

Treasury Financial Management Update

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Agenda

- Troubled Asset Relief Program (TARP)
- American Recovery and Reinvestment Act (ARRA) Program
- Procurement Savings Program
- Improper Payments Reduction Program
- Open Government Program

Emergency Economic Stabilization Act of 2008 (EESA) / TARP

- Signed into Law October 3, 2008
- Restore liquidity and stability to the financial system
- Provided \$700B in TARP purchase authority
- Created the Office of Financial Stability
 - Started from scratch, now over 200 employees
 - Extensive use of contractors and fiscal agents
 - Permanent indefinite admin budget – approx \$250M per year
- OVERSIGHT
- REPORTING



Strategic Outcomes/Programs

- Ensure overall stability & liquidity of the financial system
 - Make capital available to viable institutions
 - Capital Purchase Program
 - Provide targeted assistance as needed
 - Autos programs, AIG
 - Targeted Investment Program (B of A and Citi)
 - Increase liquidity and volume in the securitization markets
 - Term-Asset Lending Facility (TALF)
 - Public Private Investment Program
- Prevent avoidable foreclosures/help preserve homeownership
 - \$50B TARP funds paired with \$25B for Fannie and Freddie
- Protect taxpayer interests
- Promote transparency



TARP Program Funds

TARP Program Funds -(Status as of 12/31/09)

Program Titles	Announced	Obligated	Disbursed	Income	Repayments
<i>(*All dollars in billions*)</i>					
Capital Purchase Program (CPP)	\$208.00	\$204.89	\$204.89		
CPP Redemptions/Repayments					\$121.89
Proceeds from Warrants and Stock				\$4.01	
CPP Dividends and Other Income				\$8.27	
Targeted Investment Program (TIP)	\$40.00	\$40.00	\$40.00		
TIP Repayments					\$40.00
TIP Dividends				\$3.00	
Asset Guarantee Program (AGP)	\$5.00	\$5.00	\$0.00		
AGP Dividends				\$0.28	
Consumer and Business Lending Initiative (CBLI)	\$60.00	\$20.00	\$0.10		
Legacy Securities Public-Private Investment Program (S-PPIP)	\$30.00	\$30.00	\$3.08		
*S-PPIP Interest				\$0.00	
AIG Investments	\$69.84	\$69.84	\$45.34		
Automotive Industry Financing Program (AIFP)	\$86.60	\$84.84	\$79.69		
Auto Loan Principal Repaid					\$3.28
Interest Received from Loans				\$0.35	
Dividends Received from Equity				\$0.94	
Proceeds from Additional Notes				\$0.02	
Home Affordable Modification Program (HAMP)¹	\$50.00	\$36.80	\$1.27		
Program Totals:	\$549.44	\$491.38	\$374.39		
Total Revenue Paid to Treasury:				\$16.87	\$165.17

*Rounded to the nearest ten million

¹Funds allocated, obligated and disbursed for the Home Affordable Modification Program (HAMP) include \$1.244B to offset costs of program changes for the "Helping Families Save Their Homes Act of 2009", Public Law No: 111-22, Section 202 (b) and \$15M for the Special Inspector General for the Troubled Asset Relief Program (SIGTARP).

What Will TARP Ultimately Cost?

- FY 09 Financial Statements (December)
 - Face value of FY09 disbursements: \$364B
 - Obligations (credit subsidy cost) \$42B
- FY09/10 estimated credit subsidy cost \$100 - \$125B



Top Financial Reporting Challenges

- Uniqueness of the programs & size
 - Billions in preferred stock, warrants
- Complexity of the transactions
- Requirement to determine costs using the Federal Credit Reform Act
- Consolidation/entity issues
- Almost all being done from scratch
 - Everyone is new – at OFS/Treasury and GAO
- Internal control opinion



The challenge: design, build, execute, test, monitor & report simultaneously



Design & Execute A-123 Program

Oversight including GAO Financial Audit

Reporting, transparency

Execute programs: transactions, cash, accounting

Design & create programs, processes & controls

Key Strategies

- Clear goals that everyone shared: flawless execution, clean audit opinion
- Build and motivate a great team
- Constant focus on risk management and internal control
- Emphasis on cross functional areas - no silos
- Always have a Plan B (and C and D)

Building the Team

- “Sine qua non” – without which not
 - Very diverse skill sets
 - Almost all “doers”
- OFS OCFO is mostly federal employees with a few from private sector
- Very technical expertise needed
 - Credit reform accountant on detail was critical
- Fantastic contractor teams
- Great support from OMB and GAO

Risk Management

- Risk based approach to determining priorities, allocating resources
 - “Follow the money” – the most mature controls are in the cash management & transaction areas
 - Focus on “game over” scenarios
- Top down and bottom up risk assessment used to identify priorities

Summary Observations

- Best way to describe it: flying the plane while building it
- Constant tension between speed (reason for our existence) and accuracy (what the watching world expects)
- Tight timeframes and objectives made us very focused and cut out the non-essential
- Terrific audit results: Unqualified Opinion; No material weaknesses



ARRA Programs - Treasury

- Recovery Act Payments – FMS
- Community Development Financial Institutions (CDFI)
- Cash Assistance in Lieu of Tax Credits Programs
 - Low Income Housing
 - Specified Energy Property
- Tax Credits – IRS
- Treasury IG for Tax Administration (TIGTA)

Recovery Act Implementation Treasury Risk Management Activities

- Identified and Documented Program-Specific Risks
- Identified and Documented Applicable Current Process Internal Controls
- Assessed Program-Specific Risks in View of Existing Controls
- Completed ARRA Risk Assessment
- Mitigated Risks and Impacts for plans rated Medium and High Risk
- Certified Completion of Risk Assessment/Development of Mitigation Plan
- Monitored Risk Mitigation Plans as needed
- Established Treasury Recovery Act Risk Management Council

Other FM Related Programs

- Procurement Savings Program (FY10: -3.5% & FY11: -3.5%)
- Improper Payments Reduction Program (EITC)
- Open Government Program

QUESTIONS ???