

Special Inspector General for TARP

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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

Mandatory and Discretionary Levels	FY 2009	FY 2010		FY 2011	
	Enacted	Enacted	Request	\$ Change	% Change
Salaries and Expenses	\$50,000	\$23,300	\$49,600	\$26,300	113%
Public Private Investment Fund (PIIP)	\$15,000				
Mandatory Funding	\$65,000				
Discretionary Funding		\$23,300	\$49,600	\$26,300	113%
Total Mandatory and Discretionary¹	\$65,000	\$23,300	\$49,600	\$26,300	113%
Available no-year funds - S&E		\$20,100		(\$20,100)	-100%
Available PIIP funds		\$5,000	\$5,000	\$0	0%
Total Budgetary Resources	\$65,000	\$48,400	\$54,600	\$6,200	13%
Program Summary By Budget Activity:					
Audit	\$27,900	\$20,700	\$23,200	\$2,500	12%
Investigation	\$37,100	\$27,700	\$31,400	\$3,700	13%
Total by Budget Activity	\$65,000	\$48,400	\$54,600	\$6,200	13%
Total FTE	100²	133³	160		20%

¹ The FY 2009 enacted level includes \$50 million of no-year funds provided by Public Law (P.L.) 110—343, the Emergency Economic Stabilization Act of 2009 as amended, (EESA) and an additional \$15 million of no-year funds made available pursuant to P. L. 111-22, for a total of \$65 million. Carry-forward funds in the amount of \$20.1 million, provided by P.L. 110-343, and \$5 million provided by P.L. 111-22, and the enacted FY 2010 budget of \$23.3 million in direct appropriations, provided by P.L. 111-117, will be used to fund the FY 2010 budget of \$48.4 million. These amounts do not reflect an additional \$10.2 available in carry-forward from P.L. 110-343. The carry-forward from P.L. 111-22 will be used to partially fund the FY 2011 and FY 2012 budget in the amount of \$5 million each year.

² This represents a target level of approved FTEs; actual usage in FY 2009 was 29 FTE.

³ This represents the projected usage level for the FY 2010 approved 160 FTE ceiling.

FY 2011 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 assets it obtains, and how TARP recipients use these funds.
- 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.

Section 1 – Purpose

1A – Description of Vision and Priorities

SIGTARP supports and complements Treasury’s strategic goal of effectively managing the U.S. Government’s finances as they relate to the TARP program (which potentially involves more than \$2 trillion in TARP and TARP-related funds), through the implementation of SIGTARP’s priorities:

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

Of the four primary oversight bodies referenced in the Emergency Economic Stabilization Act of 2008, P.L. 110-343 (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: as the cop on the beat. Being the lone cop on the beat would be an intimidating task in a \$700 billion purchase and guarantee program as was originally envisioned under EESA. The task, however, has become exponentially more challenging as Treasury has thus far committed TARP funds to 12 separate programs that potentially involve more than \$2 trillion. To accomplish SIGTARP’s mission to oversee this vast amount of money for the American taxpayer, SIGTARP focuses on its goals of transparency, coordinated oversight, and robust criminal and civil law enforcement.

Promoting transparency in the management and operations of TARP programs is vital. Through 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 our audit and investigative resources, and through partnership 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.

1B – Program History and Future Outlook

Background: EESA created the TARP and authorized Treasury to purchase, manage, and sell troubled assets under section 101, and to guarantee such assets under section 102. Additionally, section 121 of EESA, as amended, which incorporated selected provisions of the Inspector General Act of 1978, 5 U.S.C. App. 3, created SIGTARP as an independent agency within Treasury responsible to conduct, supervise, and coordinate audits and investigations of any actions taken under EESA.

General Management: SIGTARP commenced operations on December 15, 2008, with the swearing in of the Special Inspector General (SIG). Between December 2008 and September 30, 2009, the SIG and SIGTARP have been extraordinarily productive: building infrastructure, hiring staff, leveraging oversight resources, opening more than 61 investigations, initiating 13 audits, publishing three audit reports and issuing three substantial reports to Congress. In the former regard, SIGTARP has secured temporary office space and equipment for staff; has contracted for permanent space and the rehabilitation of the same; has contracted with public and private vendors for personnel services, procurement assistance, publication consulting, data processing and analysis, and office equipment and services.

Simultaneous with building the infrastructure to enable SIGTARP to carry out its mission, the SIG rapidly designed a staffing and hiring plan. As of January 1, 2010, SIGTARP has hired 99 managers, lawyers, auditors, investigators, and other professionals with a wealth of experience in program auditing, investment banking, securities enforcement, and other relevant curricula. To successfully accomplish this hiring challenge, SIGTARP relied on direct hire authority and dual compensation authority waiver delegated by the Office of Personnel Management. Recently, the Special Inspector General for the Troubled Asset Relief Program Act of 2009, P.L. 111-15, supplemented SIGTARP's dual compensation waiver authority and granted additional hiring incentives included in 5 U.S.C. § 3161.

The TARP has evolved from a \$700 billion purchase and guarantee program potentially involving up to a \$2 trillion amalgamation of a dozen separate programs, which in some cases are being or will be implemented by government agencies other than Treasury (i.e., the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC)). Accordingly, SIGTARP determined that leveraging other oversight resources would be necessary. 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 Inspectors General for Treasury, the Federal Reserve Board, the FDIC, the Securities and Exchange Commission (SEC), the Federal Housing Finance Agency, the Department of Housing and Urban Development, the Small Business Administration, and the Treasury Inspector General for Tax Administration. The TARP-IG Council meets monthly to discuss developments in TARP and coordinate interconnected audit and investigative issues. Similarly, SIGTARP established the Term Asset-Based Securities Loan Facility (TALF) 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 U.S. Postal Inspection Service. The task force members participate in regular briefings about the TALF, collectively identify areas of fraud vulnerability, engage in training exercises, and coordinate audit and investigative efforts. SIGTARP has established a TALF Public Private Investment Program task force, and forged partnerships and launched joint investigations with the FBI, the SEC, IRS-CID, and the New York High Intensity Financial Crime Area (NY HIFCA). In the latter regard, SIGTARP's partnership with NY HIFCA provides SIGTARP with two experienced financial analysts who use FinCEN and other available data resources to identify indicators of fraud associated with the TARP and furnish analytical support with respect to ongoing investigations.

Further, consistent with significant reporting requirements set forth in EESA, on February 6, April 21, July 21, and October 21, 2009, SIGTARP issued wide-ranging 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, 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. In the latter regard, recommendations included in SIGTARP's April 21st report were largely adopted and enacted into law by section 402 of Public Law No. 111-22. SIGTARP's reports also satisfied 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 such 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. 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. These reports are available at <http://www.sigtar.gov/reports.shtml>.

In addition to management and operations/overhead staff, SIGTARP carries out its mission via audit and investigative staff.

Audits: The Audit Division (AD) conducts, supervises, and coordinates programmatic audits with respect to Treasury's 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, 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.

In July 2009, AD issued its first formal audit report concerning how recipients of CPP funds reported their use of such funds based upon a February 2009 survey that SIGTARP sent to more than 360 financial and other institutions that had completed TARP funding agreements through January 2009. Although most banks reported they did not segregate or track TARP fund usage on a dollar-for-dollar basis, they were able to provide insights into their actual or planned future use of TARP funds. For some respondents the infusion of TARP funds helped to avoid a "managed" reduction of their activities; others reported that their lending activities would have come to a standstill without TARP funds; and others explained that they used TARP funds to acquire other institutions, invest in securities, pay off debts, or that they retained the funds to serve as a cushion against future losses. Many survey respondents also highlighted the importance of the TARP funds to the bank's capital base, and by extension, the impact of the funds on lending.

AD also completed an audit examining undue external influences over the CPP decision-making process. This audit addressed the extent to which Treasury and the banking regulators have controls to safeguard against external influences over the CPP decision-making process and whether there were any indications of external parties having unduly influenced CPP decision-making. SIGTARP found no information indicating that external inquiries on CPP applications had affected the decision-making process, but gaps in the internal controls by the government agencies conducting the CPP application process makes it impossible to determine if all attempts to influence TARP decisions were captured by the audit. Of the 56 institutions SIGTARP identified that were the subjects of external inquiries, three institutions did not meet all the CPP quantitative criteria but were approved based on mitigating factors considered by Treasury and banking agency officials. Among these three, one institution stood out. SIGTARP's analysis indicated that discretion afforded this applicant in its approval was greater than that afforded other applicants. In connection with the audit, SIGTARP made recommendations regarding the improvement of internal controls and record keeping, which Treasury has adopted.

AD also issued an audit examining executive compensation restriction compliance. This audit examined the efforts of TARP recipients' to comply with executive compensation restrictions in place at the time of SIGTARP's survey of banks use of funds. The audit was set against a background of the evolving rules on executive compensation for TARP recipients. Although recipients expressed frustration with changing compensation guidance, they were able to report the actions that they have been taking.

AD also has audits nearing completion examining AIG bonuses, AIG counterparty payments and an update on SIGTARP's use of funds survey. In addition, SIGTARP is undertaking a series of new audits, as follows:

- TARP assistance to the first nine CPP recipients, with emphasis on additional assistance to Bank of America subsequently authorized under the Targeted Investment and the Asset Guarantee Programs (“TIP” and “AGP”).
- CPP Warrant Valuation and Disposition Process: The audit will seek to determine: (i) the extent to which financial institutions have repaid Treasury's investment under CPP and the extent to which the warrants associated with that process were repurchased or sold; and (ii) what process and procedures Treasury has established to ensure the Government receives fair market value for the warrants and the extent to which Treasury follows a clear, consistent, and objective process in reaching decisions where differing valuations of warrants exist. This audit complements a July 10, 2009, report by the Congressional Oversight Panel examining the warrant valuation process.
- Governance Issues Where U.S. Holds Large Ownership Interests: The audit will examine governance issues when the U.S. Government has obtained a large ownership interest in a particular institution, including: (i) what is the extent of Government involvement in management of companies in which it has made sizeable investments, including direction and control over such elements as governance, compensation, spending, and other corporate decision-making; (ii) to what extent are effective risk management, monitoring, and internal controls in place to protect and balance the Government's interests and corporate needs; (iii) are there performance measures in place that can be used to track progress against long-term goals and timeframes affecting the Government's ability to wind down its investments and disengage from these companies; and (iv) is there adequate transparency to support decision making and to provide full disclosure to the Congress and the public.
- Status of the Government's Asset Guarantee Program with Citigroup: The audit will examine the Government's AGP program with Citigroup. Specifically, the audit will address: (i) how was the program for Citigroup developed; (ii) what are the current cash flows from the affected assets; and (iii) what are the potential for losses to Treasury, the FDIC, and the Federal Reserve.
- Making Home Affordable Mortgage Modification Program: The audit will examine the Making Home Affordable mortgage modification program to assess the status of the program, the effectiveness of outreach efforts, capabilities of loan servicers to provide services to eligible recipients, and challenges confronting the program as it goes forward.
- Auto dealership terminations: The audit will examine the process used by General Motors (“GM”) and Chrysler to identify which automotive dealerships should be maintained or terminated. GM and Chrysler reportedly have announced plans to terminate more than two thousand automotive dealerships as part of their restructuring process.

For FY 2011, AD expects to initiate an average of five to seven 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.

Investigations: The Investigations Division (ID) supervises and conducts criminal and civil investigations into those persons and entities, whether inside or outside of government, who waste, steal, or abuse TARP funds. 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 perspective 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.

Since SIGTARP's inception, ID has opened over 77 investigations and closed nine, but it is SIGTARP's policy not to discuss the scope or substance of pending investigations. However, the following activities have been publicly disclosed:

- **Taylor, Bean and Whitaker Mortgage Corporation(TBW) and Colonial Search Warrants:** On August 3, 2009, SIGTARP, with the FBI, HUD OIG, and FDIC OIG, executed search warrants at the offices of Taylor, Bean and Whitaker, formerly the nation's 12th-largest loan originator and servicer, and Colonial Bank, which applied for assistance under the Capital Purchase Program ("CPP"). Prior to the execution of these warrants, SIGTARP had served subpoenas on Colonial after it had announced that it had received preliminary contingent approval from the Treasury to receive \$553 million in TARP funding. Based upon SIGTARP's advice, the funding was never made and this investigation, which is being conducted with both the Department of Justice and the SEC, is ongoing.
- **Federal Felony Charges Against Gordon Grigg:** On April 23, 2009, Federal felony charges were filed against Gordon B. Grigg in the U.S. District Court for the Middle District of Tennessee, charging him with four counts of mail fraud and four counts of wire fraud. The charges are based on Grigg's role in embezzling approximately \$11 million in client investment funds that he garnered through false claims, including that he had invested \$5 million in pooled client funds toward the purchase of the TARP-guaranteed debt. Grigg pleaded guilty to all charges and was sentenced to 10 years imprisonment.
- **Federal Trade Commission (FTC) Action Against Misleading Use of "MakingHomeAffordable.gov":** On May 15, 2009, based upon an action brought by the FTC, a Federal district court issued an order to stop an Internet-based operation that pretended to operate "MakingHomeAffordable.gov," the official website of the Federal Making Home Affordable program. The FTC's action, which was developed with the investigative assistance of SIGTARP, alleges that the defendants purchased sponsored links as advertising on the results pages of Internet search engines, and, when consumers searched

for “making home affordable” or similar search terms, the defendants’ ads prominently and conspicuously displayed “MakingHomeAffordable.gov.” Consumers who clicked on this link were not directed to the official website, but were diverted to sites that solicit applicants for paid loan modification services. The operators of these websites either purport to offer loan modification services themselves or sold the victims’ personally identifying information to others.

- National Housing Modification Center: On September 16, 2009, the FTC filed a complaint against the Nations Housing Modification Center (“NHMC”) and its principals in the U.S. District Court for the District of Columbia. With investigative support from SIGTARP and other federal, state and local enforcement partners, the FTC alleged violations of the FTC Act and Telemarketing Sales Rules by NHMC by misrepresenting itself as a Federal government agency or affiliate and falsely claiming that they would obtain mortgage modifications for consumers for a \$3,000 fee. SIGTARP’s joint investigation is continuing.
- Bank of America: SIGTARP continues to play a significant role in the investigations by the New York State Attorney General’s Office, the SEC and the Department of Justice into the circumstances of Bank of America’s merger with Merrill Lynch and its receipt of additional TARP funds under the Targeted Investment Program.

For FY 2011, although it is difficult to forecast for a variety of reasons, SIGTARP anticipates opening 75 investigations. In addition, SIGTARP’s Hotline, which fields complaints and tips about wrongdoing, as of December 31, 2009, had already processed more than 9,900 contacts.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for the Troubled Asset Relief Program		
	FTE	Amount
FY 2010 Enacted	133	\$ 23,300
Adjustments to FY 2010 Enacted		
Base Realignment		
FY 2010 Base Realignment	27	\$ 25,015
Subtotal, Base Realignment	27	\$ 25,015
Maintaining Current Levels		
FERS % Change		\$ 1,285
Non-Pay Inflation Adjustment		9
Pay Annualization		278
Pay Inflation Adjustment		702
		296
Subtotal, Adjustments to FY 2010 Enacted		\$ 26,300
Total FY 2011 President's Budget Request	160	\$ 49,600
Carryover from Pub. Law No. 111-22	160	\$ 5,000
Total FY 2011 Budgetary Resources	160	\$ 54,600

2A – Budget Increases and Decreases Description

SIGTARP has an appropriation of \$23,300,000 for FY 2010. In addition, section 402(c)(1) of the Helping Families Save Their Homes Act of 2009, Pub. Law No. 111-22, provided SIGTARP with \$15,000,000. However, section 402(c)(2) requires SIGTARP, in using these funds, to “prioritize the performance of audits or investigations of recipients of non-recourse Federal loans made under any” EESA program. The supplemental funding, thus, is not available for SIGTARP’s general operational uses, and SIGTARP expects that it will take approximately three fiscal years, i.e., \$5,000,000 per year for FY 2010, FY 2011, and FY 2012, to expend the supplemental funding in a manner consistent with the statute.

Maintaining Current Levels (MCLs) +\$1,285,000 / +0 FTE

FERS % change +\$9,000 / +0 FTE Funds are requested for the increase in agency retirement contribution percentages for GS employees from 11.2% to 11.5% for FY 2011 as required by OPM.

Non-Pay Inflation Adjustment +\$278,000 / +0 FTE SIGTARP anticipates reaching steady state (i.e., full staffing level, permanent office space, and most critical contracts in place) in the second quarter of FY 2010, and, thus, increases in non-personnel costs are largely expected to reflect inflationary pressures, as opposed to new contracting activity.

Pay Annualization +\$702,000 / +0 FTE Although FTEs do not increase in FY 2011, SIGTARP estimates being at steady state at the beginning of FY 2011. SIGTARP does not anticipate that it

will have completed its hiring efforts until after the conclusion of the second quarter of FY 2010; personnel costs in FY 2011 will be slightly higher on an annualized basis.

Pay Inflation Adjustment +\$296,000 / +0 FTE Funds are requested to mitigate the impact of the FY 2011 pay raise.

Because SIGTARP is nascent organization, its capital expenditures, program launches, and hiring has occurred or will occur in FY 2009 and FY 2010. It is, thus, unlikely that capital items purchased will have exhausted their useful life and requires replacement or that programs will be discontinued as early as FY 2011. With respect to program increases, however, Treasury or Congress could expand the TARP. Such an action may prompt SIGTARP to adjust its mission requirements, but this is impossible to predict and, accordingly, SIGTARP has not integrated it into its projections.

2.2 – Operating Levels Table

Dollars in Thousands

	FY 2009 Enacted Level	FY 2010 Enacted Level	FY 2011 Requested Level	% Change FY 2010 to FY 2011
Bureau: Special Inspector General for TARP				
FTE	100	133	160	20%
Object Classification:				
11.1 - Full-time permanent	11,500	14,200	19,600	38%
11.3 - Other than Full-time permanent				
11.5 - Other Premium and Differential Pay				
11.6 - Overtime				
11.7 - Other Personnel Compensation	1,300	1,000	1,000	0%
11.8 - Special Personal Services Payments				
12.0 - Personnel Benefits	4,200	4,100	5,300	29%
21.0 - Transportation of Persons	2,300		3,200	
22.0 - Transportation of Things	-		200	
23.0 Rents, Communications, Utilities and Miscellaneous Charges	2,100		2,300	
24.0 - Printing and Reproduction	300		300	
25.1 - Consulting Services	9,700	4,000	6,500	63%
25.2 - Other Services				
25.3 - Purchase of Goods and Services from Other Government Accounts	7,300		6,900	
25.4 - Operation and Maintenance of Facilities	500		400	
25.7 - Operations and Maintenance of Equipment	600		300	
26.0 - Supplies and Materials	800		1,000	
31.0 Equipment	5,700		1,700	
32.1 Leasehold Improvements	3,000		500	
42.0 Insurance Claims and Indemnities	600		200	
91.0 Unvouchered Expenditures	100	-	200	
Subtotal Budget Authority	50,000	23,300	49,600	113%
PIIP	15,000			
Mandatory Funding	65,000			
Discretionary Funding		23,300	49,600	113%
Total Mandatory and Discretionary Funding⁴	65,000	23,300	49,600	113%
Available no-year funds		20,100		
Available PPIP		5,000	5,000	
Total Budgetary Resources	65,000	48,400	54,600	13%
Budget Activities:				
TARP Oversight	65,000	48,400	54,600	13%
Audit	27,900	20,700	23,200	12%
Investigations	37,100	27,700	31,400	13%
Total Budget Authority	65,000	48,400	54,600	13%

⁴ The FY 2009 enacted level includes \$50 million of no-year funds provided by Public Law (P.L.) 110—343, the Emergency Economic Stabilization Act of 2009 as amended, (EESA) and an additional \$15 million of no-year funds made available pursuant to P. L. 111-22, for a total of \$65 million. Carry-forward funds in the amount of \$20.1 million, provided by P.L. 110-343, and \$5 million provided by P.L. 111-22, and the enacted FY 2010 budget of \$23.3 million in direct appropriations, provided by P.L. 111-117, will be used to fund the FY 2010 budget of \$48.4 million. These amounts do not reflect an additional \$10.2 available in carry-forward from P.L. 110-343. The carry-forward from P.L. 111-22 will be used to partially fund the FY 2011 and FY 2012 budget in the amount of \$5 million each year.

2.3 – Appropriation Detail Table

Dollars in Thousands

Resources Available for Obligation	FY2009		FY2009		FY2010		FY2011		% Change	
	Obligations		Enacted		Enacted		Request		FY2010	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Investigations	17	11,624	58	28,800	72	13,400	92	28,600	21%	113%
Audit	12	8,002	42	21,200	61	9,900	68	21,000	19%	112%
Mandatory Funding	29	19,626	100	50,000						
Discretionary Funding					133	23,300	160	49,600	20%	113%
Total Mandatory and Discretionary Funding⁵	29	19,626	100	50,000	133	23,300	160	49,600	20%	113%
Other Resources:										
Available no-year funds						20,100			0.00%	-100%
PIIP	0	0	0	15,000	0	5,000	0	5,000	0.00%	0%
Subtotal Other Resources	0	0	0	15,000	0	25,100	0	5,000	0.00%	-80%
Total Resources Available for Obligation	29	19,626	100	65,000	133	48,400	160	54,600	20%	13%

⁵ The FY 2009 enacted level includes \$50 million of no-year funds provided by Public Law (P.L.) 110—343, the Emergency Economic Stabilization Act of 2009 as amended, (EESA) and an additional \$15 million of no-year funds made available pursuant to P. L. 111-22, for a total of \$65 million. Carry-forward funds in the amount of \$20.1 million, provided by P.L. 110-343, and \$5 million provided by P.L. 111-22, and the enacted FY 2010 budget of \$23.3 million in direct appropriations, provided by P.L. 111-117, will be used to fund the FY 2010 budget of \$48.4 million. These amounts do not reflect an additional \$10.2 available in carry-forward from P.L. 110-343. The carry-forward from P.L. 111-22 will be used to partially fund the FY 2011 and FY 2012 budget in the amount of \$5 million each year.

2B – Appropriation Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY</p> <p>SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM</p> <p>Federal funds</p> <p>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), as amended, [\$23,300,000]\$49,600,000. (<i>Consolidated Appropriations Act, 2010</i>)</p>	

2C – Legislative Proposals

SIGTARP does not have any legislative proposals for FY 2011.

Section 3 – Budget and Performance Plan

This table lists all FY 2011 resources by strategic goal, objective and outcome outlined in the FY 2007-2011 Treasury Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2011 Treasury Strategic Plan, please go to: http://www.treasury.gov/offices/management/budget/strategic_plan.shtml.

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY2010 Enacted	FY2011 Request	Percent Changes
Effectively managing the U.S. Government's resources:			
New appropriation ⁶	23,300	49,600	112.9%
Available no-year	20,100		
Available PPIP	5,000	5,000	
Total	48,400	54,600	13%

3A – Audit (\$21,000,000 from direct appropriations):⁷ 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 2011, AD expects to initiate an average of five to seven audits per quarter.

⁶ The FY 2009 enacted level includes \$50 million of no-year funds provided by Public Law (P.L.) 110—343, the Emergency Economic Stabilization Act of 2009 as amended, (EESA) and an additional \$15 million of no-year funds made available pursuant to P. L. 111-22, for a total of \$65 million. The remaining carry-forward in addition to the enacted FY 2010 budget of \$23.3 million in direct appropriations, provided by P.L. 111-117, will be used to fund the FY 2010 budget of \$48.4 million. Additionally, the carry-forward from P.L. 111-22 will be used to partially fund the FY 2011 and FY 2012 budget.

⁷In addition to the SIG and his central office staff (CO), SIGTARP is comprised of the AD, the ID, the Operations Division (OD), and the Division of Chief Counsel (DCC). The basic statutory mission of SIGTARP (i.e., audit and investigation) is largely carried out by AD and ID. The CO, OD, and DCC lend support AD and ID as they fulfill the mission.

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.

3.2.1 – Audit Budget and Performance Plan

Audit Budget Activity					
	FY 2007	FY2008	FY2009	FY2010	FY2011
Resource Level	Obligated	Obligated	Obligated	Enacted	Request
Appropriated Resources	n/a	n/a	n/a	9,900	21,000
Available no-year			8,002	10,800	2,200
Total Resources	n/a	n/a	8,002	20,700	23,200

Budget Activity Total	n/a	n/a	8,002	20,700	23,200
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Audit Budget Activity					
Measure	FY 2007	FY2008	FY2009	FY2010	FY2011
	Actual	Actual	Actual	Target	Target
Number of completed audit products (Ot)	n/a	n/a	3	12	16
Percent of recommendations implemented (%) (Oe)	n/a	n/a	100	70	70
Congressional requests for testimony completed (Ot)	n/a	n/a	9	4	4

Key: Oe- Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure

Description of Performance: As discussed in section 1B, AD issued three audit reports and initiated 13 audits.

AD also prolifically reviewed TARP policies and procedures. SIGTARP’s March 6th and April 21st reports to Congress (see <http://www.sig tarp.gov/reports.shtml>) detail the results of these reviews and re-print the recommendations. Among the policies that SIGTARP reviewed and commented upon are TARP agreements, the TALF, Public-Private Investment Program (PPIP), Capital Assistance Program, and Making Home Affordable programs. For example, with respect to:

- **TARP Agreements:** SIGTARP recommended that Treasury require program participants to use best efforts to account for their use of TARP funds and to report periodically to Treasury concerning such use. (See February report at page 97 from the above website link.) Treasury has not fully implemented this recommendation, for among other reasons, because financial assistance is “fungible.” SIGTARP is testing Treasury’s response with an audit that includes a survey of 364 financial institutions’ use of TARP assistance. The audit is not yet complete, and the survey responses need to be fully analyzed, but one thing is clear: arguments to the effect that the inherent fungibility of money makes accounting for the use of

TARP funds impossible or impractical is unfounded. Many of the 364 financial institutions generally provided a reasonable level of detail regarding their use of TARP funds.

- Public Private Investment Program (PPIP): SIGTARP recommended, among other things, that Treasury impose conflict of interest rules on PPIP fund managers, require PPIP fund managers to screen and identify investors, and mandate that PPIP fund managers acknowledge that they owe a fiduciary duty to the taxpayer. SIGTARP also recommended that Treasury clarify SIGTARP's right of access to all PPIP books and records. Senate Amendment 1043 to Senate Bill No. 896, which passed the Senate by a unanimous vote and was later enacted in P.L. 111-22, essentially incorporated these recommendations.

3B – Investigation (*\$28,600,000 from direct appropriations*): 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. For FY 2011, although it is difficult to forecast for a variety of reasons, SIGTARP anticipates opening 75 investigations.

ID also implements SIGTARP's Hotline, which accepts and processes telephone, e-mail, website, and in-person complaints. The Hotline is administered in a manner designed to ensure conformity with all applicable whistleblower protections.

3.2.2 – Investigation Budget and Performance Plan

Investigations Budget Activity					
Resource Level	FY 2007	FY2008	FY2009	FY2010	FY2011
	Obligated	Obligated	Obligated	Enacted	Request
Appropriated Resources	n/a	n/a	n/a	13,400	28,600
Available no-year			11,624	14,300	2,800
Total Resources	n/a	n/a	11,624	27,700	31,400

Budget Activity Total	n/a	n/a	11,624	27,700	31,400
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Investigations Budget Activity					
Measure	FY 2007	FY2008	FY2009	FY2010	FY2011
	Actual	Actual	Actual	Target	Target
Percentage of investigations accepted by prosecutors (%) (Oe)	n/a	n/a	95	50	55
Percentage of "preliminary investigations" that are converted to "full" investigations (%) (Oe)	n/a	n/a	50	35	40
Percentage of all cases that are joint agency/task force investigations (%) (Oe)	n/a	n/a	60	30	35
Percentage of Hotline complaints referred for investigation or to OFS within 14 days of receipt (%) (E)	n/a	n/a	77	60	65

Key: Oe- Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure

Description of Performance: ID has opened over 77 investigations and closed nine as of January 4, 2010. Specific case results are discussed in section 1B. Additionally, as of December 31, 2009, SIGTARP had processed well over 9,900 Hotline contacts.

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 projects that it will reach steady state (i.e., full staffing level, permanent office space, and most critical contracts in place) in the second quarter of FY 2010. 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. Accordingly, SIGTARP does not foresee that it will confront human capital challenges in FY 2011.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments	FY 2008 & Earlier Enacted 1/	FY2009 Enacted	% Change from FY08 to FY09	FY2010 Enacted	% Change from FY09 to FY10	FY2011 Request	% Change From FY10 to FY11
Major IT investments/Funding Source							
Audit/Investigations	n/a	1,680	n/a	1,726	2.7%	1,133	-34%
Subtotal Major IT Investments		1,680	n/a	1,726	2.7%	1,133	-34%
Non-Major IT Investments							
Continuing Operating Costs	s/a	354	n/a	359	1.5%	243	-32%
Subtotal Non-Major Investments		354	n/a	359	1.5%	243	-32%
Infrastructure Investments		1,590	n/a	318	-80.0%	318	0%
Enterprise Architecture	n/a	0	n/a	0	n/a	0	n/a
Total IT Investments	n/a	3,624	n/a	2,403	-33.7%	1,694	-30%

1/ The Agency was created in FY2009 and has no prior year activity.

4B – Information Technology (IT) Strategy

IT funding has been critical in enabling SIGTARP to fulfill its mission of transparency, coordinated oversight, and robust enforcement. Presently, SIGTARP is in the midst of building an infrastructure that is fully capable of supporting the mission and administrative requirements of a fully-operational government agency with the technology security requirements appropriate to an audit and investigative organization. The major IT investments are for acquisition, installation, integration and training for mission systems such as hotline information management, investigative management, audit management, and electronic storage and for administrative systems such as records management, document management, content management, asset management and training management which are not normally provided by shared services operations. A steady state of IT expenditures is expected to be achieved in FY 2011, and since SIGTARP is a temporary agency, only maintenance and routine enhancements and modifications are required on an ongoing basis thereafter.

The significant infrastructure investments reflected in FY 2009 and FY 2010 support the complete build-out of SIGTARP's facility, including infrastructure planning and installation of cabling to desktops, computer room, telephone room, data storage room, wireless antenna system, additional cooling and backup power and all of the connections required to connect to one or more external voice and data providers. After these initial start-up years, funds are budgeted for standard upgrades in capacity and functionality and for remote office operations.

Accordingly, SIGTARP's IT strategy is currently being finalized, and refreshment needs are not expected to arise until FY 2012. For FY 2011, SIGTARP anticipates only minor IT modifications and additions designed to improve security and streamline procedures.