

Overview

Mission Statement

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

Program Summary by Budget Activity

Dollars in Thousands

Appropriation	FY 2010 Actual	FY 2011 Annualized CR Level	FY 2012 Request	FY2010 to FY2012 \$ Change	% Change
Audit	\$9,900	\$15,609	\$20,371	\$10,471	105.8%
Investigations	\$13,400	\$20,691	\$27,003	\$13,603	101.5%
Total Appropriated Resources	\$23,300	\$36,300	\$47,374	\$24,074	103.3%
Total FTE	133	192	192	59	44.4%

In addition to SIGTARP's FY 2012 request for \$47,374, section 402(c)(1) of the Helping Families Save Their Homes Act of 2009, P.L. 111-22, provided SIGTARP \$15 million in supplemental funding. However, section 402(c)(2) requires SIGTARP, in the use of these 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 (EESA) program. This supplemental funding is not available for SIGTARP general operations.

FY 2012 Priorities

- 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 investments it makes, and how TARP recipients use the investments.
- Coordinate oversight:
 - Prospectively advise Treasury concerning issues relating to compliance, internal controls and fraud prevention.
 - Retrospectively assess the effectiveness of Treasury's activities, recommend improvements, and evaluate whether TARP recipients are satisfying their legal obligations.
- Prevent, detect, investigate and refer for prosecution cases of fraud, waste and abuse involving TARP funds or programs.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

SIGTARP supports and complements Treasury’s strategic goal of effectively managing the U.S. Government’s Finances as they relate to TARP and TARP-related funds, through the implementation of SIGTARP’s priorities:

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, among other things, 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, and investigating and referring for prosecution those persons and entities, inside or outside of the government, who waste, steal, or abuse TARP funds.

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 its requested budget for FY 2012:

- The aggregate budget request for the operations of SIGTARP is \$47,374,000
- The portion of this amount needed for SIGTARP training is \$516,000;
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is estimated at \$51,039; and
- The amount requested for training satisfies all SIGTARP training needs for fiscal year 2012.

1B – Program History and Future Outlook

Background: TARP consists of 13 programs all of which have been implemented. Six are closing or have already been wound down. As of October 3, 2010, Treasury had obligated \$474.8 billion for TARP. Of this amount, Treasury had expended or committed to expend approximately \$469.8 billion through the 13 implemented programs to provide support for U.S. financial institutions, the automobile industry, the markets in certain types of asset-backed securities and homeowners. 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.

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 January 2011, SIGTARP has been extraordinarily productive: publishing nine comprehensive quarterly reports to Congress concerning TARP, opening 142 investigations, initiating 26 audits, issuing 13 audit reports, leveraging oversight resources, testifying at more than 20 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 personnel services, procurement assistance, publication consulting, data processing and analysis, and office equipment and services. SIGTARP has completed the move into its permanent space. Further, SIGTARP has hired 141 managers, lawyers, auditors, investigators, and other professionals with a wealth of experience in program auditing, criminal law enforcement, securities enforcement, and other relevant curricula. In FY 2011 SIGTARP anticipates increasing its FTE level to 192 to address field operations established in four sites and work load requirements of audit and investigation cases that are pending due to insufficient staffing. To successfully accomplish this hiring challenge, SIGTARP relied 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 nine 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 66 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. SIGTARP's January 2011 Quarterly Report to Congress includes a series of recommendations concerning, among other things, enhancing transparency, promoting effectiveness and the prevention and detection of fraud in connection with TARP and its components.

Investigative Activities: SIGTARP's Investigations Division (ID) has developed into a sophisticated white-collar law enforcement agency. Currently, ID has 142 open 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.

- Colonial Bancgroup/Taylor, Bean & Whitaker: On June 15, 2010, SIGTARP, the Federal Bureau of Investigation (FBI), the Office of the Inspector General for the Federal Deposit Insurance Corporation (FDIC OIG), Office of Inspector General (OIG), and the Department of Housing and Urban Development (OIG) executed an arrest warrant for Lee Bentley Farkas, the former chairman of Taylor, Bean & Whitaker (TBW), a private mortgage lending

company, in connection with a scheme involving Colonial Bancgroup (Colonial), a large regional bank that was, until its demise in the fall of 2009, TBW's largest lender.

In the fall of 2008, Colonial applied for \$570 million in taxpayer funding through the TARP's Capital Purchase Program (CPP). As with all CPP applications, Colonial submitted financial data and filings to Federal bank regulators. Based on these representations, Treasury conditionally approved Colonial's TARP application for \$553 million, contingent on, among other things, Colonial's raising \$300 million in private capital. A review of the circumstances of Colonial's application and its announcement that it had received TARP approval led SIGTARP to open an investigation in concert with the Securities and Exchange Commission (SEC). In April 2009, in a filing with the SEC, Colonial announced that it had met its final condition to receive funding based on Farkas' representation that he led an investment group that had raised \$300 million to invest in Colonial.

Within days of this announcement, SIGTARP issued subpoenas to both Colonial and TBW, and, over the course of the next several months, SIGTARP and its partners uncovered the massive alleged fraud at both Colonial and TBW, despite attempts by members of the conspiracy to destroy documents called for by SIGTARP's subpoena. SIGTARP alerted Treasury of its investigation to assure that no TARP funds would be disbursed to Colonial, and referred the case to the Department of Justice (DOJ) for prosecution. Farkas was charged in the Eastern District of Virginia in a 16-count indictment, including conspiracy to commit bank, wire and securities fraud; bank fraud; wire fraud; and securities fraud. Among other things, Farkas is charged for his role in attempting to steal \$553 million in TARP funds through Colonial's fraudulent CPP application. Ultimately, Colonial did not receive any TARP funds.

- **The Park Avenue Bank:** On March 15, 2010, Charles Antonucci, the former President and Chief Executive Officer of The Park Avenue Bank, was charged by the United States Attorney's Office for the Southern District of New York with offenses including self-dealing, bank bribery, embezzlement of bank funds, and bank, mail and wire fraud, among others. In particular, Antonucci allegedly attempted to steal \$11 million of TARP funds by, among other things, making fraudulent claims about the bank's capital position. These charges mark the first time an individual has been criminally charged with attempting to steal TARP funds.

According to the allegations, Antonucci falsely represented that he had personally invested \$6.5 million in The Park Avenue Bank to improve its capital position. As set forth in the charges, however, the funds were actually borrowed from the Park Avenue Bank itself and reinvested as part of an undisclosed "round-trip" transaction. The complaint further alleges that this fraudulent transaction was touted by The Park Avenue Bank in support of its application for TARP funds as evidence of its supposedly improving capital position.

- **Bank of America:** On February 4, 2010, the New York Attorney General 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. The investigation was conducted jointly by the New York Attorney General's Office and SIGTARP, and the case remains pending in New York state court. SIGTARP also assisted the SEC with its Bank of America investigation. On February 22, 2010, the Honorable Jed S. Rakoff, United States District Judge for 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.

- Nations Housing Modification Center: On March 19, 2010, Glenn Steven Rosofsky was arrested by agents from SIGTARP and the Internal Revenue Service, Criminal Investigation Division and charged by the U.S. Attorney's Office for the Southern District of California with one count of conspiracy to commit wire fraud and money laundering and one count of money laundering. Separate information the same day charged Michael Trap with conspiracy to commit fraud and money laundering. As set forth in the charges, Rosofsky, Trap, and others operated a telemarketing firm, ostensibly to assist delinquent homeowners with loan modification services. Operating under the names "Nations Housing Modification Center" and "Federal Housing Modification Department," Rosofsky and Trap took advantage of the publicity surrounding the Administration's mortgage modification efforts under the TARP-supported Making Home Affordable program and are alleged to have used fraudulent statements to induce customers to pay \$2,500 – \$3,000 each to purchase loan modification services that were not actually provided. It is alleged in court documents that the fraud grossed more than \$1 million. Trap pled guilty to the charges listed in his March 19 information the following day. The case against Rosofsky is pending.
- Mount Vernon Money Center: On March 11, 2010, the U.S. Attorney's Office for the Southern District of New York indicted Robert Egan, president, and Bernard McGarry, chief operating officer, of the Mount Vernon Money Center (MVMC) with bank fraud for allegedly stealing \$50 million entrusted to their company. MVMC engaged in various cash management businesses, including replenishing cash in more than 5,300 automated teller machines owned by banks and other financial institutions. According to the charges, from 2005 through February 2010, Egan and McGarry solicited and collected hundreds of millions of dollars from MVMC's clients on the false representations that they would not commingle clients' funds or use the money for purposes other than those specified in the various contracts with their clients. 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. SIGTARP agents assisted with the investigation. A trial date remains to be set.

Audit Activities: SIGTARP's Audit Division (AD) conducts, supervises, and coordinates programmatic audits with respect to Office of Financial Stability operation of TARP and recipients' compliance with their obligations under relevant law and contracts; evaluates TARP policies and procedures; and provides technical assistance to Treasury. With respect to auditing, AD 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 the fast-evolving TARP. To date, AD has issued thirteen audit reports; highlights from FY 2010 reports are as follows:

- **Original CPP and Bank of America Investments:** In October of 2009, SIGTARP released an audit examining the review and approval process associated with TARP assistance to the first nine CPP recipients, with emphasis on additional assistance to Bank of America subsequently authorized under Targeted Investment Program and the Asset Guarantee Program. The audit concluded that Treasury, the Federal Reserve, and the FDIC implemented programs designed to help prevent a further deterioration of the economy and a significant risk of financial market collapse. The audit also found that Treasury and other regulators' descriptions of the financial conditions of the first nine institutions as "healthy" were inconsistent with the private beliefs of decision makers at Treasury and the Federal Reserve, and later proved to be inaccurate. In addition to the basic transparency concern that this inconsistency raises, by stating expressly that the "healthy" institutions would be able to increase overall lending, Treasury created unrealistic expectations about the institutions' conditions and their ability to increase lending. Treasury lost credibility when lending at those institutions did not in fact increase and when subsequent events — the further assistance needed by Citigroup and Bank of America being the most significant examples — demonstrated that at least some of those institutions were not in fact healthy.
- **Federal Agencies Oversight of American International Group, Inc. Executive Compensation:** SIGTARP also released in October of 2009, an audit report that examined the extent of the knowledge of and oversight by officials from the Federal Reserve, New York (FRBNY), and Treasury over compensation programs at AIG, and, specifically, \$168 million in retention award payments made to employees of AIG Financial Products Corp. (AIGFP) in March 2009. The audit concluded, among other things, that Treasury officials effectively outsourced oversight of AIG's compensation systems to the Federal Reserve, failing to take any independent steps to assess broadly the amount or scope of AIG's compensation obligations despite the \$40 billion TARP investment in November 2008. As a result, senior Treasury officials were apparently not aware of the details of the March 2009 AIGFP payments until February 28, 2009. This meant that Treasury invested tens of billions of taxpayer dollars in AIG, designed AIG's contractual executive compensation restrictions, and helped manage the Government's majority stake in AIG for several months, all without having any detailed information about the scope of AIG's very substantial, and very controversial, executive compensation obligations. Treasury's failure in oversight potentially resulted in a missed opportunity to avoid the explosively controversial events surrounding the AIGFP retention payments that followed and created such considerable public and Congressional concern.
- **AIG Counterparty Payments:** On November 10, 2008, the Federal Reserve and Treasury announced the restructuring of the Government's financial support to AIG. As part of this restructuring, a special purpose vehicle, Maiden Lane III, purchased certain assets underlying AIGFP's Credit Default Swap (CDS) contracts from its counterparties using \$24.3 billion of FRBNY financing in combination with a \$5.0 billion equity investment from AIG. In exchange for this payment and being permitted to retain \$35 billion in collateral payments already made (thus effectively being paid par or face value for the underlying assets), the

counterparties agreed to terminate their CDS contracts with AIGFP. SIGTARP's audit, which was issued in November of 2009, found, among other things, that the terms of the original FRBNY financing did not result from independent analysis, but were simply an adoption of the term sheet from an aborted private financing discussion, and those terms, which included an onerous effective interest rate of 11 percent, made modification of the terms and further Government action inevitable. The audit also found that, in structuring Maiden Lane III, FRBNY attempted to obtain concessions, or "haircuts" from the CDS counterparties — and one counterparty was prepared to take a modest haircut — but the FRBNY's negotiating strategy was hampered by a series of policy decisions that severely limited its ability to obtain concessions, including its decision not to accept concessions unless concessions could be obtained from all of the counterparties, its refusal to use its leverage as regulator to some of the institutions involved, and its basic discomfort with interfering with the sanctity of the counterparties' contractual rights. These policy choices led directly to a negotiating strategy with the counterparties that even then-FRBNY President Geithner acknowledged had little likelihood of success. The audit further noted that although Mr. Geithner has denied that his intent was to benefit the counterparties, the overall structure of the AIG bailout resulted in AIG's counterparties receiving tens of billions of dollars they likely would not have otherwise received had AIG gone into bankruptcy.

- **Additional Insights on Use of TARP Funds:** In December of 2009, SIGTARP issued an audit conducted as a follow-up to SIGTARP's earlier audit on TARP recipients' use of TARP funds. The follow-up audit examined the use of TARP funds by six institutions — two automobile manufacturers (GM and Chrysler), two automobile financing firms (GMAC Inc. and Chrysler Financial Services Americas LLC), and two life insurance companies (The Hartford Financial Services Group, Inc. and Lincoln National Corporation). The six companies were able to provide useful insight on their actual or planned use of TARP funds.
- **HAMP:** A SIGTARP audit report published in March of 2010, examined the design and operation of HAMP in detail. The audit first found that Treasury's publicly touted measure of success, the number of short-term trial modification offers that have been made to struggling homeowners, was largely meaningless, and that Treasury needs to clearly identify the total number of homeowners it actually intends to help stay in their homes through sustainable permanent mortgage modifications. The audit also found that the limited results to date stemmed from, among other things, flaws in HAMP's design, rollout, and marketing that diminished the program's effectiveness in providing sustainable relief to at-risk homeowners. In its original version, HAMP involved frequent and time-consuming revisions of guidelines that created confusion and delay; permitted reliance on unverified verbal borrower data that slowed down conversions to permanent modifications; suffered from insufficient outreach to the American public about eligibility and benefits; and did not fully address risk factors for re-defaults among participating borrowers, including negative equity and high total debt levels even after modification. Without addressing the dangers of re-default, HAMP risks merely spreading out the foreclosure crisis at significant taxpayer expense. While this may benefit financial institutions that would not have to recognize the losses from immediate foreclosures, it would do little to accomplish EESA's explicit purpose to "help families keep their homes."

- **Warrants Sales:** In May of 2010, SIGTARP released an audit that analyzed the processes and procedures Treasury has established to ensure that the Federal Government receives fair market value for the warrants it received in connection with TARP investments and the extent to which Treasury has controls in place to facilitate a transparent and well-documented decision-making process. The audit found that Treasury's warrants disposition process generally has been successful, albeit after a somewhat difficult start. However, there are two areas where Treasury could improve its procedures to ensure more consistent, transparent decision-making. First, Treasury lacks detailed documentation supporting the decision-making process of its Warrant Committee, and SIGTARP recommended that Treasury enhance the detail captured in the meeting minutes of its Warrant Committee. Second, Treasury does not document conversations with its counterparties, nor does Treasury have procedures in place to control the amount of information shared with them.
- **Monitoring Compliance:** In June 2010, SIGTARP issued an audit that examined the extent to which Treasury follows a clear, consistent, and effective process to ensure that companies receiving exceptional assistance under TARP adhere to applicable requirements. SIGTARP found that, although some progress has been made since an earlier review of internal controls, Treasury's implementation of its compliance strategy has been too slow, Treasury relies too heavily on the companies to gauge their compliance, and Treasury has been inadequately staffed.
- **Automobile Dealership Closures:** In July 2010, SIGTARP published an audit, as requested by Senator Jay Rockefeller and Representative David Obey, that evaluated the role of Treasury's Auto Team in the decision to reduce dealership networks, the extent to which GM and Chrysler developed and documented processes for deciding which dealership to terminate and which to retain, and to what extent the dealership reductions are expected to lead to cost savings to GM and Chrysler. SIGTARP found that although there was broad consensus concerning the need to close dealerships, there were dissenting expert opinions concerning the timing and location of the reductions; that job losses were not a significant factor in the Auto Team's decision-making; and cost savings were not considered.

These audits may be reviewed in their entirety at <http://www.sig tarp.gov/audits.shtml>.

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, the Congressional Oversight Panel, 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 regularly 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 regular 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 Special Inspector General Neil M. Barofsky, Assistant Attorney General Lanny A. Breuer of the Criminal Division of the DOJ, and Timothy G. Massad, 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

Special IG for TARP	FTE	Amount
FY 2010 Enacted	133	\$23,300
FY 2011 Annualized CR Level	192	\$36,300
Changes to Base:		
Adjustment to Reach Policy Level:	-	\$13,068
Adjustment to Reach FY 2011 President's Policy	-	\$13,068
Maintaining Current Levels (MCLs):	-	\$454
Maintaining Current Levels	-	\$454
Efficiencies, Savings & Base Reductions:	-	(\$2,448)
Efficiencies, Savings and Reductions	-	(\$2,448)
Subtotal FY 2012 Changes to Base	-	\$11,074
Total FY 2012 Base	192	\$47,374
Total FY 2012 Request	192	\$47,374

2A – Budget Increases and Decreases Description

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +\$13,068,000 / +0 FTE

Adjustment to Reach FY 2011 President's Policy

Maintaining Current Levels (MCLs)

Maintaining Current Levels +\$454,000 / +0 FTE

Funds are required for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

Efficiencies, Savings & Base Reductions

Efficiencies, Savings and Reductions -\$2,448,000 / +0 FTE

A reduction from the base level will be absorbed through general operating costs.

2.2 – Operating Levels Table

Dollars in Thousands

Special IG for TARP	FY 2010 Enacted	FY 2011 Annualized CR Level	Proposed Reprogram mings	FY 2011 Proposed Operating Level	FY 2012 Request
FTE	133	192	-	192	192
Object Classification					
11.1 - Full-time permanent	\$9,591	\$14,782	\$0	\$14,782	\$17,339
11.3 - Other than full-time permanent	\$1,903	\$1,682	\$0	\$1,682	\$1,766
11.5 - Other personnel compensation	\$0	\$0	\$0	\$1,416	\$1,741
11.6 - Overtime	\$0	\$1,416	\$0	\$0	\$0
11.7 - Other Personnel Compensation	\$1,047	\$449	\$0	\$449	\$413
12 - Personnel benefits	\$3,454	\$4,734	\$0	\$4,734	\$5,346
21 - Travel and transportation of persons	\$0	\$963	\$0	\$963	\$1,000
23 - Rent, Communications and Utilities	\$1,425	\$0	\$0	\$0	\$0
23.3 - Communication, utilities, and misc charges	\$0	\$0	\$0	\$0	\$172
24 - Printing and reproduction	\$0	\$0	\$0	\$0	\$195
25.1 - Advisory and assistance services	\$4,321	\$5,115	\$0	\$5,115	\$7,254
25.2 - Other services	\$0	\$0	\$0	\$0	\$741
25.3 - Other purchases of goods and services from Govt. accounts	\$1,559	\$7,159	\$0	\$7,159	\$9,674
26 - Supplies and materials	\$0	\$0	\$0	\$0	\$410
31 - Equipment	\$0	\$0	\$0	\$0	\$1,223
42 - Insurance claims and indemnities	\$0	\$0	\$0	\$0	\$100
Total Budget Authority	\$23,300	\$36,300	\$0	\$36,300	\$47,374
Budget Activities					
Audit	\$9,900	\$15,609	\$0	\$15,609	\$20,371
Investigations	\$13,400	\$20,691	\$0	\$20,691	\$27,003
Total Budget Authority	\$23,300	\$36,300	\$0	\$36,300	\$47,374

2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2010 Obligations		FY 2010 Enacted		FY 2011 Annualized CR Level		FY 2012 Request		% Change FY 2010 to FY 2012	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Appropriated Resources:										
Audit	48	\$9,900	61	\$9,900	78	\$15,609	78	\$20,371	27.87%	105.77%
Investigations	64	13,339	72	13,400	114	20,691	114	27,003	58.33%	101.51%
Subtotal New Appropriated Resources	112	\$23,239	133	\$23,300	192	\$36,300	192	\$47,374	44.36%	103.32%
Other Resources:										
Available multi-year/no-year funds		9,007		20,000		13,068				
Available multi-year PPIP funds		1,238		5,000		1,671		1,708		
Subtotal Other Resources	0	\$10,245	0	\$25,000	0	\$14,739	0	\$1,708		-93.17%
Total Resources Available for Obligation	112	\$33,484	133	\$48,300	192	\$51,039	192	\$49,082	44.36%	1.62%

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM Federal funds</p> <p style="text-align: center;">SALARIES AND EXPENSES <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), as amended, \$47,374,000.</i></p>	

2C – Legislative Proposals

SIGTARP does not have any legislative proposals for FY 2012.

Section 3 – Budget and Performance Plan

This table lists all FY 2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	% Change FY10 to FY12
Exceptional accountability and transparency	23,300	36,300	\$47,374	103.32%
Total	\$23,300	\$36,300	\$47,374	103.32%

3A - Audit (\$20,371,000 from direct appropriations) ¹ 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; evaluates TARP policies and procedures; and provides technical assistance to Treasury. 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 the fast-evolving TARP. For FY 2012, AD expects to initiate an average of four audits per quarter.

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.

¹ In addition to the SIG and his central office staff (“CO”), SIGTARP is comprised of the AD, the ID, the Operations Division (“OD”), and the Office of General Counsel. The basic statutory mission of SIGTARP (*i.e.*, audit and investigation) is largely carried out by AD and ID. The CO, OD, and DGC lend support AD and ID as they fulfill the mission, and, thus, CO, OD and DGC costs have been apportioned among AD and ID.

3.2.1 Audit Budget and Performance Plan

Audit Budget Activity					
Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Obligated	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	\$0	\$0	\$9,900	\$15,609	\$20,371
Reimbursable Resources	\$0	\$0	\$0	\$0	\$0
Total Resources	\$0	\$0	\$9,900	\$15,609	\$20,371

Budget Activity Total	\$0	\$0	\$9,900	\$15,609	\$20,371
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Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Congressional Requests for Testimony Completed (Ot)(Units)	N/A	N/A	7.0	4.0	4.0
Number of Completed Audit Products (Ot)(Units)	N/A	3.0	9.0	12.0	12.0
Percent of Recommendations Implemented (Oe)(%)	N/A	100.0	43.0	70.0	70.0

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

Description of Performance: As discussed in section 1B, AD has issued 13 audit projects and initiated 26 audits. SIGTARP's audit team was not fully staffed for fiscal year 2010 and yet the audit work increased, requiring more in-depth analysis. As SIGTARP's audit division staffs to full capacity, the production of a greater number of audit reports is anticipated in FY 2011 and FY 2012. SIGTARP also anticipated a higher rate of implementation from OFS in FY 2010. SIGTARP will continue to make recommendations to improve the efficiency and effectiveness of TARP and will continue to work with OFS to implement these recommendations. In addition, SIGTARP anticipates that Congress will continue to have interest in SIGTARP's work and will continue to request testimonies in FY 2011 and FY 2012.

3B - Investigations (\$27,003,000 from direct appropriations): 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. The division is comprised of experienced financial and corporate fraud investigators, including not only special agents, but also forensic analysts and, critically, attorney advisors. This structure provides SIGTARP with a broad array of expertise and perspectives in developing even 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 also implements 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 December 31, 2010, the SIGTARP Hotline has received and analyzed more than 24,000 Hotline contacts. A substantial number of SIGTARP's investigations were generated in connection with Hotline tips. The SISTARP Hotline can receive information anonymously, and the confidentiality of whistleblowers is protected to the fullest extent possible.

3.2.2 Investigations Budget and Performance Plan

Investigations Budget Activity						
Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Obligated	FY 2011 Annualized CR Level	FY 2012 Request	
Appropriated Resources	\$0	\$0	\$13,400	\$20,691	\$27,003	
Reimbursable Resources	\$0	\$0	\$0	\$0	\$0	
Total Resources	\$0	\$0	\$13,400	\$20,691	\$27,003	

Budget Activity Total	\$0	\$0	\$13,400	\$20,691	\$19,703	
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Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Percentage of Hotline Complaints Referred for Investigation or to OFS within 14 days of Receipt (E)(%)	N/A	77.0	74.0	65.0	70.0
Percentage of Investigations Accepted by Prosecutors (Oe)(%)	N/A	95.0	100.0	55.0	55.0
Percentage of Preliminary Investigations Converted to Full Investigations (Oe)(%)	N/A	50.0	80.0	40.0	N/A
Percentage of cases that are joint agency/task force investigations (Oe)(%)	N/A	60.0	50.0	35.0	40.0

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

Description of Performance: In FY 2010, the Investigations Division opened 117 investigations and closed 41 cases. There are 142 active investigations as of the end of December 31, 2010. For FY 2012, although it is difficult to forecast for a variety of reasons, SIGTARP anticipates opening 95 new investigations. 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.

The division expects to have grown to 82 FTE's by the end of the fiscal year. These FTEs hail from many Federal agencies including the Department of Justice, FBI, IRS-Criminal Investigations, Department of Energy-OIG, US Postal Inspections, HUD-OIG, Air Force Office of Special Investigations, US Secret Service, FDIC-OIG, US Army Criminal Investigations

Command, Navy Criminal Investigations Service, Treasury-OIG and the Securities and Exchange Commission.

As the Division has expanded so has the depth and complexity of the cases under investigation. Consequently these highly complex cases require considerable investment in investigative resources. Accordingly, the performance measures for FY2012 may need to be adjusted to reflect that some preliminary cases may sit longer prior to closure or conversion to a full investigation depending on available investigative resources. While the FY2010 percentage of 80 percent is an improvement on the last fiscal year the impact on our performance measure of some highly significant cases is difficult to quantify at this time.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

The SIGTARP's strategic management of human capital is consistent with its mission, vision and priorities and supports Treasury's strategic goal of managing the U.S. Government's Finances as they relate to the TARP program effectively. SIGTARP anticipates that it will reach steady state (i.e., full staffing level, permanent office space, and most critical contracts in place) in the third quarter of FY 2011. Moreover, SIGTARP, pursuant to section 121(k) of EESA, as amended, is a temporary organization that is scheduled to cease operations on the date that the last troubled asset is disposed or the last guarantee contract expires, whichever is later.

SIGTARP uses various hiring flexibilities such as Direct Hiring Authority and dual compensation reduction (salary offset) for re-employed annuitants. Direct Hiring Authority and the authority to re-employ retired annuitants without a salary offset has aided SIGTARP in aggressively recruiting the highly skilled, qualified applicants critical to SIGTARP meeting Congressional mandates.

SIGTARP continues to find ways to strengthen recruitment efforts through its continual development of a proactive working relationship with managers and supervisors. HR Specialist consults with managers/supervisors frequently to discuss position management and position classification issues; recruitment strategies; and provide information on hiring flexibilities and incentives that are available.

SIGTARP recognizes that improvements in the hiring processes are an on-going effort, and while much progress has been made – emphasis on achieving greater efficiencies and improvements continue. This effort includes working with minority schools and institutions to develop relationships; posting job vacancies in various professional magazines; focusing on Schedule A, Persons with Disability appointing authority, and increasing its veterans employment efforts by partnering with the Department of Treasury's Veterans Employment Program Office (VEPO). This program offers assistance with locating interns as well as conducting veteran's workshops for managers and supervisors. The workshops will meet the mandatory hiring manager training requirements.

In addition, SIGTARP participates in the "Take Your Child to Work Program" as a means to support the objectives of the White House Council on Women and Girls (CWG).

4.1 - Summary of IT Resources Table

(Dollars in Thousands)

Major IT Investments / Funding Source	Budget Activity	FY 2009 Enacted	FY 2010 Enacted	% Change from FY 2009 to FY 2010	FY 2011 Annualized CR Level	FY 2012 Request	% Change from FY 2010 to FY 2012
	Audit and Investigations	\$0	\$457	100.0%	\$1,860	\$1,260	175.7%
Subtotal, Major IT Investments		\$0	\$457	100.0%	\$1,860	\$1,260	175.7%
Continuing Operating Costs	Audit and Investigations	\$0	\$478	100.0%	\$700	\$700	46.4%
Other Non-Major Costs	Audit and Investigations	\$0	\$322	100.0%	\$342	\$342	6.2%
Non-Major IT Investments		\$0	\$800	100.0%	\$1,042	\$1,042	30.3%
Infrastructure Investments		\$0	\$2,678	100.0%	\$3,838	\$2,988	11.6%
Enterprise Architecture		\$0	\$0	0.0%	\$0	\$0	0.0%
Enterprise Identity and Access Management		\$0	\$0	0.0%	\$0	\$0	0.0%
Total IT Investments		\$0	\$3,935	100.0%	\$6,740	\$5,290	34.4%

4B – Information Technology Strategy

IT funding has been critical in enabling SIGTARP to fulfill its mission of transparency, coordinated oversight, and robust enforcement. Presently, SIGTARP is utilizing the services provided by Treasury Departmental Offices 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 is reviewing those requirements with Treasury Departmental Offices and other government agencies to determine best course of action to complete those requirements. The major IT investments are for acquisition, installation, integration, training and modifications of mission systems such as Hotline information management, investigative case management, forensic system management, audit management, records management, asset management and training management which are not normally provided by Treasury's shared services operations. As a temporary agency, SIGTARP expects only maintenance and routine enhancements and modifications to be required on an ongoing basis after a steady state of IT systems and operations is intended to be achieved in FY 2011. The significant infrastructure investments deferred in FY 2010 are expected to be expended in FY 2011 and FY 2012. These investments support the continued establishment of SIGTARP's capabilities, including infrastructure planning, installation of cabling to desktops, computer facility, telephone facility data storage, wireless antenna system, additional cooling and backup power and the connections for one or more external voice and data providers for its headquarters and remote office structure. After these initial start-up years, funds are budgeted for standard upgrades in capacity and functionality for headquarters and for remote office operations.

Accordingly, SIGTARP's IT strategy is to establish its mission systems and IT infrastructure in the initial years of its operation, then maintain its IT investment beginning in FY 2012 to updates, modifications, maintenance and equipment refreshment consistent with the priorities of the mission and its role as a temporary agency.