



Highlights of [GAO-09-161](#), a report to congressional committees

Why GAO Did This Study

On October 3, 2008, the Emergency Economic Stabilization Act was signed into law. The act established the Office of Financial Stability (OFS) within the Department of the Treasury (Treasury) and authorized the Troubled Asset Relief Program (TARP). Every 60 days, the U.S. Comptroller General is required to report on a variety of areas associated with oversight of TARP. This report reviews (1) the activities that have been undertaken through TARP as of November 25, 2008; (2) the structure of OFS, its use of contractors, and its system of internal controls; and (3) preliminary indicators of TARP's performance. GAO reviewed documents related to TARP, including contracts, agreements, guidance, and rules. GAO also met with OFS, contractors, federal agencies, and officials from some participating institutions. GAO plans to continue to monitor these and other issues including future and ongoing capital purchases, other transactions undertaken as part of TARP (e.g., capital purchases in Citigroup and American International Group), and the status of other aspects of TARP.

What GAO Recommends

Treasury generally agreed with GAO's recommendations, but had a different perspective on the need to monitor how participating institutions are spending CPP funds. GAO believes that monitoring aggregate information across the participants would help ensure an appropriate level of transparency and accountability.

To view the full product, including the scope and methodology, click on [GAO-09-161](#). For more information, contact Thomas McCool (202)512-2642.

TROUBLED ASSET RELIEF PROGRAM

Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency

What GAO Found

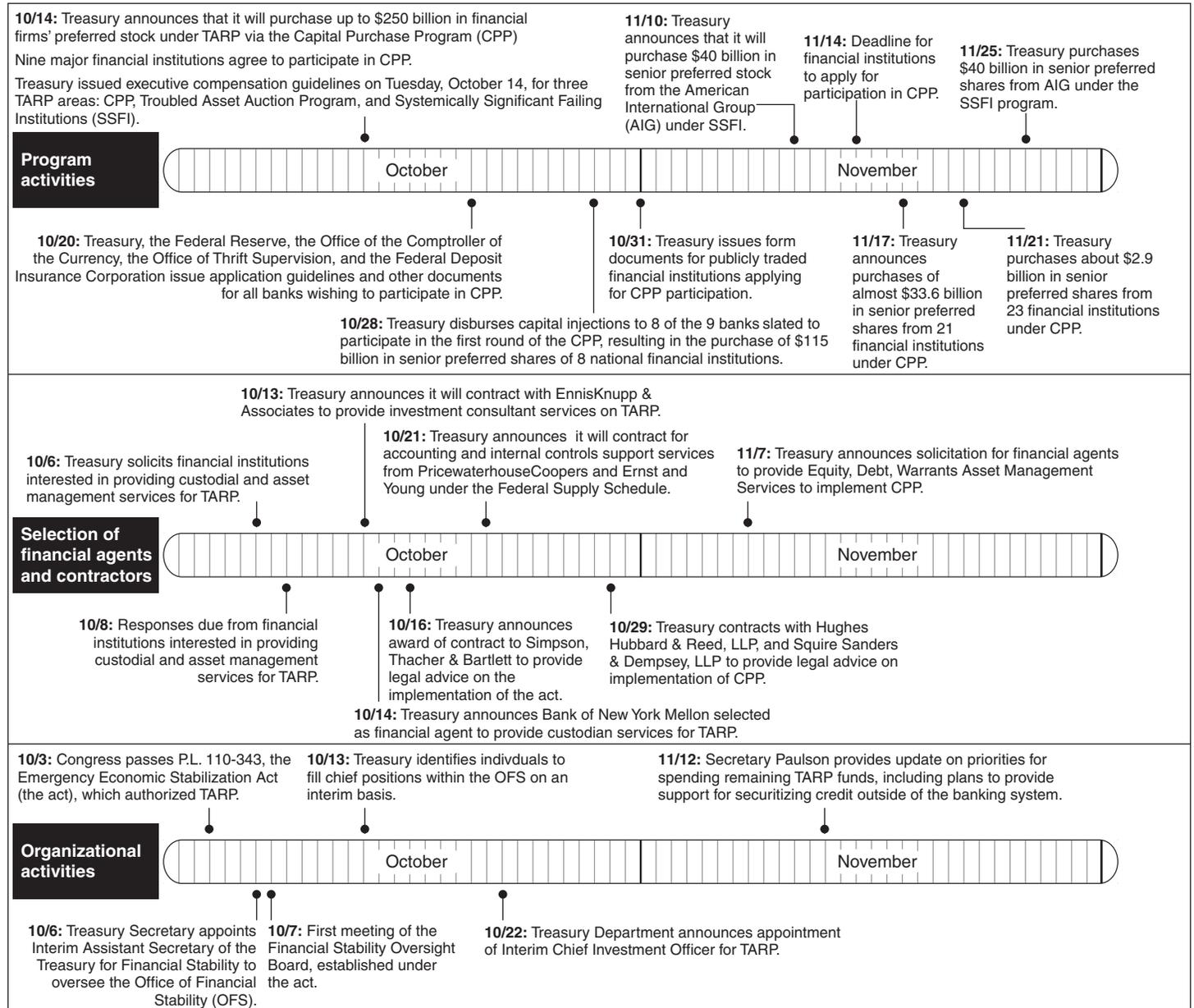
Treasury has taken a number of steps to stabilize U.S. financial markets and the banking system, including injecting billions of dollars in financial institutions. Through the capital purchase program (CPP)—a preferred stock and warrant purchase program—Treasury provided more than \$150 billion in capital to 52 institutions as of November 25, 2008. GAO recognizes that TARP has existed for less than 60 days and that a new program of such magnitude faces many challenges, especially in this current uncertain economic climate. However, Treasury has yet to address a number of critical issues, including determining how it will ensure that CPP is achieving its intended goals and monitoring compliance with limitations on executive compensation and dividend payments. Moreover, further actions are needed to formalize transition planning efforts and establish an effective management structure and an essential system of internal control. To help ensure the program's integrity, accountability, and transparency, GAO recommends that Treasury

- work with the bank regulators to establish a systematic means of determining and reporting in a timely manner whether financial institutions' activities are generally consistent with the purposes of CPP and help ensure an appropriate level of accountability and transparency;
- develop a means to ensure that institutions participating in CPP comply with key program requirements (e.g., executive compensation, dividend payments, and the repurchase of stock);
- formalize the existing communication strategy to ensure that external stakeholders, including Congress, are informed about the program's current strategy and activities and understand the rationale for changes in this strategy to avoid information gaps and surprises;
- facilitate a smooth transition to the new administration by building on and formalizing ongoing activities, including ensuring that key OFS leadership positions are filled during and after the transition;
- expedite OFS's hiring efforts to ensure that Treasury has the personnel needed to carry out and oversee TARP;
- ensure that sufficient personnel are assigned and properly trained to oversee the performance of all contractors, especially for Contracts priced on a time and materials basis, and move toward fixed-price arrangements whenever possible;
- continue to develop a comprehensive system of internal control over TARP, including policies, procedures, and guidance that are robust enough to protect taxpayers interests and ensure that the program objectives are being met;
- issue final regulations on conflicts of interest quickly and review and renegotiate mitigation plans to enhance specificity and compliance; and
- institute a system to effectively manage and monitor the mitigation of conflicts of interest.

It is too soon to determine whether the program is having the intended effect on credit and financial markets. Moreover, given that U.S. regulators as well as foreign governments are continuing to take a variety of actions aimed at stabilizing markets and the economy, separately evaluating the impact of Treasury's efforts under TARP will be difficult. Nevertheless, GAO has identified a number of preliminary indicators that when viewed collectively should signal whether TARP as well as other related programs may be functioning as intended. Among these preliminary indicators are trends in interest rate spreads, mortgage rates, mortgage originations, and foreclosures.

Treasury has operated on parallel tracks in implementing the act. The following timeline highlights key actions associated with program implementation to date.

Timeline of Key Treasury Activities (Program Activities, Selection of Financial Agents and Contractors, and Organizational Activities), as of November 25, 2008



Source: GAO.