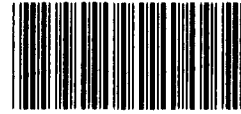


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Resolution Trust Corporation: Automation Efforts
Need Management Attention

Statement of
Howard G. Rhile, Director,
General Government Information Systems
Information Management and Technology Division

Before the
Resolution Trust Corporation Task Force
Committee on Banking, Finance, and Urban Affairs
House of Representatives



Chairman Vento and members of the Task Force:

We are pleased to be here today to provide information on the Resolution Trust Corporation's management of its information resources, including its current effort to acquire an automated system to manage, track, and dispose of real estate assets. This system, called the Real Estate Owned Asset Management System, is one of the Corporation's most important automation efforts.

As a new agency with a daunting mission, the Resolution Trust Corporation is faced with extraordinary challenges. One of these is obtaining timely, accurate, and complete financial and operational information on failed thrifts and related assets to make decisions on resolving our nation's thrift crisis. The Resolution Trust Corporation believes and we agree that automation will play a crucial role in obtaining this critical information. We fully appreciate the Corporation's pressing need to better automate its system for managing real estate assets.

For its automation efforts to be successful, though, the Corporation will have to apply sound information resources management (IRM) principles. These principles include: (1) an effective IRM framework, including strong leadership to direct the Corporation's automation efforts, a strategic IRM plan that translates its business needs into information assets and resources, and a technology plan to ensure that all the individual systems will work together effectively; and (2) sound practices

governing the development of each individual system. Such practices include clearly articulated systems requirements that describe exactly what the system is supposed to do, an analysis of the alternatives to meet these requirements, and the steps to be followed in monitoring each system's development and operation.

In summary Mr. Chairman, our overall concern with the Corporation's approach to the Real Estate Owned Asset Management System is that we do not see that these principles are firmly in place. The Corporation is preparing to award the contract for this system-- which has far-reaching implications for the future--before completing its IRM framework and taking the necessary steps to define, track, and review this system's development. As a result, we are concerned that the Corporation risks selecting an inappropriate hardware and software configuration to build future systems and developing an expensive system that does not meet its current and future information needs. In discussing our concerns with the Corporation's top managers, however, the Corporation has agreed to complete the needed IRM framework and establish needed systems development policies and practices before the contract's estimated award date in December 1990. We believe that the Corporation's recent actions to develop its IRM framework are steps in the right direction.

I would now like to highlight some of the recent steps the Corporation has taken to establish an IRM framework and to elaborate on our views of the Corporation's efforts to acquire the Real Estate Owned Asset Management System.

RECENT STEPS TO ESTABLISH AN
INFORMATION MANAGEMENT FRAMEWORK

In July 1990, we reported that the Corporation needed strong leadership to adequately plan for its information needs, a strategic IRM 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 individual systems and components will fit together to best meet its mission needs.¹ Such a framework is crucial to the successful use of information technology. We also reported that the Corporation's Oversight Board needed to review key decisions on the Corporation's automation activities.

Since this report, the Corporation has taken actions to build the framework for meeting its information needs through automation. Specifically, the Corporation hired a senior IRM official on

¹Resolution Trust Corporation: Stronger Information Technology Leadership Needed (GAO/IMTEC-90-76, July 23, 1990).

September 4, 1990, to strengthen the leadership over the agency's information resources management activities. This official has been tasked with developing the Corporation's strategic IRM plan and systems architecture. The Oversight Board has also committed to begin overseeing the Corporation's plans in these areas. We are pleased with these recent steps. However, we believe that substantial progress needs to be made in these areas before the Corporation begins to acquire systems such as the Real Estate Owned Asset Management System.

DECISIONS ON THE REAL ESTATE OWNED ASSET
MANAGEMENT SYSTEM HAVE FAR-REACHING IMPLICATIONS

The Real Estate Owned Asset Management System is intended to record all operational and financial information on the Corporation's real estate assets. This system, for which offers are currently being evaluated, has broad implications for the Corporation as a whole. Along with providing the Real Estate Owned Asset Management System and related software, the contractor will be required to provide a mainframe computer and an analysis of the Corporation's overall telecommunications network needs. Also, an option clause in the contract solicitation permits the Corporation to award further work to this contractor to provide corporate-wide integration of all systems that provide information on the

Corporation's assets. What this means, Mr. Chairman, is that the broad scope of the contract could prematurely establish the foundation for all the Corporation's systems and that worries us for two fundamental reasons.

First, this potentially broad contract could result in the Corporation locking into a technology solution for its real estate and other systems applications before it completes its strategic IRM planning and formulates its systems' architecture to guide its automation efforts. As a result, the Corporation runs a higher than necessary risk of spending millions of dollars acquiring systems that do not meet its mission needs, are not cost effective, and will not be compatible with its future systems.

Second, we have specific concerns about the system development policies and procedures the Corporation is applying in the acquisition of the Real Estate Owned Asset Management System. Although the Corporation does not have to follow standards for federal procedures in developing systems, we expected to see evidence of these generally accepted practices for good systems development in the procurement of the system. However, this procurement was initiated without:

- Sufficient information--called systems requirements--identifying the Corporation's information problems and automated functions needed to address them. For example, the Corporation did not describe what functions the system is to provide to help track, manage, and report information on the sale of real estate assets.

- An analysis of the alternatives to meet the Corporation's system requirements, with associated costs and benefits. In this regard, we were unable to find evidence that the Corporation considered other options to the proposed system, such as comparable systems used by other federal agencies or thrift institutions, to decide on the most cost-effective approach to meet the Corporation's needs.

- The establishment of a project management process to keep track of the contractor's progress and make management decisions at critical points. A project management process would, for example, establish provisions for management's review and approval of contractor deliverables. In this respect, the Corporation did not have provisions for management to be involved in the system's development process until the system was completed.

The Real Estate Owned Asset Management System is being developed without these generally accepted development practices because Corporation officials believe they have an urgent need to improve their collection and dissemination of thrift asset information. However, the absence of adequate management planning and controls raises questions as to the likelihood that the system will be properly developed. In our experience, such an approach invites cost overruns, schedule delays, and delivery of systems that do not meet mission needs.

During our discussions of these issues, top officials of the Corporation told us that, before awarding the Real Estate Owned Asset Management System contract, the Corporation would: (1) develop a strategic IRM plan and systems architecture to meet the Corporation's information needs; (2) ensure that the system requirements and technical approach for automating its real estate asset information and other information needs are in accordance with this plan and architecture; and (3) establish a project management process for tracking the contractor's progress, providing direction to the contractor's efforts, and formally accepting the system.

In conclusion, we recognize that the Corporation has urgent information needs that it must expeditiously meet in order to make

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good decisions on resolving our nation's thrift crisis. However, this urgency should not preclude the use of sound management principles dedicated to minimizing the risk of incurring unnecessary costs, long delays, and elusive benefits. We are pleased at the commitments made by the Corporation's top management to establish a Corporate-wide IRM framework and provide systems development controls to better manage their automation efforts, and encourage their continued dedication to this approach.

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This concludes my prepared statement. I will be happy to respond to any questions you or other members of the Task Force may have.