

Special Inspector General for  
TARP

FY 2013

President's Budget  
Submission

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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

Resources Available for Obligation	FY 2011 Enacted		FY 2012 Enacted		FY 2013 Request		% Change FY 2012 to FY 2013	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>								
Audit	83	\$11,593	83	\$14,626	83	\$14,075	0.00%	-3.77%
Investigations	109	24,634	109	27,174	109	26,150	0.00%	-3.77%
<b>Subtotal New Appropriated Resources</b>	<b>192</b>	<b>\$36,227</b>	<b>192</b>	<b>\$41,800</b>	<b>192</b>	<b>\$40,225</b>	<b>0.00%</b>	<b>-3.77%</b>
<b>Other Resources:</b>								
Unobligated Balances from PY	-	\$2,844	-	\$3,800	-	\$6,565	0.00%	72.76%
<b>Subtotal Other Resources</b>	<b>-</b>	<b>\$2,844</b>	<b>-</b>	<b>\$3,800</b>	<b>-</b>	<b>\$6,565</b>	<b>0.00%</b>	<b>72.76%</b>
<b>Total Resources Available for Obligation</b>	<b>192</b>	<b>\$39,071</b>	<b>192</b>	<b>\$45,600</b>	<b>192</b>	<b>\$46,790</b>	<b>0.00%</b>	<b>2.61%</b>

Unobligated Balances 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. P.L. 111-22 supplemental funding is not available for the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) general operations.

### 1B – Mission Priorities, and Context

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) supports and complements Treasury’s 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 evaluating whether Troubled Asset Relief Program (TARP) recipients are satisfying their legal obligation and (5) to manage the government’s finances in a fiscally responsible manner as they relate to TARP. SIGTARP’s top priority is to promote transparency in the management and operation of TARP, ensuring the satisfaction of the public’s right to know how Treasury decides to invest the public’s money, how it manages the assets it obtains, and how TARP recipients use these funds. SIGTARP is the only agency solely charged with the mission of:

**Transparency** - Promoting transparency in the management and operation of TARP programs;

#### Coordinating Oversight:

- Prospectively advising Treasury concerning issues relating to compliance, internal controls and fraud prevention;
- Retrospectively assessing the effectiveness of Treasury’s activities and evaluating whether TARP recipients are satisfying their legal obligations; and

**Robust Enforcement** - Preventing, detecting, investigating and referring for prosecution cases of fraud, waste and abuse involving TARP funds or programs.

Promoting transparency in the management and operations of TARP programs is vital. Through the Emergency Economic Stabilization Act of 2008, P.L. 110-343 (EESA), the American taxpayer has been asked to fund an unprecedented effort to stabilize the financial system and foster economic recovery. In this context, the public has a right to know how Treasury decides to invest its money, how it manages the assets it acquires, and how TARP recipients use the funds. Transparency is a powerful tool to ensure accountability and that all those managing and receiving TARP funds will act appropriately and in the best interest of the country.

SIGTARP views its oversight role prospectively, retrospectively, internally, and externally. Prospectively, SIGTARP advises Treasury on issues relating to compliance, internal controls and fraud prevention. Retrospectively, SIGTARP assesses the effectiveness of TARP activities over time and suggests improvements. Internally, SIGTARP's oversight role reaches to Treasury officials and to other government employees who manage TARP-related programs. Externally, it reaches to the recipients of TARP funds, the other private participants in TARP-related programs and to vendors that have been retained to assist Treasury in implementing TARP. SIGTARP also plays a significant external coordinating role among TARP oversight bodies both to ensure maximum oversight coverage and to avoid redundant and unduly burdensome requests on Treasury personnel who manage the programs.

Robust criminal and civil law enforcement involves the prevention, detection, and investigation of instances of fraud, waste, and abuse relating to TARP funds or operations. Through audit and investigative resources, and partnerships with other relevant law enforcement agencies, SIGTARP is committed to deterring, detecting, investigating, and referring for prosecution those persons and entities, inside or outside of the government, who waste, steal, or abuse TARP funds or programs.

Since SIGTARP's inception, its investigations have delivered substantial results, including:

- Asset recoveries of \$151 million;
- Savings of \$553 million in TARP funds that SIGTARP prevented from going to the now-failed Colonial Bank;
- Criminal actions against 51 individuals, including 36 senior officers (CEOs, owners, founders, or senior executives) of their organizations;
- Criminal convictions of 28 defendants of whom 19 have been sentenced to prison (others are awaiting sentencing);
- Civil cases naming 37 individuals (including 25 senior officers) and 18 corporate or other legal entities as defendants (in some instances an individual will face both criminal and civil charges).

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 2013 budget submission:

- The aggregate budget request for the operations of SIGTARP is \$40,224,980
- 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 \$84,000; and
- The amount requested for training satisfies all SIGTARP training needs for fiscal year 2013.

### **Program History and Future Outlook**

*Background:* TARP consists of 13 programs all of which have been implemented. As of October 3, 2010, Treasury had obligated \$474.8 billion for TARP. Of this amount, Treasury had expended or committed to expend approximately \$413.2 billion as of September 30, 2011 leaving \$52.1 billion in three programs remaining as obligated and available to spend after accounting for reductions in exposure related to the Asset Guarantee Program (“AGP”) and their termination of equity and debt facilities for AIG and Chrysler, respectively, that were never drawn down. The focus of TARP has begun to shift as the early TARP programs that invested huge sums in banks are now closed to further investments and most of the largest bank recipients have repaid their TARP funds. Treasury has stated that, going forward, TARP will focus on foreclosure mitigation efforts, small-business lending, and a continuation of support for the Asset-Backed securities (ABS) markets.

TARP investment authority expired on October 3, 2010. As a result, Treasury cannot make new purchases or guarantees of troubled assets. This termination of authority, however, does not affect Treasury’s ability to administer existing troubled assets purchases and guarantees. In accordance with Section 106(e) of EESA, Treasury may expend TARP funds after October 3, 2010 as long as it does pursuant to obligations entered into before that date. SIGTARP’s oversight mandate did not end with the expiration of Treasury’s authorization for new TARP funding. Rather, under the authorizing provisions 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.

**General Management:** Section 121 of the EESA created SIGTARP as an independent agency within Treasury responsible for conducting, supervising, and coordinating audits and investigations of any actions taken under EESA. 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. SIGTARP commenced operations on December 15, 2008, with the swearing in of the Special Inspector General (SIG).

Between its commencement in December of 2008 and October 27, 2011, SIGTARP has been extraordinarily productive: publishing twelve comprehensive quarterly reports to Congress concerning TARP, opening more than 150 on-going investigations, initiating 28 audits and two evaluations, issuing 16 audit reports, leveraging oversight resources, testifying at more than 23 Congressional hearings or briefings, 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 has completed the move into its permanent space. Further, as of January, 2012, SIGTARP has hired 170 managers,

lawyers, auditors, investigators, and other professionals with a wealth of experience in program auditing, criminal law enforcement, securities enforcement, and other relevant curricula. SIGTARP expects to be fully staffed by the end of FY 2012. To successfully accomplish this hiring challenge, SIGTARP relies on direct hire authority and dual compensation authority waiver 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 twelve wide-ranging quarterly reports to Congress, describing the activities and plans of SIGTARP; explaining and evaluating the various TARP programs (both implemented and announced); reviewing the operations of the Office of Financial Stability (OFS), 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 expends substantial time and resources on its reports to Congress, which are designed to be the comprehensive reference concerning TARP activities for policy makers, Congress and the American people. 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. These quarterly reports are available at <http://www.sig tarp.gov/reports.shtml>.

To date, SIGTARP's quarterly reports include 85 detailed recommendations to improve TARP programs and procedures. Treasury has adopted many of these recommendations, and Congress has effectively required OFS to implement several that it has rejected. For example, recommendations included in SIGTARP's April 21, 2009 Quarterly Report to Congress were largely adopted and enacted into law by section 402 of P.L. 111-22. In the June 28, 2011 quarterly report, SIGTARP made important recommendations related to Treasury's housing programs, and Treasury adopted a prior SIGTARP recommendation that gives additional relief to unemployed homeowners. In the current quarterly report dated October 27, 2011, SIGTARP published an audit questioning \$8.1 million in legal fees Treasury paid to law firms. SIGTARP also made four new recommendations to improve service performance in TARP's housing programs.

**Investigative Activities:** SIGTARP is the only Agency whose primary law enforcement mission is the swift and robust detection and investigation of those who profit criminally from TARP. SIGTARP's Investigations Division (ID) has developed into a sophisticated white-collar law enforcement agency. Currently, the Investigative Division has more than 150 on-going criminal and civil investigations, which concern suspected TARP fraud, accounting fraud, securities fraud, insider trading, bank fraud, mortgage fraud, mortgage servicer misconduct, fraudulent advance-fee schemes, public corruption, false statements, obstruction of justice, theft of trade secrets, money laundering, and tax-related investigations. Although the majority of SIGTARP's investigative activities remain confidential, highlights from several cases that have been brought

as the result of SIGTARP's investigations include the following (details are in the quarterly report):

- **United Commerical Bank/UCBH Holdings, Inc:** On September 15, 2011, a federal grand jury returned an indictment against Ebrahim Shabudin and Thomas Yu, two former senior executives of United Commerical Bank "UCB". The indictment includes charges for conspiracy, securities fraud, falsifying corporate books and records, and lying to auditors. Treasury became an investor in the Bank when UCBH received approximately \$298 million in TARP funds. The investigation is ongoing.
- **Colonial Bancgroup/Taylor, Bean & Whitaker:** On April 19, 2011, Lee Bentley Farkas was convicted in a jury trial of 14 counts of bank, wire and securities fraud that included charges relating to his role in attempting to steal \$553 million from TARP through the fraudulent application of the Colonial BancGroup, Inc ("Colonial") to the Capital Purchase Program ("CAP"). To date, six individuals from Colonial Bank and TBW have entered guilty pleas and were sentenced to prison by the U.S. District Court for the Eastern District of Virginia for their roles in various aspects of the bank and TARP-fraud schemes. On June 30, 2011, Mr. Farkas was sentenced to serve 30 years in prison.
- **The Park Avenue Bank:** On October 8, 2010, Charles Antonucci, pled guilty to offenses including securities fraud, making false statements to bank regulations, bank bribery, and embezzlement of bank funds. With his guilty plea, Antonucci became the first defendant convicted of attempting to steal from the taxpayer's investment in TARP funds. On May 18, 2011, Carlos Peralta was sentenced to 12 months and one day of confinement and three years of supervised release for wire fraud. Peralta participated in a fraudulent investment scheme through which he caused the pastors of a church in Coral Springs, Florida, to wire \$103,940 from a Florida bank account to one at The Park Avenue Bank in New York.
- **Bank of America:** On February 22, 2010, the Southern District of New York approved a \$150 million civil settlement between the SEC and Bank of America to settle all outstanding SEC actions against the firm. On February 4, 2010, the New York Attorney General along with SIGTARP charged Bank of America, its former Chief Executive Officer Kenneth D. Lewis, and its former Chief Financial Officer Joseph L. Price with civil securities fraud. According to the allegations, in order to complete a merger between Bank of America and Merrill Lynch & Co., Inc. (Merrill Lynch), the defendants failed to disclose to shareholders spiraling losses at Merrill Lynch. Additionally, after the merger was approved, it is alleged that Bank of America made misrepresentations to the Federal Government in order to obtain tens of billions of dollars in TARP funds.
- **Nations Housing Modification Center:** Glenn Steven Rosofsky, Roger Jones and Michael Trap pled guilty to their involvement in a fraudulent loan-modification scheme and were sentenced to incarceration and 36 months of supervised release and ordered to pay restitution.
- **Mount Vernon Money Center (MVMC):** On June 16, 2011, Robert Egan and Bernard McGarry were sentenced to 11 and five years in prison, respectively, and three years supervised release. Egan and McGarry misappropriated their clients' money — including the funds of several institutions in which the American taxpayer was an investor through TARP

— to fund tens of millions of dollars in operating losses in MVMC’s businesses, to repay outstanding client obligations, and to enrich themselves at their clients’ expense.

- **FirstCity Bank:** On the morning of March 20, 2011 Mark A. Conner was arrested as well as Clayton A. Coe on March 27, 2011 at Miami International Airport upon their return from the Turks and Caicos Islands on Federal bank fraud charges relating to alleged misconduct at First City, which was an unsuccessful TARP applicant. The indictment alleges that Conner, Coe, and others conspired to defraud FirstCity’s loan committee and board of directors into approving multiple, multi-million dollar commercial loans to borrowers who, unbeknownst to FirstCity, were actually purchasing property owned by Conner or Coe personally. Their actions then caused at least 10 other federally insured banks to invest in the fraudulent loans – in effect shifting all or part of the risk of default to the other banks. To cover their tracks, and as part of the alleged scheme, Connor, Coe, and their co-conspirators routinely misled federal and state bank regulators and examiners; attempted to obtain federal government assistance through TARP; and engaged in other misconduct in an attempt to avoid seizure by regulators and prevent the discovery of their fraud scheme. FirstCity was seized by state and federal authorities on March 20, 2009.
- **Orion Bank:** On March 30, 2011, a Federal grand jury returned an indictment against Jerry J. Williams, former president, CEO, and board chairman of Orion Bancorp, Inc., and Orion Bank (“Orion”), for conspiracy to commit bank fraud and to deceive federal and state bank examiners. In October 2008, Orion Bancorp, Inc., filed an application for \$63 million of TARP money through CPP. According to the indictment, Williams orchestrated a complex conspiracy to fraudulently raise \$100 million in capital and falsify bank records in order to mislead state and federal regulators as to the bank’s true financial condition.

On March 30, 2011, criminal information was filed separately charging Francesco Mileto, Thomas Hebble, and Angel Guerzon for their involvement in the scheme. On May 2, 2011, Francesco Mileto, a former customer of Orion, Thomas Hebble and Angel Guerzon all pled guilty to conspiracy to commit bank fraud while Hebble and Guerzon also pled guilty to obstruction of a Federal bank examination. They are expected to be sentenced in 2012.

Florida’s Office of Financial Regulation closed Orion Bank on November 13, 2009, and named the FDIC as receiver and the FDIC estimates that Orion’s failure will cost the Deposit Insurance Fund more than \$600 million.

- **HomeFront, Inc.:** On January 29, 2011, a criminal complaint was filed charging Lori J. Macakanja with mail fraud and falsifying documents in connection with a scheme to defraud struggling homeowners seeking mortgage modifications. Macakanja was employed as a housing counselor by HomeFront, Inc. (“HomeFront”), a HUD-approved housing counseling agency in western New York. The complaint alleges that more than 100 HomeFront clients were collectively defrauded of more than \$200,000.
- **Galleria USA, Inc.:** On March 9, 2011, a Federal grand jury returned an indictment against Thomas Chia Fu and his wife, Cheri L. Shyu, owners of Galleria USA, Inc. (“Galleria”) for defrauding a consortium of eight banks, including several TARP recipients. According to the

indictment, the defendants fraudulently obtained and drew on a \$130 million line of credit by exaggerating Galleria's in-transit inventory and accounts receivables and by fabricating bills of lading and invoices to hide the company's true financial status.

- **Omni National Bank:** On January 5, 2011, Karim Lawrence pled guilty to one count of corruptly accepting hundreds of thousands of dollars in cash and other things of value in exchange for the awarding of Omni National Bank ("Omni") funded renovation contracts on foreclosed properties owned by Omni. Prior to its failure, Omni applied for, but did not receive TARP funding under CPP. Karim Lawrence, a former loan officer of Omni, Jeffrey L. Levine, a former executive vice president of Omni and Delroy Oliver Day were sentenced to prison on charges of accepting bribes, false bank statements and charges of bank fraud. Previously, Brent Merriell was sentenced to prison for his role in a scheme to prompt Omni to forgive \$2.2 million in loans.
- **Karl Rodney (New York Carib News, Inc.):** On July 22, 2011, Karl B. Rodney was sentenced to two years' probation, plus a fine and community service, following his previous guilty plea to one count of making a false statement within the jurisdiction of a Committee of the U.S. House of Representatives.
- **Compliance Audit Solutions:** On April 28, 2011, a Federal grand jury returned an indictment against three individuals, Ziad al Saffar, Sara Beth Rosengrant, and Daniel al Saffar, for allegedly perpetrating a fraudulent mortgage modification business under the names Compliance Audit Solutions, Inc. ("CAS"), and CAS Group, Inc. Sallar, Rosengrant and Saffar were each charged with one count of conspiracy to commit wire fraud and mail fraud. All three were arrested on April 29, 2011 and the case is being investigated by SIGTARP and FBI.

**Audit Activities:** SIGTARP's Audit Division (AD) conducts, supervises, and coordinates programmatic audits with respect to the operation of TARP and recipients' compliance with their obligations under relevant law and contracts; as well as evaluation of TARP policies and procedures and provides recommendations to Treasury. With respect to auditing, AD is designed to provide SIGTARP with maximum flexibility to identify the scope and methodology of audits to ensure a rigorous and timely review of policy and procedures of specific programs within 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. Since its inception, SIGTARP has initiated a total of 28 audits and two evaluations. SIGTARP has issued 16 audit reports. In addition, 12 other previously announced audits and evaluations are in progress, the remaining announced projects were either closed out or terminated.

The following audits and the findings may be reviewed in their entirety at <http://www.sig tarp.gov/audits.shtml>.

- **Selecting Fund Managers for the Legacy Securities Public-Private Investment Program (PPIP),** an audit report requested by the Chairman and Ranking Member of the Subcommittee on Homeland Security and Governmental Affairs, examined Treasury's

selection of fund managers for PPIP. The audit concluded that Treasury constructed a reasonable architecture to accomplish its objective of identifying larger firms to manage PPIFs.

- **Extraordinary Financial Assistance Provided to Citigroup, Inc:** In response to a Congressional request, SIGTARP examined the Government's decision to provide additional funding and asset guarantees. The audit concluded that the Government constructed a plan that not only achieved the primary goal of restoring market confidence in Citigroup, but also carefully controlled the overall risk of Government loss on the asset guarantee. While there was a consensus that Citigroup was too systemically significant to be allowed to fail, that consensus appeared to be based as much on gut instinct and fear of the unknown as on objective criteria.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) charged the Financial Stability Oversight Council (FSOC) with responsibility for developing the specific criteria and analytical framework for assessing systemic significance.

- **Legal Fees Paid Under the Troubled Asset Relief Program: An Expanded Report:** On September 28, 2011 SIGTARP issued an expanded audit report requested by Senator Coburn which examined the Office of Financial Stability's contracting processes to ensure that invoices submitted by the contractors accurately reflect the work performed. Specifically, SIGTARP found weaknesses in the OFS contract or legal services as well as the OFS policies for review of fee bills. The OFS contract for legal services did not contain sufficiently detailed requirements or instructions on how contractors should prepare fee bills or how it should describe discrete tasks within each fee bill. SIGTARP made recommendations to improve controls over the review and payment of legal fee bills, including that OFS establish policies that prescribe specific invoice review procedures for COTRs to follow in their review of legal fee bills. Lastly, SIGTARP recommended that OFS review previously paid legal fee bills to identify unreasonable or unallowable charges and seek reimbursement as appropriate.
- **Exiting TARP: Repayment by the Largest Financial Institutions:** On September 29, 2011 SIGTARP released the audit report which examined the process under which the largest banks, known as SCAP institutions exited TARP. The report addressed the intent to which: (1) Treasury maintained a consistent and transparent role in the TARP repayment process; and (2) Federal banking regulators consistently coordinated and evaluated TARP repayment requests.

**Leveraged Oversight Resources:** SIGTARP actively coordinates its activities with other oversight and law enforcement bodies. In addition to meeting extensively with Treasury and the Federal Reserve concerning program proposals, SIGTARP regularly and continually coordinates with the Financial Stability Oversight Board, and the Government Accountability Office concerning our overlapping oversight responsibilities under EESA. Additionally, SIGTARP has initiated several efforts designed to augment audit and investigative resources. For example, SIGTARP founded the TARP Inspector General Council (TARP-IG Council), which includes the Comptroller General, the Inspector General for Treasury, the Federal Reserve Board, the

FDIC, SEC, the Federal Housing Finance Agency, HUD, the Small Business Administration, and the Treasury Inspector General for Tax Administration. The TARP-IG Council meets as needed to discuss developments in TARP and coordinate interconnected audit and investigative issues. Similarly, SIGTARP organized and chairs the Term Asset-Based Securities Loan Facility/Public-Private Investment Program (TALF/PPIP) Task Force, which includes the Inspector General for the Federal Reserve Board, the Federal Bureau of Investigation (FBI), the Financial Crimes Enforcement Network (FinCEN), U.S. Immigration and Customs Enforcement, the Internal Revenue Service Criminal Investigation Division (IRS-CID), the SEC, and the United States Postal Inspection Service (USPIS). The task force members participate in briefings about the TALF/PPIP, collectively identify areas of fraud vulnerability, engage in training exercises, and coordinate audit and investigative efforts. SIGTARP has also forged partnerships and launched joint investigations with the FBI, the SEC, IRS-CID, and the Federal Trade Commission, among others.

On February 24, 2010, SIGTARP hosted the inaugural meeting of the Rescue Fraud Working Group. President Obama established the Financial Fraud Enforcement Task Force (“FFETF”) “to investigate and prosecute significant financial crimes and other violations relating to the current financial crisis and economic recovery efforts, recover the proceeds of such crimes and violations, and ensure just and effective punishment of those who perpetrate financial crimes and violations.” A component of FFETF is the Rescue Fraud Working Group, co-chaired by the Special Inspector General of TARP, Assistant Attorney General of the Criminal Division of the DOJ, and the Chief Counsel of OFS. Attendees at the inaugural meeting included officials from agencies across the Federal Government, including OFS; DOJ (Civil, Criminal, and Tax Divisions); the U.S. Attorneys’ Offices for the Northern and Central Districts of California, the Eastern District of Virginia, the Eastern and Southern Districts of New York, and the District of New Jersey; the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the FinCEN; USPIS; the Board of Governors of the Federal Reserve; the SEC; and the FBI.

## **Section 2 – Budget Adjustments and Appropriation Language**

### **2.1 – Budget Adjustments Table**

Dollars in Thousands

<b>Special IG for TARP</b>	<b>FTE</b>	<b>Amount</b>
<b>FY 2012 Enacted</b>	<b>192</b>	<b>\$41,800</b>
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$333
Maintaining Current Levels	-	\$333
Efficiency Savings:	-	(\$1,992)
Operations Partially Funded from No-Year Resources	-	(\$1,992)
Subtotal FY 2013 Changes to Base	-	(\$1,659)
<b>Total FY 2013 Base</b>	<b>192</b>	<b>\$40,141</b>
Program Increases:	-	\$84
Council of the Inspectors General on Integrity and Efficiency	-	\$84
<b>Total FY 2013 Request</b>	<b>192</b>	<b>\$40,225</b>

### **2A – Budget Increases and Decreases Description**

**Maintaining Current Levels (MCLs) ..... +\$333,000 / +0 FTE**

Maintaining Current Levels +\$333,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also required for the proposed 2013 pay raise (0.5 percent).

**Efficiency Savings ..... -\$1,992,000 / +0 FTE**

Operations Partially Funded from No-Year Resources -\$1,992,000 / +0 FTE

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

**Program Increases ..... +\$84,000 / +0 FTE**

Council of the Inspectors General on Integrity and Efficiency +\$84,000 / +0 FTE

Funds requested for Council of Inspectors General on Integrity and Efficiency (CIGIE) will 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 IG for TARP	FY 2011		FY 2012		FY 2013	
	Actual	President's Budget	Enacted	Proposed Reprorga mmings	Proposed Operating Level	Request
<b>FTE</b>	<b>140</b>	<b>192</b>	<b>192</b>	<b>0</b>	<b>192</b>	<b>192</b>
<b>Object Classification</b>						
11.1 - Full-time permanent	12,420	17,339	17,607	0	17,607	18,391
11.3 - Other than full-time permanent	2,277	1,766	2,571	0	2,571	2,279
11.5 - Other personnel compensation	1,548	1,741	1,700	0	1,700	1,578
11.7 - Other Personnel Compensation	0	413	0	0	0	0
<b>11.9 Personnel Compensation (Total)</b>	<b>\$16,245</b>	<b>\$21,259</b>	<b>\$21,878</b>	<b>\$0</b>	<b>\$21,878</b>	<b>\$22,248</b>
12 - Personnel benefits	4,048	5,346	5,065	0	5,065	5,896
21 - Travel and transportation of persons	1,003	1,000	1,061	0	1,061	1,200
23.2 - Rental payments to others	197	0	197	0	197	202
23.3 - Communication, utilities, and misc charges	41	172	55	0	55	55
24 - Printing and reproduction	194	195	195	0	195	196
25.1 - Advisory and assistance services	5,017	7,254	4,000	0	4,000	3,796
25.2 - Other services	38	741	83	0	83	87
25.3 - Other purchases of goods and services from Govt. accounts	8,289	9,674	8,175	0	8,175	5,367
26 - Supplies and materials	427	410	518	0	518	530
31 - Equipment	513	1,223	548	0	548	638
32 - Land and structures	2	0	0	0	0	0
42 - Insurance claims and indemnities	0	100	10	0	10	10
<b>Total Budget Authority</b>	<b>\$36,014</b>	<b>\$47,374</b>	<b>\$41,800</b>	<b>\$0</b>	<b>\$41,800</b>	<b>\$40,225</b>
<b>Budget Activities:</b>						
Audit	12,605	20,371	14,626	0	14,626	14,075
Investigations	23,400	27,003	27,174	0	27,174	26,150
<b>Total Budget Authority</b>	<b>\$36,014</b>	<b>\$47,374</b>	<b>\$41,800</b>	<b>\$0</b>	<b>\$41,800</b>	<b>\$40,225</b>

**2B – Appropriations Language and Explanation of Changes**

<b>Appropriations Language</b>	<b>Explanation of Changes</b>
<p>DEPARTMENT OF THE TREASURY SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM</p> <p>Federal funds 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), [\$41,800,000] \$40,224,980. (<i>Department of the Treasury Appropriations Act, 2012.</i>)</p>	

**2C – Legislative Proposals**

SIGTARP has no legislative proposals.

## **Section 3 – Budget and Performance Report and Plan**

### **3A – Audit**

*(\$14,075,000 from direct appropriations):*

This 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.

The Audit Division (AD) conducts, supervises, and coordinates programmatic audits with respect to Treasury's operation of TARP and the recipients' compliance with their obligations under relevant law and contracts; as well as evaluation 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 are found ineffective at reaching TARP's goals, AD assists the SIG to fashion recommendations to resolve such issues. The goal owner for this budget activity is Kurt Hyde, Deputy Special Inspector General Audit Division.

#### *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 2011 SIGTARP exceeded its performance goal, "Congressional Requests for Testimony" by completing five testimonies. SIGTARP anticipates that Congress will continue to have interest in SIGTARP's work and will continue to request at least four testimonies in FY 2012 and FY 2013.

The performance goal, "Completed Audit Products" includes audit reports, quarterly reports and memoranda that promote the efficiency and effectiveness of the Troubled Asset Relief Program (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. SIGTARP's risk assessment identified costs to taxpayers, program successes and failures thus far, materiality, and a review of work completed by the Congressional Oversight Panel and their recommendations. Presently there are five on-going audits and two evaluations that have been requested by Congress in addition to SIGTARP's five self-initiated audits that include areas in the Capital Purchase Program (CPP), Office of the Special Master for Executive Compensation, Institutions exiting the CPP through the Small Business Lending Fund and Making Home Affordable Program. SIGTARP completed 13 audit products in FY 2011, exceeding the goal of 12 during the reporting period. The FY

2012 goal is to issue 12 audit products which factors in current on-going audits, quarterly reports as well as other requirements such as Congressional requests. In FY 2013, the number of audit products is reduced to 10 due to the anticipated shifting of resources. Throughout this process, SIGTARP’s risk assessment plan will be utilized to determine audit requirements as well as requests made by Congress and the required quarterly report.

In order to measure the impact of reports, SIGTARP measures the “percent of recommendations implemented”. In FY 2011, 50 percent were implemented by Treasury’s Office of Financial Stability (OFS). Although the goal of 70 percent was established by SIGTARP, OFS is working on implementing the recommendations and planned corrective actions dates that will extend into FY 2012. SIGTARP will continue to make recommendations to improve the efficiency and effectiveness of TARP and will continue to work with the OFS to implement these recommendations and follow the status of the planned corrective actions that span multiple reporting periods.

To better reflect AD’s performance and the fact that corrective actions span multiple periods, SIGTARP’s plan is to change the metric to “Percent of Recommendations Agreed to by the Office of Financial Stability” beginning in FY 2013 with a goal of 70 percent.

### 3.1.1 – Audit Budget and Performance Report and Plan

Dollars in Thousands

#### Audit Budget Activity

Resource Level	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request
Appropriated Resources	\$0	\$9,900	\$11,593	\$14,626	\$14,075
<b>Total Resources</b>	<b>\$0</b>	<b>\$9,900</b>	<b>\$11,593</b>	<b>\$14,626</b>	<b>\$14,075</b>
<b>Budget Activity Total</b>	<b>\$0</b>	<b>\$9,900</b>	<b>\$11,593</b>	<b>\$14,626</b>	<b>\$14,075</b>

Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Congressional Requests for Testimony Completed (Units)	N/A	N/A	N/A	9	7	5	4	4
Number of Completed Audit Products (Units)	N/A	N/A	N/A	3	9	13	12	10
Percent of Recommendations Agreed to by the Office of Financial Stability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70.0
Percent of Recommendations Implemented (%)	N/A	N/A	N/A	100.0	43.0	50.0	70.0	DISC

Key: DISC - Discontinued and B - Baseline

**Percentage of Recommendations Implemented measure will be discontinued in FY 2013 and replaced with Percentage of Recommendations Agreed to by the Office of Financial Stability.**

### **3B – Investigations**

*(\$26,150,000 from direct appropriations):*

This program supports SIGTARP's priority of Robust Enforcement by preventing, detecting, investigating and referring for prosecution cases of fraud, waste and abuse involving TARP funds or programs.

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 to leverage SIGTARP's expertise and unique position.

ID manages SIGTARP's Hotline which accepts and processes telephone, e-mail, website, and in-person complaints. One of SIGTARP's primary investigative priorities is to operate the SIGTARP Hotline, thus providing a simple, accessible way for the American public to report concerns, allegations, information, and evidence of violations of criminal and civil laws in connection with TARP. From its inception in February 2009 through September 30, 2011, the SIGTARP Hotline has received and analyzed more than 28,558 Hotline contacts. A substantial number of SIGTARP's investigations were generated in connection with Hotline tips. The SIGTARP Hotline can receive information anonymously, and the confidentiality of whistleblowers is protected to the fullest extent possible. 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 and thus provide 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. SIGTARP referred 76 percent of "Hotline Complaints for Investigation or to the Office of Financial Stability within 14 days of Receipt," exceeding the goal of 65 percent. During FY2011, considerable effort and overtime was spent reviewing and referring complaints to meet the public's demand for action regarding the mortgage crisis. In FY 2011, the Investigations Division opened 80 investigations and closed 27 investigations. There were more than 150 active investigations as of the end of September 30, 2011. This includes 127 investigations involving institutions that applied for or received TARP funding through TARP's Capital Purchase Program (CPP). These investigations concern suspected TARP fraud, accounting fraud, securities fraud, insider trading, bank fraud, mortgage fraud, mortgage-servicer misconduct, fraudulent advance-fee schemes, public corruption, false statements, obstruction of justice, trade secrets theft, money laundering, and tax-related investigations. SIGTARP anticipates a 70 percent referral rate for FY 2013. SIGTARP has increased staff during the past year to enable the Investigations Division to handle its growing inventory of and to expedite these investigations. 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.

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 2011, the “Percentage of Preliminary Investigations Converted to Full Investigations” was 88 percent, exceeding the goal of 40 percent. This success is attributed to SIGTARP proactively identifying indicators of fraud related to TARP, receiving more substantial case leads, and complaint referrals from other agencies as the Investigations Division has developed its identity as a premier “white collar crime” law enforcement agency. However, as the Investigations Division has expanded, so has the depth and complexity of the cases under investigation. Consequently these highly complex cases require considerable investigative resources. Accordingly, this performance measure may need to be adjusted for FY2013 to reflect that preliminary cases will have to remain longer in the preliminary status prior to closure or conversion to a full investigation depending on available investigative resources. SIGTARP is anticipating a goal of 50 percent in FY 2013. The Investigations Division will continue to prioritize leads and fraud allegations and make effective, experienced decisions when opening Preliminary Investigations to ensure an appropriate commitment of investigative resources are available to devote to these investigations.

The “Percentage of SIGTARP criminal or civil investigations that a federal, state, or local prosecutor has formally accepted to prosecute” was 94 in FY 2011, exceeding the target of 55 percent. This success is directly related to the current economy. Since there is still significant public interest in TARP related cases, prosecutors are more likely to accept a TARP related case for prosecution if available resources dictate they choose between working on a TARP case or another type of traditional crime. SIGTARP’s investigative strategies have already produced outstanding results in bringing to justice those who have sought to profit criminally from TARP, with criminal actions against 51 individuals and civil cases naming 37 individuals and 18 corporate or other legal entities as defendants, of which 28 have been convicted. SIGTARP’s investigative efforts have helped prevent an estimated \$553 million in taxpayer funds from being lost to fraud as well as assisted in the recovery of \$151 million in assets. To demonstrate the magnitude of our investigations, SIGTARP and its law enforcement partners proved a nearly \$3 billion fraud which was perpetrated by 7 individuals over a nearly 10 year period. In the future, if other prosecutorial priorities increase in importance, prosecutors may consider devoting fewer resources to TARP related cases, and correspondingly, the acceptance rate may decline. SIGTARP anticipates a 60 percent acceptance rate in FY 2013. 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 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.

As previously mentioned, SIGTARP ID coordinates closely with other law enforcement agencies with the goal of forming law enforcement partnerships across the Federal government to

leverage SIGTARP’s expertise and unique position. Frequently other Federal law enforcement partner may pursue a lead or open a case and then request SIGTARP’s expertise and resources to lead the case. The overall “percentage of cases in FY 2011 that were joint with other law enforcement agencies” was 40 percent, exceeding the target of 35 percent. This was primarily due the significant number of high profile cases opened in FY 2011. SIGTARP will continue to work in concert with law enforcement partners, but as our identity as a premier “white collar crime” law enforcement agency develops with the U.S. Attorneys and other prosecutors, SIGTARP has been and may continue to work more cases independently. SIGTARP is projecting a goal of 45 percent for FY 2013.

### 3.1.2 – Investigations Budget and Performance Report and Plan

Dollars in Thousands

#### Investigations Budget Activity

Resource Level	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request
Appropriated Resources	\$0	\$13,400	\$24,634	\$27,174	\$26,150
<b>Total Resources</b>	<b>\$0</b>	<b>\$13,400</b>	<b>\$24,634</b>	<b>\$27,174</b>	<b>\$26,150</b>

<b>Budget Activity Total</b>	<b>\$0</b>	<b>\$13,400</b>	<b>\$24,634</b>	<b>\$27,174</b>	<b>\$26,150</b>
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Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Percentage of Hotline Complaints Referred for Investigation or to OFS within 14 days of Receipt (%)	N/A	N/A	N/A	77.0	74.0	76.0	70.0	70.0
Percentage of Investigations Accepted by Prosecutors (%)	N/A	N/A	N/A	95.0	100.0	94.0	55.0	60.0
Percentage of Preliminary Investigations Converted to Full Investigations (%)	N/A	N/A	N/A	50.0	80.0	88.0	45.0	50.0
Percentage of cases that are joint agency/task force investigations (%)	N/A	N/A	N/A	60.0	50.0	40.0	40.0	45.0

Key: DISC - Discontinued and B - Baseline

[Detailed information about each performance measure, including definition, verification and validation](#) is available.

## **Section 4 – Supplemental Information**

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### **4A – Capital Investment Strategy**

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.

The non-major IT investments are for 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, and asset management which were established by SIGTARP because they were not provided by Treasury. In FY 2011, SIGTARP began to migrate these systems to Treasury for hosting services and an evaluation of Treasury's shared services offerings ("cloud computing") for content management such as document management, Freedom of Information Act tracking and records management.

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 2013, 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's non-IT investments include technical surveillance equipment. The Investigation Division requires specialized surveillance equipment in order to conduct criminal investigations in cooperation with the FBI, IRS-CI 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. In addition SIGTARP incurred costs for leasehold improvements to the headquarters facility and its regional offices.

[A summary of capital investment resources, including major information technology and non-technology investments](#) is available.