

GAO

Briefing Report to Congressional
Requesters

March 1992

RESOLUTION TRUST
CORPORATION

Status of Asset
Manager System



**Information Management and
Technology Division**

B-247735

March 5, 1992

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

The Honorable Bruce F. Vento
House of Representatives

This report documents one of the four briefings we provided to your offices on February 4, 1992. The briefings responded to your offices' requests that we provide information on (1) Resolution Trust Corporation's (RTC) efforts to develop corporatwide automated information systems for loans, real estate, and asset managers and (2) contractor reporting.

As agreed with your offices, we are providing reports on our four briefings,¹ as well as a report that summarizes our overall findings and contains recommendations to the Chief Executive Officer, Resolution Trust Corporation.² This report documents RTC's progress to develop a corporatwide system to manage asset management contractors—called the Asset Manager System (AMS). Details of our objective, scope, and methodology are in appendix I.

Summary

RTC continues to have delays in implementing AMS because of unsound system development practices, including inadequate RTC project management. Specifically, RTC failed to clearly define the processes that AMS was to automate within RTC's business strategy of overseeing contractors who manage, market, and sell RTC assets. Until RTC completely defines these processes, AMS implementation delays may continue and the system may not provide the anticipated benefits for accounting, electronic funds transfers, and contractor monitoring.

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

²Resolution Trust Corporation: Corporate Strategy Needed to Improve Information Management (GAO/IMTEC-92-38, Mar. 5, 1992).

Background

RTC is responsible for managing and selling failed thrift assets. To assist in these efforts, RTC contracts with asset management contractors to collect and expend funds on behalf of RTC and to manage and sell assets. For example, contractors collect rents on unsold property and pay for property maintenance expenses. Currently, RTC has 184 contracts with about 100 contractors, who are managing approximately \$37 billion in RTC assets.

RTC began development efforts for AMS in July 1990. By April 1991, AMS was intended to automate (1) the accounting and budgeting for all assets managed by contractors and (2) the transferring of funds to and from the contractors. RTC also planned a future enhancement for monitoring contractor performance. In September 1991, the first contractor started using AMS for accounting. As of February 21, 1992, 10 contractors were using AMS and others were installing it for accounting.

In February 1992, RTC started evaluating the funds transfer process that AMS will electronically perform. For example, at nine contractor locations RTC is using AMS-generated reports to validate and reimburse contractors' expenses. RTC plans to have the original functionality—accounting, budgeting, and funds transfer—completed by Spring 1992, pending the results of the funds transfer evaluation. RTC plans to have all enhancements, including the contractor performance monitoring function, completed and implemented by December 31, 1992.

According to RTC, contract costs for AMS software development and enhancements were about \$2 million as of January 31, 1992. RTC expects to spend about an additional \$6 million through 1992.

AMS Limitations Will Need to Be Resolved to Achieve Planned Benefits

AMS has limitations that must be addressed if the system is to provide the anticipated benefits. These limitations include problems with the interface—the interaction between two systems—linking AMS and the contractors' accounting systems, inadequate controls for electronic funds transfers, and the lack of contractor performance monitoring capabilities.

Interface problems between AMS and the contractors' existing accounting systems make it difficult to enter historical data and current accounting transactions into AMS. We found that before contractors can load data into AMS, they must reformat their own accounting data to make it compatible with AMS. This increases contractor work load and the additional data manipulation increases the risk of errors. Additionally, the system does

not allow the contractors to make revisions to previously entered data without RTC assistance.

Further, controls developed for the electronic funds transfer capabilities for AMS were not designed to adequately protect against the misuse and theft of funds. Such design could provide reasonable assurance that only authorized transactions are processed. However, AMS was not designed to provide the information necessary to confirm that the proper amount of funds was transferred to and from contractors.

Delays in implementing AMS directly affect RTC's plans to use the system to evaluate contractor performance. Although RTC originally planned to have performance monitoring capabilities available on AMS, these capabilities were deferred until the accounting and funds transfer functions are fully implemented. Until these capabilities are available, RTC managers do not have adequate corporatewide contractor performance information to evaluate the effectiveness of RTC policies regarding contractors. RTC officials agree that information currently available gives a very inadequate corporatewide picture of contractor performance.

Additionally, until AMS is fully implemented, RTC will have to continue to rely on hard copy reports to oversee contractors. Our review of these reports found that they were burdensome to the contractors and may not provide all the information needed by RTC.³

AMS Development Hindered by Poor Systems Development Practices

Poor systems development practices, including inadequate project management, have contributed to system limitations and delays. Many of these problems could have been avoided if sound practices had been followed, such as adequately defining the accounting and funds transfer processes and the user requirements that needed to be automated. Additionally, RTC lacked the project management needed to make timely decisions.

RTC did not clearly define the specific processes (e.g., how to account for contractors' sales of loan assets) that AMS was to automate. As a result, RTC changed the AMS accounting formats on several occasions because the processes to be used to record various financial transactions were not completely defined. The contractors, in turn, had to modify their processes to accommodate these changes. In addition, RTC did not adequately define the security and other internal control processes that were to be designed

³GAO/IMTEC-92-37BR, Mar. 5, 1992.

into the funds transfers. Had RTC followed sound development practices, these processes would have been defined in order to facilitate timely AMS implementation.

Contractors and their RTC oversight managers had limited participation in developing AMS, even though they will be using the system on a daily basis. Not obtaining adequate contractor input early in the development of AMS contributed to interface limitations with contractors' accounting systems. In addition, the limited participation of RTC oversight managers may result in AMS not adequately meeting their needs to oversee contractors.

AMS implementation delays also resulted in part because of inadequate RTC project management. RTC did not clearly specify the lines of authority and responsibility for making timely development decisions. As a result, on several occasions RTC did not make key project decisions in a timely manner. For example, the system contractor's records note that issues regarding the accounting and funds transfer processes caused delays because some issues remained unresolved for over 3 months.

RTC Is Addressing AMS Problems

RTC is taking action to address AMS problems. In November 1991, RTC transferred system development responsibilities from the Office of Corporate Information to the Division of Institution Operations and Sales to place more emphasis on systems development, including project management. To increase user involvement, a user group was formed in November 1991 and tasked with identifying, documenting, prioritizing, and communicating the business needs of the Division of Asset Management and Sales to be addressed by AMS. Additionally, RTC is evaluating options to modify AMS accounting interfaces with contractors' systems.

In response to our concerns, RTC is taking steps to improve its electronic funds transfer controls. RTC officials stated that AMS electronic funds transfer capabilities will not be activated until they are assured that the controls are adequate.

The steps being taken by RTC are responsive to the AMS problems identified in our report. However, it is too early to determine how effective RTC will be in successfully implementing AMS.

Agency Comments

We discussed the contents of this report with senior officials of RTC, who generally agreed with our findings. They stated that actions to address AMS

problems should adequately address those problems. We have incorporated their comments in the report as appropriate.

Our work was performed from July 1991 through February 1992, in accordance with generally accepted government auditing standards. We are providing copies of this report to other members of the 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) 336-6418. Major contributors to this report are listed in appendix II.



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Objective, Scope, and Methodology

Our objective was to assess RTC's progress in developing and implementing the asset manager system. Specifically, we evaluated whether RTC followed sound development practices, including appropriate project management.

To evaluate the development practices and project management RTC used to develop and implement AMS, we obtained supporting documentation and interviewed senior officials at RTC's Office of Corporate Information, Division of Asset Management and Sales, and Division of Institution Operations and Sales. Our discussions included the reasons for delays and the inadequately defined processes. We also interviewed RTC officials from the four RTC regions. In addition, we met with the AMS development contractors' staff on several occasions to assess RTC's progress in completing development efforts on AMS. We also contacted ten asset management contractors to identify implementation problems.

Major Contributors to This Report

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Related GAO Products

Resolution Trust Corporation: Corporate Strategy Needed to Improve Information Management (GAO/IMTEC-92-38, Mar. 5, 1992).

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: 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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