

Office of Inspector General



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Audit Report No. 00-051


Receivership Liability System Staffing &
Training



DATE: December 28, 2000

TO: Donald C. Demitros, Director
Division of Information Resources Management

A. J. Felton, Deputy Director
Dallas Field Operations Branch
Division of Resolutions and Receiverships



FROM: Sharon M. Smith
Assistant Inspector General

SUBJECT: *Receivership Liability System Staffing and Training*
(Audit Report No. 00-051)

This report presents the results of the Office of Inspector General's (OIG) audit of the staffing and training in support of the Federal Deposit Insurance Corporation's (FDIC) Receivership Liability System (RLS). We performed this audit because of impending reductions in the number of RLS-knowledgeable claims personnel resulting from planned corporate organizational downsizing.

BACKGROUND

It is the responsibility of Division of the Resolutions and Receiverships' (DRR) Dallas Field Operations Branch (DFOB) to process claims from depositors and general creditors of failed financial institutions. DFOB Claims personnel attend bank closings, determine deposit insurance, identify those depositors with balances in excess of deposit limitations and general creditors, perform payouts, track claims, and perform customer service functions. In conjunction with the Division of Information Resources Management (DIRM), DRR developed RLS, at a cost of \$8 million, as a tool to assist with the claims function. RLS replaced three systems: (1) Claims Tracking System, (2) Automated Grouping System/Automated Payout System, and (3) Unclaimed Deposits Reporting System.

DRR and DIRM (and, to a lesser extent, the Division of Finance) each have a role in claims processing and, therefore, use RLS during the closing process. DRR staffs each institution closing with claims agents while DIRM personnel provide technical support to the claims agents in the use of RLS. DIRM also supports RLS by administering the national database, shipping and operating the FDIC's computer equipment during closings, downloading institution data into the system, supporting data processing, and transmitting data. DRR's DFOB Claims personnel enter, edit, approve, and process the data in RLS with DIRM's assistance. For their part, DFB personnel interact with RLS by balancing institution financial records with claims records,

recording automated receiver certificates from RLS, assisting with payouts, and ultimately paying approved claims.

From July 1999 (when RLS was first used in the closing environment) through August 15, 2000, RLS has been used in the closing of 10 institutions with a total asset base of over \$1.5 billion. Depending on the size and complexity of the closing institution, the number of Claims staff attending the 10 closings ranged from 1 employee to 21 employees. However, 23 of the 31 DFOB Claims personnel used during the 10 closings were either term or detailed employees most of whose appointments are scheduled to expire by the end of 2000.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether the FDIC was adequately addressing the effect of corporate-wide downsizing on RLS operations and whether RLS training was adequate to prepare employees for RLS-related duties. The scope of the audit covered staffing and training to support the claims function and RLS operations during the period of July 1999 to August 2000. Audit emphasis was on bank closing support because this is the initial point at which deposit insurance determinations are made. Because of the number of term Claims employees who would be leaving the Corporation at the end of 2000, we evaluated DFOB's plans to support the claims function and RLS beyond 2000. As part of our audit work we also evaluated DRR, DIRM, and DOF RLS-related training.

To accomplish our audit, we reviewed and analyzed (1) current and future organization charts, (2) division staffing plans, (3) training records of course attendees and course contents, and (4) bank closing memoranda. We also reviewed the FDIC's 2000 Annual Performance Plan for the Insurance Program, which included strategies for maintaining and refining RLS and providing the optimal staffing and training resources necessary to support future institution resolutions. Further, we interviewed staff who had attended bank closings; senior DIRM, DRR, and DOF managers; training course attendees; training coordinators; and RLS Subject Matter Experts.

Our audit included DRR and DIRM operations in Dallas, Texas, and Washington, D.C., and DOF Field Finance Center operations in Dallas, Texas. We conducted the audit from April 4, 2000 to August 29, 2000 in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

Generally, DRR and DIRM—the two divisions with the greatest claims processing and RLS responsibilities—have adequately planned for reduced Claims and RLS-related staffing levels that will result from corporate downsizing. To address the challenge of maintaining an RLS-knowledgeable staff and as part of DRR's reorganization and core staffing plans, DRR management is attempting to extend the terms of some term employees beyond the end of calendar year 2000, reassign permanent staff from other sections of DFOB, and add new permanent positions in support of the claims function. Similarly, DIRM has considered its staffing needs as these needs relate to RLS support. Specifically, in October 1999 DIRM

developed the *DIRM Bank Closing Support Proposal*. The proposal, which addresses future DIRM staffing and training needs for its closing support team, calls for 16 DIRM employees to be selected and trained for closing assistance.

Regarding RLS-related training, DFOB developed an intensive 3-day RLS training course for its Claims personnel. Based on our review of the training material and our direct participation in and observation of the training class, we believe that the class provided good basic training. Further, our interviews with DRR personnel attending the classes showed that the classes were well received by course attendees. Although the training provided to DFOB personnel was good, we identified certain enhancements that we believe could improve the training program. We also considered DIRM's RLS-related training—last provided in the fall of 1999—to be good. However, we believe that DIRM's training could also be enhanced.

Enhancements Can be Made to DFOB's RLS Training Program

Although DFOB's current intensive 3-day training course for its Claims personnel using RLS is good, RLS training can be enhanced in two areas. These enhancements include adding more complex processing scenarios in the RLS training program and scheduling periodic refresher courses.

DFOB's current 3-day training course provides a good basic overview of RLS and of "best-case scenario" closing procedures. However, the training only briefly touches upon more advanced processing situations. RLS is a very complicated software application with hundreds of fields for data, multiple data certifications, and high dependency on successful completion of prior steps. For example, the availability of the initial data download, proforma data, and account holds can affect the sequence of procedures that need to be performed. DFOB's 3-day class did not specifically outline procedures to follow in the event a sequencing problem arises. Further, the training did not include specific closing roles and responsibilities for DIRM and DOF as these roles and responsibilities relate to setting up passwords, loading data, and reconciling financial records. That information would be beneficial so that claims personnel would be knowledgeable of coordination requirements. Our interviews with class participants indicated that very few of them felt confident with their knowledge of the system. Several students requested to attend the training again to help ensure they understand their basic responsibilities when using RLS to close an institution.

Accordingly, we recommend that the Deputy Director, DFOB:

- (1) Enhance DFOB's current RLS training program to include (a) more comprehensive processing scenarios; (b) clarification regarding roles and responsibilities; and (c) refresher training provided periodically, or as close as possible ("Just-in-Time") to the actual institution's closing.

Enhancements Can Be Made to DIRM's RLS Training Program

DIRM could better prepare its employees for closing duties by providing enhanced training. Specifically, we believe that DIRM should offer external validation program and Structured Query Language (SQL) training. Also, DIRM should be scheduling refresher training so that its personnel are kept up to date regarding their claims-related responsibilities during the closing process.

As of August 18, 2000, only 6 of the 61 DIRM closing support personnel (all 6 were from Dallas) had been trained on a new data external validation program that expedites the use of RLS. No employees in other geographic locations who attend bank closings have been trained to use the new software. Additionally, although Dallas DIRM staff received training on SQL—the database management system used to develop RLS—none of the other DIRM bank closing staff had been offered the training. Seven of the 12 DIRM employees we interviewed who had been to RLS training expressed concern with data download responsibilities and stated they would benefit from SQL and/or the external validation program training.

We interviewed 12 of the 37 employees whose last RLS training was in the fall of 1999 and who had not attended a bank closing since RLS was implemented. While all employees interviewed stated that the training had been good, retention of the material 9 months later was estimated by them at between 20 and 70 percent. Half of the employees said they could use the manual to prepare for a closing, but the other half stated that they needed additional training. Trained personnel are essential to support the system in case there are any RLS or network problems. As an example of the need for RLS-proficient DIRM personnel, we observed that during one of the 3-day RLS training courses held in Dallas during July 2000, the RLS server and half of the laptops had printer, log-on, or other problems that required DIRM's assistance to resolve.

Accordingly, we recommend that the Assistant Director, Client Services Branch:

- (2) Incorporate SQL and the external validation program into future RLS training to help ensure that DIRM can fulfill its support function for the critical area of claims and provide periodic refresher training to the 16 employees selected to support future bank closings.

CORPORATION COMMENTS AND OIG EVALUATION

On December 19, 2000, the Deputy Director, DFOB, DRR, provided a written response to a draft of this report. The Deputy Director's response agreed with and provided the requisites for a management decision on recommendation 1. On December 8, 2000, the Director, DIRM, provided a written response to a draft of this report. The Director's response agreed with and provided the requisites for a management decision on recommendation 2. We did not summarize the responses because the actions planned or completed are the same as those recommended. Appendix II to this report presents both responses.

Appendix III presents management's proposed actions on our recommendations and shows that there is a management decision for each recommendation in this report.




Federal Deposit Insurance Corporation

1910 Pacific Avenue, 2nd Floor, Dallas, TX 75201

Division of Resolutions and Receiverships

DATE: December 19, 2000

MEMORANDUM TO: Sharon M. Smith
Assistant Inspector General

FROM: A. J. Felton, Deputy Director 
Dallas Field Operations Branch
Division of Resolutions and Receiverships

SUBJECT: Response to Draft OIG Audit Report entitled Receivership
Liability System Staffing and Training (Amended)

Pursuant to above subject matter, this memorandum will serve to respond to the issues and recommendation outlined in the draft OIG Audit Report dated November 9, 2000.

IG Audit Recommendation:

(1) Enhance DFOB's current RLS training program to include (a) more comprehensive processing scenarios; (b) clarification regarding roles and responsibilities; and (c) refresher training provided periodically, or as close as possible ("Just-in-Time") to the actual institution's closing.

DFOB Response: DFOB has reviewed the subject draft audit report and agrees with the OIG finding and recommendation.

(a) Corrective Action: As recognition of the audit recommendation, DFOB is in the process of expanding its user orientation for RLS. Guided by the suggestions outlined in this audit, along with feedback from RLS Claims users, the curriculum for periodic advanced RLS orientation is being developed for implementation no later than the end of the first quarter 2001. These orientations are intended to occur semi-annually to coincide with version updates to the RLS. Included in the orientations are simulations from recent bank closings to help claims staff members gain hands-on experience with the computer program.

(b) Corrective Action: A preliminary segregation of the closing responsibilities for DRR, DOF, and DIRM closing staff has been drafted and is expected to be formalized before the end of the first quarter 2001. (Added: Those roles and responsibilities will be included in the RLS orientation curriculum.)

(c) Corrective Action: As upgrades and enhancements are made and implemented to advanced RLS semi-annual orientations, demonstrations will be conducted with Claims personnel by a DFOB RLS Subject Matter Expert (SME). A SME will also be available to provide a RLS refresher sessions prior to actual scheduled bank closings. The assigned Claims Agent in Charge will assess pre-closing refresher needs based upon the experience levels of

assigned closing personnel. A memorandum establishing this policy will be issued by the end of first quarter 2001.

Please feel free to contact Debra Foster at (972) 761-3254 should you have any questions concerning this matter.

cc: Mitchell Glassman, Director, DRR
Jim Forrestal, Assistant Director, DFOB
Bill Ostermiller, Assistant Director, Operations, DFOB
Giovanni Recchia, Associate Director, DRR
Dean Eisenberg, Supervisory Internal Review Specialist, DRR
Rick Hoffman, Department Head, OIR – Dallas DRR
Ronald Watkins, Assistant Director, Client Services Branch, DIRM
Jan deLeo, Assistant Regional Manager, Dallas DIRM
Rack Campbell, Chief, ITES, DIRM
Fred Selby, Director, DOF
James G. Thompson, Deputy Director, FFC, DOF
Stan Pawlowski, Section Chief, MSB, DOF
Marilil Reeves, Senior Internal Review Specialist, DOF
Vijay G. Deshpande, Director, OICM
Kenneth Jones, Section Chief, OICM



December 8, 2000

TO: Sharon M. Smith
Assistant Inspector General

FROM: Donald C. Demitros, Director 

SUBJECT: DIRM Management Response to the Draft OIG Report Entitled, "Receivership Liability System Staffing and Training" (Audit Number T2000-200)

The Division of Information Resources Management (DIRM) has reviewed the subject draft audit report and generally agrees with the findings and recommendations. The response to recommendation number 2 which was directed to the Chief of the Client Services Branch (CSB), DIRM, is provided below. Recommendation number 1 was directed to the Deputy Director, Dallas Field Operations Branch (DFOB), Division of Resolutions and Receiverships (DRR).

Management Decision:

Recommendation: Accordingly, we recommend that the Assistant Director, Client Services Branch:

- (2) Incorporate SQL and the external validation program into future RLS training to help ensure that DIRM can fulfill its support function for the critical area of claims and provide periodic refresher training to the 16 employees selected to support future bank closings.

DIRM Response:

EVP Training: Effective November 30, 2000, all 16 members of the bank closing team have received training in the use of the External Validation Program (EVP), which is a tool to automate some aspects of data mapping. Therefore, all 16 members of the DIRM team have received a two-day course, developed by Dallas staff, in data mapping. The training course is continually available to them on the Dallas Bank Closing shared drive.

SQL Training: Eight of the 16 DIRM team members have now taken SQL 7.0 and SQL Database Management Classes. The remainder of the team members have been directed to take the training before March 1st.

RLS Training: The RLS Applications Development Team has agreed to provide refresher training the week of January 29th. The Bank Closing Team has requested that the following subjects, some of which have not been addressed in previous training, be included:

- Explanation of the RLS databases including table definitions and relationships to assist with ad hoc reporting;
- Relationship between Financial Institution Claim Type Codes and FDIC Claim Type Codes and how this information should be populated in the Depositor File;
- Backups/restores-more specifics on when and how they should be performed;
- RLS EVP refresher training;
- Encryption of the export data training;
- Information on the SQL transaction logs, and,
- Refresher training on RLS Modules (DDM, Export/Import and Code Table Load).

Refresher training will be provided at 6-month intervals beginning in January 2001. Any training that occurs after 2001 will be done as necessitated by a significant new upgrade or at least once a year.

Please address any questions to DIRM's Audit Liaison, Rack Campbell, on (703) 516-1422.

cc: Vijay Deshpande
Wayne Gooding
Michael Wong
Ronald Watkins
Jan de Leo

MANAGEMENT RESPONSES TO RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires the OIG to report the status of management decisions on its recommendations in its semiannual reports to the Congress. To consider FDIC's responses as management decisions in accordance with the act and related guidance, several conditions are necessary. First, the response must describe for each recommendation

- the specific corrective actions already taken, if applicable;
- corrective actions to be taken together with the expected completion dates for their implementation; and
- documentation that will confirm completion of corrective actions.

If any recommendation identifies specific monetary benefits, FDIC management must state the amount agreed or disagreed with and the reasons for any disagreement. In the case of questioned costs, the amount FDIC plans to disallow must be included in management's response.

If management does not agree that a recommendation should be implemented, it must describe why the recommendation is not considered valid. Second, the OIG must determine that management's descriptions of (1) the course of action already taken or proposed and (2) the documentation confirming completion of corrective actions are responsive to its recommendations.

This table presents the management responses that have been made on recommendations in our report and the status of management decisions. The information for management decisions is based on management's written response to our report.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
1	The Deputy Director, DFOB, DRR, agreed with the recommendation and stated that curriculum for advanced RLS orientation, including simulations from recent bank closings, is being developed and is scheduled to be completed by March 31, 2001. RLS roles and responsibilities for all impacted divisions will be included in that curriculum. In addition, Claims Agents in Charge will assess the pre-closing refresher needs based on the experience levels of assigned closing personnel. A memorandum establishing this policy will be issued by March 31, 2000.	March 31, 2001	New training curriculum and policy memorandum.	Not Quantifiable	Yes
2	The Director, DIRM, agreed with the recommendation and stated that SQL, external validation program, and periodic refresher training will be provided.	March 1, 2001	Training records for members of the bank closing team and training schedules for future refresher training.	Not Quantifiable	Yes