



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

General Government Division

B-257351

July 1, 1994

Mr. John E. Ryan
Deputy and Acting
Chief Executive Officer
Resolution Trust Corporation

Dear Mr. Ryan:

As part of our continuing oversight of the Resolution Trust Corporation's (RTC) activities, we reviewed RTC's compliance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) mandate to publish a list of RTC real property assets with natural, cultural, recreational, or scientific values of special significance.¹ The objective of our review was to determine whether there was sufficient evidence to warrant an in-depth review of RTC's compliance with the special resource property mandate in FIRREA. We checked a small number of cases to see if standard asset management and disposition agreement (SAMDA) properties with special resource characteristics were being identified in accordance with RTC procedures, and we determined whether the conservation agencies and organizations on RTC's special resource properties mailing list were being notified of the availability of these properties as required by RTC policy.

We judgmentally selected 7 SAMDA contracts and reviewed asset files for a judgmental sample of 106 of the 2,220 properties that were listed as not sold as of June 30, 1993, and did not have any special resource designation in RTC's real estate database. Due to the judgmental contract selection and small sample size, our results cannot be generalized to all properties under the seven contracts we reviewed or to other SAMDA contracts.

After eliminating names of RTC, Office of Thrift Supervision, and GAO employees, we mailed a questionnaire to 541 recipients of the published special resource properties brochure, using RTC's June 1993 mailing list. We received 338 responses. The questionnaire asked recipients (1) whether they received the brochure, (2) whether they used the brochure to help them

¹RTC refers to these assets as special resource properties.

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identify special resource properties, and (3) if it led them to request bid packages and/or bid on properties.

We did our work between June 1993 and May 1994 in accordance with generally accepted government auditing standards.

RESULTS

RTC generally complied with the FIRREA mandate for the limited number of cases we reviewed. RTC has policies and procedures in place to help contractors identify properties with special resources. Also, RTC's special resources clearinghouse publishes a monthly brochure listing these properties and distributes it to appropriate federal, state, and local government agencies and conservation groups on RTC's mailing list.² We do not believe the 10 exceptions we identified in 106 cases, warranted expanding the scope of our review.

BACKGROUND

RTC defines special resource properties as real estate assets that contain sole-source aquifers, archaeological resources, coastal dunes and beaches, coastal barriers, endangered species, undeveloped flood plains, undeveloped tracts greater than 50 acres and adjacent to or contiguous with other special resource lands, historical areas, natural landmarks, recreational areas, wild and scenic rivers, scientific values, wetlands, wilderness areas, or a combination of these attributes.

RTC staff or SAMDA contractors are to contact knowledgeable agencies to confirm the existence of special resources. For example, confirmation of wetlands would come from the U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, or a state's fish and wildlife agency. Confirmation of undeveloped sole-source aquifers would come from the Environmental Protection Agency or a state's water quality agency. Other organizations contacted would include The Nature Conservancy (threatened and endangered species) and the Advisory Council on Historic Preservation (archaeological resources and historic buildings and sites).

Once it has been confirmed that a property contains a special resource, RTC's clearinghouse is to be notified by RTC or its SAMDA contractors. Each month, the clearinghouse is to update

²The clearinghouse is a contractor RTC has hired to help it carry out its special resource property mandate. Using information provided by RTC and by other contractors, it maintains for RTC a list of unsold special resource properties.

and distribute the brochure to conservation agencies and organizations on the mailing list.

ANALYSIS OF RTC'S IMPLEMENTATION

Generally, appropriate steps were being taken to confirm the existence of special resources on the properties included in our review. Our analysis showed that RTC followed its policies and procedures in all but 10 of the 106 properties we reviewed. In six instances, RTC's SAMDA contractors did not refer properties to appropriate agencies to confirm the existence of potential special resource features. In four other instances, SAMDA contractors did not report properties with confirmed special resources to the clearinghouse so they could be listed in the monthly brochure.

For the other 96 properties, the special resource policies and procedures were followed by the SAMDA contractors. The SAMDA contractors identified no special resources for 35 properties and made the special resource determination on 4 properties and notified the clearinghouse.³ For the remaining 57 properties, an environmental assessment contractor was hired to make an initial assessment, or a referral was made to a knowledgeable agency by the SAMDA contractors.

We also reviewed two issues of the brochure to determine whether the seven SAMDA contractors had reported any special resource properties to the clearinghouse. The June 1993 brochure included 105 special resource properties handled by these contractors. Furthermore, the number of properties handled by the 7 SAMDA contractors included in the September 1993 brochure had increased to 145--additional evidence that the contractors were continuing to report properties. The increase included the 4 properties mentioned above and 36 other properties not included in our judgmental sample.

Further, our questionnaire respondents confirmed that the clearinghouse was publishing the brochure monthly and that the brochure was distributed to parties on the mailing list, including appropriate local, state, and federal agencies; conservation and environmental groups; and other interested parties.

Our analysis of responses to the questionnaire we mailed to 541 recipients of the brochure showed that RTC's contractor sends the

³These assets did not have a special resource designation in the real estate database when we selected our sample because the SAMDA contractor made the determination after June 30, 1993.

brochure to a variety of people. Out of the 338 respondents to our questionnaire, 117 were affiliated with state/local government agencies, 81 with conservation or environmental groups, 76 with the federal government, and the remaining 64 with other groups such as private investors and realtors. Fifty-nine percent of the respondents stated that they primarily used the brochure to be informed of RTC properties with special resource features, while 26 percent said they use it to identify properties available for purchase. Most respondents expressing an opinion were more satisfied than dissatisfied with the accuracy and adequacy of information in the brochure and whether it met their needs. Only 10 percent of respondents were dissatisfied with the accuracy of information, 16 percent with the adequacy of information, and 13 percent with whether the information met their needs.

ACTIONS TAKEN BY RTC

We submitted our observations on the 10 cases in which RTC did not follow its policies and procedures to the appropriate RTC offices. RTC officials agreed in general with our observations and stated that appropriate action would be taken where possible to correct the 10 problem cases. We subsequently confirmed that appropriate actions--property referred to proper agency for special resource confirmation or reported to clearinghouse and added to the brochure--were taken where possible. Since some of the properties had already been sold, it was not always possible to correct the problem we identified. These officials also told us that they were implementing several controls to alleviate any future occurrences of the conditions we identified. These controls included

- annual reviews and follow-up reviews of SAMDA contractors' performance and compliance with RTC procedures,
- periodic training sessions for RTC oversight personnel and SAMDA contractors on environmental considerations, and
- requirements that (1) an asset will not be entered in a sales event without completion of an environmental review and (2) a sale is not to be closed without concurrence from the RTC environmental department.

We also met and discussed our findings with the senior environmental specialist in RTC's headquarters. The specialist concurred with our findings and said that the above controls, which implement recommendations we previously made to address

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contractor oversight weaknesses,⁴ should alleviate reoccurrence of the problems we noted.

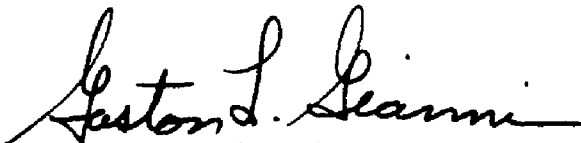
SUMMATION

The results of our limited review provided no indication of the need for expanded work on our part. We brought the few deficiencies we noted to the attention of RTC officials who took or are taking actions we consider appropriate.

We are sending copies of this letter to the Chairman of the Thrift Depositor Protection Oversight Board, interested congressional committees, and other interested Members of Congress. We will also make copies available to others upon request.

If you or your staff have any questions concerning this letter, please call me on (202) 736-0479.

Sincerely yours,



Gaston L. Gianni, Jr.
Associate Director, Government
Business Operations Issues

(247111)

Resolution Trust Corporation: Subcontractor Cash Management Practices Violate Policy and Reduce Income (GAO/GGD-93-7, Oct. 20, 1992; Resolution Trust Corporation: Oversight of SAMDA Property Management Contractors Needs Improvement (GAO/GGD-94-5, Nov. 30, 1993); and Resolution Trust Corporation: Ineffective Management of HomeFed Bank Environmental Services Contracting (GAO/GGD-94-62, Dec. 28, 1993).

