

Office of the Special Inspector
General for TARP
(SIGTARP)

Congressional Budget
Justification and Annual
Performance Report and Plan

FY 2020

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Section I – Budget Request

A – Mission Statement

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a Federal law enforcement agency and an independent audit watchdog that targets financial institution crime, and other fraud, waste, and abuse related to TARP. Protecting Americans, taxpayer dollars, and TARP programs drives SIGTARP's mission.

B – Summary of the Request

The FY 2020 Budget proposes \$17,500,000,¹ a 49 percent reduction from both the FY 2019 Annualized CR level and the FY 2018 enacted level. The proposed budget is intended to fund the mandated independent oversight of TARP, which impacts all 50 states, to include the \$34 billion that has and will be spent through 2023 for TARP foreclosure prevention programs, such as the Making Home Affordable (MHA) and the Hardest Hit Fund (HHF) programs. Through FY 2018, banks, mortgage servicers, state agencies, thousands of contractors, and other recipients have already received \$28 billion for TARP foreclosure prevention programs (nearly \$3 billion that year), with nearly \$6 billion left to spend through 2023.

Special Inspector General's Comments

Pursuant to section 6(f)(3)(E) of the Inspector General Act of 1978, as amended, as applied through the Emergency Economic Stabilization Act of 2008, I have concluded that the President's FY 2020 budget request of \$17.5 million would substantially inhibit the Special Inspector General from performing the duties of the office. The President's budget request is a 49 percent reduction from the FY 2018 enacted level and a 24 percent reduction from the FY 2019 enacted level, despite that TARP foreclosure prevention programs continue to spend (nearly \$3 billion last year), and carry a high risk of fraud, waste, and abuse. I independently proposed an appropriation of \$23 million for FY 2020, which is an additional \$5.5 million, and I respectfully request that Congress consider this amount. That level is flat with the FY 2019 enacted level, and is a 32 percent reduction from the FY 2018 enacted level.

The President's budget request would substantially inhibit our oversight because it will require a reduction in staffing levels to cover increases in fixed mandatory operating costs paid to Treasury and cost of living or other payroll increases. SIGTARP has experienced a recent increase in referrals, tips, and other information that have been used to open criminal and civil investigations into the open TARP programs, including MHA's HAMP and HHF, and to audit those programs to prevent and detect waste and abuse. As more TARP dollars are spent in MHA and HHF, SIGTARP's investigations and audits over that spending increases. Every TARP dollar spent is another dollar potentially subject to fraud, waste and abuse, increasing the need for and the number of investigations and waste-finding audits. As of September 30, 2018, TARP foreclosure prevention programs have spent over \$28 billion with nearly \$6 billion remaining to spend. When left unchecked, fraud, waste, and abuse in these programs can have a devastating impact on those the program are intended to help. There are currently 846,763 homeowners in HAMP, including participants from all 50 states. The Hardest Hit Fund, which Congress expanded with an additional

¹ Includes \$50,000 for training and \$50,000 for the Council of the Inspectors General on Integrity and Efficiency.

\$2 billion and extended in FY 2016, continues to assist homeowners and homebuyers, and to fund blight demolition. SIGTARP's request is less than 0.1 percent to investigate and audit over \$28 billion spent in MHA & HHF (before counting future TARP spending of nearly \$6 billion).

SIGTARP investigations of TARP recipients lead to indictments, civil enforcement actions, and the recovery of dollars lost to fraud. SIGTARP audits identify waste and abuse that Treasury can recover, promote efficiency and effectiveness in TARP, and make recommendations to save costs and prevent future fraud, waste, and abuse. In FY 2018, more than \$314 million was recovered as a result of SIGTARP's investigations, exceeding a nine times annual return on investment (ROI). Already in FY 2019, actual dollars recovered as a result of SIGTARP's investigations are more than \$290 million.

SIGTARP has demonstrated that it is a solid investment for taxpayers, as SIGTARP has provided the Federal government and other victims with cumulative recoveries of more than \$10 billion – a 31 times cumulative ROI from our annual budgets. This would rank SIGTARP as having the third highest ROI out of 18 OIGs reviewed by the Brookings Institution Center for Effective Public Management in its analysis of how cutting the budget of positive-revenue OIGs costs the government money and contributes to the Federal deficit.²

We appreciate strong Congressional support for our budget each year. Some of the significant completed and ongoing SIGTARP work over the last year includes:

- The Special Inspector General testified before the House Oversight Committee on SIGTARP's audits that identified \$11 million in waste and abuse by state agencies on holiday parties, family picnics, celebrations, a Mercedes Benz car allowance, steak and seafood dinners, large catered barbecue dinners with tiki torches, employee gifts, discrimination litigation, employee gym memberships, cash bonuses, expenses unrelated to HHF, and more. SIGTARP continues to audit travel and conference expenses.
- Our audit report found that most of the \$9.6 billion Hardest Hit Fund program (which includes future spending of \$1.3 billion) has no Federal competition requirements for contract awards. We reported that Treasury has not applied the Federal procurement standards, and recommended that they apply those standards.
- We warned in an evaluation report (based on findings by the U.S. Army Corps of Engineers) of the risk of asbestos exposure, illegal dumping, and contaminated soil in the HHF blight demolition program given the absence of industry safeguards.
- We increased our investigations into TARP's Hardest Hit Fund blight demolition program. This year, the Department of Justice (DOJ) indicted an official on bribery charges related to awarding TARP-funded demolition-related contracts. DOJ also resolved a False Claims Act investigation against a multi-million TARP recipient – the primary HHF demolition contractor in Fort Wayne, Indiana – for dumping construction debris in the ground, covering it with clean dirt, and filing false claims for TARP dollars.
- SIGTARP expanded its investigations into TARP's HAMP program. Treasury will continue to pay more than 130 financial institutions up to \$3.9 billion to administer the program. Some institutions have enforcement records of violating the law and abusing consumers. The largest

² Hudak, J. Wallack, G. (2015). *Brookings Institution Center for Effective Public Management*, Website: <https://www.brookings.edu/wp-content/uploads/2016/06/CEPMHudakWallackOIG.pdf>.

recipients of these future TARP funds include Ocwen Financial, Wells Fargo, JP Morgan Chase, Nationstar Mortgage, SPS, CitiMortgage, and CIT/One West Bank.

- SIGTARP continues to support the DOJ in prosecuting defendants we investigated. Courts have convicted 359 defendants investigated by SIGTARP, including 92 bankers. Courts sentenced 71 bankers to prison, including in the last year:
 - A Delaware Federal court sentenced to prison for up to six years, seven bank insiders at \$330 million TARP recipient Wilmington Trust Corp. including the president and CFO for a massive fraud while the bank was in TARP when Treasury was a shareholder. The judge called it, “the worst financial crime in Delaware in at least the last 35 years.” The bank collapsed and was acquired by another bank;
 - A California Federal court sentenced to prison for more than 8 years each, the president of TARP recipient Sonoma Valley Bank and the chief lending officer, for a fraud that contributed to the failure of the bank; and
 - A Kansas Federal court sentenced to prison for more than 5 years, the majority shareholder who virtually had complete control of TARP recipient Excel Bank for a crime that threatened the soundness of the bank that later failed.

We continue to deliver investigative and audit results, and maintain extremely high cumulative and annual returns on investment. Investing in SIGTARP is one of the most effective and efficient ways to protect the government. The government will receive far more than our budget in recovered dollars lost to fraud, in addition to cost savings. Our work ensures that TARP dollars are used as Congress intended, and that the government does not pay more for TARP than is necessary.

1.1 – Appropriations Detail Table

Dollars in Thousands

Special Inspector General for TARP Appropriated Resources	FY 2018 *		FY 2019		FY 2020		FY 2019 to FY 2020			
	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Investigations	103	\$28,220	103	\$28,900	75	\$15,050	(28)	(\$13,850)	-27.18%	-47.92%
Audit	28	\$5,780	22	\$5,100	10	\$2,450	(12)	(\$2,650)	-54.55%	-51.96%
Subtotal New Appropriated Resources	131	\$34,000	125	\$34,000	85	\$17,500	(40)	(\$16,500)	-32.00%	-48.53%
Other Resources*										
Unobligated Balances from Prior Years	0	\$1,542	0	\$0	10	\$7,500	NA	NA	NA	NA
Subtotal Other Resources	0	\$1,542	0	\$0	10	\$7,500	NA	NA	NA	NA
Total Budgetary Resources	131	\$35,542	125	\$34,000	95	\$25,000	(30)	(\$9,000)	-24.00%	-26.47%

* This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2019 Annualized CR	125	\$34,000
Changes to Base:		
Maintaining Current Levels (MCLs)	0	\$190
Non-Pay	0	\$190
Subtotal Changes to Base	0	\$190
Total FY 2020 Base	125	\$34,190
Program Changes:		
Program Decreases	(40)	(\$16,832)
Technical FTE Adjustment (Workforce Management)	(30)	(\$5,600)
Realignment from Annual to No-Year	(10)	(\$7,500)
Efficiency Savings	0	(\$3,732)
Program Increases	0	\$142
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	\$142
Subtotal Program Changes	(40)	(\$16,690)
Total FY 2020 Request	85	\$17,500

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$190,000 / +0 FTE
Non-Pay + \$190,000 / +0 FTE

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

Program Decreases -\$16,832,000 / -40 FTE
Staff Reduction -\$5,600,000 / -30 FTE

The technical adjustment reduces SIGTARP staff levels to 95 FTE.

Realignment from Annual to No-Year -\$7,500,000 / -10 FTE

SIGTARP will fund a portion of its operations from its no-year account.

Efficiency Savings -\$3,732,000 / -0 FTE

SIGTARP will seek to reduce non-personnel costs.

Program Increases +\$142,000 / +0 FTE
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +\$142,000 / +0 FTE

This request includes funding to support O&M for prior-year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents SIGTARP's portion of the O&M total.

Program Decreases:

SIGTARP has been fiscally responsible in reducing costs and increasing efficiencies by utilizing OMB guidance to effectively examine, align, and restructure its workforce and eliminate costs. In FY 2018, SIGTARP created immediate and long-term cost savings by eliminating over 50 percent of headquarter annual rent expenses; reducing senior management levels; aligning spending with a reduced workforce; reducing non-government spending; and utilizing government sources for goods and services. In FY 2020, over \$6 million of the proposed budget (35 percent) will be spent on goods and services from the government, more than 95 percent of which will be paid to Treasury.

SIGTARP coordinates with other law enforcement agencies and with other Inspectors General, leveraging its unique position and expertise by forming law enforcement and other partnerships to create operational efficiencies and realize cost savings. These savings and efficiencies are projected to continue through FY 2020.

1.3 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	15,889	15,079	11,684
11.3 - Other than full-time permanent	1,503	1,588	1,472
11.5 - Other personnel compensation	1,959	1,506	989
11.9 - Personnel Compensation (Total)	19,351	18,173	14,145
12.0 - Personnel benefits	5,649	5,427	3,855
Total Personnel and Compensation Benefits	\$25,000	\$23,600	\$18,000
21.0 - Travel and transportation of persons	676	400	300
23.2 - Rental payments to others	207	153	107
23.3 - Communications, utilities, and miscellaneous charges	45	41	34
25.1 - Advisory and assistance services	679	365	90
25.2 - Other services from non-Federal sources	51	44	43
25.3 - Other goods and services from Federal sources	9,243	9,071	6,164
25.6 - Medical care	60	50	45
25.7 - Operation and maintenance of equipment	44	26	0
26.0 - Supplies and materials	303	202	195
31.0 - Equipment	192	48	22
Total Non-Personnel	\$11,500	\$10,400	\$7,000
New Budgetary Resources	\$36,500	\$34,000	\$25,000
FTE	136	125	95

Note: This table includes all available resources, including SIGTARP's annual appropriation and no-year funds. The FY 2020 request includes \$17.5M (appropriated) and \$7.5M (no-year).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM <i>Federal funds</i></p> <p style="text-align: center;">SALARIES AND EXPENSES <i>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), \$17,500,000.</i></p> <p>Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.</p>	

E – Legislative Proposals

PPIP Funds

The Public-Private Investment Program (PPIP) Improvement and Oversight Act of 2009 (12 U.S.C. § 5231a) provided \$15 million in no-year appropriations to SIGTARP for the purpose of providing oversight to PPIP and the Term Asset-Backed Securities Loan Facility. SIGTARP does not plan PPIP or TALF activity in FY 2019 and FY 2020. SIGTARP is requesting that these PPIP funds be made available to also support SIGTARP’s oversight of ongoing TARP programs. This proposed language is identical to that included in the FY 2018 enacted appropriation.

PROPOSED LANGUAGE

Sec. 128 Notwithstanding paragraph (2) of section 402(c) of the Helping Families Save their Homes Act of 2009, in utilizing funds made available by paragraph (1) of section 402(c) of such Act, the Special Inspector General for the Troubled Asset Relief Program shall prioritize the performance of audits or investigations of any program that is funded in whole or in part by funds appropriated under the Emergency Economic Stabilization Act of 2008, to the extent that such priority is consistent with other aspects of the mission of the Special Inspector General.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The Investigation budget activity supports SIGTARP’s priority of law enforcement of crimes related to TARP, and the Audit budget activity supports SIGTARP as the independent watchdog over TARP dollars. SIGTARP’s activities and goals of Justice, Impact, Innovation, and Stewardship support and complement Treasury’s FY 2018 – 2022 Strategic Plan goals: (1) boost U.S. economic growth; (2) promote financial stability; (3) enhance national security; (4) transform government-wide financial stewardship; and (5) achieve operational excellence.

SIGTARP’s audit and investigation goals and priorities are driven by independently-identified TARP threats and findings of fraud, waste, and abuse. SIGTARP’s goals through 2023 are:

- *Justice* - protect Americans through law enforcement’s fight against TARP-related crime;
- *Impact* - assess, understand, and counter the most serious risks, threats, and challenges to TARP;
- *Innovation* - expand the use of technology, virtual information sharing, and data analytics to increase the expedited identification of TARP-related crime, fraud, waste and abuse; and
- *Stewardship* - ensure TARP programs and oversight proceed responsibly and transparently.

Justice: As a law enforcement office with 85 percent of its resources focused on criminal investigations, SIGTARP strives to bring justice, accountability, and deterrence in the fight against TARP-related crimes, including major financial crimes and money laundering. This past year SIGTARP continued to support DOJ and state prosecutions of defendants that were investigated, and the law enforcement record through FY 2018 stands at 417 defendants charged with crimes, and law enforcement actions against 14 major corporations. Justice was achieved when, in FY 2018, 14 defendants that were investigated went to trial, 14 defendants pled guilty, and courts sentenced to prison 26 defendants that were investigated. Bankers are going to jail. For example, in the \$330 million TARP recipient Wilmington Trust and the \$8 million TARP recipient Sonoma Valley Bank cases, courts, after jury convictions, have recently sentenced an attorney and six top bank executives such as the CEO, President, CFO, and Controller to years in prison for massive financial frauds. These complex financial frauds impact economic stability and confidence in financial institutions. SIGTARP investigations have uncovered crimes that led to the failure of TARP banks, leaving as victims the bank, the community, and taxpayers who have lost millions on their TARP investments. *Alignment: Treasury Goals (1), (2), (3) and (4).*

Impact: SIGTARP analyzes risks from the most serious and imminent threats to TARP, especially as TARP continues to evolve. Treasury continues to allow new uses of TARP and, as recently as May 2018, TARP can now be used for lead and asbestos remediation. SIGTARP prioritizes its resources and conducts confidential investigations to combat serious threats, the largest of which SIGTARP believes is potential wrongdoing by the more than 130 financial institutions that continue to receive billions of TARP dollars in the MHA program, including some of the nation’s largest. SIGTARP recently achieved the first law enforcement action resulting from SIGTARP’s investigations into wrongdoing in the HHF blight demolition subprogram, another top threat to TARP. A contractor who was awarded all of the demolition contracts in the HHF blight program in Fort Wayne, Indiana, filled excavation sites with construction debris and then falsely billed for clean fill dirt. The blighted excavation sites cost an additional \$800,000 in remediation to remove

the construction debris and fill the area with approved dirt. SIGTARP previously assessed the threat of contaminated soil and warned Treasury about it in a November 2017 audit, based on the findings of the Army Corps of Engineers. Treasury failed to implement SIGTARP’s recommendations in that audit. *Alignment: Treasury Goals (1), (2), and (4).*

Innovation: SIGTARP achieved an unparalleled record of criminal charges against more than 100 bankers through innovation. SIGTARP developed an intelligence-based method to find crime in banks and deployed similar techniques to find crime in other industries, like the housing, foreclosure, and demolition industries. SIGTARP forensic audits catch waste, and have successfully caught millions of TARP dollars wasted by state agencies on a Mercedes Benz, parties, picnics, steak and seafood dinners, and more. By expanding the use of technology, virtual information sharing using central repositories of information, and data analytics, SIGTARP can expedite its identification of crime, fraud, waste, and abuse. *Alignment: Treasury Goals (2), (4) and (5).*

Stewardship: SIGTARP stands as the independent watchdog for Americans, ensuring that TARP programs operate and spend responsibly. SIGTARP also requires that same standard for Treasury and its office. Additionally, SIGTARP seeks to recover dollars lost to fraud, waste, and abuse for taxpayers and other victims. SIGTARP strives not to be a burden to taxpayers. Every year, recoveries from SIGTARP’s work far exceed its budget, and has a 31X lifetime ROI. Recoveries in FY 2018 were \$314 million, \$294 million of which went back to the Federal government, in comparison to its FY 2018 \$34 million appropriation. *Alignment: Treasury Goals (4) and (5).*

B – Budget and Performance by Budget Activity

2.1.1 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	\$27,382	\$27,295	\$32,478	\$32,103	\$28,855	\$28,900	\$15,050
Other Resources	\$5,656	\$6,354	\$376	\$82	\$1,311	0	\$6,450
Budget Activity Total	\$33,038	\$33,649	\$32,854	\$32,185	\$30,166	\$28,900	\$21,500
FTE	119	115	103	114	106	103	81

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target*	FY 2020 Target
Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	77	81	79	70	70	35
Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	80	80	85	70	70	25
Percentage of Cases That are Joint Agency/Task Force Investigations	76	70	71	75	78	70	70	70

*The FY 2019 targets are based on an annualized CR. The FY 2019 Congressional Justification included lower targets based on the PB.

Investigations Budget and Performance

(\$15,050,000 from discretionary appropriations)

SIGTARP exceeded all metric targets in FY 2018. The “Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome” in FY 2018 was 79 percent, which exceeded the target of 70 percent. The “Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened” was 85 percent, which exceeded the target of 70 percent. The “Percentage of Cases That are Joint Agency/Task Force Investigations” with other law enforcement agencies was 78 percent, which exceeded the target of 70 percent.

2.1.2 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	\$7,219	\$6,824	\$7,618	\$7,530	\$5,092	\$5,100	\$2,450
Other Resources	\$1,947	\$1,069	\$99	0	\$231	0	\$1,050
Budget Activity Total	\$9,166	\$7,893	\$7,717	\$7,530	\$5,323	\$5,100	\$3,500
FTE	45	35	34	27	25	22	14

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target*	FY 2020 Target
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Number of completed audit products identifying waste, abuse, mismanagement, inefficiencies, or referrals to Investigations Division (Units)

N/A	N/A	N/A	N/A	6	3	3	1
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*The FY 2019 target is based on an annualized CR. The FY 2019 Congressional Justification included lower targets based on the PB.

Audit Budget and Performance

(\$2,450,000 from discretionary appropriations)

SIGTARP exceeded its FY 2018 audit performance target of three for the “Number of Completed Audit Products Identifying Waste, Abuse, Mismanagement, Inefficiencies, or Referrals to Investigations Division,” with six products.

Section III – Additional Information

A – Summary of Capital Investments

SIGTARP has no capital investments. Capital investments that support SIGTARP are included in the Departmental Offices’ plan.

A summary of capital investment resources can be found at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.