United States General Accounting Office

GAO

Report to the President and Chief Executive Officer, Resolution Trust Corporation

March 1992

RESOLUTION TRUST CORPORATION

Further Actions Needed to Implement Contracting Management Initiatives

146005

GAO/GGD-92-47

GAO

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

General Government Division

B-247206

March 5, 1992

Mr. Albert V. Casey
President and Chief Executive Officer
Resolution Trust Corporation

Dear Mr. Casey:

The Resolution Trust Corporation (RTC) will spend during its limited life millions of dollars on private sector contracts to manage and sell the assets placed under its control. Over the past 2 years, we have been monitoring the development and implementation of RTC's overall contracting system. In the RTC Funding Act of 1991, Congress mandated a number of management reforms to improve RTC's contracting performance. These reforms included changes to the contracting system.

In this report, we assess RTC's progress in making these improvements. We focus specifically on those changes affecting the contractor selection process and the evaluation of proposals submitted by contractors competing for the standard asset management and disposition agreement (SAMDA) contracts. SAMDA contracts are used for disposing of assets such as real estate and nonperforming loans secured by real estate.

Results in Brief

RTC is taking steps to strengthen its contracting system and by February 1992 had made substantial progress. RTC issued a contracting policies and procedures manual, developed a standard solicitation document for SAMDA contracts, defined the roles and responsibilities of contracting staff, and has nearly completed realigning its organizational structure to provide better separation of duties between contracting and program staff. RTC also standardized the forms and procedures for reviewing SAMDA contract proposals and for analyzing proposed contract fees.

Although progress has been made, more work is needed to implement a number of the act's reforms in the contracting area. We found that RTC field staff in different offices did not uniformly evaluate the technical competency of potential SAMDA contractors and lacked guidelines for evaluating the financial capability for all types of potential contractors. We also found that only 63 percent of contracting personnel at the locations we visited had contracting experience before employment with RTC. Accordingly, RTC needs to complete the development of its contracting training courses and accelerate the training.

Without improvements in RTC's processes for selecting contractors, it cannot be ensured that the best contractors will be hired to assist in the disposal of failed thrifts' assets. Accordingly, we make several recommendations to improve the guidance and training for RTC staff's evaluations of potential contractors.

Background

In February 1991, we testified before the House Committee on Banking, Finance and Urban Affairs on RTC's performance during its first year and a half of operation.[1] In our testimony, we criticized, among other things, the progress RTC had made in developing a contracting system for selecting the private sector firms needed to assist in carrying out corporate functions. In March 1991, the RTC Funding Act of 1991 was passed; the act included specific management reforms Congress directed RTC to make to improve its contracting system. These reforms included

- developing a comprehensive policies and procedures manual,
- defining clearly contracting roles and responsibilities,
- developing standardized solicitation and contract documents,
- setting forth detailed procedures for evaluating contractor proposals, and
- developing standardized contracting training modules for RTC employees and private contractors.

A sound RTC contracting system is critical because of RTC's extensive use of private sector contractors to carry out its operations. RTC awards contracts for services in 26 categories, and through September 1991 it had issued contracts with estimated fees of approximately $1.7 billion. For the 140 issued SAMDA contracts, RTC projected its fees would total about $467 million over the 3-year life of the contracts.

RTC's Contracting Process

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) directs RTC to use private sector services, but RTC is not required to use the same federal contract regulations commonly used at other federal government organizations. In order to carry out its contracting authority, RTC has developed a system for delegating contracting authority from its headquarters to its regional and consolidated contracting offices. These offices respond to the need for services identified by program and corporate offices. The key elements of the contractor selection process for all categories of contracts are briefly described below.

[1] Resolution Trust Corporation: Performance Assessment to Date (GAO/T-GGD-91-7, Feb. 20, 1991).

In the presolicitation phase, the requesting office is to prepare a request for contracting services that includes the specific services to be provided, the expertise and experience needed, contract performance milestones, and the reimbursement procedures. During this phase, the contracting office is to send a notification letter to firms that are registered with RTC to identify those interested in receiving a solicitation. Interested firms are to be sent a solicitation package, and the contracting office may also conduct a bidders conference to answer specific questions about the solicitation.

Responsibility for evaluating proposals is split between the requesting office and the contracting office. The technical portion of each proposal is to be evaluated by a requesting office panel. The contracting office is to ensure that the proper procedures are followed for this evaluation and evaluate the fees proposed for performing services under the contract. Further, the contracting office is to ensure that background checks are made on bidding firms, ethics issues are addressed, and criteria of the minority- and women-owned business (MWOB) program are applied.

Before the award, contracting and requesting office staff may also visit the contractors' sites to observe operations and confirm information in the proposals. After final offers have been evaluated, the contracting office is to select the offer most advantageous to RTC based on the stated technical evaluation criteria and the bidder's price.

Objectives, Scope, and Methodology

The objectives of our review were to (1) determine the status of RTC's efforts to incorporate contracting system reforms required by the 1991 act and (2) evaluate the progress of these initiatives as they relate to the SAMDA contractor selection process. We also looked at the progress RTC was making in improving its procedures for checking the backgrounds of potential contractors.

To accomplish our objectives, we obtained documentation on RTC's contracting reforms and discussed the status of each with officials at RTC headquarters in Washington, D.C. To obtain information on the SAMDA contracting process, we visited RTC regional offices in Dallas; Denver; and Kansas City, Kans.; and consolidated offices in Dallas; Houston; San Antonio; Denver; Kansas City, Mo.; and Valley Forge, Pa. At these locations, we interviewed RTC officials and obtained SAMDA policies and procedures. We reviewed documentation on 12 of 140 SAMDA contracts awarded or being processed at the consolidated offices by September 1991. We reviewed the first version of the SAMDA contract (SAMDA I). The

SAMDAS reviewed were primarily for commercial real estate assets—RTC's highest value real estate assets—and included contracts awarded to MWOBS.

To determine the status of improvements being made to the background investigations process, we interviewed officials at RTC headquarters and at each consolidated office location and obtained applicable policies and procedures.

We did our work between March and November 1991 in accordance with generally accepted government auditing standards.

Substantial Progress Was Made on Three Contracting Reforms

By September 1991, RTC had made substantial progress in completing three of the reforms required in the 1991 RTC Funding Act. Following are discussions of RTC's progress in developing a policies and procedures manual, defining contracting roles and responsibilities, and developing standardized contract solicitation documents for the SAMDA contracting process.

Policies and Procedures Manual Issued

One of our early concerns was that RTC did not have clear, comprehensive policies and procedures to assist staff in carrying out contracting duties. To fill this void, some consolidated offices developed their own guidance. Consequently, we observed weaknesses and inconsistencies in the way contracts were awarded throughout RTC. In response to these concerns, RTC developed a contracting manual that was issued in September 1991 to all its offices. RTC also planned to develop desk guides later this year covering detailed procedures for specific elements of the contracting process.

According to an RTC headquarters contracting official, RTC's contracting policies were originally found in the Asset Management and Disposition Manual, a Federal Deposit Insurance Corporation policy guide that was modified for RTC in May 1990. RTC subsequently issued changes and directives to these policies; however, they were not incorporated into the manual. In addition, one regional and three consolidated offices we visited had developed their own contracting procedures.

We reported in February 1991 that RTC did not have a comprehensive contracting policies and procedures manual and that RTC could not be confident that its contracting officials were using current and applicable policies. During our work at the consolidated offices for this review, we observed weaknesses in the SAMDA contracting process that could have been avoided had headquarters issued sufficient operating procedures or emphasized adherence to existing guidance. For example,

- for one contract, RTC solicited best and final offers from only three of the six firms that were ranked in the competitive range, instead of asking for offers from all the firms, as required by RTC guidelines. Later, RTC found that each of the three firms was unacceptable and then requested best and final offers from the other three firms. This two-stage request delayed the contract award by about 2 weeks.
- a number of offices did not have procedures for verifying the accuracy of calculations made in analyzing proposals submitted by SAMDA bidders. As a result, at one office two firms did not receive credit for having improved their bids because the contract specialist did not transfer these data to the computer model used to analyze the proposals. Although these final bids were not lower than the bid submitted by the eventual winner, RTC risked not awarding the contract to the firm with the best bid.

In September 1991, RTC issued the Contracting Policies and Procedures Manual, which incorporated the policies and procedures contained in various contracting directives. Headquarters contracting officials expect the manual to reduce inconsistencies and weaknesses in the SAMDA contracting process. They informed us that additional instructions, however, are needed to insure proper implementation of these policies at the field level. For example, the new manual contains only limited instructions for preparing source selection plans—those documents developed by contracting and program office staff to explain, among other things, the criteria for evaluating proposals submitted by firms competing for RTC contracts. As a supplement to the manual, RTC planned to issue in late 1991 a desk guide that will instruct contracting officials, in more detail, on the various steps in the contracting process. As of February 1992, RTC planned a major revision to its contracting system and intended to issue a revised contracting manual and desk guides by mid-year.

We agree with RTC that a desk guide would be useful for field staff. A number of consolidated office officials told us, for instance, that the new manual is sufficient at establishing overall policies but does not go far enough in explaining specific steps in the SAMDA process. The desk guide could also be used to provide the specifics needed to ensure uniform source selection plans.

Directive Clarifying Roles and Responsibilities Issued but Changes Needed in the Field

Another requirement of the 1991 act was to clearly define and describe the roles and responsibilities of those involved in the contracting process. We emphasized in previous congressional testimonies that RTC's organizational structure should also provide separation of duties that adequately ensures controls over the contracting process. Subsequently, RTC issued a directive describing the roles and responsibilities of contracting groups, realigned headquarters and field contracting functions, and developed plans to reorganize responsibilities for checking the backgrounds of potential RTC contractors.

Contracting Roles and Responsibilities Defined

As originally structured, RTC's contracting function was not allowed appropriate organizational independence. At that time in headquarters, the Office of Contracting reported to a subordinate position in one of RTC's two program divisions even though it was intended to provide contracting services to the entire organization. Similarly, several RTC regional and consolidated office contracting staffs also reported to lower level officials than the office director. Under these organizational structures, contracting staff lacked the independence to ensure compliance with contracting procedures.

In January 1991, in response to preparations for our February 20, 1991, testimony before the House Committee on Banking, Finance and Urban Affairs,[2] RTC realigned the headquarters contracting office to report directly to RTC's executive director. At that time, the RTC Inspector General also recommended that contracting functions be separated from asset management and disposition functions at headquarters.

In May 1991, RTC took additional steps to ensure that units understood their involvement in the contracting process by issuing a directive defining the roles and responsibilities of each. This directive described the involvement of RTC program offices, contracting offices, and legal offices in specific phases of the contracting process. The directive was later incorporated into the new policies and procedures manual.

Our fieldwork substantiated the need for clarifying responsibilities. We noted, for instance, that inconsistencies had occurred in the roles contracting officials assumed in evaluating SAMDA contract proposals. At one consolidated office, for example, contracting staff participated with program office staff in evaluating and scoring the technical parts of each SAMDA proposal whereas contracting staff at other offices did not assume a role in this part of the process. The May 1991 directive and the Contracting

[2]GAO/T-GGD-91-7.

Policies and Procedures Manual limited the role of contracting staff to evaluating the cost elements of each proposal.

Field Organizational Changes Are Needed

Although the May 1991 directive and the procedures manual have adequately described contracting staff responsibilities, field organizational changes are still needed. Consolidated office officials at several locations told us that conflicting organizational configurations still exist between regional and consolidated office locations. For instance, during our work on this assignment, two of the four regional offices' contracting units reported directly to the regional director whereas the Denver and Dallas regional offices still reported to deputy directors for asset and real estate management. Inconsistencies also existed at consolidated offices. At the six locations we visited, for instance, contracting staff reported to deputy directors for operations/administration (two locations), to a deputy director in charge of both operations/administration and asset management (one location), and directly to consolidated office directors (three locations).

Headquarters contracting officials, including the assistant executive director for administration and contracting, were also concerned about the field organization structure. They emphasized that RTC is a sales-oriented organization that is under pressure to liquidate assets as expeditiously as possible. Several RTC program officials also commented that the contracting process has sometimes been viewed as an impediment because of the procedures and time involved in granting an award. For instance, we were told by contracting officials at one consolidated office that with the pressure to expedite SAMDA contract awards, they had shortened the proposal evaluation process by soliciting final offers from fewer bidders than required by RTC contracting procedures.

Our September 1990 testimony emphasized that RTC should establish an internal controls system that provides adequate separation of duties to reduce the chance of error, waste, or wrongful acts.[3] However, at the time of our fieldwork, RTC had not reached agreement on the appropriate alignment of its field contracting functions. According to the assistant executive director for administration and contracting, various options have been discussed for improving internal controls and insulating contracting functions from other activities. One option, he observed, would be to realign regional and consolidated offices so that contracting units report directly to headquarters.

[3] RTC Asset Management: Contracting Controls Need to be Strengthened (GAO/T-GGD-90-50, Sept. 24, 1990).

On October 15, 1991, after our meeting with RTC headquarters officials, a memorandum was issued to regional directors requesting that they plan an orderly transition to a new field organization structure. The new structures are similar to headquarters in that they place contracting offices under administrative management. The goal is to complete the restructuring by February 1992. This action should provide for the separation of duties, insulate contracting functions from other activities, and improve internal controls over the contracting process.

Performance of Background Investigations Being Centralized at Headquarters

During this review, several consolidated office investigations officials informed us that limited resources had restricted their ability to expand background checks on prospective RTC contractors. RTC headquarters officials also concluded in May 1991 that these investigations were not as comprehensive as they should be to protect RTC's interests. As a result, RTC developed a plan to reorganize responsibility for background checks by centralizing these activities at headquarters.

When engaging contractors, RTC must ensure that they comply with minimum fitness and integrity standards required by FIRREA. RTC's policy has been to accept contractor certifications that these standards are being met. However, when fees exceed $25,000 for 1 year, RTC requires a background check to verify that the contractor, its key personnel, and its related entities meet these standards.

In May 1991, RTC headquarters studied the scope of background checks at 10 consolidated offices and determined that a number of the required certifications were not being investigated. For example, RTC consolidated offices were not verifying whether contractors were subject to final enforcement actions issued by a federal bank regulatory agency. The results also showed that checks were not being done on subcontracts awarded by SAMDA contractors.

One headquarters official told us that sufficient guidelines for making background checks had not been provided. Several consolidated office officials also commented that they did not have the resources to expand the scopes of their examinations. Some also noted that the primary role of investigation units in the field has been to examine improprieties at conservatorship and receivership operations—a process that uses most of their resources.

In June 1991, RTC developed a plan for strengthening these background checks. Under this plan, RTC would centralize the function—with 10 approved positions—at headquarters and, by doing so, reduce the work required at consolidated offices. More importantly, RTC planned to expand the scope of these checks by obtaining access to databases at other government entities, including the Office of Thrift Supervision and the General Services Administration. RTC implemented the plan in late January 1992.

We believe these modifications should improve RTC's ability to examine the backgrounds of potential contractors. Further, by expanding the scope of these checks RTC may also reduce the likelihood that unqualified contractors will go undetected.

Standard SAMDA Contract Solicitation Documents Developed

Another requirement of the 1991 act was for RTC to standardize solicitation documents to be used in its contract awards. Previously, consolidated offices unilaterally modified the SAMDA I contract issued by headquarters. As a result, we noted that inconsistencies had occurred among the documents being sent to potential SAMDA contractors.

RTC first developed a standard solicitation of services (SOS) for use in the SAMDA award process in June 1990. Without headquarters approval, all six offices we visited modified this document in their solicitations by defining specific terms and by adding or expanding the content of specific sections. Contracting officials from several locations told us that changes were needed because the standard SOS did not include adequate information for firms to use in preparing their proposals. The original SOS, for example, asked bidders to describe their expertise in asset administration; however, no definition of the term was given. Two consolidated offices altered the SOS by specifically listing the components of asset administration. In April 1991, RTC issued a revised SOS that is to be used for all SAMDA solicitations. Specific instructions were also given that all alterations to the document be approved first by headquarters.

We believe the revised SOS is an improvement. For example, the new version contains a section that informs bidders that they will be evaluated on their financial capability to carry out contract responsibilities. The previous version did not contain this. The new version also explains in more detail what information must be submitted in each proposal and asks bidders to explain their experience in developing and administering training programs for subcontractors and staff. One RTC office that used SOS to solicit proposals on a portfolio of commercial properties noted that the quality of the proposals had improved.

Additional Work Is Needed on Two Other Reforms

Other reforms mandated by the 1991 act included (1) developing uniform contractor proposal evaluation procedures and (2) establishing contracting training programs. Although some progress has been made, more needs to be done to complete these reforms. Regarding evaluation procedures, by September 1991 RTC had specified the weight to be given technical expertise and fees in SAMDA proposals, standardized the evaluation forms used to record and analyze the technical capabilities of SAMDA bidders, and implemented a standard method for evaluating proposed asset disposition fees using a computer program. However, RTC lacked specific standards for consolidated offices to use in evaluating the technical capabilities of each bidder and had not developed uniform procedures for examining the financial capabilities of firms to fulfill responsibilities under RTC contracts. Limited staff resources have prevented completion of this work earlier.

In the area of training, RTC planned six training modules for employees and contractor personnel. However, by January 1992 only three modules had been developed, and more training is now planned for 1992.

Procedures for Evaluating Technical Capabilities and Disposition Fees Not Uniform

RTC requires that SAMDA contract proposals contain a description of the firm's technical expertise for managing and disposing of certain types of assets being placed under contract. RTC requests, for example, that firms describe the qualifications of key management personnel and experience in asset administration, real estate marketing, and loan servicing. RTC also asks that each firm specify its fee for managing and disposing of the assets included in the specific portfolio. During the evaluation process, contracting offices evaluate and score the technical and fee proposals separately.

We found that consolidated offices developed their own evaluation standards and scoring systems. As a result, under the SAMDA I contract the degree of emphasis placed on technical expertise and fees, as well as the relative importance of specific factors used to rank proposals, varied from one office to another, even though essentially the same category of assets were involved.

We examined six SAMDA I contract proposals evaluated prior to September 1991—one at each consolidated office—for commercial real estate assets and identified four views on how much weight in the total score should be given to the two major parts of each proposal. For instance, three offices allotted technical expertise 60 percent of the overall possible score and gave the remaining 40 percent to the fee part. Another office gave technical expertise even more importance by assigning it a weight of 70 percent. The fifth office determined that the fees were equally as important as technical expertise and, therefore, assigned each segment 50 percent of the overall score. The sixth office stated only that technical expertise was more important than fees and left it to the discretion of contracting officials to decide on a contract-by-contract basis the most advantageous proposal to RTC.

Consolidated offices also varied in the emphasis placed on specific types of technical expertise desired in a firm's qualifications. For example, in the same six SAMDA awards just mentioned, each consolidated office identified a different combination of experience and expertise needed to do the work under the contract. Five offices, for instance, included prior RTC or federal experience in their lists of desired technical expertise whereas the other office did not. One office determined that a firm's ability to conduct outreach efforts to obtain participation in RTC's MWOB program was important enough to be included as one of the technical skills needed. The other five offices did not include outreach efforts in their lists of technical expertise.

We also found that each consolidated office designed its own method for adjusting the fees proposed by SAMDA bidders. For instance, consolidated offices used at least two methods for adding bonus points to the scores of MWOBS. We previously reported this situation in our September 1991 report on the MWOB program.[4]

We found, too, that consolidated offices did not always develop and document criteria for evaluation panels to use in assessing the technical capabilities of firms bidding on SAMDA contracts. Panel members were left to their own judgment in making their evaluations. According to RTC contracting procedures, this criteria should be developed as part of the source selection plan for each solicitation. However, procedures stated only that "[t]he plan shall describe the proposed evaluation criteria in sufficient detail to ensure the evaluator's ability to distinguish between proposals, and the relative importance of the criteria." Procedures did not provide specific formats for the plans, include guidance for evaluating the selection criteria in the SOS, or explain the minimum detail needed in preparing acceptable selection plans. The plans we reviewed were usually limited to discussions about how the evaluation process should be

[4]Resolution Trust Corporation: Progress Under Way in Minority- and Women-Owned Business Outreach Program (GAO/GGD-91-138, Sept. 27, 1991).

conducted and did not cover the minimum or acceptable standards for specific areas of technical expertise such as loan servicing, asset administration, property management, and budget preparation. As a result, evaluation panel members essentially relied on their judgments and discussions among themselves to determine the technical capabilities of each firm.

To improve the SAMDA proposal evaluation process, RTC had initiated a number of actions. By September 1991, it had

- revised the SAMDA contract to establish specific weights to be given to technical expertise and fees in each SAMDA proposal;
- identified the specific categories of technical expertise SAMDA bidders must include on their contract proposals;
- developed uniform evaluation forms, as part of the policies and procedures manual, to be used in evaluating SAMDA proposals; and
- implemented a computer software program that provides a standard procedure for evaluating the fees proposed by each bidder.

These actions should improve the proposal evaluation process. RTC, however, still does not have standards and guidance for consolidated offices to use in developing source selection plans for evaluating the technical capabilities of firms submitting SAMDA proposals. In commenting on a draft of this report, RTC officials stated that defining specific technical evaluation standards applicable to all situations may not be possible because of the wide range of assets included in SAMDA contracts. In these situations, RTC needs to rely on the judgments of its technical evaluation panel members. However, they agreed that RTC staff should do more to uniformly document the bases for their decisions on technical competency.

Procedures for Analyzing the Financial Condition of Bidders Are Still Needed

RTC headquarters had not yet developed procedures for analyzing the financial conditions and viabilities of bidders on RTC contracts. Such procedures are essential to ensure that firms being considered are financially capable of fulfilling their contractual obligations to RTC. RTC has encountered problems in contracting that illustrate the importance of these procedures. In September 1990, for example, RTC found it necessary to cancel a major auction contract because the auction company was unable to fulfill the financial terms of its agreement just 4 months after the award.[5]

We also found that little overall emphasis was being placed on these evaluations in the SAMDA process. The chapter covering contracting in the Asset Management and Disposition Manual, for instance, did not discuss procedures for financial evaluations. Moreover, only three of the six consolidated offices we visited had developed methods for performing the function.

In February 1991, RTC headquarters recognized that changes were needed. It assigned the Office of Contractor Business Review the responsibility for designing policies and procedures for financial evaluations. Additionally, the new Contracting Policies and Procedures Manual requires a financial review be done on bidders pursuing RTC contracts. But RTC headquarters advised us that financial evaluation guidelines were not in place as of February 1992, nor had interim guidance been provided to field offices.

The consolidated offices we visited responded differently to the new financial review requirement. Two had either contracted or planned to contract with private sector firms, another set up a separate in-house panel composed of program staff, and the remaining three relied on technical evaluation panels—which review SAMDA proposals—to also evaluate financial capability.

An official of the Office of Contractor Business Review told us that staffing shortages have contributed to the delay in developing uniform financial evaluations procedures. He explained that, for example, his office was authorized a headquarters staff of five to do financial evaluations until specialists could be hired in the field. By February 1992, the five authorized staff had been hired. He also noted that the office engaged a private firm to assist in developing the procedures, a process that is targeted for completion in June 1992.

Contracting Training Programs Emphasis Is Still Needed

The 1991 act also directed RTC to develop training programs specifically for RTC and private contracting staff, some of whom did not have contract experience before working with RTC. According to headquarters contracting officials, to address training requirements RTC had identified six separate contracting training modules for RTC executives and

[5]Valuable Lessons to be Learned From Canceled Real Estate Auction, Office of the Inspector General, RTC (Audit Report A91-001, May 13, 1991).

contracting and noncontracting personnel. By October 1991, RTC had developed two of the six training modules and planned for the remaining four to be developed by the end of 1991.

RTC personnel guidelines suggested that employees hired for contract positions have experience in contracting or procurement. In practice, however, RTC had problems meeting these goals. For instance, only 63 percent of the contracting personnel at the six consolidated offices we visited had experience in contracting before accepting positions with RTC. At one office, only 2 of 15 employees had previous experience.

RTC's previous approaches in familiarizing contracting employees with contracting processes and requirements were fragmented at various offices. Rather than developing uniform orientation programs that could be administered organizationwide, RTC allowed consolidated offices to design their own methods for satisfying training needs. For instance, according to one regional office contracting official, in mid-1990 headquarters conducted a seminar to explain contracting procedures. Certain key staff from each region who were then responsible for conducting their own employee training attended the meeting. Similarly, a consolidated office official noted that when RTC began requiring conservatorships to follow RTC contracting policies, consolidated and regional offices again designed their own training seminars.

In May 1991, RTC engaged a private sector firm to develop the first of the six training modules—a 1-week "Fundamentals of Contracting" course—that it completed and began administering to contracting staff in October 1991. By July of 1992, headquarters expects about 500 personnel at headquarters, regional, and consolidated offices to participate in the training. Also, in October 1991 RTC began using a condensed version of this course for its RTC executive personnel.

Other modules RTC planned to develop include a class for other noncontracting personnel, a course for conservatorship and receivership contracting staff, a session for contracting and program staff on post-award contract administration procedures, and a module for program officials overseeing SAMDA contracts and private contractors involved in doing work under SAMDA contracts.

A headquarters contracting official overseeing the development of these modules informed us that because so many contracts are already in place, and in response to our suggestion, RTC has given a high priority to the contract administration course, which is designed to orient staff on administering specific aspects of the contracts after their award. Although this and the other three modules were to be developed by the end of 1991, the course was delayed because of uncertainties involving the training approaches in one module. Consequently, RTC has not yet set specific time frames and target dates for administering the courses in 1992.

Conclusions

RTC has progressed toward completing the reforms mandated in the 1991 act. Thus far, RTC has issued a policies and procedures manual, defined the roles and responsibilities of contracting personnel, standardized solicitation documents for SAMDA contracts, and standardized a number of contract proposal evaluation procedures. If properly implemented, these actions should reduce system weaknesses and concerns over inconsistencies in the SAMDA contracting process.

Additional actions, however, are needed. For example, organizational changes that are in progress at RTC regional and consolidated offices need to be completed to ensure that contracting functions are properly separated from program functions. RTC also lacked uniform (1) criteria for developing sound source selection plans for the SAMDA contract process and (2) procedures for evaluating the financial stability of potential RTC contractors. Without this guidance, RTC cannot be certain that consolidated and regional offices adequately consider the factors necessary in determining the firms that are technically and financially capable. Additionally, training courses integral to the professional development of contracting personnel—many of whom came to RTC without contracting backgrounds—are still needed. Considering that RTC is administering SAMDA contracts involving billions of dollars in assets, and thousands of other contracts for such services as financial review, appraisals, and property management, these training programs are very important to ensuring a strong contractor oversight system.

Recommendations

We recommend that you

- develop desk guides to help field staff implement contracting policies and procedures properly and consistently;
- develop uniform source selection plans criteria and standards for documenting selection decisions;
- issue interim guidelines for performing all financial capability evaluations as soon as possible and place a high priority on developing uniform, permanent procedures; and
- accelerate the development and implementation of contracting training programs.

Agency Comments

We discussed a draft of this report with RTC officials, and they generally agreed with its contents. We incorporated, where appropriate, minor wording changes suggested by RTC.

This report was prepared under the direction of Ronald L. King, Assistant Director, Federal Management Issues. Other major contributors are listed in the appendix. Please contact me on (202) 736-0479 if you or your staff have any questions concerning this report.

Sincerely yours,

Gaston L. Gianni

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