



**OFFICE OF THE SPECIAL INSPECTOR GENERAL**

**FOR THE TROUBLED ASSET RELIEF PROGRAM**

**1801 L STREET, NW, 6<sup>TH</sup> FLOOR**

**WASHINGTON, D.C. 20220**

September 24, 2009


MEMORANDUM FOR: Herbert M. Allison, Jr., Assistant Secretary for Financial Stability,  
Department of the Treasury

John C. Dugan, Comptroller of the Currency

John E. Bowman, Acting Director, Office of Thrift Supervision

Stephen R. Malphrus, Chief of Staff, Board of Governors, Federal  
Reserve System

Sandra L. Thompson, Director, Division of Supervision and  
Consumer Protection, Federal Deposit Insurance Corporation

FROM: Neil M. Barofsky, Special Inspector General for the Troubled  
Asset Relief Program (SIGTARP) 

SUBJECT: Engagement memo – Review of Capital Purchase Program (CPP)  
Applications Receiving Conditional Approval

As part of our continuing oversight of the Troubled Assets Relief Program (TARP), we are initiating an audit of CPP applications that received conditional approval by the Treasury Investment Committee. As of September 2009, the Investment Committee gave preliminary approval to a number of CPP applications provided they meet certain conditions before funds are disbursed. For example, the Investment Committee gave preliminary approval to Colonial Bancgroup's CPP application but required them to raise \$300 million before funds could be disbursed. Our specific objectives are to assess (1) the rationale for the Investment Committee decisions to grant conditional approval of CPP applications and the role of the banking regulators in the process; (2) if timeframes are established for meeting the conditions; and (3) the internal controls in place to assure the conditions are satisfied before funds are disbursed.

We plan to start work on this engagement shortly. This work will be performed under engagement code 013. We expect to perform our fieldwork at the Department of Treasury's Office of Financial Stability, Office of the Comptroller of the Currency, Office of Thrift Supervision, Federal Reserve System, Federal Deposit Insurance Corporation, and applicable state bank regulators, as warranted. A member of my staff will contact you shortly to arrange an entrance conference. At that time we will discuss our scope, methodology, and timeframes in

more detail. In the interim, please contact Michael Kennedy SIGTARP Associate Director for Audit, at (202) 622-9257.

cc: Duane Morse, Chief Compliance and Risk Officer, OFS  
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