



OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

1500 PENNSYLVANIA AVE., NW, SUITE 1308

WASHINGTON, D.C. 20220

July 17, 2009

MEMORANDUM FOR

Hebert M. Allison Jr., Assistant Secretary for Financial Stability
Department of Treasury

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

Diego Tomás Ruiz, Executive Director, Securities and Exchange
Commission

Joanne Hanley, Director, Congressional Relations, Federal
Housing Finance Agency

SUBJECT:

Engagement Memorandum – Audit of Governance Issues
Regarding Exceptional Assistance to Selected TARP and Other
Enterprises Receiving Exceptional Federal Assistance

As part of our continuing oversight of the Troubled Asset Relief Program (TARP) and, based on a request from the Chairman, Senate Committee on Finance, SIGTARP is initiating a review of U.S. Government oversight over and interaction with the management of institutions such as American International Group (“AIG”), General Motors (“GM”), Chrysler, and Citigroup where the government is approaching or in effect has majority owner status. The audit will also include a focus on Fannie Mae and Freddie Mac, two government-sponsored enterprises that are now essentially under government control. The Government Accountability Office (GAO) was asked to join SIGTARP in this endeavor because of their extensive experience in each of these areas, particularly in leading the work involving the government sponsored enterprises in which federal assistance does not come from TARP funding. SIGTARP will perform this audit under assignment code 0010 and GAO will perform this audit under assignment code 250481.

The key questions to be addressed are: (1) What is the extent of government involvement in management of companies in which it has made sizeable investments, including government direction and control over such facets as governance, compensation, spending, and other corporate decision-making? (2) To what extent are effective risk management, internal controls, and monitoring in place to protect and balance the government’s interests in relation to corporate needs? (3) Are there performance measures in place that can be used to track progress against

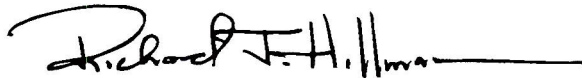
long-term goals and timeframes affecting the government's ability to wind down its investments and disengage from these companies? (4) Is there adequate transparency to support decision-making and provide full disclosure to the Congress and the public?

We plan to start work on this engagement immediately. We expect to perform fieldwork at the affected financial institutions and key regulators including Office of Financial Stability, the Federal Reserve System, Federal Reserve Bank of New York, Federal Deposit Insurance Corporation, and the Securities and Exchange Commission. A member of the joint team 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, if you have any questions, please contact Michael Kennedy, Associate Director for Audit, SIGTARP, at (202) 622-9257, or Orice Williams-Brown, Director, Financial Markets and Community Investment, GAO, at (202) 512-8678.

Sincerely yours,



Neil M. Barofsky
Special Inspector General Troubled Asset Relief Program



Richard J. Hillman
Managing Director, Financial Markets and Community
Investment, U.S. Government Accountability Office

cc: Duane Morse, Chief Compliance Officer, OFS
Gene L. Anderson, Senior Counsel, FRB/IG
Laura McAuliffe, Senior Advisor, OCC
James H. Angel, Jr. Director, Office of Enterprise Risk Management, FDIC
Darlene Pryor, GAO Liaison, Securities and Exchange Commission
Joanne Hanley, Director, Congressional Relations, Federal Housing Finance Agency