

GAO

Briefing Report to the Chairman,
Committee on Banking, Housing, and
Urban Affairs, U.S. Senate

February 1991

BANKS AND THRIFTS

Cause of Federal Regulators' Delays in Releasing Timely Call Report Data



143248

**Information Management and
Technology Division**

B-242522

February 26, 1991

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

Dear Mr. Chairman:

This report documents an oral briefing provided to your office on December 20, 1990. That briefing and this report respond to your October 5, 1990, request that we provide information on delays experienced by federal bank and thrift regulators in publicly releasing data—referred to as call reports—on the operating condition of banks and thrifts. As requested, we are continuing work on the call report processes to determine how they can be made more timely.

Specifically for this initial request, you asked that we (1) document the federal bank and thrift regulators' automated processes for collecting, producing, and distributing call report data, and (2) identify the causes of and regulators' responses to recent delays experienced in releasing such data. As agreed with your office, we included the following regulators in our review: the Federal Reserve System (FRS), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS). The Office of the Comptroller of the Currency was not included because, since 1979, FDIC has processed call reports for banks regulated by the Comptroller of the Currency. Details of our objectives, scope, and methodology are in appendix I.

Background

Call reports are quarterly financial reports prepared by banks and thrifts for federal banking and thrift regulators. The reports include detailed information on the operating condition of the institutions—such as income and asset levels. Regulators use the reports to gauge the individual and collective health of banks and thrifts.

Financial entities that submit call reports include: (1) state chartered banks that are members of FRS, referred to as member banks; (2) other financial institutions regulated by FRS, such as U.S. branches of foreign banks; (3) state chartered, federally insured banks that are not members of FRS, called nonmember banks; (4) nationally chartered banks, referred to as national banks; and (5) thrifts. The regulators that process call

reports and the numbers and types of financial entities that submit such reports are summarized in table 1.

Table 1: Federal Bank and Thrift Regulators and the Entities' Call Reports They Process as of August 31, 1990

Regulator	Financial entities that submit call reports	
	Type	Number
FRS	Member banks and institutions	1,837
FDIC	National and nonmember banks	11,932
OTS	Thrifts	2,662
Total		16,431

How Call Reports Are Processed

The regulators generally require banks and thrifts to send call report data to them within 30 days after each quarter.¹ Banks and thrifts transmit the data electronically via computer-to-computer link or send it manually through the mail. FRS and FDIC use a data processing contractor to receive their electronic call report submissions.

After the regulators obtain the data, they use their automated systems to edit it for accuracy. The regulators contact banks and thrifts to (1) correct errors and (2) obtain explanations for figures that appear to be incongruous.

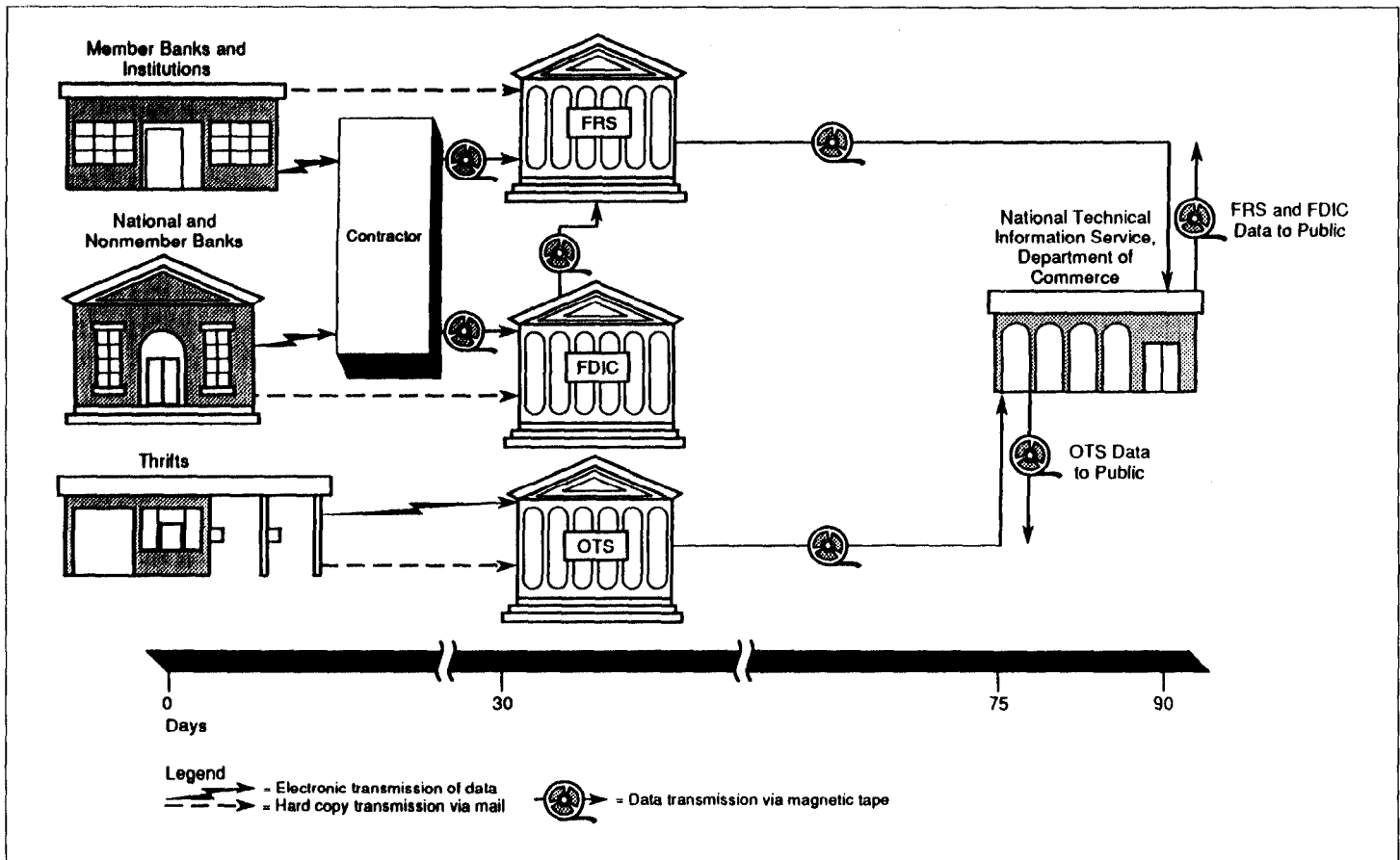
FDIC submits its edited data to FRS on a magnetic tape. FRS combines its edited call report data with FDIC's data and sends this information to the National Technical Information Service (NTIS) via magnetic tapes.² OTS also sends its edited call report data to NTIS. The goal of FRS is to get bank data to NTIS within 90 days after the end of the quarter. OTS' goal is to get thrift data to NTIS within 75 days after the end of each quarter.

After receiving the tapes, NTIS produces copies of the data and makes them available to the public. NTIS took from 3 to 9 business days to produce copies of the data for the six quarters ending in June 1990. The call report processes are depicted in figure 1.

¹Banks with foreign branches are given an additional 15 days to submit their call report data to the regulators and are required to transmit such information electronically.

²NTIS is a part of the U.S. Department of Commerce.

Figure 1: Call Report Processes



Automated Systems' Problems at FRS and OTS Caused Call Report Delays

The release of bank and thrift call report data to the public for the first quarter of 1990 was delayed due to unsuccessful software modifications that prevented automated call report systems from working properly.³

Specifically at FRS, changes to its system (1) did not include the mechanisms needed to successfully convert data to NTIS specifications and (2) were not fully tested to determine whether they operated properly. Regarding OTS, the agency's software used to edit the first quarter 1990 data for accuracy was not (1) developed correctly to completely edit the data and (2) tested prior to implementation to determine whether the edits worked. Consequently, FRS and OTS were late in submitting call

³The regulators made the software modifications to handle additional data that they require on bank and thrift call reports, such as information on risk-based capital.

report data to NTIS because they needed additional time to address their systems' problems. The extent of the delays is shown in table 2.

Table 2: FRS and OTS Delays in Sending First Quarter 1990 Call Report Data to NTIS

Regulator	Original due date	Date sent	Extent of delay
FRS	June 29, 1990	July 24, 1990	3.6 weeks (25 days)
OTS	June 14, 1990	July 25, 1990	5.9 weeks (41 days)

To respond to its problem, FRS developed temporary software in a different language to produce the first quarter 1990 data for NTIS. FRS made this interim fix because its staff lacked the expertise to expeditiously make software corrections in one of the languages used for call report processing. For subsequent call report quarters, FRS (1) corrected its call report software and (2) initiated training for its staff to better address call report software problems.

OTS responded to its problems by correcting the software used to operate its 1,300 call report edits. However, OTS did not have the time to resolve all errors and incongruities identified by these edits prior to sending the data to NTIS. To avoid editing delays during subsequent quarters, OTS has turned off approximately 200 call report edits that the agency believes are not critical for analyzing call reports.

We discussed the contents of this report with senior officials of the Federal Deposit Insurance Corporation, Federal Reserve System, National Technical Information Service, and Office of Thrift Supervision. These officials generally agreed with the information presented, and their comments have been incorporated as appropriate.

We are providing copies of this report to other interested members of Congress, executive branch agencies, and the public. We will also make copies available to others upon request.

Should you have any questions about this report or require additional information, please contact me at (202)275-3455. Major contributors to this report are listed in appendix II.

Sincerely yours,



Howard G. Rhile
Director, General Government
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Abbreviations

FDIC	Federal Deposit Insurance Corporation
FRS	Federal Reserve System
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
NTIS	National Technical Information Service
OTS	Office of Thrift Supervision

Objectives, Scope, and Methodology

Our objectives were to (1) document the federal bank and thrift regulators' automated processes for collecting, producing, and distributing call report data, and (2) identify the causes of and regulators' responses to recent delays experienced in releasing such information.

We conducted our audit work at three federal regulators responsible for processing call reports for banks and thrifts. They include FRS, FDIC, and OTS. We also visited NTIS, which distributes call report data to the public for the regulators.

To document the regulators' automated call report processes, we obtained supporting documentation and interviewed senior officials at FRS, FDIC, and OTS to determine how call reports are collected from banks and thrifts, processed, and sent to NTIS for distribution. Our discussions included the amount of time required for each phase of the process. We also developed flowcharts of the process and discussed them with the three regulators. In addition, we met with NTIS officials to discuss their role and the amount of time needed to make call report data available to the public.

To identify which agencies encountered significant delays in releasing call data, we obtained and analyzed information on the agencies' call report milestones and actual production dates. We interviewed senior automatic data processing officials at FRS and OTS—the two agencies that encountered delays—to determine the cause of the delays and the regulators' responses.

Our work was performed from September 1990 through December 1990, in accordance with generally accepted government auditing standards.

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