

Special Inspector General for TARP

2014 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 Resources	FY 2012		FY 2013		FY 2014		FY 2012 to FY 2014			
	Enacted		Annualized		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	83	14,626	83	14,716	83	12,220	0	(2,406)	0.00%	-16.45%
Investigations	109	27,174	109	27,340	109	22,703	0	(4,471)	0.00%	-16.45%
Subtotal New Appropriated Resources	192	\$41,800	192	\$42,056	192	\$34,923	0	(\$6,877)	0.00%	-16.45%
Other Resources:										
Unobligated Balances from Prior Years	0	2,536	0	437	0	8,663	0	6,127	NA	241.60%
Available PPIP Funds	0	1,264	0	1,618	0	1,728	0	464	NA	36.71%
Subtotal Other Resources	0	\$3,800	0	\$2,055	0	\$10,391	0	\$6,591	NA	173.45%
Total Budgetary Resources	192	\$45,600	192	\$44,111	192	\$45,314	0	(\$286)	0.00%	-0.63%

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) 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. SIGTARP commenced operations on December 15, 2008. Of the four primary oversight bodies referenced in EESA, (i.e., SIGTARP, the Financial Stability Oversight Board, the Congressional Oversight Panel, and the Government Accountability Office), SIGTARP stands as the sole TARP oversight body charged with criminal law enforcement responsibility. In addition, SIGTARP is the only agency solely charged with the mission of:

- **Transparency** – Promote transparency in the Government’s response to the financial crisis including TARP programs;
- **Oversight** - Advise and provide recommendations to Treasury and the Federal banking regulators to facilitate effective oversight and to prevent fraud, waste and abuse;
- **Robust Enforcement** - Prevent, detect, investigate, and refer for prosecution cases of fraud, waste, and abuse related to TARP.

Under the authorizing provision of EESA, SIGTARP is to carry out its duties until the Government has sold or transferred all assets and terminated all insurance contracts acquired under TARP. In other words, SIGTARP will remain “on watch” as long as TARP assets remain outstanding.

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 December 31, 2012, \$466.2 billion is obligated to TARP programs. Of that amount, \$418.1 billion had been spent and \$40.5 billion remained obligated and available to be spent. Taxpayers are owed \$67.3 billion as of December 31, 2012. According to Treasury, as of December 31, 2012, it had written off or realized losses of \$27.1 billion that taxpayers will never get back, leaving \$40.2 billion in TARP funds outstanding. These amounts do not include \$6.4 billion in TARP funds spent on housing programs, which are designed as a Government subsidy, with no repayments to taxpayers expected.

SIGTARP’s oversight responsibilities includes providing recommendations related to TARP to Treasury and other Federal agencies to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. For every \$1 in cumulative annual funding invested in SIGTARP, the American people have received \$42 in orders for the return of ill-gotten gains. As of January 30, 2013, SIGTARP has made 114 recommendations. In addition to oversight, SIGTARP brings transparency through audits and evaluations. SIGTARP has published 20 audits and evaluations.

SIGTARP continues to work hard to deliver the accountability the American people demand and deserve. As of January 10, 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 two of Treasury’s five enumerated strategic goals: (1) to repair and reform the financial system and support the recovery of the housing market by assessing the effectiveness of Treasury’s activities and (5) to manage the government’s finances in a fiscally responsible manner as they relate to TARP. SIGTARP’s FY 2014 budget request of **\$34,923,000** 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 American International Group, Inc. (AIG), General Motors Company (GM), Ally Financial Inc. (ALLY) and 335 financial institutions remaining in TARP as of December 31, 2012;
- Protect taxpayer investments in the Public-Private Investment Program (PPIP) and the Term Asset-Backed Securities Loan Facility (TALF), which are scheduled to last as late as 2017;
- Provide oversight and transparency over TARP-funded programs for which the Government has contracts or guarantees that last as long as 2020.

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978 (as

amended), SIGTARP submits the following information related to the FY 2014 budget submission:

- The aggregate budget request for the operations of SIGTARP is **\$34,923,000**
- 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 **\$80,000**; and
- The amount requested for training satisfies all SIGTARP training needs for fiscal year 2014.

Key Accomplishments and Challenges

Since its commencement in December of 2008, SIGTARP has been extraordinarily productive: publishing 17 comprehensive quarterly reports to Congress concerning TARP, opening over 150 investigations, initiating 29 audits and four evaluations, issuing 20 audit and evaluation reports, issuing 114 recommendations, leveraging oversight resources, testifying or providing written testimony at more than 25 Congressional hearings, building infrastructure, and hiring staff. In the latter regards, SIGTARP has secured permanent office space and equipment for staff; 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. SIGTARP anticipates having 192 staff on board by the end of FY 2013. Staff includes 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 17 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 2012, SIGTARP also released two special reports, issued within the April and July quarterly reports and as separate reports, on the subjects of (1) TARP and SBLF and the impact on community banks and (2) AIG remaining in TARP as the largest TARP investment. SIGTARP anticipates that it will continue to release special reports in future quarterly reports, and in fact has done so in the January 2013 quarterly report issuing one on Ally. SIGTARP's quarterly reports are available at <http://www.sig tarp.gov/pages/reportsaudits.aspx>.

As of January 30, 2013, SIGTARP's quarterly reports include 114 detailed recommendations to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. Treasury and the Federal banking regulators have implemented 35 of these recommendations and partially implemented 18 recommendations and 6 recommendations are in the process of being implemented. The current quarterly report dated January 30, 2013, includes discussions of four additional recommendations made to Treasury in connection with a recently released evaluation report on excessive executive compensation.

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>.

In addition, SIGTARP's investigations have delivered substantial results, including:

- Criminal actions against 119 individuals, including 82 senior officers (Chief Executive Officers, owners, founders, or senior executives) of their organizations;
- Criminal convictions of 83 defendants, of whom 35 have been sentenced to prison (others are awaiting sentencing);
- Civil cases against 58 individuals (including 44 senior officers) and 47 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. This includes restitution orders entered for \$3.7 billion, forfeiture orders entered for \$170.4 million, and civil judgments and other orders entered for \$281.9 million. The ultimate recovery of these amounts is not known.
- 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 29 audits and 4 evaluations. SIGTARP has issued 20 published audits and evaluations. In addition, nine audits and evaluations are in progress.

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 audits and the findings, including the following released since October 1, 2011, may be reviewed in their entirety at <http://www.sigtar.gov/pages/audit.aspx>.

- “The Special Master’s Determinations for Executive Compensation of Companies Receiving Exceptional Assistance Under TARP”: On January 24, 2012, SIGTARP released this report, which examined the Office of the Special Master for TARP Executive Compensation’s (“OSM”) process and decisions for pay packages for the Top 25 employees at seven companies that received exceptional assistance from taxpayers under TARP. SIGTARP found that the Special Master could not effectively rein in excessive compensation because he was under the constraint that his most important goal was to get the companies to repay TARP and that OSM’s pay determinations are not likely to have long lasting impact at the seven companies that received exceptional assistance or at other companies.
- “Factors Affecting Implementation of the Hardest Hit Fund Program” (“HHF”): On April 12, 2012, SIGTARP released this report finding that after two years HHF has experienced significant delay in providing help to homeowners due to several factors including a lack of comprehensive planning by Treasury and a delay and limitation in participation in the program by large servicers and the Government Sponsored Enterprises (“GSEs”) (Fannie Mae and Freddie Mac). As of December 31, 2011, the latest data available when the report was issued, the HHF had spent only \$217.4 million to provide assistance to 30,640 homeowners — approximately three percent of the TARP funds allocated to HHF and approximately seven percent of the minimum number of homeowners that the state HFAs estimate helping over the life of the program, which ends in 2017. Nearly all (98 percent) of the help provided to homeowners under the HHF has been related to unemployment assistance or reinstatement of past due amounts, the only types of assistance for which the GSEs had directed servicers to participate. Unless there is a drastic change in the assistance the GSEs and their conservator, the Federal Housing Finance Agency, will support, the HHF may be much narrower in scope and scale than what was originally expected due to the lack of servicer and GSE support for certain programs. Without significant change, while the HHF may be able to reach unemployed homeowners as was originally intended, it is likely to be limited in addressing negative equity for homeowners who are underwater.
- The Net Present Value (NPV) Test’s Impact on the Home Affordable Modification Program (HAMP): On June 18, 2012, SIGTARP released this report which identified concerns, based upon its most recent analysis from its sample, with the NPV test that may stand as barriers to homeowners getting much-needed help from HAMP.
- 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.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2012 Enacted	192	\$41,800
FY 2013 Annualized CR Rate	192	\$42,056
Changes to Base:		
Adjustment to Request	-	(\$1,831)
Non-Recur CR Increase	-	(\$256)
Non-Recur Operations Partly Funded from No-Year Resources from FY 2013	-	(\$1,575)
Maintaining Current Levels (MCLs):	-	\$433
Pay-Raise	-	\$240
Non-Pay	-	\$193
Efficiency Savings:	-	(\$5,815)
Operations Partially Funded from No-Year Resources	-	(\$5,815)
Subtotal Changes to Base	-	(\$7,213)
Total FY 2014 Base	192	\$34,843
Program Changes:		
Program Increases:	-	\$80
Council of the Inspectors General on Integrity and Efficiency	-	\$80
Total FY 2014 Request	192	\$34,923

2A – Budget Increases and Decreases Description

Adjustment to Request **-\$1,831,000 / +0 FTE**

Non-Recur CR Increase -\$256,000 / +0 FTE

The across-the-board 0.612 percent increase provided in the CR through March 27, 2013 is non-recurred.

Non-Recur Operations Partly Funded from No-Year Resources from FY 2013 -\$1,575,000 / +0 FTE

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

Maintaining Current Levels (MCLs) **+\$433,000 / +0 FTE**

Pay-Raise +\$240,000 / +0 FTE

The President's Budget proposes a 1 percent pay-raise for federal employees in 2014.

Non-Pay +\$193,000 / +0 FTE

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

Efficiency Savings **-\$5,815,000 / +0 FTE**

Operations Partially Funded from No-Year Resources -\$5,815,000 / +0 FTE

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

Program Increases **+\$80,000 / +0 FTE**
Council of the Inspectors General on Integrity and Efficiency +\$80,000 / +0 FTE

The Council of Inspectors General on Integrity and Efficiency (CIGIE) has assessed SIGTARP \$80,000 for FY 2014 to support coordinated Government-wide activities that identify and review areas of weakness and vulnerability in Federal programs and operations with respect to fraud, waste, and abuse.

2.2 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP	FY 2012	FY 2013	FY 2014
Object Classification	Actual	Annualized CR Rate	President's Budget
11.1 - Full-time permanent	16,072	17,821	19,829
11.3 - Other than full-time permanent	2,710	2,764	2,578
11.5 - Other personnel compensation	1,727	1,898	1,806
11.9 - Personnel Compensation (Total)	20,509	22,483	24,213
12.0 - Personnel benefits	5,147	5,797	6,392
Total Personnel and Compensation Benefits	\$25,656	\$28,280	\$30,605
21.0 - Travel and transportation of persons	1,209	1,230	1,066
23.2 - Rental payments to others	226	250	254
23.3 - Communication, utilities, and misc charges	72	68	67
24.0 - Printing and reproduction	189	145	145
25.1 - Advisory and assistance services	3,224	4,059	3,008
25.2 - Other services	577	559	503
25.3 - Other purchases of goods & serv frm Govt accounts	7,795	8,141	8,174
26.0 - Supplies and materials	565	462	456
31.0 - Equipment	865	916	1,035
42.0 - Insurance claims and indemnities	0	1	1
Total Non-Personnel	14,722	15,831	14,709
Total Budgetary Resources	\$40,378	\$44,111	\$45,314
Budget Activities:			
Audit	14,354	15,682	16,123
Investigations	26,024	28,429	29,191
Total Budgetary Resources	\$40,378	\$44,111	\$45,314
FTE	164	192	192

This table includes all available resources, including annual and available multi-year appropriations, reimbursable resources, offsetting collections and user fees.

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 Federal funds <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), \$34,923,000.</i>	

2C – Legislative Proposals

SIGTARP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$12,220,000 from direct appropriations):

SIGTARP estimates that \$3,903,000 from unobligated balances from prior-years will be used in FY 2014 for Audit 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 2014 SIGTARP estimates that \$3,032,000 of these remaining funds will be used to cover specific operating expenses in support of the Audit 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 recipients of non-recourse Federal loans, including the Public Private Investment Program (“PIIP”) and the Term Asset-Backed 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; \$871,000 will be used in FY 2014 for personnel and other operating expenses related to PIIP/TALF.

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 repair and reform the financial system and support the recovery of the housing market 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 are complied with, both 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 2012 SIGTARP met its performance goal, "Congressional Requests for Testimony Completed" by completing four testimonies by July 10, 2012. SIGTARP anticipates that Congress will continue to have interest in SIGTARP's work and will continue to request at least four testimonies in FY 2013 and FY 2014.

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 two 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, Hardest Hit Fund and Public Private Investment Program Trading Activity. SIGTARP completed 13 audit products in FY 2012, exceeding the goal of 12 during the reporting period. The number of audit products is reduced to 10 in FY 2013 and continue at the same level in FY 2014. 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.

To reflect AD's performance and the fact that corrective actions span multiple periods, SIGTARP has as a metric "Percent of Recommendations Agreed to by the Office of Financial Stability" for FY 2013 with a target goal of 70 percent. Since SIGTARP does not have control over Treasury's decision to implement SIGTARP recommendations, this metric will be discontinued in FY 2014. SIGTARP will continue to make recommendations to improve the efficiency and effectiveness of TARP and will continue to work with Treasury and the Federal banking regulators to implement these recommendations and follow the status of the planned corrective actions that span multiple reporting periods.

SIGTARP's recommendations may be reviewed in their entirety at http://www.sig tarp.gov/Quarterly%20Reports/January_30_2013_Report_to_Congress.pdf pages 185-203.

3.1.1 – Audit Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity						
Resource Level	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Annualized CR Rate	FY 2014 Request
Appropriated Resources	\$0	\$9,900	\$10,581	\$14,626	\$14,716	\$12,220
Budget Activity Total	\$0	\$9,900	\$10,581	\$14,626	\$14,716	\$12,220

Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Congressional Requests for Testimony Completed (Units)	N/A	N/A	9	7	5	4	4	4
Number of Completed Audit Products (Units)	N/A	N/A	3	9	13	13	10	10
Percent of Recommendations Agreed to by the Office of Financial Stability	N/A	N/A	N/A	N/A	N/A	N/A	70.0	DISC

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

3B – Investigations

(\$22,703,000 from direct appropriations):

SIGTARP estimates that \$6,488,000 from unobligated balances from prior-years will be used in FY 2014 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 2014 SIGTARP estimates that \$5,631,000 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 recipients of non-recourse Federal loans, including the Public Private Investment Program (“PPIP”) and the Term Asset-Backed 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; \$857,000 will be used in FY 2014 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 repair and reform the financial system and support the recovery of the housing market 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, the SIGTARP Hotline has received and analyzed more than 31,756 Hotline contacts. During FY 2012, considerable effort was spent reviewing and referring complaints to meet the public's demand for action regarding the mortgage crisis. In FY 2012 the "Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action within 14 days of Receipt" were 77, 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 as of January 10, 2013, 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 for FY 2013 and FY 2014. 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.

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 95 percent in FY 2012, exceeding the target of 55 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 January 10, 2013, the results are: criminal charges against 119 individuals, including 82 senior officers (CEOs, owners, founders, or senior executives) of their organizations; criminal convictions of 83 defendants, of whom 35 have been sentenced to prison (others are awaiting sentencing); civil cases against 58 individuals (including 44 senior officers) and 47 entities (in some instances an individual will face both criminal and civil charges); orders of restitution and forfeiture and civil judgments entered for more than \$4.15 billion. Although the

ultimate recovery of these amounts is not known, SIGTARP has already assisted in the recovery of \$160.9 million; a savings of \$553 million in TARP funds that SIGTARP prevented from going to the now-failed Colonial Bank. SIGTARP anticipates a 60 percent acceptance rate in FY 2013. 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; therefore this performance metric has been increased from 60 percent to 70 percent in FY 2014. 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. In FY 2012, the “Percentage of Preliminary Investigations Converted to Full Investigations within 180 days” was 77 percent, exceeding the goal of 45 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 expanded, so has the depth and complexity of the cases under investigation. SIGTARP has increased staff to enable ID to handle its growing inventory and to expedite these investigations. In FY 2013, SIGTARP will increase this metric to 50 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 50 percent in FY 2013 and to 60 percent in FY 2014. 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 with the goal of forming law enforcement partnerships, across Federal, state and local government, to 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. In FY 2012, the “Percentage of cases that are joint agency/task force Investigations” with other law enforcement agencies was 65 percent, exceeding the target of 40 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 2013 and FY 2014.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity						
Resource Level	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Annualized CR Rate	FY 2014 Request
Appropriated Resources	\$0	\$13,339	\$25,433	\$27,174	\$27,340	\$22,703
Budget Activity Total	\$0	\$13,339	\$25,433	\$27,174	\$27,340	\$22,703

Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Percentage of Hotline Complaints Responded to or Referred for Investigation or further action within 14 days of Receipt (%)	N/A	N/A	77	74	76	77	70	70
Percentage of Investigations Accepted for Consideration by Prosecutors (%)	N/A	N/A	95	100	94	95	60	70
Percentage of Preliminary Investigations Converted to Full Investigations Within 180 Days (%)	N/A	N/A	50	80	88	77	50	60
Percentage of cases that are joint agency/task force investigations (%)	N/A	N/A	60	50	40	65	45	45

Key: N/A - Not in Effect; DISC - Discontinued; 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 CIO and Departmental Offices Operations to provide a secure, independent 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 was to establish its mission systems and IT infrastructure in the initial years of operation with plans to limit its IT investments beginning in FY 2012 to updates, modifications, maintenance and equipment refreshment, consistent with its role as a temporary agency. For FY 2014, 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, 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 here: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>