

NATIONAL CREDIT UNION ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL

NCUA'S USE OF THE  
DELPHI FINANCIAL MANAGEMENT SYSTEM  
VERSUS  
THE SAP R/3 ENTERPRISE RESOURCE  
PLANNING SYSTEM

Report # OIG-12-12

October 11, 2012



Handwritten signature of William A. DeSarno in black ink.

**William A. DeSarno**  
*Inspector General*

**Released by:**

Handwritten signature of James Hagen in black ink.

**James Hagen**  
*Deputy Inspector General*

**Auditor-in-Charge:**

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**W. Marvin Stith, CISA**  
*Senior IT Auditor*

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## Executive Summary

We conducted an audit to determine why NCUA has not fully implemented the Delphi Financial Management System (Delphi) and continues to use the SAP R/3 Enterprise Resource Planning (SAP).

To accomplish this audit, we conducted fieldwork at NCUA's headquarters in Alexandria, Virginia. We reviewed Office of Management and Budget Memoranda pertaining to Financial Management Lines of Business, Financial Management Systems (FMS), and FMS Shared Service Providers. We interviewed staff from the NCUA Office of the Chief Financial Officer and also reviewed NCUA and other documentation pertaining to: (1) SAP; (2) the Department of Transportation Enterprise Service Center and its Delphi FMS; and (3) NCUA's efforts in transitioning to Delphi.

We determined that NCUA: (1) has fully implemented Delphi, but (2) continues to use SAP along with Delphi because SAP fulfills other financial management functions and Human Resource functions.

Prior to implementing Delphi to replace SAP, NCUA officials knew that they would have to obtain travel functionality and Budget Formulation functionality provided via SAP through systems independent of Delphi.<sup>1</sup> We understand that once NCUA implements the replacement travel and Budget Formulation systems, the agency will continue to use SAP to interface with the Comprehensive Human Resources Integrated System (CHRIS) for human resource-related functions. Prior to implementing Delphi, NCUA indicated it was spending \$500,000 annually for SAP. NCUA recently indicated that it currently only spends approximately \$53,000 annually for SAP maintenance.

Based on NCUA's current and planned use of Delphi and SAP; and the significantly reduced resources necessary to concurrently maintain SAP, we did not make any recommendations. NCUA management responded that: (1) when Delphi went live in January 2010, it gave users a more functional management system than any other system NCUA has used; and (2) there will be additional enhancements to the agency's management systems that will eventually allow NCUA to eliminate SAP.

We appreciate the courtesies and cooperation NCUA management and staff provided to us during this review.

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<sup>1</sup> NCUA indicated that it plans to implement a travel system in 2013, followed by a Budget Formulation system.

## Background

In 2006, the Office of Management and Budget (OMB) directed all federal agencies that needed to upgrade or modernize their Financial Management Systems (FMS) to either:

- Transfer their core financial functions to a Shared Service Provider (SSP);
- Seek designation as an SSP; or
- Prove that they operate their in-house systems with less risk and at a lower cost than an SSP.

The four OMB-designated SSPs were the:

- Bureau of Public Debt's Administrative Resource Center;
- Department of Interior's National Business Center;
- Department of Transportation's Enterprise Service Center; and
- General Service Administration's External Services Division

OMB guidance also required all agencies to eventually adopt government-wide business and accounting practices. In 2008, OMB reiterated this requirement and indicated that the Financial Systems Integration Office (FSIO) began working with agencies to develop business standards (i.e., common government-wide accounting code, business processes, data, and business rules). Once the FSIO completed the business standards, each agency was to migrate to an SSP to establish and maintain a financial management system that complied with existing requirements and to follow the newly defined business standards.

In January 2009, OMB updated Circular A-127,<sup>2</sup> which - effective October 1, 2009 - required agencies:

- To adopt standard government business processes established by the FSIO as they upgrade to the next major release of their current core financial system or migrate to a different core financial system;
- When upgrading to the next major release of its current core financial system or modernizing to a different core financial system, use an external provider which

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<sup>2</sup> OMB Circular A-127 (Financial Management Systems, revised January 1, 2009) prescribes policies and standards for executive departments and agencies to follow when managing their financial management systems. The policies apply to the financial management systems of *all* agencies in the executive branch of the government, including any executive department, military department, independent agency, government corporation, government controlled corporation, or other establishment.

is either: (1) a Federal shared service provider that has been designated by OMB or (2) a commercial vendor<sup>3</sup>;

- To record financial events at the transaction level using the U.S. Government Standard General Ledger (SGL).

### **Objective, Scope and Methodology**

The objective of this audit was to determine why NCUA has not fully implemented the Delphi Financial Management System (Delphi) and continues to use the SAP R/3 Enterprise Resource Planning (SAP).

To accomplish this audit, we conducted fieldwork at NCUA's headquarters in Alexandria, Virginia. We reviewed Office of Management and Budget Memoranda pertaining to Financial Management Lines of Business, Financial Management Systems (FMS), and FMS Shared Service Providers. We interviewed staff from the NCUA Office of the Chief Financial Officer and also reviewed NCUA and other documentation pertaining to: (1) SAP; (2) the Department of Transportation Enterprise Service Center and its Delphi FMS; and (3) NCUA's efforts in transitioning to Delphi.

We conducted this review starting in January 2012 and from July 2012 through October 2012 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances.<sup>4</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We did not use any computer-processed data during the course of this audit.

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<sup>3</sup> The implemented system must also be maintained by the external provider.

<sup>4</sup> The OIG diverted the Delphi audit staff in February 2012 to complete an audit of NCUA's controls related to the Financial Stability Oversight Council as a member agency. This audit was sponsored by the Council of Inspector's General on Financial Oversight. The OIG completed that audit in June 2012.

## Results in Detail

We determined that NCUA: (1) has fully implemented Delphi, but (2) continues to use SAP along with Delphi because SAP fulfills other financial management functions and Human Resource functions.

The following table illustrates the prior and continuing functionality included in SAP - NCUA's former Financial Management System (FMS), and in its current FMS (Delphi):

Functionality	SAP (Prior to Delphi Implementation)	Current NCUA Environment	
		SAP	Delphi
➤ Accounts Payable	✓		✓
➤ Accounts Receivable	✓		✓
➤ Budget Execution	✓		✓
➤ Budget Formulation	✓	✓	
➤ Call Report Interface	✓		✓
➤ Central Liquidity Fund Enhancements	✓		✓
➤ Fixed Assets	✓		✓
➤ General Ledger	✓		✓
➤ Human Resources / CHRIS <sup>5</sup> Interface	✓	✓	
➤ Loans	✓		
➤ Payroll Interface	✓		✓
➤ Purchasing	✓		✓
➤ Reporting			✓
➤ Share Insurance Fund Enhancements	✓		✓
➤ Travel Interface (for audit purposes)	✓	✓	

**Table: Prior and continuing SAP functionality and current Delphi functionality.**

<sup>5</sup> NCUA has a minimal amount of human resources data in the financial system, which is updated via an interface from GSA's Comprehensive Human Resources Integrated System (CHRIS). CHRIS is the automated tool used by GSA Human Resource (HR) professionals and its client agencies to document employment history. The CHRIS e-Tool enables employees to access their personnel files online.

NCUA indicated SAP was implemented in 1997 and was at the end of its' useful life.<sup>6</sup> NCUA also indicated that - as of December 2009 - SAP would no longer be covered under the vendor's maintenance contract.<sup>7</sup>

In July 2006, NCUA chose to implement a new FMS to:

- Convert to a Standard General Ledger (SGL)-compliant chart of accounts<sup>8</sup>;
- Automate Federal reporting<sup>9</sup>;
- Migrate SAP custom applications to the new environment;and
- Make improvements on existing SAP functionality.

NCUA indicated the benefits of upgrading its FMS included:

- Budgetary accounting;
- Automated Treasury Reporting;
- Digitized Invoices (improving Accounts Payable);
- More focus on analysis and less on data entry;
- Web-based system Interface with the Payroll System; and
- Continuity of Operations Solution

In September 2008, NCUA's selection panel for the new FMS recommended that NCUA select the Department of Transportation Enterprise Service Center to implement and host its system (Delphi) for NCUA. In January 2010, NCUA implemented Delphi to replace SAP in managing its core financial processes. The Table above lists the functionality currently included in Delphi and continuing functionality provided by SAP.

Prior to selecting the new FMS, NCUA indicated that Delphi would not include certain functionality, including: travel voucher auditing; travel bonus tracking; robust travel reporting; and Budget Formulation. NCUA knew that it would have to obtain the travel functionality and Budget Formulation functionality through systems independent of its new FMS. As indicated in the Table above, SAP currently fulfills these functions for NCUA, as well as interfacing with the Comprehensive Human Resources Integrated

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<sup>6</sup> NCUA indicated SAP was a commercial-based accounted system using Generally Accepted Accounting Principles.

<sup>7</sup> Prior to implementing Delphi, NCUA indicated it was spending \$500,000 annually for SAP. Recently, NCUA indicated that it: (1) currently pays approximately \$53,000 annually for SAP maintenance; and (2) paid \$1.17 million for Delphi in 2011.

<sup>8</sup> SAP did not provide SGL at the transaction level. It only provided accounting under Generally Accepted Accounting Principles.

<sup>9</sup> SAP did not meet Federal financial reporting requirements.

System (CHRIS). NCUA indicated that it plans to implement a travel system in 2013, followed by a Budget Formulation system.

As we indicated previously, NCUA has fully implemented the Delphi FMS. We understand that once NCUA implements replacement travel and Budget Formulation systems, the agency will continue to use SAP to interface with the Comprehensive Human Resources Integrated System (CHRIS) for human resource-related functions.

**Management Response:**

NCUA management indicated that: (1) when Delphi went live in January 2010, it gave users a more functional management system than any other system NCUA has used; and (2) there will be additional enhancements to the agency's management systems that will eventually allow NCUA to eliminate SAP.



## Appendix A - NCUA Management Comments



————— National Credit Union Administration —————

**TO:** Inspector General William A. DeSarno  
**FROM:** Executive Director David M. Marquis *DM*  
**SUBJ:** Review of Delphi and SAP Use by NCUA  
**DATE:** October 9, 2012

I am responding to the Office of Inspector General's report titled, "*NCUA's Use of the Delphi Financial Management System Versus the SAP R/3 Enterprise Resource Planning System.*"

We noted there are no recommendations in the report, which is a positive statement regarding the hard work and dedication of staff in completing this major transformation in financial management systems.

Delphi did successfully go live in January 2010. When it went live, users were presented with a financial management system that was more functional than any other system we have used. As we go forward, there will be additional enhancements to our management systems that will eventually allow us to eliminate SAP.

We appreciate the professionalism of your staff. They communicated clearly, considered a large volume of data, and succinctly summarized the key points during the course of the audit. The back and forth vetting of important details ensured that the information was presented accurately in the report.

NCUA agrees with the content of the report.

cc: Deputy Executive Director Kutchey  
OCFO Director Woodson  
Director & Deputy Financial Officer McNeill

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