

Office of Inspector General



September 28, 2001
Audit Report No. 01-023

Audit of the FDIC's Planning for the Institution Data Management Project



DATE: September 28, 2001

TO: John F. Bovenzi
Deputy to the Chairman and Chief Operating Officer

Chris Sale
Deputy to the Chairman and Chief Financial Officer

FROM: Russell A. Rau [Electronically produced version; original signed by Sharon M. Smith]
Assistant Inspector General for Audits

SUBJECT: Report Entitled *Audit of the FDIC's Planning for the Institution Data Management Project* (Audit Report No. 01-023)

The Federal Deposit Insurance Corporation (FDIC) Office of Inspector General has completed an audit of the FDIC's planning for the Institution Data Management (IDM) project. The overall objective of this audit was to monitor the progress of the IDM project and provide input at critical milestones or when conditions warranted. Because the IDM project was still in the planning stage as of the close of our audit, our work was limited to this phase of the project. As part of our audit, we evaluated whether the IDM project team was adequately coordinating with related application development projects and information technology (IT) initiatives.

The purpose of this report is to provide you with some observations and recommendations that may help ensure the success of the IDM project. Providing this information during the planning phase of the project will afford you the opportunity to take appropriate actions at the earliest possible time. We may decide to initiate additional audit work on the IDM project when key deliverables, such as a project plan and high level requirements analysis, are completed.

BACKGROUND

The IDM project is a corporate-wide initiative to improve the collection, processing, storage, and dissemination of open financial institution data. Open institution data includes the basic structure¹ and financial data that the FDIC and other bank regulators use to supervise and regulate the nation's 9,840 insured financial institutions.² The FDIC obtains open institution data from a variety of sources, such as Consolidated Reports of Condition and Income (i.e., Call

¹ Structure data is non-financial data related to institutions, such as demographic, classification, event, and ownership data.

² According to the *FDIC Quarterly Banking Profile* for the first quarter of 2001, the FDIC insured a total of 9,840 financial institutions at the end of the first quarter of 2001.

Reports), Thrift Financial Reports, and other regulatory reports filed by insured financial institutions. The FDIC also obtains open institution data from examinations performed by the Divisions of Supervision (DOS) and Compliance and Consumer Affairs (DCA) and other federal and state bank regulators.

A fundamental goal of the IDM project is to establish a single source for open institution data that will be used by all corporate applications that need such data. The benefit of identifying a single source for open institution data is that it would promote data sharing, integrity, and consistency because all applications would use the same data. Currently, source data for open institutions is fragmented among the FDIC's information systems, allowing for potential data redundancies and inconsistencies. In addition, a single source of open institution data would promote standardization of data definitions and introduce efficiencies into the collection, processing, storage, and use of institution data.

The IDM project was conceived in the summer of 2000 after the FDIC completed a corporate impact analysis³ (CIA) of a proposed IT project to modernize the FDIC's Call Processing System (Call). The Call CIA, dated July 2000, concluded that the scope of the Call modernization effort should be broadened to include requirements for collecting, processing, and disseminating data from a corporate perspective. This more strategic approach to addressing FDIC's open institution data requirements would be accomplished by deferring the Call modernization project and establishing a new initiative called IDM.

The FDIC established an IDM project team on December 20, 2000 to develop a project plan and define the scope and requirements of the IDM project. The IDM project team is comprised of representatives from DOS, DCA, and the Divisions of Insurance (DOI), Finance (DOF), Research and Statistics (DRS), Resolutions and Receiverships (DRR), and Information Resources Management (DIRM). An IDM advisory group comprised of senior managers from DOS, DRS, and DIRM was also established in December 2000 to oversee the activities of the IDM project team.⁴ In addition, the entire IDM effort is monitored by the Chief Information Officer (CIO) and the directors of DOS and DRS. The CIO and the directors of DOS and DRS monitor the project through briefings and correspondence.

As part of the Corporation's 2001 IT budget formulation process, the FDIC approved \$473,994 in IT funds to support the planning and requirements definition of the IDM project during 2001. In addition, DIRM estimated the 5-year life cycle cost to develop and implement IDM to be approximately \$14.5 million at the time the 2001 IT budget was developed. However, the \$14.5 million estimate may change once a project plan and high level requirements analysis are completed and approved for the project.

The IDM project team had not completely defined the scope or plans for the project as of the close of our field work. However, it is anticipated that the project's initial focus will be to develop a high level architecture document illustrating the FDIC's current process for managing open institution data and how the current process will be improved by IDM. A Concept of

³ A CIA is an in-depth analysis of a proposed IT project that evaluates its potential impact on the FDIC from an overall corporate perspective.

⁴ The IDM advisory group was subsequently renamed the IDM management team.

Operations document describing proposed solutions and timelines for integrating the FDIC's business processes and systems that use open institution data will also be developed to guide the IDM effort. In addition, subprojects will be initiated to implement the IDM concept. IDM subprojects could include the implementation of an institution data repository or the integration of major business applications that use open institution data. Decisions regarding whether and how to proceed with each IDM subproject will be based on formal cost-benefit analyses.

The IDM management team anticipates that the security requirements for open institution data, including sensitivity levels and business rules defining access rights, will be considered as part of the IDM effort. The requirements and activities of other federal and state bank regulators, such as the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, will also be considered as part of the IDM project. The IDM management team plans a phased approach to develop and implement the IDM concept over a 5-year period.

OBJECTIVE, SCOPE, AND METHODOLOGY

The overall objective of the audit was to monitor the progress of the IDM project and provide input at critical milestones or when conditions warranted. Because the IDM project was still in the planning stage as of the close of our audit, our work was limited to this phase of the project. As part of the audit, we evaluated whether the IDM project team was adequately coordinating with related application development projects and IT initiatives.

We conducted our audit from January 23, 2001 through May 25, 2001 in accordance with generally accepted government auditing standards. A detailed discussion of the scope and methodology of our audit is included as Appendix I. We also performed limited follow-up work during the period June through August 2001 to clarify various issues and matters contained in the report.

RESULTS OF AUDIT

The IDM project presents the FDIC with opportunities to improve the manner in which it collects, processes, stores, and disseminates open institution data. However, progress on the project has not met expectations. We are recommending that senior FDIC management ensure consensus among the IDM project stakeholders before investing significant resources in the project. We are also recommending that the IDM project team begin periodic reporting on the status of the IDM project to senior FDIC management. Such reporting will promote a corporate approach to the IDM concept and help keep the project's scope, requirements, and progress on target. Finally, the IDM project team will need to closely coordinate its work with related IT projects and business process studies as the project moves forward so that resources are not duplicated or unnecessarily expended. We are recommending that, as part of building consensus among stakeholders, FDIC senior management ensure that such coordination takes place.

Progress on the IDM Project

Toward the close of our field work, the IDM project team began to make progress on the initial planning phase of the project. However, overall progress on the IDM project has not met initial projections. A conceptual framework for the IDM project had been outlined in an August 10, 2000 memorandum from the DOS Director to the Chief Operating Officer (COO). The memorandum indicated that a consultant would be solicited to facilitate requirements definition and evaluation by October 31, 2000 and that the IDM project team would evaluate the FDIC's existing institution data requirements, examine alternative solutions, and develop new requirements by March 2001. The memorandum also requested that the IDM project be made a Corporate Operating Plan System (COPS)⁵ project.

As of the close of our field work in May 2001, the IDM project team had not obtained consultant resources, and the target date to complete requirements definition had been pushed back from March 2001 to June 2001. We performed follow-up work subsequent to the close of our field work and learned that as of August 16, 2001, consultant resources had not been obtained and that deliverables, including a project plan, had not been completed on the project. Further, the COO and Chief Financial Officer (CFO) had decided to postpone making IDM a COPS project until high level plans and requirements could be developed.

The FDIC's 2001 Annual Performance Plan identifies the IDM project as a key step toward accomplishing its annual performance goal of reducing costs and inefficiencies in the processing and use of institution data. The plan establishes August 31, 2001 as the completion date for analyzing and documenting the current and projected use of institution data throughout the FDIC and developing recommendations to improve the efficiency of the FDIC's institution data management processes. The plan also establishes December 31, 2001 as the completion date for developing functional, data, security, and performance requirements and project scope for phased systems development efforts resulting from the IDM initiative. Based on the FDIC's progress in planning the IDM project to date, it is unlikely that the IDM project team will meet the milestone dates contained in the 2001 Annual Performance Plan.

The FDIC's 2001 Annual Performance Plan also requires that the IDM project team submit quarterly progress reports on the project to the Corporate Operating Committee⁶ and Corporate Data Sharing Steering Committee (CDSSC).⁷ However, as of August 16, 2001, progress reports had not been submitted to these two committees. Periodic reporting on the status of the IDM project to the Corporate Operating Committee would be an effective way to apprise senior FDIC management of the project's progress and identify potential problems in a timely manner. Such reporting would also assist in communicating a collaborative vision for IDM throughout the Corporation and promote a corporate approach to analyzing business requirements and implementing IT solutions.

⁵ COPS is a mainframe system used by the COO and Chief Financial Officer to monitor key corporate projects.

⁶ The Corporate Operating Committee is an executive level committee comprised of the Chairman and officers of the Corporation (CIO, CFO, COO, and select Division and Office Directors chosen by the Chairman).

⁷ CDSSC was established to promote data sharing throughout the FDIC's business operations. Membership on the CDSSC consists of representatives of all FDIC divisions and the offices of the COO and CFO.

Competing priorities within the divisions participating in the IDM project may have contributed to the project's slow progress. Specifically, we noted that attendance of IDM project team members at IDM meetings was sometimes lacking because of team member involvement in other key corporate projects, such as development of the Virtual Supervisory Information on the Net (ViSION)⁸ system and work to address new Call report requirements. Not meeting established milestone dates on the IDM project will delay the implementation of efficiencies that were expected when the project was approved. Delays could also affect the IDM project team's ability to secure IT funding for the project for the remainder of 2001 and 2002 and could negatively impact related IT projects if plans for IDM cannot be established in a timely manner.

In June 2001, the CIO and the directors of DOS and DRS requested that the IDM project team discontinue work on the project while the IDM management team re-evaluated the project's scope, objectives, and direction. This action was taken due to concerns regarding the project's broad scope and lack of progress in completing deliverables. On August 10, 2001, the COO, CFO, and CIO requested that a "white paper" be prepared for the IDM project. The purpose of the white paper was to describe the project's costs and benefits, potential alternatives, role in the strategic direction of the Corporation, and issues that are important to its completion.

The IDM management team submitted its white paper to the COO, CFO, and CIO on August 17, 2001. The white paper identified three basic alternatives: (1) cancel the IDM concept, (2) halt ongoing systems development efforts while more in-depth analysis is performed on the IDM concept, or (3) proceed with the IDM project under a reduced scope. The IDM management team recommended that the COO, CFO, and CIO adopt the third option to proceed with the IDM project under a reduced scope. As of the date of this report, management was evaluating how to proceed with IDM as part of its 2002 corporate business and IT planning process.

Given the IDM project's less than anticipated progress to date, developing the IDM white paper is a positive step. The COO and CFO should take this opportunity on the project to ensure consensus among all IDM project stakeholders regarding the project's goals and objectives, scope, approach, schedule, level of staff effort, costs, and benefits. Because the IDM project will impact all FDIC divisions and offices that use open institution data, all stakeholders should be included as full decision-making partners throughout the requirements definition process. Any potential impediments to the success of the IDM project should also be evaluated before proceeding with the project.

Coordination with Related IT Projects

At the time of our field work, the IDM project team had not coordinated plans for IDM with the users or developers of corporate applications that may be affected by IDM. Coordination had not taken place because high level plans and requirements for IDM had not yet been defined or

⁸ ViSION is a multi-year IT initiative to modernize and consolidate the work processes of the DOS regional office case managers. Previously known as the Banking Information Tracking System (BITS) redesign project, ViSION will replace the more than 100 subsystems and reports that comprise BITS with an integrated Web-based application.

prioritized by the IDM project team. Accordingly, it was not possible for the IDM project team to determine which corporate applications would be impacted by IDM.

If a decision is made to proceed with the IDM project, the IDM project team will need to identify those IT projects that have potential overlap with IDM, such as FDICconnect⁹ and ViSION, and closely coordinate with those projects to ensure that resources are not duplicated or unnecessarily expended. The IDM project team will also need to consider the results of ongoing business process studies, such as the DOS Process Redesign initiative,¹⁰ when developing requirements for IDM. As part of its efforts to reach consensus on the IDM project, senior management should ensure that IDM is properly coordinated with other IT and business process initiatives.

CONCLUSION

Progress on the IDM project has not met expectations. Recent action taken by the COO, CFO, and CIO to request a white paper for the IDM project is a step in the right direction and should help IDM project stakeholders reach consensus on its scope and direction. Periodic reporting to senior FDIC management on the status of IDM as described in the 2001 Annual Performance Plan will also promote a corporate approach to the IDM concept and help ensure that the project's scope, requirements, and progress stay on target.

Recommendations

We recommend that the COO and CFO:

- (1) Ensure consensus among the IDM project stakeholders regarding the project's goals and objectives; scope; approach, including the coordination of IDM with other IT and business process initiatives; deliverables; schedule; level of staff effort; costs; and benefits.
- (2) Require the IDM project team to begin submitting project status reports to the Corporate Operating Committee and the Corporate Data Sharing Steering Committee as provided in the FDIC's 2001 Annual Performance Plan.

CORPORATION COMMENTS AND OIG EVALUATION

On September 26, 2001, the COO and CFO provided a joint written response to the draft audit report. The COO and CFO agreed with the report's findings and recommendations and provided

⁹ FDICconnect is a corporate initiative to establish electronic commerce between the FDIC and insured financial institutions. FDICconnect will initially provide institutions with customized views of demographic, financial, and economic data. Subsequent enhancements will include processing of business transactions.

¹⁰ DOS is conducting a process redesign initiative to evaluate its current bank supervisory policies, procedures, and practices. DOS anticipates that changes resulting from the process redesign initiative will improve the efficiency of its supervisory processes and assist the FDIC in responding to ongoing changes in the banking industry, such as the introduction of new technology and legislation.

the elements necessary for management decisions on both of the report's recommendations. The COO and CFO's response is presented in its entirety in Appendix II of this report.

Regarding recommendation 1, the COO and CFO indicated that a full-time project manager would be assigned to the IDM project. The IDM project manager will be responsible for defining the project's scope, overseeing the development of project plans, and justifying proposed IT expenditures. To ensure a corporate perspective on the project, the IDM project manager will report directly to the IDM management team. Participation on the IDM project from all FDIC business units will also be required to ensure that all corporate perspectives and requirements are considered.

Additionally, the IDM project team will consult with the CDSSC and the CDSSC Collaborative Working Group on Open Institution Data to ensure that input and consensus is obtained from stakeholders throughout the Corporation. The COO and CFO stated in their response that the CDSSC Collaborative Working Groups are organized for the purpose of informing and gathering input from stakeholders and would be the appropriate vehicle for reaching consensus regarding IDM initiatives. Further, as with all IT development projects, significant IDM expenditures will require approval through existing corporate planning and budget processes. These processes require significant documentation and justification, including corporate impact and cost-benefit analysis, before funding is authorized.

Regarding recommendation 2, the COO and CFO indicated that the IDM management team will provide quarterly progress reports, at a minimum, to senior FDIC management. We spoke with representatives of management on September 28, 2001 and determined that, for the purpose of recommendation 2, the term senior FDIC management will include the COO, CFO, CIO, and CDSSC. It will not include the FDIC's Corporate Operating Committee. Management believes that the COO, CFO, CIO, and CDSSC are the most appropriate officials to receive IDM status reports. This satisfies the intent of our recommendation. The COO and CFO also indicated in their response that IDM progress reports will include summary project plans, goals and milestones, resources needed to meet objectives, and issues that need to be addressed by senior FDIC management to achieve project goals. The IDM management team will be required to seek approval from senior FDIC management for any significant changes in scope, priorities, and schedules.

SCOPE AND METHODOLOGY

To accomplish our audit objective, we interviewed key DIRM and program office personnel who were involved with the IDM project. We also attended meetings held by the IDM project team to observe progress on planning and requirements definition. In addition, we spoke with DIRM and program office personnel who were responsible for maintaining the major corporate applications that might be impacted by IDM to become familiar with those applications and to make a general determination as to whether they were being adequately coordinated with IDM. We also reviewed relevant documents, such as the FDIC's 2001 Annual Performance Plan, IT Strategic Plan, select division-level strategic IT plans, the Call CIA, the IDM white paper, and various application-specific IT plans to become familiar with IDM and its potential corporate impact.

We conducted our audit from January 23, 2001 through May 25, 2001 in accordance with generally accepted government auditing standards. We also performed limited follow-up work during June and August 2001 to clarify various issues and matters contained in the report.

CORPORATION COMMENTS

FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, DC 20429

DEPUTY TO THE CHAIRMAN

September 26, 2001

MEMORANDUM TO: Gaston L. Gianni, Jr.
Inspector General

FROM: John F. Bovenzi [Electronically produced version; original signed
by John F. Bovenzi]
Deputy to the Chairman and Chief Operating Officer

Chris Sale [Electronically produced version; original signed by
Chris Sale]
Deputy to the Chairman and Chief Financial Officer

SUBJECT: Audit of the FDIC's Planning for the Institution
Data Management

We appreciate the opportunity to comment on the recommendations presented in the OIG's draft report, *Audit of the FDIC's Planning for the Institution Data Management Project*. As the report points out, the Institution Data Management (IDM) project presents the FDIC with opportunities to improve processes for collecting, validating and disseminating open institution data.

The FDIC and most of its divisions and offices rely heavily on open institution data to conduct business. IDM seeks to provide a corporate framework to guide future systems development and business processes to supply FDIC stakeholders with more accurate, timely, useful and consistent information at a lower cost.

IDM is a departure from prior data management efforts in two important ways. First, in order to bring a corporate perspective to open institution data management, the IDM project would not be controlled, staffed or funded by any one division or office. Second, IDM is primarily focused on improving business processes and fulfilling the business requirements of all FDIC offices and divisions. To that end, IT solutions are secondary considerations.

Recommendation 1: Senior FDIC management should ensure consensus among the IDM project stakeholders before investing significant resources in the project.

In this regard, a full-time project manager will be assigned to define the scope of the project, directly oversee the development of project plans, and justify proposed IT expenditures. To ensure that this project brings a corporate perspective to data management, the project manager will report directly to the IDM Management Team. As the White Paper prepared by the IDM

Management Team points out, participation will be required from all FDIC business units to ensure that all corporate perspectives and requirements are taken into account. The IDM project team will be directed to consult with the Corporate Data Sharing Steering Committee (CDSSC) and the CDSSC Collaborative Working Group on Open Institution Data to ensure that input and consensus is obtained from stakeholders throughout the Corporation. The CDSSC Collaborative Working Groups are organized for the purpose of informing and gathering input from stakeholders and would be the appropriate vehicle for reaching consensus regarding IDM initiatives. As with all IT development projects, significant IDM expenditures will also require approval through existing corporate planning and budget processes. These processes require significant documentation and justification, including corporate impact and cost-benefit analysis, before funding is authorized. Thus, a process is in place to obtain the consensus of IDM stakeholders throughout the life of the IDM project.

Recommendation 2: The IDM Management Team should provide periodic reports to senior FDIC management.

The IDM Management Team will provide quarterly progress reports, at a minimum, to FDIC Senior Management. These progress reports will include summary project plans, goals and milestones, resources needed to meet objectives, and issues that need to be addressed by FDIC Senior Management to achieve project goals. The IDM Management Team will be required to seek approval from FDIC Senior Management in regard to any significant changes in scope, priorities, and schedules.

Again, thank you for the opportunity to comment on the draft report.

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 and subsequent discussions with management representatives.

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 COO and CFO indicated that a full-time project manager would be assigned to the IDM project to define the project’s scope, oversee the development of project plans, and justify IT expenditures. To ensure a corporate perspective on the project, the IDM project manager will report to the IDM management team and all FDIC business units will participate on the project. In addition, the IDM project team will consult with the CDSSC and the CDSSC Collaborative Working Group on Open Institution Data to ensure that input and consensus is obtained from stakeholders throughout the Corporation.	December 1, 2001	Documents designating the project manager and project representatives from all FDIC business units	Not Quantifiable	Yes

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
2	The COO and CFO indicated that the IDM management team will provide quarterly progress reports, at a minimum, to senior FDIC management. These progress reports will include summary project plans, goals and milestones, resources needed to meet objectives, and issues that need to be addressed by senior FDIC management to achieve project goals. The IDM management team will be required to seek approval from senior FDIC management for any significant changes in scope, priorities, and schedules.	First Quarter of 2002	Quarterly progress reports to senior FDIC management	Not Quantifiable	Yes