

NATIONAL CREDIT UNION ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL

**SAP**  
**Security and Control**  
**Review**

Report #OIG-01-01

March 15, 2001



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Frank Thomas  
Inspector General

Released by:  
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Assistant Inspector General for Audits

Auditor in Charge:  
Tammy F. Rapp  
Senior IT Auditor

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William A. DeSarno

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Tammy F. Rapp, CPA

## EXECUTIVE SUMMARY

We performed a review of the National Credit Union Administration's (NCUA) financial system, SAP R/3 (SAP). SAP is used by NCUA to primarily perform online payment and accounting of agency financial transactions. The purpose of our review was to assess controls and recommend corrections for any deficiencies. We contracted with KPMG LLP to provide technical assistance. Our review was performed from June through September 2000, and our observations were presented during an exit briefing at the conclusion of fieldwork. We applaud NCUA for their sincere efforts and the many positive steps they have taken to address the weaknesses identified during this review.

Our specific objectives were to determine whether the controls were adequate to reduce the risks to an acceptable level for SAP's Basis and the Financial Accounting, Controlling, and Purchasing modules. In addition, we identified the current functionality of the Human Resources module and performed an overall high-level risk assessment.

Our review identified several internal control weaknesses in the SAP security configuration. Because SAP is utilized to process financial accounting information including Purchasing, Accounts Payable, Accounts Receivable, General Ledger and Human Resources, security breaches in this area could lead to unauthorized, undetected access to confidential financial and employee data. The most significant findings were:

- Duties within the purchasing process have not been adequately segregated. As a result, personnel could possibly gain control of the entire purchasing cycle, resulting in errors, irregularities or fraud.
- A large number of users have been granted inappropriate authorities in the Financial Accounting and Controlling modules.

We believe the National Credit Union Administration (NCUA) should take immediate action to conduct a thorough review of user access in order to ensure that user access is appropriately restricted and that incompatible duties are segregated. If, due to organizational structure and business need, duties cannot be segregated, management should implement compensating controls such as periodic review of management reports.

These issues and the associated recommendations are discussed in detail in the attached report. Issues and recommendations included in this report have been assigned a risk rating of High, Medium, or Low. These risk ratings are based upon established professional control guidelines and KPMG's in-depth experience in evaluating controls in SAP and other business software applications.

NCUA's consolidated response to the 42 recommendations has been extremely positive. NCUA has either implemented or agreed to implement all but one of the report's original 43 recommendations. The OIG agreed with NCUA's comment on this one low risk issue and has retracted this recommendation from the final report. NCUA partially agreed with our

recommendation concerning segregation of duties because NCUA is a small agency with only a few individuals capable of performing certain duties within any given office. We understand NCUA's concern and believe that compensating controls can be established to balance the risk.

Please note the content of this report is restricted to official use only in order to protect the sensitive nature of the specific control weaknesses identified.