

DELEGATIONS OF AUTHORITY FOR ASSET DISPOSITIONS

Audit Report No. D99-045
November 29, 1999

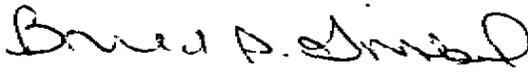


OFFICE OF AUDITS

OFFICE OF INSPECTOR GENERAL

DATE: November 29, 1999

MEMORANDUM TO: A. J. Felton
Deputy Director
Division of Resolutions and Receiverships


for

FROM: Shirley C. Ward
Regional Director

SUBJECT: Delegations of Authority for Asset Dispositions

This report presents the results of the Office of Inspector General's (OIG) audit of the use of delegated authority for asset disposition cases within the Division of Resolutions and Receiverships' Dallas Office (DRR-Dallas). Our audit concluded that DRR-Dallas officials responsible for approving asset disposition cases acted within the scope of their delegated authority. However, we did identify one issue regarding the inconsistent use of position titles by approving officials, which we brought to management's attention, and for which management is taking action.

BACKGROUND

According to Chapter X of the Federal Deposit Insurance Corporation's (FDIC) *Asset Disposition Manual*, the FDIC's Board of Directors delegated to the Case Review Committee and the Director of the Division of Resolutions and Receiverships (DRR) the authority to conduct asset management and disposition functions, including expending funds on behalf of the Corporation for asset-related matters. In turn, the Director of DRR has re-delegated asset management and disposition authority to various DRR officials, including the Deputy Director, DRR-Dallas.

The Deputy Director further re-delegated to his own managers the authority to act on behalf of the Corporation in matters related to asset management and disposition. Based on the guidelines set forth in FDIC Board Resolution 062371, dated May 6, 1997, DRR-Dallas developed its own re-delegation matrix, which became effective on September 15, 1997. The matrix summarizes in chart form by position title the re-delegated authority for 29 specific situations related to asset disposition. For example, column 2 of the matrix states that a Supervisory Specialist, Owned Real Estate, has authority to sell property with an appraised value of up to \$1.5 million.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether DRR-Dallas officials complied with the delegations of authority guidelines established by the FDIC Board of Directors and DRR management. The audit covered asset dispositions handled by DRR-Dallas for the period January 1, 1998 through March 31, 1999. For asset-related transactions from January 1, 1998 through July 5, 1998, we relied on the criteria contained in FDIC Board Resolution 062371, dated May 6, 1997. For transactions as of July 6, 1998 through March 31, 1999, we referred to the criteria contained in DRR Memorandum – 1000.2, Revised Delegations of Authority, dated July 6, 1998. The DRR re-delegation matrix of September 15, 1997 remained in effect throughout the period covered by the audit.

Out of approximately 2,300 asset disposition cases submitted for approval during the period covered by our audit, we judgmentally selected 62 cases for review. The value of the sampled cases totaled approximately \$460 million. We designed our case selection methodology to cover several of the 29 types of asset transactions contained in the re-delegation matrix and a variety of the DRR-Dallas officials who approved asset transactions during the audit period. The 62 sampled cases were approved by 19 different DRR-Dallas officials. Further, to gain an understanding of the FDIC's guidelines for delegating authority for asset-related cases, we interviewed DRR-Dallas officials responsible for the disposal of the assets selected in our sample.

We did not evaluate DRR's system of internal controls related to the case approval process or the proper use of delegated authority because we concluded that the audit objective could be met more efficiently by conducting substantive tests rather than by placing reliance on the internal control system. We conducted the audit from March 25, 1999 through June 18, 1999, in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

In all of the asset disposition cases we reviewed, DRR-Dallas officials acted within their appropriate delegated authority. Specifically, in all 62 asset-disposition cases we sampled, we found that the DRR-Dallas approving official was authorized to approve the particular type of transaction and that the case's dollar threshold was within established limits.

Although all asset-related cases in our sample were appropriately authorized, during our testing we did note inconsistencies regarding the use of position titles by approving officials. Specifically, in 31 of the 62 cases we reviewed, the position titles used by approving officials in the asset disposition case files did not match the titles indicated on the DRR-Dallas organization charts and/or DRR-Dallas' re-delegation matrix. For example, the approving official on case number 450-12893-98-AML signed as Assistant Regional Manager; however, both the organization chart and the re-delegation matrix listed the official as a Supervisory Specialist. It is important to reiterate that the 31 position title discrepancies did not adversely affect the proper exercise of delegated authority because the changes in position titles did not change the responsibilities of the approving officials.

As previously stated, we determined that the approving officials had sufficient delegated authority to approve the cases they signed.

We discussed the situation with DRR-Dallas management. They acknowledged the inconsistencies and attributed them to a 1998 DRR-Dallas reorganization. At the time of the reorganization, position titles were changed in the official organization charts, but the matrix was not amended to reflect the new titles and approving officials did not always use the new position titles when approving cases. To eliminate future inconsistencies and any possible confusion regarding whether an official is authorized to approve a particular asset-disposition case, we believe that DRR-Dallas management should ensure that the position titles used by approving officials agree with those titles indicated on the official organization charts and the DRR-Dallas re-delegation matrix.

To address our concern, pending completion of a formal reclassification of positions, which DRR-Dallas has requested of the FDIC's Office of Personnel, DRR-Dallas officials indicated that they plan to notify all approving officials in writing of their specific delegations of authority. A copy of these notifications will be given to the DRR-Dallas case review technician who is responsible for confirming whether asset management and disposition cases were properly approved. Because of the actions already planned by DRR-Dallas management, we are not making any formal recommendations in this report.

CORPORATION COMMENTS AND OIG EVALUATION

On October 26, 1999, the Deputy Director, DRR-Dallas, provided a written response to the draft report. The response stated that steps have already been taken to eliminate the inconsistencies. On October 20, 1999, the Dallas Field Operations Branch Personnel Department advised DRR-Dallas that position descriptions had been approved and organization charts changed to reflect position titles commensurate with delegated authority.

CORPORATION COMMENTS

**FDIC**

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M E M O R A N D U M

Date: October 26, 1999

To: Shirley C. Ward
Regional Director
Office of Inspector General

From: A.J. Felton
Deputy Director
DRR Dallas Filed Operations Branch

Subject: **OIR Draft Report 99-203**
Delegations of Authority for Asset Dispositions

We are in receipt of the above named report dated October 4, 1999. We are pleased that your audit of the credit decisions made under authority delegated to DFOB resulted in no findings of incorrect use or abuse of that authority. Your suggestion relative to the titles shown on our organizational chart was most helpful and the steps have already been taken to eliminate the situation outlined in your report. On October 20, 1999 DFOB Personnel Department advised that the pending position descriptions had been approved and the DFOB organizational chart had been changed to reflect appropriate titles in conjunction with their respective delegated authority.

Should you have any questions, please do not hesitate to call.

c: Rick Hoffman