



The Cornerstone Report

Safeguarding America through
Financial Investigations

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Cornerstone is U.S. Immigration and Customs Enforcement's (ICE) comprehensive investigative initiative for fighting financial crime.

The Cornerstone Report is a quarterly bulletin highlighting key issues related to ICE financial, narcotics and public safety investigations.



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Combating Foreign Corruption

ICE's Role in Combating Foreign Corruption

In 2003, as part of an effort to assist foreign nations to locate and seize profits from public corruption, ICE established the first dedicated Foreign Corruption

Investigations Group (FCIG) in the nation. Kleptocracy, or large-scale corruption by senior foreign political figures, can adversely affect a nation's economy and development. These senior foreign political figures, commonly referred to as politically exposed persons (PEPs) have or had positions of public trust that were misused for personal enrichment.

The mission of the FCIG is to prevent foreign derived ill-gotten gains from entering the U.S. financial infrastructure, to seize identified assets in the U.S. and to repatriate these funds to the victimized governments. The FCIG conducts investigations into the laundering of proceeds emanating from foreign public corruption, bribery or embezzlement. FCIG investigations are worked jointly with representatives of the victimized foreign government.

ICE plays an integral role in the effort to identify, investigate and arrest the perpetrators of foreign corruption. Additionally, ICE has the ability to seize, forfeit and repatriate the funds to its rightful owners—the citizens of the victimized foreign governments. Investigative results are shared with



the appropriate domestic and international ICE offices as well as with law enforcement partners worldwide to assist in ongoing investigations.



Red Flag Indicators

General Foreign Corruption

Politically exposed persons (PEPs) have or had positions of public trust within a country such as government officials, senior executives of government corporations, politicians or important political party officials. This term also includes the political figure's immediate family members and close associates, to include advisors, attorneys, accountants and members of their entourage or any other person who asserts influence over the official. Financial activity related to foreign corruption may include:

- accumulation of assets that greatly exceeds the legitimate or publicly stated income of a public official;
- the use of a nation's central bank or government owned bank to make personal purchases, such as residential property, automobiles or luxury items;
- attempts by an individual to mask the true beneficial ownership of an account;
- high-dollar transactions involving corporations with limited or no public information available (shell corporations);
- outgoing wire transfers to haven countries and/or shell companies from official accounts or sub accounts; and
- layering transactions by transferring funds from a foreign account to a U.S. bank and almost immediately transferring the same funds out to another bank.

Case Examples from the ICE Files

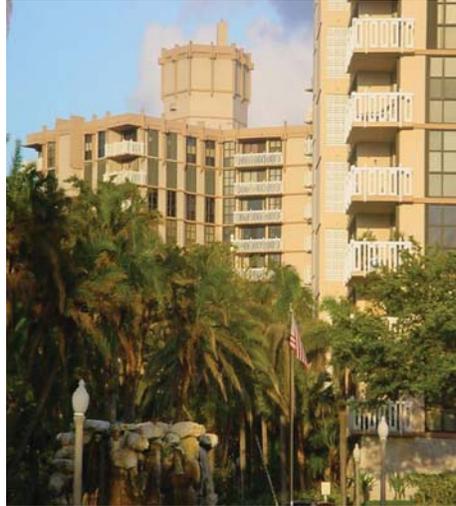
ICE Investigates Birk Hillman, et al.

Between 2002 and 2004, ICE and the government of Trinidad and Tobago (GTT) conducted independent investigations that revealed a complex bid rigging and bank loan fraud scheme involving foreign government corruption, a sophisticated conspiracy to win multi-million dollar construction contracts, in addition to a bank loan kiting scheme. The individuals involved in these transactions used a number of U.S. and off-shore bank accounts to launder the proceeds from these illicit activities.

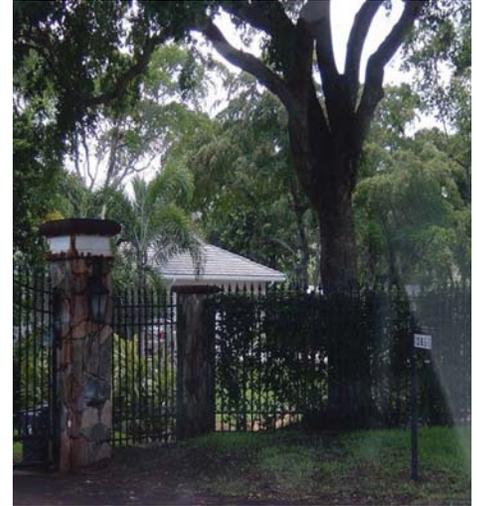
ICE learned in May 2004 that the GTT was involved in an approximately two-year-old investigation aimed at identifying high-level corruption associated with the construction of the new Piarco International Airport (PIA) in Trinidad. The scheme involved a bid rigging conspiracy aimed at winning a multi-million dollar contract to oversee construction of the PIA. The GTT investigation focused on several political figures and prominent businessmen, including Steve Ferguson and Ishwar Galbaransingh, who were major contributors to the campaign of former Prime Minister Basdeo Panday.

Ferguson and Galbaransingh utilized their influence in order to ensure that Birk Hillman Consultants (BHC), a company operating out of Miami, Fla., was awarded

Between 2002 and 2004, ICE and the



Property belonging to an owner of Birk Hillman Consultants—valued at \$900,000; forfeiture pending.



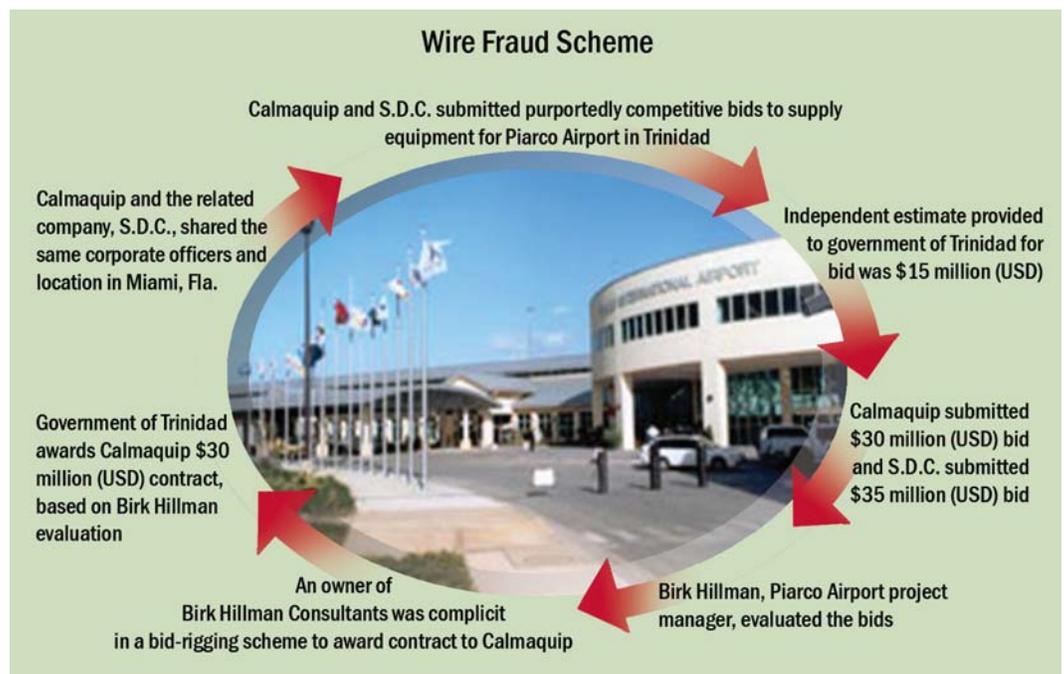
Property belonging to Calmaquip CEO—valued at \$4.9 million; forfeiture pending.

the Project Manager/Architectural contract to oversee the construction of PIA in Trinidad. It was determined that Ferguson received a substantial “kickback” from BHC owners Ronald Birk and Eduardo Hillman. Birk, Hillman and Ferguson agreed to conspire to engage in fraud in order to ensure that a Miami-based construction company, Calmaquip (owned by Raul Gutierrez), be awarded the lucrative contract for

construction and to supply specialty equipment for the PIA project. BHC and Calmaquip had worked together in the past on other international construction projects.

Part of the fraud scheme included submitting inflated bids to the GTT. A Calmaquip corporate officer was listed as the owner of S.D.C., a company related to Calmaquip. Both of these companies shared

continued



Case Examples from the ICE Files, continued

corporate officers and a physical location in the same building in Miami, Fla. The conspirators submitted an inflated and fraudulent bid in the name of S.D.C. to give the appearance that Calmaquip's bid was reasonable by comparison. Once the contract was paid, the proceeds were divided among the conspirators and laundered via a series of transfers through shell corporation accounts at banks in the Bahamas, Lichtenstein, Panama and the U.S.

Once Calmaquip was awarded the PIA construction contract, the company obtained loans and lines of credit at various U.S. banks, for the alleged purpose of financing the construction. However, Calmaquip's directors utilized these loans to run a kiting scheme, paying one loan with another and skimming proceeds for personal use, thereby committing bank fraud. These proceeds were then laundered through offshore bank accounts.



Red Flag Indicators

- Incomplete or vague credit applications that rely on a company's prior reputation or experience with that financial institution to obtain unsecured loans and lines of credit.
- Commonalities between complicit corporations—for example, common addresses and telephone numbers for companies that purport to be independent entities.
- Use of accounts to conduct financial transactions outside of the stated business.
- Multiple loans requested from different financial institutions around the same time.
- Structured deposits and/or withdrawals, many of which were checks with odd notations in the memo line.
- Third-party payments for good and services through unrelated entities. For example, art being paid for by a duty free shop in the Bahamas and being delivered to a Miami, Fla., address.



In November 2004, following an ICE Cornerstone outreach to a financial institution, ICE received Bank Secrecy Act (BSA) reports filed by a brokerage firm detailing numerous banking transactions by individuals linked to BHC. The ICE Miami Cornerstone group conducted a detailed analysis of the roughly 100 U.S. and off-shore bank accounts associated with the reports. This analysis revealed that BHC and their co-conspirators utilized a complex web of shell corporations, front companies and off-shore accounts to launder roughly \$38 million in profits netted as a result of their bank fraud schemes. Ultimately, the proceeds from the frauds were used to fund lavish lifestyles, including purchases of real estate, fine jewelry, art works and vacations.

On November 28, 2005, an 18 count indictment charging wire fraud, money laundering and conspiracy was filed in the U.S. against eight individuals and two corporations. In March 2006, a superseding indictment was returned, adding

additional counts of bank fraud and money laundering connected to the defrauding of \$23 million from U.S. banks in the South Florida area.

As a result of the indictment, Hillman was arrested in the U.S. on money laundering and wire fraud charges. He was sentenced to 37 months imprisonment and was ordered to pay \$2,000,000 in restitution. Hillman was also charged by the GTT who subsequently requested his extradition, marking the first time that the GTT has evoked their extradition treaty with the U.S.

Additionally, Ferguson and Galbaransingh were arrested in Trinidad based upon provisional arrest warrants issued on behalf of the U.S., they are awaiting extradition. Raul Gutierrez, owner of Calmaquip, was sentenced to 72 months imprisonment and ordered to pay over \$22 million in restitution. Calmaquip and four additional co-conspirators were convicted of charges related to bank and/or wire fraud. Sentences ranged from probation to 37 months in prison.



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Case Examples from the ICE Files, continued

ICE Investigates Jose Aleman, et al.

In May 2002, the ICE Miami Foreign Corruption Investigations Group (FCIG) received a request from the government of Nicaragua (GON) to identify and recover assets in the U.S. that were linked to former GON officials. These former officials were accused by the GON of a myriad of criminal offenses to include money laundering and public corruption.

The GON had conducted a public corruption investigation that resulted in the discovery of large-scale public corruption, embezzlement and money laundering. The two primary suspects of their investigation were Byron Rodolfo Jerez Solis, former general revenues director for Nicaragua, and Jose Arnaldo Aleman Lacayo (Aleman), who served as president of the Republic of Nicaragua from January 1997 to December 2001. Aleman was also the leader of Nicaragua's National Assembly in 2002 when his presidential term finished, a post which guaranteed him immunity from prosecution. However, when state auditors from Nicaragua found millions of dollars of stolen state assets in bank accounts around the world, a wave of public revulsion led to the parliament lifting his immunity.

The Nicaraguan investigation revealed that between 1999 and 2002, Aleman and Solis embezzled and laundered an estimated \$100 million from the Nicaraguan treasury. Aleman and others laundered these funds through shell corporations and fraudulent investment accounts which they estab-



Byron Rodolfo Jerez Solis (top left), former general revenues director for Nicaragua. Jose Arnaldo Aleman Lacayo (top right) served as president of the Republic of Nicaragua from January 1997 to December 2001. Aleman's personal helicopter (above).

lished in Panama and the U.S. The shell corporations were established to appear as legitimate companies doing business with the Nicaraguan government.

The ensuing ICE Miami FCIG investigation found that the fraudulent shell corporations and investment accounts were used to purchase high-value assets in the U.S., including real estate, certificates of deposit and a helicopter. The helicopter was leased back to the Nicaraguan government for Aleman's personal use and for profit. The accounts were also periodically used to disperse embezzled funds to Aleman's family members.

In the course of the investigation, ICE identified and seized U.S.-based assets totaling approximately \$4.7 million, of which approximately \$3.3 million was repatriated. In addition, the government of Panama froze approximately \$10



Red Flag Indicators

- Subjects' accumulated wealth inconsistent with amount reported on mandatory financial disclosure forms required of government officials.
- Individuals used the same bank accounts for conducting government business and disbursing funds to family members.
- Senior government officials directly involved in establishing offshore government investment accounts.
- Subjects' attempted to utilize their political influence and stature to persuade banking officials not to follow their internal anti-money laundering policies.

million. Assets identified and seized by the ICE Miami FCIG included seven certificates of deposit valued at \$700,000, proceeds of the sale of a helicopter worth \$671,000, a cabana at the Key Biscayne Ocean Club valued at \$300,000, an investment account in Coral Gables, Fla., valued at \$204,099, and a \$150,000 deposit for the purchase of a Key Biscayne, Fla., condo.

In December 2003, Aleman was sentenced in Nicaragua to 20 years imprisonment after being convicted of money laundering and embezzlement. Solis was convicted of corruption related criminal offenses in Nicaragua and sentenced to eight years in prison. Several of the remaining suspects fled Nicaragua and are currently fugitives from justice. ❏



ICE Returns \$2.7 million to Nicaragua that had been embezzled by former president and tax commissioner.