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Audit Report No. 03-027

The Division of Resolutions and Receiverships' Controls Over Data Input to the Service Costing System



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DATE: March 31, 2003

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SUBJECT: *The Division of Resolutions and Receiverships' Controls Over Data Input to the Service Costing System (Audit Report No. 03-027)*

This report presents the results of the Federal Deposit Insurance Corporation (FDIC) Office of Inspector General's (OIG) audit of the Division of Resolutions and Receiverships' (DRR) controls over data input to the Service Costing System. The FDIC uses the Service Costing System to bill FDIC receiverships¹ for services performed by the Corporation on behalf of the receiverships. These billings provide reimbursement to FDIC insurance funds for receivership-related costs. DRR provides a significant amount of monthly workload data to the Service Costing System that directly affects the accuracy of receivership billings.

The overall objective of this audit was to evaluate whether adequate controls exist to ensure the accuracy, timeliness, and completeness of DRR data used by the Service Costing System. Specifically, we determined whether adequate controls exist to: (1) validate and verify data in DRR systems that update the Service Costing System, (2) ensure the timeliness and completeness of DRR processing and reporting of data to the Service Costing System, and (3) ensure compliance with applicable laws and regulations. Although the Service Costing System was implemented to meet a variety of management needs and receives data from systems outside of DRR, we concentrated this audit on data from DRR systems and the related impact on receivership billings. For the period January 1, 2002 through December 31, 2002, the FDIC billed \$63,074,274 to receiverships using the Service Costing System. Additional details on our objective, scope, and methodology are presented in Appendix I.

BACKGROUND

When an FDIC-insured institution is closed by a federal or state regulatory agency, the FDIC is appointed as receiver. In that capacity, the FDIC has an obligation to all claimants of the

¹Receiverships are failed financial institutions for which the FDIC has been appointed as receiver to manage the liquidation (asset sales, loan servicing, claims resolution, etc.) of the institution's remaining assets.

receivership to maximize the amounts recovered as quickly as possible. The receivership process involves performing the closing function at the failed institution, maintaining the value of and liquidating any remaining failed institution assets, and distributing any proceeds of the liquidation to those with approved claims of the receivership. The Receivership Management Program is one of the FDIC's three main business lines.

Where expenses are incurred directly on behalf of a receivership, the FDIC charges those expenses directly to the receivership. However, many expenses incurred by the FDIC cannot be attributed directly to a single receivership. Service costing is a process employed by the FDIC to bill individual receiverships a fair and reasonable charge for those expenses.

The Financial Institutions Reform, Recovery, and Enforcement Act, enacted in 1989, established three funds to be administered by the FDIC: the Bank Insurance Fund, the Savings Association Insurance Fund, and the Federal Savings and Loan Insurance Corporation Resolution Fund. This legislation requires that any personnel, administrative, or overhead costs are allocated to the Fund for which the costs were incurred, or across the Funds for shared activity.

Section 12 of the Code of Federal Regulations (12 C.F.R. 360.4) requires the FDIC to act as receiver to manage failed financial institutions and to charge only those expenses that are "necessary and appropriate" to receiverships. To meet these requirements, the FDIC developed procedures to bill receivership program-related expenses that were not charged directly to receiverships and were initially paid by corporate funds. Service billing is the FDIC's methodology to satisfy this requirement.

The regulation defining expenses that can be charged to receiverships allows the FDIC flexibility in defining those expenses that are billable. The Corporation, acting in its role as both receiver and corporate entity, has, within certain limits, sole discretion in determining the most appropriate cost for the services performed. These expenses are billed to receiverships as administrative expenses of the receiver, and have priority over any uninsured deposit liability of the institution that may be paid in the form of dividend payments.

When a financial institution is closed and the FDIC is appointed as receiver, one of the FDIC's responsibilities is to sell the institution's assets to pay the depositors and its creditors. If there is any excess cash generated by the disposition of these assets less disposition cost and reserves met (cash held to meet the obligations of the receivership, including administrative expenses), a dividend may be declared and distributed to the proven claimants. The FDIC conducts quarterly reviews of the financial statements of the receivership to determine whether sufficient funds are available to pay dividends, and as additional funds become available, dividends may be declared. The FDIC shares in dividend distributions on a percentage basis with uninsured depositors of the failed financial institution.

Prior to 2002, the FDIC's formula for distributing indirect and support expenses to individual receiverships was based on direct expenses: that is, the greater the amount of direct expenses charged to a receivership, the greater the amount of indirect and support expenses charged to the receivership. In periods of high receivership activity, the volume of directly charged expenses

creates a broad base over which the indirect and support expenses can be distributed. In periods of low activity, however, indirect and support expenses are large relative to direct expenses, and high liquidation activity at a particular receivership will result in allocation of high levels of indirect expenses. Thus, using the previous formula of expense distribution, a relatively small receivership that has a relatively high level of activity during a given period may receive a disproportionately large amount of indirect support expenses. This situation is more acute when the overall level of receivership activity, as represented by the number of active receiverships, is low.

As receivership workload has declined since 1995, when there was a high of 1,834 receiverships, to the current level of 119 active receiverships, expenses charged to receiverships have also declined. However, receivership activities declined at a faster rate than expenses charged to receiverships. This development, together with other factors,² prompted the FDIC in the late 1990s to evaluate the practice of charging all receivership program-related expenses to receiverships. If this practice had continued, it could have led to an inappropriate indirect expense distribution among the receivership population, and many of the fixed costs necessary to maintain the receivership program would have become burdensome to individual receiverships.

Implementation of the Service Costing System for Billing Receiverships

The FDIC began using the Service Costing System to bill receiverships as of January 1, 2002. The Service Costing System applies standard rates established for various services performed by the FDIC on behalf of receiverships. These services include franchise marketing, closing activities, financial services, asset sales, asset management, subsidiaries management, receivership claims, investigations, and litigation. In so doing, the individual receiverships are treated uniformly regardless of the overall volume of receivership activities. To produce bills and related reports, cost, rate, and workload data are extracted from several feeder systems each month and uploaded into the Service Costing System. These data are converted and reformatted for use by the billing components of the Service Costing System. These costs are then billed to receiverships by applying a standard rate to workload volumes that are extracted from various FDIC information systems. For example, in a given month, a receivership would be billed for loan sales activity based on the number of loans sold on behalf of that receivership. Data on the number of loans sold are provided from DRR to the Division of Finance (DOF) on a monthly basis and entered into the Service Costing System, which uses a standard rate established for loan sales to calculate the total cost to the receivership for loans sold that month.

In 2002, five separate DRR systems were used to provide workload volumes for many of the services billed to receiverships. These systems included the National Asset Inventory System (NAIS),³ Receivership Liability System (RLS), Warranties and Representations Accounts

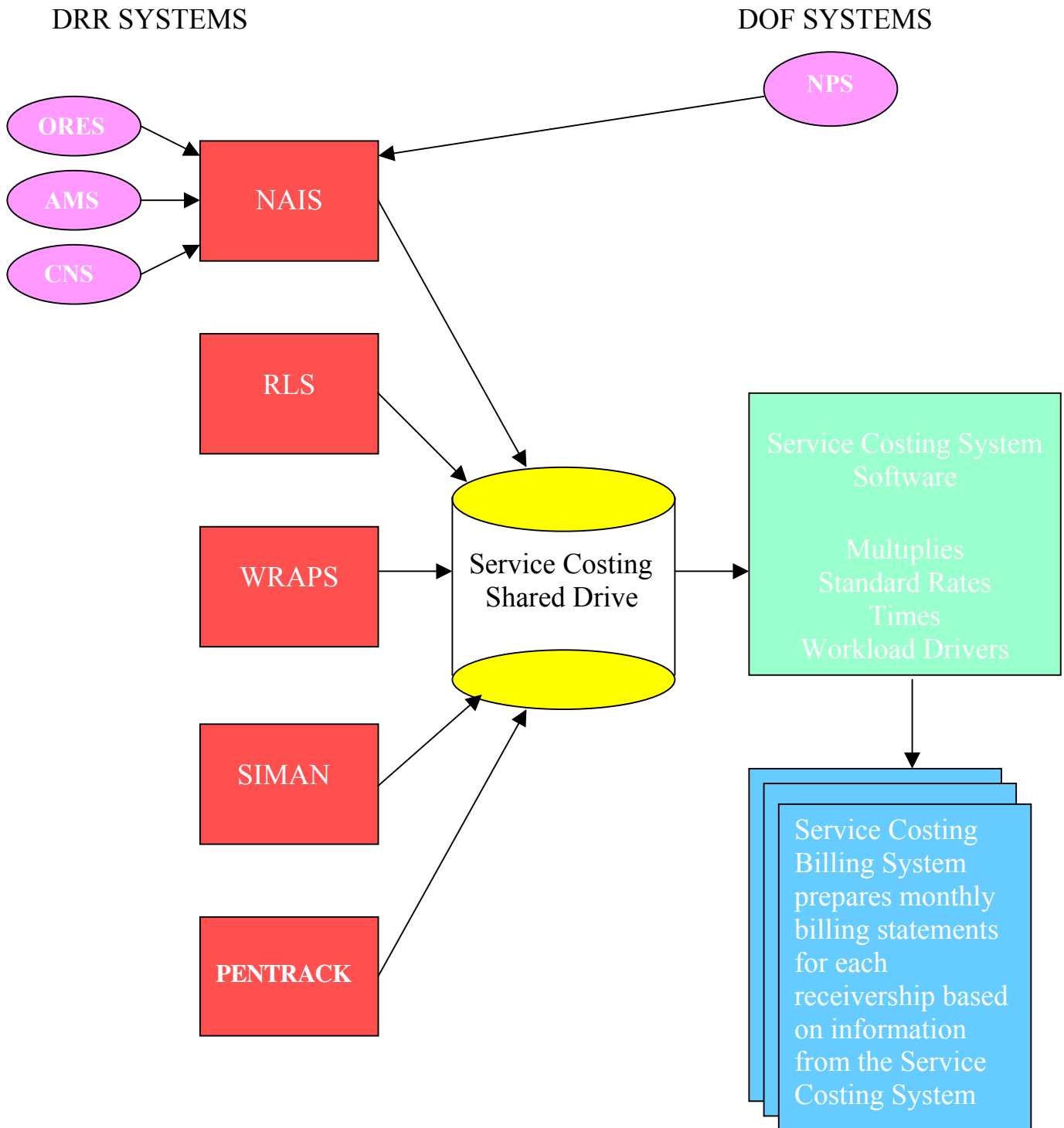
² Consequences of inaction could possibly include an increasing number of shareholder challenges to the FDIC, an eventual inequitable distribution of expenses among the three Funds, and an increased focus on the Corporation's dual role as the largest creditor and receiver.

³ NAIS is a data repository for several systems of record, including the Owned Real Estate System (ORES), Asset Marketing System (AMS), Credit Notation System (CNS), and the National Processing System (NPS).

Processing System (WRAPS), Subsidiary Information Management Network (SIMAN), and the Pension Plan Tracking System (PENTRACK). (See Appendix II for more detailed descriptions of these DRR systems.) Specific data elements from each of these systems are provided by DRR to DOF. In turn, DOF loads these data into the Service Costing System to calculate the receivership billings each month.

To establish the procedures by which DRR systems data would be provided for the Service Costing System, memorandums of understanding (MOU) were executed between DOF and DRR for each system. The purpose of the MOUs is to identify the specific data that will be needed by the Service Costing System and the method by which the data will be transferred to the Service Costing System in accordance with agreements reached by the respective staffs of DOF and DRR. Under the MOUs, DRR staff members submit a Service Cost Data Report by the 15th of the month that includes the required data in a specific format. DOF staff input the workload data that are used to calculate receivership billings for the prior month into the Service Costing System. The following diagram depicts the flow of data from DRR systems to the Service Costing System.

DRR DATA FLOW INTO MONTHLY SERVICE COSTING BILLING OF RECEIVERSHIPS



Source: OIG analysis of the FDIC Service Billing User Guide.

RESULTS OF AUDIT

DRR controls to ensure the timeliness of data provided to the Service Costing System are adequate; however, controls to ensure the accuracy and completeness of data used by the Service Costing System could be improved. Specifically,

- DRR has not instituted sufficient controls to adequately validate and verify data in systems that update the Service Costing System. As a result, the FDIC does not have adequate assurance that workload data from DRR systems are valid and, therefore, that expenses are accurately billed to receiverships under the Service Costing System (see Finding A: Data Validation).
- DRR's procedures for ensuring accurate and complete data processing and reporting to the Service Costing System are not adequate. As a result, approximately \$1.01 million in additional corporate expenses were not properly billed to receiverships during 2002. We consider the small portion of these expenses that would not be recovered by the FDIC from receivership dividend payments to be funds put to better use (see Finding B: Data Submission).

The FDIC has implemented the Service Costing System as a means to comply with applicable laws and regulations related to appropriately billing expenses to receiverships. However, the FDIC has not achieved full compliance because controls for ensuring complete data processing and reporting to the Service Costing System are not adequate. In its dual role as insurer and receiver, the Corporation should avoid even the appearance of an inequitable distribution of expenses between the Corporation and receiverships. The data completeness control deficiencies we identified limit the Corporation's ability to avoid such an appearance and ensure compliance with applicable laws and regulations.

We are making several recommendations to improve the overall service billing process. These recommendations address improvements needed in such areas as data quality procedures and data submission. We are also recommending that DRR and DOF work together to evaluate the inaccuracies discussed in this report related to asset sales and receivership claims to determine whether any adjustments are necessary to receivership billings.

FINDINGS AND RECOMMENDATIONS

FINDING A: DATA VALIDATION

DRR has not instituted sufficient controls to adequately validate and verify data in systems that update the Service Costing System. Although DRR could use the results of its Data Quality Program⁴ to validate and verify data provided to the Service Costing System, the Data Quality Program was not specifically designed for that purpose. Only two of the five systems in DRR that update the Service Costing System (RLS and SIMAN) are included as priority systems in DRR's Data Quality Program. Further, the primary data element from RLS used in the Service Costing billing process is not tested as part of the Data Quality Program. Also, although the Service Costing System creates a data quality report to validate the success or failure of each submission from DRR, DOF and DRR staff members did not adequately review the report to ensure that data were processed correctly into the Service Costing System. As a result, the FDIC does not have adequate assurance that workload data from DRR systems are valid and, therefore, that expenses are accurately billed to receiverships under the Service Costing System.

DRR Data Quality Program

DRR Directive 4360.14, dated January 31, 2001 (updated October 1, 2002), established the DRR Data Quality Program. This program establishes the minimum standards to be adhered to for DRR priority systems. During 2002, six DRR systems were identified as priority systems under the Data Quality Program. This directive requires that, on at least a semi-annual basis, an identified Data Quality Advocate for each system shall ensure completion of a review of a sample of all critical data elements for their respective priority system. If the review results in an accuracy rate for any critical data element of less than 90 percent, a written corrective action plan will be developed and implemented.

Workload data to the Service Costing System are provided directly from two systems identified as priority systems—RLS and SIMAN—and indirectly from ORES, another priority system. ORES updates owned real estate data in NAIS; however, NAIS, PENTRAK, and WRAPS, all of which provide data to the Service Costing System, are not included as priority systems. Further, the primary data element from RLS that is provided to the Service Costing System to determine the amount billed (number of claims resolved) is not one of the data elements tested.

NAIS provides data to the Service Costing System on assets managed and sold. Such data include loans, owned real estate, mortgages, and other assets. However, other than the owned real estate data from ORES, no other asset data in NAIS have been reviewed. During the course of our review, DRR staff determined that many of the assets from bank closings in the latter part of 2001 and during 2002 had not been loaded to NAIS. Also, a reconciliation performed by

⁴ DRR Directive 4360.14, dated January 31, 2001, established DRR's Data Quality Program to provide specific requirements for each Priority Information Technology (IT) Data System and to promote cost-effective means of maintaining reliable data.

DRR staff, dated as of August 30, 2002, indicated that NAIS did not include assets included in the NPS.⁵ However, as of November 30, 2002, action had not been taken to ensure that these assets were identified and adjustments made to the Service Costing System.

Service Costing System Data Quality Report

DRR and DOF staff members did not fully use controls established to verify that data were processed correctly into the Service Costing System. After each of the monthly data submissions from the five respective DRR systems are processed, the Service Costing System creates a Data Quality Report. Per the MOU, this report summarizes the data entered into the Service Costing System and is used by DOF oversight personnel to validate the success or failure of the data processing. Specifically, the content of the Data Quality Report is designed to enable Service Costing System oversight personnel to confirm that the data used by the Service Costing System correctly reflect the data received from the five DRR systems. If Service Costing System oversight personnel in DOF encounter problems with the data, according to the MOU, they should contact the respective DRR staff member who submitted the data. For its part, DRR also receives a copy of the Data Quality Report and could review the report for accuracy. However, our work indicated that DRR submitted data that neither DRR nor DOF identified as being incorrectly processed to the Service Costing System.

During our testing of Other Receivership Claims⁶ submissions for the month of July 2002, we determined that the data reported by the Service Costing System did not match the submission from DRR. The data extract from DRR did not process correctly and erroneous data were fed to the Service Costing System. However, even though the Data Quality Report indicated that a problem existed, action was not taken by staff in DRR or DOF. Based on interviews with DRR and DOF staff, we determined that the Data Quality Report was not reviewed by either the DRR or DOF staff to verify that the data extract performed correctly. Therefore, the erroneous data were not identified and incorrect data were input to the Service Costing System.

We contacted the five DRR staff members responsible for providing data to the Service Costing System for each of the five systems and found that only one of the five had ever reviewed the Data Quality Report they received each month. The DRR staff members responsible for providing monthly workload data stated that it was not their responsibility to review the report unless specifically requested by someone from the DOF Service Costing team. Also, as of November 30, 2002, none of those in DRR responsible for submitting workload data had accessed the Service Costing System and only three of the five staff reported they had obtained a copy of the Service Billing User Guide distributed by DOF in May 2002. DRR staff members also advised us that they encountered problems logging into the Service Costing System.

⁵ NPS is the FDIC loan system that processes loan payments and maintains demographic information. It accrues interest and provides billing and interest ticklers for statements and changes to the interest rate.

⁶ Other Receivership Claims is a Service Costing System line item that is billed to receiverships for tasks related to investigating and analyzing any creditor claims other than those arising from insured or uninsured depositors of a failed financial institution.

To ensure accuracy throughout the service costing billing process, effective communication and coordination between DRR and DOF is essential. Further, DRR staff members involved in the process must have ready access to the system to confirm that data they provide are accurately captured in the system.

Recommendations

We recommend that the Director, DRR:

- (1) Include DRR systems and specific data elements used for the Service Costing System under the Data Quality Program to be periodically verified and validated.
- (2) Establish procedures that require DRR staff members involved in the service costing process to verify that the data they submitted were processed accurately.

We recommend that the Directors, DOF and DRR:

- (3) Ensure that appropriate DRR staff members are able to access the Service Costing System to verify data submitted.

FINDING B: DATA SUBMISSION

Procedures for ensuring the accuracy and completeness of data submitted to the Service Costing System are not adequate. DRR submitted inaccurate and incomplete data to the Service Costing System that were not identified during the data submission process. Specifically, because inadequate guidance was provided to those in DRR submitting workload data, (1) inaccurate data elements for Other Receivership Claims were submitted, (2) an ineffective process was used to calculate Other Receivership Claims resolved, and (3) incomplete loan and other asset sales information was reported. As a result, the Service Costing System may have under-billed corporate expenses to receiverships by approximately \$1.01 million. With respect to the \$1.01 million, the FDIC will need to adjust receivership billings to recover this amount as administrative expenses. If this amount were not recovered from the respective receiverships as administrative expenses, the vast majority of this amount would be recovered in the form of dividend payments from the receiverships. However, the small portion that is not likely to be recovered as dividend payments will be reported as funds put to better use.

Data Elements for Other Receivership Claims

The MOU between DOF and DRR specifies that RLS is the FDIC system of record for information relating to receivership claims. RLS is the FDIC system used to store and track individual uninsured depositor⁷ and general trade creditor⁸ claims resulting from failed financial institutions.

Per the MOU, DRR is to report the number of claims resolved during the month (approved or denied); however, the MOU did not specify whether these were to include both uninsured depositor and general trade creditor claims.

Using the MOU as guidance, DRR staff members assigned to provide Other Receivership Claims data for the Service Costing System interpreted that these data were to include claims resolved for both general trade creditor claims and uninsured depositor claims. Each month during 2002, DRR submitted a report electronically per the MOU to the Service Costing shared drive to be input to the Service Costing System. Each report contained a footnote stating that “Other Receivership Claims is composed of general trade creditors and uninsured depositors.” When DOF received these reports, it did not question the data that were being submitted.

However, DRR staff members involved in the Service Costing System planning stages assumed that workload data for the Other Receivership Claims service line would only include general trade creditor claims resolved. When they were contacted in January 2003 regarding this issue, they stated that work involving uninsured depositor claims is an FDIC corporate responsibility

⁷An uninsured depositor claim is made when a portion of any deposit of a customer at an insured depository institution exceeds the applicable FDIC insurance coverage for that depositor at that institution.

⁸A general trade creditor claim is made when an entity or individual, including suppliers, trades people, contractors, or others have an unsecured claim against a failed financial institution.

and should not be charged to the receiverships. Also, the FDIC Budget Coding Guide⁹ states that expenses related to deposit insurance obligations are charged to the Corporation as insurer.

This error was not discovered until January 2003, when action was taken on a preliminary audit finding we provided to DRR staff members. In response to this action, the DRR project manager became aware that 2,598 uninsured depositor claims had been erroneously included with Other Receivership Claims for 2002. At this point, DRR staff members resubmitted Other Receivership Claims data to DOF for calendar year 2002 that only included general trade creditor claims. As a result, an adjustment was made to the Service Costing System and receivership expenses were reduced by \$5.6 million.

Process Used to Calculate Other Receivership Claims Resolved

Per the MOU, RLS is the system of record for receivership claims in DRR; however, RLS was not programmed to report the number of claims resolved on a monthly basis per receivership as required for Service Costing. Therefore, the DRR team assigned to prepare the monthly Service Costing report used ad hoc reports from RLS and manual tabulations of changes in pending claims data on a monthly basis to determine the number of claims resolved each month. However, this process did not capture any claims that were coded in RLS as being resolved in the same month they were first entered into RLS. Also, this process calculated claims resolved based on the date of the Claims Section's determination rather than on the date the claim was officially resolved per RLS. Accordingly, RLS was not used as intended per the MOU as the system of record for determining the number of claims resolved per receivership each month.

We contacted the RLS Data Steward and were informed that guidance had not been issued to describe the type of RLS report needed for service costing. However, the Data Steward said that it would be relatively easy to enhance RLS to provide the type of report required once the needed data elements were defined.

Because RLS could not provide a standard report to reflect monthly claims activity, we obtained Creditor Listing Reports for each active receivership to determine the number of claims resolved per RLS. This report documents the processing history of each claim as entered in RLS and the date it was resolved. For each active receivership, we identified the number of general trade creditor claims resolved per month during 2002 and compared the results with the number of general trade creditor claims entered in the Service Costing System.¹⁰ Based on our comparison, 747 general trade creditor claims were reported as resolved in RLS, while under the process followed in DRR, only 550 were reported to the Service Costing System. As a result, the Service Costing Billing System under-billed corporate expenses to receiverships totaling \$427,884.

⁹The 2002 Budget Coding Guide is maintained by DOF. It contains information, including program code descriptions, fund codes, account descriptions, and guidance used in formulating and managing the 2002 Budget.

¹⁰ We compared the results after adjustments had been made for the uninsured depositor claims that had been erroneously reported.

Submission of Workload Adjustments

DRR has not provided guidance for workload adjustments to be submitted from DRR systems to the Service Costing System. As a result, incomplete data on assets sold were reported to the Service Costing System. The Consolidated Asset Modernization Project (CAMP), which includes NAIS, was established as the system of record during 2002 for providing data related to assets managed and sold. However, NAIS did not include complete data for more recently established receiverships and, as a result, \$583,492 in expenses was under-billed to these receiverships during 2002 for loans and other assets sold.

We compared loan sales workload data reported in the Service Costing System from January 1, 2002 through November 30, 2002, to data in DRR's Closed Loan Sales Report for the same period and determined that 1,612 loans and 2,743 other assets sold were not reported to the Service Costing System. DRR staff members advised us that these loans had not been entered into NAIS because of alternative closing procedures that were used to facilitate marketing of these assets. The loan-level detail that normally is fed into NAIS soon after closing of an institution was not converted to NAIS in the normal time frame. Only summary loan information was recorded at closing and, therefore, no active data were being fed into NAIS. DRR determined that not entering the loan detail information to NAIS was affecting service costing and is working to identify asset sales information that was not included in NAIS. However, as these sales are identified, there is no standard procedure established for these data to be provided from NAIS to the Service Costing System. As a result, the Service Costing System under-billed corporate expenses to receiverships totaling \$583,492.

Adjustments to Receivership Billings

Based on the results stated above, the Service Costing System under-billed administrative expenses to receiverships by approximately \$1.01 million. This amount represents the total cost of the 197 general trade creditor claims, 1,612 loans, and 2,743 other assets that were not billed. DRR and DOF will need to work together to determine the appropriate adjustment needed to the receivership billing records. It is important to note if the FDIC did not recover the \$1.01 million from the respective receiverships as administrative expenses, most of the \$1.01 million would be recovered by the FDIC in the form of dividend payments from the receiverships, as excess cash is generated by the disposition of receivership assets. However, the portion that would likely not be recovered as dividend payments will be reported as funds put to better use.

Using the data we provided regarding the specific under-billed expenses, DOF calculated the impact that such under-billings would have on the FDIC—that is, the funds put to better use amount. Specifically, DOF determined the FDIC's and the other claimants' dividend recovery percentages. The FDIC's dividend recovery percentage averaged 96.3 percent for the 28 institutions affected by the under-billings. The percentages ranged from a high of a 100 percent recovery to a low of 76 percent. Using these percentages, DOF determined that the FDIC would likely have not recovered \$37,242 of under-billed administrative expenses as receivership dividend payments. It is this difference that we are reporting as funds put to better use.

Recommendations

We recommend that the Directors, DOF and DRR:

- (4) Ensure that DRR and DOF staff review data submitted related to NAIS and RLS during 2002 to determine whether adjustments should be made to receivership billings totaling \$427,884 related to Other Receivership Claims and \$583,492 related to loan and other asset sales (estimated funds put to better use of \$37,242, which represents the portion that the FDIC would likely not recover in receivership dividend payments).
- (5) Establish procedures for submitting workload data to the Service Costing System that clearly and specifically detail the data to be provided.

We recommend that the Director, DRR:

- (6) Enhance RLS to provide a standard report of the monthly data required for the Service Costing System.
- (7) Ensure that procedures for submitting workload adjustments after the standard reporting date are provided to all DRR staff members involved in the Service Costing process.

CORPORATION COMMENTS AND OIG EVALUATION

On March 28, 2003, the DRR and DOF Directors provided a joint written response to the draft report. The response is presented in Appendix III to this report. In their written response, DRR and DOF management concurred with each of the recommendations and the \$37,242 being reported as funds put to better use. These recommendations are considered resolved but will remain undispositioned and open until we have determined that agreed-to corrective actions have been completed and are effective. The responses to the recommendations are summarized below along with our evaluation of the responses.

Recommendation 1: Include DRR systems and specific data elements used for the Service Costing System under the Data Quality Program to be periodically verified and validated.

DRR concurs with this recommendation. DRR's Data Quality Directive will be modified by year-end 2003 to include the specific data elements that feed into the Service Costing System. DRR will phase in a more thorough review of the Service Costing process and data beginning June 30, 2003.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed and is effective.

Recommendation 2: Establish procedures that require DRR staff members involved in the service costing process to verify that the data they submitted were processed accurately.

DRR concurs with this recommendation. DRR and DOF will work together to create standard procedures to be used by all parties who submit Service Costing data. Reports will also be developed that will be easily available to all parties who compile and submit these data. The reports will allow the users to verify that the information they submit was processed correctly, report any errors in processing, and, if necessary, determine how to make adjustments to their data. These procedures will be implemented by June 30, 2003.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed and is effective.

Recommendation 3: Ensure that appropriate DRR staff members are able to access the Service Costing System to verify data submitted.

Both DRR and DOF concur with this recommendation. As of March 18, 2003 there were 40 employees who had "Read Access To Data" to Service Billing. DOF and DRR will cooperatively work with service line owners to determine those responsible for supplying, reviewing, and validating the service costing data. Proper access levels to the Service Costing System will be provided to those identified. This process will be completed by June 30, 2003. To further enhance user knowledge, DOF and DRR will jointly conduct Service Billing training sessions for Washington and Dallas DRR staff. The expected date for completion of the training process is May 15, 2003.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed and is effective.

Recommendation 4: Ensure that DRR and DOF staff review data submitted related to NAIS and RLS during 2002 to determine whether adjustments should be made to receivership billings totaling \$427,884 related to Other Receivership Claims and \$583,492 related to loan and other asset sales (estimated funds put to better use of \$37,242, which represents the portion that the FDIC would likely not recover in receivership dividend payments).

DOF and DRR concur with the recommendation and the \$37,241.70 identified as funds put to better use. DRR and DOF will work together to verify and record the adjustments necessary to ensure the proper billing for services performed by the FDIC on behalf of the receiverships. Thus far, DRR Receivership Claims has updated the total Claims Processed for 2002, reconciled these claims per receivership, and concluded there were 197 claims not reported for 2002. These additional claims were reported to DOF the week of March 3, 2003. DOF will make adjustments related to the 2002 Service Billings during the Service Billing process for April and/or May 2003.

DRR Asset Sales also recognizes that there are differences in the values reported by Service Costing and the values reported by Asset Marketing, Dallas. DRR has begun a reconciliation of these items and, upon completion, will recommend an adjustment for the appropriate financial institution number. DRR has also amended its procedures to have Financial Processing forward the sales files to the Data Standardization Vendor (Midland Loan Services), ensuring that the correct number of loans and balances are identified as being sold. The receiverships' assets that were "alternatively marketed" were loaded into NAIS subsequent to the OIG review. The expected date for the completion of recording adjustments is May 31, 2003.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed.

Recommendation 5: Establish procedures for submitting workload data to the Service Costing System that clearly and specifically detail the data to be provided.

DRR and DOF concur with the recommendation. DOF and DRR will issue a joint directive entitled "Budget and Business Planning Procedures for the Receivership Management Program (Including Rate-Setting)" by June 30, 2003. The directive details the identification, review, and resolution of service billing errors. The Service Line Owner is responsible for addressing all billing issues. DOF is responsible for mechanical, computational, and/or system-related issues.

Desk-top guidelines will be prepared by DRR Receivership Claims that will provide procedures for specifically identifying the data to be gathered and the process for gathering, validating, and reporting the data to DOF. Procedures have already been determined and drafted by Asset Management and Asset Sales to identify all necessary steps for submitting validated data. All DRR procedures will be in place by June 30, 2003.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed and is effective.

Recommendation 6: Enhance RLS to provide a standard report of the monthly data required for the Service Costing System.

DRR concurs with this recommendation. Receivership Claims has begun development of an enhancement to RLS Reports so that this information can be compiled more efficiently. Currently, however, enhancements to RLS are on hold due to the Claims Process Review project.¹¹ In the interim, DIRM will assist with the development of an ad hoc report designed to capture these data. It is expected that the ad hoc reports will be completed by March 31, 2003. DIRM will also run the ad hoc reports for Receivership Claims on a monthly basis until the RLS Reports enhancement can be implemented. Based on the results of a brief cost/benefit analysis, the enhancement to the RLS Reports is anticipated to be available with the Version 8.1 release planned for an October 2003 implementation. If a more extensive cost/benefit analysis does not

¹¹The Claims Process Review project was established to explore capacity enhancements to the claims processes and resources to promote efficient handling of depositor insurance determinations and general trade creditor claims.

support the enhancement of the RLS Reports, DRR will continue to utilize the DIRM ad hoc report.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed and is effective.

Recommendation 7: Ensure that procedures for submitting workload adjustments after the standard reporting date are provided to all DRR staff members involved in the Service Costing process.

DRR concurs with this recommendation. Standard procedures will be developed regarding the submission and review of data. These procedures will incorporate procedures on how amended data are to be reported and confirmed for changes. The procedures will be established by June 30, 2003.

This recommendation is resolved but will remain undispositioned and open until we have determined that agreed-to corrective action has been completed and is effective.

OBJECTIVE, SCOPE, AND METHODOLOGY

The overall objective of this audit was to evaluate whether adequate controls exist to ensure the accuracy, timeliness, and completeness of DRR data used by the Service Costing System. Specifically, we determined whether adequate controls exist to: (1) validate and verify data in DRR systems that update the Service Costing System, (2) ensure the timeliness and completeness of DRR processing and reporting of data to the Service Costing System, and (3) ensure compliance with applicable laws and regulations. We did not review the Service Costing System or any aspect of the rates established for the Receivership Management program's service lines. Our review was limited to the controls related to data submissions from DRR systems to the Service Costing System that are used by DOF to calculate receivership billings. Our audit scope included data provided from DRR systems to the Service Costing System from January 1, 2002 through December 31, 2002. We performed our work from June 2002 through January 2003 in accordance with generally accepted government auditing standards.

Methodology

To accomplish our objectives, we reviewed Service Costing System-related guidance, including the Service Costing Scoping Plan, Service Costing Benchmarking Guide, Budget and Business Planning Procedures for the Receivership Management Program, Service Billing User Guide, and briefing materials covering the Service Costing Initiative.

To obtain an understanding of the controls over data quality procedures, we reviewed procedures on the Subsidiary Information Management Network (SIMAN), Warranties and Representations Accounts Processing System (WRAPS), Pension Plan Tracking System (PENTRACK), National Asset Information System (NAIS), and Receivership Liability System (RLS). We also reviewed the Memorandums of Understanding (MOU) between DOF and DRR setting the procedures to be followed for submission of workload driver data to the Service Costing System, DRR Directive 4360.14 on the Data Quality Program, and results of data quality reviews on SIMAN and RLS. We conducted interviews of DRR managers and staff in Washington, D.C. and the Dallas Regional Office responsible for providing data from each DRR system to the Service Costing System. We also met with DOF staff involved in the Service Costing System related to receivership billings.

Based on the results of initial testing conducted of data provided to the Service Costing System, we focused our testing on data provided from RLS and NAIS. We obtained RLS Creditor Listing Reports for all active receiverships. We identified the number of general trade creditor claims resolved per month during 2002 and compared the results with data entered in the Service Costing System for the period January 2002 through December 2002. We obtained loan sales data reported in DRR's Closed Loan Sales Report from the Asset Marketing Department. We compared these data to the loan sales data provided from NAIS to the Service Costing System for the period January 2002 through November 2002 and sampled data on managed assets for selected months during the year. We also performed a review of Asset Claims data provided from WRAPS and Subsidiaries Managed data from SIMAN during June and July 2002.

Government Performance and Results Act¹²

To determine whether DRR had any performance measures that we should consider in this audit, we reviewed the 2001 and 2002 Strategic and Annual Performance Plans. In the 2001 Annual Performance Plan, DRR had a goal to maintain a continuous review program for data quality of selected systems. In 2002, DRR included reliability of system data and quality of management and strategic reporting in its Management Control Plan. We obtained the results of reviews conducted by DRR during 2002 on selected systems to document the extent to which DRR was managing and measuring the results of its data quality program.

Reliance on Computer-Generated Data

We relied on computer-generated data that we determined to be sufficiently reliable for the purposes of this audit related to WRAPS, RLS, and SIMAN. Our reliance on WRAPS was based on our testing of 2 months of WRAPS data to source documentation that indicated that the data were sufficiently reliable. Our reliance on RLS and SIMAN data was based on test results by DRR during 2002 that indicated data were sufficiently reliable. We did not rely on data from NAIS or PENTRAK. We determined that data in NAIS for the purpose of our audit was not complete and we did not perform testing or obtain any test results related to PENTRAK. We also relied on computer-generated data from the Service Costing System. To the extent that we relied on data from the Service Costing System, data were compared to other systems for verification.

Management Controls

To establish management controls over data input to the Service Costing System, DRR and DOF entered into MOUs related to each DRR system providing data. The purpose of these memorandums is to identify the specific data that will be needed by the Service Costing System and the method by which the data will be transferred from RLS to the Service Costing System. To gain an understanding and to test management controls, we reviewed each MOU and conducted testing of the data provided from DRR systems to that described in the respective MOU. DRR also established management controls related to data integrity over its priority systems. For each system providing data to the Service Costing System, we obtained and reviewed the latest data integrity results.

Prior Audit Coverage

The Service Costing System was first implemented in January 2002. This was the first OIG audit related to DRR's data integrity controls over input to the Service Costing System.

¹² The Government Performance and Results Act of 1993 (P.L. No. 103-62, codified as title 5, 31, and 39, U.S.C.) requires agencies to develop strategic plans, align programs and activities with concrete missions and goals, and manage and measure results. An agency is to prepare annual performance plans that establish connections with strategic goals and day-to-day activities and report on the extent to which the agency is meeting its annual performance goals.

Pertinent Laws and Regulations

Federal Deposit Insurance Act, as amended

12 U.S.C. § 1821(a)(4)

(4) GENERAL PROVISIONS RELATING TO FUNDS.—

(A) MAINTENANCE AND USE OF FUNDS.--The Bank Insurance Fund established under paragraph (5) and the Savings Association Insurance Fund established under paragraph (6) shall each be--

- (i) maintained and administered by the Corporation;
- (ii) maintained separately and not commingled; and
- (iii) used by the Corporation to carry out its insurance purposes in the manner provided in this subsection.

12 U.S.C. § 1821 (a)(7)(B)

(B) ACCOUNTING REQUIREMENTS.—

(i) ACCOUNTING FOR USE OF FACILITIES AND RESOURCES.--The Corporation shall keep a full and complete accounting of all costs and expenses associated with the use of any facility or resource used in the course of any function specified in subparagraph (A)(i) and shall allocate, in the manner provided in subparagraph (C), any such costs and expenses incurred by the Corporation--

- (I) with respect to Bank Insurance Fund members to the Bank Insurance Fund; and
- (II) with respect to Savings Association Insurance Fund members to the Savings Association Insurance Fund.

(ii) Accounting for holding and managing assets and liabilities.--The Corporation shall keep a full and complete accounting of all costs and expenses associated with the holding and management of any asset or liability specified in subparagraph (A)(ii).

(iii) Accounting for disposition of assets and liabilities.--The Corporation shall keep a full and complete accounting of all expenses and receipts associated with the disposition of any asset or liability specified in subparagraph (A)(ii).

(iv) ALLOCATION OF COST, EXPENSES AND RECEIPTS.--The Corporation shall allocate any cost, expense, and receipt described in clause (ii) or clause (iii) which is associated with any asset or liability belonging to--

- (I) any Bank Insurance Fund member to the Bank Insurance Fund; and
- (II) any Savings Association Insurance Fund member to the Savings Association Insurance Fund.

(B) ALLOCATION OF ADMINISTRATIVE EXPENSES.--Any personnel,

administrative, or other overhead expense of the Corporation shall be allocated--

- (i) fully to the Bank Insurance Fund, if the expense was incurred directly as a result of the Corporation's responsibilities solely with respect to Bank Insurance Fund members;
- (ii) fully to the Savings Association Insurance Fund, if the expense was incurred directly as a result of the Corporation's responsibilities solely with respect to Savings

Association Insurance Fund members;

(iii) between the Bank Insurance Fund and the Savings Association Insurance Fund, in amounts reflecting the relative degree to which the expense was incurred as a result of the activities of Bank Insurance Fund and Savings Association Insurance Fund members; or

(iv) between the Bank Insurance Fund and the Savings Association Insurance Fund, in amounts reflecting the relative total assets as of the end of the preceding calendar year of Bank Insurance Fund members and Savings Association Insurance Fund members, to the extent that the Board of Directors is unable to make a determination under clause (i), (ii), or (iii).

FDIC Rules & Regulations

12 CFR § 360.4 Administrative Expenses

The priority for “administrative expenses of the receiver,” as that term is used in section 11(d)(11) of the Act (12 U.S.C. 1821(d)(11)), shall include those necessary expenses incurred by the receiver in liquidating or otherwise resolving the affairs of a failed insured depository institution. Such expenses shall include pre-failure and post-failure obligations that the receiver determines are necessary and appropriate to facilitate the smooth and orderly liquidation or other resolution of the institution.

DESCRIPTIONS OF DRR SYSTEMS THAT PROVIDE DATA TO THE SERVICE COSTING SYSTEM

National Asset Information System (NAIS)

NAIS is an asset inventory system maintained by Midland Loan Services in Little Rock, Arkansas, which is an FDIC contractor providing data standardization services. It is a data repository for information provided by other systems of record, including the Owned Real Estate System (ORES), Asset Marketing System (AMS), and Credit Notation System (CNS). Loan Servicing Data are also provided from both the FDIC's National Processing System (NPS) and Loan Service organizations located throughout the United States. Data extracts from NPS are received weekly and used to update NAIS. The external servicers provide updated data on a monthly basis.

Data provided for each receivership to the Service Costing System include:

- Total number of assets managed
- Number of loans sold
- Number of securities sold
- Number of owned real estate sold
- Number of other assets sold
- Number of commercial loans managed
- Number of family mortgages managed
- Number of other real estate loans managed
- Number of other loans managed
- Number of owned real estate managed
- Number of other assets managed

Receivership Liability System (RLS)

RLS is a claim tracking system developed by DRR and the Division of Information Resources Management and implemented in July 1999. It is used to store and track individual uninsured depositor and general trade creditor claims resulting from a failed financial institution.

Uninsured depositor claims are established at the time of the institution's closing and entered into RLS at that time. General trade creditor claims are entered over the life of the receivership as they are received from creditors of the failed institutions. A common general trade creditor claim might be a law firm that had billed the institution for work performed but was not paid as of the date of closing. As these claims are received, they are entered into RLS and resolved (either approved or disapproved) within 180 days of the receipt of claim.

Data obtained from RLS for the Service Costing System:

- Number of claims resolved by receivership
- Number of deposit groups by receivership

Warranties and Representations Accounts Processing System (WRAPS)

WRAPS is the national system used by DRR to monitor contractual obligations between sellers and purchasers of FDIC assets. WRAPS allows the FDIC to assess its potential financial liability and document the representations and warranties that have been provided with the sale of loan and loan-related assets. It tracks the sale of loans, administers reserves for corporate guaranteed sales, supports decisions of asset claims, and tracks management fees and claims. FDIC DRR staff members use WRAPS as their primary system to support the Asset Claims function. The system is used to capture all data associated with the FDIC's obligations to purchasers of FDIC loan and loan-related assets. Data that feeds into the Service Costing System on a monthly basis from WRAPS include the number of asset claims resolved by receivership.

Subsidiary Information Management Network (SIMAN)

SIMAN is a nationwide system used by DRR to track subsidiaries and joint venture partnerships from the time a banking institution is taken over by the FDIC until the subsidiary is resolved. SIMAN provides the data and functionality necessary to support the management, disposition, and resolution of subsidiaries. Management activity includes oversight of the day-to-day operations of the subsidiary. Operations include monitoring litigation, monitoring sales of related assets, company management of active entities, and oversight of financial activity. Disposition activities include bringing to closure any outstanding issues prior to resolution. Data that feed into the Service Costing System on a monthly basis from SIMAN include the number of subsidiaries managed by receivership.

Pension Plan Tracking System (PENTRACK)

PENTRACK is a nationwide system used by the FDIC to track pension plan information on employees of failed financial institutions. The FDIC becomes the administrator for pension plans acquired when an institution is closed. Numerous pension plans are managed by many different investment firms for which the FDIC is responsible for maintaining information to carry out responsibilities to employees of the failed institution. PENTRACK is the database used to maintain information related to the number of pension plans and other information necessary to monitor these programs acquired from failed financial institutions. Data provided to the Service Costing System on a monthly basis from PENTRACK include the number of pension plan participants by receivership.

CORPORATION COMMENTS



Federal Deposit Insurance Corporation
Washington, DC 20429

Office of the Director
Division of Resolutions and Receiverships

March 28, 2003

TO: Stephen M. Beard
Deputy Assistant Inspector General for Audits

FROM: Mitchell L. Glassman, Director *Mitchell L. Glassman*
Division of Resolutions and Receiverships

Fred Selby, Director *Fred Selby*
Division of Finance

SUBJECT: Combined Management Response to OIG Audit
Report Entitled *DRR Controls Over Data Input to the
Service Costing System (Assignment No. 2002-706)*

The following is the combined Division of Finance (DOF) and Division of Resolutions and Receiverships (DRR) response to the subject audit. All recommendations in the report have been concurred with. Each audit recommendation is shown below and is followed by management's response to that recommendation.

Recommendation #1:

Include DRR systems and specific data elements used for the Service Costing System under the Data Quality Program to be periodically verified and validated.

Response:

DRR concurs with the recommendation.

DRR's Data Quality Directive will be modified by year-end 2003 to include the specific data elements that feed into the Service Costing System. DRR will phase-in a more thorough review of the Service Costing process and data beginning June 30, 2003.

Recommendation #2:

Establish procedures that require DRR staff members involved in the service costing process to verify that the data they submitted were processed accurately.

Response:

DRR concurs with the recommendation.

DRR and DOF will work together to create standard procedures to be used by all parties who submit Service Costing data. Reports will also be developed which will be easily available to all parties who compile and submit this data. The reports will allow the user to verify that the information they submit was processed correctly, report any errors in processing and, if necessary, determine how to make adjustments to their data. These procedures will be implemented by June 30, 2003.

Recommendation #3:

Ensure that appropriate DRR staff members are able to access the Service Costing System to verify data submitted.

Response:

Both DRR and DOF concur with the recommendation.

As of March 18, 2003, there are 40 DRR employees who have "Read Access To Data" to Service Billing. DOF and DRR will cooperatively work with service line owners to determine those responsible for supplying, reviewing, and validating the service costing data. Proper access levels to the Service Costing System (and any necessary computer folders) will be provided to those identified. This process will be completed by June 30, 2003.

To further enhance user knowledge, DOF and DRR will jointly conduct Service Billing training sessions for Washington and Dallas DRR staff. The expected date for completion of the training process is May 15, 2003.

Recommendation #4:

Ensure that DRR and DOF staff review data submitted related to NAIS and RLS during 2002, to determine whether adjustments should be made to receivership billings totaling \$427,884 related to Other Receivership Claims, and \$583,492 related to loan and other asset sales (estimated funds put to better use of \$37,241.70, which represents the portion that the FDIC would likely not recover in receivership dividend payments).

Response:

DOF and DRR concur with the recommendation and the \$37,241.70 identified as Funds Put to Better Use.

DRR and DOF will work together to verify and record the adjustments necessary to ensure the proper billing for services performed by the FDIC on behalf of the

receiverships. Thus far, DRR Receivership Claims has updated the total Claims Processed for 2002, reconciled these claims per receivership and concluded there were 197 claims not reported for 2002. This updated reconciliation has been provided, reviewed, and approved by OIG. These additional claims were reported to DOF the week of March 3, 2003. DOF will make adjustments related to the 2002 Service Billings during the Service Billing process for April and/or May 2003.

DRR Asset Sales also recognizes there are differences in the values reported by Service Costing and the values reported by Asset Marketing – Dallas. DRR has begun a reconciliation of these items and, upon completion, will recommend an adjustment for the appropriate FINS. DRR has also amended its procedures to have Financial Processing forward the sales files to the Data Standardization Vendor (Midland Loan Services), ensuring that the correct number of loans and balances are identified as being sold. The receiverships' assets that were "alternatively marketed" were loaded into NAIS subsequent to the OIG review.

All appropriate adjustments will be documented before this recommendation is closed out. The expected date for the completion of recording adjustments is May 31, 2003. This recommendation will be closed out as soon as it can be verified the appropriate adjustments have been made.

Recommendation #5:

Establish procedures for submitting workload data to the Service Costing System that clearly and specifically detail the data to be provided.

Response:

DRR and DOF concur with the recommendation.

DOF and DRR will issue a joint directive entitled "Budget and Business Planning Procedures for the Receivership Management Program (Including Rate-Setting)" by June 30, 2003. The directive details the identification, review and resolution of service billing errors. The Service Line Owner is responsible for addressing all billing issues. DOF is responsible for mechanical, computational and/or system-related issues.

Desk top guidelines will be prepared by DRR Receivership Claims which will provide procedures for specifically identifying the data to be gathered and the process for gathering, validating and reporting the data to DOF. Procedures have already been determined and drafted by Asset Management and Asset Sales to identify all necessary steps for submitting validated data. All DRR procedures will be in place by June 30, 2003.

Recommendation #6:

Enhance RLS to provide a standard report of the monthly data required for the Service Costing System.

Response:

DRR concurs with this Recommendation.

Receivership Claims has begun development of an enhancement to RLS Reports so that this information could be compiled more efficiently. Currently, however, enhancements to RLS are on hold due to the Claims Process Review project. In the interim, DIRM will assist with the development of an Ad Hoc report designed to capture this data. It is expected that the Ad Hoc reports will be completed by March 31, 2003. DIRM will also run the Ad Hoc reports for Claims on a monthly basis until the RLS Reports enhancement can be implemented. Based on the results of a brief cost/benefit analysis, the enhancement to the RLS Reports is anticipated to be available with the Version 8.1 release planned for an October 2003 implementation. If a more extensive cost/benefit analysis does not support the enhancement of the RLS Reports, DRR will continue to utilize the DIRM Ad Hoc report.

Recommendation #7:

Ensure that procedures for submitted workload adjustments after standard reporting date are provided to all DRR staff members involved in the Service Costing process.

Response:

DRR concurs with the recommendation.

Standard procedures will be developed regarding the submission and review of data. These procedures will incorporate procedures on how amended data is to be reported and confirmed for changes. (Please refer to Recommendation #2.) The procedures will be established by June 30, 2003.

MANAGEMENT RESPONSES TO RECOMMENDATIONS

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

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Monetary Benefits	Resolved ^a : Yes or No	Dispositioned ^b : Yes or No	Open or Closed ^c
1	DRR concurs with this recommendation. DRR's Data Quality Directive will be modified by year-end 2003 to include the specific data elements that feed into the Service Costing System. DRR will phase in a more thorough review of the Service Costing process and data beginning June 30, 2003.	June 30, 2003	N/A	Yes	No	Open
2	DRR concurs with this recommendation. DRR and DOF will work together to create standard procedures to be used by all parties who submit Service Costing data. Reports will also be developed that will be easily available to all parties who compile and submit these data. The reports will allow the users to verify that the information they submit was processed correctly, report any errors in processing, and, if necessary, determine how to make adjustments to their data. These procedures will be implemented by June 30, 2003.	June 30, 2003	N/A	Yes	No	Open

^a Resolved – (1) Management concurs with the recommendation and the planned corrective action is consistent with the recommendation.
(2) Management does not concur with the recommendation but planned alternative action is acceptable to the OIG.
(3) Management agrees to the OIG monetary benefits or a different amount, or no (\$0) amount. Monetary benefits are considered resolved as long as management provides an amount.

^b Dispositioned – The agreed-upon corrective action must be implemented, determined to be effective, and the actual amounts of monetary benefits achieved through implementation identified. The OIG is responsible for determining whether the documentation provided by management is adequate to disposition the recommendation.

^c Once the OIG disposes the recommendation, it can then be closed.

APPENDIX IV

3	Both DRR and DOF concur with this recommendation. As of March 18, 2003 there were 40 employees who had “Read Access To Data” to Service Billing. DOF and DRR will cooperatively work with service line owners to determine those responsible for supplying, reviewing, and validating the service costing data. Proper access levels to the Service Costing System will be provided to those identified. This process will be completed by June 30, 2003. To further enhance user knowledge, DOF and DRR will jointly conduct Service Billing training sessions for Washington and Dallas DRR staff. The expected date for completion of the training process is May 15, 2003.	May 15, 2003	N/A	Yes	No	Open
4	DOF and DRR concur with the recommendation and the \$37,241.70 identified as funds put to better use. DRR and DOF will work together to verify and record the adjustments necessary to ensure the proper billing for services performed by the FDIC on behalf of the receiverships. The expected date for the completion of recording adjustments is May 31, 2003.	May 31, 2003	\$37,242	Yes	No	Open
5	DRR and DOF concur with the recommendation. DOF and DRR will issue a joint directive entitled “Budget and Business Planning Procedures for the Receivership Management Program (Including Rate-Setting)” by June 30, 2003. Desk-top guidelines will be prepared by DRR Receivership Claims that will provide procedures for specifically identifying the data to be gathered and the process for gathering, validating, and reporting the data to DOF. Procedures have already been determined and drafted by Asset Management and Asset Sales to identify all necessary steps for submitting validated data. All DRR procedures will be in place by June 30, 2003.	June 30, 2003	N/A	Yes	No	Open

APPENDIX IV

6	<p>DRR concurs with this recommendation. Receivership Claims has begun development of an enhancement to RLS Reports so that this information could be compiled more efficiently. It is expected that the ad hoc reports will be completed by March 31, 2003. DIRM will also run the ad hoc reports for Claims on a monthly basis until the RLS Reports enhancement can be implemented. Based on the results of a brief cost/benefit analysis, the enhancement to the RLS Reports is anticipated to be available with the Version 8.1 release planned for an October 2003 implementation. If a more extensive cost/benefit analysis does not support the enhancement of the RLS Reports, DRR will continue to utilize the DIRM ad hoc report.</p>	October 31, 2003	N/A	Yes	No	Open
7	<p>DRR concurs with this recommendation. Standard procedures will be developed regarding the submission and review of data. These procedures will incorporate procedures on how amended data are to be reported and confirmed for changes. The procedures will be established by June 30, 2003.</p>	June 30, 2003	N/A	Yes	No	Open