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Report to Congressional Requesters

March 1992

RESOLUTION TRUST CORPORATION

Corporate Strategy Needed to Improve Information Management

GAO/IMTEC-92-38

GAO

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Information Management and
Technology Division

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March 5, 1992

The Honorable Donald W. Riegle, Jr.
Chairman, Committee on Banking,
Housing, and Urban Affairs
United States Senate

The Honorable Bruce Vento
House of Representatives

As you know, the Resolution Trust Corporation (RTC) is responsible for disposing of the assets of failed thrift institutions. Critical to carrying out this mission are three key automated systems—Real Estate Owned Management System (REOMS), Loans and Other Assets Inventory System (LOAIS), and Asset Manager System (AMS)—and reports received from contractors who manage and sell assets. Your offices requested that we provide information on RTC's efforts to develop these three corporatewide systems—expected to cost about $45 million through 1992—and on contractor reporting requirements.

On February 4, 1992, we provided your offices with oral briefings on these issues. As agreed with your offices at that time, we are providing written reports on the status of REOMS, LOAIS, and AMS, and on contractor reporting requirements.[1]

This report summarizes the findings in those reports, which detail limitations and concerns with RTC's systems development efforts and contractor reporting requirements. This report also includes recommendations to the Chief Executive Officer, Resolution Trust Corporation. Our objectives, scope, and methodology are described in appendix I.

Results in Brief

RTC's systems development efforts continue to be disappointing. RTC has not adequately defined its business strategies for managing and selling assets; matched information needs to these strategies; and developed systems to provide timely, accurate, and complete information to manage

[1]Resolution Trust Corporation: Status of Real Estate Owned Management System (GAO/IMTEC-92-36BR, Mar. 5, 1992); Resolution Trust Corporation: Status of Loans and Other Assets Inventory System (GAO/IMTEC-92-35BR, Mar. 5, 1992); Resolution Trust Corporation: Status of Asset Manager System (GAO/IMTEC-92-34BR, Mar. 5, 1992); and Resolution Trust Corporation: Review of Information Reporting Requirements for Asset Management Contractors (GAO/IMTEC-92-37BR, Mar. 5, 1992).

asset disposal programs and oversee contractors hired to carry out asset management and other functions.

Although RTC has partially deployed REOMS, LOAIS, and AMS, none of these systems provides the corporatewide benefits intended. These benefits include the ability to support the management and sale of real estate and loans, and monitor the performance of firms under contract to manage and sell assets. Problems with the systems include unclear or changing requirements, inaccurate and incomplete data, poor response times, and difficulty of use. Collectively, these problems have delayed full deployment of the systems and cast doubt on whether, without effective action by top management, they will adequately support the management and sale of failed thrift assets by RTC and its contractors. Until these problems are resolved, RTC will be hampered in its ability to dispose of assets because it will not be able to accurately identify assets and target them for specific sales programs, and provide information on the results of these programs.

Background

In July 1990, we reported that RTC needed strong leadership to adequately plan for its information needs, a strategic information resources management plan that translates its mission and business strategy into information processing requirements, and a well-conceived systems architecture that defines how information will flow and how systems and components will fit together to best meet its mission needs.[2] In September 1990, RTC hired a senior official to lead its information management efforts. Specifically, the official was tasked with developing the Corporation's strategic information resources management plan and a systems architecture. By this time, however, RTC offices had already developed their own manual and automated processes and headquarters had initiated efforts to develop REOMS and AMS. In October 1990, in hearings before the House Committee on Banking, Finance, and Urban Affairs' Resolution Trust Corporation Task Force, we pointed out that RTC was not using sound systems development practices and risked implementation delays and delivery of systems that did not meet mission needs.[3]

In December 1990, RTC issued a strategic information resources management plan and systems architecture. However, as we stated in

[2]Resolution Trust Corporation: Stronger Information Technology Leadership Needed (GAO/IMTEC-90-76, July 23, 1990).

[3]Resolution Trust Corporation: Automation Efforts Need Management Attention (GAO/T-IMTEC-91-1, Oct. 16, 1990).

hearings before the House Committee on Banking, Finance, and Urban Affairs, the plan and architecture were incomplete.[4] Our concern was that RTC's top management failed to identify specific corporatewide business strategies and operations that were needed by its information technology staff to define information processing requirements. However, in April 1991, RTC decided to develop a corporatewide loan system—LOAIS—by modifying a system being developed by its North Central region without the benefit of an adequate plan and architecture. RTC believed that its plan and architecture were sufficient to proceed with LOAIS.

In June and September 1991, RTC issued revised strategic plans that included systems architecture. Again, we pointed out in hearings before the House Committee on Banking, Finance, and Urban Affairs, Subcommittee on Financial Institutions Supervision, Regulation, and Insurance, that the plans were incomplete.[5] The plans did not (1) define the expected contributions of its systems to RTC's business operations, (2) specify whether systems were going to be integrated or stand alone, or (3) describe how RTC's systems would be used at all operational levels (e.g., from the management of individual thrift assets by RTC and contractors at field locations to regional and headquarters summary information).

A 1991 study performed by an RTC contractor on the organizational impact of its asset management systems also found a number of similar deficiencies. The contractor recommended that RTC

- standardize business operations,
- integrate automated systems into the business environment,
- establish an organizational strategy and resources to perform specific tasks,
- establish formal communication channels among field and headquarters to effectively implement systems,
- assess and manage the impact of national systems on field operations,
- implement a data quality program for all corporatewide asset systems, and
- increase the sense of system ownership among users of the systems.

As discussed below, RTC is beginning to address some of these recommendations.

[4]Resolution Trust Corporation: Performance Assessment To Date (GAO/T-GGD-91-7, Feb. 20, 1991).

[5]Resolution Trust Corporation: Funding, Asset Disposition, and Structure Issues (GAO/T-GGD-91-67, Sept. 17, 1991).

Problems Affecting Systems Implementation

As of February 1992, RTC had partially deployed REOMS, LOAIS, and AMS without following sound information resources management principles. Because of delays and failure to define system requirements, these systems have problems that result in RTC offices continuing to use a variety of manual and automated systems, and contractors continuing to submit burdensome reports—many of which may not be needed. Additionally, the REOMS, LOAIS, and AMS systems cannot provide complete and accurate information on the status of assets, they respond sluggishly to operators' commands, and they are hard to use. Following is a summary of the problems with these systems.

Real Estate Owned Management System

REOMS is intended to support the management and sale of real estate assets. According to RTC, contract costs for software development and enhancements were about $14 million as of December 31, 1991. RTC expects to spend an additional $13 million through 1992. These costs do not include hardware and telecommunications—costs that RTC did not have readily available.

Although RTC accepted REOMS from the contractor in July 1991, significant modifications to the system are currently being made. RTC is trying to determine what information it needs to manage assets as the system is continuing to be used. In addition, RTC staff have found that the system is slow during data input and retrieval, cumbersome to use because computer screens are poorly designed, and has limited reporting options. Also, the data in the system are often inaccurate, incomplete, and outdated. For example, our analysis of individual property records in the system in January 1992 showed that about 80 percent of the unsold properties did not have one or more of the following key data elements: listing price, date the property was listed for sale, expiration date of the broker's contract, identification of the broker, name of a contact at the broker, or the contact's telephone number. A lack of confidence in REOMS has promoted the growth of ad hoc asset tracking systems at RTC's field locations.

Until these problems are resolved, RTC's real estate disposal program will be hampered because the system is currently unable to provide (1) accurate information on assets for sale, (2) accurate information in order to group assets for specific sales programs, or (3) management reports on the results of sales programs.

Loans and Other Assets Inventory System

LOAIS is intended to provide RTC managers with the information they need to manage loans and other assets, such as automobiles and mobile homes. According to RTC, contract costs for software development and enhancements were about $4 million as of December 31, 1991. RTC expects to spend an additional $6 million through 1992. These costs do not include hardware costs and all costs for entering data into the data base because RTC did not have these costs readily available.

Although it considers LOAIS to be deployed, RTC still has not identified what information users of the system need to carry out their responsibilities, how the system will interface with other systems, or what the system performance requirements should be. For instance, in January 1992, RTC was still trying to identify the information and system screen displays that marketing staff will need to sell loans. Additionally, RTC has not defined important system performance requirements, such as the time it should take the system to respond to transactions and queries, and the availability of the system to users. Further, entering loan data from loan servicing contractors' systems has been more complex and time-consuming than anticipated. Contractor data records are often incomplete and kept in several different formats. Some contractors have also been uncooperative in developing automated interfaces with their systems to LOAIS.

Asset Manager System

AMS is intended to assist RTC in managing the activities of firms under contract with RTC to manage and sell its assets. The system is intended to account for contractor costs, electronically transfer funds between RTC and contractors, and provide management information on contractors' performance. Currently, there are about 100 contractors responsible for about $37 billion in RTC assets. According to RTC, contract costs for software development and enhancements were about $2 million as of January 31, 1992. RTC expects to spend an additional $6 million through 1992.

AMS has limitations that must be addressed if the system is to provide the anticipated benefits. These limitations include (1) the problems with electronically transferring accounting data from the contractors' systems, (2) inadequate internal controls for electronic funds transfers to ensure that only authorized transactions are made, and (3) the inability of the system to provide corporatewide information on contractors' performance.

Poor systems development practices have contributed to these system limitations. Many of these problems could have been avoided if sound systems development practices had been followed, such as adequately defining the accounting and funds transfer processes that needed to be automated.

Contractor Reporting Requirements

In August 1990, RTC began using contractors to assist in the disposition of failed thrift assets. These contractors are required to provide up to 27 reports to oversight managers in RTC's 15 field offices. Contractors must submit these reports for each contract they have with RTC. Until AMS is fully functional, RTC will have to continue to rely on hard copy reports to oversee contractors. Our review of contractor reporting requirements found that they were burdensome—one contractor told us that his company's monthly reports averaged about 600 pages. In addition, some of these reports may not be necessary to support RTC's information needs and, conversely, may not provide all the information needed by RTC.

RTC Is Taking Action to Improve Systems

RTC management continues to be receptive to the need to follow sound information management principles. In November 1991, RTC transferred systems development responsibilities from the Office of Corporate Information to the Division of Institution Operations and Sales to place, among other things, more emphasis on meeting users' needs during systems development. User groups were also formed in November 1991 and tasked with identifying, documenting, setting priorities, and communicating the business needs of the Division of Asset Management and Sales to be addressed by REOMS, LOAIS, and AMS.

We recently worked with RTC to bring together RTC managers and officials representing industry and other government agencies for the purpose of exploring business strategies and the system support needed for managing and selling loan assets. One potential solution has emerged for obtaining timely, accurate, and complete data from loan service contractors. This would entail a coordinated effort by RTC, the Office of Thrift Supervision, the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal National Mortgage Association (Fannie Mae)—all of whom obtain data from their loan servicers—to work toward standard reporting formats for loan servicers. We have encouraged RTC management to pursue solutions like this and to continue working closely with these agencies and industry to address unresolved issues.

Conclusions

Timely, accurate, and complete information is essential to support RTC's mission of managing and selling the assets of failed thrift institutions. While recent steps being taken by RTC may be responsive to the problems identified in our report, it is too early to determine the effect they will have on the successful implementation of REOMS, LOAIS, and AMS, and in solving the burdensome reporting requirements imposed on asset management contractors.

These systems development problems point to a larger issue that RTC still needs to resolve: the lack of a corporate information strategy. Weaknesses in strategic information planning have been noted by us and an RTC contractor. RTC's top management still has not adequately defined the specific information needed to support the corporation's mission. Without such guidance from the top, RTC runs the risk of continuing to operate without the information it needs to manage assets and oversee contractors.

Recommendations

To ensure that RTC's asset management systems adequately support the management and sale of failed thrift assets, we recommend that the Chief Executive Officer, Resolution Trust Corporation, strengthen RTC's systems development practices. Specifically, we recommend that the Chief Executive Officer take action to expeditiously

- define business strategies for assets and contractors;
- match information needs to these strategies; and
- develop systems to provide timely, accurate, and complete information, which is needed by RTC and its contractors to manage and sell failed thrift assets.

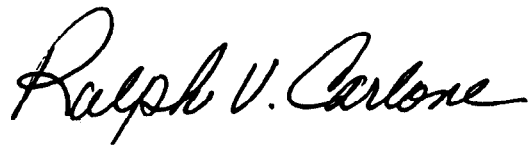
The above actions should include milestones so that progress can be determined by the Congress and RTC.

Agency Comments

We discussed the contents of this report with senior RTC officials, who generally agreed with our findings. They stated, however, that actions being taken to deal with problems in the asset management systems should adequately address the problems. We are not convinced that these actions will solve the systems problems because continued efforts by RTC to resolve them have fallen short over the last 2 years. Further, the problems discussed in this report are fundamental strategic planning and

systems development problems that can only be addressed by prompt action at the highest levels in RTC.

Our work was performed from June 1991 to February 1992, in accordance with generally accepted government auditing standards. We are providing copies of this report to other members of Congress, executive branch agencies, and the public. We will also make copies available to others upon request. This work was performed under the direction of Howard G. Rhile, Director, General Government Information Systems, who can be reached at (202) 336-6418. Major contributors are listed in appendix II.



Ralph V. Carlone
Assistant Comptroller General

Objectives, Scope, and Methodology

Our overall objective was to summarize the findings of our March 5, 1992, reports on AMS, LOAIS, and REOMS, and contractor reporting requirements.[1] As discussed in those reports, our objective in AMS was to assess the extent to which AMS supported RTC's oversight of firms that manage and sell RTC-owned assets. Our objective in reviewing LOAIS and REOMS was to assess the extent to which these systems supported RTC's mission to dispose of loans and real estate. Our objective in reviewing contractor reporting requirements was to determine the adequacy of RTC processes to monitor contractors' performance and track assets that they manage.

Our work was performed at RTC headquarters, RTC's four regional offices, and at five of RTC's field offices. At these locations, we reviewed documents and interviewed RTC officials for the purpose of identifying the functions that the AMS, LOAIS, and REOMS systems were intended to support and assess progress in developing the systems. We also visited the contractors responsible for developing these systems to assess progress and identify problems in developing the systems. In addition, we contacted 10 asset management contractors to identify their problems with AMS. We also obtained and analyzed the REOMS data base as of October 5, 1991, for the purpose of assessing the completeness of the data elements in the data base. We also obtained and analyzed January 1992 REOMS records for unsold properties to assess the completeness of key data elements.

In reviewing asset management contractors' reporting requirements, we visited 14 contractor sites to identify and analyze their reporting requirements. At 11 of these sites, we also observed the operations of their automated systems for the purpose of identifying their adherence to RTC policies on protecting RTC data. We also analyzed how oversight managers in four RTC field offices used contractor reports to monitor contractor performance and track assets.

[1]GAO/IMTEC-34BR, Mar. 5, 1992; GAO/IMTEC-35BR, Mar. 5, 1992; GAO/IMTEC-36BR, Mar. 5, 1992; and GAO/IMTEC-37BR, Mar. 5, 1992.

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Related GAO Products

Resolution Trust Corporation: Review of Information Reporting Requirements for Asset Management Contractors (GAO/IMTEC-92-37BR, Mar. 5, 1992).

Resolution Trust Corporation: Status of Real Estate Owned Management System (GAO/IMTEC-92-36BR, Mar. 5, 1992).

Resolution Trust Corporation: Status of Loans and Other Assets Inventory System (GAO/IMTEC-92-35BR, Mar. 5, 1992).

Resolution Trust Corporation: Status of Asset Manager System (GAO/IMTEC-92-34BR, Mar. 5, 1992).

Resolution Trust Corporation: Performance Assessment for 1991 (GAO/T-GGD-92-14, Feb. 26, 1992).

Resolution Trust Corporation: Funding, Asset Disposition, and Structure Issues (GAO/T-GGD-91-67, Sept. 17, 1991).

Resolution Trust Corporation: Update on Funding and Performance (GAO/T-GGD-91-47, June 17, 1991).

Resolution Trust Corporation: Update on Funding and Performance (GAO/T-GGD-91-43, June 11, 1991).

Resolution Trust Corporation: Performance Assessment To Date (GAO/T-GGD-91-7, Feb. 20, 1991).

Resolution Trust Corporation: Automation Efforts Need Management Attention (GAO/T-IMTEC-91-1, Oct. 16, 1990).

Resolution Trust Corporation: Stronger Information Technology Leadership Needed (GAO/IMTEC-90-76, July 23, 1990).

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