

Highlights of [GAO-09-296](#), a report to congressional committees

Why GAO Did This Study

This is the second GAO report on the Troubled Asset Relief Program (TARP). It follows up on the nine recommendations from the December 2, 2008, report (GAO-09-161). It also reviews (1) the nature and purpose of activities that had been initiated under TARP as of January 23, 2009; (2) Treasury's Office of Financial Stability (OFS) hiring and transition efforts, use of contractors, and progress in developing a system of internal control; and (3) preliminary indicators of TARP's performance. To do this work, GAO reviewed signed agreements and other relevant documentation and met with officials from OFS, contractors, federal agencies, and some participating institutions.

What GAO Recommends

Treasury has taken important steps to implement all nine previous recommendations, but has yet to fully address eight. This report includes recommendations that Treasury further expand its efforts to monitor how CPP recipients are using program funds and more clearly articulate and communicate a strategic vision for the program. Addressing these and other recommendations would help ensure greater accountability and transparency and better enable Treasury to effectively manage TARP. Treasury generally agreed with the contents of the report and noted that while progress has been made in overseeing the program, it agreed that more work needs to be done.

To view the full product, including the scope and methodology, click on [GAO-09-296](#). For more information, contact Thomas McCool at (202) 512-2642 or mccoolt@gao.gov.

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TROUBLED ASSET RELIEF PROGRAM

Status of Efforts to Address Transparency and Accountability Issues

What GAO Found

As of January 23, 2009, Treasury had disbursed about \$293.7 billion of the \$700 billion in program funds (see table). Most of the funds (about \$194.2 billion) went to purchase preferred shares of 317 financial institutions under the Capital Purchase Program (CPP)—Treasury's primary vehicle under TARP for stabilizing financial markets. GAO's previous report emphasized the lack of monitoring and reporting for CPP investments and recommended stronger measures for ensuring that participating institutions use the funds to meet the program's purpose and comply with CPP requirements on, for example, executive compensation and dividend payments. In response to our recommendation, Treasury developed plans to survey the largest twenty institutions monthly to monitor lending and other activities and analyze quarterly monitoring data (call reports) for all institutions. While the monthly survey is a step toward greater transparency and accountability for the largest institutions, we continue to believe that additional action is needed to better ensure that all participating institutions are accountable for their use of program funds.

Status of TARP Funds as of January 23, 2009 (dollars in billions)

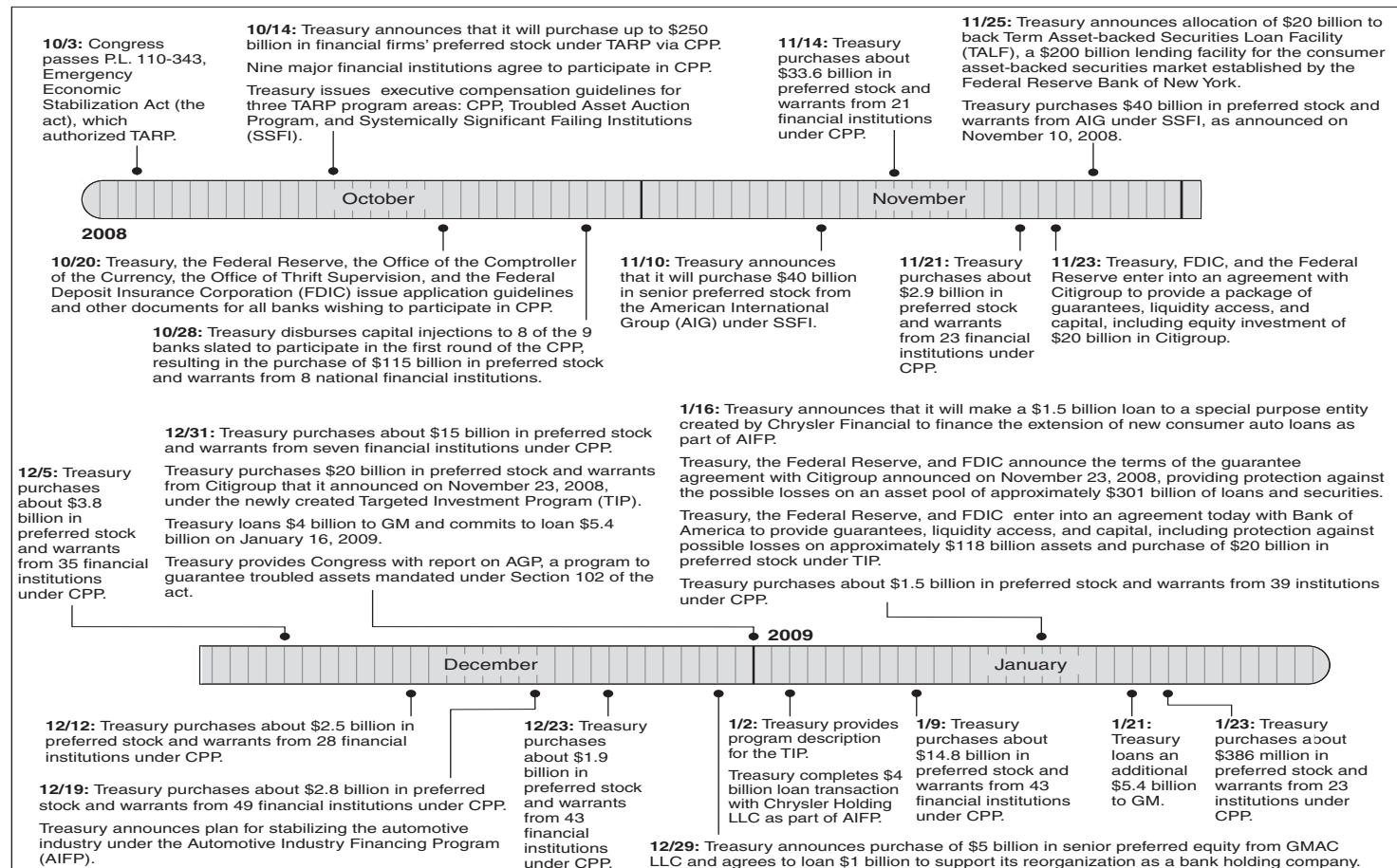
Program	Disbursed
Capital Purchase Program	\$194.2
Systemically Significant Failing Institutions	40.0
Targeted Investment Program	40.0
Term Asset-backed Securities Loan Facility	0.0
Automotive Industry Financing Program	19.5
Citigroup Asset Guarantee	0.0
Bank of America Asset Guarantee	0.0
Totals	\$293.7

Source: Treasury OFS, unaudited.

Treasury has continued to develop a system for detecting noncompliance with key requirements of the program but has not yet finalized its plans. Further, Treasury has made limited progress in formulating articulating and communicating an overall strategy for TARP, continuing to respond to institution- and industry-specific needs by, for example, making further capital purchases and offering loans to the automobile industry. In addition, it has not yet developed a strategic approach to explain how its various programs work together to fulfill TARP's purposes or how it will use the remaining TARP funds. While GAO does not question the need for swift responses in the current economic environment, the lack of a clearly articulated vision has complicated Treasury's ability to effectively communicate to Congress, the financial markets, and the public on the benefits of TARP and has limited its ability to identify personnel needs.

Highlights of GAO-09-296 (continued)

Timeline of Programs and Selected Actions under TARP, October 2008–January 2009



Source: GAO.

GAO's previous report also included recommendations about OFS's management infrastructure, including hiring, contract oversight, and internal controls. Treasury has taken steps to address our recommendations, but still faces several challenges. First, it took proactive steps to help ensure a smooth transition to the new administration by keeping positions filled and using an expedited hiring process, including direct hire authority. Moreover, after losing some potential candidates because of conflicts of interest, Treasury is asking candidates to address potential conflicts earlier in the recruitment process to avoid unnecessary delays in finalizing employment offers. However, it continues to face difficulty providing competitive salaries to attract skilled employees. Also, given the program's evolving nature and the likelihood of changes under the new administration, Treasury will need to identify OFS's long-term organizational needs. OFS continues to rely on detailees and contractors to carry out program functions. Second, consistent with our recommendation about contracting oversight, Treasury has enhanced such oversight by tracking costs, schedules, and performance and addressing the training requirements of personnel who oversee the contracts. As we previously recommended, Treasury needs to continue to identify and mitigate conflicts of interest in contracting. Similarly, OFS has adopted a framework for organizing the development and implementation of its system of internal control for TARP activities, which is consistent with our recommendation. OFS plans to use this framework to develop specific standards and policies, drive communications on expectations, and measure effectiveness of internal control policies and procedures. However, it has yet to implement a disciplined risk-assessment process.

Given the recency of program actions and time lags in the reporting of available data, GAO continues to believe that it is too early in the program's implementation to see measurable results in many areas. Even with more time and better data, it will remain difficult to separate the impact of TARP activities from the effect of other economic forces. Some indicators suggest that the cost of credit has declined in interbank, mortgage, and corporate debt markets since the December report. However, while perceptions of risk (as measured by premiums over Treasury securities) have declined in interbank markets, they changed very little in corporate bond and mortgage markets. Finally, as GAO also noted in December, these indicators may be suggestive of TARP's ongoing impact, but no single indicator or set of indicators can provide a definitive determination of the program's effects because of the range of actions that have been and are being taken to address the current crisis. GAO will continue to refine and monitor the indicators going forward.