of CIO Council communications that are of interest to the CIGIE community.

I am very proud of the fine organizational work of the OIG leadership team of Jean Smith, Assistant Inspector General for Audits, Lawrence Valett, Assistant Inspector General for Investigations, and Osvaldo Gratacos, Counsel to the Inspector General, in conceiving and then executing the plans that have produced the high level of activity and 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.



Michael W. Tankersley
Inspector General
April 30, 2009

Overview

The Office of Inspector General (OIG) at the Export-Import Bank of the United States (Ex-Im Bank) began its existence on August 6, 2007 with the swearing in of Ex-Im Bank's first Inspector General. Initial investigation and evaluation work was launched with detailed staff loaned by other offices of inspector general in October of 2007. The hiring of initial staff commenced in April 2008 and was completed in March 2009.

The OIG is an independent office within Ex-Im Bank that supports the Bank's mission and goals by working to detect and respond to fraud, waste and abuse involving Ex-Im Bank programs and personnel and to promote economy and efficiency in the Bank's operations. The Inspector General is charged by the Inspector General Act of 1978 (IG Act) with responsibility for conducting audits, inspections and investigations and keeping the Chairman of Ex-Im Bank and the Congress fully and currently informed about problems and deficiencies relating to the administration of Ex-Im Bank programs and operations.

During the six month reporting period that ended March 31, 2009, and in addition to the audits and investigations described in following sections of this report, the Ex-Im Bank OIG's activities included:

- Monitoring the actions that Ex-Im Bank is taking to respond to the international financial crisis and withdrawal of significant sources of private sector export-credit financing with the objectives of (a) understanding changes in the risks encountered by the Bank and resulting challenges for its system of controls and (b) identifying targets for more detailed evaluation to reduce the risk of fraud and increase the efficiency and effectiveness of the Bank's programs;
- Meeting regularly with the staff of the Bank's Office of General Counsel and Asset Management Division to discuss referrals to the OIG of claims and other matters where evidence indicating the possibility of fraudulent acts against the Bank has been identified and to coordinate their work in support of OIG investigations;
- Discussing with the Bank's management the benefits that might accrue from expanding the Bank's risk management policies and procedures to encompass a formal risk management program;
- Working to 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;
- Working with the Bank's Human Resources Division to complete the development of positions specifications, posting and selection processes that resulted in the successful hiring during the reporting period of four experienced investigators, two experienced auditors and the OIG office manager;

- Serving as the liaison between the Council of Inspectors General on Integrity and Efficiency (CIGIE) and the U.S. government's Chief Information Officer (CIO) Council. Examples of CIO Council Liaison actions during the reporting period included (a) attending and reporting on meetings of the CIO Council, (b) preparing and distributing monthly digests of CIO Council communications that are of interest to the CIGIE community, (c) organizing the participation of independent inspector general IT operations in a government-wide response to a potential security threat and (d) coordinating initial communications between OMB and the inspector general community in the days following the enactment of the American Recovery and Reinvestment Act (ARRA), until the Recovery Accountability and Transparency Board's staff could organize and assume the task;
- Initial work to develop an information technology strategic plan for the OIG relying in significant part on the technical skills and leadership of one of the senior agents hired by the OIG Office of Investigations, who previously was responsible for the Computer Crimes Unit of the Environmental Protection Agency's Office of Inspector General; and
- Evaluating the requirements to create a capability within the OIG to conduct on-site inspections of transactions and transaction participants, before, during and after the Bank's authorization of support for specific transactions, and to confirm transaction integrity and conformity to applicable law, Bank rules and representations made to the Bank, utilizing private sector contractors or OIG staff having expertise in financial transactions like those supported by the Bank.

Summary of Activity

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

Audits and Evaluations

The Ex-Im Bank OIG Office of Audits completed its initial hiring program during the reporting period, resulting in a staff of two experienced auditors, both of whom bring substantial experience from the Department of Veterans Affairs Office of Inspector General, in addition to the Assistant Inspector General for Audits.

The Office of Audits issued three audit reports during the six months ended March 31, 2009: (i) an audit of Ex-Im Bank's financial statements for fiscal year (FY) 2008; (ii) a performance audit of Ex-Im Bank's information security program and practices required by the Federal Information Security Management Act of 2002 (FISMA); and (iii) a performance audit of the Bank's Medium Term Export Credit Programs (MT Program). Each of the audits was performed by a contractor supervised by the OIG audit staff. The OIG also issued a Supplemental Evaluation Report Regarding Medium Term

Programs addressing additional conditions noted during the course of the MT Program performance audit.

At the end of the reporting period, the Office of Audits had three additional projects underway: (i) monitoring the actions that Ex-Im Bank is taking in response to the international financial crisis and related withdrawal of private sector export financing capability in order to identify specific subjects for further evaluation as deemed advisable; (ii) a performance audit assessing the adequacy of IT systems and support for the Bank's MT Programs, including a review of IT governance; and (iii) an evaluation of the efficiency and effectiveness of Ex-Im Bank economic impact review procedures. Work on the Bank's FY2009 financial statement audit and a 2009 FISMA audit are expected to commence early in the next reporting period.

Audits Issued During Period

Medium Term Export Credit Program – Credit and Fraud Risk Management and Business Process Improvement. The OIG, utilizing the services of an independent contractor, completed a performance audit of the Bank's Medium Term Export Credit Programs (MT Program) that had been undertaken at the request of Ex-Im Bank's Chairman. The MT Program has significantly underperformed other Bank programs in recent years, accounting for a disproportionate share of credit and fraud losses. Indictments and plea agreements in several high-profile fraud cases emanating from the MT Program have been announced in the past 18 months. For example, of \$965 million of MT Program transactions authorized in 2004 that were funded, approximately \$256 million of claims for defaulted loans have been paid by Ex-Im Bank (reduced by recoveries of approximately \$14 million). Approximately \$101 million of these claims were associated with the publicly disclosed fraud schemes. Management has taken action to reduce these losses, which are described in management's response to the MT Program audit, and claims rates and reported instances of fraud in subsequent years have declined from this high level, but have remained above historic norms.

The audit found that Ex-Im Bank had not developed adequate customized policies, controls, systems and tools to address the enhanced risks of the MT Program. To improve credit and fraud risk management and business processes, the report's recommended actions included:

- Require on-site inspections and appraisals of financed goods/equipment as well as bank/brokerage statements to confirm borrower liquidity;
- Establish an automated monitoring system and require more frequent remittance of borrower payments;
- Formalize a lender oversight function for MT Program lenders;
- Establish quality control processes focused on the MT Program;
- Revamp the exposure fee pricing structure for non-sovereign transactions to more effectively price for the risk;

- Consider moving away from a 100% guarantee for non-sovereign transactions towards more risk sharing between Ex-Im Bank and lenders to reduce “moral hazard” associated with MT Program transactions;
- Standardize borrower submission requirements, including better defining what constitutes a complete application and creating a team responsible for processing more challenging applications; and
- Develop a strategic plan to provide stronger leadership and direction for the MT Program.

Management acknowledged the need for improvement with regard to a majority of the findings made in the report and cited actions management has recently taken or will take to address the issues raised by the MT Program audit’s findings and recommendations. Management committed to act upon six of the eight recommendations and declined to take action on two recommendations. A copy of the MT Program audit report can be found at:

http://www.exim.gov/oig/documents/MT_Program_Business_Process_Final_Audit_Report.pdf

Fiscal Year 2008 Financial Statement Audit. An independent public accountant (IPA), working under OIG supervision, conducted an audit of Ex-Im Bank’s financial statements for FY 2008. The IPA issued an unqualified opinion on Ex-Im Bank’s financial statements. Also, the IPA reported no material weaknesses were identified and no reportable noncompliance with laws and regulations was found. A copy of the FY 2008 Financial Statement Audit can be found at:

http://www.exim.gov/oig/documents/audit_fiscal_year2008financial_statements.pdf

During the performance of the annual financial statement audit, the IPA noted certain control deficiencies related to Ex-Im Bank’s internal control over financial reporting and other matters. Recommended actions to strengthen controls were:

- Review the annual credit subsidy re-estimate cash flow models in advance of the time when the re-estimate calculation is performed.
- Correct the claims and recovery system to record claims payable upon approval of payment and reverse the claims payable amount once payment actually takes place and is confirmed.
- Obtain formal OMB approval of the accounting methodology relied upon by the Bank as a “self-sustaining” entity funded by its positive operating cash flow rather than appropriations.
- Update system records of changes to guarantee or insurance agreements more promptly.
- Update the accounting manual of policies and procedures.
- Automate the allocation of insurance receipts to the proper transactions in the Bank’s financial accounts.

Six recommendations were made to correct the deficiencies and management concurred with all the findings and recommendations. A summary of the findings and

recommendations and management's responses can be found at:
(http://www.exim.gov/oig/documents/fy08financial_statement_audit_managementletter.pdf)

Annual Information Security Audit. FISMA requires an annual independent evaluation of Ex-Im Bank's information security program and practices. The OIG contracted with an IPA to perform the FISMA review of Ex-Im Bank's systems. The audit included assessing the agency's progress in developing, documenting and implementing an agency-wide program to provide security for the information and information systems that support operations and assets of the agency, including those provided or managed by another agency, contractor or other source. The audit also included reviewing the agency's privacy program and the privacy impact assessment process.

The audit determined that Ex-Im Bank's systems inventory was accurate and complete, the plan of action and milestones process was adequate and the certification & accreditation process was satisfactory. Additionally, Ex-Im Bank maintained an excellent privacy impact assessment process. While the audit noted that Ex-Im Bank currently has a security program underway, further action is needed.

The audit made four recommendations which should strengthen Ex-Im Bank's information security. The Chief Information Officer agreed with the findings and presented actions taken and planned, which the OIG believes will address the recommendations.

Because this report addresses issues associated with the security of information at Ex-Im Bank, the OIG did not make the report available on-line. The OIG will make copies of this audit report available under the provisions of the Freedom of Information Act (FOIA). To learn how to file a FOIA request, please see the following link:
<http://www.exim.gov/about/disclosure/foiahowto.cfm> .

On-Going Audits

Medium Term Export Credit Program – IT Systems, Support and Governance. In connection with the MT Program performance audit addressing credit and fraud risk and business process improvement described above, the IPA is also conducting a performance audit to assess (i) the adequacy of Ex-Im Bank IT systems and support to provide timely, accurate and useful information with primary focus on the Bank's Ex-Im Online system and other related systems used throughout the MT Program transaction lifecycle and (ii) the state of IT governance as it relates to Ex-Im Bank's processes for creating, modifying and executing plans for the development and improvement of IT system support for the MT Program.

At the end of this reporting period, the IPA and OIG audit staff were finalizing the draft report for distribution to Ex-Im Bank's management for their response.

Evaluation Reports Issued During Period

The OIG identified a number of conditions affecting the efficiency and effectiveness of the MT Program during the course of the MT Program audit where the scope of the audit limited available evidence to support audit findings and recommendations in accordance with generally accepted government auditing standards. A separate evaluation report was prepared that addresses those conditions by providing to Ex-Im Bank management supplemental observations, findings and related suggestions. A copy of the Supplemental Evaluation Report can be found at: (http://www.exim.gov/oig/documents/MT_Evaluation_Letter.pdf).

The principal findings addressed and conclusions expressed in the report are as follows:

- The fraud risks associated with the MT Program need to be addressed directly, as recommended in the MT Audit, rather than indirectly as proposed by Ex-Im Bank management, in order to provide assurance that the causes of the program's excessive fraud losses in recent years do not continue to produce unacceptable levels of performance.
- The cash flow-based lending/underwriting model upon which the MT program is based is unlikely to achieve an acceptable level of performance because it is fundamentally inconsistent with the inherent risks presented by conditions existing in the MT Program marketplace. While the cash flow-based lending model provides a reasonable basis for addressing the economic risk associated with MT Program transactions, additional actions addressing the inherent fraud risks in the MT Program will be required.
- In order to address the risks inherent in the MT Program marketplace, Ex-Im Bank should model the "structural" elements (application requirements, factual verifications, documentation, payment terms, monitoring and collection practices) of the MT Program more closely on the practices and procedures used by private sector lenders in the markets it serves to limit fraud exposure. Structural requirements that are comparable to other private sector lenders in the borrower's markets should not be a disincentive to use the MT Program or result in an undue burden on MT Program lenders.

On-Going Evaluations

Actions to Address International Financial Crisis. The OIG is monitoring the actions that Ex-Im Bank is taking to respond to the international financial crisis and withdrawal of significant sources of private sector export-credit financing with the objectives of (a) understanding changes in the risks encountered by the Bank and resulting challenges for its system of controls and (b) identifying targets for more detailed evaluation to reduce the risk of fraud and increase the efficiency and effectiveness of the Bank's programs.

Further Review of Economic Impact Procedures. The OIG continued work on its further review of Ex-Im Bank's economic impact procedures and the recommendations made in a report prepared by the U.S. Government Accountability Office (GAO), *Export-Import Bank – Improvements Needed in Assessment of Economic Impact* (GAO-07-1071). This review is intended to provide management with focused recommendations for improvements to Ex-Im Bank's economic impact review, policies and procedures and is expected to be completed during the next reporting period.

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 issued no reports related to Ex-Im Bank activities. Ex-Im Bank was referenced in GAO testimony before the U.S. House of Representatives Subcommittee on Commerce, Trade and Consumer Protection of the Committee on Energy and Commerce. See *International Trade: Effective Export Programs Can Help In Achieving U.S. Economic Goals* (GAO-09-480T, March 17, 2009). That testimony referenced conclusions expressed in two earlier reports: (i) the Trade Promotion Coordinating Committee's 2008 *National Export Strategy* and (ii) *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).

Other Matters - Relationship Between OIG and Audit Committee

Ex-Im Bank's Bylaws provide for an Audit Committee consisting of members of the Board of Directors other than the Chairman and Vice-Chairman. The Bylaws state that:

The Audit Committee, reporting to the Board of Directors, shall be responsible for providing assistance to the Board in fulfilling its accounting and reporting responsibilities, determining that Ex-Im Bank has adequate administrative and financial controls, reviewing the financial statements prepared by management for distribution to Congress and the public, and providing direction over the internal audit function and the independent accountants.

The OIG and the Audit Committee addressed several matters of common interest during this reporting period in a mutually supportive manner intended to be consistent with the independence of the OIG and a positive relationship with Ex-Im Bank, including meeting with the contractor selected by the Audit Committee to provide internal audit services for the Bank.

INVESTIGATIONS AND HOTLINE ACTIVITY

The Ex-Im Bank OIG Office of Investigations completed its initial hiring program during the reporting period, producing a team of five criminal investigators (including the Assistant Inspector General for Investigations) with a combined background of over 77 years in federal law enforcement. These agents bring specialized experience in investigations of financial fraud, procurement fraud, internal affairs, bribery & kickbacks, money laundering, computer crimes and a variety of disciplines including financial analysis, technical operations and tactical training. The Office of Investigations completed several milestones during the reporting period that establish the infrastructure necessary to support the full range of law enforcement operations required by the types of fraud impacting the Bank's transactions, including:

- Completing internal Ex-Im Bank training focused on Bank operations, trade finance, IT systems and resources, claims and recovery processes and records management.
- Obtaining access and developing efficient search capabilities relative to key Ex-Im Bank data systems to facilitate analysis of important transactional records and secure resulting evidence.
- Evaluating the OIG's current body of cases to identify patterns and methods used in fraud schemes against the Bank, to identify counter-measures to allow the Bank to detect or avoid fraudulent schemes and to develop investigative techniques that will support the efficient accumulation of evidence to support charges against the responsible parties.
- Establishing partnerships with law enforcement organizations having jurisdictional interest in Ex-Im Bank transactions and U.S. exports, including the Postal Inspection Service, the U.S. Maritime Administration and Immigration and Customs Enforcement, as well as other sources of support for OIG investigations that include U.S. consular offices, banks, exporter security offices, shippers and insurance industry groups.
- Developing an effective working relationship with the Criminal Division and Civil Division of the Department of Justice around matters of prosecutorial interest.

Summary of investigations

The Ex-Im Bank OIG Office of Investigations evaluates all reports of possible fraud or illegality affecting Ex-Im Bank or its programs and activities. Such reports are received from a variety of sources – Ex-Im Bank employees, the Ex-Im Bank Office of General Counsel, participants in Ex-Im Bank transactions, other government agencies or the Ex-Im Bank OIG Hotline. Evaluations that identify reasonable evidence of possible fraud or illegality result in the opening of a “preliminary investigation” or a “case” based on the strength of the evidence. These investigations are summarized in the table below.

Summary of Investigative Activity During Period	Totals	No. of Claims*	Net Amount Of Claims*
Investigations open as of October 1, 2008	22	96	\$130,046,400
Opened during period	13	145	\$100,107,458
Closed during period	0		
Investigations open as of March 31, 2009	35	241	\$230,153,858

**The number and net amount 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 to be so by evidence developed in the investigation. The number and amount of claims may vary during the course of an investigation as facts and findings develop, as post-default interest accrues and collection expenses are incurred and as the Bank obtains recoveries of funds through its civil collection efforts. Accordingly, the number and dollar amount of claims reported is subject to fluctuation between reporting periods.*

The following table breaks down the 241 claims that are currently the focus of open investigations by the Ex-Im Bank OIG by the fiscal years during which the transactions were authorized (which would generally be the year in which any associated fraud was committed). The time period between the date a transaction is authorized, the date of its funding and the date of a subsequent default that typically is the trigger for the resulting fraud investigation can vary significantly, from an interval of a few months in some cases to many years in other cases.

Year Transaction Authorized	No. of Claims	Net Amount Of Claims
2000 and earlier	10	\$ 4,523,816
2001	18	\$24,517,395
2002	18	\$13,054,461
2003	33	\$13,800,227
2004	93	\$123,868,578
2005	43	\$33,604,923
2006	16	\$15,197,030
2007	9	\$1,167,058
2008	1	\$420,369
	241	\$230,153,858

Summary of Investigative Results

The investigative activities of the Ex-Im Bank OIG commenced with the arrival of the Assistant Inspector General for Investigations in September 2008 and have expanded significantly with the arrival of four additional experienced agents in February 2009. Significant time is required to develop investigations into prosecutable cases, and then into plea agreements and convictions, that result in the types of remedies described below.

Semi-Annual Period (October 1, 2008 – March 31, 2009) Results of Prosecutive Actions	Ex-Im OIG Only	Joint Investigations*	Totals
Matters referred to Dept. of Justice	1	3	4
Criminal indictments/informations/complaints	0	0	0
Convictions/settlements/judgments	0	0	0
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
Results of Administrative Actions	Ex-Im OIG Only	Joint Investigations*	Totals
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	\$1,047,677	0	\$1,047,677

* With another federal agency

Hotline Activity

The Ex-Im OIG maintains a Hotline reachable by telephone, email or mail to receive reports of fraud, waste and abuse in Ex-Im programs and operations. Hotline reports are evaluated by the Office of Investigations and based on the available evidence, may then be made the subject of an investigation, may be referred to other law enforcement authorities having jurisdiction or may be referred to management for administrative action.

The OIG received no Hotline reports during the reporting period. Hotline reports can be made by phone at 1-866-571-1801, by email to IGhotline@exim.gov, or by mail or delivery service to Ex-Im Bank OIG Hotline, Office of Inspector General, 811 Vermont Ave. NW, Washington DC 20571. The OIG will not disclose the identity of a person making a report through the Hotline without their consent unless the Inspector General determines such disclosure is unavoidable during the course of an investigation.

Significant Indictments/Prosecutions During Reporting Period

Summarized below are the facts of three recent investigations arising out of illegal activity affecting Ex-Im Bank programs that have produced indictments or convictions of responsible parties. These matters were commenced prior to the creation of the Ex-Im Bank OIG and were investigated by other law enforcement offices, although the Ex-Im Bank OIG did provide support to the Department of Justice relative to the Andrew Parker/San Antonio Trade Group matter described below following his indictment. As the Office of Investigations continues to develop its capabilities, further involvement in these and other pending investigations and prosecutions is expected.

Former Employee Charged with Corruption and Tax Violations. On February 24, 2009, the Department of Justice announced in a press release that Maureen Njideka Edu, a/k/a Maureen N. Scurry, a former employee of Ex-Im Bank, was indicted by a federal grand jury in Washington DC for conspiring to solicit and accept bribes and to deprive the United States and the Ex-Im Bank of her honest services, as well as substantive counts of bribery, honest services wire fraud and filing a false tax return. The indictment also sought the forfeiture of \$100,000 from Edu.

According to the indictment, Edu worked for Ex-Im Bank from May 2000 to October 2004 as a business development specialist covering Africa and focusing on sub-Saharan Africa, which included the West African nation of Nigeria. During the course of her work, according to the indictment, Edu was introduced to Nigerian businessmen who were seeking to buy certain products and services from a Kentucky-based technology company in a deal worth approximately \$44 million. The Nigerian businessmen were seeking financial support from Ex-Im Bank to guarantee or insure financing for the transaction. The indictment alleges that the Nigerian businessmen agreed to pay Edu a bribe of \$173,500, with an initial installment of \$100,000, in return for her promise to perform official acts to assist the Nigerian businessmen and their company in obtaining financial support from Ex-Im Bank.

The indictment also alleges that, on February 24, 2004, one of the Nigerian businessmen wrote a letter to a bank in Nigeria captioned "Facilitation Fees to Maureen Scurry," in which the businessman asked that \$100,000 be "transferred to Miss Maureen Scurry of US-EXIM Bank to enable her to facilitate our guarantees with Ex-im [sic] Bank." According to the indictment, the letter also stated that the Board of Directors requested the personal assistance of Scurry to expedite the processes with Ex-Im Bank and that the "total amount agreed upon between ourselves was US\$173,500," but that "the balance will be paid once the transaction is over and monies are disbursed." According to the indictment, on February 27, 2004, a wire transfer of \$100,000 was sent to the Edu's personal bank account at a bank in the District of Columbia. Due to disputes between the Nigerian businessmen and the Kentucky-based technology company, according to the indictment, the business deal later ended in mid-2004 before any products or services were provided.

An indictment is merely a charge and the defendant is presumed innocent until proven guilty.

The case is being prosecuted by the Department of Justice Criminal Division's Fraud Section and Assistant U.S. Attorneys from the U.S. Attorney's Office for the Eastern District of Virginia, who have been specially appointed to prosecute the matter in the District of Columbia. The U.S. Attorney's Office for the District of Columbia's Fraud and Public Corruption Section also provided considerable support and assistance.

(The case was investigated by the FBI and the Internal Revenue Service, Criminal Investigation Division. Ex-Im Bank assisted and cooperated throughout the investigation of this matter).

California Man Sentenced to 18 months in Scheme to Defraud Ex-Im Bank. On February 10, 2009, the Department of Justice announced in a press release that Carlos Serrano, 64, of Glendale, California, was sentenced in the U.S. District Court for the Central District of California to 18 months in a community correctional facility in connection with a \$1.3 million scheme to defraud the First International Bank of Connecticut (FIB) and Ex-Im Bank. In addition to his prison sentence, Serrano was placed on five years of probation and ordered to pay restitution of \$924,569 to Ex-Im Bank.

Following a four-day trial, Serrano was convicted on September 18, 2008, of conspiring to commit bank fraud and committing bank fraud in connection with a fraudulent \$1.3 million loan transaction involving FIB and Ex-Im Bank. At trial, the jury heard testimony that in approximately November 2000, Serrano met with alleged co-conspirators and agreed to act as an exporter in a loan transaction between a company in the Philippines and FIB, in which Ex-Im Bank acted as guarantor. According to trial testimony, Serrano's sole job in the transaction was to obtain a \$200,000 down payment from the Philippine company, purchase \$1.3 million in U.S. goods on behalf of the Philippine company, ship the purchased goods to the Philippine company and certify to FIB and Ex-Im Bank that he had purchased and shipped those goods. The jury heard testimony that Serrano contacted U.S. suppliers using a fake name for the purpose of obtaining price quotes, but that he never actually purchased any goods. Jurors also heard testimony that Serrano certified in documents sent to and relied upon by FIB and Ex-Im Bank that he had purchased \$1.3 million in U.S. goods and shipped those goods to the Philippines.

In reliance on Serrano's false statements, FIB delivered to Serrano \$1.1 million in loan proceeds. Testimony revealed that after receiving the loan proceeds, Serrano paid himself approximately \$28,000, sent approximately \$949,000 to an alleged co-conspirator and sent approximately \$160,000 to a company in Singapore. As a result of the fraud, Ex-Im Bank lost \$924,569.

This case is part of a broader investigation into an \$80 million scheme to defraud Ex-Im Bank between November 1999 and December 2005. To date, eight individuals have pleaded guilty or been convicted for their involvement in the fraud scheme.

(The case was prosecuted by the Department of Justice Criminal Division's Fraud Section and the U.S. Attorney's Office for the Central District of California. The case was investigated by the U.S. Postal Inspection Service and the FBI.)

Texas Exporter Sentenced in Scheme to Steal Millions from Ex-Im Bank. On October 27, 2008, Andrew Parker, owner of San Antonio Trade Group, was sentenced in United States District Court for the Western District of Texas, San Antonio, Texas, to 117 months in Prison, 36 months probation and ordered to pay \$10 million in restitution to Ex-Im Bank and to forfeit a vehicle and real property. Parker had been arrested in May 2008 based upon an indictment by a federal grand jury which charged that from February 2003 to November 2006, Parker schemed to defraud Ex-Im Bank by stealing millions of dollars in loan proceeds obtained by Mexican business owners from private U.S. lenders and causing multi-million dollar losses to Ex-Im Bank, resulting in losses to Ex-Im Bank exceeding \$100 million. The indictment also charged Parker with defrauding lenders in transactions not insured or guaranteed by Ex-Im Bank. On August 21, 2008, Parker pled guilty to eleven counts of the indictment including conspiracy, wire fraud, money laundering, tax evasion and filing false tax returns.

The Ex-Im Bank OIG provided support to Department of Justice, IRS Criminal Investigations Division, Immigrations and Customs Enforcement (ICE) and the FBI in connection with the investigation of Mr. Parker commencing in April 2008.

(This investigation was conducted by the FBI, the IRS Criminal Investigations Division and ICE and prosecuted by the U.S. Attorney's Office for the Western District of Texas.)

Philippines Loan Broker Indicted. On October 7, 2008, Department of Justice announced that a federal grand jury in the District of Columbia had returned a nine-count indictment charging that Bettina Balderrama, a/k/a Bonnie Balderrama, 57, of Manila, Philippines, had brokered approximately \$15 million worth of fraudulent loan transactions between companies located in the Philippines and U.S. lending banks, in which Ex-Im Bank acted as guarantor or insurer.

According to the indictment, between December 2001 and October 2004 Balderrama identified companies in the Philippines that wanted to borrow money to purchase U.S. goods and lending banks in the United States that would lend money for the purpose of buying U.S. goods. Balderrama then assisted the borrowers in executing loan agreements with the lending banks and in obtaining loan guaranties or insurance policies from Ex-Im Bank as part of the loan agreements. The indictment alleges that Balderrama recruited a U.S. exporter, Cristina Song, for the purpose of purchasing U.S. goods and shipping those goods to the Philippine borrowers, and then instructed Song to prepare false shipping documents and submit those false documents to the lending banks to make it appear that she had purchased and shipped goods. The indictment alleges that Song did not purchase the goods called for in the loan agreements but

instead misappropriated a majority of the loan proceeds and sent large portions of those proceeds to bank accounts owned and controlled by Balderrama and other foreign bank accounts as directed by Balderrama.

Balderrama was charged with one count of conspiracy to defraud the United States and to commit offenses against the United States; three counts of submitting false statements to Ex-Im Bank; one count of conspiracy to commit money laundering; three counts of money laundering; and one count of obstructing a proceeding before a department and agency of the United States. The indictment also seeks forfeiture from Balderrama of the misappropriated loan proceeds.

This case is part of the broader investigation referred to above in the description of the Serrano conviction.

(The case was prosecuted by the Department of Justice Criminal Division's Fraud Section and the U.S. Attorney's Office for the Central District of California. The case was investigated by the U.S. Postal Inspection Service and the FBI.)

**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	None
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	None
Section 5(a)(4)	Matters referred to prosecutorial authorities	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	3-7
Section 5(a)(7)	Summary of each particularly significant report	3-7
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	None
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

**If you suspect fraud, waste, abuse, or other misconduct at the
Export-Import Bank of the United States, contact us.**



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