



Highlights of [GAO-12-169](#), a report to congressional committees

Why GAO Did This Study

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (EESA) was signed into law. EESA authorized the Secretary of the Treasury to implement the Troubled Asset Relief Program (TARP) and established the Office of Financial Stability (OFS) within the Department of the Treasury (Treasury) to do so. EESA requires the annual preparation of financial statements for TARP, and further requires GAO to audit these statements.

GAO audited OFS's fiscal years 2011 and 2010 financial statements for TARP to determine whether, in all material respects, (1) the financial statements were fairly presented, and (2) OFS management maintained effective internal control over financial reporting. GAO also tested OFS's compliance with selected provisions of laws and regulations.

What GAO Recommends

GAO is not making recommendations in this report, but will be reporting separately on the control issues identified during its audit.

In commenting on a draft of this report, OFS concurred with GAO's audit finding concerning a significant deficiency in its accounting and financial reporting processes and expressed its commitment to correcting the deficiency.

View [GAO-12-169](#). For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

November 2011

FINANCIAL AUDIT

Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2011 and 2010 Financial Statements

What GAO Found

In GAO's opinion, OFS's fiscal years 2011 and 2010 financial statements for TARP are fairly presented in all material respects. GAO also concluded that, although internal controls could be improved, OFS maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011. GAO found no reportable noncompliance in fiscal year 2011 with the provisions of laws and regulations it tested.

As of September 30, 2011 and 2010, net assets related to TARP direct loans, equity investments, and the asset guarantee program had an estimated value of about \$80.8 billion and \$145.5 billion, respectively. In addition, for fiscal years 2011 and 2010, OFS reported total net cost of operations of \$9.5 billion (including estimated subsidy cost of \$7.2 billion) and total income from operations of \$23.1 billion (including estimated subsidy income of \$24.2 billion), respectively. The estimated net cost of TARP transactions from inception through September 30, 2011, was \$28.0 billion. In valuing TARP direct loans, equity investments, and asset guarantee program, OFS management considered and selected assumptions and data that it believed provided a reasonable basis for the estimated subsidy costs (income) reported in the financial statements. However, these assumptions and estimates are inherently subject to substantial uncertainty arising from the likelihood of future changes in general economic, regulatory, and market conditions. The estimates have an added uncertainty arising from the unique nature of certain TARP assets. As such, there will be differences between the net estimated values of the direct loans, equity investments, and asset guarantee program, and the amounts that OFS will ultimately realize from these assets, and such differences may be material. These differences will also affect TARP's ultimate cost.

During fiscal year 2011, OFS addressed several of the internal control issues related to the significant deficiency GAO reported for fiscal year 2010 concerning its accounting and financial reporting processes. However, the remaining control issues along with other control deficiencies in this area that GAO identified in fiscal year 2011 collectively represent a continuing significant deficiency in OFS's internal control over its accounting and financial reporting processes. While this deficiency is not considered a material weakness, it merits the attention of those charged with governance of OFS. GAO will be separately reporting to OFS on additional details regarding this significant deficiency along with recommendations for corrective actions.