Decommissioning EUCs
Mitratech
White Paper

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DECOMMISSIONING EUCS: A BEST PRACTICE GUIDE

WHITEPAPER

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Executive Summary

End User Computing (EUC) applications have occupied an important, but unsung, role in the growth that financial services have enjoyed for many years. They have given front line staff the ability to deploy their own IT applications to solve their immediate business issues, in areas like risk management, portfolio management, modelling and management of the wider business. A growing awareness of their importance and value has led to regulators, auditors, and management to look more closely at how these EUCs are managed, used and monitored. Issues around improved non-financial risk management and enhanced operational resilience are driving the need to decommission many key EUCs and migrate their functionality to corporate IT systems. Regulators have not been shy of issuing significant fines to institutions who fail to meet their expectations in this area.

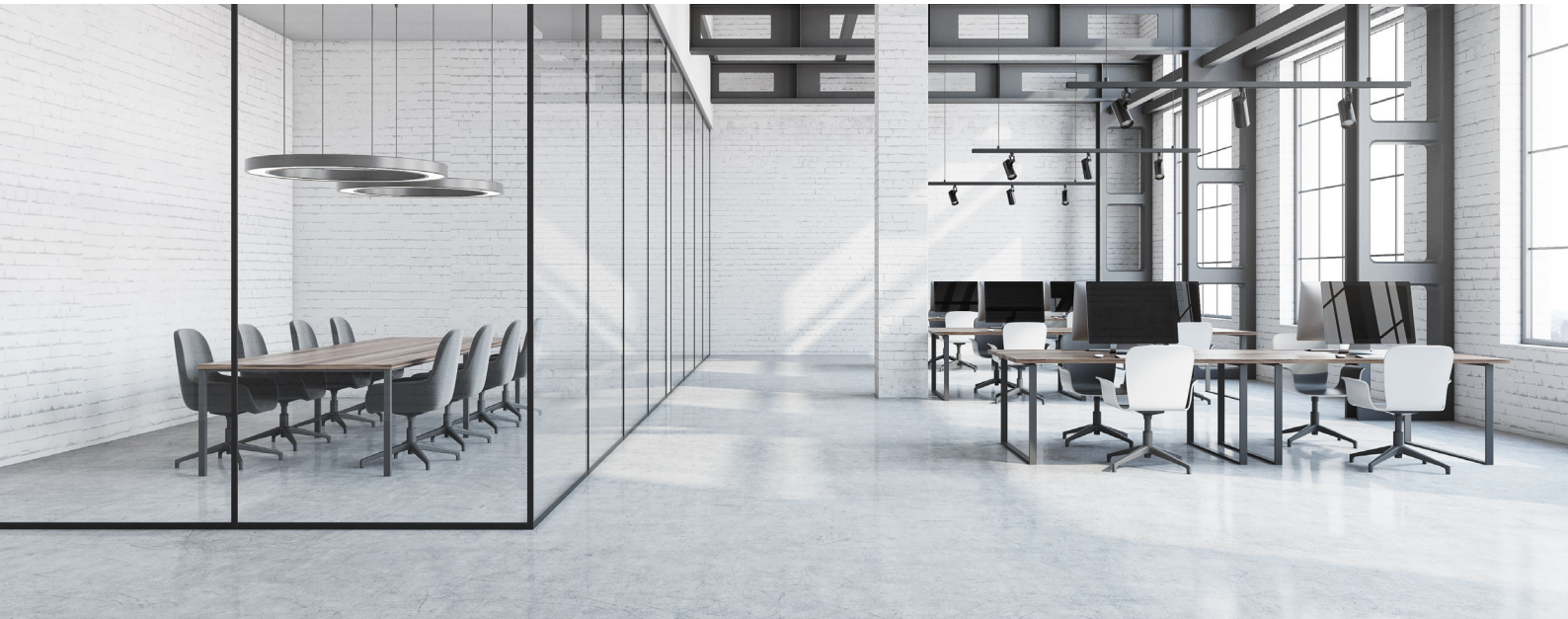
This whitepaper explores the issues surrounding the use and regulation of EUCs and provides a practical framework for identifying EUCs suitable for decommissioning, and the steps needed to accomplish this.

Background

Front line staff have always valued the power and flexibility of End User Computing (EUC) applications. EUCs – applications created and managed by users, rather than corporate IT functions –are predominantly spreadsheet-based, although they increasingly include development environments, data bases and powerful analytic tools too. They are easy to use, readily available and help to deliver business results quickly.

However, this flexibility comes at a price. Their lack of controls impairs the transparency and auditability in EUCs. This is fast attracting the scrutiny of regulators, as concerns around non-financial risks and operational resilience become increasingly paramount.

Firms are now expected to have a more systematic approach to managing EUCs, particularly their approach to decommissioning, where they present a material risk to the business.



EUC APPLICATION

EUCs have long featured in the business user's toolkit. In a fast-moving business environment, with targets to achieve and deadlines to meet, the long lead times for new applications, typically months and sometimes years, promised by IT may simply not be practical. Instead, people reach for tools readily available on their desktop, often the Excel Spreadsheet, either as a 'temporary workaround' or the 'quick fix' that somehow becomes part of the BAU process. Recent technology advances in cloud computing, development environments and databases mean that some staff can deliver their own business IT infrastructure simply with an annual SAAS subscription license and a credit card. While often operating under the management's radar, these applications can be non-trivial. Examples of some spreadsheet-based EUCs we have seen have featured over 1,000 worksheets. Others have contained in excess of 10 million data points, and there have been some where a single formula contained more than 30,000 characters.

At their core, these EUC applications lack the levels of security controls or change controls that feature in corporate IT applications. This compromises the transparency and auditability of EUC applications. When EUCs do not function as planned, whether caused by missing data, flawed calculations or unapproved changes for example, the scale of business impact can be incredibly significant, if they are part of a vital business process.

In the last 10 years, regulatory scrutiny has extended from ensuring the financial stability of the economy, and now includes the non-financial risks within institutions and their operational resilience. This means that EUCs are now attracting significant scrutiny. Excuses like 'it's only a spreadsheet' are no longer cutting it with auditors, management, and regulators.

Data protection issues, like the General Data Protection Regulation (GDPR), the California Consumer Protection Act (CCPA), and other similar data protection regimes, are also having an impact, forcing staff to reconsider how they manage their mission-critical EUCs.

EUCs AND REGULATION

Part of this enhanced scrutiny Is down to the changing nature of financial regulations. The first wave of current finance regulation focussed on capital adequacy, with Basel III and Solvency II. More recent 'process-focused' regulations have impacted EUCs significantly. While EUCs themselves are rarely specifically regulated, the processes they support often are. Familiar examples include SR 11 7 (in the US) and SS3/18 (in the UK), which dictate how analytical models, used in risk management, portfolio management and business management for example, are created, managed, and validated. These models can underpin trillions of dollars of investments, and EUCs are often at their core, in one way or another.

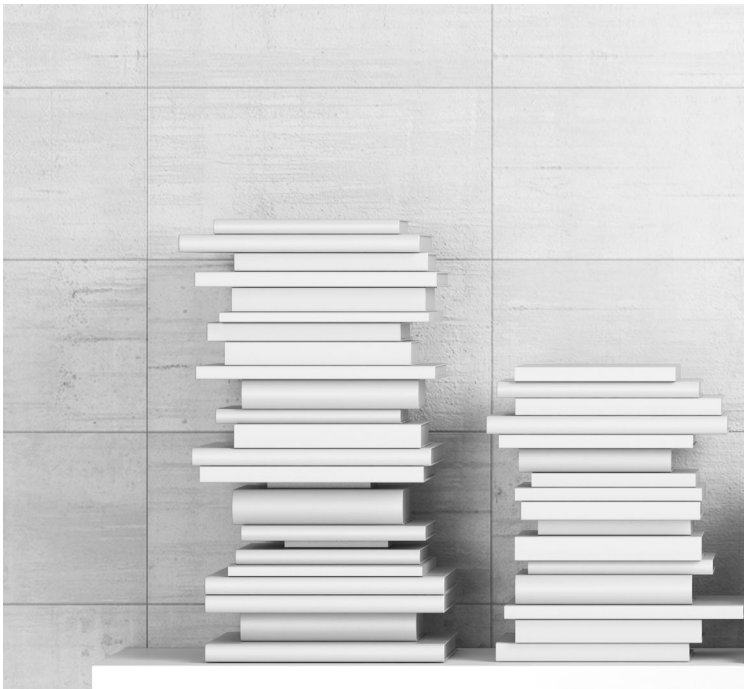
The wider issues of operational resilience and non-financial risks has become more significant to regulators too. In 2019, the Federal Reserve flagged non-financial risks as an area of focus, now that banks were well capitalized. In the UK, a set of regulations focused on Operational Resilience (SS1/21) are designed to enhance the robustness of core business processes, by identifying, mapping and addressing similar non-financial risks.

In the UK and US, regulators are exploring the systems and processes that underpin business units, and the decisions their management make. Their concern is that the myriad data sources, models, management systems, together with the technology infrastructure that underpin them, are not always transparently managed and controlled. This provides scope for risks to emerge undetected, whether caused by inaccurate or stale data, or by flawed results. These can lead to flawed management decisions, financial products that do not deliver as advertised, or wider systemic issues that can impact the wider 'real' economy.

None of this is idle speculation. The US Office of the Comptroller of the Currency (OCC) fined one institution $400m for poor risk management practices, bought about, in part by having inappropriate systems and processes in place, that created excessive non-financial risks.

It is in this context that regulators and auditors are assessing EUCs. Their expectations are that their use should decline over time, as key EUCs mature, to the point where their functionality can be migrated to a robust and secure corporate technology platform, and the EUC is formally decommissioned.

Regulators view the decommissioning of platforms, hardware, and customer data – and so also EUCs – as an important process, that is carefully managed to prevent business interruptions, security issues and data leaks. Again, evidence that they take this seriously was provided by the OCC fining another institution $60m over failures in their system decommissioning processes.



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Institutions are keen to find a way to 'square the circle' so that staff can benefit from using EUCs, while also satisfying regulators that decommissioning EUCs is part of normal BAU processes. Applying a combination of technology and analysis, firms can create a robust and transparent EUC decommissioning process that will satisfy the needs of regulators and end users.

How do firms best approach this?

1. Find the Key EUCs

Given their informal nature, typically there is no process needed to create an EUC and so no central EUC inventory. As a result, EUCs may be found on shared drives, C-drives, SharePoint servers, or even in the Cloud.

The first step is to find all the EUCs in the organization, as a prelude to triaging them. The goal ultimately is to prioritize the most significant applications from a risk and materiality perspective, and then placing them in a central inventory.

Spreadsheets – still the predominant EUC platform – can be identified automatically by searching the corporate IT estate. Given the potentially hundreds of thousands of spreadsheets in use in a firm, even when using technology, this can be time-consuming – think days, not hours. However, at the end of the search, an institution can have a sophisticated and informed view of its spreadsheet estate and its spreadsheet-based EUCs, likely for the first time.

The ideal solution allows spreadsheets to be identified by user defined criteria to provide precise and relevant filtering. It is important that a spreadsheet's relationship with other data sources – whether an external data source, internal databases, or other linked spreadsheets – can readily be identified. This provides color and texture of the spreadsheet estate and help start to identify the most significant spreadsheets and EUCs.

This process also allows staff to understand when spreadsheets/EUCs were created, and last used. Spreadsheets/EUCs used regularly and created some time ago (and so functionally mature), may be candidates for migration, especially if they are linked to other data sources. Newer, equally well used, spreadsheets may not be as mature and could potentially be candidates to be migrated in the future if they prove to be significant to the business.

For those EUCs that are not spreadsheets, these can still be found and analyzed using similar tool sets. Equally, an alternative to this automated discovery might be for users who have created these EUCs to use an attestation process, so they can check-in their EUCs into a central inventory and identify their use and importance to the business. Ultimately, they can provide the same information provided by the automated spreadsheet searches.

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2. Define the Key EUCs

This quantitative approach to searching for spreadsheet/ EUCs offers a solid insight into the broader environment, and which EUC applications have potential for decommissioning.

It also provides a framework to triage the EUCs, to assess, on qualitative basis, to assess whether an EUC should be migrated, whether it might be a candidate in the future, or whether it is out of scope for the time being.

Programs typically prioritize EUCs by assessing the criticality of the EUC and the business process it supports. Priority is normally given the EUCs that present:

- Financial Risks
- Regulatory Risks
- Reputational Risks
- Operational Risks

Aligning the risk profile and the usage profile allows teams to prioritize those EUCs that are well understood and "functionally" mature (i.e., not changing) and therefore good candidates to be prioritized for decommissioning.

This approach allows EUC owners, risk teams and compliance teams to create a defensible list of EUCs that meets the needs of the regulator, the end users themselves, and the business. Triaging also helps to identify and eliminate duplicate or un-used EUCs that can be decommissioned swiftly, with no impact to the business.

3. Migrating EUCs to the Corporate Environment

Decommissioning a technology asset is not merely a case of deleting a file or unplugging a server – it needs to be planned and carefully considered. The search and analysis phase already outlined will highlight the structure, functionality, use and ownership of the most mature EUCs. This can form the basis of the specifications for the corporate IT applications that will replace them. These specifications will also capture and embed the relevant corporate policies involving change control, approvals, access control, and other security measures that provide the transparency and auditability that is the core value of a corporate IT system.

Once the replacement for the EUC is fully specified, the next steps are to develop, test and approve the deployment of the new corporate applications, together with training and rollout. Once that is complete, the appropriate EUCs can be formally retired from use.

A key challenge is that IT resource is finite, and which creates issues of scaling up sufficiently skilled (and valuable) resource. This systematic approach to decommissioning EUCs allows institutions to schedule and sequence the process, as resources allow. This maintains business continuity, while also giving management and regulators visibility of the progress of the EUC decommissioning project.

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4. Maintaining Existing EUCs

Having a decommissioning process in place does not mean that EUCs will disappear, however much regulators and auditor might wish it. Some EUCs will continue in place as they wait their turn in the migration process. Other key EUCs will need to mature fully before being migrated. In parallel to this, new EUCs will be created every day, and used in ways which make them important to the business.

So, it is important to have a process that constantly captures this evolving EUC landscape, so that IT and the business can collaborate to address a changing EUC risk profile.

So, what should firms do with the EUCs in the meantime?

Firms should not ignore them and should have a process in place to ensure transparency around their use. Firms should have capabilities that allow them to understand changes to these EUCs, featuring alerting, as well as automated searching for errors and missing data. Automated workflow processes with segregation of duties, as well as stakeholder reporting functionality complete the picture. These are BAU capabilities for corporate applications, and will need to feature in EUC management, to satisfy a regulator.

The solution needs to cover all types of EUCs, whether spreadsheets or other EUC applications which might use environments like Python, R, and many others.

HOW CAN MITRATECH HELP YOU?

Mitratech delivers a range of proven EUC management solutions that are the market leaders, and which are used by some of the most demanding financial institutions in the world. The solutions cover enterprise spreadsheet risk management, allowing to you to identify, manage and report on your most critical EUC applications. We also offer powerful capabilities to help manage critical EUC applications that utilise platforms such as R, Python, MATLAB, SAS, and many others.

These capabilities provide you unrivalled power, flexibility, and cost effectiveness in managing your EUCs, whether you want to create more business value, reduce your risk profile, or enhance your compliance.

Click here to learn more.

ABOUT MITRATECH

Mitratech is a proven global technology partner for corporate legal, risk & compliance, and HR professionals seeking to maximize productivity, control expense, and mitigate risk by deepening operational alignment, increasing visibility, and spurring collaboration across their organization.

With Mitratech's proven portfolio of end-to-end solutions, organizations worldwide are able to implement best practices and standardize processes across all lines of business to manage risk and ensure business continuity.

Mitratech serves over 1,500 organizations worldwide, including 30% of the Fortune 500 and over 500,000 users in 160 countries. For more info, visit: www.mitratech.com

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