

To Tech to Not to Tech

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At a recent quarterly meeting of the Connecticut Banker's Association tech committee, comprised of CIOs and IT Managers, the consensus, almost unanimous response to the discussion was "no!", "zero-benefit", "constitutes meddling", "lack of appropriate expertise"; and "maybe, for educational purposes only". The question?

Is it time for board-level involvement in a bank's technology committee?

As the underlying foundation for banking has transitioned from nickels-and-notes to bits-and-bytes, technology mysteries have introduced a new dynamic and challenge for corporate governance. How can the board effectively understand, strategize and manage technology-related efforts if not fully immersed in the planning and steering efforts? The initial reaction of most CIOs is negative, invoking a "show-me-the-expertise" argument, or, stated more sarcastically, "IT steering committees don't meet to decide whether or not tellers should work on a 13" or 17" screen; nor is the color-scheme of the website on the agenda".

But what's the regulatory expectation? What's the rule? Research on the requirement leads down the usual fuzzy paths, another argument for a single codified set of banking rules (IRS as inspiration), albeit a personal pet-peeve subject for another article. Try this:

"Review the membership list of board, IT steering, or relevant management committees established to review IT related matters. Determine if board, senior management, business lines, audit, and IT personnel are represented appropriately and regular meetings are held."

"Determine whether board of directors and senior management appropriately consider IT in the corporate governance process including the process to enforce compliance with IT policies, procedures, and controls."

These exam questions come from the FFIEC's June, 2004 IT Examination Handbook entitled "Management". The fact that approximately 70 direct references to the board and its responsibilities with respect to IT management appear in a 53-page document begs a number of questions, not the least of which is whether any board members are even aware of this guidance.

So, the discussion amongst bank technologists was lively. Although the overwhelming response disfavored board involvement in tech details, the group was clear on its responsibility to cogently justify and educate the board with respect to IT costs and

benefits. Out of a “sample” of approximately a dozen institutions represented in the discussion, only one reported a tech steering committee at the board level (meeting monthly). The norm was a committee drawn from management, spanning, as the exam question suggests “senior management, business lines, audit, and IT personnel” reporting to, but not including, the board. One participant described an education strategy in which board members were invited to attend and observe on a limited rotating schedule.

The central issue is of course expertise. By way of example, many IT shops in our institutions have moved (or are considering) Citrix and “thin-client” solutions. The benefits of efficiency and security are best understood by a technologist, with most of the rest of us requiring the “idiots-guide-to” explanation. The concern expressed by our bank technologists is that laymen could bog down and confuse analysis and research and grind technological progress (already slow in our industry) to a halt.

The answer: strike a balance. As the group considered the question, the educational strategy of inviting board members to participate in turn in a management-based committee sounded like a good compromise, especially in meeting regulatory expectations.

The shortcoming of our discussion, however, was the lack of balance, excluding board opinion as well as regulatory opinion. The CBA’s tech committee invites a continuation of the discussion, especially from our boards of directors. Comments and opinions are welcome and may be forwarded to this scribe at sidon@navis-group.com. Based on responses, we could summarize the board view and present such opinions in a future article in an attempt to help strike the appropriate balance for this issue.

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