

For Immediate Release  
Friday, January 30, 2009

Grassley urges OMB to get out of the way of Special Inspector General for TARP

WASHINGTON – Senator Chuck Grassley today urged the President’s Director of Management and Budget to knock down, rather than build hurdles to effective oversight by the new Special Inspector General for the federal government’s attempted rescue of the financial system.

In a letter sent this afternoon, Grassley asked Director Peter Orszag to stop any efforts underway or excuses in the works to prevent Neil Barofsky, the Special Inspector General, from initiating letters of inquiry to entities participating in the Troubled Asset Relief Program and accessing portions of the \$700 billion rescue program.

“The Office of Management and Budget has sent a terrible signal by creating all sorts of red tape for the Special Inspector General to dig in to what’s happening with TARP money, the taxpayers’ money and, in fact, by even meddling in the Inspector General’s work at all,” Grassley said. “The whole point of an inspector general is to have independent review and assessment of what’s going on. We all need the Special Inspector General to be as effective as possible so that everyone can understand the mistakes that have been made in managing the bailout and how to do a lot better job going forward.”

Last week, Grassley applauded the new Special Inspector General signaling an aggressive approach to achieving transparency with the TARP program. Last fall, Grassley joined Senator Baucus and other senators in making a case that the legislation that created TARP also include a Special Inspector General. Senator Grassley has initiated numerous oversight inquiries regarding the implementation of TARP since last fall. Grassley and Senator Claire McCaskill won Senate passage late last year (S.3731) of legislation to strengthen the ability of the Special Inspector General to conduct oversight of TARP. They will reintroduce a bill this year to secure necessary authority for the Special Inspector General as their bill last year was never taken up by the House of Representatives.

The text of Grassley’s letter to Orszag is below, along with the statement Grassley issued last week about a Barofsky letter to congressional leaders. Barofsky’s January 22, 2009, letter is posted with this news release at <http://finance.senate.gov> and <http://grassley.senate.gov>. A news release describing the Grassley-McCaskill legislation is also below.

January 30, 2009

The Honorable Peter R. Orszag  
Director

Office of Management and Budget  
Eisenhower Executive Office Building  
1650 Pennsylvania Avenue, NW  
Washington, DC 20503

Dear Mr. Orszag:

Last week, Neil Barofsky, of the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) advised me and others of his intention to undertake a significant oversight initiative to improve general transparency of the Troubled Asset Relief Program (TARP). I praised that initiative.

This morning, in an effort to obtain a status update on that initiative, my staff contacted Inspector General Barofsky (IG). In response to that inquiry, the IG noted that an unexpected hurdle arose. More specifically, the Office of Management and Budget (OMB) advised the IG that SIGTARP could not initiate its significant oversight effort to improve the general transparency of TARP funds due to restrictions of the Paperwork Reduction Act (“the Act”). In response to that requirement, the IG immediately addressed a letter to you requesting “Emergency Processing” of its letter for recipients of TARP funds.

OMB reacted quickly to the IG request noting that SIGTARP would not be limited by the Act. However, moments after providing notice to SIGTARP that it would be allowed to proceed with its letter of inquiry to TARP recipients, OMB withdrew the emergency approval it had granted just a few minutes earlier.

It is my understanding that at this time, OMB is requiring SIGTARP to post a proposed letter of inquiry to TARP recipients for 15 days, wait for comments, and then justify to OMB that it has taken into account the public comments in redrafting the inquiry letter. This is unacceptable. Every taxpayer who is being forced to pay the bill here wants to know: “where did the money go?” SIGTARP was created to answer that fundamental question, and OMB appears to be obstructing SIGTARP’s efforts to find out the answer on behalf of Congress and the American people.

SIGTARP should not have to jump through bureaucratic hoops in order to gather basic information that the government could have and should have required as a condition of the receipt of TARP funds in the first place. That would merely lead to unnecessary delay and obfuscation. For example, the comments would likely consist of lengthy objections from those subjected to the inquiry. Moreover, reconciling those objections would be a substantial undertaking with little if any return to the taxpayer. It should be no surprise that those who accepted TARP funds may not be interested in providing taxpayers with answers to the questions about where the money went. They may very well much rather use their resources commenting on SIGTARP’s letter of inquiry and diverting attention to arguments over whether the request for information is burdensome.

This is very disturbing, especially in light of President Obama's pledges of unprecedented openness and transparency. OMB's decision appears directly contrary to this administration's promise to administer TARP with a new level of transparency and accountability never before seen in Washington.

I am not convinced that the Paperwork Reduction Act applies to the SIGTARP under these circumstances. However, if OMB believes its hands are tied by the statute and that there is no way of avoiding these delays without a legislative fix, then I would have expected OMB to propose to Congress legislative language exempting SIGTARP from the Paperwork Reduction Act. No such proposal has been made.

Please provide a detailed explanation of the facts and circumstances surrounding OMB's intervention to delay SIGTARP's collection of information from TARP recipients, including:

- (1) a complete description of all communications between OMB, Treasury, and SIGTARP officials related to this matter;
- (2) a complete description of all communications between any government officials and industry representatives related to this matter; and
- (3) copies of any and all records reflecting such communications.

In light of the President's commitment to transparency, I thank you in advance for your prompt and complete response.

Sincerely,



Charles E. Grassley  
Ranking Member

MEMORANDUM

TO: Reporters and Editors  
FR: Jill Kozeny, 202-224-1308  
for U.S. Senator Chuck Grassley of Iowa  
Ranking Member of the Committee on Finance  
RE: letter from the Special Inspector General for the TARP  
DA: Thursday, January 22, 2009

Senator Chuck Grassley issued the comment below in response to the letter he received today from Neil M. Barofsky, Special Inspector General for the Troubled Asset

Relief Program (TARP). The letter is posted with this statement at <http://finance.senate.gov> and <http://grassley.senate.gov>.

Senator Grassley joined Senator Baucus and other senators last fall in making a case that the legislation that created TARP also include a Special Inspector General. Senator Grassley has initiated numerous oversight inquiries regarding the implementation of TARP since last fall.

Senator Grassley's comment:

“The mindset expressed by the Special Inspector General in this letter gives me hope that greater transparency can be achieved for the taxpayers with the massive effort to rescue America's financial system. Lack of transparency, lack of accountability, and taking advantage of others were major factors in creating the financial crisis. The rescue effort won't succeed if it's got those same problems. I encourage the Special Inspector General to be as aggressive as possible in achieving full disclosure of how TARP dollars have been spent and will be spent so that program assessments can be made and future actions are as effective as possible.”

For Immediate Release  
November 19, 2008

#### SENATORS INTRODUCE BILL TO UPDATE AND STRENGTHEN OVERSIGHT OF BAILOUT FUNDS

WASHINGTON, D.C. – U.S. Senators Claire McCaskill (D-MO) and Chuck Grassley (R-IA) today moved to tighten government oversight of the financial rescue plan approved by Congress in October. The senators introduced a bill that would put in place provisions to better monitor how the \$700 billion dollars are spent by increasing the power and authority of the Special Inspector General created to oversee the program.

The law was written based on the plan spelled out by the Treasury Department at the time, to buy up troubled, toxic assets. Now that the Treasury plan has changed, the authority of the Special Inspector General needs to be broadened. The McCaskill-Grassley bill will provide the necessary fixes to ensure there is strong oversight in place.

“We voted on this measure thinking there would be responsible oversight of how the tax dollars are being spent,” McCaskill said. “Instead, almost half the money has been doled out but no one is watching to make sure that the government is spending it wisely. We need to fix this before another cent is spent unsupervised.”

“The stronger the watchdog, the better, given the enormous stakes for the taxpayers with this bailout package. Congress, the current administration and the new administration need to take every step possible to make sure the sensibilities of Main Street are not violated as the \$700 billion is used,” Grassley said.

The legislation will:

- Give the IG temporary hiring power. This will allow the IG to quickly begin hiring staff without going through the normal civil service process which could cause a lengthy delay in beginning oversight work. The temporary hiring power is modeled after the provisions created for the Special Inspector General for Iraq Reconstruction (SIGIR) and will only last for six months.
- Expand the authority of the IG to cover any and all action conducted as part of the Troubled Asset Relief Program, including assistance to homeowners and foreclosure mitigation efforts. Under the current language of the law, the IG's authority would cover only two sections of the relief program.

The senators are hopeful the legislation will pass the Senate unanimously before Congress recesses for the year. Senators Susan Collins (R-ME) and Joseph Lieberman (I-CT) are co-sponsors.