

MIS REVIEW WORKPROGRAM

CHAPTER 11WP

(FILE NAME ON DISK #3 = IS-WP#06.WPD)

COMMENTS

This section is intended to evaluate the timeliness, accuracy, consistency, completeness, and relevance of, MIS from the management and user department perspective. The complexity of this MIS review depends upon the extent to which management relies upon MIS. The examiner should document any findings, especially those which do not satisfy the recommendations outlined in the *1996 FFIEC IS Examination Handbook*.

Tier I

SCOPING

1. Review previous MIS review-related examination findings. Review management's response to those findings and:
 - a. Discuss with examiners their perception of both the usefulness and applicability of the five MIS elements applicable to MIS systems that have been reviewed or are pending review.
 - b. Request copies of any reports that discuss either MIS deficiencies or strengths from the Subject Matter Expert (SME) examiners.
 - c. Determine the significance of deficiencies and set priorities for follow-up investigations.
2. Request and review copies of recent reports prepared by internal or external auditors of targeted MIS area(s) and determine:
 - a. The significance of MIS problems disclosed.
 - b. Recommendations provided for resolving MIS deficiencies.
 - c. Management's responses and whether corrective actions have been initiated and/or completed.
 - d. Audit follow-up activities.
3. Review MIS-related policies, practices, and processes. Pay special attention to any changes since the previous review.
4. Review reports for the MIS target area(s). Determine any material changes involving the

usefulness of information and the five MIS elements of:

- a. Timeliness.
- b. Accuracy.
- c. Consistency.
- d. Completeness.
- e. Relevance.

5. Together with the EIC, identify each of the functional or product-related areas to be reviewed at this examination. Once the scope of the MIS review has been determined:

- a. Provide copies of the MIS objectives and examination procedures to the SME examiner(s). Highlight those areas of MIS review that must be addressed during the review.
- b. The MIS review examiner will aggregate these observations, conclusions, and recommendations for each of the functional areas addressed and incorporate them (as appropriate) into the final MIS review conclusions.
- c. If there are issues, observations, conclusions or recommendations related to operational or technology aspects of the institution's MIS, the safety and soundness examiner should coordinate these with an experienced IS examiner.

MIS POLICY AND PRACTICE

6. Review minutes of the board of directors or committee(s) representing the MIS target area(s) for a relevant time period and:

- a. Determine any areas where the packet of information does not seem to meet the five required elements of MIS.
- b. Identify MIS issues for follow up.

7. Select and review samples of ongoing executive reports for the targeted MIS area(s). Determine whether:

- a. The source of the information collected originates from the expected business area.

- b. Users of the information are the appropriate employees or managers within that area of activity.
 - c. The reports are distributed ultimately to the appropriate users.
 - d. The flow of these MIS information/reports is consistent with the responsibilities reflected on the area's official organization chart.
8. Determine the degree to which management and the staff in an area under review use MIS adequately and can support that its use is appropriate and effective. Perform the following steps:
- a. Discussing the five MIS elements with a senior manager(s) of the respective business unit.
 - b. Repeating this step with an employee of the business unit who has experience with the MIS system. (Note: This task is designed to determine if significant differences about the adequacy of the MIS exist among management and/or staff.)
 - c. Based on management's self assessment of the useability of its MIS, identifying any planned activities to enhance, modify, or expand these systems.
9. Determine if authorized processes are followed as data is acquired, merged, manipulated, and up-loaded from subsystems.
10. Determine whether established procedures are sufficient to ensure the proper testing of system developments, enhancements, or parameter changes.
11. Review whether final versions MIS software enhancements or parameter changes are installed in a controlled environment that promotes integrity of information.

USER TRAINING AND INSTRUCTIONS

12. Select a system and request copies of relevant user instructions. Determine whether the guidelines are meaningful, easy to understand, and current.

COMMUNICATION

13. Review the lines of communication within the institution and determine the effectiveness of MIS in the following areas:
 - a. Communication paths linking executives, appropriate users, and information systems employees.
 - b. The flow of communication throughout the organization.

MERGERS AND ACQUISITIONS

14. Determine if the organization has had recent merger and/or acquisition activity. If it has, determine how management at the senior and departmental levels ensure that the resulting MIS supports and includes the five MIS elements mentioned previously. If mergers and acquisitions are frequent, determine whether:
 - a. Appropriate policies or practices and procedures have been developed to support such activity from an integrated MIS perspective.
 - b. The consolidation of MIS systems in a merger still meets the requirements of a quality MIS system.

AUDIT

15. Has the MIS target area(s) been internally or externally audited in the past two years?
 - a. If it has, review the scope of the audit, the findings and management's response(s) to that report.
 - b. If it hasn't, coordinate with the MIS EIC in interviewing audit management to determine what their plans regarding an audit review of the MIS system are.

CONCLUSIONS

16. Review the results of work performed in this section and in sections for Examination Planning, Internal/External Auditing, and Management (Chapters 3, 8, and 9). If the results reflect significant control deficiencies, or you are unable to reach a conclusion, perform additional procedures, as necessary, in other relevant sections. Workpapers should reflect the examiner's reasons for the performance or exclusion of Tier II procedures.
17. Discuss with management:
 - a. Violations of law, rulings, regulations or significant internal control deficiencies.
 - b. Recommended corrective action for deficiencies cited.
 - c. Management's proposed actions for correcting deficiencies.
18. Assign rating (see Chapter 5 for additional information).
19. Prepare an index of workpapers for this section of the workprogram.
20. Prepare a separate summary findings worksheet for this section of the workprogram. The summary should include a discussion of IS control strengths, weaknesses, deficiencies, or other problem and/or high risk areas. Also include, important facts, findings, examiner conclusions, and, if applicable, recommendations. Present conclusions about the overall condition of IS activities in this workprogram area. In addition, provide any additional information that will facilitate or enhance future examinations
21. Prepare draft report comments for reportable findings and/or matters to be included in the administrative section of the ROE.

Examiner | **Date**
_____ | _____

Reviewer's Initials

Tier II

MIS POLICY OR PRACTICE

1. Does management's MIS policies and/or practices address the following areas?
 - a. The definition, purpose, and fundamental components of MIS?
 - b. How to achieve effective two-way communication between management and employees and specific avenues to maintain such communication?
 - c. Procedures for acquiring, merging, manipulating, and unloading data to other systems?
 - d. Guidance for delineating the need for internal/external audit coverage and testing?
2. Is the policy or practice reviewed and updated regularly?
3. Is the policy or practice distributed to appropriate employees?
4. Does the policy or practice regarding MIS development incorporate or require:
 - a. Processes for initiating, developing, and completing MIS enhancements?
 - b. User approval for each development phase?
 - c. Installation of MIS enhancements in a controlled change environment?
 - d. Employees to follow policy or practice and processes as data is acquired, merged, manipulated, and up-loaded to other systems?
 - e. Employees to be sufficiently trained for new systems and subsequent enhancements?
5. Obtain from the user manuals or the appropriate manager a workflow showing data from the point-

of-entry, through user processes, to the final product. This task is designed to review how information is identified, gathered, merged, manipulated, and presented and: (Depending on the organization's sophistication and system size, examiners may have to develop this workflow themselves.)

- a. Discuss the area's MIS process with a representative sample of users and determine if they know where the data is coming from, where it is going, and how it gets there. A complete understanding would suggest the interviewees both use and understand the MIS system(s) supporting them.
- b. Identify and note the points where adjustments to data occur.
- c. Identify the department staff responsible for MIS-related input data and reports; i.e., obtain a list of users, ad hoc software report writers, and the programmers involved. Compare this information with the material acquired in the immediately preceding item.
- d. Determine if preparation and reconciliation processes are sufficient to reasonably ensure integrity of information.
- e. Determine if data adjustments are documented adequately.
- f. Determine the effectiveness of ad hoc report writing capabilities by reviewing the software vendor's user manual for data presentations.
- g. Through observation and interview, determine useability, commonality, simplicity, and effectiveness of MIS reports supporting the decision making process for that area of activity.

MIS DEVELOPMENT

6. Does the internal planning process consider and incorporate the importance of MIS at both the strategic and tactical level and:
 - a. Are longer-term strategic goals (beyond two years) supported by the development of appropriate MIS?

- b. Are shorter term tactical goals over the immediate 1 or 2 year period regularly and appropriately reviewed and monitored by management?
- 7. Do project objectives address reported MIS weaknesses and meet business unit requirements?
- 8. Does management have a process for monitoring project schedules?
- 9. Does management use a project management technique to monitor MIS development schedules?
- 10. Does the organization use a consistent and standardized approach or a structured methodology for developing MIS projects?
- 11. Does the methodology encompass the:
 - a. Analysis of the concept, organization of tasks, completions of phases and approvals?
 - b. Development of the program and contracting for equipment and software?
 - c. Development of user manuals and testing of the system?
 - d. Post-review of the system and future maintenance of it?

USER TRAINING AND INSTRUCTIONS

- 12. Determine whether user manuals provide adequate guidelines in the following areas:
 - a. Complete description of the system.
 - b. Input instructions, including collection points and times to send updated information.
 - c. Balancing/reconciliation instructions.
 - d. Full listing of output reports, including sample formats.
- 13. Determine the adequacy of MIS training, including whether:

- a. Training needs are properly identified and prioritized.
 - b. Training is organized in a formal classroom setting, is on-the-job, or is a combination of both approaches.
 - c. Training manuals or other material besides the user manual exist.
 - d. The training material adequately covers relevant and current issues.
 - e. Training material is distributed to the appropriate employees.
14. Proceed to procedure 16, Tier I.

Examiner | Date

Reviewer's Initials