

March 1992

**RESOLUTION TRUST
CORPORATION**

**Review of Information
Reporting
Requirements for Asset
Management
Contractors**





United States
General Accounting Office
Washington, D.C. 20548

Information Management and
Technology Division

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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 corporatewide 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 our assessment of RTC's contractor reporting requirements for Standard Asset Management and Disposition Agreements (SAMDAS). Details of our objective, scope, and methodology are in appendix I.

Summary

The large number of reports required of asset management contractors—referred to as SAMDA contractors—is burdensome. Much of this reporting may not be necessary to support RTC's information needs and, although voluminous, does not provide all the information needed by RTC to monitor contractor performance and track assets. Additionally, contractors' systems may not have adequate controls to protect RTC's asset information from unauthorized users.

Background

In August 1990, RTC began using SAMDA contractors to assist in the disposition of failed thrift assets. These private sector contractors are

¹Other reports include Resolution Trust Corporation: Status of Asset Manager System (GAO/IMTEC-92-34BR, Mar. 5, 1992); Resolution Trust Corporation: Status of Loans and Other Assets Inventory System (GAO/IMTEC-92-35BR, Mar. 5, 1992); and Resolution Trust Corporation: Status of Real Estate Owned Management System (GAO/IMTEC-92-36BR, Mar. 5, 1992).

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

required to prepare business plans for the management and disposition of assets, provide asset management services, sell the assets, and report on these efforts. Currently, RTC has 184 contracts with about 100 contractors, who are managing approximately \$37 billion in RTC assets.

SAMDA contractors are required by the SAMDA contract to provide up to 27 standard reports—including many in hardcopy format—to about 125 oversight managers in RTC's 15 consolidated field offices. Twenty of these are monthly reports and the remaining seven are either quarterly, annual, or final reports. Contractors must submit all of these reports for each contract they have with RTC. Because a contractor may have several contracts with one or more consolidated field office, the volume of data that must be prepared is compounded. The volume of reports also increases with the number of assets managed by contractors because some reports are required for each asset. Contractors have complained about the difficulty of responding to the high volume of reports. For instance, one contractor official told us that his company's monthly reports averaged about 600 pages.

Reporting Requirements Are Questionable

While RTC requires a large number of reports from contractors, these reports may not be useful and do not completely meet RTC's oversight needs. We analyzed how five oversight managers from four field offices used the reports. Although not projectable, table 1 indicates that these oversight managers did not consistently use contractually required reports and that they required additional reports to meet their oversight needs.

Table 1: Differences in Report Use by Five Oversight Managers

Contractually Required Reports	Consolidated Field Office Oversight Managers				
	Oversight Manager 1	Oversight Manager 2	Oversight Manager 3	Oversight Manager 4	Oversight Manager 5
Received and used	15	14	8	15	8
Received but not used	6	6	3	3	8
Not received but applicable to the types of assets being managed	1	0	4	2	1
Not received and not applicable to the types of assets being managed	5	7	12	7	10
Total	27	27	27	27	27
Additional reports required from contractors	9	6	6	18	12

Contractually required reports are not consistently used to monitor contractor performance and track assets; and the reports' usefulness is questionable. Three oversight managers said it was difficult for them to extract the information they needed to assess contractor performance. Some attributed this problem to the volumes of data and different formats submitted by contractors. Additionally, other oversight managers questioned the need for all the reports. In some instances they did not receive contractually required reports because they decided not to enforce the requirement or did not know the reports were required.

Moreover, contractors are being required to submit additional reports to supplement oversight efforts because contractually required reports are not providing sufficient information. However, these additional reports differ from oversight manager to oversight manager and may be used by other RTC officials. SAMDA contractors have complained that often the information requested in the additional reports has already been provided in a different format in the contractually required reports. Although SAMDA contracts require 27 standard reports, one SAMDA contractor provided a listing of 83 reports that it provides to RTC.

Oversight managers have been given limited guidance on how to use information to oversee contractor performance. An RTC circular requires oversight managers to monitor the submission of SAMDA reports, review them, and deliver reports to other RTC offices. However, the circular does not provide guidance on a given report's purpose. Oversight managers said

they did not know the purpose of some of the reports they receive. In the absence of such guidance, two RTC field offices have developed their own procedures for obtaining and using reports to monitor contractor performance.

RTC officials were concerned that the burdensome reporting requirements were partially the result of information requirements imposed on RTC by outside sources (e.g., legislation). However, they had not assessed the impact of these requirements and were unable to identify which requirements were unreasonable.

Given the inconsistent use of contractually required reports and requests for additional reports, SAMDA contractor reporting requirements do not meet RTC's oversight needs. RTC officials agreed that information currently available nationally gives a very inadequate picture of contractor performance.

Contractor Systems May Not Adequately Protect Asset Data

RTC requires contractors to safeguard data on assets. Specifically, contractors are required to protect the confidentiality of asset data to safeguard sensitive information and adhere to privacy laws. However, RTC has not provided contractors with guidance on how to protect asset data in their automated systems. Our review of 11 contractor automated systems found that they were not adequately safeguarding RTC asset information. For example, nine of the contractors had not adequately assessed system weaknesses to protect such information. In addition, at two contractor locations, access to system records was not restricted to authorized system users. As a result, a risk exists that unauthorized users could use, alter, or destroy asset data.

RTC Is Taking Action to Improve Contractor Oversight

RTC is taking action to improve oversight of contractors. User groups have been formed to address information requirements and RTC plans to use its corporatewide information systems, such as its Asset Manager System and Real Estate Owned Management System, to automate many of the contractually required reports. However, our review of these systems found that RTC was experiencing implementation problems that could delay its plans to automate SAMDA reporting requirements.³ RTC has also contracted with outside firms to review contractor internal controls (including controls over automated systems), identify existing controls, develop a program for evaluating SAMDA contractor internal control

³GAO/IMTEC-92-34BR, Mar. 5, 1992; and GAO/IMTEC-92-36BR, Mar. 5, 1992

systems, and establish consistent standards for all SAMDA contractor internal controls. These steps are responsive to the problems identified in our report. However, it is too early to determine how effective RTC will be in successfully resolving these problems.

Agency Comments

We discussed the contents of this report with senior officials of the Resolution Trust Corporation. These officials generally agreed with the information presented, and their comments have been incorporated as appropriate.

We performed our work between June 1991 and February 1992 in accordance with generally accepted government auditing standards. 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) 336-6418. Major contributors to this report are listed in appendix II.



Howard G. Rhile
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Information Systems

Objective, Scope, and Methodology

Our objective was to assess RTC's reporting requirements for SAMDA contractors. Specifically, we reviewed the process used by SAMDA contractors to report data on failed thrift assets.

We performed our work at RTC headquarters; at RTC regional offices in Atlanta, Georgia; Overland Park, Kansas; and Denver, Colorado; and at RTC field offices in Atlanta; Denver; Eagan, Minnesota; and Costa Mesa, California. In addition, we worked at 14 SAMDA contractor sites in Georgia, Maryland, Minnesota, Colorado, and California.

At these locations, we interviewed agency or contractor officials and reviewed appropriate documentation, such as RTC policies and procedures, SAMDA contracts, and reports contractors provided to RTC. We also examined and analyzed the number and use of reports RTC requires from contractors and examined RTC documents that disclosed its plans and actions to improve the use of these reports.

In addition, we identified both general and RTC requirements for controls over information on failed thrift assets in automated systems. At 11 contractor sites we also observed operations of automated systems used to monitor RTC assets.

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: 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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