




OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

1801 L STREET, NW, 6TH FLOOR
WASHINGTON, D.C. 20220

October 2, 2009

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

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

SUBJECT: Engagement Memo – Review of the Internal Controls for the Legacy Securities Program under Treasury’s Public-Private Investment Program

As part of our continuing oversight of the Troubled Asset Relief Program, we are initiating an audit of the internal controls in place for both the Treasury and the Public-Private Investment Fund (“PPIF”) for the Legacy Securities Program under the Public-Private Investment Program. Under the program, Treasury pre-approved 9 Fund Managers and 10 strategic partners to raise private capital to invest in joint investment programs with Treasury. We plan to start work on this engagement immediately. This work will be performed under engagement code 015.

The key questions to be addressed are (1) To what extent do Treasury’s internal controls mitigate PPIF manager conflicts of interest and ensure overall program compliance, and (2) To what extent are fund managers complying with internal control requirements, including those relating to conflicts of interest, set forth in the PPIF fund manager key documents.

We expect to perform our field work at the Office of Financial Stability, and at the companies involved. 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 meantime, please contact Mr. Jim Shafer, Associate Director for Audit, at (202) 927-9334.

cc: Duane Morse, Chief Compliance Officer, OFS




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

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

SUBJECT: Engagement Memo – Review of The Selection of Fund Managers for the Legacy Securities Program under Treasury’s Public-Private Investment Program

As part of our continuing oversight of the Troubled Asset Relief Program, and based on a request from the Chairman and Ranking Member of the Subcommittee on Contracting Oversight, Committee on Homeland Security and Governmental Affairs, SIGTARP is initiating an audit of the process Treasury used to select Fund Managers for the Legacy Securities Program under the Public-Private Investment Program (“PIPP”). Under the program, Treasury pre-approved 9 Fund Managers and 10 strategic partners to raise private capital to invest in joint investment programs with Treasury. SIGTARP will perform this audit under assignment code 0014.

The key questions to be addressed are: (1) What criteria were used by the Treasury Department to select Public-Private Investment fund managers and their strategic partners? (2) To what extent did the Treasury Department consistently apply established criteria when selecting fund managers and strategic partners? (3) To what extent did Treasury follow the principles of the Federal Acquisition Regulations in establishing the selection process for PPIP fund managers and the associated financial agreements to protect taxpayer interests? (4) What measures has the Treasury Department taken to prevent conflicts of interest for the fund managers and their strategic partners?

We plan to start work on this engagement immediately. We expect to perform our field work at the Office of Financial Stability, and at the companies involved. 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 meantime, please contact Mr. Jim Shafer, Associate Director for Audit, at (202) 927-9334.

cc: Duane Morse, Chief Compliance Officer, OFS