CQ TODAY MIDDAY UPDATE
March 31, 2009 – 2:05 p.m.

Treasury Draws More Fire Over TARP Implementation

The Treasury Department on Tuesday faced a barrage of criticism from three key watchdogs over its implementation of the government's massive financial bailout program.

In testimony before the Senate Finance Committee, Neil Barofsky, the special inspector general for the $700 billion Troubled Asset Relief Program enacted last fall, said Treasury has been lax in its efforts to get information from banks on the receiving end of federal funding.

Barofsky's office was created by the bailout law as the primary overseer of the TARP, and has been expanded to cover as much as $2.9 trillion in 12 different programs run by Treasury, the Federal Reserve and the Federal Deposit Insurance Corp., the former New York prosecutor said.

The sheer size of the federal effort had some panel members shaking their heads.

"This is an enormously complicated program," said Finance Chairman Max Baucus , D-Mont. "The money involved is mind boggling, totally mind boggling."

The special inspector general's office is in the midst of two major audit efforts, Barofsky said, sending out surveys to TARP recipients in an effort to gauge their use of federal funds and their compliance with executive compensation restrictions.

While the department received responses from all of the institutions contacted, a number of banks did not fully detail how their federal funds were being used, something that led Barofsky to ask, for the second time, that the Treasury require certified reports on how each institution allocates its funding.

"Banks can and should be required to report on the use of taxpayer money to provide maximum transparency and not simply be asked to report on the possible impact of the funds," Barofsky said.

Barofsky said there are more than a dozen ongoing fraud investigations related to the TARP, and his office is moving to combat the potential for abuses. His office has established a multiagency task force focused on the Fed's $1 trillion lending initiative to ease credit markets for small businesses, student loans and car loans.

Meanwhile, the Government Accountability Office said problems continue with Treasury's implementation of the program, despite indications that participating institutions have increased lending in the past three month.

The GAO, in its March progress report, said the 532 financial institutions receiving direct capital injections had increased lending, but Treasury still lacks a cogent plan to move the program forward.