

REVIEW OF DCA CONTROLS OVER THE SHARP SYSTEM

Audit Report No. 00-018
May 22, 2000



OFFICE OF AUDITS

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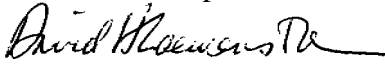
Federal Deposit Insurance Corporation

Washington, D.C. 20434

Office of Audits
Office of Inspector General

DATE: May 22, 2000

TO: Stephen M. Cross, Director
Division of Compliance and Consumer Affairs

FROM: 
David H. Loewenstein
Assistant Inspector General

SUBJECT: Report Entitled *Review of DCA Controls over the SHARP System*
(Audit Report 00-018)

The Federal Deposit Insurance Corporation's (FDIC) Office of Inspector General (OIG) has completed its review of the Division of Compliance and Consumer Affairs' (DCA) controls over the reliability of the Scheduling, Hours, And Reporting Package (SHARP) system. We have also reviewed the Division of Supervision's (DOS) controls over SHARP and have issued a separate report to DOS.

We had also planned to review DCA's Compliance Statistical System (CSS). This system has been used to track the progress of Compliance and Community Reinvestment Act (CRA) examinations, but we were informed by DCA that this system will be replaced with the new System of Uniform Reporting of Compliance and CRA Examination (SOURCE) in June 2000. Therefore, we did not perform a review of CSS.

BACKGROUND

The SHARP system is a computerized scheduling, hours, and reporting tracking system. It has been developed for DCA and DOS to standardize the process of collecting and reporting hours utilization information for examiners.

DCA employees are responsible for recording their own hours in SHARP. Within the system, hours are allocated by activity codes according to the type of task performed. Such tasks include, for example, bank examinations, training, and travel. For bank examinations, hours can be allocated by specific examinations and by various kinds of examination activities. In addition, hours that examiners work inside a bank can be differentiated from those hours worked outside the bank. The system also tracks hours by office codes, which allows for hours to be reported by office, including detail assignments. Once the employees have entered their hours on their computer, they upload the data to a central database.

DCA management uses SHARP information for examination management and budget purposes, analyzing and tracking examination time spent, and projecting future staffing needs.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the SHARP system as used by DCA (1) has proper internal controls in place and (2) generates accurate and reliable information. We reviewed SHARP data for the months of May and September 1999.

We performed fieldwork in the DCA Washington, D.C., headquarters office. We focused our review on the internal controls in place and the system's ability to generate accurate and reliable data. We obtained and reviewed the SHARP User Manual and interviewed the SHARP system liaison, DCA management and staff, and the Division of Information Resources Management (DIRM) project manager for SHARP. We judgmentally selected SHARP hours reports for May 1999 and September 1999 for review. The review was conducted in accordance with generally accepted government auditing standards. Our review was performed from October 1999 through February 2000.

RESULTS OF REVIEW

Overall, the SHARP system generally meets the needs of DCA examiners and management. DCA has developed an exception reporting process that identifies disparate data entries, and when such entries are identified, DCA follows up on them. However, during our review we noted some controls that should be strengthened over the data in the SHARP system to ensure data integrity. These controls relate to the input and review of employee hours, the prevention of data alteration, and the performance of regional office reviews.

We attempted to test the system's data integrity to determine whether the system generates accurate and reliable data. However, due to the internal control weaknesses noted above, we decided to postpone further testing until a future audit is conducted, once the internal controls have been strengthened. Our results are discussed in more detail below.

INPUT AND REVIEW OF EMPLOYEE HOURS

According to the SHARP User Manual, all examiners should enter their record of hours worked into the SHARP system "on a daily basis if possible. In this way, the data will have the highest degree of accuracy. If hours cannot be entered daily, they should be entered as often as possible."

During our review of SHARP reports for May 1999 and September 1999 for three DCA regions, we found, on average, that 8 percent of the employees entered less than the required 80 hours per pay period. SHARP does not identify employees who do not enter any hours at all.

Timely and accurate data entry is an important practice when tracking time charges to specific examinations. At the end of an examination, DCA generates a report from the SHARP system, the

Page A Report, which details the hours by examiner, grade, activity, and division. In addition, examination hours spent inside the bank and outside the bank are identified separately. DCA uses this information to establish benchmarks for subsequent examinations and to plan for resource levels needed to complete its workload. If the Page A Report is generated and examiners either have not entered their time charges into SHARP or have entered them incorrectly, the Page A Report will not accurately reflect resources devoted to the examination.

Through interviews with DCA management in Washington, we also identified that examiners-in-charge, field office supervisors, and regional managers are not required to review or approve examiner time charges on a regular basis. We were told that examiners-in-charge are conscious of hours charged to their examinations (as the hours appear on the Page A Report) and that they would be alert to any major discrepancies that occurred.

Review of the Page A Report alone does not provide assurance that all the hours entered in SHARP are accurate, because the Page A Report captures data associated with examination activities only. It does not identify hours for non-examination activities, such as annual leave and training.

PREVENTION OF DATA ALTERATION

During our review we found that SHARP users are able to change their hours in the SHARP database. The ability to alter time charges raises concerns over the reliability of data in management reports.

If changes are made to the SHARP data, the SHARP system does not retain the previous date(s) when hours were entered into the system; it also does not track the sources of subsequent data changes. Consequently, if changes are made several times, there is no audit trail to determine when the previous changes were made. The SHARP system does include a date when data is entered, but the date changes each time an employee corrects a data record. Consequently, the date retained in the system is the last date when an employee updated the record.

We reviewed a sample of time charge records for employees in several DCA regional offices for May 1999 and September 1999. The SHARP report showed that 77 employees entered the system from August through December 1999 and accessed their May and September 1999 time charges 3 to 7 months after the pay period end. The 77 employees include 44 employees in the Chicago region, 21 employees in the Dallas region, and 12 employees in the New York region. The system does not track whether the time charges for the 77 employees had been altered or not. However, we believe it should be rare for time charges to be accessed 3 to 7 months after the pay period end.

PERFORMANCE OF REGIONAL OFFICE REVIEWS

During the course of our fieldwork and meetings with DCA, we noted that DCA does not perform regional office reviews of the SHARP data. We believe that these reviews would be useful to DCA and its mission.

We were informed by DCA recently that it has implemented policies and procedures to perform reviews of the SHARP data on the regional offices on a quarterly basis. The first quarterly review was performed in late January 2000 for the fourth quarter of 1999. We reviewed the reports used by DCA to perform the review and believe that DCA should continue with these reviews on a regular basis.

CONCLUSION AND RECOMMENDATIONS

We believe that DCA needs to strengthen its controls to provide a higher level of reliability for the SHARP data. We believe that improved controls would not require extensive DCA resources, and that those controls would enhance the reliability of management reports. Because SHARP is relied upon to track DCA workload and to help plan for future resource use, we believe DCA should take action to address the control weaknesses we identified.

Accordingly, to increase the reliability of management reports generated by the SHARP system, we recommend that the Director, DCA:

- (1) Instruct examiners to complete their time charges on a daily basis, or as frequently as possible, as required by the SHARP User Manual;
- (2) Require examiners-in-charge and/or field office supervisors to review time charges on a regular basis for accuracy;
- (3) Pursue with DIRM the possibility of changing the SHARP system to lock in time charges after a certain period of time, or some other method of limiting the ability to change data;
- (4) Pursue with DIRM the possibility of retaining the original date that data is entered into SHARP in addition to the currently maintained date of last entry or access; and
- (5) Continue quarterly reviews of SHARP data in the regional offices.

CORPORATION COMMENTS AND OIG EVALUATION

On April 12, 2000, the Director, DCA, provided a written response to the draft report. The response is presented in Appendix I of this report.

Management agreed with all of the recommendations. Corrective actions will be implemented by the end of the second quarter of 2000 for recommendation 1 and by the end of the third quarter of 2000 for recommendations 2 and 3. With regards to recommendation 4, DCA has already contacted DIRM to discuss financially viable options to retain the original date as well as retaining the most recent date data is entered in SHARP. DCA management stated that "a feasibility and cost analysis was performed that indicated a major revision to the application would be needed to address this issue and that it would be prohibitively expensive to make this change. A decision was made that it would be too

expensive to pursue adding an electronic audit trail of this nature.” However, DOS stated in its management response letter that DIRM would continue to look at alternative methods of either capturing and retaining the original data or other methods of better tracking user changes. Since the SHARP system is a shared system between DCA and DOS, any changes made by DOS will also affect DCA. Therefore, we accept DCA’s response to recommendation 4. In reference to recommendation 5, DCA recently implemented policies and procedures to perform reviews of the SHARP data on the regional offices on a quarterly basis. The first quarterly review was performed in late January 2000 for the fourth quarter of 1999.

The Corporation’s response provided us with the requisite elements of a management decision for all recommendations. The Director, DCA, agreed to take action on our recommendations. We concur with and accept management’s response to the recommendations.



April 12, 2000

TO: David H. Lowenstein, Assistant Inspector General
OIG Office of Audits

for 

FROM: Stephen M. Cross, Director
Division of Compliance and Consumer Affairs

SUBJECT: Response to Draft Report Entitled Review of DCA Controls over the SHARP System

Thank you for the opportunity to comment on your draft report *Review of DCA Controls over the SHARP System*. As requested in your memorandum dated March 20, 2000, we are presenting our response to the OIG's Office of Audits recommendations contained in the aforementioned report both in hard copy and electronic format.

Recommendation 1 - Instruct examiners to complete their time charges on a daily basis, or as frequently as possible, as required by the SHARP User Manual.

DCA believes it is unnecessary for examiners to enter their hours information into SHARP on a daily basis. The examiners travel frequently and it is often not convenient for them to enter SHARP data daily. While the more frequent the data entry, the less likely it is that activities will be forgotten or coded incorrectly, daily entry is often not feasible. Therefore, DCA is in the process of changing the SHARP User Manual to instruct staff to enter hours as often as possible, but not less than every two weeks. The changes to the User Manual are currently undergoing the approval process. Once approved, the electronic version of the Manual will be updated on the SHARP Intranet Web page. We expect this process to be finished by the end of the second quarter, 2000. DCA will notify SHARP users, as well as the OIG, once the electronic Manual is updated.

Recommendation 2 - Require examiners-in-charge and/or field office supervisors to review time charges on a regular basis for accuracy.

We agree with the OIG that the data entered into SHARP need to be reviewed for accuracy. As part of the SHARP User Manual update, statements have been added that instruct examiners-in-charge to review hours data on the Page A Workpaper for reasonableness. As stated above, DCA will notify the OIG when the electronic Manual is updated.

In the next SHARP guidance memo DCA develops, a statement will be included that expresses the necessity and importance for data integrity purposes that time charges are reviewed by the Field Office Supervisor for accuracy. Regional Directors can use the quarterly exception reports to determine if their Field Office Supervisors are indeed performing accuracy checks. The Field Office Supervisors will be given the latitude to develop their own method of performing data accuracy checks. DCA will include the OIG on the distribution list of the next guidance memo, which is expected to be developed

and distributed in the third quarter, 2000.

Recommendation 3 - Pursue with DIRM the possibility of changing the SHARP system to lock in time charges after a certain period of time, or some other method of limiting the ability to change data.

The OIG draft report states that a large number of records sampled showed examiners had accessed their time charges that were three or more months old. However, DCA doesn't believe that examiners' altering their time charges is necessarily a negative occurrence. On November 22, 1999 DCA issued its first quarterly exception report that identified examiner time charges requiring management review. Regional Office Directors were instructed to review the hours, and where necessary, have corrections made by examiners. On December 30, 1999 DCA issued a memo to provide further guidance and clarification on SHARP activity code descriptions. As a result of these two memorandums, DCA anticipated that examiner staff would review their hours charged throughout 1999 and make corrections where necessary so that hours data could be reported accurately.

The SHARP system does not currently have an audit trail system that tracks changes made to the data. DCA and DOS met with DIRM to discuss financially viable options for locking in data and limiting the ability to change data. The software will be revised to limit the length of time that a user can go back to and make changes or entries. Users will now be allowed to make entries and changes for the 180 day period preceding the current date. This timeframe will allow review of uploaded data by audit and management groups, who can then request that users make necessary corrections. Any changes to earlier dates will have to go through the SHARP Administrator and be documented. If a user attempts to upload a change to an earlier date, a warning message will be provided and the data captured in an exception report. This exception report can then be provided to the SHARP Administrator, with explanation, for processing.

DCA will notify SHARP users, as well as the OIG, via memorandum once the limitation on the SHARP system is in place. DIRM anticipates that this change can be made to the application by the end of the third quarter, 2000.

Recommendation 4 - Pursue with DIRM the possibility of retaining the original date that data are entered into SHARP in addition to the currently maintained date of last entry or access.

DCA and DOS met with DIRM to discuss financially viable options to retain the original date data are entered as well as the most recent date data are entered into SHARP. Therefore, a feasibility and cost analysis was performed that indicated a major revision to the application would be needed to address this issue and that it would be prohibitively expensive to make this change. A decision was made that it would be too expensive to pursue adding an electronic audit trail of this nature. We don't believe that a serious problem exists since examiners appear to be making changes to correct mistakes, and not to manipulate their data. Therefore spending the money on such an enhancement would not be cost effective. If the OIG believes a serious problem exists that needs to be corrected, we will certainly consider any cost effective alternatives the OIG may suggest to track data changes made in the system.

* In the response to the "Altering Time Charges" section of the Draft Report, the OIG makes two statements that need to be clarified. The first statement is "Consequently, when changes are made,

there is no audit trail to determine when the changes are made or by whom.” The SHARP system does retain the date when the changes are made; however, it does not currently retain the date when the original entry was made. The system does not reflect who made the change because data entries are only made by the actual user. The only exception is those limited cases where the SHARP Administrator may need to make corrections and these changes are and will continue to be documented.

- * The second statement that needs to be clarified is “The SHARP system does include a date when data is entered, but the date changes each time an employee accesses a data record.” The entry date only changes if the user either makes a change to the data or accesses one of the “drop-down” selection boxes (since the system cannot easily tell if a different selection was made from the box.) The date does not change if the user simply views the data.

Recommendation 5 - Continue quarterly reviews of SHARP data in the regional offices.

DCA will continue to produce and distribute the quarterly exception reports developed in late 1999. Regional Office management and Field Office Supervisors will review the reports, and where necessary, have data corrected.

If you have any questions, please contact Melissa D'Onofrio, Associate Director for Operations, at 202-942-3223.

*** The final audit report has been revised to clearly reflect the current SHARP system controls.**

MANAGEMENT RESPONSES TO RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires the OIG to report the status of management decisions on its recommendations in its semiannual reports to the Congress. To consider FDIC’s responses as management decisions in accordance with the act and related guidance, several conditions are necessary. First, the response must describe for each recommendation

- the specific corrective actions already taken, if applicable;
- corrective actions to be taken together with the expected completion dates for their implementation; and
- documentation that will confirm completion of corrective actions.

If any recommendation identifies specific monetary benefits, FDIC management must state the amount agreed or disagreed with and the reasons for any disagreement. In the case of questioned costs, the amount FDIC plans to disallow must be included in management’s response. If management does not agree that a recommendation should be implemented, it must describe why the recommendation is not considered valid. Second, the OIG must determine that management’s descriptions of (1) the course of action already taken or proposed and (2) the documentation confirming completion of corrective actions are responsive to its recommendations.

This table presents the management responses that have been made on recommendations in our report and the status of management decisions. The information for management decisions is based on management’s written response to our report.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
1	DCA is in the process of changing the SHARP User Manual to instruct staff to enter hours as often as possible, but not less than every two weeks.	Quarter 2, 2000	SHARP User Manual SHARP Intranet Web Page	Not Quantifiable	Yes
2	DCA has updated the Sharp User Manual with instructions to examiners-in-charge to review hours on the Page A Workpaper for reasonableness. In the next SHARP guidance memo, a statement will be included that expresses the necessity and importance that time charges are reviewed by the Field Office Supervisor for accuracy.	Quarter 3, 2000	Copy of guidance memo provided to all staff	Not Quantifiable	Yes
3	DIRM will revise software to limit the length of time that a user can go back to make changes or entries.	Quarter 3, 2000	Copy of SHARP limitation memo to all staff	Not Quantifiable	Yes
4	DCA and DOS met with DIRM to discuss financially viable options to retain the original entry dates and determined that it would be too expensive to pursue adding an electronic audit trail.	N/A	Management’s response to the draft report dated 4/12/00	Not Quantifiable	Yes
5	DCA will continue to produce and distribute the quarterly exception reports developed in late 1999.	N/A	Management’s response to the draft report dated 4/12/00	Not Quantifiable	Yes