

September 1989

JUSTICE  
AUTOMATION

U.S. Trustees  
Bankruptcy Case  
Management System



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**Information Management and  
Technology Division**

B-235804

**September 25, 1989****The Honorable Howell T. Heflin  
Chairman, Subcommittee on Courts  
and Administrative Practices  
Committee on the Judiciary  
United States Senate****The Honorable Jack Brooks  
Chairman, Subcommittee on Economic  
and Commercial Law  
Committee on the Judiciary  
House of Representatives**

As agreed with your offices, we are providing you this report on the progress of a project being undertaken by the Executive Office for United States Trustees in consultation with the Administrative Office of the United States Courts (Administrative Office). The goal of the project is to develop and implement a joint demonstration electronic bankruptcy case management system as required by Section 310 of the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986 (P.L. 99-554). We initiated this review as part of our oversight responsibility under the act.<sup>1</sup> Our objectives were to determine the progress and direction of the project.

Responsibility for processing federal bankruptcy cases is split between the U.S. Trustees, who handle administrative matters, and the bankruptcy courts, which handle judicial matters. The purpose of Section 310 was to develop a joint automated bankruptcy case management system to serve the needs of both the U.S. Trustees and the bankruptcy courts, have the U.S. Trustees use it in three judicial districts, and determine whether it would be cost effective. However, before the act was passed, the U.S. Trustees and the Administrative Office had each begun efforts to develop automated case management systems of their own. These development efforts have since been completed and each agency is currently implementing its system. These systems are designed to perform many of the case management functions that the act requires for the demonstration system. There is no indication from the legislative history of the act that the Congress was aware that the U.S. Trustees

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<sup>1</sup>The act requires that after the demonstration system is operational for a year, we are to compare the cost effectiveness of the demonstration system to other bankruptcy case management systems used by the U.S. Trustees and the bankruptcy courts.

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and the Administrative Office were developing automated case management systems.

In response to the act's requirements, the U.S. Trustees selected judicial districts in California, New Jersey, and Kansas as the sites for the demonstration project. In September 1987, a contractor was hired to identify the functions that should be included in the demonstration system, and to assess design alternatives for the system. The contractor considered four alternatives. One, in which software would be written to link the two existing systems together so they could exchange data, was rejected as being technically infeasible. The other three alternatives analyzed by the contractor each involved developing a single system to serve the needs of both the U.S. Trustees and the courts. Two of these three alternatives proposed designing a new system while the third proposed enhancing the courts' existing case management system.

The contractor did not recommend any one alternative over the others because the difference in costs among the three alternatives was not significant, and because the contractor concluded that each alternative could meet the stated functional requirements. Consequently, when a Request for Proposals was released in November 1988 to hire a contractor to develop the demonstration system, it permitted the offeror to determine how the system would be designed.

After not receiving any response to the Request for Proposals, the U.S. Trustees began to reconsider the approach to the project. The cost of the project, which they estimated at \$28.6 million through fiscal year 1994, was a concern. Also, the Administrative Office was opposed to the development of a single system, because it believed there would be numerous problems in developing and operating a single system.

In March 1989, the U.S. Trustees decided on a new approach for satisfying the act's requirement for a demonstration case management system. Rather than develop a single system to serve both agencies' needs, the courts' system will be retained and the U.S. Trustees' system will be extensively modified so that users can more easily exchange and share data with the courts' system, and the functional capabilities of both systems will be improved. The Administrative Office supports this approach.

As of July 1989, the U.S. Trustees estimated that, based on the current approach, the project will cost \$10 million to \$12 million through fiscal year 1994. They expect to award a contract for the necessary software,

hardware, and options for various functional enhancements early in 1990, and believe the software and hardware to modify and enhance their system can be installed in the three judicial districts within 2 years after contract award. The Administrative Office expects to begin evaluating technical enhancements for the bankruptcy courts' system during fiscal year 1990.

## Background

The U.S. Trustees program was created in 1978 on a pilot basis in 18 of the nation's 94 judicial districts. The purpose of the program was to correct abuses in the handling of bankruptcy cases by separating administrative and judicial functions. The Bankruptcy Judges, United States Trustees, and Family Farmers Bankruptcy Act of 1986 expanded the U.S. Trustees program nationwide.

The U.S. Trustees handle administrative matters relating to bankruptcy cases and the bankruptcy courts handle the judicial matters in these cases. Administrative functions performed by the U.S. Trustees include ensuring payment of withholding and other taxes by the bankrupt debtors, organizing and scheduling meetings of creditors, organizing creditors' committees, and appointing private trustees to administer the bankruptcy. The courts' responsibilities include hearing and ruling on disputes in bankruptcy, determining the validity of claims against the bankrupt estate, and issuing all final bankruptcy decrees.

Currently, the bankruptcy courts and the U.S. Trustees each have their own automated bankruptcy case management systems. These systems assist the clerks of the bankruptcy courts and the U.S. Trustees in the judicial districts in processing, managing, and monitoring bankruptcy cases. The courts' system is known as Bankruptcy Court Automated Project (BANCAP) and the U.S. Trustees' system is known as Automated Case Management System (ACMS). Development of both systems began in 1984, and in 1988 the bankruptcy courts and the U.S. Trustees each began to implement their respective systems.

As of July 1989, the courts have implemented BANCAP in 24 judicial districts. The system will not be implemented in all of the districts until fiscal year 1993. Also as of July 1989, the U.S. Trustees have installed ACMS hardware in almost all the 86 operational U.S. Trustees offices. The Administrative Office estimates that it will cost a total of \$38.5 million to develop, implement, and operate BANCAP through fiscal year 1993. The U.S. Trustees estimate that it will cost about \$28.9 million to develop, implement, and operate ACMS through fiscal year 1993.

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The Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act required that the Executive Office for United States Trustees, in consultation with the Administrative Office of the United States Courts, establish a demonstration project within one year of the act's effective date of November 26, 1986, and that it be carried out in three judicial districts. The act also requires that a contract for the project be awarded on a competitive basis to a nongovernment entity. The purpose of the project is to establish a demonstration electronic case management system that (1) supports bankruptcy case processing requirements for both the U.S. Trustees and the federal bankruptcy courts, and (2) provides automated access to bankruptcy data for other federal agencies and the public (attorneys, creditors, and others).

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## Early Efforts to Develop the Demonstration System

In November 1986 the U.S. Trustees began the project. A project manager was named and judicial districts in California, New Jersey, and Kansas were selected to participate in the project. In January 1987, an executive steering committee was formed to set the project's policy and technical direction. The committee is composed of the U.S. Trustee and the clerk of the bankruptcy court for each of the three judicial districts, an Administrative Office official, and the Deputy Director for Policy and Planning, Executive Office for U.S. Trustees, who chairs the committee.

The committee decided to develop and implement the project in two phases. The first phase called for awarding a competitive procurement for a requirements analysis to identify what functions should be included in the system, and to assess conceptual design alternatives for the system along with each alternative's expected costs and benefits. The second phase would design, develop, acquire hardware for, and implement the system approved by the committee as a result of the first phase.

In September 1987, Arthur Young, a major accounting firm that also provides its clients system design services, received the contract to perform the tasks that had been identified for the first phase of the project. Arthur Young developed a list of requirements for the system and evaluated four system design alternatives. One alternative, in which software would be written to link the two systems together so they could exchange data, was considered to have a number of technical disadvantages and was discarded. The other three alternatives each used a single system approach for supporting the bankruptcy courts' and U.S. Trustees' processing requirements. Two of these alternatives were based on new design and development efforts while the third was based on

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enhancing the bankruptcy courts' existing automated case management system, BANCAP, to include the processing requirements for the U.S. Trustees.

Arthur Young estimated that the cost of each of the alternatives over an expected 5-year life<sup>2</sup> would range between \$32 million and \$34 million.<sup>3</sup> These figures included nonrecurring costs for hardware and software, systems development and installation, and telecommunications; recurring costs were for maintenance, operations, and telecommunications services. There was little difference in the cost of developing a completely new system and the cost of enhancing BANCAP, because Arthur Young assumed that BANCAP would require new hardware to accommodate the U.S. Trustees' functional requirements.

Because Arthur Young did not determine any significant differences in costs and benefits of the three alternatives it evaluated, and because it determined that each alternative met the functional requirements for the demonstration system, it made no recommendation concerning which was the preferred alternative. The contractor completed its work in July 1988 at a cost of about \$521,000.

In November 1988, the U.S. Trustees<sup>4</sup> released a Request for Proposals to hire a contractor to do a portion of the tasks identified for the second phase—designing, programming, testing, and documenting the demonstration system. Acquisition of hardware and implementation of the system for the three judicial districts was deferred. The Request for Proposals permitted the offeror to decide whether to design a completely new system or to base the design on an existing case management system.

In January 1989, the Request for Proposals closed without any vendors submitting proposals. According to both the demonstration project manager and representatives of two prospective vendors, the primary reason no vendors submitted proposals was that potential offerors thought

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<sup>2</sup>Arthur Young determined that about 2 to 3 years would be needed to develop, test, and implement the system; in accordance with the act's requirements, the system was to operate up to an additional 2 years in the three judicial districts.

<sup>3</sup>Arthur Young also presented these figures to the U.S. Trustees in terms of 1988 present value dollars, which ranged between \$21.5 million and \$23.2 million.

<sup>4</sup>The U.S. Trustees have a reimbursable agreement with the General Services Administration for procurement and technical assistance. The General Services Administration issued the request on behalf of the U.S. Trustees.

that Arthur Young would be awarded the contract. An additional reason was that the solicitation required the offerors to submit a fixed price bid for the work to be performed. The vendors we spoke with, as well as Arthur Young, believed that the requirement for a fixed price contract was risky because the project appeared to have a very broad scope.

## Current Development Approach

After not receiving a response to its Request for Proposals, the steering committee considered various alternatives for proceeding with the project. These included reissuing the Request for Proposals with modified terms, such as elimination of the requirement for a fixed price bid, or revising the approach to the project and issuing a new Request for Proposals based on integrating the existing case management systems.

In March 1989 the demonstration project manager told us that the direction of the project was being changed. Instead of developing a single system to serve the needs of the U.S. Trustees and the bankruptcy courts as suggested by Arthur Young, the U.S. Trustees now plan to build a joint demonstration system by retaining the courts' system, extensively modifying the U.S. Trustees' system (replacing system software and hardware and converting applications software) so that it can exchange and share data with the courts' system, and enhancing the capabilities of both systems.<sup>5</sup> Factors influencing this decision included (1) concern over the cost of implementing Arthur Young's alternatives, estimated by the project manager to be about \$28.6 million, and (2) the Administrative Office's opposition to the development of a single case management system.

The Administrative Office was opposed to the development of a single case management system, even one based on its own system, BANCAP, for several reasons. The Administrative Office believed that the functional requirements of the U.S. Trustees and the bankruptcy courts were so unique that a common system was not desirable. Further, an Administrative Office official told us that he believed the Office did not have enough staff to operate a single system that would include the U.S. Trustees' requirements and that operating problems could result because the two agencies are in different branches of government. The Administrative Office was also concerned that if a system other than BANCAP were adopted for the demonstration system, problems would

<sup>5</sup>The alternative rejected by Arthur Young as being technically infeasible assumed that two very different systems would have to be linked. The current approach differs in that the planned changes will make the two systems technically similar.

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result because BANCAP software is integrated with case management systems used in circuit and district courts, and a non-BANCAP system would be incompatible with these other systems.

The demonstration project manager expects to make several changes to the U.S. Trustees case management system (ACMS) to allow users of the system to more easily exchange and share data with the bankruptcy courts. These changes include converting the ACMS operating system<sup>6</sup> to the same operating system used by BANCAP and adopting a data base management system that uses the Structured Query Language.<sup>7</sup> Because the Administrative Office also plans to convert BANCAP to a Structured Query Language data base management system, Administrative Office and U.S. Trustees officials believe that data exchange between ACMS and BANCAP should be facilitated.

Administrative Office officials told us that the current direction of the project—retaining two systems but with an improved ability to exchange data—is supported by the Administrative Office because the Office believes it can be implemented faster, can be built without replacing BANCAP hardware, and appears to be less expensive than the other alternatives.

As of July 1989, the demonstration project manager estimated that the total cost of the project through fiscal year 1994 is now expected to be about \$10 million to \$12 million compared to \$28.6 million to develop and implement any of the Arthur Young alternatives. The estimated cost has decreased largely because the demonstration project now expects to use hardware and software in the courts' existing case management system rather than developing and acquiring all new hardware and software.<sup>8</sup>

U.S. Trustees officials told us that they believe the modifications and enhancements to facilitate the exchange of data, as well as additional

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<sup>6</sup>An operating system consists of computer programs that control the use of the system's resources, e.g., processors, storage, input/output devices, and files. An operating system acts as an interface between the user's programs and the computer hardware.

<sup>7</sup>A data base management system consists of programs that provide all the capabilities required for centralized management and access control of data that are shared by many users. Structured Query Language is a federal standard language for manipulating data bases. It is specified in FIPS publication 127, Mar. 10, 1987.

<sup>8</sup>In its budget documents the U.S. Trustees estimated that the project would cost \$28.6 million rather than the \$32 million to \$34 million forecast by Arthur Young. The U.S. Trustees used lower estimates for staff salaries and hardware costs.



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enhancements to improve functional capabilities of ACMS and BANCAP, will achieve the act's objectives. The U.S. Trustees and the Administrative Office also believe that this approach offers the advantage of not duplicating in a new system the capabilities that are already available in the current case management systems. Our analysis of the Arthur Young study showed that about 70 percent of the functions the act requires for the demonstration system are now included in one or both of the current systems. Arthur Young found, for example, that both systems already performed many of the detailed functional requirements such as establishing and managing case files and generating management reports.

The project manager expects to award a contract for a new ACMS operating system, a new data base management system, and conversion of ACMS application software early in 1990. The project manager believes that the new system can be completed in the three judicial districts within 2 years after contract award.

The contract is also to include options for system enhancements. Administrative Office officials told us they also plan to begin evaluating enhancements for BANCAP in fiscal year 1990. Officials from both organizations told us that a formal agreement, such as a memorandum of understanding, is to be developed to delineate the specific project objectives. A funding agreement is also to be developed that will describe how costs will be borne by the U.S. Trustees and the courts, identify tasks to be performed by each organization, and establish milestones for performing each task.

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We discussed the contents of this report with the Director, Executive Office for U.S. Trustees, and the Assistant Director for Program Management, Administrative Office of the United States Courts. We have included their comments where appropriate. Appendix I provides detailed information on our objectives, scope, and methodology.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of the report. At that time, we will send copies of this report to the Chairmen, Senate Committee on Appropriations, House Committee on Appropriations, House Committee on Government Operations, and Senate Committee on Governmental Affairs; the Attorney General; the Director, Office of Management and Budget; the Director, Executive Office for United States Trustees; and the Director of the Administrative

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Office of the United States Courts. We will also make copies available to others upon request.

This report was prepared under the direction of Howard G. Rhile, Director, General Government Information Systems, who can be reached at (202) 275-3455. Other major contributors are listed in appendix II.

*for Howard G. Rhile*  
Ralph V. Carlone  
Assistant Comptroller General

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# Objectives, Scope, and Methodology

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Our objective was to determine the progress being made to implement the electronic bankruptcy case management system demonstration project, and to assess its direction. Our work was done at the Executive Office for U.S. Trustees, the Administrative Office of the U.S. Courts, and the Federal Judicial Center, all of which are located in Washington, D.C. We also visited bankruptcy courts and U.S. Trustees offices in Alexandria, Virginia; Newark, New Jersey; and San Antonio, Texas; and a bankruptcy court in Baltimore, Maryland. We visited the offices in Alexandria, San Antonio, and Baltimore because they had operational automated bankruptcy case management systems. We visited the U.S. Trustees office and the bankruptcy court in Newark because they are participating in the demonstration project.

Our work consisted of interviewing officials in the above offices and courts and reviewing available documentation dealing with the operational capabilities of the case management systems supporting the bankruptcy courts and the U.S. Trustees offices. We also reviewed documentation and discussed plans and actions being taken to develop and implement the demonstration project. In addition, to identify functional requirements for the demonstration system we reviewed the Arthur Young requirements analysis. We also reviewed the procurement documents for the demonstration system, and discussed bankruptcy requirements and procurement concerns with representatives of interested private-sector firms to determine why the Request for Proposals did not receive a response.

We discussed the contents of this report with the Director, Executive Office for United States Trustees, and the Assistant Director for Program Management, Administrative Office of the United States Courts. We have included their comments where appropriate. Our review was conducted from September 1988 through July 1989. Our work was performed in accordance with generally accepted government auditing standards.

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