Modern Examination and Risk Identification Tool (MERIT) Update

September 17, 2020
**Enterprise Solution Modernization Overview**

Program Established: November 2015  
NCUA Business Innovation Staff Approved: March 2016

**Purpose:** Modernize NCUA's technology solutions to create an integrated examination and data environment and facilitate a safe and sound credit union system.

The Enterprise Solution Modernization (ESM) Program is a multi-year effort established to manage the modernization effort and includes three key projects.

- **Examination & Supervision Solution (ESS)**  
  Replace the existing legacy examination system and related supporting systems

- **Data Collection & Sharing (DCS)**  
  Define capabilities required for a common platform to securely collect and share financial and non-financial data

- **Enterprise Data Reporting Solution (DRS)**  
  Implement business intelligence tools and establish a data framework to enhance analytics and provide more robust data reporting
### ESS Program Scope: Replace the existing legacy examination system and related supporting systems

- **Examination and Supervision Solution & Infrastructure Hosting (ESS&IH):** Project focused on replacing the Automated Integrated Regulatory Examination System (AIRES), establishing a secure portal to access NCUA applications, and creating the technical foundation for all future projects.

### ESS&IH Goal:

- Implement a secure, flexible, scalable, and user-friendly solution to support the examination and supervision process ultimately providing a 360-degree, data-driven, risk-focused review of credit unions.

### NCUA Strategic Goal Alignment:

- **NCUA Goal 1.2:** Provide high-quality and efficient supervision
- **NCUA Goal 3.2:** Deliver an efficient organizational design supported by improved business processes and innovation

### Objectives:

- **Process Efficiency and Scalability**
- **Process Flexibility and Adaptability**
- **Improved Analytics**
- **Robust and Flexible Data Collection**
- **Risk-based Examination Approach**
- **Modernize IT Infrastructure**
## Project Overview

<table>
<thead>
<tr>
<th>Modern Examination &amp; Risk Identification Tool (MERIT)</th>
<th>Analytics</th>
<th>Data Exchange Application (DEXA)</th>
<th>Admin Portal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tool to manage the examination process, including secure document transfer within the context of an exam (i.e., AIRES replacement)</td>
<td>Integrate business intelligence technology and provide enhanced Call Report and Loan and Share data analytics to support the exam process</td>
<td>Enable NCUA employees, credit union employees, and examiners to upload loan and share information for further analysis.</td>
<td>Delegate authority to credit unions and State Supervisory Authorities to add and manage users for their organization</td>
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**NCUA Connect:** Common platform for access to mission-essential applications

**Infrastructure Hosting:** Secure, cloud-based Infrastructure as a Service (IaaS) for future solutions compliant with government & industry security standards
MERIT and Associated Systems are Secure

**Technical Controls**
- Multi-layer encryption of information in transit between users and applications and at rest; penetration testing; continuous and proactive threat assessments, auditing and monitoring

**Physical Controls**
- Rules of behavior, physical and personnel security, configuration and development security; assessment and authorization of information systems; and annual general and role-based security training for employees and contractors.

**Incident Response**
- Security Operations Center, staffed with a team of subject matter experts, to monitor the NCUA network and to execute appropriate responses

**Oversight**
- Subject to federal statutes (Federal Information Security Modernization Act of 2014, the E-Government Act of 2002, the Privacy Act of 1974 and various OMB policies and guidance concerning federal information management); OIG independent audits and investigations
## Project Deliverables and Timeline

### Market Research, Contract Award, & Development
- **2016 - 2019**
  - Release 1: Pilot

### 2020
- **Release 2 Development**
  - Release 1: Pilot

### 2021
- **Release to all NCUA, SSA, & Credit Union Users**

### MERIT
<table>
<thead>
<tr>
<th>Release 1:</th>
<th>Release 2:</th>
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<tbody>
<tr>
<td>Configured for exams with largest credit unions; Integrated document request functionality</td>
<td>Configured for exams in all credit unions; Enhancements and system improvements</td>
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### Analytics
<table>
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<tr>
<th>Release 1:</th>
<th>Release 2:</th>
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<tr>
<td>Integrated financial analytics for NCUA and SSA users</td>
<td>Updated financial analytics; Integrated loan and share analytics for NCUA and SSA users</td>
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### DEXA
<table>
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<tr>
<th>Release 1:</th>
<th>Release 2:</th>
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<tbody>
<tr>
<td>Application development completed</td>
<td>Application development completed and deployed for credit union and SSA users</td>
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### Admin Portal
<table>
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<th>Release 2:</th>
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<tr>
<td>Application development completed and deployed for credit union and SSA users</td>
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### NCUA Connect
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<th>Release 1:</th>
<th>Release 2:</th>
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<tr>
<td>Application configuration completed &amp; deployed for accessing MERIT</td>
<td>Added DEXA to portal and other applications for NCUA</td>
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### Infrastructure Hosting
**Infrastructure Hosting:** Secure, cloud-based Infrastructure as a Service (IaaS) for future solutions compliant with government & industry security standards
Benefits to Credit Unions

Secure file transfer within the context of an examination
System reports with links to documents submitted to examiners

1. Credit Risk - Indirect 1 - Monitoring/reporting occurring since the last examination.

Did you attach any files that contain PII? *

*L* 

If these documents are only available onsite due to sensitivity of information, please indicate availability in the comment box and select "I/IA." If the file name contains special characters like ()/!'":<=> or more than one period, the file will not upload.

Next Section: Credit Risk - Indirect 2 - Dealer and/or third party contracts and due diligence.
Benefits to Credit Unions

Secure access to completed examination reports
Email notifications when an exam report is available in MERIT

From this tab, you can access draft exam reports and related issues. You can also download historical MERIT exam reports. Please refer to the exam cover letter for exams. MERIT to exams and issues does not initiate a formal appeal. Further, lack of response from the NCUA (or SSA, as applicable) in MERIT does not indicate approval.

Completed Exams

<table>
<thead>
<tr>
<th>Exam Title</th>
<th>Organization</th>
<th>EIC</th>
<th>Effective Date</th>
<th>NCUA Exam Report</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NCUA</td>
<td></td>
<td>07/31/2020</td>
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Click to download the exam report
Benefits to Credit Unions

Provide updates and request due date changes on examination findings

Integrated reports with status on current and past examinations
The modernized solutions provide value and create a positive impact for both NCUA staff and stakeholders.

1. Emerging Technology
2. Secure Data Exchange
3. Reliable Data
4. Central User Interface
5. Centralized and 360° View
6. Enhanced Analytics
7. Earlier Risk Identification
Next Steps

2021 Communication

• Letter to Credit Unions
• NCUA.gov website updates
• System training updates

System Access

• Phased Access - access granted prior to first exam after broad rollout
• User Guides and training materials provided
Office Contact Information

Contact the NCUA’s Office of Business Innovation with questions or comments.

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