



United States Government Accountability Office  
Washington, DC 20548

March 8, 2013

Congressional Committees

Subject: *Troubled Asset Relief Program: Status of GAO Recommendations to Treasury*

The Emergency Economic Stabilization Act of 2008 (EESA) authorized the creation of the Troubled Asset Relief Program (TARP) to address the most severe crisis that the financial system had faced in decades.<sup>1</sup> EESA provided GAO with broad oversight authorities for actions taken under TARP and required that we report at least every 60 days on TARP activities and performance. Our oversight and reporting has resulted in 99 performance and financial statement audit recommendations to the U.S. Department of the Treasury (Treasury), the primary agency responsible for TARP programs. While Treasury has addressed most of our recommendations, some recommendations remain outstanding.

This 60-day report describes the status of our TARP recommendations to Treasury as of February 2013. In particular, this report discusses Treasury's implementation of our recommendations, focusing particularly on two major TARP programs: the Capital Purchase Program (CPP), which supports certain U.S. financial institutions, and Making Home Affordable (MHA), which is a collection of housing programs designed to help homeowners avoid foreclosure. The report also addresses Treasury's responses to our recommendations for improving internal controls over financial reporting for TARP that resulted from our audits of TARP's financial statements.<sup>2</sup> Enclosure I provides the status of the recommendations

<sup>1</sup>EESA, Pub. L. No. 110-343, Div. A, 122 Stat. 3765 (2008), *codified, as amended*, at 12 U.S.C. §§ 5201 et seq. EESA was enacted on October 3, 2008. EESA originally authorized Treasury to purchase or guarantee up to \$700 billion in troubled assets. The Helping Families Save Their Homes Act of 2009, Pub. L. No. 111-22, Div. A, 123 Stat. 1632 (2009), amended EESA to reduce the maximum allowable amount of outstanding troubled assets under EESA by almost \$1.3 billion, from \$700 billion to \$698.741 billion. The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010), (1) further reduced Treasury's authority to purchase or insure troubled assets to a maximum of \$475 billion and (2) prohibited Treasury, under EESA, from incurring any additional obligations for a program or initiative unless the program or initiative had already been initiated prior to June 25, 2010.

<sup>2</sup>See EESA, Pub. L. No. 110-343, Div. A, 122 Stat 3765 (Oct. 3, 2008), *codified, as amended*, at 12 U.S.C. §§ 5201 et seq. Section 116(b) of EESA, 12 U.S.C. § 5226(b), requires that the Department of the Treasury (Treasury) annually prepare and submit to Congress and the public audited fiscal year financial statements for the Troubled Asset Relief Program (TARP) that are prepared in accordance with generally accepted accounting principles. Section 116(b) further requires that GAO audit TARP's financial statements annually in accordance with generally accepted accounting principles. We have performed four financial statement audits since TARP's inception. See GAO, *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2012 and 2011 Financial Statements*, [GAO-13-126R](#) (Washington, D.C.: Nov. 9, 2012); *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2011 and 2010 Financial Statements*, [GAO-12-169](#) (Washington, D.C.: Nov. 10, 2011); *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2010 and 2009 Financial Statements*, [GAO-11-174](#) (Washington, D.C.: Nov. 15, 2010); and *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Year 2009 Financial Statements*, [GAO-10-301](#) (Washington, D.C.: Dec. 9, 2009).

that we have made since 2008 in our performance audits (performance audit recommendations) and enclosure II provides the status of recommendations made in our financial statement audits (financial statement audit recommendations).

To determine the status of Treasury's implementation of our TARP recommendations, we assessed relevant documentation from Treasury and interviewed Treasury officials. To determine the status of the financial statement audit recommendations, we relied on our annual audits of TARP's financial statements. We conducted this performance audit from January through March 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

Of the TARP performance audit recommendations we have made, some have been program specific, while others have addressed cross-cutting issues such as staffing and communications. Our program-specific recommendations have focused on the following TARP initiatives:<sup>3</sup>

- **Bank Investment Programs**, which includes, among multiple programs:
  - **Capital Assessment Program (CAP)**, which was created to provide capital to institutions not able to raise it privately to meet Supervisory Capital Assessment Program (SCAP)—or “stress test”—requirements. This program was never used.
  - **CPP**, which was designed to provide capital to financially viable financial institutions through the purchase of preferred shares and subordinated debentures.
  - **The Community Development Capital Initiative (CDCI)** provided capital to Community Development Financial Institutions by purchasing preferred stock.
- **Credit Market Programs**, which includes, among multiple programs:
  - **Term Asset-backed Securities Loan Facility (TALF)** provided liquidity in securitization markets for various asset classes to improve access to credit for consumers and businesses.
  - **SBA 7(a) Securities Purchase Program** provided liquidity to secondary markets for government-guaranteed small business loans in the Small Business Administration's (SBA) 7(a) loan program.
- **Other Programs**, which includes:
  - **American International Group (AIG) Investment Program (formerly Systemically Significant Failing Institutions Program)**, which provided support to AIG to avoid disruptions to financial markets from its potential failure.

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<sup>3</sup>This list includes TARP programs for which we have made recommendations. As of January 2013, Treasury has exited its assistance for American International Group, Capital Asset Program, and Term Asset-backed Securities Loan Facility. For more information on all TARP programs, see GAO, *Troubled Asset Relief Program: Treasury Sees Some Returns as It Exits Programs and Continues to Fund Mortgage Programs*, GAO-13-192 (Washington, D.C.: Jan. 7, 2013).

- **Automotive Industry Financing Program (AIFP)**, which aimed to prevent a significant disruption of the American automotive industry through government investments in the major automakers.
- **MHA**, which includes, among other housing programs:
  - **The Home Affordable Modification Program (HAMP)** divides the cost of reducing monthly payments on first-lien mortgages between Treasury and mortgage holders/investors and provides financial incentives to servicers, borrowers, and mortgage holders/investors for loans modified under the program.
  - **The Second-Lien Modification Program** provides incentives for second-lien holders to modify or extinguish a second-lien mortgage when a HAMP modification has been initiated on the first-lien mortgage for the same property.
  - **Home Affordable Foreclosure Alternatives** provides incentives for short sales and deeds-in-lieu of foreclosure as alternatives to foreclosure for borrowers who are unable or unwilling to complete the HAMP first-lien modification process.

We have also made a number of financial statement audit recommendations to Treasury's Office of Financial Stability (OFS), which is responsible for carrying out TARP activities within the department. Most of these recommendations relate to internal control deficiencies in OFS's accounting and financial reporting processes.<sup>4</sup> We made these recommendations as part of our annual audits of TARP's financial statement and reported on them directly to OFS management.<sup>5</sup>

### **Treasury Has Implemented Most of Our Performance Audit Recommendations, but Several Related to CPP and Housing Programs Remain Open**

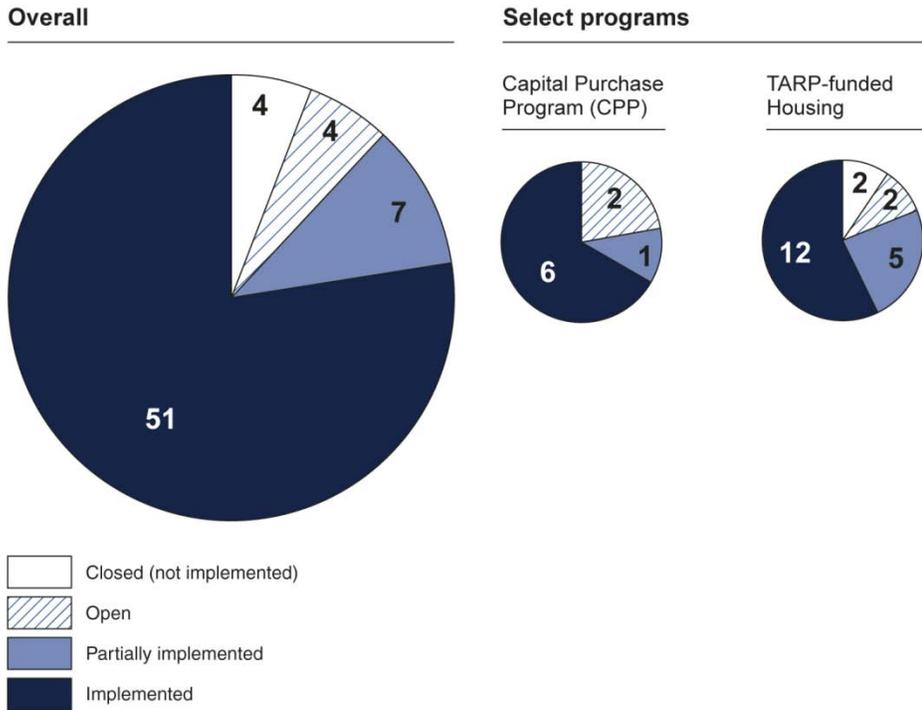
As of February 2013 our performance audits of the TARP programs have resulted in 66 recommendations to Treasury. Of the 66 recommendations, Treasury has implemented 51, or approximately 77 percent (see fig. 1). Treasury has partially implemented 7 of the performance audit recommendations—that is, it has taken some steps toward implementation but needs to take more actions. Four performance audit recommendations remain open—that is, Treasury has not taken steps to implement them. Among these open recommendations are 2 recommendations directed at CPP and 2 recommendations directed at the MHA housing programs. Finally, with regard to 2 of the remaining 4 recommendations, Treasury officials told us that they were not planning to take actions to implement them. For the other 2 recommendations, the TARP program evolved and the recommendations are no longer applicable.

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<sup>4</sup>Section 101 of EESA, 12 U.S.C. § 5211, established OFS within the Department of the Treasury to implement TARP.

<sup>5</sup>We reported on the recommendations in the following management reports: *Management Report: Improvements Are Needed in Internal Control over Financial Reporting for the Troubled Asset Relief Program*, [GAO-12-415R](#) (Washington, D.C.: Feb. 13, 2012); *Management Report: Improvements Are Needed in Internal Control Over Financial Reporting for the Troubled Asset Relief Program*, [GAO-11-434R](#) (Washington, D.C.: Apr. 18, 2011); and *Management Report: Improvements Are Needed in Internal Control Over Financial Reporting for the Troubled Asset Relief Program*, [GAO-10-743R](#) (Washington, D.C.: June 30, 2010).

**Figure 1: Number and Status of TARP Recommendations to Treasury, as of February 2013**



Source: GAO.

Note: We categorized program-specific communication and staffing recommendations under the appropriate programs.

**Treasury Has Not Fully Implemented Recommendations to Monitor Regulators’ Repayment Decisions and Report Separately on Remaining CPP Institutions**

Treasury has taken action on several GAO recommendations for CPP, but it has taken limited steps to monitor regulators’ decisions on CPP repayments and has not reported separately on entities that have exited CPP versus those that remain in the program. To date, Treasury has implemented 6 of our 9 recommendations for CPP. For example, in 2010, we recommended that Treasury apply lessons learned from the implementation of CPP to similar programs, such as the Small Business Lending Fund (SBLF), and enhance procedural controls for addressing the risk of inconsistency in regulators’ decisions to not approve applicants.<sup>6</sup> Treasury implemented our recommendation by including a process for reviewing regulators’ viability determinations for all eligible applicants to its SBLF. Specifically, in designing the SBLF investment decision procedures, Treasury included additional evaluation by a central application review committee for all eligible applicants that are not approved by their federal regulator. It also provides information from its evaluation to

<sup>6</sup>The Small Business Lending Fund (SBLF) was created by the Small Business Jobs Act of 2010, Pub. L. No. 111-240, 124 Stat. 2504 (2010), enacted on September 27, 2010. SBLF is a capital support program that encourages small and midsize banks and community development loan funds to lend to small businesses.

the regulator when their views differ. These steps help ensure that applicants will receive consistent treatment in investment decisions across different regulators.

However, Treasury has not fully implemented other CPP-related recommendations. For example, to exit the CPP program, institutions must obtain approval from their primary regulator by demonstrating that they are financially strong enough to repay their CPP investments. To better ensure that similar institutions were being treated consistently, in October 2010, we recommended that Treasury direct OFS to periodically collect and review information on the analysis supporting regulators' decisions on CPP repayment requests and provide feedback for regulators' consideration.<sup>7</sup> Although Treasury officials told us that they agree with the intent of our recommendation, they have not implemented this recommendation, citing concerns that this recommendation raises questions about how to balance the goals of consistency and respect for the regulators' independence. Treasury also stated that it does not have access to confidential supervisory information that regulators may use in making repayment decisions, potentially limiting the information collection and review envisioned in our recommendation. But as we noted in our 2010 report, the two regulators responsible for most CPP repayment requests at the time document their analysis in a manner similar to the way that regulators document the analysis they send to Treasury when recommending CPP applicants. As a result, we recommended that Treasury direct OFS to collect and review this type of documentation. In February 2012, Treasury told us that their strategy for winding down the program was developed after consultation with federal banking regulators and they continue to communicate with regulators as the unwinding proceeds. However, Treasury has not altered its previous position—that is, according to Treasury, banking law provides the primary regulator of each institution with the authority to make repayment decisions, and Treasury is therefore not in a position to dictate criteria that the regulators should use in making such decisions. According to Treasury, any differences in the regulators' repayment decisions reflect the division of authority within the banking regulatory structure. We continue to believe that collection and review of such information from the bank regulators on the analysis and conclusions supporting their decisions to allow repayment of CPP investments would improve Treasury's monitoring of these decisions.

In addition, Treasury has not taken steps to better ensure clarity in its CPP performance reporting by providing separate information on institutions that remain in the program versus those that have already exited. In March 2012 we reported that the remaining CPP institutions were financially weaker than institutions that had exited the program and institutions that did not receive CPP capital.<sup>8</sup> In particular, we noted that the remaining CPP institutions tended to be less profitable and hold riskier assets than other institutions of similar asset size. For example, the remaining CPP institutions had significantly lower returns on average assets and higher percentages of noncurrent loans than did former CPP and non-CPP institutions. They also held less regulatory capital and reserves for covering losses. Although our analysis found differences in the financial health of remaining and former CPP institutions, we noted that Treasury's quarterly financial analysis of CPP institutions did not distinguish between them. By not distinguishing between remaining and former CPP participants, Treasury misses an opportunity to provide greater transparency about the financial health of institutions remaining in CPP; thus we recommended that Treasury consider analyzing and reporting on remaining and former CPP participants

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<sup>7</sup>See GAO, *Troubled Asset Relief Program: June 2009 Status of Efforts to Address Transparency and Accountability Issues*, [GAO-09-658](#) (Washington, D.C.: June 17, 2009), and [GAO-11-47](#).

<sup>8</sup>GAO, *Capital Purchase Program: Revenues Have Exceeded Investments, but Concerns about Outstanding Investments Remain*, [GAO-12-301](#) (Washington, D.C.: Mar. 8, 2012).

separately. In response to our recommendation, Treasury stated that it would carefully consider our recommendation and emphasized its ongoing commitment to keep the public informed of its progress in winding down CPP. More recently, Treasury has been reporting generally on the results of its CPP auctions and the status of institutions remaining in the CPP program, but it has not yet considered analyzing and reporting on remaining and former CPP participants separately.

### Continued Attention Needed on Recommendations to Improve the Transparency and Accountability of Housing Programs

Since 2009, we have made 21 recommendations aimed at improving MHA and other TARP-funded housing programs.<sup>9</sup> As of February 2013, Treasury has implemented 12 of these 21 recommendations. Examples of the actions that Treasury has taken to implement these recommendations include the following:

- In 2010, we reported that Treasury had not clearly informed borrowers that the HOPE Hotline could be used to raise concerns about servicers' handling of HAMP loan modifications and to challenge potentially incorrect denials, likely limiting the number of borrowers who have used the hotline for these purposes.<sup>10</sup> Treasury said that it had taken a number of actions in response to this recommendation, including using a variety of channels to promote the HOPE Hotline to the public as a resource for borrowers with questions and problems about their HAMP application, trial period plan, or permanent modification. For example, the hotline number is published on Treasury's MHA website, featured in media campaigns, and used in talking points for borrower/counselor events and media interviews. Further, Treasury's MHA program guidelines now require that servicers include in notices to borrowers who have requested a HAMP loan modification the telephone number for the HOPE Hotline, together with information on obtaining free help from Department of Housing and Urban Development (HUD)-approved housing counselors and assistance in understanding the notices themselves.
- In 2012, we reported that Treasury had not consolidated state performance reports under the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund) into a single report that would enhance transparency and provide policymakers and the public with a clearer understanding of the program's overall status.<sup>11</sup> Treasury published a consolidated report for the third quarter of

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<sup>9</sup>See GAO, *Troubled Asset Relief Program: Treasury Actions Needed to Make the Home Affordable Modification Program More Transparent and Accountable*, [GAO-09-837](#) (Washington, D.C.: July 23, 2009); *Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs*, [GAO-10-634](#) (Washington, D.C.: June 24, 2010); *Troubled Asset Relief Program: Actions Needed by Treasury to Address Challenges in Implementing Making Home Affordable Programs*, [GAO-11-338T](#) (Washington, D.C.: Mar. 2, 2011); *Troubled Asset Relief Program: Treasury Continues to Face Implementation Challenges and Data Weaknesses in Its Making Home Affordable Program*, [GAO-11-288](#) (Washington, D.C.: Mar. 17, 2011); and *Troubled Asset Relief Program: Further Actions Needed to Enhance Assessments and Transparency of Housing Programs*, [GAO-12-783](#) (Washington, D.C.: July 19, 2012). Additionally, we reported on results of a survey we conducted of housing counselors as part of our oversight of Treasury's MHA program implementation. See GAO, *Troubled Asset Relief Program: Results of Housing Counselors Survey on Borrowers' Experiences with the Home Affordable Modification Program*, [GAO-11-367R](#) (Washington, D.C.: May 26, 2011) and corresponding e-supplement, [GAO-11-368SP](#).

<sup>10</sup>[GAO-10-634](#). The HOPE Hotline is a 24-hour telephone line that provides borrowers with free foreclosure prevention information and counseling. Treasury's program administrator for HAMP contracted with the HOPE Hotline to handle incoming borrower calls about HAMP.

<sup>11</sup>[GAO-12-783](#).

2012 that included quarterly totals of unique borrowers receiving assistance, assistance provided, and administrative expenses across all state programs as well as cumulative totals.

Seven of the 21 recommendations related to TARP-funded housing programs remain open or only partially implemented. For example, we reported in March 2011 that the majority of servicers for which readiness reviews had been conducted had not provided all the documentation required to demonstrate that the key tasks needed to support the newer MHA programs were in place, and consequently recommended that Treasury ensure that these servicers have the operational capacity and infrastructure in place to successfully implement the newer MHA programs. Further, as part of our June 2012 review of foreclosure mitigation efforts across the federal government, we reported that Treasury and the Federal Housing Administration (FHA) had not revised estimates of participation and costs under the FHA Refinance for Borrowers in Negative Equity Positions despite low participation levels. Under this program, Treasury will use up to \$8 billion in TARP funds to pay a portion of claims for defaulted mortgages after FHA has paid its portion of claims. With participation to date much lower than expected and future participation unknown, the costs to Treasury of maintaining the \$8 billion letter of credit facility may not be justified. As of February 2013, Treasury has not demonstrated that it has fully implemented these recommendations.

Finally, Treasury officials told us that Treasury was not planning to take actions to implement the remaining two TARP-funded housing program recommendations. One recommendation focused on the requirement that borrowers with debt-to-income ratios over 55 percent obtain counseling and the other pertained to the criteria for determining when a borrower was in imminent danger of default. For the counseling-related recommendation, Treasury officials indicated that it had taken some action but did not plan to fully implement it, stating that Treasury considered it to be too burdensome for it and servicers. As a result, Treasury has no data on the extent that borrowers are obtaining the required counseling or whether the counseling provision is having its intended effect of limiting borrower redefaults. Regarding the other recommendation, Treasury officials told us that they believe that servicers and investors are in the best position to determine whether a borrower is in imminent danger of default and therefore plan to take no action. However, the results of our prior work showed that there were notable differences between the criteria used by servicers that we contacted that would result in similarly situated borrowers being treated differently.

### **Treasury Has Implemented Almost All of the Recommendations Addressing OFS's Internal Controls over Financial Reporting**

TARP is required to annually prepare and issue audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).<sup>12</sup> GAO is required to annually audit these statements to determine if: (1) OFS's financial statements for TARP are fairly presented in all material respects as of and for the year ended September 30; (2) OFS's internal control over financial reporting is effective as of September 30; and (3) there are any reportable noncompliance with selected provisions of laws and regulations that we test.

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<sup>12</sup>Section 116(b) of EESA, 12 U.S.C. § 5226(b).

We have performed four annual audits of TARP's financial statements and found that the financial statements were presented fairly, in all material respects, in conformity with GAAP for fiscal years 2009 through 2012.<sup>13</sup> In addition, we found that OFS maintained, in all material respects, effective internal control over financial reporting for fiscal years 2009 through 2012. However, during the course of these financial statement audits, we found that certain internal controls over financial reporting could be improved. As of September 30, 2012, we separately made 33 recommendations to OFS, which were mostly related to internal control issues related to its accounting and financial reporting process.<sup>14</sup> Of the 33 recommendations we made, OFS implemented 32 (see enclosure II). The one outstanding recommendation was made as part of our fiscal year 2010 financial statement audit and has been partially implemented. In this instance, we recommended that OFS establish a mechanism for ensuring effective reviews of documentation attached to its journal entries (an accounting record for recording financial transactions into the general ledger), including that the reviews assess whether the supporting documentation is sufficient and consistent with the journal entry before the entry is recorded in the general ledger. For this outstanding recommendation, we found during our audit of the fiscal year 2012 financial statements that OFS had not effectively confirmed that adequate supporting documentation was attached for certain types of journal entries, which increases the risk that erroneous journal entries may be recorded in the general ledger and therefore could misstate the financial statements. We will follow up on this matter again during our audit of the fiscal year 2013 financial statements to determine if OFS has completed all the actions needed to close this recommendation as implemented.

## Agency Comments and Our Evaluation

We provided Treasury a draft copy of this report for review and comment and we received written comments from the Assistant Secretary for Financial Stability, which are reprinted in enclosure III. In its written comments, Treasury agreed with our characterization of the progress Treasury has made implementing our recommendations to improve the accountability and transparency of TARP. Treasury also stated that it has had certain concerns regarding some open recommendations, including one related to CPP due to the need to respect regulators' independence. As we state in the report, we continue to maintain that by collecting and reviewing information on CPP repayment decisions from bank regulators Treasury can improve its monitoring of those decisions and that doing so would not compromise the regulators' independence. Treasury further stated that it will continue to work to address our four recommendations that remain open. We will continue to evaluate information that Treasury provides about its progress implementing the remaining open recommendations. Treasury also provided technical comments that we have incorporated as appropriate.

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<sup>13</sup>See GAO, *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2012 and 2011 Financial Statements*, [GAO-13-126R](#) (Washington, D.C.: Nov. 9, 2012); *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2011 and 2010 Financial Statements*, [GAO-12-169](#) (Washington, D.C.: Nov. 10, 2011); *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2010 and 2009 Financial Statements*, [GAO-11-174](#) (Washington, D.C.: Nov. 15, 2010); and *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Year 2009 Financial Statements*, [GAO-10-301](#) (Washington, D.C.: Dec. 9, 2009).

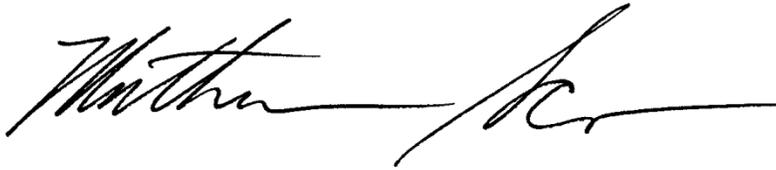
<sup>14</sup>[GAO-12-415R](#), [GAO-11-434R](#), and [GAO-10-743R](#).

We are sending copies of this report to the appropriate congressional committees. This report will also be available at no charge on our web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact A. Nicole Clowers at (202) 512-8678 or [clowersa@gao.gov](mailto:clowersa@gao.gov) for questions about nonmortgage-related TARP programs, or Mathew Scire at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov) for questions about mortgage-related TARP programs. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in enclosure IV.



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Enclosures

## List of Congressional Committees

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Chairman  
The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
House of Representative

**Enclosure I**

**Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of February 2013**

The following table summarizes the status of our TARP performance audit recommendations as of February 2013. We classify each recommendation as implemented, partially implemented (the agency took steps to implement the recommendation but more work remains), open (the agency has not taken steps to implement the recommendation), and closed, not implemented (the agency decided not to take action to implement the recommendation). The recommendations are listed by report.

**Table 1: GAO Performance Audit Recommendations, February 2013**

<b>GAO recommendations</b>	<b>Status</b>
<b>Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency: <a href="#">GAO-09-161</a>, December 2, 2008</b>	
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 the Capital Purchase Program (CPP) and help ensure an appropriate level of accountability and transparency.	Implemented
Develop a means to ensure that institutions participating in CPP comply with key program requirements (for example, executive compensation, dividend payments, and the repurchase of stock).	Implemented
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.	Implemented
Facilitate a smooth transition to the new administration by building on and formalizing ongoing activities, including ensuring that key Office of Financial Stability (OFS) leadership positions are filled during and after the transition.	Implemented
Expedite OFS's hiring efforts to ensure that the Department of the Treasury (Treasury) has the personnel needed to carry out and oversee the Troubled Asset Relief Program (TARP).	Implemented
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.	Implemented
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.	Implemented
Issue final regulations on conflicts of interest involving Treasury's agents, contractors, and their employees and related entities as expeditiously as possible and review and renegotiate mitigation plans, as necessary, to enhance specificity and compliance with the new regulations once they are issued.	Implemented
Institute a system to effectively manage and monitor the mitigation of conflicts of interest.	Implemented
<b>Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues: <a href="#">GAO-09-296</a>, January 30, 2009</b>	
Expand the scope of planned monthly CPP surveys to include collecting at least some information from all institutions participating in the program.	Implemented
Ensure that future CPP agreements include a mechanism that will better enable Treasury to track the use of the capital infusions and seek to obtain similar information from existing CPP participants.	Implemented
Establish a process to ensure compliance with all CPP requirements, including those associated with limitations on dividends and stock repurchase restrictions.	Implemented

<b>GAO recommendations</b>	<b>Status</b>
Communicate a clearly articulated vision for TARP and show how all individual programs are intended to work in concert to achieve that vision. This vision should incorporate actions to preserve homeownership. Once this vision is clearly articulated, Treasury should document needed skills and competencies.	Implemented
Continue to expeditiously hire personnel needed to carry out and oversee TARP.	Implemented
Expedite efforts to 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 as program requirements are better defined over time.	Implemented
Develop a comprehensive system of internal control over TARP activities, including policies, procedures, and guidance that are robust enough to ensure that the program's objectives and requirements are met.	Implemented
Develop and implement a well-defined and disciplined risk-assessment process, as such a process is essential to monitoring program status and identifying any risks of potential inadequate funding of announced programs.	Implemented
Review and renegotiate existing conflict-of-interest mitigation plans, as necessary, to enhance specificity and conformity with the new interim conflicts of interest regulation, and take continued steps to manage and monitor conflicts of interest and enforce mitigation plans.	Implemented
<b>Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues: <a href="#">GAO-09-504</a>, March 31, 2009</b>	
Develop a communication strategy that includes building an understanding and support for the various components of the program. Specific actions could include hiring a communications officer, integrating communications into TARP operations, scheduling regular and ongoing contact with congressional committees and members, holding town hall meetings with the public across the country, establishing a counsel of advisors, and leveraging available technology.	Implemented
Require that American International Group, Inc. (AIG) seek concessions from stakeholders, such as management, employees, and counterparties, including seeking to renegotiate existing contracts, as appropriate, as it finalizes the agreement for additional assistance.	Closed, not implemented
Update OFS documentation of certain internal control procedures and the guidance available to the public on determining warrant exercise prices to be consistent with actual practices applied by OFS.	Implemented
Improve transparency pertaining to TARP program activities by reporting publicly the monies, such as dividends, paid to Treasury by TARP participants.	Implemented
Complete the review of, and as necessary renegotiate, the four existing vendor conflicts-of-interest mitigation plans to enhance specificity and conformity with the new interim conflicts-of-interest rule.	Implemented
Issue guidance requiring that key communications and decisions concerning potential or actual vendor-related conflicts of interest be documented.	Implemented
<b>Troubled Asset Relief Program: June 2009 Status of Efforts to Address Transparency and Accountability Issues: <a href="#">GAO-09-658</a>, June 17, 2009</b>	
Ensure that the warrant valuation process maximizes benefits to taxpayers and consider publicly disclosing additional details regarding the warrant repurchase process, such as the initial price offered by the issuing entity and Treasury's independent valuations, to demonstrate Treasury's attempts to maximize the benefit received for the warrants on behalf of the taxpayer.	Implemented
In consultation with the Chairmen of the Federal Deposit Insurance Corporation (FDIC) and the Chairman of the Board of Governors of the Federal Reserve System (Federal Reserve), the Comptroller of the Currency, and the Acting Director of the Office of Thrift Supervision, ensure consideration of generally consistent criteria by the primary federal regulators when considering repurchase decisions under TARP. (Note: The Dodd-Frank Wall Street Reform and Consumer Protection Act eliminated the Office of Thrift Supervision.)	Open
Fully implement a communication strategy that ensures that all key congressional stakeholders are adequately informed and kept up to date about TARP.	Implemented
Expedite efforts to conduct usability testing to measure the quality of users' experiences with the financial stability website and measure customer satisfaction with the site, using appropriate tools such as online surveys, focus groups, and e-mail feedback forms.	Implemented
Explore options for providing to the public more detailed information on the costs of TARP contracts and agreements, such as a dollar breakdown of obligations and/or expenses.	Implemented

GAO recommendations	Status
To help improve the transparency of the Capital Assistance Program (CAP)—in particular the stress tests results—we recommend that the Director of Supervision and Regulation of the Federal Reserve consider periodically disclosing to the public the aggregate performance of the largest 19 U.S. bank holding companies against the more adverse scenario forecast numbers for the duration of the 2-year forecast period and whether or not the scenario needs to be revised. At a minimum, the Federal Reserve should provide the aggregate performance data to OFS program staff for any of the 19 institutions participating in CAP or CPP.	Implemented <sup>a</sup>
<b>Troubled Asset Relief Program: Treasury Actions Needed to Make the Home Affordable Modification Program More Transparent and Accountable: <a href="#">GAO-09-837</a>, July 23, 2009</b>	
Consider methods of monitoring whether borrowers with total household debt of more than 55 percent of their income who have been told that they must obtain housing counseling do so, and assess how this counseling affects the performance of modified loans to see if the requirement is having its intended effect of limiting redefaults.	Closed, not implemented
Reevaluate the basis and design of the Home Price Decline Protection (HPDP) program to ensure that Home Affordable Modification Program (HAMP) funds are being used efficiently to maximize the number of borrowers who are helped under HAMP and to maximize overall benefits of utilizing taxpayer dollars.	Implemented
Institute a system to routinely review and update key assumptions and projections about the housing market and the behavior of mortgage holders, borrowers, and servicers that underlie Treasury’s projection of the number of borrowers whose loans are likely to be modified under HAMP and revise the projection as necessary in order to assess the program’s effectiveness and structure.	Implemented
Place a high priority on fully staffing vacant positions in the Homeownership Preservation Office (HPO)—including filling the position of Chief Homeownership Preservation Officer with a permanent placement—and evaluate HPO’s staffing levels and competencies to determine whether they are sufficient and appropriate to effectively fulfill its HAMP governance responsibilities.	Partially implemented
Expediently finalize a comprehensive system of internal control over HAMP, including policies, procedures, and guidance for program activities, to ensure that the interests of both the government and taxpayer are protected and that the program objectives and requirements are being met once loan modifications and incentive payments begin.	Implemented
Expediently develop a means of systematically assessing servicers’ capacity to meet program requirements during program admission so that Treasury can understand and address any risks associated with individual servicers’ abilities to fulfill program requirements, including those related to data reporting and collection.	Implemented
<b>Troubled Asset Relief Program: One Year Later, Actions Are Needed to Address Remaining Transparency and Accountability Challenges: <a href="#">GAO-10-16</a>, October 8, 2009</b>	
Consider TARP in a broad market context, and as part of determining whether to extend TARP, work with the Chairmen of the Federal Reserve and Federal Deposit Insurance Corporation (FDIC) to develop a coordinated framework and analytical basis to determine whether an extension is needed. And if so, clearly spell out what objectives and measures of any extended programs would be, along with anticipated costs and safeguards.	Implemented
Document its analytical decision-making process and clearly communicate the results to Congress and the American people for determining whether an extension is needed.	Implemented
Update its projected use of funds and if the program is extended, continue to re-evaluate them on a periodic basis.	Implemented
<b>Relief Program: Continued Stewardship Needed as Treasury Develops Strategies for Monitoring and Divesting Financial Interests in Chrysler and GM: <a href="#">GAO-10-151</a>, November 2, 2009</b>	
Ensure that Treasury has the expertise needed to adequately monitor and divest the government’s investment in Chrysler Group LLC (Chrysler) and General Motors Company (GM), and obtain needed expertise in areas where gaps are identified (either through in-house or external means).	Implemented
Report to Congress on Treasury’s plans to assess and monitor the auto companies’ performance and ability to repay their loans. When reporting, balance the need for transparency with need to protect proprietary information.	Implemented
Develop criteria for evaluating the optimal method and timing for divesting the government’s ownership stake in Chrysler and GM, including evaluating the full range of available options, such as initial public offerings or private sales.	Implemented
<b>Troubled Asset Relief Program: Treasury Needs to Strengthen Its Decision-</b>	

<b>GAO recommendations</b>	<b>Status</b>
<b>Making Process on the Term Asset-Backed Securities Loan Facility: <a href="#">GAO-10-25</a>, February 5, 2010</b>	
To enable GAO to audit TARP support for the Term Asset-Backed Securities Loan Facility (TALF) most effectively, Congress may wish to provide GAO with audit authority over all Federal Reserve operational and administrative actions taken with respect to TALF, together with appropriate access authority.	Implemented <sup>b</sup>
To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, given the distressed conditions in the commercial real estate market, as part of its ongoing monitoring of TALF collateral, the Secretary of the Treasury should direct OFS to continue to give greater attention to reviewing risks posed by commercial mortgage-backed securities.	Implemented
To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, the Secretary of the Treasury should direct OFS to strengthen the process for making major program decisions for TALF and document how it arrives at final decisions with the Federal Reserve and the Federal Reserve Bank of New York (FRBNY). Such decisions should include how Treasury considers expert and contractor recommendations and resolves those recommendations that differ from those of the Federal Reserve and FRBNY.	Implemented
To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, the Secretary of the Treasury should direct OFS to conduct a review of what data to track and metrics to disclose to the public in the event that TALF LLC purchases surrendered assets from FRBNY. Such data and metrics should relate to the purchase, management, and sale of assets in TALF LLC that potentially impact TARP funds. Metrics related to TALF LLC could include periodic reports on the date and purchase price of assets; fluctuations in the market value of assets held; the date, price, and rationale when assets are sold; and the total amount of loans outstanding to Treasury.	Implemented
<b>Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs: <a href="#">GAO-10-634</a>, June 24, 2010</b>	
Expediently establish clear and specific criteria for determining whether a borrower is in imminent default to ensure greater consistency across servicers.	Closed, not implemented
Expediently develop additional guidance for servicers on their quality assurance programs for HAMP, including greater specificity on how to categorize loans for sampling and what servicers should be evaluating in their reviews.	Implemented
Expediently specify which complaints servicers should track to ensure consistency and to facilitate program oversight and compliance.	Implemented
Expediently more clearly inform borrowers that the HOPE Hotline may also be used if they are having difficulty with their HAMP application or servicer or feel that they have been incorrectly denied HAMP, monitor the effectiveness of the HOPE Hotline as an escalation process for handling borrower concerns about potentially incorrect HAMP denials, and develop an improved escalation mechanism if the HOPE Hotline is not sufficiently effective.	Implemented
Expediently finalize and issue consequences for servicer noncompliance with HAMP requirements as soon as possible.	Implemented
Expediently report activity under the principal reduction program, including the extent to which servicers determined that principal reduction was beneficial to investors but did not offer it, to ensure transparency in the implementation of this program feature across servicers.	Partially implemented
Expediently finalize and implement benchmarks for performance measures under the first-lien modification program, as well as develop measures and benchmarks for the recently announced TARP-funded homeowner assistance programs.	Partially implemented
Expediently implement a prudent design for remaining TARP-funded housing programs.	Partially implemented
<b>Troubled Asset Relief Program: Treasury's Framework for Deciding to Extend TARP Was Sufficient, but Could Be Strengthened for Future Decisions: <a href="#">GAO-10-531</a>, June 30, 2010</b>	
Formalize and document coordination with the Chairman of the FDIC for decisions associated with the expiration of TARP (1) by including the Chairman at relevant Financial Stability Oversight Board (FinSOB) meetings, (2) through formal bilateral meetings, or (3) by utilizing other forums that accommodate more structured dialogue.	Closed, not implemented <sup>c</sup>
Publicly identify clear program objectives, the expected impact of programs, and the level of additional resources needed to meet those objectives. Treasury should set quantitative program objectives for its small business lending programs and identify any additional data needed to make program decisions.	Partially implemented

<b>GAO recommendations</b>	<b>Status</b>
<b>Troubled Asset Relief Program: Bank Stress Test Offers Lessons as Regulators Take Further Actions to Strengthen Supervisory Oversight: <a href="#">GAO-10-861</a>, September 29, 2010</b>	
To gain a better understanding of the Supervisory Capital Assistance Program (SCAP) and inform the use of similar stress tests in the future, the Federal Reserve should compare the performance of the 19 largest bank holding companies against the more adverse scenario projections following the completion of the 2-year period covered in the SCAP stress test ending December 31, 2010, and disclose the results of the analysis to the public.	Open <sup>a</sup>
The Federal Reserve, in consultation with the other banking regulators, should develop a plan that reconciles the divergent views on transparency and allows for increased transparency in the regular supervisory process. Such a plan should, at a minimum, outline steps for releasing supervisory methodologies and analytical results for stress testing.	Open <sup>a</sup>
The Federal Reserve, in consultation with the other banking regulators, should develop more specific criteria to include in its guidance to examiners for assessing the quality of stress tests and how these tests inform bank holding companies' capital adequacy planning. These guidelines should clarify the stress testing procedures already incorporated into banking regulations and incorporate lessons learned from SCAP.	Open <sup>a</sup>
The Federal Reserve, in consultation with the other banking regulators, should fully develop its plan for maintaining and improving the use of data, risk identification and assessment infrastructure, and requisite systems in implementing its supervisory functions and new responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). This plan should also ensure the dissemination of these enhancements throughout the Federal Reserve System and other financial regulators, as well as new organizations established in the Dodd-Frank Act.	Open <sup>a</sup>
The Federal Reserve, in consultation with the other banking regulators, should take further steps to more effectively coordinate and communicate among the banking regulators, including that all applicable agencies are included in discussions and decisions regarding multiagency activities, such as horizontal examinations of financial institutions.	Open <sup>a</sup>
<b>Troubled Asset Relief Program: Opportunities Exist to Apply Lessons Learned from the Capital Purchase Program to Similarly Designed Programs and to Improve the Repayment Process: <a href="#">GAO-11-47</a>, October 4, 2010</b>	
Apply lessons learned from the implementation of CPP to similar programs, such as Small business Lending Fund (SBLF), and enhance procedural controls for addressing the risk of inconsistency in regulators' decisions on withdrawals. Specifically, establish a process for collecting information from federal bank regulators on all applicants that withdraw from consideration in response to a regulator's recommendation, including the reasons behind the recommendation. Evaluate the information to identify trends or patterns that may indicate whether similar applicants were treated inconsistently across different regulators and take action, if necessary, to help ensure a more consistent treatment.	Implemented
Periodically collect and review certain information from federal bank regulators on the analysis and conclusions supporting their decisions on CPP repayment requests and provide feedback for the regulators' consideration on the extent to which regulators are evaluating similar institutions consistently.	Partially implemented
<b>Troubled Asset Relief Program: Status of Programs and Implementation of GAO Recommendations: <a href="#">GAO-11-74</a>, January 12, 2011</b>	
OFS should finalize a plan for addressing how it will manage its workforce, in particular term-appointed employees and key Senior Executive Service (SES) positions, including plans for various staffing scenarios.	Implemented
<b>Troubled Asset Relief Program: Treasury Continues to Face Implementation Challenges and Data Weaknesses in Its Making Home Affordable Program: <a href="#">GAO-11-288</a>, March 17, 2011</b>	
Require servicers to advise borrowers to notify their second-lien servicers once a first lien has been modified under HAMP to reduce the risk that borrowers with modified first liens are not captured in the Lender Processing Services (LPS) matching database and, therefore, are not offered second-lien modifications.	Implemented
Ensure that servicers demonstrate they have the operational capacity and infrastructure in place to successfully implement the requirements of the Second-Lien Modification (2MP), Home Affordable Foreclosure Alternatives (HAFA), and Principal Reduction Alternative (PRA) programs.	Partially implemented

<b>GAO recommendations</b>	<b>Status</b>
Consider methods for better capturing outcomes for borrowers who are denied, cancelled, or redefaulted from HAMP, including more accurately reflecting what actions are completed or pending and allowing for the reporting of multiple concurrent outcomes, in order to determine whether borrowers are receiving effective assistance outside of HAMP and whether additional actions may be needed to assist them.	Implemented
<b>Troubled Asset Relief Program: Further Actions Needed to Enhance Assessments and Transparency of Housing Programs: <a href="#">GAO-12-783</a>, July 19, 2012</b>	
Treasury should expeditiously conduct a comprehensive risk assessment of HAMP Tier 2, using the standards for internal control in the federal government as a guide.	Open
Treasury should develop activity-level performance measures and benchmarks related to the HAMP Tier 2 program.	Implemented
Treasury should consolidate the state performance reports and financial reports, including administrative expenses, into a single Hardest Hit Fund report to provide policymakers and the public with the overall status of the program as well as the relative status and performance of the states' efforts.	Implemented
<b>Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis: <a href="#">GAO-12-296</a>, June 28, 2012</b>	
Treasury and Federal Housing Administration (FHA) should update their estimates of participation in the FHA Short Refinance program given current participation rates and recent changes to the program. Treasury should then use these updated estimates to reassess the terms of the letter of credit facility and consider seeking modifications in order to help ensure that it meets Treasury's needs cost-effectively.	Open
<b>Capital Purchase Program: Revenues Have Exceeded Investments, but Concerns about Outstanding Investments Remain: <a href="#">GAO-12-301</a>, March 8, 2012</b>	
The Secretary of the Treasury should consider analyzing and reporting on remaining and former CPP participants separately.	Open
<b>Troubled Asset Relief Program: As Treasury Continues to Exit Programs, Opportunities to Enhance Communication on Costs Exist: <a href="#">GAO-12-229</a>, January 9, 2012</b>	
That the Secretary of the Treasury enhance Treasury's communications with the public, in particular Treasury's press releases, about TARP programs and costs by consistently including information on estimated lifetime costs, especially when reporting on program results. For example, Treasury should consider including lifetime cost estimates, or references to Treasury reports that include such information, in its press releases about specific programs.	Implemented

Source: GAO.

Notes: This table includes only recommendations made to Treasury and the Board of Governors of the Federal Reserve System. Thus, it does not include a recommendation directed at the Secretary of Labor, along with a matter for congressional consideration, from the TARP report on Automotive Industry Financing Program (AIFP) ([GAO-11-471](#)).

<sup>a</sup>These recommendations were made to the Board of Governors of the Federal Reserve System.

<sup>b</sup>This is a matter for congressional consideration related to the TALF program.

<sup>c</sup>Treasury has taken some action on this recommendation, but the action did not fully address the scope or timing of the recommendation.

**Enclosure II**

**Status of Troubled Asset Relief Program (TARP) Financial Audit Recommendations, as of February 2013**

The following table summarizes the status of TARP financial audit recommendations that we have made as of February 2013. We classify each recommendation as either implemented, partially implemented (the agency took steps to implement the recommendation but more work remains), open (the agency has not taken steps to implement the recommendation), or closed, not implemented (the agency decided not to take action to implement the recommendation). The recommendations are listed by report.

**Table 2: GAO Financial Audit Recommendations, February 2013**

<b>GAO recommendations</b>	<b>Status</b>
<b>Management Report: Improvements Are Needed in Internal Control Over Financial Reporting for the Troubled Asset Relief Program: <a href="#">GAO-10-743R</a>, June 30, 2010</b>	
Establish a mechanism for the effective implementation of the review and approval process for preparing the year-end financial statements and related disclosures, including management discussion and analysis, for TARP.	Implemented
Develop and implement written procedures for identifying and evaluating modifications of direct loans, equity investments, and asset guarantees, to include: specific roles and responsibilities, criteria to identify modifications, documentation of management review and approval, and documentation of Office of Management and Budget approval of the modification subsidy cost estimate.	Implemented
Finalize and implement OFS's draft written procedures for identifying and evaluating any subsequent events that could have an effect on asset valuations and related disclosures.	Implemented
Develop and implement written procedures for tracking the resolution of independent verification and validation findings related to OFS's economic and financial models used for valuing TARP direct loans, equity investments, and asset guarantees.	Implemented
Update existing procedures to include procedures for identifying and resolving economic and financial model error and warning messages, including requirements to maintain appropriate supporting documentation regarding the resolution of such instances.	Implemented
Update OFS's asset valuation procedures to include specific requirements for documenting the basis of economic and financial model assumption values derived from informed opinion (judgment) consistent with Federal Accounting Standards Advisory Board Technical Release 6.	Implemented
Develop and implement written procedures for presenting income from direct loans and trust preferred securities in the Statement of Net Cost.	Implemented
Develop and implement written procedures for identifying any year-end dividends declared but unpaid to OFS from TARP participants.	Implemented
Develop and implement written procedures for disclosing accrued interest receivable, dividends declared but unpaid, and, if applicable, distributions receivable from trust preferred securities in OFS's financial statements for TARP.	Implemented
Finalize and implement procedures for the preparation of the year-end financial statements to include all key preparation processes.	Implemented
Develop and implement, as part of OFS's oversight and monitoring activities, written procedures detailing steps to effectively oversee and determine the reasonableness of data provided by external asset managers, prior to the use of such data.	Implemented
Develop and implement written procedures to document the rationale for established thresholds used in determining whether to investigate differences between the asset manager valuations and OFS's internally developed asset valuations.	Implemented

<b>GAO recommendations</b>	<b>Status</b>
Develop and implement written procedures detailing steps to be performed in overseeing and monitoring OFS's financial agents, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), including internal controls over the existence and completeness of loan data used in the determination of the HAMP liability.	Implemented
Develop written procedures for periodically estimating the HAMP liability.	Implemented
Develop and implement procedures to segregate the responsibilities for recording, approving, and reconciling information maintained in the accounting database used by OFS in the asset valuation process.	Implemented
Enhance and implement specific written procedures to verify data inputs, including manual inputs, used in the economic and financial models for the valuation of TARP direct loans, equity investments, and asset guarantees, and help ensure that such verification is clearly documented.	Implemented
Assess manual inputs used in the economic and financial models for the valuation of TARP direct loans, equity investments, and asset guarantees to determine the feasibility of reducing the number of manual inputs.	Implemented
Develop, document, and implement a mechanism to track the location of executed agreements.	Implemented
Develop and implement written procedures specifying detailed steps to be followed to reasonably ensure that warrant adjustments are properly recorded in the accounting database OFS uses for valuing TARP assets.	Implemented
Establish procedures to effectively monitor the documentation of reconciliations of key documents related to disbursements to and refunds from The Bank of New York Mellon as prescribed in OFS's written procedures.	Implemented
<b>Management Report: Improvements Are Needed in Internal Control Over Financial Reporting for the Troubled Asset Relief Program: <a href="#">GAO-11-434R</a>, April 18, 2011</b>	
Establish a mechanism for ensuring that OFS personnel follow prescribed policies and procedures for (1) documenting execution of its OMB Circular No. A-123, <i>Management's Responsibility for Internal Control (A-123)</i> process and thereby ensuring consistency among its A-123 documentation, existing policies and procedures, and actual practices executed by OFS personnel; and (2) performing testing on the operating effectiveness of OFS's key internal controls in accordance with its A-123-related policies and procedures.	Implemented
Establish a mechanism for ensuring (1) that only those individuals specifically designated in OFS's policies and procedures to review and approve period-end reconciliations conduct such procedures and (2) effective review of period-end reconciliations by the designated official.	Implemented
Establish a mechanism for ensuring effective reviews of documentation attached to journal entries, including ensuring such reviews assess whether the supporting documentation is sufficient and consistent with the journal entry before such entries are recorded in the general ledger.	Partially implemented.
Establish a mechanism for ensuring that changes to the assumptions used in the economic and financial models, and to data used in the models, are properly documented in accordance with OFS policies and procedures.	Implemented
Establish a mechanism for ensuring that the economic and financial models are accurately updated to reflect any changes made to the data and/or assumptions used in the models in accordance with OFS policies and procedures.	Implemented
Establish a mechanism for ensuring that changes in OFS's Automotive Industry Financing Program (AIFP) valuation methodology, including the rationale for the changes, are documented in accordance with OFS policies and procedures.	Implemented
Establish a mechanism for ensuring that asset valuations for certain direct loan and equity investment programs only reflect amounts outstanding as of fiscal year end in accordance with Statement of Federal Financial Accounting Standards No. 2, <i>Accounting for Direct Loans and Loan Guarantees</i> .	Implemented
Establish a mechanism for ensuring that any housing program issues discussed at the OFS Compliance Committee meetings, which could have a financial statement impact, are sufficiently communicated to all applicable officials in OFS within 2 days as specified in the HAMP Compliance Committee charter.	Implemented
Verify that the accrual calculated by IR2 (housing program system) appropriately accounts for mortgages which have reached their maximum incentive payment amounts.	Implemented
<b>Management Report: Improvements Are Needed in Internal Control over Financial Reporting for the Troubled Asset Relief Program: <a href="#">GAO-12-415R</a>, February 13,</b>	

GAO recommendations	Status
<b>2012</b>	
Revise OFS's procedures related to recording and review of noncash transactions, to include requirements for the individual performing the quarterly noncash transactions analysis to provide adequate supporting documentation for the entire analysis and for the reviewer to review this information along with the entire Noncash Transaction Report to ensure that all necessary noncash transactions are identified and properly recorded in the general ledger.	Implemented
Establish a mechanism for the effective implementation of the review process for recording warrant adjustments.	Implemented
Develop and implement written procedures to provide reasonable assurance that Public Private Investment Funds equity distributions are properly recorded in the general ledger in accordance with OFS's adopted accounting methodology.	Implemented
Establish procedures for coordinating with the Treasury Chief Information Officer to ensure the timely installation of patches to the Core Information Transaction Flow System.	Implemented

Source: GAO.

Enclosure III

Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 1, 2013

A. Nicole Clowers  
Director  
Financial Markets and Community Investment  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Clowers:

Thank you for providing the Department of the Treasury (Treasury) an opportunity to review your draft report on the Troubled Asset Relief Program (TARP) entitled *Troubled Asset Relief Program: Status of Recommendations to Treasury* (Draft). We welcome GAO's recognition that Treasury has partially or fully implemented 90 of the 99 recommendations (or 90 percent) that GAO has made since it issued its first TARP report in 2008. In addition, Treasury welcomes its ongoing dialogue with GAO regarding GAO's four remaining open recommendations on the Capital Purchase Program (CPP) and the Making Home Affordable Program.

As you acknowledge in the Draft, we have had certain concerns with respect to some remaining open recommendations. These include, in the case of one of the CPP recommendations, the need to respect regulators' independence. Nevertheless, Treasury will continue to work with GAO on the remaining four open recommendations, and will continue to update you on our progress.

Treasury values GAO's recommendations as we continue our efforts to wind down the TARP program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Massad".

Timothy G. Massad  
Assistant Secretary for Financial Stability

## Enclosure IV

### GAO Contact and Staff Acknowledgments

#### GAO Contacts

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#### Staff Acknowledgments

In addition to the contacts named above, Lynda Downing, Harry Medina, Raymond Sendejas, and Karen Tremba (Assistant Directors), along with Kevin Averyt, Don Brown, Emily Chalmers, John Forrester, Christopher Forys, John Lord, and Marc Molino made key contributions to this report.

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