



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding The Nomination of Neil Barofsky To Be Special Inspector General**

In the Book of Chronicles, King David says:

“I know, God, that you test the heart and are pleased with integrity.”

During King David’s time, a prophet like Nathan could help to keep the government in line. These days, we need an Inspector General.

So thank you, Mr. Barofsky, for your willingness to serve your country in this job of testing the government’s work. Thank you for your willingness to help ensure its integrity. It’s going to be a demanding job.

I see from your resume that you have been a prosecutor. You are going to be able to use that experience as the Special IG for the Troubled Asset Relief Program, known as the TARP.

The financial rescue program is huge — \$700 billion. The number and variety of financial institutions receiving money from Treasury is extensive. Tracking the path of the bailout dollars through these institutions is going to be a difficult task.

You are also going to confront the harsh reality that almost half the \$700 billion is already out the door. The chart behind me tells the story.

For a while, you are going to be playing catch-up. You’ll be looking back at Treasury’s use of about \$290 billion dollars in about 43 days.

I have a great interest in the Special IG for the TARP. I raised the idea in the first place, the first weekend that we were examining the Treasury financial bailout proposal.

As many will remember, the Treasury’s original proposal for the TARP was three pages long. It gave the Secretary of the Treasury unlimited power over the \$700 billion. And it provided no oversight by anyone.

The House and Senate spent two weeks hammering out a better bill. That better bill included strong oversight. And it included the office of a Special IG for the financial rescue program.

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The size and complexity of this effort is unprecedented in recent memory. It is essential to have a team that focuses exclusively on the asset management efforts of the Treasury Department. And it is essential for that team to report to the Congress on the status of this new program.

My proposal for a Special IG was based on the Iraqi Reconstruction Special Inspector General. That was another massive oversight challenge.

During the negotiations on the rescue package, 33 Senators signed a letter to the Congressional Leadership endorsing the idea of a Special IG to oversee the troubled asset program.

During the negotiations, the Treasury Department resisted. But then the administration and Congress agreed that the Special IG should be part of the final legislation. Congress passed it, and the President signed it into law.

The law gives the Special IG a \$50 million budget. You will have the duties and responsibilities of inspectors general under the Inspector General Act of 1978. You will have the power to supervise and coordinate audits and investigations of TARP activities.

You will have the power to appoint staff to carry out the activities of the office. And you may enter into contracts for audits and studies.

Once you are on the job, we expect you to report to the Finance Committee every 120 days on the activities of the TARP. And the law also directs you to report to Congress if information requested by you is refused.

How is the TARP Operating? We could spend hours asking questions about how the TARP program is being managed.

We know that The Treasury Department has named Neel Kashkari, assistant secretary for international economics, to head the financial rescue program.

Treasury has decided to send \$125 billion to nine major banks, including Citigroup and JPMorgan Chase. Another \$125 billion will be allocated for thousands of small and mid-sized banks.

Secretary Paulson has also announced a policy regarding preferred shares and warrants for common stock. Standards for restrictions on executive compensation are being developed. Those include a clawback provision and a ban on golden parachutes during the period that Treasury holds equity issued through this program.

Several senior posts have been filled. And the law firm Simpson Thacher and Bartlett has been selected as a legal adviser.

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Treasury has announced that the Bank of New York Mellon will serve as its custodian for the implementation of the Troubled Asset Relief Program. And PricewaterhouseCoopers and Ernst & Young have been hired to help with accounting and internal controls services.

These decisions made by the Treasury Department are critically important to the financial rescue program. Yet the Treasury has made them all without any oversight by a Special IG.

As for the use of the funds, the bottom line, frankly, is that the Secretary of Treasury told Congress and the American people that the Bush Administration needed \$700 billion to purchase troubled assets.

Yet this past Wednesday, the Treasury Secretary announced that, in fact, there were no plans to purchase troubled assets.

To say that this was a surprise is an understatement.

We are going to find out why the first plan was rejected and a new plan was developed.

What is the theory behind the new plan for providing equity to these financial establishments?

What exactly are the agreements with the financial institutions who have received TARP funds? And what conflict of interest standards were followed?

Mr. Barofsky, you undoubtedly have opinions. But you have also undoubtedly been advised to decline to answer these questions. Nominees usually are.

But I can assure you that we will not rest until we get answers to these questions.

In conclusion, I pledge to you that I will push to get you confirmed in the coming days.

Half the money is gone. And it is way past the time when you should have been on the job overseeing the program. I hope that you will be on the job by the end of this week.

So thank you for your willingness to serve. I urge you to work hard to test the government's work. I urge you to stick to what will be a demanding job. And I urge you to do all that you can to help ensure this program's integrity.

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