



COMMITTEE ON

Oversight & Government Reform - Republicans

Ranking Member Darrell Issa



FOR IMMEDIATE RELEASE

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Issa Calls on Towns to Use the Committee’s Subpoena Power to Get TARP Answers from Treasury

“I am growing increasingly concerned that our Committee is not doing enough...”

WASHINGTON, D.C. – House Committee on Oversight and Government Reform Ranking Member Darrell Issa (R-CA) sent a letter to committee Chairman Edolphus Towns (D-NY) asking the majority to work with committee Republicans to “use the Committee’s subpoena power to require the Treasury Department to (1) produce materials, and (2) make officials available for deposition” to answer questions regarding the reporting, distribution and oversight of TARP funds.

“I am growing increasingly concerned that our Committee is not doing enough – let alone its part – to ensure President Obama’s goal of implementing a higher standard of accountability, transparency and oversight with respect to the now trillions of federal bailout and stimulus dollars,” Issa wrote in the letter to Towns. “Mr. Chairman, as was Speaker Pelosi’s design last fall, the Committee on Oversight and Government Reform was to lead the effort for the House. Every step of the way, we need to ask ourselves: Have we had enough hearings? We have had one full Committee hearing. Have we compelled the Treasury Department to produce a sufficient number of documents required for our investigators to fulfill their oversight duty? I do not think so. Have TARP recipients produced enough documents to our investigators? No. Have we taken enough depositions? We have taken none.”

The text of the letter is provided below:

April 9, 2009

The Honorable Edolphus Towns
Chairman
House Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Towns,

On March 31, 2009, the Senate Finance Committee held an oversight hearing to review the federal bailout programs designed by the Treasury Department. The heads of each of three agencies charged with oversight of the programs unanimously expressed concern about the mechanisms and rationale being used by the Treasury Department to manage nearly \$3 trillion being distributed through the Troubled Asset Relief Program (“TARP”) and other programs. As I am sure you will agree, this hearing raised a number of alarming questions about whether the Congress is fulfilling its oversight obligations with respect to TARP-related spending.

As leaders of the principal oversight committee in the House of Representatives, we have a special obligation to conduct dogged oversight of all aspects of bailout and stimulus spending. Indeed, President Obama has promised, “My recovery and reinvestment plan will set a new, higher standard of accountability, transparency and oversight.”^[1]

As we learned at the March 31 hearing, federal bailout watchdogs are most concerned about Treasury’s failure to articulate a coherent plan for managing the various programs and tracking the funds. Without the ability to track the funds, the Treasury Department is failing to provide the most elementary data a transparent spending system requires. According to Congressional Oversight Panel Chair Elizabeth Warren, “it is not possible to exercise meaningful oversight over Treasury’s actions . . . without a clearer explanation” of certain aspects of the bailout program.^[2] According to Warren, public information about some bailout programs has created confusion because of vagueness and contradiction.^[3]

The current and previous administrations suggested that tracking bailout dollars from the Treasury to lenders and subsequently to borrowers would be impracticable. Neal Barofsky, Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”), dismissed these complaints, urging Treasury to require TARP recipients to “monitor their use of funds” and to “provide certified reports on how they are using taxpayer money.”^[4] To date, Treasury has not updated Congress about Department plans for administering the reporting process or even what information it will require TARP recipients to report.

The Treasury Department recently expanded its use of monthly Capital Purchase Program (“CPP”) surveys; Treasury now distributes the monthly surveys to all institutions participating in the program.^[5] Money distributed through the CPP represents approximately two-thirds of all TARP funds disbursed to date.^[6] GAO Acting Comptroller General Gene Dodaro believes that direct access to entities receiving federal funds will “bring accountability and transparency to the TARP program.”^[7] The CPP surveys can be a vehicle for increased transparency if they are effectively administered by Treasury and made available to Congress. In addition to distributing surveys to CPP recipients, I urge Treasury to require all recipients of bailout funds from any federal program to respond to similar surveys to further enhance oversight efforts.

Treasury is now receiving dividends from the investments it made through the CPP and other programs.^[8] The GAO recommends “reporting publicly the monies, such as dividends, paid to Treasury by TARP recipients” in order to increase transparency.^[9] Improving transparency by publicly disclosing dividends paid to Treasury will allow the American people to track their investment and may stem the erosion of public support for the federal bailout programs.

In several cases, banks and other institutions returned TARP funds to the Treasury Department.^[10] Treasury has not described a plan to re-direct returned funds. Treasury has not indicated whether these funds will be diverted to other institutions that applied for TARP funds, redirected toward foreclosure-prevention efforts, or used for some other purpose. The Treasury

Department must account for these funds and clarify its intentions in the context of a coherent overall plan for disbursing the federal bailout.

The Committee is uniquely positioned to compel the Treasury Department to clearly explain the objectives and administration of the overall bailout plan. To ensure that the goals of the federal bailout are not compromised by an incoherent plan and a lack of transparency, I ask the majority to join me in calling on the Treasury Department to produce documents and witnesses to address these concerns. Specifically, I urge you to use the Committee's subpoena power to require the Treasury Department to (1) produce materials, and (2) make officials available for deposition, regarding:

1. Any material submitted by recipients of federal bailout dollars in response to Treasury Department surveys, including but not limited to CPP surveys;
2. Any reports, such as those recommended by SIGTARP, produced by federal bailout recipients that disclose, describe, or track funds received through TARP or any other federal program;
3. Any instructions or directions issued to recipients of bailout funds regarding how to use those funds to comply with the goals and objectives of the Treasury Department's bailout plan;
4. Any documents describing monies received by the Treasury Department from federal bailout recipients, including but not limited to all dividends and earnings statements;
5. Any documents tracking funds returned to the Treasury Department by recipients of TARP or any other federal bailout program;
6. Any documents describing plans to manage and administer TARP, TALF, CPP, or any federal bailout program, including but not limited to describing mechanisms in place to allocate, disburse, track, or report federal bailout funds; and,
7. Any documents that describe specific goals and objectives of any federal bailout program, including but not limited to all internal memoranda, e-mail, and press materials.

I am growing increasingly concerned that our Committee is not doing enough – let alone its part – to ensure President Obama's goal of implementing a higher standard of accountability, transparency and oversight with respect to the now trillions of federal bailout and stimulus dollars. Mr. Chairman, as was Speaker Pelosi's design last fall, the Committee on Oversight and Government Reform was to lead the effort for the House. Every step of the way, we need to ask ourselves: Have we had enough hearings? We have had one full Committee hearing. Have we compelled the Treasury Department to produce a sufficient number of documents required for our investigators to fulfill their oversight duty? I do not think so. Have TARP recipients produced enough documents to our investigators? No. Have we taken enough depositions? We have taken none.

Thank you for your attention. I look forward to working with you to address effective oversight of the federal bailout.

Sincerely,

Darrell Issa
Ranking Member

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^[1] Barack Obama, Briefing to assembled media, Jan. 6, 2009 (quoted by Robert Brodsky, Obama presses oversight of economic stimulus package, GOV'T. EXEC. (Jan. 6, 2009)).

^[2] Elizabeth Warren, testimony to S. Finance Comm. (Mar. 31, 2009).

^[3] *Id.*

^[4] Neal Barofsky, written testimony to S. Finance Comm. at 4 (Mar. 31, 2009) [hereinafter Dodaro Testimony].

^[5] U.S. Gov't Accountability Office, Electronic Records: Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues, GAO-09-504 (Mar. 31, 2009).

^[6] Gene L. Dodaro, written testimony to S. Finance Comm. at 2 (Mar. 31, 2009).

^[7] David Hess, *TARP oversight agencies ask Treasury, Fed for answers*, CONGRESSDAILY (Mar. 31, 2009).

^[8] Dodaro Testimony at 3.

^[9] *Id.*

^[10] CNN, *US Government Capital Begins Flowing Back Into Treasury* (Apr. 1, 2009).