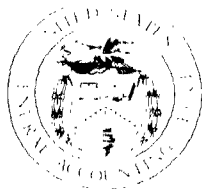


GAO

July 1990

# RESOLUTION TRUST CORPORATION

## Stronger Information Technology Leadership Needed



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**Information Management and  
Technology Division**

B-239796

July 23, 1990

The Honorable Henry B. Gonzalez  
Chairman, Committee on Banking, Finance,  
and Urban Affairs  
House of Representatives

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

As you know, the Resolution Trust Corporation and its Oversight Board were established through emergency legislation to expeditiously resolve failed thrifts. The magnitude of this effort is unparalleled in recent history and will likely pose unprecedented management problems. Timely, accurate, and complete financial and operational information on failed thrifts and related assets will be essential in resolving our nation's thrift crisis. In this connection, the Corporation will have to effectively develop, acquire, and use its automated systems to collect, analyze, and disseminate this information.

Because of the importance of information technology in managing the thrift crisis, we reviewed the adequacy of (1) key components of the Resolution Trust Corporation's information resources management (IRM)<sup>1</sup> and (2) the Oversight Board's role in reviewing the Corporation's current and planned use of information resources. Appendix I details our objectives, scope, and methodology.

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**Results in Brief**

As a newly created entity, the Resolution Trust Corporation has had to make many difficult operational decisions over a short period of time. Included among these decisions is deciding how best to automate its operations. The Corporation currently relies on existing information systems from other financial agencies, but recognizes that the systems in use today may have to be expanded or replaced to be able to carry out its mission. To help define its information needs and to select appropriate equipment, the Corporation needs effective IRM leadership and planning.

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<sup>1</sup>The term information resources management means the process of (1) defining in a systematic way the information needed to effectively accomplish an agency's missions, goals, and objectives; and (2) managing information resources to efficiently and economically meet the defined information needs.

However, at the time of our review, the Resolution Trust Corporation was not adequately planning for its information processing needs. First, it had no senior IRM official to provide overall direction in managing its information resources. Second, it had not defined a strategic IRM plan that describes automation's role in achieving the Corporation's mission. Without this plan, the Corporation risks acquiring and implementing information systems that will not support its information needs, priorities, or mission objectives. Third, it had not described how planned systems and major organizational components fit together. This increases the risk that the Corporation will acquire inappropriate information technology that will not meet its automation needs.

In addition, we found that the Oversight Board—whose role, among other things, is to review periodically the overall performance of the Resolution Trust Corporation—was not reviewing key decisions relating to the Corporation's IRM activities. The absence of IRM oversight increases the risk that the Corporation's planning, acquisition, and use of information resources will not satisfy the overall needs of the organization.

The Resolution Trust Corporation has a monumental task and recognizes the importance of effectively managing its information technology. This report includes a recommendation to the Oversight Board to ensure that the Resolution Trust Corporation strengthens the management of its information resources. Corporation officials generally agreed with our findings, conclusions, and recommendations, and are taking corrective actions. Specifically, Corporation officials intend to hire a senior IRM official to provide leadership to the Corporation's automation activities and to develop the necessary support structures, including a strategic plan and a systems architecture, to effectively manage the design, development, and implementation of the agency's information technology.

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## Background

Our nation is now dealing with the problems caused by the thrift crisis. Between 1980 and 1988 more than three and a half times as many thrifts failed as in the previous 45 years.<sup>2</sup> In response to this crisis, on August 9, 1989, the President signed into law the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Public Law 101-73). The act created the Resolution Trust Corporation to manage and

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<sup>2</sup>For more information on the origin of the thrift crisis, see *Financial Institutions Reform, Recovery,*

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resolve<sup>3</sup> institutions that come under its jurisdiction and to dispose of any residual thrift assets in a manner prescribed by the act. An estimated 600 thrifts, with assets totalling about \$300 billion, are expected to be resolved by the Resolution Trust Corporation over the next several years. To carry out this function, the act authorized \$50 billion to the Corporation. According to a senior Corporation official, the Resolution Trust Corporation had about 3,600 employees as of May 1990, and expects to have about 6,300 employees by 1991.

The act also created the Oversight Board to provide general oversight over the Corporation. The Oversight Board consists of the Secretary of the Treasury, the Secretary of Housing and Urban Development, the Chairman of the Board of Governors of the Federal Reserve System, and two independent members. The Board has a staff headed by a president to conduct its administrative and programmatic operations.

To carry out its mission, the Corporation currently relies on existing information systems from other financial agencies for the purposes of financial reporting, savings and loan monitoring, and asset liquidation. It recognizes that the systems in use today may have to be expanded or replaced to be able to meet its external reporting responsibilities, such as providing semiannual financial reports to Congress, periodic reports of availability and disposition of low income housing to the Department of Housing and Urban Development, and related semiannual inventories of real property assets. In February 1990 the Corporation hired a contractor to evaluate its entire reporting requirements and related information needs, and to help determine the ability of existing systems or proposed new systems to satisfy these requirements.

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<sup>3</sup>As used here, the term resolve means to conclude the affairs of a thrift either through the sale of the institution or the liquidation of its assets.

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responsibilities and was relying on a contractor to evaluate the Corporation's reporting requirements and information needs. This lack of strong leadership increases the risk that the Corporation's information resources management will be fragmented and uncoordinated. In addition, the Corporation may not be able to properly evaluate the technical direction of its contractor to ensure that the contractual requirements are satisfactorily completed.

According to the Corporation's executive director, the Federal Deposit Insurance Corporation's senior IRM official was expected to provide leadership to the Resolution Trust Corporation's automation efforts. As a related financial agency, the Federal Deposit Insurance Corporation had been providing managerial and technical support to the Resolution Trust Corporation. In addition, the Resolution Trust Corporation was using the Federal Deposit Insurance Corporation's IRM policies and procedures as guidelines in conducting its IRM activities. However, because these agencies' responsibilities differed, this official realized that the Corporation needed its own senior IRM official and related policies, standards, and procedures. At the time our audit work was completed, Corporation officials had modified the organization's structure to establish a separate IRM function. These officials also planned to hire a senior IRM official to provide for central leadership of the Corporation's automation activities and establish policies, standards, and procedures for managing its information resources.

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### Strategic Plan Needed to Guide Information Resources Activities

To effectively manage its information technology, the Resolution Trust Corporation will also need a strategic IRM plan to guide its automation efforts. Information resources management strategic planning is critical to focusing an agency's use of information resources toward achieving the organization's mission. The strategic planning process should provide the vital link between an organization's business strategy and its information assets and resources. In this regard, federal policy requires agencies to establish multiyear strategic plans for information resources.<sup>6</sup> Further, federal guidance suggests that such plans should identify an agency's mission, relate each automation program objective

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<sup>6</sup>Office of Management and Budget Circular A-130, Management of Federal Information Resources (Dec. 12, 1985).

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that will meet current and future agency needs. By looking at its information systems needs from a structured planning perspective and acquiring a systems architecture that best addresses these needs, the agency can minimize costly hardware and software acquisitions that may not achieve the desired objectives.

The Resolution Trust Corporation planned to purchase and use information technology without developing a systems architecture. For example, separate divisions of the Corporation were planning to procure computer hardware and software before the Corporation's overall information needs were determined as part of a strategic planning process. In addition, the Corporation was relying upon the institutional knowledge of a few key employees in acquiring computer equipment without first defining the Corporation's functional and data requirements. In discussing the need for a systems architecture with Corporation officials, we learned that they were preparing a data dictionary<sup>8</sup> and establishing a data control group to ensure that data are standardized throughout the agency. While this is an important step, unless it is part of a well-conceived systems architecture, the agency increases the risk that lengthy and costly system conversions and replacements may later be needed to provide managers with timely and complete program information.

At the time of our review, Resolution Trust Corporation officials believed that the contractor would provide the Corporation with a systems architecture. However, on the basis of our discussions, Corporation officials realized that this was not part of the contract. They agreed with the importance of preparing a systems architecture before purchasing or developing information technology. As part of developing the Corporation's IRM strategic plan, a senior Corporation official stated that the new IRM official will ensure the development of a systems architecture for the Corporation.

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<sup>8</sup>A data dictionary is a centralized repository of information about data such as its meaning, relationships to other data, origin, usage, and format.

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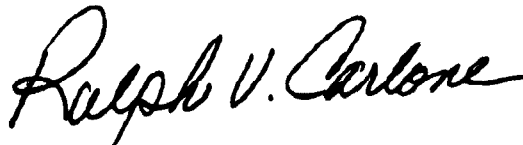
As part of the Board's planned oversight of the Resolution Trust Corporation's information resources management, we recommend that it oversee the Corporation's plans to (1) strengthen its IRM leadership; (2) develop an IRM strategic plan; and (3) develop a systems architecture to help define the appropriate information technology to meet the Corporation's information needs.

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We discussed the contents of this report with senior officials of the Oversight Board and Resolution Trust Corporation, who generally agreed with our findings, conclusions, and recommendations. We have incorporated their comments as appropriate. Through these discussions, these officials explained that to expeditiously establish their operations, they had much to accomplish in a short period of time. They now recognize the need to move ahead in strengthening the Corporation's IRM activities.

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.

This work was performed under the direction of Howard G. Rhile, Director, General Government Information Systems, who can be reached at (202) 275-3455. Other major contributors are listed in appendix II.



Ralph V. Carlone  
Assistant Comptroller General

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## Corporation's Information Resources Need to Be Effectively Managed to Achieve Its Mission

The Resolution Trust Corporation will need to effectively manage its information resources to meet the challenges facing it. Integral parts of an information resources management process include IRM leadership to provide overall direction to an agency's automation activities, preparation of a strategic IRM plan that describes how automation will contribute to the agency's mission, and a well-conceived systems architecture that shows how individual systems and major components fit together to satisfy an agency's needs.<sup>4</sup> In other agencies, we have found that inadequate leadership and planning have often resulted in information technology projects fraught with escalating costs, long delays, and elusive benefits.

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## Leadership Is Essential in Managing Information Resources

Strong, central leadership by a senior IRM manager with the support of top management is essential for developing and implementing a workable planning process to manage agency automation activities. We have found that most successful automation efforts begin with a senior manager who has both a clear vision of how the agency can benefit from information technology and a commitment to making this vision a reality. A senior IRM manager with clear lines of authority, accountability, and responsibility for managing information resources can help to ensure that the agency properly defines its information needs and promulgates consistent policies and guidance to ensure effective, efficient usage of information resources. In this connection, federal law requires agencies to designate a senior official who will be responsible for the agency's information management activities.<sup>5</sup>

At the Resolution Trust Corporation, we did not find strong, central leadership in agency IRM activities, nor were there clear lines of accountability, authority, and responsibility for managing information resources. For example, the Corporation had no senior IRM official and had not developed comprehensive policies, standards, and procedures for managing, acquiring, and using information resources. In addition, Resolution Trust Corporation officials stated that the Corporation's staff lacked sufficient technical expertise to completely carry out IRM

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<sup>4</sup>At a GAO symposium in October 1989, leaders from industry, the Congress, and the executive agencies agreed on several principles to guide the effective acquisition and management of information technology. These principles emphasize the need for effectively managing an agency's information resources, including leadership and planning. For more information, see our symposium report Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, February 1990).

<sup>5</sup>The Paperwork Reduction Act of 1980, P.L. 96-511, Dec. 11, 1980. Corporation officials said that this requirement applies to the Corporation.



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to this mission, state the objectives in measurable terms, establish priorities for the agency's automation efforts, and describe how the agency will move from existing to planned systems.<sup>7</sup>

The Resolution Trust Corporation had not defined or prepared a comprehensive IRM strategic plan that contained management's vision of automation's role in achieving the agency's mission, and did not have a planning process in place to prepare such a plan. The Corporation expected a contractor to deliver an IRM strategic plan. We found that the contractor was to provide the Corporation with important planning information such as its reporting requirements and related information needs. However, contractor officials stated and our analysis confirmed that this effort will not deliver critical elements of strategic planning. For example, the contractor was not tasked with providing the Corporation with an integrated plan of action for accomplishing program missions and objectives, or a plan to move from its existing information systems to planned information systems. Consequently, the Corporation risks acquiring and operating costly information technology that may not meet its needs, perform as desired, be cost-effective, or be compatible with existing and future Corporation systems.

Resolution Trust Corporation officials agreed that the Corporation should establish a multiyear IRM planning process that would include the preparation of a strategic plan. According to a Corporation official, the senior IRM official, when appointed, will ensure that this plan is completed as part of the planning process.

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## Well-Conceived Systems Architecture Needed to Provide the Foundation for Building Technology

For maximum efficiency and effectiveness, the Resolution Trust Corporation's information systems should be planned and developed using a systems architecture that best meets the agency's information needs. A systems architecture defines information requirements, flow and system interfaces, and shows how individual systems and major components fit together to satisfy an agency's needs. From a technical standpoint, a systems architecture defines hardware, software, and communications standards (e.g., data communications protocol standards, programming language standards) and characteristics (e.g., software portability, system robustness) that are critical to providing a technical platform

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<sup>7</sup>For more information on federal strategic planning guidance, see the Office of Management and Budget, General Services Administration, and Department of Commerce's jointly issued document, A Five-Year Plan for Meeting the Automatic Data Processing and Telecommunications Needs of the Federal Government, Volume 1: Planning Strategies (April 1984) and GAO's Information Technology Issues (GAO/OCG-89-6TR, November 1988).

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## The Oversight Board Needs to Oversee the Corporation's Information Resources Management

Oversight is critical to ensuring that an agency's planning, acquisition, and use of information resources will meet organizational needs. Through the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Congress has given the Oversight Board certain duties and authorities with respect to overseeing the Resolution Trust Corporation and its activities. These duties include reviewing the overall performance of the Corporation on a periodic basis, including its management activities and internal controls. Oversight of the Corporation's IRM activities is among these duties.

However, we found that the Oversight Board did not oversee key Corporation activities related to defining information needs and selecting appropriate equipment. The Oversight Board's operational managers believed that information resources management activities were administrative rather than managerial in nature and as such were outside their oversight responsibilities. As a result, the Board did not conduct assessments of the Corporation's planning, acquisition, and use of information resources. The absence of oversight increases the risk that the Corporation's information resources will not meet its overall mission. In discussing the need for such oversight, the acting president of the Oversight Board agreed with the need to have the Board oversee the Corporation's IRM activities. In this regard, the Oversight Board asked the newly formed Office of the Inspector General, in May 1990, to begin to conduct information resources management reviews. The Board also plans to designate its vice president of finance to be responsible for reviewing the Corporation's key IRM activities and overseeing similar reviews conducted by the Office of the Inspector General.

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## Conclusions and Recommendation

As a startup organization, the Corporation faces daunting challenges and pressing priorities in accomplishing its mission. Since its formation, the Corporation has been making a number of automation decisions without establishing the strong leadership and comprehensive IRM planning needed to effectively manage its information resources. This lack of strong IRM leadership and planning increases the risk that the information technology that the Corporation develops or acquires may not—in the end—support its mission objectives. On the basis of our discussions with them, Resolution Trust Corporation and Oversight Board officials agreed that the Corporation needs to provide more effective leadership, strategic planning, and a systems architecture to manage its information resources.

# Objectives, Scope, and Methodology

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Our first objective was to assess the adequacy of key components of the Resolution Trust Corporation's management of its information resources. Specifically, we assessed the adequacy of the Corporation's management of the planned acquisition, development, and use of information resources. This included an evaluation of the Corporation's IRM leadership, strategic plan, and systems architecture to ensure that it obtains and uses information efficiently, effectively, and economically. Our second objective was to assess the Oversight Board's role in overseeing the Corporation's information resources management. We conducted our review at the Washington, D.C., headquarters offices of the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, and the Oversight Board.

To assess the adequacy of the Resolution Trust Corporation's management of its information resources, we obtained and reviewed documentation supporting the Corporation's plans and budgets that described how the Corporation was managing, acquiring, and using its information resources. We also interviewed officials in the agency's divisions of asset and real estate management, financial operations, and resolutions and operations to determine their existing and planned automation efforts. In addition, we met with officials at the Federal Deposit Insurance Corporation to determine the extent of their management and technical support to the Resolution Trust Corporation. We also met with the contractor who was defining the Corporation's reporting requirements and information needs to assess the extent to which this effort would provide the Corporation with a strategic IRM plan. At the Oversight Board, we met with officials to evaluate the Board's role with respect to overseeing and assessing the Corporation's information resources management.

To assess the adequacy of the Corporation's information resources management, we used applicable laws, and federal standards and guidelines promulgated by the Office of Management and Budget, the General Services Administration, and the Department of Commerce. In addition, we used the management principles that were developed at our information technology symposium in October 1989.

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

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