

Special Inspector General for
TARP

FY 2016
President's Budget

February 2, 2015

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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) and preventing and investigating fraud, waste, and abuse, through transparency, coordinated oversight, and robust enforcement.

1.1 – Appropriations Detail Table

Dollars in Thousands

Special Inspector General for TARP Appropriated Resources	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	83	12,220	75	9,243	66	8,870	(9)	(373)	-12.00%	-4.04%
Investigations	109	22,703	117	24,991	126	31,801	9	6,810	7.69%	27.25%
Subtotal New Appropriated Resources	192	\$34,923	192	\$34,234	192	\$40,671	0	\$6,437	0.00%	18.80%
Other Resources:										
Unobligated Balances from Prior Years	0	6,683	0	10,957	0	6,495	0	(4,462)	NA	-40.72%
Available PPIP Funds	0	1,536	0	965	0	928	0	(37)	NA	-3.83%
Subtotal Other Resources	0	\$8,219	0	\$11,922	0	\$7,423	0	(\$4,499)	NA	-37.74%
Total Budgetary Resources	192	\$43,142	192	\$46,156	192	\$48,094	0	\$1,938	0.00%	4.20%

1B – Vision, Priorities and Context

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) was created by Congress as a law enforcement agency for the primary purpose of combatting white-collar crime related to TARP. From the beginning of the financial crisis, Congress recognized the high risk of fraud in TARP and took steps to protect the American public by creating SIGTARP. Senator Max Baucus, who proposed the creation of SIGTARP, said, “My concern here is, with such massive amounts of dollars dedicated so quickly, there is bound to be considerable fraud and misuse of funds.” Congress gave SIGTARP the authority to search, seize, arrest, which not all inspectors general have.

Given the law enforcement purpose for which it was created, SIGTARP’s activities should not, and do not, track with Treasury’s activities in TARP, and its budget should reflect that. A company’s repayment or exit from TARP must not serve as a shield to criminal or civil liability for breaking the law. In addition, SIGTARP has conducted several audits to bring transparency to historical decision making in TARP, often based on requests from members of Congress. These reports can serve as important lessons learned.

Under the same legislation that created TARP, the Emergency Economic Stabilization Act of 2008 (EESA), Congress created SIGTARP, and intentionally designed the lifespan of SIGTARP to coincide with the last dollar of TARP or last monetary obligation related to TARP. Congress’ intent is for SIGTARP to be on watch as long as TARP funds or commitments are outstanding. SIGTARP’s law enforcement efforts are focused on being “on watch” to protect taxpayers (through Treasury) from becoming victims of crime, whether directly, through a TARP program,

or through a TARP investment. To the extent that a crime occurs, SIGTARP will seek to bring justice, accountability, and deterrence.

Knowing that criminal investigations take years, as do the prosecutions that follow, from its inception SIGTARP planned that it would continue in a ramp-up stage as it gained expertise in how to uncover and unravel TARP-related crime and not hit steady state until the year 2014 (six years after its creation). It is not SIGTARP's decision how long an investigation may last because it is the prosecutor who must determine when there is sufficient evidence to support criminal charges. SIGTARP does not end its work at the time an investigation results in criminal charges. Given that SIGTARP investigations include assessing documents and interviewing witnesses, in order to ensure a successful prosecution, SIGTARP must support the Department of Justice (DOJ) and the prosecutors from indictment to trial, to sentencing and appeal. DOJ has consistently relied on SIGTARP to ensure success in prosecutions. It is often the case that a SIGTARP agent will testify at a trial. Given the knowledge base learned in its investigations, SIGTARP agents, investigators, attorneys, and analysts will assist DOJ in trial preparation, post-trial briefing for sentencing, and briefing for appeals.

SIGTARP's mission plays a large role in restoring and strengthening public confidence in the financial system and justice system. DOJ selected SIGTARP as its co-chair of the Rescue Fraud Working Group of the President's Financial Fraud Enforcement Task Force. Rescue fraud is fraud related to the financial crisis. SIGTARP and its law enforcement partners bring confidence to the justice system by holding criminals accountable for crimes that either contributed to the financial crisis or arose from the financial crisis as it relates to TARP. In addition, SIGTARP makes recommendations designed to improve TARP programs that can result in improvement of public confidence in the government.

Just as the work SIGTARP performs maximizes resources of DOJ in prosecutions, SIGTARP partners with multiple law-enforcement agencies to maximize its resources. It is always the case that there will be other investigative agencies that have jurisdiction concurrent with SIGTARP. Congress specifically contemplated that. However, SIGTARP has gained, and continues to gain with each investigation, an expertise in what to look for to root out TARP-related crime.

Strategic Goals and Objectives

SIGTARP supports and complements Treasury's Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system. In particular, through its oversight and investigations of TARP-related activities, SIGTARP supports Objective 1.1: promote savings and increased access to credit and affordable housing options, Objective 1.2: wind down emergency financial crisis response programs, and Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

Additionally, through open and transparent communication with Congress, SIGTARP supports Treasury's Strategic Goal 5: create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. Through expedient responses to inquiries from Congress, SIGTARP supports Objective 5.4: create a culture of service through relentless pursuit of customer value.

FY 2016 Budget Request

SIGTARP's FY 2016 budget request of \$40,671,000 seeks a higher appropriation than prior years. However, this is not because SIGTARP anticipates spending much more in FY 2016 than in prior years. SIGTARP's spending has remained at relatively steady levels since going steady state in FY 2014 as anticipated. However, in past years, SIGTARP has been able to use no-year funding provided by Congress at SIGTARP's inception to supplement appropriated funding.

The funding SIGTARP seeks will provide resources to:

- Detect, stop, and investigate crime related to TARP;
- Support prosecutions of those defendants SIGTARP investigates;
- Provide significant oversight and transparency over the 145 financial institutions remaining in TARP as of September 30, 2014; and
- Provide oversight and transparency over TARP-funded housing programs which are scheduled to last as late as 2023.

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 2016 budget submission:

- The aggregate budget request for the operations of SIGTARP is \$40,671,000;
- The portion of this amount needed for SIGTARP training is \$342,000; and
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency is estimated at \$109,620.

FY 2016 Priorities

SIGTARP prioritizes its audit and investigative responsibilities, and works to allocate resources where they are needed most.

Investigations

SIGTARP's priority in FY 2016 is increasingly geared toward criminal investigations of TARP-related crime. Given the growing number and complexity of TARP-related crimes that SIGTARP has already detected and is investigating, and the large number of pending prosecutions of defendants SIGTARP investigated that require SIGTARP support, SIGTARP recently shifted resources to support an increasing investigative workload. In addition, with the knowledge gained through investigations, SIGTARP is conducting more proactive efforts to root out crime. SIGTARP continues to uncover new TARP-related criminal schemes and anticipates that it will continue to open new investigations in FY 2016 and beyond. In FY 2016, SIGTARP anticipates allocating 78 percent of its appropriation to law enforcement efforts.

SIGTARP will continue to prioritize crime at TARP institutions where the government, including Treasury, is a victim of the crime. SIGTARP investigates crime that has led to criminal indictments and convictions of bank officers and their co-conspirators from TARP banks (as well as TARP applicant banks) including fraudulent bank books and records to apply for TARP, as well as crimes such as fraud by officers of a TARP institution to conceal the bank's true financial condition after the institution received TARP funds and taxpayers became shareholders. SIGTARP also continues to prioritize fraud that has led to criminal convictions of bank borrowers that caused TARP banks to suffer losses that jeopardized the bank's ability to

repay TARP, particularly where Treasury took a loss. SIGTARP will also continue to prioritize crimes that put TARP programs at risk.

SIGTARP seeks corporate accountability as well as individual accountability, and deterrence, in the form of prison sentences, fines, and industry bans so that those who have broken the law are not in a position to repeat their criminal behavior. Removing those who break the law from serving in these industries reduces vulnerabilities and mitigates future financial system harm. It is this accountability that will instill confidence in our financial system and justice system. Persistent oversight and law enforcement are necessary to restore confidence and advance economic stability. Long-term full recovery from the financial crisis depends on it.

Audit

Although Congress created SIGTARP as a law enforcement agency, Congress created SIGTARP as an office of inspector general, and all offices of inspector general conduct audits and evaluations. More than almost any other government program, the public has a strong desire for transparency into details about how TARP funds were used, and how the government made decisions in allocating TARP funds. SIGTARP's audit work will continue to bring transparency in this area. Moreover, these reports provide important lessons learned for future government decision-making where the government may once again be faced with having to make significant decisions on an emergency basis without the benefit of time. SIGTARP's audit products also identify program deficiencies or weaknesses and their impact on the efficiency and effectiveness of TARP. Through audit products, SIGTARP makes recommendations to improve the efficiency and effectiveness of TARP programs and prevent fraud, waste, and abuse.

As an example of audit priorities for 2016, TARP's housing programs require oversight because:

- There is \$24.7 billion in TARP that remains to be spent, an amount larger than most government programs;
- TARP's housing programs need improvement to be able to provide sufficient help to as many homeowners as possible; and
- Information gained through audits, investigations, and the SIGTARP Hotline highlights deficiencies and areas for improvement in TARP's housing programs. Congress did not agree to authorize TARP as it was first proposed, but instead required that Treasury provide foreclosure relief programs for homeowners in TARP. Through audit and other reporting, SIGTARP works to improve the effectiveness and efficiency of TARP programs.

SIGTARP's audit work will continue to focus on the Community Development Capital Initiative (CDCI) program that continues to have 66 small banks and credit unions, a program that is not winding down and is likely to remain until 2018. SIGTARP has conducted an investigation of one of the CDCI banks that has resulted in criminal charges against four bank officers and directors. Those charges are pending and no trial date has been set. With \$465 million owed by CDCI institutions, SIGTARP will conduct oversight that could prevent fraud, waste, and abuse.

Key Accomplishments and Challenges

Investigations

SIGTARP law enforcement efforts are a crucial part of the Administration's efforts to bring accountability to those that contributed to or arose from the financial crisis. Each year, the

number of people charged with a crime related to TARP increases significantly. This increase comes in part from the time it takes to investigate a case, and in part from the fact that due to SIGTARP's growing expertise, SIGTARP has gotten better and better at detecting TARP-related crime. In addition, the number of defendants convicted and sentenced has also significantly increased each year.

Results of SIGTARP Investigations				
Cumulative Charges, Convictions, Sentences, and Industry Bans				
as of December 31, 2014				
	September 2011	September 2012	September 2013	December 2014
Criminal charges	51	109	154	222
Convictions (others await trial)	28	71	112	160
Prison sentences (others await sentencing)	19	35	65	91
Civil charges	55	84	114	133
Individuals banned from industry			60	90

Some of SIGTARP's notable cases resulting in final resolution since July 2013 include:

- **Jesse Litvak** — This case is the only criminal case brought by President Obama's Residential Mortgage Backed Securities Working Group, and it was investigated by SIGTARP. In January 2013, SIGTARP special agents arrested trader Jesse Litvak for criminally defrauding TARP's securities trading program known as the Public Private Investment Program (PPIP). After a three-week trial in March 2014 which SIGTARP spent significant resources supporting and at which a SIGTARP agent testified, the jury convicted Litvak. In July 2014, he was sentenced to two years in prison and fined \$1.75 million. His firm, Jefferies LLC, agreed to substantial corporate changes and a \$25 million penalty as part of a non-prosecution agreement.
- **Home Owners Protection Economics, Inc. (HOPE)** — This case is one of the most egregious examples of a mortgage modification scam. SIGTARP special agents arrested four Florida men who scammed thousands of homeowners into paying up to \$2,000 each for help getting into HAMP through software that was nothing more than the free HAMP application on Treasury's website. They swindled homeowners out of more than \$4 million which they used for extravagant trips to Dubai and France, luxury shopping sprees, and to pay their own mortgages on waterfront homes in Florida's beach communities. After a two-week trial in November 2013 which SIGTARP spent significant resources supporting and a SIGTARP investigator testified, the jury convicted all four defendants. In February 2014, Christopher S. Godfrey and Dennis Fischer, president and vice president, respectively, were each sentenced to seven years in prison, Vernell Burris, Jr. was sentenced to just over one year in prison, and in April 2014, Brian M. Kelly was sentenced to just over one year in prison and fined \$1,900. On August 22, 2014, the United States District Court for the District of Massachusetts ordered the four, together, to pay more than \$110,000 in restitution to approximately 180 victims of their scam.
- **Bank of the Commonwealth** — SIGTARP unraveled a massive \$41 million fraud scheme at the now-failed Bank of the Commonwealth to hide past due loans and remove foreclosed properties off of the bank's books. A central part of the ten-week trial was that the bank had sought to fill the holes in its fraud-riddled books with TARP funds. The bank's regulator

denied the bank TARP funds based on concerns over the bank's health. However, it was SIGTARP that uncovered the fraud after the TARP application. The court sentenced 10 people to prison including four bank officers. In November 2013, bank CEO Edward Woodard was sentenced to 23 years in prison and the vice president Stephen Fields was sentenced to 17 years in prison. Vice president of a bank subsidiary and the CEO's son Troy Brandon Woodard was sentenced to eight years in prison. All defendants were ordered to pay restitution of the full estimated cost of the bank's failure to the FDIC – \$333 million.

- SunTrust Bank — SIGTARP's investigation led to DOJ entering into a non-prosecution agreement with TARP recipient bank SunTrust based on SunTrust Mortgage's appalling treatment of homeowners in HAMP. Part of the conduct SIGTARP uncovered was that SunTrust failed to open so many homeowners' applications for HAMP that eventually the floor buckled under the weight of unopened HAMP applications. Paperwork was lost and had to be resubmitted, and SunTrust failed to give most homeowners a decision for long periods of time. SunTrust misled homeowners and mass denied homeowners without reviewing their application, then lied to Treasury about the reasons for the denials. Some homeowners were foreclosed on while in HAMP, and saw their homes listed for sale in the local newspapers. SunTrust agreed to pay \$320 million to resolve criminal allegations of mail fraud, wire fraud, and false statements to Treasury related to HAMP.
- Mainstreet Bank — On March 25, 2014, Darryl Woods, former chairman, president, and majority shareholder of Calvert Financial, the bank holding company for Mainstreet Bank, was sentenced to eight months detention in a halfway house followed by four months home detention for lying to SIGTARP about how the bank used TARP funds. SIGTARP's investigation uncovered that on February 2, 2009, days after receiving just over \$1 million in TARP funds, Woods used \$381,487 of the TARP funds to buy a seaside condo in Florida for his and other bank executives' vacations. As part of an audit, SIGTARP sent each TARP bank a letter asking them what they did with the TARP funds. Woods responded to SIGTARP and made material misrepresentations without disclosing the purchase of the vacation condo.
- Colorado East Bank and Trust — On September 30, 2014 and October 3, 2014, respectively, Christopher Tumbaga, former loan officer at TARP bank Colorado East Bank and Trust, and his co-conspirator Brian Headle were each sentenced in the U.S. District Court for the District of Colorado to 36 months in federal prison and ordered to pay restitution of more than \$1 million for their roles in a scheme to defraud the bank.

SIGTARP's investigations continue to result in criminal charges. One example is SIGTARP's investigation of Sonoma Valley Bank, which resulted in criminal charges on March 18, 2014, against four defendants, including two bank officers, for their role in a bank fraud that caused TARP recipient Sonoma Valley Bank to fail in August 2010. The bank never repaid the \$8.65 million in TARP funds it received. All four defendants were arrested by SIGTARP special agents and SIGTARP law enforcement partners. SIGTARP's investigation uncovered that weeks after the bank received almost \$9 million in TARP funds, the bank's president and CEO Sean Cutting along with Brian Melland, senior vice president and chief lending officer, allegedly began initial disbursements of what would become a \$9.5 million fraudulent loan to someone

who was a straw purchaser for real estate developer Brian Madjlessi, who was also arrested. The loans went into default and were outstanding when the bank failed.

As of December 31, 2014, courts have sentenced 91 defendants investigated by SIGTARP to prison (other convicted defendants await sentencing). The complexity and scope of the crimes that SIGTARP investigates is reflected in the lengthy prison terms that courts are imposing on defendants – the average prison term is nearly double the national average for white-collar crime.

Return on Investment

SIGTARP brings money back to the government by recouping funds lost through TARP-related fraud and by preventing personal gain from TARP-related crimes. When a TARP bank fails, all TARP funds are lost. To date, 30 TARP banks have failed, and the number may rise. SIGTARP has been instrumental in finding evidence that results in bringing criminal charges in cases of fraud involving some TARP bank failures. SIGTARP is playing an integral role in bringing back the proceeds of crime where the government was a victim. SIGTARP's investigations have resulted in court orders for \$7.38 billion to be returned to the government or other victims.

SIGTARP has already assisted in recovering \$1.48 billion from its investigations that has been paid back to the government or other victims, which is more than 8 times the amount of money that had been appropriated to SIGTARP. Of the actual dollars recovered, \$1.247 billion was returned to the government.

Bank of America — Department of Justice

Actual dollars recovered includes the August 20, 2014, Bank of America \$16.65 billion settlement with DOJ to resolve civil investigations. The settlement included \$1 billion for SIGTARP investigations into the origination of defective residential mortgage loans as well as the fraudulent sale of the loans to Fannie Mae and Freddie Mac.

The \$7.38 billion in court orders resulting from SIGTARP investigations includes \$1.27 billion that Bank of America was ordered to pay on July 30, 2014, as a penalty to the government. SIGTARP uncovered in its investigation that the bank, and its predecessor Countrywide Financial Corporation sold a large number of defective mortgages to Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, originated through a high speed process called the "Hustle" (for High Speed Swim Lane) which removed quality control checks that could slow down the process. Despite repeated warnings that eliminating these checks could have disastrous results, senior management responsible for this program continued it and the GSEs suffered significant losses on those mortgages. This case is on appeal, and if the government is successful on appeal, the amounts of recoveries will increase.

It takes time to collect on these court orders and often involves seizing personal and real property. SIGTARP works to help recover assets that can be used to recover these funds ordered by the court. In SIGTARP cases, some of the assets seized include more than 30 properties, more than 30 bank accounts, bags of silver, U.S. currency, antique and collector coins, artwork, antique furniture such as candelabra, antique cars, luxury cars, and Western Union money orders with the "Pay to" line blank.

Bank of America (TARP representations) — Part of the recoveries this year from one of SIGTARP’s first investigations came from Bank of America paying \$15 million to settle a civil action by New York’s Attorney General resulting from a SIGTARP investigation into its failure to disclose to shareholders losses at Merrill Lynch and false representations to Treasury about those losses to receive additional TARP funds. For their roles, former CEO Ken Lewis agreed to be banned from serving as an officer or director of a public company for three years and will pay \$10 million, and former CFO Joseph Price agreed to be banned for 18 months and to pay \$7.5 million.

In addition to bringing back money to the government, SIGTARP’s work can result in substantial savings to the government. While this is not always easy to track, SIGTARP’s investigation of Colonial Bank resulted in an immediate savings to Treasury of \$553 million in TARP funds that Treasury was prepared to invest in Colonial Bank; SIGTARP stopped the money from disbursement given the fraud it had uncovered.

SIGTARP’s law enforcement successes support long-term recovery from the financial crisis by restoring public confidence in the financial system and helping end moral hazard by bringing consequences to those who break the law. SIGTARP seeks both corporate and individual accountability, particularly for senior bank officers who put their banks and the taxpayers’ TARP investment at risk. SIGTARP expects a significant number of criminal charges to result from the more than 150 ongoing SIGTARP investigations.

Audit

SIGTARP has initiated 37 audits and evaluations and has issued 23 reports.

This year, SIGTARP raised concerns over increasing number of homeowners falling out of the Home Affordable Modification Program (HAMP), and made recommendations to Treasury to curb this problem. SIGTARP also raised concerns over 900,000 homeowners whose lowered mortgage payment in HAMP will rise after five years and who may need additional help. This is a pressing issue, since in a substantial number of cases the five-year period ends during calendar year 2015. SIGTARP also noted an alarming increase in the number of homeowners who have applied for HAMP but have not received timely decisions because of servicer backlogs. As a result, more than 100,000 homeowners are in the backlog and have experienced delays (which could be up to one year or more) in the decision about whether they will be accepted in the HAMP program.

To educate homeowners and help them avoid becoming victims to mortgage modification fraud, SIGTARP recommended that Treasury prominently display all of the information contained in the Consumer Fraud Alert: “Tips for Avoiding Mortgage Modification Scams” on the home page of websites related to HAMP. As these examples suggest, TARP housing programs continue to need significant oversight. As TARP’s housing programs are expected to continue until 2023, SIGTARP’s audit work will continue to focus heavily on them.

SIGTARP raised concerns about the small banks and credit unions in the Community Development Capital Initiative (CDCI), the failure of some to report to Treasury on TARP funds as required, and on their failure to pay TARP dividends. Although the participating institutions are small, they play a vital role in serving low-income communities not traditionally served by

larger institutions. The banks and credit unions remaining in CDCI continue to face challenges that could impact their financial stability, ability to lend to small businesses in their communities, and their ability to repay TARP. Community banks continue to have difficulty in gaining access to capital. Credit unions have experienced a rise in non-performing loans, which impacts their balance sheet and capital. Eight of the remaining CDCI institutions have current enforcement actions by their banking regulators. Moreover, many of the CDCI institutions are in economically hard-hit areas around the country that are still struggling to recover from the crisis. Because of these challenges, it is especially important that Treasury keep a watchful eye on taxpayer investments in CDCI institutions.

Quarterly Reports to Congress

SIGTARP has issued 24 quarterly reports to Congress:

- Describing the activities and plans of SIGTARP;
- Explaining and evaluating the various TARP programs;
- Recommending changes to TARP programs and procedures to increase transparency and effective oversight and decrease the potential for fraud, waste, and abuse.

As of September 30, 2014, SIGTARP’s quarterly reports include 151 detailed recommendations to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. The current quarterly report dated October 29, 2014, includes an in-depth discussion on recommendations made to Treasury regarding HAMP that have not been implemented.

SIGTARP’s complete listing of recommendations may be reviewed in their entirety at http://www.sig tarp.gov/Quarterly%20Reports/October_29_2014_Report_to_Congress.pdf pages 73-98.

Operating Environment and Key Challenges

SIGTARP is mandated to carry out its duties until the government has sold or transferred all assets and terminated all obligations under TARP. In other words, SIGTARP’s mission, which is independent of Treasury’s mission related to TARP, is to remain “on watch” as long as TARP assets remain outstanding, which Treasury currently has scheduled until the year 2023. There are two types of ongoing TARP programs as illustrated in the table below:

TARP PROGRAM SCHEDULE	
TARP Program	Scheduled Program Dates
Home Affordable Modification Program (HAMP)	2023 to pay incentives on modifications
Hardest Hit Fund (HHF)	2017 for states to use 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	Remaining principal investments in 34 banks; warrants for stock in an additional 34 banks
Community Development Capital Initiative (CDCI)	Remaining principal investments in 66 banks/credit unions
Sources: Treasury, Transactions Report, 9/30/2014; Treasury, Daily TARP Update, 10/1/2014; and Treasury, response to SIGTARP data call, 10/6/2014; and FRBNY response to SIGTARP data call, 10/9/2014.	

It is anticipated that TARP will continue to be significant past FY 2015. For instance, CDCI is expected to continue through 2018, states receiving HHF monies have until 2017 to use TARP

funds, and HAMP will continue until 2023. SIGTARP will continue to protect TARP programs from fraud, waste, and abuse and promote their efficiency and effectiveness.

As discussed above, SIGTARP's investigations and audits do not track when Treasury's participation in the program or investment has ended. Repayment of TARP or exit from TARP cannot shield those who commit crime from accountability and justice. The statute of limitations for most of the TARP-related crimes investigated by SIGTARP is 10 years from date of discovery of the offense. In addition, SIGTARP has conducted several audits to bring transparency to historical decision making in TARP based on requests of members of Congress. To support ongoing investigations and oversight of multiple TARP programs after FY 2015, SIGTARP needs to be fully staffed to carry out its duties in FY 2016 and beyond.

SIGTARP has always anticipated a surge in investigative work that will continue in the coming years, and that has turned into a reality. Several of SIGTARP's investigations have gone to trial in the past year after years of investigative work. With many multi-year long investigations only recently resulting in criminal charges, the prosecution can take one or more years. SIGTARP has increased its workload to prepare for trials. Additionally, SIGTARP has also recently uncovered more crime, with proactive efforts resulting in new investigations.

The continued success of SIGTARP depends on its staffing. SIGTARP's total annual request for FY 2016 is \$40,671,000; 76 percent of which is solely for personnel costs. The effect of a reduction in SIGTARP resources directly impacts the country's recovery efforts as SIGTARP would face a reduction in staff that would result in fewer investigations and fewer prosecutions that bring accountability and confidence in our judicial system, banking system, and the economy.

As part of its priority to continue the successful pursuit of criminals as a means of restoring confidence and recovering from the financial crisis, SIGTARP is seeking ways to ramp up staffing levels, despite a number of obstacles experienced over the past fiscal year. SIGTARP faces two key challenges with respect to maintaining a fully staffed organization:

- **Temporary Agency**– SIGTARP is a temporary agency with a challenging responsibility of hiring highly experienced personnel. It is difficult to be a choice for applicants when there are options to be employed by permanent organizations.
- **Transitioning away from no-year to annual funding** –SIGTARP's total spending has remained at relatively steady levels since going steady state in FY 2014 as anticipated. However, in past years, SIGTARP has been able to use no-year funding provided by Congress at SIGTARP's inception to supplement appropriated funding. But since SIGTARP is projected to exhaust no-year funding in 2016, future funding will likely be provided entirely through annual appropriations. As a result of this increase in funding uncertainty, staff planning has become more challenging.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
Special Inspector General for TARP		
FY 2015 Enacted	192	\$34,234
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$772
Pay-Raise	-	\$306
Pay Annualization	-	\$78
FERS Contribution Increase	-	\$106
Non-Pay	-	\$282
Other Adjustments:	-	\$5,665
Base Funding Shortfall	-	\$5,665
Subtotal Changes to Base	-	\$6,437
Total FY 2016 Base	192	\$40,671
Total FY 2016 Request	192	\$40,671

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$772,000 / +0 FTE

Pay-Raise +\$306,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise and the annualization of the 2015 pay-raise.

Pay Annualization +\$78,000 / +0 FTE

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

FERS Contribution Increase +\$106,000 / +0 FTE

Funds are requested for an increase in agency contributions for Federal Employees Retirement System (FERS) employees.

Non-Pay +\$282,000 / +0 FTE

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

Other Adjustments +\$5,665,000 / +0 FTE

Base Funding Shortfall +\$5,665,000 / +0 FTE

Funds are requested to meet basic operational requirements. In previous years, operating needs were met through a combination of appropriated dollars and no-year funds. SIGTARP anticipates its non-earmarked no-year account is projected to be exhausted in FY 2016, and its annual appropriation is insufficient to cover SIGTARP's base operations. A fully funded annual appropriation is critical to SIGTARP's continued success in fulfilling its mandate.

2.2 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	16,829	20,820	20,318
11.3 - Other than full-time permanent	2,738	2,113	2,780
11.5 - Other personnel compensation	1,726	1,809	2,046
11.9 - Personnel Compensation (Total)	21,293	24,742	25,144
12.0 - Personnel benefits	5,699	6,596	6,710
Total Personnel and Compensation Benefits	\$26,992	\$31,338	\$31,854
21.0 - Travel and transportation of persons	897	943	912
23.2 - Rental payments to others	253	236	271
23.3 - Communication, utilities, and misc charges	100	85	115
24.0 - Printing and reproduction	160	161	161
25.1 - Advisory and assistance services	2,612	2,669	2,667
25.2 - Other services	239	520	283
25.3 - Other purchases of goods & serv frm Govt accounts	10,050	9,510	10,969
25.6 - Medical care	75	0	75
25.7 - Operation and maintenance of equip	10	0	58
26.0 - Supplies and materials	378	462	333
31.0 - Equipment	288	231	359
42.0 - Insurance claims and indemnities	140	1	27
91.2 - Unvouchered Expenditures	10	0	10
Total Non-Personnel	15,212	14,818	16,240
Subtotal New Appropriated Resources	\$42,204	\$46,156	\$48,094
Budget Activities:			
Audit	9,166	12,201	10,266
Investigations	33,038	33,955	37,828
Total Budgetary Resources	\$42,204	\$46,156	\$48,094
FTE	165	192	192

2B – 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 Federal funds</p> <p style="text-align: center;">SALARIES AND EXPENSES</p> <p>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) [\$34,234,000] \$40,671,000. (<i>Department of the Treasury Appropriations Act, 2015.</i>)</p>	

2C – Legislative Proposals

SIGTARP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$8,870,000 from direct appropriations):

The Audit budget activity supports SIGTARP’s priority of coordinated oversight by providing recommendations to Treasury to improve TARP programs, bring transparency to decisions made in TARP, and prevent fraud, waste, and abuse. SIGTARP conducts, supervises, and coordinates programmatic audits of TARP without sacrificing the rigor of required methodology. SIGTARP’s audits facilitate transparency and opportunities to improve and protect TARP.

This activity supports and complements Treasury’s Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system by assessing the effectiveness of Treasury’s activities in TARP. In particular, the Audit activity supports Objective 1.1: promote savings and increased access to credit and affordable housing options, Objective 1.2: wind down emergency financial crisis response programs, and Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability as they relate to TARP.

Additionally, through open and transparent communication with Congress, the Audit activity supports Treasury’s Strategic Goal 5: create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. Through expedient responses to inquiries from Congress, the Audit activity supports Objective 5.4: create a culture of service through relentless pursuit of customer value.

One of the primary functions of SIGTARP is to ensure that members of Congress remain adequately and promptly informed of SIGTARP’s oversight and law enforcement activities. To fulfill that role, the Special Inspector General and staff meet regularly with Congress and staff. In FY 2014 SIGTARP exceeded its performance goal of three “Congressional Requests for Testimony Completed,” having completed four testimonies. Additionally, SIGTARP staff briefed Congressional staff in April and August on SIGTARP’s April 2014 and July 2014 Quarterly Reports, respectively. In April, June, and July, the Special Inspector General also submitted written Congressional testimony to the U.S. Senate Homeland Security and Governmental Affairs Committee and the U.S. Senate Banking Committee on the role of oversight of small agencies, the impact of high speed trading on our economy, and what makes a bank systemically significant. SIGTARP anticipates that Congress will continue to have interest in SIGTARP’s work and will continue to request at least three testimonies in FY 2015.

Copies of written Congressional testimony are posted at www.sigtar.gov/pages/testimony.aspx.

Description of Performance:

The performance goal, “Number of Completed Audit Products” includes issuing audit products that promote the efficiency and effectiveness of the TARP and prevent waste, fraud, and abuse. 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 on-going audits and evaluations some of which

have been requested by Congress, and some self-initiated. Among the ongoing audits and evaluations in process are reviews of:

- Treasury’s and the state housing finance agencies’ implementation and execution of the Hardest Hit Fund;
- Treasury's role, implementation, and status of the Hardest Hit Fund Blight Elimination Program; and
- Treasury's surveys of the recipients of Capital Purchase Program and the Community Development Capital Initiative.

SIGTARP exceeded its “Number of Completed Audit Products” target for FY 2014, with 10 completed audit products. For FY 2015 the target number of audit products is eight, and in FY 2016, the target is seven in recognition of SIGTARP’s shift of increasing resources to law enforcement.

SIGTARP’s complete listing of recommendations may be reviewed in their entirety at http://www.sig tarp.gov/Quarterly%20Reports/October_29_2014_Report_to_Congress.pdf pages 73-98.

In FY 2016 SIGTARP will measure its responsiveness to Congressional inquiries, which SIGTARP believes is a more meaningful measure of Congressional interest in SIGTARP’s mission than the number of Congressional testimonies submitted. The new measure, “Percentage of Timely Responses to Congressional Inquiries” focuses on the responsiveness of information flow and transparency between SIGTARP and Congress. SIGTARP’s target of responding to Congressional Inquiries Within 45 Days of Receipt of the inquiries 85 percent of the time will track SIGTARP’s promptness in providing developments of its oversight activities.

3.1.1 – Audit Budget Activity 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	FY 2016
	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Enacted	Request
Appropriated Resources	\$0	\$9,900	\$10,581	\$14,626	\$10,376	\$12,220	\$9,243	\$8,870
Budget Activity Total	\$0	\$9,900	\$10,581	\$14,626	\$10,376	\$12,220	\$9,243	\$8,870

Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Congressional Requests for Testimony Completed (Units)	9	7	5	4	5	4	3	N/A
Number of Completed Audit Products (Units)	3	9	13	13	10	10	8	7
Percentage of Congressional Inquiries Responded to within 45 Days of Receipt	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85.0

Key: DISC - Discontinued and B - Baseline

3B – Investigations

(\$31,801,000 from direct appropriations):

The Investigations budget activity supports SIGTARP’s priority of robust law enforcement of crimes and other violations of the law related to TARP. This activity supports and complements Treasury’s Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system. In particular, the Investigations activity supports Objective 1.2: wind down emergency financial crisis response programs, and Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability by investigating cases of fraud and abuse related to TARP.

SIGTARP conducts criminal and civil investigations related to TARP using a staff of experienced investigators, including special agents, forensic agents, investigators, analysts, and investigative attorneys. This structure provides SIGTARP with a broad array of expertise and perspective in detecting and unravelling the most sophisticated of crimes. In the interest of maximizing resources, SIGTARP coordinates closely with other law enforcement agencies. In forming law enforcement partnerships and task force relationships across federal and state governments, SIGTARP leverages its unique position and expertise.

Description of Performance:

With the continued success of SIGTARP investigations, its law enforcement partners sometimes pursue a lead or open a case and then request the involvement of SIGTARP to bring its expertise on TARP-related crime. For FY 2014, “Percentage of Cases That are Joint Agency/Task Force Investigations” with other law enforcement agencies was 75.5 percent, exceeding the target of 45 percent. SIGTARP is projecting a goal of 50 percent for FY 2015 and 70 percent for FY 2016.

During FY 2014, 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 97.5 percent, exceeding the target of 70 percent. This success is directly related to SIGTARP’s successful investigation of evidence and its support of prosecutions. The target for this performance metric will remain at 70 percent in FY 2015 and increase to 80 percent in FY 2016.

SIGTARP’s crime-tip Hotline has analyzed more than 34,481 Hotline contacts. “Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action Within 14 Days of Receipt” was 95 percent for FY 2014, exceeding the annual goal of 70 percent. SIGTARP anticipates a 75 percent referral rate of these complaints for FY 2015 and an 80 percent referral rate for FY 2016.

During a preliminary investigation, an investigator gathers fundamental information to evaluate whether a potential case should be converted to a full investigation or if it should be closed. In FY 2014, “Percentage of Preliminary Investigations Converted to Full Investigations Within 180 days” was 95.75 percent, exceeding the target of 60 percent. As SIGTARP has gained expertise in investigating TARP-related crime, SIGTARP has efficiently leveraged its resources to handle its growing inventory and to expedite these investigations. As SIGTARP’s workforce

has evolved, so has its ability to respond quickly to allegations and to devote the necessary resources. SIGTARP has involved prosecutors in preliminary investigations to ensure that allegations, if proven, will be prosecuted. The result is a greater number of preliminary investigations converted to full investigations within the 180-day timeframe. Based on these efficiencies, this performance metric will increase to 70 percent in FY 2015 and to 80 percent in FY 2016. SIGTARP makes effective, informed decisions when opening preliminary investigations. In this manner, SIGTARP will ensure an appropriate commitment of investigative resources to support investigations.

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	FY 2016
	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Enacted	Request
Appropriated Resources	\$0	\$13,339	\$25,433	\$27,174	\$29,230	\$22,703	\$24,991	\$31,801
Budget Activity Total	\$0	\$13,339	\$25,433	\$27,174	\$29,230	\$22,703	\$24,991	\$31,801

Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Percentage of Cases That are Joint Agency/Task Force Investigations	60.0	50.0	40.0	65.0	79.0	75.5	50.0	70.0
Percentage of Investigations Accepted for Consideration by Prosecutors	95.0	100.0	94.0	95.0	94.0	97.5	70.0	80.0
Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action within 14 Days of Receipt	77.0	74.0	76.0	77.0	83.0	95.0	75.0	80.0
Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	50.0	80.0	88.0	77.0	82.0	95.75	70.0	80.0

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 2016, 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 used primarily for investigative activity with field offices and headquarters, 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 such as 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 other federal/state/local law enforcement agencies. This specialized equipment ensures 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 and downloaded

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

This website also contains a digital copy of this document.