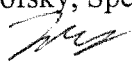


OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM

1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

February 5, 2009

MEMORANDUM FOR Neel Kashkari - Interim Assistant Secretary for Financial Stability
John C. Dugan - Comptroller of the Currency
John M. Reich - Director, Office of Thrift Supervision
Sandra L. Thompson - Director, Division of Supervision and
Consumer Protection, Federal Deposit Insurance Corporation

FROM: Neil Barofsky, Special Inspector General Troubled Asset Relief
Program 

SUBJECT: Engagement memo – Audit of the use of TARP funds and Audit of
controls over executive compensation

As part of our continuing oversight of the Troubled Asset Relief Program, we are initiating audits on the use of TARP funds and controls over executive compensation. The primary objective of the first assignment is to determine how entities that have received TARP money are using or plan to use TARP funds and the primary objective of the second assignment will be to determine how these entities are addressing or plan to address the limitations on executive compensation.

With the exception of Citigroup and Bank of America transactions, TARP agreements generally do not require recipients to report or even track internally the use of TARP funds. In the context of a program this large and important to the nations' economic recovery, addressing the basic question "Where did the money go?" is critical to credible and effective oversight of TARP. For this reason, and as part of the initial data collection for these audits, we will be sending a request to all entities that have received TARP money to date asking them to account for their use of the TARP funds and to describe their efforts to comply with applicable executive compensation restrictions. Specifically, we will request that recipients of TARP funds provide (1) a narrative outlining the use or expected use of TARP funds, and copies of pertinent supporting documentation (financial or otherwise) to support responses; and (2) specific plans and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding.

We plan to begin work on these audits immediately. The work related to the use of funds will be performed under assignment code 0001 and the work on the controls over executive compensation under assignment code 0002. If you have any questions regarding this initiative, please feel free to contact Mr. Barry W. Holman, Deputy Inspector General for Audit at (202) 622-4633.

cc:



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