

Special Inspector General for
TARP

FY 2015
President's Budget

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Section 1 – Purpose

1A – Mission Statement

To advance economic stability by promoting the efficiency and effectiveness of the management of the Troubled Asset Relief Program (TARP), through transparency, coordinated oversight, and robust enforcement against those persons and entities, whether inside or outside of government, who waste, steal, or abuse TARP funds.

1.1 – Appropriations Detail Table

Dollars in Thousands

Special Inspector General for TARP Appropriated Resources	FY 2013		FY 2014		FY 2015		FY 2014 to FY 2015			
	Operating Level		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	83	14,597	83	12,220	75	9,243	(8)	(2,977)	-9.64%	-24.36%
Investigations	109	27,119	109	22,703	117	24,991	8	2,288	7.34%	10.08%
Subtotal New Appropriated Resources	192	\$41,716	192	\$34,923	192	\$34,234	0	(\$689)	0.00%	-1.97%
Other Resources:										
Unobligated Balances from Prior Years	0	10	0	6,683	0	10,957	0	4,274	NA	63.95%
Resources from Other Accounts	0	1,644	0	1,536	0	965	0	(571)	NA	-37.17%
Subtotal Other Resources	0	\$1,654	0	\$8,219	0	\$11,922	0	\$3,703	NA	45.05%
Total Budgetary Resources	192	\$43,370	192	\$43,142	192	\$46,156	0	\$3,014	0.00%	6.99%

Unobligated funds from prior years include funds provided by P.L. 110-343 for general operating expenses, and by P.L. 111-22 which provided funds to “prioritize the performance of audits or investigations of recipients of non-recourse Federal loans made under any “Emergency Economic Stabilization Act of 2008, P.L. 110-343 program.

1B – Vision, Priorities and Context

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is an office of inspector general with statutory law enforcement authority fulfilling audit and investigative functions within its oversight jurisdiction of the Troubled Asset Relief Program (TARP). SIGTARP was established by Section 121 of the Emergency Economic Stabilization Act of 2008 (“EESA”). Under EESA, the Special Inspector General has the duty, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of assets under TARP.

Congress created SIGTARP as the criminal law enforcement agency over TARP, the government’s response to the financial crisis. With an understanding that enforcement takes time, Congress specified by law that SIGTARP would exist as long as Treasury holds an asset or guarantee in TARP. All of SIGTARP’s investigations relate to the financial crisis because they involve crime by or against one of the more than 700 TARP recipients or applicants, or relate to TARP programs (such as scams against struggling homeowners seeking help under TARP’s housing programs). Most SIGTARP investigations are brought under the President’s Financial Fraud Enforcement Task Force, with SIGTARP co-chairing the Rescue Fraud Working Group.

SIGTARP has been responsible for many of the significant financial crisis cases, but these complex cases take time to investigate. As of October 29, 2013, SIGTARP with its partners, had

criminally charged 154 individuals, and convicted 112 defendants, resulting in prison sentences for 65 defendants with others awaiting trial or sentencing. Funding continues to support investigating TARP related complex frauds, including bank fraud, securities fraud, and mortgage modification scams targeting homeowners who are most vulnerable during these continuing tough economic times. Considering most complex financial fraud investigations can take several years to complete, SIGTARP's high arrest and conviction rates are particularly notable. These successes reflect the extensive experience and expertise of the staff at SIGTARP and the implementation of cutting-edge programs, such as those recognized in SIGTARP's recent Council of Inspectors General for Integrity and Ethics (CIGIE) peer review:

- “The organizational structure, equipment, and policy for SIGTARP’s computer forensics division were excellent. The area is well organized and the available equipment, staffing, and training make for a highly effective work environment.” The computer forensics unit has implemented a web-based electronic evidence review platform that allows geographically dispersed agents to review and simultaneously analyze the same evidence.
- SIGTARP’s handling and storage of evidence was particularly noteworthy. SIGTARP has implemented an electronic system of evidence handling that allows the evidence custodians to electronically manage evidence from entry to destruction or return. This system is based off of a bar code system in which each piece of evidence has a printed label with a bar code that is scanned each time it is handled and inventoried. This ensures a real-time inventory of each piece of evidence in the system. SIGTARP is currently utilizing this product, and it is efficient and effective for the large volume of items from computer equipment to documents.

The peer review team went further by stating the following “The best practices noted above are a positive reflection of SIGTARP and how a new agency can be effective in promoting change within the CIGIE community.”

SIGTARP investigations have resulted in federal and state court orders for the return of \$4.68 billion in assets to victims or the U.S. Government as of September 30, 2013. Simply stated, for every \$1 in cumulative annual funding for SIGTARP, the American people have received \$34 in orders for the return of ill-gotten gains. In fact, to date, SIGTARP’s investigative work has aided in the actual receipt by the government of nearly \$185.6 million of the \$4.68 billion ordered with additional recoveries expected both from new matters and as others reach final resolution.

Although SIGTARP is a criminal law enforcement agency, it also works with civil authorities to bring civil actions for violations of the law. These civil actions may follow criminal charges, or in some cases there may be civil charges but not criminal charges. To date SIGTARP investigations have resulted in civil charges and other actions against 63 individuals and 51 corporate entities, resulting so far in 57 settlements yielding over \$288 million in civil penalties and other actions.

A company’s repayment or exit from TARP must not, and does not serve as a shield to criminal or civil liability. For example, Bank of America repaid TARP in 2010. However, as a result of an *ongoing* SIGTARP investigation in October 2012, the U.S. Attorney for the Southern District of New York filed a complaint against the bank alleging that for years, Bank of America used a

program that intentionally processed loans at high speed and without quality checkpoints, to defraud Fannie Mae and Freddie Mac into buying thousands of fraudulent or defective loans that resulted in over \$1 billion in losses and countless foreclosures.

SIGTARP has aggressively pursued defendants engaged in all fraud related to TARP and been at the forefront in bringing cases related to the financial crisis. For example, SIGTARP’s investigation resulted in convictions against 4 bank officers at TARP-applicant Bank of the Commonwealth and 6 co-conspirators for crimes to hide past-due loans and the bank’s near failure condition. Six have been sentenced to prison including the Vice President (sentence to 17 years) and President of a subsidiary (sentenced to 8 years). The CEO and another officer await sentencing. SIGTARP also uncovered an alleged 6-year criminal enterprise at failed Premier Bank that led to an indictment against its Chairman and 3 officers/directors.

SIGTARP will remain vigilant in protecting taxpayer interests in all matters relating to TARP and its programs.

There are two types of ongoing TARP programs as illustrated in the tables below: (1) Programs with a scheduled end date all of which exceed 2014 and; (2) Programs where Treasury holds a TARP ownership interest in a private company and has to sell that interest.

TARP PROGRAM SCHEDULE	
TARP Program	Scheduled Program Dates
Term Asset-Backed Securities Loan Facility	2015 maturity of last loan
Home Affordable Modification Program	2021 to pay incentives on modifications
Hardest Hit Fund	2017 for states to draw on TARP funds
FHA Short Refinance Program	2020 for TARP-funded letter of credit
TARP INVESTMENTS IN FINANCIAL INSTITUTIONS	
TARP Program	Remaining Treasury Investment
Capital Purchase Program	Preferred stock in 87 banks; warrants for stock in an additional 32 former CPP banks
Community Development Capital Initiative	Preferred stock in 69 banks/credit unions
Automotive Industry Financing Program	63% stake in Ally
Sources: Treasury, Transactions Report, 12/31/2013.	

To support ongoing investigations as well as oversight of multiple TARP programs that last well beyond 2015, SIGTARP needs to be fully staffed to carry out its oversight duties in 2015 and beyond. As with SIGTARP’s investigations, audit/evaluation work does not stop just because Treasury’s participation in a program or entity has ended. Besides being proactive in making recommendations aimed at the prevention of fraud, waste, and abuse in TARP programs, SIGTARP’s audit work also examines TARP programs for their effectiveness and efficiency to bring transparency to the decision-making process and provide a basis to avoid or minimize future financial crises or bailouts. Moreover, Treasury continues to be actively engaged in TARP, shifting only the nature of who performs many of the functions. So although TARP has decreased its FTEs, it has increased the number of contracting staff supporting their organization. Their staff thus remains essentially at the same level. However, the increase in the number of contractors adds an additional burden to SIGTARP in the oversight of TARP programs.

SIGTARP strategically plans its work based on continued discussions with its stakeholders including Treasury and federal financial regulators and Congressional requests. SIGTARP

continually assesses issues of concern to taxpayers so as to keep focus on its objectives to promote economic stability through transparency, robust enforcement, and coordinated oversight. For instance, now that HAMP has been operational for a number of years, evidence of program performance is becoming evident. Accordingly, with the rising number of homeowners re-defaulting on HAMP permanent mortgage modifications, SIGTARP recently made recommendations to Treasury including that Treasury research and analyze the causes of HAMP re-defaults. These recommendations received bi-partisan support for adoption. It is anticipated that TARP will continue to be significant well past 2015, and SIGTARP will continue making recommendations to improve the programs and protect them from fraud, waste, and abuse. As of October 3, 2010, Treasury had obligated \$474.8 billion to 13 announced TARP programs. Subsequent to the expiration of Treasury's investment authority, Treasury has deobligated funds previously designated for some programs. As of September 30, 2013, \$456.6 billion is obligated to TARP programs. Of that amount, \$421.2 billion had been spent. Taxpayers are owed \$53.4 billion as of September 30, 2013. Of the \$53.4 billion owed to taxpayers, Treasury, as of September 30, 2013, had written off or realized losses of \$30.7 billion that taxpayers will never get back. This leaves \$22.7 billion in TARP funds outstanding. Additionally, these amounts do not include \$9.5 billion in TARP funds spent on housing programs, which are designed as a Government subsidy, with no repayments to taxpayers expected. According to Treasury, \$0.9 billion of TARP funds were spent on housing programs leaving \$29 billion obligated and available to be spent. The outstanding \$22.7 billion in TARP funds continues to represent significant exposure for the American taxpayers and SIGTARP remains committed to aggressively pursuing our mission.

SIGTARP's oversight responsibilities include providing recommendations related to TARP to Treasury and other federal agencies to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. As of October 29, 2013, SIGTARP has made 128 recommendations. Additionally, SIGTARP brings transparency through audits and evaluations. SIGTARP has published 22 audits and evaluations as well as 5 special reports.

SIGTARP continues to work hard to deliver the accountability the American people demand and deserve. As of September 30, 2013, SIGTARP had more than 150 ongoing criminal and civil investigations, many in partnership with other law enforcement agencies in order to leverage resources throughout the government.

SIGTARP supports and complements one of Treasury's five enumerated strategic goals: (1) to promote domestic economic growth and stability while continuing reforms of the financial system. In particular, SIGTARP supports strategic objectives (1.1) promoting savings and access to credit and affordable housing options, (1.2) wind down emergency financial crisis response programs, and (1.3) complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability.

SIGTARP's FY 2015 budget request of **\$34,234,000** will provide resources to:

- Quickly detect, stop and investigate fraud related to TARP;
- Provide significant oversight and transparency over the largest remaining TARP investments, including Ally Financial Inc. (ALLY) and the 212 financial institutions remaining in TARP as of September 30, 2013;

- Protect taxpayer investments in the Term Asset-Backed Securities Loan Facility (TALF), which are scheduled to last as late as 2017; and
- Provide oversight and transparency over TARP-funded housing programs which are scheduled to last as late as 2021.

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978 (as amended), the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) submits the following information related to the FY 2015 budget submission:

- The aggregate budget request for the operations of SIGTARP is **\$34,234,000**
- The portion of this amount needed for SIGTARP training is **\$455,000**;
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is estimated at **\$63,792**; and
- The amount requested for training satisfies all SIGTARP training needs for fiscal year 2015.

Key Accomplishments and Challenges

Since its commencement in December of 2008, SIGTARP has been extraordinarily productive: publishing 20 comprehensive quarterly reports to Congress concerning TARP, opening over 150 investigations, initiating 30 audits and six evaluations, issuing 22 audit and evaluation reports, issuing 128 recommendations, leveraging oversight resources, testifying or providing written testimony at 30 Congressional hearings, building infrastructure, and hiring staff. In the latter regard, SIGTARP has secured permanent office space and equipment for staff; and has contracted with public and private vendors for procurement assistance, publication consulting, data processing and analysis, and office equipment and services. SIGTARP's headquarters are in Washington, DC, with regional offices in New York City, Los Angeles, San Francisco, and Atlanta. As of December 2013, SIGTARP has on staff 170 managers, lawyers, auditors, investigators, and other professionals with a wealth of experience in program auditing, criminal law enforcement, securities enforcement, and other relevant curricula. To successfully overcome hiring challenges, SIGTARP relies on direct hire authority and reemployed annuitant salary offset waiver authority delegated by the Office of Personnel Management, as well as authority provided by the Special Inspector General for the Troubled Asset Relief Program Act of 2009, P.L. 111-15.

Quarterly Reports to Congress: SIGTARP has issued 20 quarterly reports to Congress, describing the activities and plans of SIGTARP; explaining and evaluating the various TARP programs; reviewing the operations of the Office of Financial Stability which administers TARP; and recommending changes to TARP programs and procedures to increase transparency and effective oversight and decrease the potential for fraud, waste and abuse. SIGTARP's reports satisfy the requisite reporting requirements of SIGTARP's authorizing statute by detailing its operations; describing the categories of troubled assets purchased or otherwise procured by Treasury; explaining the reasons Treasury deemed it necessary to purchase each troubled asset; listing each financial institution from which such troubled assets were purchased; listing and detailing biographical information on each person or entity hired to manage such troubled assets; estimating the total amount of troubled assets purchased, the amount of troubled assets held, the amount of troubled assets sold, and the profit or loss incurred on each sale or disposition of each such troubled asset; and listing the insurance contracts issued. During FY 2013, SIGTARP

released three special reports on the subjects of (1) Ally, (2) HAMP re-defaults and (3) Hardest Hit Fund. All special reports are included in the quarterly report to Congress in the respective quarter in which they are published. SIGTARP's quarterly reports are available at <http://www.sig tarp.gov/pages/reportsaudits.aspx>.

As of October 29, 2013, SIGTARP's quarterly reports include 128 detailed recommendations to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. Treasury and the federal banking regulators have implemented 36 of these recommendations and partially implemented 20 recommendations and 7 recommendations are in the process of being implemented. The current quarterly report dated October 29, 2013, includes discussions of recommendations made to Treasury regarding: (1) appointing Directors to the boards of Capital Purchase Program ("CPP") Banks; (2) homeowners re-defaulting on modified mortgages under the Home Affordable Modification Program ("HAMP") re-defaults; and (3) the reporting of Small Business Lending Fund ("SBLF") funds not as TARP repayments.

SIGTARP's recommendations may be reviewed in their entirety at http://www.sig tarp.gov/Quarterly%20Reports/October_29_2013_Report_to_Congress.pdf pages 283-304.

Investigative Activities: SIGTARP's Investigations Division (ID) is a sophisticated white-collar law enforcement agency. Currently, ID has more than 150 ongoing criminal and civil investigations, many in partnership with other law enforcement agencies in order to leverage resources throughout the government. SIGTARP investigates white-collar fraud related to TARP. These investigations include accounting fraud, securities fraud, insider trading, bank fraud, mortgage fraud, mortgage modification fraud, fraudulent advance-fee schemes, false statements, obstruction of justice, money laundering, and tax crimes.

In August 2012, SIGTARP's Investigations Division also passed its mandated external peer review with the highest rating possible, a peer review rating of compliance with the quality standards established by the CIGIE and the applicable Attorney General Guidelines.

Significant public developments that occur in SIGTARP's cases may be reviewed at <http://www.sig tarp.gov/pages/investigations.aspx>.

SIGTARP's investigations have delivered substantial results. As of October 29, 2013, investigative efforts have resulted in:

- Criminal actions against 154 individuals, including 98 senior officers (Chief Executive Officers, owners, founders, or senior executives) of their organizations;
- Criminal convictions of 112 defendants, of whom 65 have been sentenced to prison (others are awaiting sentencing);
- Civil cases and other actions against 63 individuals (including 49 senior officers) and 51 entities (in some instances an individual will face both criminal and civil charges);
- SIGTARP's investigations have also resulted in sizeable recoveries and prevented the loss of millions of TARP dollars. Orders of restitution and forfeiture and civil judgments have been entered for \$4.68 billion. This breaks down as follows: restitution orders entered for \$4.2 billion, forfeiture orders entered for \$233.1 million, and civil judgments and other orders

entered for \$288 million. Although the ultimate recovery of these amounts is not known, SIGTARP has already assisted in the recovery of \$185.6 million.

- Savings of \$553 million in TARP funds that SIGTARP prevented from going to the now-failed Colonial Bank.

Audit Activities: SIGTARP's Audit Division (AD) conducts, supervises, and coordinates programmatic audits and evaluations related to TARP. The audit results identify program deficiencies or weaknesses and their impact on the efficiency and effectiveness of the program, how funds were expended, and recommendations to improve the operations of TARP and to prevent fraud, waste, and abuse. Since its inception, SIGTARP has initiated a total of 30 audits and 6 evaluations. SIGTARP has issued 22 published audits and evaluations.

In September 2012, SIGTARP's Audit Division passed its mandated external peer review with the highest rating possible, a peer review rating of pass in accordance with *Government Auditing Standards* and guidelines established by CIGIE.

SIGTARP's audit and/or evaluation reports, including the following released since October 1, 2012, may be reviewed in their entirety at <http://www.sig tarp.gov/pages/reportsaudits.aspx>

- **Excessive Executive Compensation:** In the January 2013 report, "Treasury Continues Approving Excessive Pay for Top Executives at Bailed-Out Companies", SIGTARP reviewed the process and decisions of Treasury's Office of the Special Master for TARP Executive Compensation ("OSM") in setting 2012 pay packages at the three remaining TARP exceptional assistance companies: American International Group, Inc. ("AIG"), General Motors Company ("GM"), and GMAC, Inc., later rebranded as Ally Financial Inc. ("Ally"). SIGTARP found that Treasury failed to make any meaningful reform from SIGTARP's prior findings or fully implement SIGTARP's recommendations. It is not surprising that without meaningful reform to its process, Treasury continued to approve excessive pay packages in 2012 for the top 25 employees at AIG, GM, and Ally. Indeed, in 2012, Treasury approved pay packages of \$3 million or more for 54 percent of the 69 Top 25 employees at AIG, GM, and Ally – 23 percent of these top executives (16 of 69) received Treasury-approved pay packages of \$5 million or more, and 30 percent (21 of 69) received from \$3 million to \$4.9 million. In fact, in 2012, Treasury approved pay of more than \$1 million for all but one top 25 employee at AIG, GM, and Ally. The report also included four new recommendations to Treasury regarding compensation.
- **Banks that used the Small Business Lending Fund To Exit TARP:** On April 9, 2013, SIGTARP released this report which reviewed how, in 2011, 137 of the small banks bailed out by TARP used more than \$2 billion from another government program, the Small Business Lending Fund ("SBLF"), to repay and exit TARP. SBLF was viewed by members of Congress as a fix for TARP's failure to require or incentivize banks to lend the money. SBLF provided participating banks with incentives to increase small-business lending. However, the scope and scale of SBLF were not as expected, with Treasury investing only \$4 billion of the available \$30 billion, two-thirds of which went to TARP banks that used SBLF to repay TARP in 2011. Although Congress allowed TARP banks to participate, Congress intended that the banks would increase their loans to small businesses, and as a safeguard,

required that applicant banks submit to their federal banking regulator a “small business lending plan” detailing how the bank would increase lending. However, former TARP banks in SBLF have not effectively increased small-business lending and are significantly underperforming compared to non-TARP banks. Twenty-four former TARP banks have not increased their lending while in SBLF, despite those banks collectively receiving \$501 million in SBLF funds. The remaining former TARP banks have increased lending by \$1.13 for each SBLF dollar they received. By comparison, banks that did not participate in TARP but received SBLF funding have increased small-business lending by more than three times that amount – \$3.45 for each dollar in SBLF funds. The 132 of 137 former TARP banks remaining in SBLF have not effectively increased small-business lending because they used approximately 80 percent of SBLF funds (\$2.1 billion of the \$2.7 billion) to repay TARP. Although as a group, the former TARP banks remaining in SBLF increased lending by \$1.13 for each dollar in SBLF funds received, there was a significant difference in lending depending on whether the bank received only enough SBLF funds to repay TARP or received additional funds. TARP banks that received only enough SBLF funds to repay TARP have lent out significantly less than they received in SBLF funds – increasing lending by only 25 cents for each dollar in SBLF funds. TARP banks that received additional SBLF money beyond the outstanding TARP balance have increased lending by \$1.67 for every dollar in SBLF funds, a fraction of lending increases by non-TARP banks in SBLF. The report included three recommendations to Treasury and the federal banking regulators to improve coordination when collaborating on current and future initiatives.

On August 15, 2013, SIGTARP issued the report, “Treasury’s Role in the Decision for GM To Provide Pension Payments to Delphi Employees.” The U.S. Department of the Treasury’s (“Treasury”) injection of Troubled Asset Relief Program (“TARP”) funds in General Motors Corporation (“GM”) and Chrysler Group LLC (“Chrysler”) was the only bailout with a President’s Designee overseeing the companies’ restructurings – the Presidential Task Force on the Auto Industry (“Auto Task Force”). The Auto Task Force delegated the responsibility for GM’s restructuring to four primary officials who were part of an Auto Team led by Steven Rattner. GM’s bankruptcy would be one of the largest and fastest bankruptcies in our nation’s history. A new company, “New GM,” emerged from GM’s bankruptcy in July 2009, with Treasury owning 61 percent of its common stock. New GM purchased substantially all of GM’s assets while leaving behind many of its liabilities. One of the liabilities that New GM agreed to honor related to the pensions of certain former GM employees paid an hourly wage and represented by certain unions, and who had worked in GM’s automobile parts division that was spun off into Delphi Corporation (“Delphi”). The four Treasury Auto Team officials made it clear to SIGTARP that the decisions made and Treasury’s role related to Delphi pensions had to be viewed in the broader context of GM’s restructuring. SIGTARP found that the role of these Treasury officials sharply contrasted with the role played by Treasury officials under other TARP programs. The four Treasury Auto Team officials played a direct role in GM’s decisions and operations up to and through GM’s bankruptcy. As GM’s only lender and later GM’s largest investor, Treasury’s Auto Team had significant leverage and influence on GM’s decisions, and in practice, the Auto Team’s role was more than advisory.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2014 Enacted	192	\$34,923
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$823
Pay-Raise	-	\$300
FERS Contribution Increase	-	\$260
Non-Pay	-	\$263
Efficiency Savings:	-	(\$1,512)
Operations Partially Funded from No-Year Resources	-	(\$1,512)
Subtotal Changes to Base	-	(\$689)
Total FY 2015 Base	192	\$34,234
Total FY 2015 Request	192	\$34,234

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$823,000 / +0 FTE
Pay-Raise +\$300,000 / +0 FTE

Funds are requested for the proposed January 2015 pay-raise and the annualization of the 2014 pay-raise.

FERS Contribution Increase +\$260,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$263,000 / +0 FTE

Funds are requested for non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings -\$1,512,000 / +0 FTE
Operations Partially Funded from No-Year Resources -\$1,512,000 / +0 FTE

Reduction in general operating costs to occur from the annual account. SIGTARP will instead continue to use its mandatory funding.

2.2 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
11.1 - Full-time permanent	17,029	17,838	20,820
11.3 - Other than full-time permanent	2,764	2,730	2,113
11.5 - Other personnel compensation	1,708	1,725	1,809
11.9 - Personnel Compensation (Total)	21,501	22,293	24,742
12.0 - Personnel benefits	5,547	5,545	6,596
Total Personnel and Compensation Benefits	\$27,048	\$27,838	\$31,338
21.0 - Travel and transportation of persons	948	943	943
23.2 - Rental payments to others	301	303	236
23.3 - Communication, utilities, and misc charges	91	105	85
24.0 - Printing and reproduction	180	161	161
25.1 - Advisory and assistance services	3,431	2,613	2,669
25.2 - Other services	416	511	520
25.3 - Other purchases of goods & serv from Govt accounts	8,000	9,931	9,510
26.0 - Supplies and materials	475	462	462
31.0 - Equipment	272	245	231
42.0 - Insurance claims and indemnities	17	30	1
Total Non-Personnel	14,131	15,304	14,818
Subtotal New Appropriated Resources	\$41,179	\$43,142	\$46,156
Budget Activities:			
Audit	14,409	15,296	12,201
Investigations	26,770	27,846	33,955
Total Budgetary Resources	\$41,179	\$43,142	\$46,156
FTE	168	192	192

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM SALARIES AND EXPENSES For necessary expenses of the Office of the Special Inspector General in carrying out the provisions of the Emergency Economic Stabilization Act of 2008 (Public Law 110-343) [\$34,923,000] \$34,234,000. (Department of the Treasury Appropriations Act, 2014.)	

2C – Legislative Proposals

SIGTARP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$9,243,000 from direct appropriations):

SIGTARP estimates that \$2,958,000 from unobligated balances from prior-years will be used in FY 2015 to cover specific operating expenses in support of the Audit program since appropriated funds are insufficient for these expenses. Public Law 111-22 of the Emergency Economic Stabilization Act of 2008 (“EESA”) provided SIGTARP with an initial allocation of \$50 million, (available until expended) to fund its operations.

The Audit program supports SIGTARP’s priority of coordinated oversight by providing recommendations to Treasury so that TARP programs can be designed or modified to facilitate effective oversight and transparency to prevent fraud, waste, and abuse. This program also supports and complements Treasury’s strategic goal to promote domestic economic growth and stability while continuing to reforms of the financial system by assessing the effectiveness of Treasury’s activities in TARP. It also supports Treasury’s strategic goal to manage the government’s finances in a fiscally responsible manner as they relate to TARP.

The Audit Division (AD) conducts, supervises, and coordinates programmatic audits with respect to Treasury’s operation of TARP as well as evaluations of TARP policies and procedures. With respect to auditing, the division is designed to provide SIGTARP with maximum flexibility in the size, timing, and scope of audits so that, without sacrificing the rigor of the methodology, audit results, whenever possible, can be generated rapidly both for general transparency’s sake and so that the resulting data can be used to improve the operations of TARP.

Regarding policy review and technical assistance, a particular focus of AD is ensuring that appropriate internal controls are in place and followed by Treasury in its management of TARP and by the recipients of TARP funds, including vendors and the entities in which money is invested. Where controls or compliance are found to be lacking, or where particular aspects or policies risk being ineffective at reaching TARP’s goals, AD assists the Special Inspector General to fashion recommendations to resolve such issues.

The goal owner for this budget activity is Bruce Gimbel, Acting Assistant Deputy Special Inspector General Audit, and Evaluations.

Description of Performance:

One of the primary functions of SIGTARP is to ensure that members of Congress remain adequately and promptly informed of developments in TARP initiatives and of SIGTARP’s oversight activities. To fulfill that role, the Special Inspector General and staff meet regularly with Congress and staff. In FY 2013 SIGTARP exceeded its performance goal, “Congressional Requests for Testimony Completed” by completing five testimonies by September 30, 2013. SIGTARP anticipates that Congress will continue to have interest in SIGTARP’s work and will continue to request three testimonies in FY 2014 and three testimonies in FY 2015.

The performance goal, “Number of Completed Audit Products” includes issuing audit reports, and memoranda that promote the efficiency and effectiveness of the TARP. SIGTARP developed an audit plan using a risk-based planning process to identify projects that will provide the maximum benefit to TARP, Congress and the taxpayers. The maximum benefit is to assure the general public that TARP funds are not expended by recipients or other entities on waste, fraud, or abuse. Presently there are three on-going audits and three evaluations that have been requested by Congress in addition to SIGTARP’s four self-initiated reviews. The ongoing audits and evaluations cover a variety of TARP-related areas including the Capital Purchase Program, General Motors, and Hardest Hit Fund. SIGTARP completed 10 audit products in FY 2013, meeting the goal of 10 during the reporting period. The number of audit products is 8 in FY 2014 and 8 in FY 2015. Throughout this process, SIGTARP’s risk assessment plan will be used to determine audit requirements as well as requests made by Congress and the required quarterly report.

3.1.1 – Audit Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity							
Resource Level	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Operating Plan	Enacted	Request
Appropriated Resources	\$0	\$9,900	\$10,581	\$14,626	\$14,597	\$12,220	\$9,243
Budget Activity Total	\$0	\$9,900	\$10,581	\$14,626	\$14,597	\$12,220	\$9,243

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Congressional Requests for Testimony Completed (Units)	N/A	9	7	5	4	5	3	3
Number of Completed Audit Products (Units)	N/A	3	9	13	13	10	8	8

Key: DISC - Discontinued and B - Baseline

3B – Investigations

(\$24,991,000 from direct appropriations):

SIGTARP estimates that \$8,964,000 from unobligated balances from prior-years will be used in FY 2015 for Investigations activities. Public Law 111-22 of the Emergency Economic Stabilization Act of 2008 (“EESA”) provided SIGTARP with an initial allocation of \$50 million, (available until expended) to fund its operations. In FY 2015 SIGTARP estimates that \$7,999,000 of these remaining funds will be used to cover specific operating expenses in support of the Investigations program since appropriated funds are insufficient for these expenses. Public Law 111-22 provided an additional \$15 million to prioritize the performance of audits or investigations of non-recourse federal loans, including the Public Private Investment Program (“PPIP”) and the Term Asset Back Securities Loan Facility Program (“TALF”) made under any “Emergency Economic Stabilization Act of 2008, Public Law 110-343 program. These funds are available until expended; \$965,000 will be used in FY 2015 for personnel and other operating expenses related to PPIP/TALF.

The Investigations program supports SIGTARP's priority of robust enforcement by preventing, detecting, investigating, and referring for prosecution cases of fraud, waste, and abuse related to TARP. This program also supports and complements Treasury's strategic goal to promote domestic economic growth and stability and continue reforms the financial system by assessing the effectiveness of Treasury's activities. It also supports Treasury's strategic goal to manage the government's finances in a fiscally responsible manner as they relate to TARP.

The Investigations Division (ID) supervises and conducts criminal and civil investigations into those persons and entities, whether inside or outside of government, who waste, steal, or abuse TARP funds or programs. The division is comprised of experienced financial and corporate fraud investigators, including not only special agents, but also forensic analysts, and investigative attorneys. This structure provides SIGTARP with a broad array of expertise and perspectives in developing the most sophisticated investigations. In the interests of maximizing criminal and civil enforcement, ID coordinates closely with other law enforcement agencies with the goal of forming law enforcement partnerships, including task force relationships, across the federal government and state governments to leverage SIGTARP's expertise and unique position.

The goal owner for this budget activity is Scott Rebein, Deputy Special Inspector General Investigations Division.

Description of Performance:

One of SIGTARP's primary investigative priorities is to operate the SIGTARP Hotline that provides a simple, accessible way for the American public to report concerns, suggestions, information, and evidence of violations of criminal and civil laws in connection with TARP. From its inception in February 2009 through October 29, 2013, the SIGTARP Hotline has received and analyzed more than 33,052 Hotline contacts. During FY 2013, considerable effort was spent reviewing and referring complaints to meet the public's demand for action regarding the mortgage crisis. "Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action within 14 days of Receipt" was 83, exceeding the annual goal of 70 percent. These contacts run the gamut from expressions of concern over the economy to serious allegations of fraud involving TARP. Overall, there are more than 150 ongoing investigations, a number of which were generated as a result of a Hotline contact. These investigations include accounting fraud, securities fraud, insider trading, bank fraud, mortgage fraud, mortgage modification fraud, fraudulent advance-fee schemes, false statements, obstruction of justice, money laundering, and tax crimes. SIGTARP anticipates a 70 percent referral rate of these complaints for FY 2014 and a 75 percent referral rate for FY 2015. In addition, SIGTARP continues to streamline the complaint referral process through the use of information technology, additional training for staff members, and concerted outreach to prosecutorial agencies.

During FY 2013, the "Percentage of Investigations Accepted for Consideration by Prosecutors", including criminal or civil investigations that a federal, state, or local prosecutor has formally accepted for consideration for criminal prosecution or civil or administrative action, was an average of 94 percent, exceeding the target of 60 percent. This success is directly related to the still-significant public interest in TARP related cases and the well-crafted investigative files

developed by SIGTARP's Investigations Division. SIGTARP's investigative strategies have already produced significant cases; bringing to justice those who have sought to profit criminally from TARP.

As of October 29, 2013, the results are: criminal charges against 154 individuals, including 98 senior officers (CEOs, owners, founders, or senior executives) of their organizations; criminal convictions of 112 defendants, of whom 65 have been sentenced to prison (others are awaiting sentencing); civil cases and other actions against 63 individuals (including 49 senior officers) and 51 entities (in some instances an individual will face both criminal and civil charges); orders of restitution and forfeiture and civil judgments entered for \$4.68 billion. Although the ultimate recovery of these amounts is not known, SIGTARP has already assisted in the recovery of \$185.6 million; as well as savings of \$553 million in TARP funds that SIGTARP prevented from going to the now-failed Colonial Bank. SIGTARP anticipates a 70 percent acceptance rate in FY 2014 and FY 2015.

SIGTARP has seen an increase in press coverage due to several high profile mortgage fraud and bank fraud cases, resulting in numerous arrests and convictions. This has caused a sustained interest among prosecutors when considering TARP related cases for prosecution. This performance metric will remain at 70 percent in FY 2015. The Investigations Division will continue to aggressively engage the U.S. Attorneys across the nation capable of prosecuting sophisticated white-collar criminal investigations involving TARP-related fraud to ensure their understanding of the importance and viability of SIGTARP investigations, the magnitude, and complexity of the fraud in our investigations, and the impact these investigations have on the economic crisis. SIGTARP investigations have a major deterrent effect not only on those currently participating in financial fraud, but also deterring those considering participation in future fraud schemes.

A preliminary investigation is the period during which the investigator gathers fundamental information to evaluate the need to continue the case by converting it to a full investigation or to close the case. During FY 2013, "Percentage of Preliminary Investigations Converted to Full Investigations within 180 days" was an average of 82 percent, exceeding the goal of 50 percent. SIGTARP's success is attributed to proactively identifying indicators of fraud related to TARP, receiving substantial case leads and complaint referrals from other agencies as ID has developed its identity as a premier white collar crime law enforcement agency. As ID has evolved, so has the depth and complexity of the cases under investigation.

SIGTARP has efficiently leveraged its resources to enable ID to handle its growing inventory and to expedite these investigations. In FY 2014, SIGTARP will increase this metric to 60 percent because as ID's workforce has expanded, so has the ability to respond quickly to allegations and to devote the necessary resources. SIGTARP has involved the prosecutors in the early stages of the preliminary investigations to ensure that allegations, if proven, will be prosecuted. This resulted in a greater number of preliminary investigations being converted to full investigations or closed within the 180-day timeframe; therefore this performance metric will increase to 60 percent in FY 2014 and to 70 percent in FY 2015. The Investigations Division will continue to prioritize leads and fraud allegations and make effective, informed decisions

when opening preliminary investigations to ensure an appropriate commitment of investigative resources are available to devote to these investigations.

As previously mentioned, SIGTARP ID coordinates closely with other law enforcement agencies, forming law enforcement partnerships across Federal, state and local government that leverage SIGTARP’s expertise and unique position. Frequently other Federal law enforcement partners may pursue a lead or open a case and then request SIGTARP’s expertise and resources to lead the case. During FY 2013, “Percentage of cases that are joint agency/task force Investigations” with other law enforcement agencies was an average of 79 percent, exceeding the target of 45 percent. This was driven by the significant number of high profile cases opened in FY 2012. SIGTARP continues to work both as an independent entity and with other law enforcement partners as cases dictate. SIGTARP is projecting a goal of 45 percent for FY 2014 and 50 percent for FY 2015.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity							
Resource Level	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Operating Plan	Enacted	Request
Appropriated Resources	\$0	\$13,339	\$25,433	\$27,174	\$27,119	\$22,703	\$24,991
Budget Activity Total	\$0	\$13,339	\$25,433	\$27,174	\$27,119	\$22,703	\$24,991

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Percentage of Hotline Complaints Responded to or Referred for Investigation or further action within 14 days of Receipt (%)	N/A	77.0	74.0	76.0	77.0	83.0	70.0	75.0
Percentage of Investigations Accepted for Consideration by Prosecutors (%)	N/A	95.0	100.0	94.0	95.0	94.0	70.0	70.0
Percentage of Preliminary Investigations Converted to Full Investigations Within 180 Days (%)	N/A	50.0	80.0	88.0	77.0	82.0	60.0	70.0
Percentage of cases that are joint agency/task force investigations (%)	N/A	60.0	50.0	40.0	65.0	79.0	45.0	50.0

Key: DISC - Discontinued and B – Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

IT funding has been critical in enabling SIGTARP to fulfill its mission of transparency, coordinated oversight, and robust enforcement. SIGTARP uses the services provided by Treasury Departmental Offices and Government Security Operations Center as part of Treasury’s headquarters operations. SIGTARP relies on the Treasury’s Office of the Chief Information Officer and Departmental Offices Operations to provide a secure infrastructure that is fully capable of supporting the mission and administrative requirements of a completely functional, bureau-level government agency with the technology requirements appropriate to an audit and investigative organization.

SIGTARP’s IT strategy continues with limited IT investments including updates, modifications, and maintenance and equipment refreshment, consistent with its role as a temporary agency. For FY 2015, SIGTARP expects only ongoing infrastructure charges for headquarters and for remote office operations and routine maintenance, enhancements and modifications of its existing systems required to support its mission. SIGTARP has no capital investments.

Non-Major IT Investment Summary

The non-major IT investments are for the acquisition, installation, integration, training and modifications of mission essential systems such as hotline information management, investigative case management, investigations database, investigations evidence network, counsel case management, forensic system management, SIGTARP website and intranet, video teleconferencing, and asset management which were established by SIGTARP because they were not provided by Treasury. SIGTARP migrated most of these systems to Treasury for hosting services and began to use Treasury’s shared services offerings (“cloud computing”) for content management such as document management, Freedom of Information Act tracking, and records management.

Non-IT Investment Summary

SIGTARP’s non-IT investments include technical surveillance equipment. The Investigations Division requires specialized surveillance equipment in order to conduct criminal investigations in cooperation with the Federal Bureau of Investigations, Internal Revenue Service-Criminal Investigation, other federal agencies, and state/local law enforcement agencies. This specialized equipment ensures officer/agent safety to obtain evidence for prosecution while allowing interoperability with equipment used by the other agencies.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>