

Testimony to the Senate Committee on Banking, Housing and Urban Affairs
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For The Troubled Asset Relief Program
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Chairman Dodd, Ranking Member Shelby, and Members of the Committee, it is an honor to appear before you today and to deliver to this Committee my Initial Report to Congress.

The Troubled Asset Relief Program represents a massive and unprecedented investment of taxpayer money designed to stabilize the financial industry and promote economic recovery. The long-term success of the program is not assured; success – or failure – will depend on whether the Department of the Treasury has spent, and will spend in the future, that massive investment wisely and efficiently to attain the program’s goals. I believe it is my Office’s mission to report on the activities of the program and make recommendations that can facilitate, through effective oversight, the success of the program. Indeed, our mission statement, which is printed on the cover of our Report, is: “Advancing financial stability through transparency, coordinated oversight and robust enforcement.”

During my confirmation hearing back in November, I promised the Committee that my Office would hit the ground running and provide oversight of TARP from day one. In the 52 days since I took my oath of office, we have focused on areas referenced in our mission statement and where we could have a maximum impact, even during the period that we have minimal staff: areas such as facilitating transparency in the operation of TARP and ensuring that appropriate oversight provisions are built into TARP agreements and programs.

In order to promote better transparency, for example, within a few days of coming on board, we formally recommended that Treasury post all TARP agreements, whether with recipients of TARP funds or with its vendors, on the Treasury website. Treasury first agreed to

post some of the agreements on the web, and we were pleased to see that last week Secretary Geithner adopted our recommendation in full.

We also asked for and obtained oversight language in the large TARP transactions that were recently closed. Among other things, the auto industry agreements and the Citigroup agreements contain not only explicit acknowledgement of my Office's oversight over the contracts, but also require that, for many of the significant conditions imposed by the agreements, the recipient be required to establish an internal control to comply with that condition, that they be required to report on their compliance, and that they certify, under penalty, that the reporting was accurate. Indeed, the Citigroup and Bank of America agreements contain a provision, at my Office's request, that the banks account for their use of the TARP funds. Collectively, these agreements – representing transactions of more than \$70 billion of TARP investments – are a significant step forward from an oversight perspective as compared to earlier agreements.

My Office has also begun to look at what has been, to date, the most significant failing from a transparency standpoint – understanding the process and criteria Treasury used to decide who would receive TARP funds and what the recipients have done with the hundreds of billions of dollars that have been invested. This week, we received approval from OMB to send letter requests to each of the TARP recipients asking them to report on how they have used TARP funds and how they plan to use the funds that they have received but not yet spent. We will also ask TARP fund recipients to provide details on their plans to comply with applicable executive compensation restrictions and whether they have altered their compensation structure in response to these rules. We believe that this important project will shed light on the darkest areas of TARP.

As to coordinated oversight, it is my honor to sit here today with my co-panelists, Acting Comptroller General Gene Dodaro and Professor Elizabeth Warren, Chair of the Congressional Oversight Panel. It has been a pleasure coordinating oversight efforts with them and others to provide maximum oversight coverage while avoiding unnecessary or duplicative burdens on those charged with managing TARP. I have also founded and chair the TARP-IG Council, which has, as its members, Mr. Dodaro and the Inspectors General of the other agencies involved in aspects of the administration of TARP programs. Through these coordinating efforts, we are establishing protocols and sharing ideas for comprehensive audits.

I am pleased to inform you that my office this week is announcing its first four audit initiatives. In addition to the two audits I just mentioned, we are beginning an audit of the process under which Bank of America received \$45 billion of TARP funds and guarantees relating to more than a \$100 billion in troubled assets and another audit designed to address potential outside influences, such as lobbyists, on the TARP application process.

Finally, with respect to robust enforcement, my Office has been actively building relationships and laying the groundwork for one of our most important tasks – the task that we serve alone – being the cop on the beat for TARP programs. Our Hotline, (877) SIG-2009, and website, www.SIGTARP.gov, are up and running. We have joined the President’s Corporate Fraud Task Force, and have initiated coordinated planning efforts with the FBI, the Criminal Division of the Department of Justice, and several U.S. Attorney’s offices to best utilize our collective investigative resources. We have already opened several criminal investigations, and we have teamed up with the SEC, providing assistance to them in shutting down a securities fraud scam in Tennessee that had reaped millions in ill gotten gains by illegally

trading on the TARP name. We have also coordinated our executive compensation oversight efforts with the New York State Attorney General.

As I mentioned earlier, today we deliver our first report, which contains recommendations based on our initial observations of TARP. For example, we recommend that Treasury initiate a process and strategy for valuing and managing the assets that it has purchased, so that we can obtain a better understanding of the true value of the portfolio of assets in which the American people have already invested almost \$300 billion. We also continue to recommend that Treasury enter into agreements with strong oversight provisions, both to deter non-compliance and to enable us to do our jobs. We have made a series of recommendations with respect to the Term Asset-Backed Securities Loan Facility (TALF), a program that is still in its planning stages, about ways that the program can be designed to avoid waste, fraud and abuse. Our report also attempts, in the interests of greater transparency, to provide a detailed description of the TARP programs in Main Street terms, so that more of the American taxpayers who are so heavily invested in these programs can better understand what is being done with their money. I look forward in my next Report to updating you on Treasury's response to my recommendations and the status of our Audit and Investigation Divisions' activities.

I am proud of the start we have had and truly look forward to fulfilling the mission that Congress has set out for us. Mr. Chairman, Ranking Member Shelby, and Members of the Committee, I want to thank you again for this opportunity to appear before you, and I would be pleased to respond to any questions that you may have.