ARE THE FEDERAL GOVERNMENT'S CRITICAL PROGRAMS READY FOR JANUARY 1, 2000?

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

AND THE

SUBCOMMITTEE ON TECHNOLOGY

OF THE

COMMITTEE ON SCIENCE

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ARE THE FEDERAL GOVERNMENT'S CRITICAL PROGRAMS READY FOR JANUARY 1, 2000?

TUESDAY, APRIL 13, 1999

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY OF THE COMMITTEE ON GOVERNMENT REFORM, JOINT WITH THE SUBCOMMITTEE ON TECHNOLOGY OF THE COMMITTEE ON SCIENCE,

Washington, DC.

The subcommittees met, pursuant to notice, at 1:07 p.m., in room 2318, Rayburn House Office Building, Hon. Connie Morella (chairwoman of the Subcommittee on Technology) and Hon. Stephen Horn (chairman of the Subcommittee on Government Management, Information, and Technology) presiding.

Present: Representatives Morella, Horn, Biggert, Ose, Turner, Gutknecht, Miller, Barcia, Rivers, Stabenow, and Jackson-Lee.

Staff present from the Subcommittee on Government Management, Information, and Technology: J. Russell George, staff director and chief counsel; Matt Ryan, senior policy director; Bonnie Heald, director of communications, and professional staff member; Mason Alinger, clerk; Richard Lukas, intern; Faith Weiss, minority counsel, Committee on Government Reform; and Earley Green, minority staff assistant, Committee on Government Reform.

Staff present from the Subcommittee on Technology: Jeff Grover, staff director; Ben Wu, professional staff member; Joe Sullivan, clerk; Michael Quear and Martin Ralson, minority professional staff members.

Mrs. MORELLA. The joint hearing of the Technology Subcommittee of the Science Committee as well as the Subcommittee on Government Management, Information, and Technology of the Government Reform Committee will come to order.

On March 31st, the administration announced that, according to the most recent data obtained from agencies, 92 percent of Federal systems had met the governmentwide goal of Y2K compliance. With less than 8½ months remaining until January 1, 2000, it is heartening to hear that nearly all mission-critical systems within the 24 major Federal departments and agencies are Y2K compliant.

The administration tells us that these systems have been tested and implemented, and will be able to accurately process data into the year 2000. This is certainly a welcome change from a year ago, and it is a tribute to the thousands of dedicated and skilled Federal employees who have been working to ensure that critical government operations and services will continue uninterrupted into the next millennium and beyond.

While progress appears to have been made in addressing Y2K internally, each agency must now begin the more vital function of outlining actions that are needed for systems to work externally. The new challenges facing each agency include performing end-to-end testing, as well as developing business continuity and contingency planning. These challenges are certainly not minor. No one should be fooled or lulled into the false sense of security over the recent Federal Y2K improvements. Much more work remains to be done to ensure the continuity of our critical Federal programs and systems. We, in Congress, will continue to provide vigilant Y2K oversight and intend to work diligently and cooperatively with the administration to ensure the delivering of vital services to the American people.

Today we have a distinguished panel of witnesses to assist our House Y2K Working Group in receiving a current status report on the efforts of the U.S. Government in correcting the year 2000 computer problem after the President's March 31, 1999 deadline.

This hearing will present the Office of Management and Budget and the General Accounting Office with an opportunity to comment on the administration's year 2000 efforts. In addition, this hearing will lay the groundwork for the administration to demonstrate the overall readiness of its critical business functions—functions that the American public rely upon.

There will also be testimony from four agencies that have yet to testify in joint Y2K hearings before the Technology Subcommittee and the Government Management, Information, and Technology Subcommittee. And that is the Department of Agriculture, the Agency for International Development, the Department of State, and the Department of the Treasury. It should be noted, however, that these 4 agencies were among the 11 agencies that were not yet totally compliant by the March 31st deadline.

I look forward to hearing from our panel, and I am now going to turn to the co-Chair of this hearing, the chairman of the Government Management, Information, and Technology Subcommittee, the gentlemen from California, Mr. Horn.

Mr. HORN. Thank you very much, Madam Chairman. We have just passed a significant milestone in the Federal Government's efforts to update its computers systems for the year 2000. On March 31st, the President's deadline for all mission-critical computers to be year 2000 compliant, 92 percent of the Government's departments and agencies reported that their 6,123 mission-critical computer systems are ready for the new millennium. We, in Congress, are pleased with this progress, considering that only three short years ago several agencies were unaware of the programming glitch that could shut down or corrupt their computer systems on January 1, 2000.

A lot of hard work has been going on inside the executive branch of the Federal Government. Nevertheless, 8 percent of the agencies' mission-critical systems failed to meet the President's March 31st deadline. These systems, found within 11 departments, are vital to the health and well-being of millions of Americans. They must be fixed before we can focus entirely on end-to-end testing. From food stamps to Medicare and Medicaid, these programs serve our most vulnerable citizens—the seniors, the poor, the chronically ill.

Today's hearing marks the beginning of a new phase in our year 2000 oversight. We will move from our focus on computer systems to begin examining entire Federal programs. We want to be assured that these programs operate seamlessly, whether the date is December 31, 1999, or January 1, 2000. We are pleased to welcome the witnesses before us today, and I look forward to their testimony.

Thank you, Madam Chairman.

Mrs. MORELLA. Thank you, Chairman Horn.

It is now my pleasure to recognize the ranking member of the Technology Subcommittee, the gentlemen from Michigan, Mr. Barcia.

Mr. BARCIA. Thank you, Chairwoman Morella and Chairman Horn. I want to join my colleagues in welcoming everyone to this afternoon's hearing. And while this series of hearings on Federal agencies' Y2K efforts have been largely critical of the administration, I would like to take this opportunity to compliment their recent efforts.

Last Wednesday, the White House announced that 92 percent for Federal Michigan—excuse me, mission——

Mrs. MORELLA. Michigan—see? [Laughter.]

Mr. BARCIA [continuing]. Michigan, my home State—mission-critical systems were now Y2K compliant. In fact, 13 of the largest departments reported 100 percent compliance with their Michigan—excuse me, mission-critical systems. [Laughter.]

In addition, the FAA recently tested its systems at Denver Stapleton Airport and found no noticeable problems. Ultimately, while much work remains to be done, our Federal agency should be commended for their efforts. I also want to commend OMB for their leadership on this issue. A recent memo to the agency heads from Jack Lu highlights the need to ensure that not only must agency systems be compliant, but that their data exchange partners be Y2K compliant as well. Further, Director Lu called for the need to publicly demonstrate the overall readiness of integrated Federal, State, and private systems, as well as the programs that they support. I am pleased to see OMB take this leadership role, as Director Lu's memo outlines my own concerns regarding Federal Y2K efforts.

Recognizing the need to share detailed information with the public, testing data exchanges, and developing complementary business contingency plans are consistent with key provisions in H.R. 4682, which I introduced at the end of the last Congress.

As I said earlier, much work remains to be done, and today we will hear from four agencies who are behind schedule. However, given the bleak prognosis we heard 1 year ago, much progress has been made and credit should be given where credit is due. I want to thank all of the witnesses for appearing before the committee, and I look forward to your comments.

Thank you, Madam Chairman.

Mrs. MORELLA. Thank you, Mr. Barcia.

I would now like to recognize Mr. Turner, the gentleman who is on the Government Reform Committee, for any opening comments he may have.

Mr. TURNER. March 31st was the self-imposed deadline for the executive branch to have implemented Y2K-compliant computer systems and, as of that date, the Federal Government reported that 92 percent of its systems were compliant. This is evidence of a strong commitment and solid progress in the executive branch on the issue.

The Federal Government, of course, cannot afford to relax its efforts. A number of significant Federal agencies have not finished their Y2K conversion, as has been revealed by this subcommittee's review of the status of the Department of Defense and the Federal Aviation Administration, both of which are behind in their repairs. Today we will consider the status of Y2K conversion in several other agencies, including the Departments of State, Treasury, Agriculture, and the Agency for International Development.

Conversion work is not finished when the systems are repaired; systems must be tested. The Government must conduct end-to-end and business continuity testing for significant Federal systems. That is, instead of simply testing one system individually, the Government must test how well its systems coordinate with other systems in performing business functions.

Successful functioning of Government systems on January 1, 2000 will require coordination and testing of Federal, State, and local computer systems, as well as those in the private and nonprofit sectors. Government functions not only cross departmental lines, but also cross Federal, State, and local jurisdictions. It is clearly not enough to assure that the Federal systems work, because States administer many important Federal benefits, and if these State systems fail, people will not get their benefits, and the Federal Government will in turn fail.

Therefore, I would like to thank the witnesses who are gathered here today to explain the remaining work that the Federal Government will be undertaking before the date change, and I would urge that this effort be devoted to assuring that the Federal, State, and local systems collectively can deliver the necessary benefits and crucial government services.

Thank you, Madam Chairman.

Mrs. MORELLA. Thank you, Mr. Turner.

[The prepared statement of Hon. Judy Biggert, Hon. Sheila Jackson-Lee, and Hon. Debbie Stabenow follow:]

Statement of Representative Judy Biggert (IL-13)
Government Management, Information and Technology
Subcommittee Hearing on Year 2000 Progress
April 13, 1999

I am pleased to be able to participate in this hearing about the status of Year 2000 progress for federal departments and agencies. I would like to commend Subcommittee Chairman Steve Horn. + Mrs. Morella [redacted] for the last three Congresses, has ensured that our federal government will be ready for the new Millennium. As the [redacted] Vice Chair of Mr. Horn's Subcommittee on Government Management, Information and Technology, I too, am committed to the oversight of our federal progress in preparation for the year 2000.

I also came today from a Banking Committee hearing on the status of our nation's financial institutions. I am happy to report that at least this segment of our private sector is progressing as well on Y2K compliance and readiness, and believe that they will be ready for the Year 2000.

Numerous federal departments made significant jumps in the number of "mission critical" systems that are now ready for the Year 2000. However, some of our federal departments and agencies still have a long way to go to ensure that our nation will not bedisrupted by the coming of the new Millennium. We must now progress to the readiness of agency business functions. End to end testing will now be our agency priority.

Although today's hearing focuses on federal departments and agencies, the readiness of individual states is also a great concern to the Subcommittee on Government Management. As a former State Legislator, I look forward to the Subcommittee's continued educational and oversight outreach to States. I know that the Subcommittee has scheduled a field hearing in

Indiana to talk about that state's readiness. I hope that we will continue to have hearings in individual states to ensure and augment state readiness.

To be ready for the year 2000, we must all work together. Indeed the nature of this problem requires the attention and commitment of local governments, small businesses, states, federal departments, and citizens. I look forward to today's hearing and the testimony as to the levels of readiness in various departments. Although we are moving forward, we have much to do to be ready for the new millennium. And as we all know, the Year 2000 won't wait.

SHEILA JACKSON LEE
18TH DISTRICT, TEXAS

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STATEMENT
CONGRESSWOMAN SHEILA JACKSON LEE
SUBCOMMITTEE ON TECHNOLOGY
HEARING ON Y2K AND THE FEDERAL GOVERNMENT
APRIL 13, 1999

I would like to thank Chairwoman Morella and Ranking Member Barcia, as well as Chairman Horn and Ranking Member Turner, for continuing to hold these hearings on the Y2K problem.

This hearing, which coincides with the President's self-imposed deadline for "critical path" readiness, is also timely because it gives us a chance to catch our breath and once again return to our Y2K oversight in a fairly broad manner. This hearing, in fact, gives us a chance to look at the overall performance of the federal government in a way not done for several months.

Needless to say, while I have been encouraged in the past few weeks to read of successful Y2K tests performed by agencies like the Federal Aviation Administration (FAA) and the Small Business Administration (SBA) on "critical path" systems, I know that not all of our agencies have faired as well.

Before us today are representatives from agencies that have, for some reason or another, failed to meet the President's deadline of March 31st of this year. While I believe it is prudent for us to search for answers to why these agencies have not performed better, I would also like to stress that we do so only out of concern. The Y2K problem is one of inestimable size, and I believe that

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each of us on these Committees feels that our actions now could spare us a great deal of grief later.

Furthermore, while I believe this hearing will be a productive one, I also believe it may be in our best interests to have a similar hearing which focuses on some of the agencies that have done well with their Y2K preparedness. Perhaps during that hearing, we could find some of the planning and action that was done at each of those agencies instructive for our more difficult cases.

Nonetheless, I am eager to hear the testimony from our witnesses today, and look forward to working with all of you on this issue in the coming months. Thank you.

SUBCOMMITTEE ON TECHNOLOGY

HEARING ON THE STATUS OF THE FEDERAL GOVERNMENT'S PROGRESS IN FIXING THE YEAR 2000 COMPUTER PROBLEM

Opening Statement of Congresswoman Debbie Stabenow
of the 8th District, State of Michigan

April 13, 1999

Madame Chairwoman, I thank you and the ranking member, Mr. Barcia, for your continued vigilance in regard to the Y2K problem. It is important that we know the extent of the federal government's preparedness in order to better alert the populace to how services may be affected. We have a great responsibility to do our best to educate our constituents on this issue. This February and last year I held Y2K forums in my district that addressed this issue, and I would like to take a moment to thank one of our witnesses, Joel Willemssen, for his help in planning those events. They were well-attended and went a long way toward making this issue more accessible.

I believe the government is making good progress toward total Y2K compliance. We have a recent example of this, with the General Accounting Office verifying that the Federal Reserve Board is 98% Y2K-ready. Overall, 92% of mission-critical systems are compliant, but there is still work to be done. I am anxious to hear from the agencies that will be testifying before us today as to how their efforts are proceeding. A particular point that should be addressed is how prepared are contractors, the states, and other entities that help federal agencies provide essential services? Many small businesses are included in this group, and small businesses in general have been slower to tackle the Y2K problem and have reached a less advanced stage of readiness. At some level this needs to be taken into account when assessing total federal compliance.

Madame Chairman, I look forward to the proceedings today and again appreciate the attention the Subcommittee has given this important problem. I would also like to thank our witnesses for their time and expertise. With everyone's concerted efforts, we will undoubtedly make the Y2K problem a thing of the past.

Mrs. MORELLA. Distinguished panelists, I am going to ask them if they will rise, since it is a policy of this committee to swear in those who will testify and raise your right hands.

[Witnesses sworn.]

Mrs. MORELLA. The record will indicate affirmative response from all, and we do have a distinguished panel.

We have Ms. Deidre Lee, who is the Acting Deputy Director for Management of the Office of Management and Budget; Mr. Joel Willemssen, who is no stranger to this committee, who is the Director of Civil Agencies Information Systems of the U.S. General Accounting Office; we have Ms. Ann Reed, who is the Chief Information Officer of the U.S. Department of Agriculture; we have Richard Nygard, who is the Chief Information Officer for the U.S. Agency for International Development; we have Mr. Fernando Burbano, who is the Chief Information Officer for the U.S. Department of State, and we have Mr. James Flyzik, who is the Chief Information Officer for the U.S. Department of Treasury.

Ladies and Gentlemen, it is customary that we give you each about 5 minutes maximum. Anything that you have submitted to us in its entirety will be included in the record, and that gives us an opportunity, then, to fire away with any questions.

So, if that order is acceptable to you, we will start off then with you, Ms. Lee.

STATEMENTS OF DIEDRE LEE, ACTING DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET; FERNANDO BURBANO, CHIEF INFORMATION OFFICER, U.S. DEPARTMENT OF STATE; RICHARD NYGARD, CHIEF INFORMATION OFFICER, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT; ANNE F. REED, CHIEF INFORMATION OFFICER, U.S. DEPARTMENT OF AGRICULTURE; JOEL C. WILLEMSSEN, DIRECTOR, CIVIL AGENCIES INFORMATION SYSTEMS, U.S. GENERAL ACCOUNTING OFFICE; AND JAMES J. FLYZIK, CHIEF INFORMATION OFFICER, U.S. DEPARTMENT OF THE TREASURY

Ms. DIEDRE LEE. Are we on?

Mrs. MORELLA. Yes.

Ms. DIEDRE LEE. Very good.

Good afternoon, Chairwoman Morella, Chairman Horn, members of the subcommittee.

As you know, I have been Acting Deputy Director for Management since April 1st. And as any average person, I am certainly aware of the Y2K issue. But I am still somewhat new to this issue at OMB, and I have been working closely with the OMB staff to come up to speed. I am pleased to appear before the subcommittee today to discuss the Government's progress on the year Y2K. I will do my best to answer your questions.

Chairwoman Morella and Chairman Horn, I would like to start by thanking you and the other members of the subcommittee for your ongoing interest in Y2K problem and its potential implications for our country. Your focus has increased awareness, emphasized the importance of the remediation activities, and helped to ensure that we will be ready.

Today, I would briefly like to address the progress that has been made in the Federal arena; our challenges and next steps, and funding.

As you know, the administration has been working for more than 3 years on the problem. Agencies have been working through the phases of awareness, assessment, renovation, validation, and implementation. Each phase has been a challenging one as Federal agencies work through the process of systematically identifying and prioritizing mission-critical systems; addressing the implications of the systems and equipment containing embedded chips, such as security systems, heating and air conditioning units, et cetera; working with data exchange partners; testing and retesting systems; and working with service-delivery partners such as contractors, banks, vendors, State, local, and tribal governments to ensure that the programs will be ready, and they can be supported by the Federal Government.

Last year, former Director Franklin Raines established the ambitious goal of having 100 percent of the Federal Government's mission-critical systems Y2K compliant by March 31, 1999—well ahead of many private sector system remediation schedules. I am pleased to report, as you have all noted, that the Federal Government nearly achieved this goal. As John Koskinen and former Deputy Director for Management, Ed DeSeve, noted at the National Press Club on March 31st, "92 percent of the Federal Government's mission-critical systems met the governmentwide goal of being Y2K compliant by March 31, 1999. These systems have been remediated, tested, and they are back in operation."

This represents a dramatic improvement from the progress of the Federal Government a year ago, when in February 1998, only 35 percent of the agency mission-critical systems were compliant. Overall progress in the Federal Government is a tribute to the hard work, skillful and dedicated work of thousands of Federal employees and contractors. And while much work remains to be done, we fully expect the Government's mission-critical systems will be Y2K compliant before January 1, 2000.

While several agencies are here to discuss their specific progress—and you noted Treasury Department, the Department of Agriculture, the State Department, and the U.S. Agency for International Development—I will provide you with some overall figures. And, again, as you noted, 13 of the 24 major departments now report that 100 percent of their mission-critical systems are Y2K ready, and those are listed in my full testimony, so I will move on.

Of the remaining, three agencies are between 95 and 99 percent; four between 90 and 94 percent ready; and three between 85 and 90 percent. So, we are up there in the higher percentage ratings.

Based on monthly agency reports received April 10th—so there is a little bit of an update here—we gained 1 percent over the last week, and we are now at 93 percent ready. And from a base of about 6,100, critical systems 408 remain to be finished. And of those, 163 are non-defense and 245 are defense.

We are preparing to issue guidelines asking the agencies to report, beginning May 15th, on their remaining mission-critical systems by name and to include a timetable for completing the work.

And then, agencies will report monthly. So, that will identify our mission-critical systems.

Agencies have set realistic goals for the completion of their work and are working hard to finish these systems. We are confident that every mission-critical system will be ready by year 2000. However, the critical task is to make sure that not just systems, but the programs that they support will be ready. In response, we are taking a look at the Federal Government from the individual's point of view to determine what programs have the most direct and immediate impact on the public.

On March 26th, OMB issued guidance to the agencies that identified 42 high-impact programs and directed Federal agencies to take the lead on working with Federal agencies, State, tribal, and local governments, contractors, banks, and others to ensure that these programs critical to public health, safety, and well-being will provide undisrupted services. Examples include Medicare, unemployment insurance, disaster relief, weather service, et cetera. Agencies have also been asked to help their partners develop year 2000 programs and to ensure that their reports are ready, if they have not already done so. Our goal is to publicly demonstrate that these programs will operate seamlessly.

By March 15, 1999, agencies have also been asked to provide to OMB a schedule and milestones for key activities in each plan, a monthly report of progress against that schedule, and a plan date for an event or events to announce that the program as a whole is Y2K ready. Clearly, this initiative requires a great deal of cooperation and hard work, but success is in everyone's interest.

And while these programs are critical to the work of government, the smooth operations of government also rely on functions that may not have an immediate and direct effect on the public at large, but, nevertheless, are essential to sound management of the agency, such as financial management systems or personnel systems. These functions have been identified as core business functions, and are also being worked.

Agencies are developing business continuity and contingency plans to assure that their core business functions will operate. We have directed the agencies to follow the GAO guidance on preparing their plans, and additionally, many agencies are working closely with their Inspectors General and/or expert contractors in the development of the plans. While it is expected that the business continuity and contingency plans will continue to change through the end of the year, as agencies update and refine their assumptions, and as they continue to test and modify their plans, we have asked agencies to submit their plans no later than June 15. We will work with the agencies to assure governmentwide consistency of their basic assumptions surrounding the year 2000.

Funding: The most recent allocation of Y2K emergency funding transmitted on April 2, 1999, provides a total of $199 million to 20 Federal agencies. Fourteen of these agencies have received emergency funding in earlier allocations, and funding will be used for various Y2K compliance activities, including testing to ensure that the systems are Y2K compliant; replacement of embedded computer chips; creation and verification of continuity of operation and contingency planning; and cooperative activities with non-Federal

entities in support of the President's Council on Year 2K Conversion.

Agencies have benefited greatly from access to emergency funds and much of their progress can be credited to this. Continued access to emergency funding is essential to continued progress on the Y2K problem. However, the Senate version of the fiscal year 1999 emergency supplemental appropriation bill would reduce the nondefense Y2K emergency fund by $973 million. I urge the conferees to strike this reduction, which is unwise at this time. Not only would it eliminate the remaining balance in the emergency fund of approximately $500 million, but it would also force agencies to stop planned and ongoing procurements for Y2K-related activities. It would also force agencies to terminate contracts, where this can be done without penalty, in order to recapture the additional $468 million.

Resources must remain available for agencies to carry out aggressive strategies to achieve compliance and to develop and implement contingency plans that will ensure uninterrupted operations and service delivery. In recent months, the pace toward achieving governmentwide compliance has quickened considerably. Much of this improvement can be attributed to the emergency fund, which has ensured that adequate resources remain available to agencies as they develop and refine effective strategies for achieving Y2K compliance. With the year 2000 approaching, we should build on our success, not take steps to undermine it.

In conclusion, during the 262 days remaining before the year 2000, we plan to complete work on the remaining mission-critical systems, with monthly reports beginning May 15th; we plan to conduct end-to-end testing with the States and other key partners, placing special emphasis on readiness of programs that have a direct impact on the public; and we plan to test and complete business continuity and contingency plans, are due by June 15th.

This is a busy time, so I would like to thank you very much for the opportunity to allow me to share this information with you on the administration's progress. OMB remains committed to working with the committee and the Congress on this critical issue, and I would be pleased to answer any questions you may have.

[The prepared statement of Ms. Lee follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

STATEMENT OF DEIDRE A. LEE
ACTING DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY
AND BEFORE THE SUBCOMMITTEE ON TECHNOLOGY
OF THE COMMITTEE ON GOVERNMENT REFORM

April 13, 1999

Good afternoon, Chairman Horn and Chairwoman Morella. As you know, I have been serving as Acting Deputy Director for Management since April 1. Although I am still somewhat new to this issue, I have been working closely with OMB staff to come up to speed. I am pleased to appear before the subcommittees to discuss the government's progress on the year 2000 problem, and I will do my best to answer your questions. Chairman Horn and Chairwoman Morella, I would like to start by thanking you and the other members of the subcommittees for your ongoing interest in the Y2K problem and its potential implications for our country.

Today I would briefly like to address the progress that has been made in the Federal arena, our challenges and next steps, and funding.

As you know, the Administration has been working for more than three years on this problem. Agencies have been working through the phases of awareness, assessment, renovation, validation, and implementation. Each phase has been a challenging one, as Federal agencies worked through the process of systematically identifying and prioritizing mission critical systems; addressing the implications for systems and equipment containing embedded chips, such as security systems, heating and air conditioning units; working with data exchange partners; testing and retesting systems; and working with service delivery partners, such as contractors, banks, vendors, and State, local, and tribal government to the ensure the readiness of programs supported by the Federal government.

Last year, former Director Franklin Raines established the ambitious goal of having 100 percent of the Federal government's mission-critical systems Y2K compliant by March 31, 1999 -- well ahead of many private sector system remediation schedules. I am pleased to report that the Federal government nearly achieved that goal. As John Koskinen and former Deputy Director for Management Ed DeSeve noted at the National Press Club on March 31, 92 percent of the Federal government's mission critical systems met the government wide goal of being Y2K compliant by March 31, 1999. These systems have been remediated, tested, and are back in operation.

This represents dramatic improvements from the progress of the Federal government a year ago, when in February of 1998, only 35 percent of agency mission critical systems were compliant.

Overall progress in the Federal government is a tribute to the hard, skillful, and dedicated work of thousands of Federal employees and contractors. And while much work remains to be done, we fully expect that all of the Government's mission critical systems will be Y2K compliant before January 1, 2000.

While several agencies are here today to discuss their progress -- the Treasury Department, the Department of Agriculture, the State Department, and the U.S. Agency for International Development -- I will provide you with some overall figures. Thirteen of the 24 major Federal departments and agencies now report that 100 percent of their mission critical systems are Y2K compliant. These agencies are: the Departments of Education, Housing and Urban Development, Interior, Labor, and Veterans Affairs; the Environmental Protection Agency, the Federal Emergency Management Agency, the General Services Administration, the National Science Foundation, the Nuclear Regulatory Commission, the Office of Personnel Management, the Social Security Administration, and the Small Business Administration.

In addition, three agencies report that between 95 and 99 percent of their mission critical systems are compliant and that they expect to be finished soon. These agencies are the National Aeronautics & Space Administration, the Department of Energy, and the Department of Commerce. Four agencies report that between 90 and 94 percent of their mission critical systems are compliant: the Department of Justice, the Department of Agriculture, the Treasury Department, and the Department of Health and Human Services. Finally, three agencies report that between 85 and 90 percent of their mission critical systems are compliant: the Department of Defense, the State Department, and the Department of Transportation. The U.S. Agency for International Development has not yet completed implementation of its seven mission critical systems.

Based on monthly agency reports received April 10, 93 percent of mission critical systems are now complete -- an increase of one percent within the last two weeks. From a base of 6,433 mission critical systems at this time, 408 mission critical systems remain to be finished. Excluding the Department of Defense, 163 mission critical systems are working towards dates that are beyond the March 31, 1999, government wide goal. Within the Department of Defense, 245 systems are working towards dates beyond the government wide goal. We are preparing to issue guidance to agencies, asking agencies to report, beginning May 15, on their remaining mission critical systems by name and to include a timetable for completing the work. Agencies will report monthly on their progress.

Agencies have set realistic goals for the completion of their work and are working hard to finish fixing these systems. We are confident that every mission critical system will be ready for the year 2000. Detail on the status of systems behind schedule as of February 15, including projected completion dates, was provided in OMB's last quarterly report to Congress.

As I have just related to you, we are confident that systems will be ready. However, the critical task is to make sure that not just systems, but the programs they support, will be ready. In response,

we are taking a look at the Federal government from the individual's point of view to determine what programs have the most direct and immediate impact on the public.

Accordingly, on March 26, 1999, OMB issued guidance to the agencies that identified 42 "high impact" Federally supported programs and directed Federal agencies to take the lead on working with other Federal agencies, State, Tribal, and local governments, contractors, banks, and others to ensure that programs critical to public health, safety, and well-being will provide undisrupted services. Examples include Medicare and Unemployment Insurance. Agencies have also been asked to help partners develop year 2000 plans if they have not already done so to ensure that the program will operate effectively. Such plans are to include end-to-end testing, developing complementary business continuity and contingency plans, and sharing key information on readiness with partner organizations and with the public. Agencies have been asked to report to OMB on their work. Our goal is to publicly demonstrate that these programs will work.

By April 15, 1999, agencies have also been asked to provide to OMB a schedule and milestones for key activities in each plan, a monthly report of progress against that schedule, and a planned date for an event or events to announce that the program, as a whole, is year 2000 ready. Clearly, this initiative requires a great deal of cooperation and hard work, but success is in everyone's interest.

And while these programs are critical to the work of government, the smooth operations of government also rely on functions that may not have an immediate and direct effect on the public at large, but are nevertheless essential to sound management of the agency, such as financial management systems or personnel systems. These functions, which include high impact programs, have been identified as core business functions.

Agencies are developing Business Continuity and Contingency Plans (BCCPs) to assure that their core business functions will operate. While agencies are confident that the measures taken for Y2K compliance are sound, the chance remains that, despite testing, a bug may still slip through. In addition, every manager realizes that elements beyond the agency's control will remain. For example, a temporary power shortage, bad data from a data exchange partner, or the inability of a vendor to provide key supplies could disrupt work at an agency. Many of these scenarios could happen – and have happened – independently of the Y2K problem. An essential requirement for sound management of the year 2000 problem is to plan and prepare for the unknown effects of Y2K as well as for issues that are beyond the control of the agency.

We have directed agencies to use the General Accounting Office's (GAO) guidance on this subject in preparing their plans. Additionally, many agencies are working closely with their Inspectors General and/or expert contractors in the development of these plans. While it is expected that BCCPs will continue to change through the end of the year as agencies update and refine their assumptions and as they continue to test and modify systems, we have asked agencies to submit their initial BCCPs to us

no later than June 15. We will work with the agencies to assure government wide consistency of their basic assumptions surrounding the year 2000 problem.

As you know, over the last few years, OMB, in partnership with the Congress and the agencies, has worked hard to ensure that the Federal Government has adequate resources to address the Y2K challenge. The President's fiscal year 1999 budget requested approximately $1.1 billion in appropriations for Y2K, and also included an allowance of $3.25 billion to cover emerging and potential costs for Bosnia, natural disasters, and Y2K. In September 1998, consistent with Senate action to that point, the Administration formally requested an emergency supplemental appropriation of $3.25 billion for Y2K. The Omnibus Consolidated and Emergency Supplemental Appropriations Act for fiscal year 1999 (P.L. 105-277) included contingent emergency funding for Y2K computer conversion activities: $2.25 billion for non-defense activities and $1.1 billion for defense-related activities. P.L. 105-277 makes the Director of the Office of Management and Budget responsible for allocating non-defense funding, and the Secretary of Defense responsible for allocating defense-related funds.

In order to determine how to best allocate all available non-defense funding for Y2K -- both base appropriations and emergency funding -- OMB has worked with agencies to evaluate Y2K requirements. First, OMB made certain that agencies received funding for activities that were requested in the President's fiscal year 1999 Budget, but that Congress directed be funded from the Y2K contingent emergency reserve. These activities totaled approximately $590 million.

Then, to determine which requirements should be addressed with emergency funding, OMB has reviewed agency requests on an as-needed basis and made recommendations regarding which activities were to be funded at a given time. To date, OMB has approved the release of $1.2 billion in emergency funding for unforeseen Y2K-related requirements. In total, $1.8 billion has been allocated in six separate emergency releases, with $14 million being returned to the emergency fund pursuant to a Congressional request. Therefore, $505 million remains available for non-defense agencies to address emerging requirements. The Department of Defense has allocated $935 million of the $1.1 billion made available for defense-related activities, and $135 million (15 percent) remains in reserve for contingent needs.

Additional transfers from the contingent emergency reserve will be made as needs are identified to ensure that all agencies have sufficient resources to achieve Y2K compliance, complete contingency planning, and execute those plans where necessary. OMB has notified agencies that, as they identify unforeseen funding requirements, they should forward these requirements to OMB for evaluation.

The most recent allocation of Y2K emergency funding, transmitted on April 2, 1999, provides a total of $199 million to 20 Federal agencies. Fourteen of these agencies have received emergency funding in earlier allocations. Funds will be used for various Y2K compliance activities, including testing to ensure that systems are Y2K compliant, replacement of embedded computer chips, creation and

verification of continuity of operations and contingency plans, and cooperative activities with non-Federal entities in support of the President's Council on Year 2000 Conversion.

Agencies have benefited greatly from access to emergency funds, and much of their progress can be credited to this. Continued access to emergency funding is essential to continued progress on the Y2K problem. However, the Senate version of the FY 1999 Emergency Supplemental Appropriations Bill would reduce the non-defense Y2K emergency fund by $973 million. I urge the conferees to strike this reduction, which is unwise at this time. Not only would it eliminate the remaining balance in the emergency fund, but it would also force agencies to stop planned and ongoing procurements for Y2K-related activities. It would also force agencies to terminate contracts, where this can be done without penalty, in order to recapture the remaining $468 million.

In sum, resources must remain available for agencies to carry out aggressive strategies to achieve compliance and to develop and implement contingency plans that will ensure uninterrupted operations and service delivery. In recent months, the pace towards achieving government wide compliance has quickened considerably. Much of this improvement can be attributed to the emergency fund, which has ensured that adequate resources remain available to agencies as they develop and refine effective strategies for achieving full Y2K compliance. With the year 2000 approaching, we should be building on our success, not taking steps that could undermine it.

In conclusion, during the 262 days remaining before the year 2000, we plan to:

- Complete work on remaining mission critical systems and on other Federal systems.
- Conduct end-to-end testing with the States and other key partners, placing special emphasis on ensuring the readiness of programs that have a direct and immediate impact on public health, safety, and well-being.
- Complete and test business continuity and contingency plans as insurance against any disruptions related to Y2K failures.

Thank you for the opportunity to allow me to share information with you on the Administration's progress. OMB remains committed to working with the Committee and Congress on this critical issue. I would be pleased to answer any questions you may have.

Mrs. MORELLA. Thank you, Ms. Lee. We let you exceed the deadline because you had so many milestones and dates to tell us about, we felt were very important.

It is a pleasure now to recognize Mr. Willemssen from GAO.

Mr. WILLEMSSEN. Thank you, Chairwoman Morella, Chairman Horn, Ranking Member Barcia, Ranking Member Turner. Thank you for inviting GAO to testify today on the status of government-wide Y2K. As requested, I will briefly summarize our statement.

As noted, the Federal Government's most recent reports showed continued improvement in addressing Y2K. Despite this progress, however, there are vital government functions with systems that are not yet compliant. Additionally, not all of the government systems have undergone independent verification and validation.

In addition, achieving compliance of individual systems, while very important, does not necessarily ensure that a key business function will continue to operate through the change of the century. Other key actions are essential to achieving this goal. For example, as noted earlier, end-to-end testing is extremely important. That is needed to verify that a set of interrelated systems supporting an overall function will work seamlessly and work together as we move to the next century.

In addition, business continuity and contingency plans are essential. In this regard, OMB has previously asked Federal agencies to identify their core business functions that are to be addressed in their business continuity and contingency plans, as well as to provide key milestones for the development and testing of such plans.

To ensure that key activities, such as end-to-end testing and contingency planning, are fully addressed for the most important Government programs, we have previously recommended to the executive branch that the Government set Y2K priorities.

In late March, OMB implemented our recommendation by issuing a memorandum to Federal agencies identifying 42 high-impact programs. For each program, a lead agency was designated to take a leadership role in convening program partners in developing a plan to ensure that the program will operate effectively. Two days from now, lead agencies are to provide to OMB a schedule and milestones of the key planned activities for these high-impact priorities. The quality and completeness of these plans will be a major factor in the success of this effort and in assuring the public that Y2K will be addressed for the most critical government functions.

About one-quarter of these high-impact programs identified by OMB are State-administered programs, such as food stamps and Medicaid. As we previously testified, several of these programs, such as Medicaid, are at risk. Recent data from OMB on State-administered systems shows that there is a continuing reason for concern and a need for Federal/State partnerships. Specifically, there is a large number of State systems reported not to be due to be compliant until the last half of 1999.

One agency that has worked for some time on Y2K with its State partners is the Social Security administration. Since our report in late 1997, SSA has strengthened its approach with States on disability determination services. It designated a full-time team with project managers and requested biweekly status reports, and obtained from each State a plan specifying milestones, resources, and

schedules for completing Y2K tasks. SSA's activities in this area can serve as a model for other Federal agencies as they go forward with their State-administered programs and their State partners.

In summary, it is clear that the Federal Government has made excellent progress on Y2K over the last couple of years. However, much more remains to be done to ensure the continued delivery of vital services. That concludes a summary of my statement. At the end of the panel, I will be pleased to address any questions you may have. Thank you.

[The prepared statement of Mr. Willemssen follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Management, Information and Technology, Committee on Government Reform, and the Subcommittee on Technology, Committee on Science, House of Representatives

For Release on Delivery
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YEAR 2000 COMPUTING CRISIS

Additional Work Remains to Ensure Delivery of Critical Services

Statement of Joel C. Willemssen
Director, Civil Agencies Information Systems
Accounting and Information Management Division

GAO/T-AIMD-99-143

Mr. Chairman, Ms. Chairwoman, and Members of the Subcommittees:

I am pleased to appear today to discuss progress being made in addressing the Year 2000 computing challenge and to outline actions needed to ensure a smooth conversion to the next century. The federal government--with its widespread dependence on large-scale, complex computer systems to deliver vital public services and carry out its massive operations--faces an especially enormous and difficult task. Unless adequately confronted, Year 2000 computing problems could lead to serious disruptions in key federal operations, ranging from national defense to benefits payments to air traffic management.

Consequently, in February 1997, GAO designated the Year 2000 computing problem as a high-risk area. Our purpose was to stimulate greater attention to assessing the government's exposure to Year 2000 risks and to strengthen planning for achieving Year 2000 compliance for mission-critical systems. Fortunately, the past 2 years have witnessed marked improvement in preparedness as the government has revised and intensified its approach to this problem.

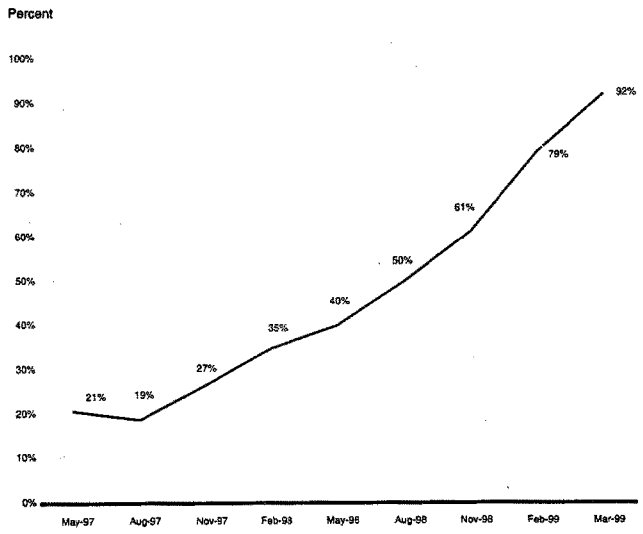
Today I will discuss the status of the federal government's remediation of its mission-critical systems. In addition, I will lay out some of the remaining challenges facing the government in ensuring the continuity of business operations, namely end-to-end testing and business continuity and contingency planning, and the Office of Management and Budget's (OMB's) efforts to identify the government's high impact programs. Lastly, I will discuss the readiness of state systems that are essential to the delivery of federal human services programs.

IMPROVEMENTS MADE BUT
MUCH WORK REMAINS

Addressing the Year 2000 problem is a tremendous challenge for the federal government. To meet this challenge and monitor individual agency efforts, OMB directed the major departments and agencies to submit quarterly reports on their progress, beginning May 15, 1997. These reports contain information on where agencies stand with respect to the assessment, renovation, validation, and implementation of mission-critical systems, as well as other management information on items such as business continuity and contingency plans and costs.

The federal government's most recent reports show improvement in addressing the Year 2000 problem. While much work remains, the federal government has significantly increased the percentage of mission-critical systems that are reported to be Year 2000 compliant, as chart 1 illustrates. In particular, while the federal government did not meet its goal of having all mission-critical systems compliant by March 1999, 92 percent of these systems were reported to have met this goal.

Chart 1: Mission-Critical Systems Reported Year 2000 Compliant, May 1997-March 1999



Source: May 1997 – February 1999 data are from the OMB quarterly reports. The March 1999 data are from the President's Council on Year 2000 Conversion and OMB.

While this progress is notable, 11 agencies did not meet OMB's deadline for all of their mission-critical systems.[1] Some of the systems that were not yet compliant support vital government functions. For example, many of the Federal Aviation Administration's (FAA) systems were not compliant as of the March deadline. As we testified last month, several of these systems provide

[1]The 11 agencies were the Departments of Agriculture, Commerce, Defense, Energy, Health and Human Services, Justice, State, Transportation, Treasury; the National Aeronautics and Space Administration; and the U.S. Agency for International Development.

critical functions, ranging from communications to radar processing to weather surveillance.[2] Among other systems that did not meet the March 1999 deadline are those operated by Health Care Financing Administration (HCFA) contractors. As we testified in February 1999, these systems are critical to processing Medicare claims.[3]

Additionally, not all systems have undergone an independent verification and validation process. For example, the Environmental Protection Agency and the Department of the Interior reported that 57 and 3 of its systems, respectively, deemed compliant were still undergoing independent verification and validation.

In some cases, independent verification and validation of compliant systems have found serious problems. For example, as we testified before you this February,[4] none of HCFA's 54 external mission-critical systems reported by the Department of Health and Human Services as compliant as of December 31, 1998, was Year 2000 ready, based on serious qualifications identified by the independent verification and validation contractor. Other examples have been cited in agency quarterly reports:

- In February 1999, the Department of Commerce reclassified a system from compliant to noncompliant because an independent verification and validation contractor had concerns about some of the commercial-off-the-shelf software used in the system and wanted to review

[2]Year 2000 Computing Crisis: FAA Is Making Progress But Important Challenges Remain (GAO/T-AIMD/RCED-99-118, March 15, 1999).
[3]Year 2000 Computing Crisis: Medicare and the Delivery of Health Services Are at Risk (GAO/T-AIMD-99-89, February 24, 1999) and Year 2000 Computing Crisis: Readiness Status of the Department of Health and Human Services (GAO/T-AIMD-99-92, February 26, 1999).
[4]GAO/T-AIMD-99-92, February 26, 1999.

additional test data.

- In February 1999 the Environmental Protection Agency reported that its independent third party review process found a Year 2000 error in a system that was later repaired, tested, and returned to production.
- In November 1998, the Department of Health and Human Services reported that it removed four Indian Health Service systems from compliant status because an independent verification and validation contractor found that their data exchanges were not compliant.

MUCH WORK REMAINS TO ENSURE CONTINUITY OF FEDERAL OPERATIONS

Achieving individual system compliance, although important, does not necessarily ensure that a business function will continue to operate through the change of century—the ultimate goal of Year 2000 efforts. Key actions, such as end-to-end testing and business continuity and contingency planning, are vital to ensuring that this goal is met. Further, OMB has recently taken action on our April 1998 recommendation to set governmentwide priorities and has identified the government's high-impact programs.[5] This is an excellent step toward ensuring the continuing delivery of vital services.

End-To-End Testing

To ensure that their mission-critical systems can reliably exchange data with other systems and that

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[5]GAO/AIMD-98-85, April 30, 1998.

they are protected from errors that can be introduced by external systems, agencies must perform end-to-end testing of their critical core business processes. The purpose of end-to-end testing is to verify that a defined set of interrelated systems, which collectively support an organizational core business area or function, will work as intended in an operational environment. In the case of the year 2000, many systems in the end-to-end chain will have been modified or replaced. As a result, the scope and complexity of testing--and its importance--are dramatically increased, as is the difficulty of isolating, identifying, and correcting problems. Consequently, agencies must work early and continually with their data exchange partners to plan and execute effective end-to-end tests (our Year 2000 testing guide sets forth a structured approach to testing, including end-to-end testing).[6]

In January 1999 we testified that with the time available for end-to-end testing diminishing, OMB should consider, for the government's most critical functions, setting target dates, and having agencies report against them, for the development of end-to-end test plans, the establishment of test schedules, and the completion of the tests.[7] On March 31, OMB and the Chair of the President's Council on Year 2000 Conversion announced that one of the key priorities that federal agencies will be pursuing during the rest of 1999 will be cooperative efforts regarding end-to-end testing to demonstrate the Year 2000 readiness of federal programs with states and other partners critical to the administration of those programs.

We are also encouraged by some agencies' recent actions. For example, we testified this March, that

[6]Year 2000 Computing Crisis: A Testing Guide (GAO/AIMD-10.1.21, November 1998).
[7]Year 2000 Computing Crisis: Readiness Improving, But Much Work Remains to Avoid Major Disruptions (GAO/T-AIMD-99-50, January 20, 1999).

the Department of Defense's Principal Staff Assistants are planning to conduct end-to-end tests to ensure that systems that collectively support core business areas can interoperate as intended in a Year 2000 environment.[8] Further, our March 1999 testimony[9] found that FAA had addressed our prior concerns with the lack of detail in its draft end-to-end test program plan and had developed a detailed end-to-end testing strategy and plans.[10]

Business Continuity and Contingency Plans

Business continuity and contingency plans are essential. Without such plans, when unpredicted failures occur, agencies will not have well-defined responses and may not have enough time to develop and test alternatives. Federal agencies depend on data provided by their business partners as well as on services provided by the public infrastructure (e.g., power, water, transportation, and voice and data telecommunications). One weak link anywhere in the chain of critical dependencies can cause major disruptions to business operations. Given these interdependencies, it is imperative that contingency plans be developed for all critical core business processes and supporting systems, regardless of whether these systems are owned by the agency. Accordingly, in April 1998, we recommended that the Council require agencies to develop contingency plans for all critical core business processes.[11]

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[8]Year 2000 Computing Crisis: Defense Has Made Progress, But Additional Management Controls Are Needed (GAO/T-AIMD-99-101, March 2, 1999).
[9]GAO/T-AIMD/RCED-99-118, March 15, 1999.
[10]FAA Systems: Serious Challenges Remain in Resolving Year 2000 and Computer Security Problems (GAO/T-AIMD-98-251, August 6, 1998).
[11]Year 2000 Computing Crisis: Potential for Widespread Disruption Call for Strong Leadership and Parternships (GAO/AIMD-98-85, April 30, 1998).

OMB has clarified its contingency plan instructions and, along with the CIO Council, has adopted our business continuity and contingency planning guide.[12] In particular, on January 26, 1999, OMB called on federal agencies to identify and report on the high-level core business functions that are to be addressed in their business continuity and contingency plans as well as to provide key milestones for development and testing of business continuity and contingency plans in their February 1999 quarterly reports. Accordingly, in their February 1999 reports, almost all agencies listed their high-level core business functions. Indeed, major departments and agencies listed over 400 core business functions. For example, the Department of Veterans Affairs classified its core business functions into two critical areas: benefits delivery (six business lines supported this area) and health care.

Our review of the 24 major departments and agencies February 1999 quarterly reports found that business continuity and contingency planning was generally well underway. However, we also found cases in which agencies: (1) were in the early stages of business continuity and contingency planning, (2) did not indicate when they planned to complete and/or test their plan, (3) did not intend to complete their plans until after April 1999, or (4) did not intend to finish testing the plans until after September 1999. In January 1999, we testified before you that OMB could consider setting a target date, such as April 30, 1999, for the completion of business continuity and contingency plans, and require agencies to report on their progress against this milestone.[13] This would encourage agencies to expeditiously develop and finalize their plans and would provide the President's Council

[12]Year 2000 Computing Crisis: Business Continuity and Contingency Planning (GAO/AIMD-10.1.19, August 1998).

[13]GAO/T-AIMD-99-50, January 20, 1999.

on Year 2000 Conversion and OMB with more complete information on agencies' status on this critical issue. To provide assurance that agencies' business continuity and contingency plans will work if they are needed, we also suggested that OMB may want to consider requiring agencies to test their business continuity strategy and set a target date, such as September 30, 1999, for the completion of this validation.

On March 31, OMB and the Chair of the President's Council on Year 2000 Conversion announced that completing and testing business continuity and contingency plans as insurance against disruptions to federal service delivery and operations from Year 2000-related failures will be one of the key priorities that federal agencies will be pursuing through the rest of 1999. OMB also announced that it planned to ask agencies to submit their business continuity and contingency plans in June. In addition to this action, we would encourage OMB to implement the suggestion that we made in our January 20 testimony and establish a target date for the validation of these business continuity and contingency plans.

Recent OMB Action Could Help Ensure
Business Continuity of High-Impact Programs

While individual agencies have been identifying and remediating mission-critical systems, the government's future actions need to be focused on its high priority programs and ensuring the continuity of these programs, including the continuity of federal programs that are administered by states. Accordingly, governmentwide priorities need to be based on such criteria as the potential for adverse health and safety effects, adverse financial effects on American citizens, detrimental effects

on national security, and adverse economic consequences. In April 1998 we recommended that the President's Council on Year 2000 Conversion establish governmentwide priorities and ensure that agencies set agencywide priorities.[14]

On March 26, 1999, OMB implemented our recommendation by issuing a memorandum to federal agencies designating lead agencies for the government's 42 high-impact programs (e.g., food stamps, Medicare, and federal electric power generation and delivery); appendix I lists these programs and lead agencies. For each program, the lead agency was charged with identifying to OMB, the partners integral to program delivery; taking a leadership role in convening those partners; assuring that each partner has an adequate Year 2000 plan and, if not, helping each partner without one; and developing a plan to ensure that the program will operate effectively. According to OMB, such a plan might include testing data exchanges across partners, developing complementary business continuity and contingency plans, sharing key information on readiness with other partners and the public, and taking other steps necessary to ensure that the program will work. OMB directed the lead agencies to provide a schedule and milestones of key activities in the plan by April 15. OMB also asked agencies to provide monthly progress reports.

STATES' SYSTEMS' READINESS ESSENTIAL TO THE DELIVERY OF FEDERAL HUMAN SERVICES PROGRAMS

OMB's March 1999 memorandum identifies several high-impact state-administered programs, such as Food Stamps, Medicaid, and Temporary Assistance for Needy Families, in which both the federal

[14]GAO/AIMD-98-85, April 30, 1998.

government and the states have a huge vested interest, both financial and social. Reports by us and the federal lead agencies have indicated the need for the lead federal agency to work together with the states to ensure that programs vital to so many individuals can continue through the change of century.

As we reported in November 1998, many systems that support such human services programs were at risk and much work remained to ensure continued services.[15] In February 1999, we testified that while some progress had been achieved, many states' systems have been reported to be at risk and were not scheduled to become compliant until the last half of 1999.[16] Further, progress reports had been based largely on state self-reporting which, upon site visits, has occasionally been found to be overly optimistic. Accordingly, we concluded that, given these risks, business continuity and contingency planning was even more important in ensuring continuity of program operations and benefits in the event of systems failures.

In January 1999 OMB implemented a requirement that federal oversight agencies include the status of selected state human services systems in their quarterly reports. Specifically, OMB requested that the agencies describe actions to help ensure that federally supported, state-run programs will be able to provide services and benefits. OMB further asked that agencies report the date when each state's systems will be Year 2000-compliant. Table 1 summarizes the information gathered by the Departments of Agriculture, Health and Human Services, and Labor on how many state-level

[15]Year 2000 Computing Crisis: Readiness of State Automated Systems to Support Federal Welfare Programs (GAO/AIMD-99-28, November 6, 1998).
[16]Year 2000 Computing Crisis: Readiness of State Automated Systems That Support Federal Human Services Programs (GAO/T-AIMD-99-91, February 24, 1999).

organizations are compliant or when in 1999 they planned to be compliant.

Table 1: Reported State-level Readiness for Key Federally Supported Programs[a]

Program	Compliant	January-March	April-June	July-September	October-December	No Report
Food Stamps	15	10	12	8	5	0
Unemployment Insurance	21	6	13	8	1	1
Temporary Assistance for Needy Families	7	3	12	4	2	22
Medicaid – Integrated Eligibility System	3	1	8	5	1	33
Medicaid – Management Information Systems	7	7	14	12	2	9
Child Support	4	6	10	3	2	25
Child Care	4	3	8	5	2	31
Child Welfare	6	3	8	5	2	27
Women, Infants, and Children	24	8	6	6	6	0

[a]According to OMB, the Departments of Agriculture and Health and Human Services were still collecting information from the states on the status of the Child Nutrition Program and the Low Income Home Energy Assistance Program, respectively.

Source: Progress on Year 2000 Conversion, (OMB, data received February 12, 1999, issued on March 18, 1999).

Note: OMB reported the status of 5 programs for 50 state-level organizations (Food Stamps, Unemployment Insurance, Temporary Assistance for Needy Families, Child Support, and Women, Infants, and Children). The status of 3 programs was provided for 51 state-level organizations (Medicaid and Child Welfare). The status of Child Care was provided for 53 state-level organizations.

This table illustrates the need for federal/state partnerships to ensure the continuity of these vital services, since a considerable number of state-level organizations are not due to be compliant until the last half of 1999, and the agencies have not received reports from many states. Such partnerships could include the coordination of federal and state business continuity and contingency plans for

human resources programs.

One agency that could serve as a model to other federal agencies in working with state partners is the Social Security Administration, which relies on states to help process claims under its disability insurance program. In October 1997, we made recommendations to the Social Security Administration to improve its monitoring and oversight of state disability determination services and to develop contingency plans that consider the disability claims processing functions within state disability determination services systems.[17] The Social Security Administration agreed with these recommendations and, as we testified this February, has taken several actions.[18] For example, it established a full-time disability determination services project team, designating project managers and coordinators, and requesting biweekly status reports. The agency also obtained from each state disability determination service (1) a plan specifying the specific milestones, resources, and schedules for completing Year 2000 conversion tasks, and (2) contingency plans. Such an approach could be valuable to other federal agencies in helping ensure the continued delivery of services.

In addition to the state systems that support federal programs, another important aspect of the federal government's Year 2000 efforts with the states are data exchanges. For example, the Social Security Administration exchanges data files with the states to determine the eligibility of disabled persons for disability payments and the National Highway Traffic Safety Administration provides states with information needed for drivers registration. As part of addressing this issue, the General Services

[17]Social Security Administration: Significant Progress Made in Year 2000 Effort, But Key Risks Remain (GAO/AIMD-98-6, October 22, 1997).
[18]Year 2000 Computing Crisis: Update on the Readiness of the Social Security Administration (GAO/T-AIMD-99-90, February 24, 1999).

Administration is collecting information from federal agencies and the states on the status of their exchanges through a secured Internet World Wide Web site. According to an official at the General Services Administration, 70 percent of federal/state data exchanges are Year 2000 compliant. However, this official would not provide us with supporting documentation for this statement nor would they allow us access to their database. Accordingly, we could not verify the status of federal/state data exchanges.

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In conclusion, it is clear that much progress has been made in addressing the Year 2000 challenge. It is equally clear, however, that much additional work remains to ensure the continued delivery of vital services. The federal government and its partners must work diligently and cooperatively so that such services are not disrupted.

Mr. Chairman, Ms. Chairwoman, this concludes my statement. I will be pleased to respond to any questions that you or other members of the Subcommittees may have at this time.

Federal High-Impact Programs and Lead Agencies

Agency	Program
Department of Agriculture	Child Nutrition Programs
Department of Agriculture	Food Safety Inspection
Department of Agriculture	Food Stamps
Department of Agriculture	Special Supplemental Nutrition Program for Women, Infants, and Children
Department of Commerce	Patent and trademark processing
Department of Commerce	Weather Service
Department of Defense	Military Hospitals
Department of Defense	Military Retirement
Department of Education	Student Aid
Department of Energy	Federal electric power generation and delivery
Department of Health and Human Services	Child Care
Department of Health and Human Services	Child Support Enforcement
Department of Health and Human Services	Child Welfare
Department of Health and Human Services	Disease monitoring and the ability to issue warnings
Department of Health and Human Services	Indian Health Service
Department of Health and Human Services	Low Income Home Energy Assistance Program
Department of Health and Human Services	Medicaid
Department of Health and Human Services	Medicare
Department of Health and Human Services	Organ Transplants
Department of Health and Human Services	Temporary Assistance for Needy Families
Department of Housing and Urban Development	Housing loans (Government National Mortgage Association)

Department of Housing and Urban Development	Section 8 Rental Assistance
Department of Housing and Urban Development	Public Housing
Department of Housing and Urban Development	FHA Mortgage Insurance
Department of Housing and Urban Development	Community Development Block Grants
Department of the Interior	Bureau of Indians Affairs programs
Department of Justice	Federal Prisons
Department of Justice	Immigration
Department of Labor	Unemployment Insurance
Department of State	Passport Applications and Processing
Department of Transportation	Air Traffic Control system
Department of Transportation	Maritime Search and Rescue
Department of the Treasury	Cross-border Inspection Services
Department of Veterans Affairs	Veterans' Benefits
Department of Veterans Affairs	Veterans' Health Care
Federal Emergency Management Agency	Disaster Relief
Office of Personnel Management	Federal Employee Health Benefits
Office of Personnel Management	Federal Employee Life Insurance
Office of Personnel Management	Federal Employee Retirement Benefits
Railroad Retirement Board	Retired Rail Workers Benefits
Social Security Administration	Social Security Benefits
U.S. Postal Service	Mail Service

Mrs. MORELLA. Now, I am pleased to recognize Ms. Reed from the Department of Agriculture.

Ms. REED. Thank you, Chairwoman Morella, Chairman Horn, Ranking Member Barcia. I appreciate this opportunity to share with you where the Department of Agriculture stands with respect to Y2K.

We are committed to assuring that our programs will be viable after January 1st. We recognize our responsibility for food safety and inspection, food and nutrition programs, rural economic development, natural resources and conservation, research and education, and, of course, programs which support America's farmers.

USDA is currently tracking 350 mission-critical systems; 93 percent of these systems are compliant and fully deployed. We have an additional number of systems where the remediation work has been done, but eight of them have yet to achieve full deployment; ten systems are still undergoing remediation or replacement; and five are anticipated to be retired.

Secretary Glickman has identified 52 of our systems as departmental priority systems because the programs that they support have major health and safety implications, financial impact, or economic repercussions.

Our priorities are to achieve 100 percent compliance and implementation of all critical mission-critical and non-mission-critical systems, conduct the end-to-end testing, coordinating with the States, banks, and other Federal agencies as appropriate, continue to perform independent validation and verification on our priority systems, finalize our business continuity and contingency plans, and continue to assess Y2K impacts on the food supply.

OMB has identified four USDA programs on its list of 40 high-impact Federal programs. They include three nutrition programs; the food stamp program, women and infant children program, and child nutrition programs.

The fourth is food safety and inspection. Food and nutrition programs are vital to the availability of food for millions of Americans, especially those who are neediest. The Food and Nutrition Service, FNS, has been working diligently to remediate its own mission-critical systems that support these programs. Fourteen are fully compliant; the final two will be compliant by the end of this month. FNS has performed testing on its communication links between the State systems and our internal systems. Testing to this point has been successful.

We are working with State partners and territories who actually deliver the services to the public. Since June 1997, USDA and other Federal departments have jointly established expedited approval procedures for State acquisition of ADP resources necessary to support their Y2K efforts. We believe that most of the States are using their own resources for this, since only two have actually chosen to use our expedited approval.

FNS is also tracking each State's progress. They must certify to us that they are compliant in hardware, software, and telecommunications. They must also share with us their business continuity and contingency plans.

The Food Safety Inspection Service regulates a vital part of our food supply: meat, poultry, and eggs products. Twenty-six States

have programs which complement the FSIS health program. Within FSIS, our Food Safety and Inspection Service, seven of eight mission-critical systems are now compliant and fully deployed. The remaining one should be done by the end of this summer. We have an overall business continuity contingency plan and are working very closely with the States and with the plants to assure that they are aware of what needs to be done to support Y2K.

In addition to these programs, there are other programs that the Department is treating as high impact, because of their economic, financial, and health and safety impact. These include farm loan and assistance programs; and rural development programs; animal, plant and health inspection programs; fire management program; and the Federal employee payroll system and Thrift Savings Plan. To date, 47 of the systems which support these mission-critical priority programs are compliant and fully deployed; five systems remain to be completed and should be completed no later than July.

USDA also chairs the Food Supply Working Group of the President's Council on Year 2000 Conversion. I will just share with you that we do not anticipate any major disruptions to the food supply, but will continue to work and report on this area, as we will continue to support outreach to our small businesses. We have a major outreach program that we have undertaken in cooperation with the Department of Commerce and the Small Business Administration.

In conclusion, all of our work is designed to ensure that USDA's critical programs are available to the American public without disruption, and we have a lot of work left to do, but we believe that we are up to this challenge.

Thank you.

[The prepared statement of Ms. Reed follows:]

April 13, 1:00pm

Office of the Chief Information Officer - USDA
Anne F. Thomson Reed
Joint Hearing of the Subcommittee on Government Management, Information and Technology, and the Subcommittee on Technology
April 13, 1999

Mr. Chairman, and Madam Chairwoman, thank you for inviting me to discuss the Department of Agriculture's (USDA) Year 2000 compliance efforts. With your permission, I will submit my written testimony for the record and make a few brief comments.

I appreciate the opportunity to discuss with you the Department's progress thus far and our planned next steps to ensure that our core business functions operate seamlessly on January 1, 2000. The programs that USDA delivers daily affect the lives of every American, as well as millions of people all over the world.

- We have a major responsibility for food safety - and one of President Clinton's and Secretary Glickman's primary initiatives is to continue to improve our inspection system for meat and poultry, from the farm-to-table.

- Through the food stamp program, the Women, Infants and Childrens (WIC) Program, the school lunch and other child nutrition programs, we provide food assistance to millions of Americans each and every day.

- Our rural development programs help small businesses to create jobs; help house rural families; and bring electric, telephone, and water and waste systems - the infrastructure backbone throughout much of rural America - through thousands of rural communities.

- USDA, through the Forest Service, manages more acres of recreational land than any other entity, and we fight the fires that periodically threaten that land.

- Our mission includes programs to conserve our soil, programs to protect our water and plants from pollution, and programs to protect our animals from disease. Our natural resource programs help protect nearly 75 percent of the nation's land.

- USDA supports research, through our own laboratories as well as through the land grant university system, to develop new technologies that improve the productivity and competitiveness of our farmers, and our economists and statisticians monitor virtually every aspect of the farm and food economy.

- The Department's mission is also to expand domestic and overseas markets for U.S. agricultural products through promoting exports while reducing trade barriers and helping farmers manage risk. We combat hunger around the world through our programs, providing millions of tons of food aid each year, and we are a key partner helping to bring aid to the Balkan refugees.

- In addition to these core missions, USDA, through our National Finance Center in New Orleans, is also directly responsible for processing the pay checks and retirement accounts of over 400,000 Federal employees. Our National Information Technology Center in Kansas City provides Information Technology (IT) services to the Federal Aviation Administration (FAA) and other agencies.

Needless to say, all of these programs depend heavily on computer systems and microchip technology to deliver USDA's $67 billion in programs.

As you requested, I will update you on our current status, and discuss what we are doing to ensure uninterrupted delivery of the "high-impact" programs recommended by the Office of

Management and Budget (OMB). In addition, I want to discuss some programs we are also treating as high priority because of how critical they are to the public, especially rural America. Lastly, I will update you briefly on our outreach to small businesses and the work we are doing with the President's Council on Year 2000 Conversion, especially as it relates to the effect of Y2K on the food supply.

Current Status of USDA's Mission-Critical Systems

USDA is currently tracking 350 mission-critical systems. At present, 335 systems, or 96 percent, are fully compliant. Eight of the 335 systems are compliant, but not yet fully deployed. Two of these systems are scheduled for deployment later this month and two more are scheduled for deployment in May. Three are scheduled for deployment in August, and one for September. We have 15 systems that are not yet compliant - including ten systems that are yet to be renovated or replaced, and five scheduled to be retired.

Secretary Glickman has also identified 52 of our mission critical systems as "Departmental-priority" because the programs they support have major health and safety implications, financial effects or economic repercussions. I will discuss some of these systems and the programs they support in a moment. Our priorities are to:

- achieve 100 percent compliance and implementation of all mission-critical and non-mission critical systems;

- conduct end- to-end testing, coordinating with states, banks, and other federal agencies as appropriate;

- perform Independent Validation and Verification (IV&V's) on all Departmental priority systems and selected mission critical systems;

- finalize Agency Business Continuity and Contingency Plans (BCCPs) and;

- continue to assess the Y2K effects on the food supply, rural utilities, food and nutrition programs, farm programs, and our trading partners - focusing on contingency planning.

Next Steps: Achieve 100 percent compliance/Testing/ IV&V/ BCCP

My office is tracking on a daily basis the 15 remaining mission-critical systems which are not yet compliant on a daily basis. Agencies have provided me time-lines for compliance, implementation, and deployment and I plan to continue updating the Secretary and sub-cabinet officials weekly until we have achieved 100 percent compliance. I have attached charts which will provide the Committees with additional details about the status of each of these systems. *(Attachment)*

We plan to conduct extensive end-to-end testing to do all we can to mitigate Year 2000 risks to our programs. We have observed closely the experience of others which makes it clear that extensive testing on compliant systems and their interfaces with other systems is absolutely necessary. Our policy is to work with state and industry data exchange partners to ensure program and service delivery for all priority programs. For example, the National Finance Center has worked with its partners at Treasury and the Federal Reserve to test data exchanges to ensure 450,000 Federal employees be paid without interruption.

On March 31, USDA's Inspector General released a report addressing reviews conducted between March 1998 and January 1999 on the various phases of USDA's Year 2000 conversion program. The report addressed issues related to the accuracy of reporting, the need for stronger project management and cost reporting, and for more guidance related to contingency planning. The report noted that we have taken prompt action on the IG's recommendations and achieved closure on five of seven findings. The final two findings address vulnerable systems and

telecommunications, and testing and certification of compliance. We are taking action to address those findings. The IG's findings have been very helpful to use in ensuring that we have a very robust Year 2000 program.

I am also taking steps to centralize and strengthen our management of the IV&V process. We are also requiring outside IV&V for all Departmental priority systems.

One example is the IV&V which was conducted on the Direct Loan Origination System (DLOS), which supports key rural lending programs. DLOS is a commercial software package that supports our single family housing and grant portfolio. An outside contractor performed the IV&V, and delivered modified software which was installed for testing. Testing was performed by Rural Development personnel, problems were documented, and the contractor made the necessary modifications. Test plans identified all of the processes and data exchanges, as well as the organizations responsible for the testing.

We are also finalizing the Department's Business Continuity and Contingency Plans (BCCPs), which focus on our core business processes. Our Departmental level plan incorporates plans from each agency and mission area, as well as USDA staff offices. Final agency plans are due to my office on June 15. They are establishing Business Resumption Teams and have submitted a schedule to test their BCCPs to my office. Agencies are also in the process of developing their day one strategies.

FOOD AND NUTRITION

The Office of Management and Budget has identified four USDA programs on its list of 40 "high-impact" Federal programs. Let me share with you where we are with each of these programs, before talking about others we believe have a high impact as well. The food and nutrition programs on OMB's "high-impact" list, which are delivered in partnership with the

states, are vital to the availability of food for millions of Americans, especially those who are neediest. They are the food stamp program, child nutrition programs, and the WIC program.

The Food and Nutrition Service (FNS) has been working diligently to remediate the mission critical systems that support these nutrition programs. With respect to FNS's own internal mission-critical systems, fourteen are fully compliant and two more will be compliant at the end of April.

FNS has performed Y2K testing on its communication links between the state systems and FNS's internal systems. Testing to this point has been successful and no problems have been encountered. FNS is continuing to test these interfaces between the agency, states, and other partners. States must certify to FNS that they are Year 2000 compliant in three areas - software, hardware, and telecommunications. Depending upon their status, states must certify in writing that they have a working contingency plan in place that will assure the delivery of benefits to FSP and WIC recipients.

FNS is working with its state partners and territories who actually deliver nutrition services to the public. Since June of 1997 USDA and other Departments have jointly established expedited approval procedures for state acquisition of automatic data processing equipment and services required to bring food stamp program administrative systems into Year 2000 compliance. It also allows states to use expedited procedures for contingency planning. This authority has been extended through July 2000. To our knowledge, only two states have taken advantage of this expedited approval process. FNS believes that most states are accounting for Y2K correction activities as part of their on-going administrative operating and maintenance expenditures, and so are claiming administrative expenses as part of their regular programmatic federal administrative funding for Food Stamps, WIC, and child nutrition programs.

As of March, twenty one states have reported that their food stamp systems are compliant in all respects; seven of those states have already sent letters to FNS certifying that they are Year

2000 compliant. Seventeen additional states have reported that they will be compliant between April and June. Eleven states have reported that they will be compliant between July and September, and five states have reported that they will be compliant between October and December. All states are reporting that they will be compliant by December 31, 1999.

Thirty one states have reported that their WIC systems are Year 2000 compliant. FNS has received certification letters from fifteen of these states. Twelve additional states have reported that they will be compliant between April and June. Nine states have reported that they will be compliant between July and September. Two states have reported that they will be compliant between October and December. All states are reporting that their WIC systems will be Year 2000 compliant by December 31, 1999.

Thirty four of the 67 state agencies that administer child nutrition programs have reported that they are fully Y2K compliant. Most of the rest expect to achieve compliance in all areas by the end of the summer. FNS will continue to monitor those states that have not achieved and reported full compliance. FNS's regional offices are also working with state agencies to ascertain the viability of state contingency plans.

FNS is in the final stages of awarding a contract to provide Y2K technical support to the states who did not report plans to be compliant in March. FNS will also follow up with on site visits to selected, with reviews prioritized based on our most recent state reported compliance dates.

FOOD SAFETY

The Food Safety and Inspection Service (FSIS) regulates a vital part of America's food supply--meat, poultry, and egg products. Americans depend on FSIS to ensure that these products are safe, wholesome, and accurately labeled. Twenty-six states have programs which complement FSIS's public health program.

FSIS continues to provide information to individual plants, alerting them to their responsibilities to be ready for the Y2K transition. The agency is sharing its plans, processes, and experiences with the state directors who have inspection responsibilities, will determine the Y2K readiness of its state partners, as part of its readiness activities, and will work with States to ensure that their programs operate effectively.

FSIS has also prepared an overall Y2K Business Continuity (Contingency) Plan (BCCP) for its internal systems to ensure that food safety standards are maintained during the millenium transition. The plan contains specific contingencies for the resumption of operations in the event of systems failure.

USDA'S DEPARTMENTAL PRIORITY PROGRAMS

In addition to these programs, there are other programs that the Department is treating as high impact because of their economic, financial, and health and safety impact. These include:

- the farm loan and assistance programs and rural development programs;
- animal and plant health inspection programs;
- the fire management program; and
- the Federal Employee Payroll system and Thrift Savings Plan.

These programs are vital to the economic well-being or the health and safety of millions of Americans. They are especially critical to rural America. There are 52 mission-critical systems most of which support these programs. To date, 47 of them are compliant and fully deployed. Five of the systems remain to be completed. These remaining systems should be fully deployed by June.

FEDERAL EMPLOYEE PAYROLL SYSTEM/ THRIFT SAVINGS PLAN

The Federal Employee Payroll System, and the Thrift Savings Plan are managed by the National Finance Center (NFC) in New Orleans. The NFC processes payroll bi-weekly for 450,000 Federal employees and manages retirement savings for 2.3 million Federal employees.

All mission-critical programs at the NFC are compliant and have been validated on a separate mainframe running with system and internal dates into the year 2000. All Information Technology (IT) hardware and system software has been validated using the same technique. All non IT equipment as well as the facility have been certified Y2K compliant by internal or external IV&Vs and vendor certifications.

In addition, in case of a local power failure, the NFC has secured auxiliary diesel generators with enough capacity and fuel to power the entire facility for an extended period of time. A contingency plan is in place to also deal with any telecommunication or system failure that might occur. We are confident that any power outages can be effectively dealt with and that these programs can be delivered without interruption.

FARM LOAN AND RURAL DEVELOPMENT PROGRAMS

Farm loan and crop loss disaster assistance programs, along with programs to provide funds for rural business and infrastructure, are critical to our nation's farmers and producers, and the rural economy. These programs are core business functions which we cannot afford to have interrupted.

The Guaranteed Loan System (GLS) tracks loans made by private lenders, but guaranteed by the Government. This system has been a joint development effort by the Farm Service Agency and Rural Development and was developed to be Year 2000 compliant. Implementation of GLS was conducted in phases starting in May 1998. For servicing direct loans, the Program Loan Accounting System (PLAS) was renovated to be Year 2000 compliant and implemented during March 1999. Contractor-supported IV&Vs of the Program Loan Accounting System was

initiated in March 1999. Crop Loss Disaster Assistance Program software that is Year 2000 compliant has also been developed.

The Farm Service Agency's Business Continuity Plan details who, how, when, and what is necessary to ensure mission operations in the event of a Year 2000 failure, including documentation of any manual processes. Testing of the FSA Business Resumption Contingency Plans is targeted for June 1999.

The Rural Development BCCP is also being refined to detail the manual processes which will be used in the event of a system failure. These processes are scheduled to be tested in third quarter of this year. Testing is also being planned with external entities.

USDA is also giving careful attention to the Y2K readiness of rural utility providers. In February 1998 the Rural Utilities Service (RUS) started surveying its telecommunications and electric borrowers to determine their level of Year 2000 preparedness. RUS's field representatives are making personal visits and telephone contacts with all electric and telecommunications borrowers who have not indicated when they plan to become compliant to determine their status and offer assistance. These utilities are also being monitored by the utilities industry and the Energy Working Group headed by the Department of Energy.

ANIMAL AND PLANT INSPECTION PROGRAMS

Animal and plant inspection programs are not well known outside of the agricultural community, but are nevertheless vital to ensuring the health and safety of our livestock, and plant life, which translates into the health and safety of us all. Eighteen of the mission-critical systems which support these programs are already Year 2000 compliant. The remaining three systems are scheduled to be compliant by June 30.

The Animal Plant Health and Inspection Service is working closely with its state partners

to test and certify electronic data exchanges for the National Agriculture Pest Information System (NAPIS). Thus far, eleven states have certified that they are compliant, and nine have undergone testing. The agency has also participated in Business Continuity and Contingency Planning meetings with the Canadian Food Inspection Agency and the Air Transport Association, which represents major airlines and airports across the country.

FOREST FIRE MANAGEMENT

The Forest Service's Fire &Aviation Management System has health and safety, as well as financial effects. An IV&V on this system is in progress, and scheduled for completion in June. Also, all data exchanges with external partners and cooperators have been identified and assured to have Y2K compliant formats which are being tested by the FS and external partners.

The Forest Service has also developed its BCCP, and is selecting a contractor to support testing of the plan with emphasis on mitigation strategies. Program management support is also being assembled to follow up on the implementation programs of work committed to by FS staff and units in the BCCP. The FS is also forming Business Resumption Teams.

FOOD SUPPLY WORKING GROUP

Mr. Chairman, Madam Chairwoman, before responding to your questions, I also want to mention briefly the work we are doing with the President's Council on Year 2000 Conversion and other outreach activities, especially to rural America.

As you may know USDA chairs the Food Supply Working Group (FSWG) of the President's council. The Department is also represented on several other working groups, including benefits payments, building operations, consumer affairs, education, emergency services, energy (electric power), environmental protection, health care, finance, housing, human services, international trade, telecommunications, and transportation.

The Food Supply Working Group, co-chaired by the Under Secretaries for Food Safety, Farm and Foreign Agricultural Service, and Marketing and Regulatory Programs, has been working with several food industry associations to assess the Y2K readiness of the food supply. The working group recently submitted its second report to the President's council. The report notes that the state of readiness of the food industry remains encouraging. The American public can be confident that the major domestic companies, which provide most of the key foods, will continue to operate in spite of the Year 2000 problem. Any interruption in the food supply so severe as to threaten the well-being and basic comfort of the American public is very unlikely.

We are also working with the President's council to plan a "food industry roundtable" in late May or early June. The roundtable will be designed to bring together key members of the food industry - who represent different sectors of the farm-to-table food supply chain - to further deepen our understanding of the food industry's preparedness, as well as develop an overall message to the public about Y2K and the food supply.

INTERNATIONAL EFFECTS

The Department also has major interests in Y2K in the international arena, and we are actively working with the President's council to assess the likely Y2K effects on US agricultural trade. Attaches of the Department's Foreign Agricultural Service (FAS) continue to gather information from foreign government officials, industry associations, and private companies on Year 2000 preparations in 81 countries which account for roughly 97 percent of U.S. food imports and 95 percent of U.S. exports during the first quarter of the calender year.

OUTREACH TO SMALL BUSINESSES

We are also continuing our outreach to rural areas and small businesses, many of whom rely on USDA loan and grant programs.

On April 1, 1999, USDA conducted a nationwide satellite broadcast in conjunction with Small Business Y2K Action Week. The interactive video-conference, which was viewed at 153 sites in 40 states across the country, was designed to increase awareness among small business owners and local governments concerning the threat Y2K poses to their operations, provide technical assistance, and inform them of resources available at USDA and other agencies to help them with solutions. The Cooperative State Research Education and Extension Service is planning to rebroadcast the conference, and several of our field locations have requested tapes for future viewing.

USDA is also very active in providing direct technical assistance to small business owners. Through the Cooperative State Research Education and Extension Service (CSREES), we have entered into a partnership with the Small Business Administration and the Manufacturing Extension Partnership to provide technical assistance to small businesses. CSREES is providing assistance through a series of Y2K workshops, as well as "jumpstart" kits, which includes a CD-ROM and other tools, to help business owners inventory and assess systems that may be vulnerable to Year 2000 problems.

CONCLUSION

Our outreach efforts, our close work with state and local partners, our extensive business continuity and contingency planning, our extensive testing and other efforts are designed ultimately to ensure that USDA's critical programs are available to the American public without interruption despite the Year 2000 problem. We still have a tremendous amount of work to do on all fronts. I do believe, however, that we have made significant progress, and that we will be ready when the time comes.

I look forward to working together and closely with the Congress, the Office of Management and Budget, the GAO, USDA's agencies, as well as the public as we work to meet this challenge. I will respond to any questions you have at this time.

USDA Mission Critical Systems no' t Y2K Compliant or Fully Deployed

Agency	Name of Mission Critical System	System Description	Date to be Retired	Replacement Date	Repair Date	Deployment	Notes
FAS	Financial Acounting & Reporting System (FARS)	Provides financial accounting and reporting for FAS funds control and budgeting.		10/31/1999			In April 1998, the OCIO approved a moratorium wavier for FARS; in June, our American Management Systems (AMS) contractor began work to replace FARS with their commericial-off-the-shelf (COTS) Momentum software, with target completion of April 1, 1999. AMS revised their estimated schedule for custom revision of the Momentum System. They estimate completion of the first phase April 1, 1999, and completion of the final phase October 1, 1999; AMS based their reason for the estimate change on initial misunderstanding with the FSA Financial Management Division.
FAS Count			0	1	0	0	
FSA/HQ	Highly Erodible Land & Wetland Conservation	Data from conservation violations is recorded in the State Offices and transmitted to the NITC IBM mainframe. The data is collected and brought down to a PC database system in FSA Headquarters in WDC, where the data is analyzed and reports are generated. The HELWC system is used by the State Offices.				04/16/1999	HELWC is compliant as currently installed in the field. However, with the new SCIT/CCE PCs going out, the system needs to be converted from Paradox to Microsoft Access. The converted system cannot be implemented until the new PCs are installed.
Count			0	0	0	1	
FSA/KC	130 CDC - Risk Management (Counties and KCMO)	TO BE RETIRED IN OCTOBER 1999	10/31/1999				CAT policies are no longer being sold in FSA county offices. However, FSA is continuing to process data for 1996 and 1997 program years. This system will be retired no later than 10/99.
FSA/KC	145 CDC - Relocation Income Tax Allowance (RITA) (#12)	Function being transferred to NFC. RITA is to be retired September 30, 1999.	09/30/1999				Function being transferred to NFC. RITA is to be retired September 30, 1999.
FSA/KC	1534 CDC - Cotton Online Processing System (COPS)	COPS provides for managing the inventory of cotton and for processing cotton loan applications. COPS is being developed to replace five cotton systems (two of which are not compliant). CLMS, one of the non-compliant systems, was replaced by the first phase of COPS implementation on March 30, 1999. The COPS replacement of CIMS is targeted for implementation in July 1999.			07/31/1999		COPS will replace 3 cotton systems which are Y2K compliant after the year 2000. COPS also will replace 2 cotton systems which are not Y2K compliant: #179 CLMS & #161 CIMS. The CLMS functionality will be implemented in COPS in March 1999, two months ahead of when the CLMS portion of COPS would encounter a year 2000 date in May 1999. The CIMS portion of COPS will be implemented in July 1999, ahead of the December 1999 date when it would encounter the year 2000.
FSA/KC	161 CDC - Cotton Inv. Management System (CIMS)	To be replaced by Project # 1534: Cotton Online Processing System.		07/31/1999			To be replaced by project #1534, Cotton Online Processing System.
FSA/KC Count			2	1	1	0	
RMA	Accounts Receivable (Direct Business)	System updates subsidiary account (individual policy holder accounts) with all detail transactions related to the financial activity of the Federal Crop Insurance Program.	09/30/1999				This system will be shut down directly after debt writeoffs, the last week of September 1999.
RMA	Debt Management (Direct Business)	System provides a mechanism for the collection and reporting of debts owed to the Risk Management Agency.	09/30/1999				This system will be shut down directly after debt writeoffs, the last week of September 1999.
RMA	Direct Business Sales Acreage Loss Sales & Service Contractor Interface System (SALAMI)	System provides a preaccounting process on sales, acreage and losses under the Federal Crop Insurance program.	09/30/1999				
RMA Count			3	0	0	0	

USDA Mission Critical Systems no. ‹ Y2K Compliant or Fully Deployed

Agency	Name of Mission Critical System	System Description	Date to be Retired	Replacement Date	Repair Date	Deployment	Notes
FSIS	HPDesk FSIS Electronic Mailing System	FSIS' HPDesk electronic mailing system is being replaced by the Exchange/Outlook system. FSIS has been using a process for updating this system with the latest Microsoft Y2K fixes as soon as they are available, to achieve Y2K compliance.				09/30/1999	FSIS schedule for completion. As previously reported, the Agency will achieve full deployment by September 30, 1999. FSIS will continue to upgrade Exchange/Outlook as new patches become available from Microsoft, which is the designer of the software. The migration to Exchange is already complete in Headquarters and most of the field offices. The Agency will use the Y2K supplemental budget that was not available until January 1999 to facilitate future field deployment in the remaining field offices.
FSIS Count			0	0	0	1	
FNS	*Regional Office Administrated Program (ROAP)*	A multi-million dollar yearly operation that reimburses school food authorities and sponsors for providing food service to children and adults.		04/30/1999			As of March 9, 1999, the School Lunch, Special Milk, Child and Adult Care and Family Day Care were certified as Y2K compliant. The Summer module is under development. The modules for School Lunch and Breakfast (LB), Special Milk(SM), Child and Adult Care (CC), and Family Day Care (FD), are currently in production and are being used to process claims for payment. Contractor is continuing to work on finalizing some reports and interface files. The final module is scheduled to be completed by April 30, 1999.
FNS	*Store Tracking; Authorization and Management Subsystem (STARS)*	Redemption Systems Branch, Minneapolis and supports the entry and maintenance of data pertaining to stores authorized to redeem coupons or EBT transactions. STARS accounts for the redemption activity through the Federal Reserve Banks			04/30/1999		A new software update was received from the vendor. The Agency's Database Administrator tested the software and the outcome was successful. The software is now being used by our Quality Assurance group for final system validation. Implementation is scheduled for April 30, 1999.
FNS Count			0	1	1	0	
AMS	Livestock and Seed MIS	The Livestock and Seed Management Information System primary function is to report revenue information critical for the billing functions of the Meat Grading and Certification Branch. An additional function is to report volume of product graded and certified.				05/31/1999	The AMS Livestock and Seed Management Information System (MIS) continues in redevelopment, using Year 2000 compliant hardware and software. The replacement system, entitled the AMS Field Infrastructure System, is scheduled to meet the Departmental goals. The prototype for this replacement system was completed in October 1998, with time and attendance, travel, and billing subsystems completed by mid-December, 1998. Testing and user acceptance is scheduled for completion concurrently with IV&V in March 1999. System will be fully deployed by May 31, 1999.
AMS	*Financial Information System*	This system is a collection of programs and automated tools used by the Animal Plant and Health Inspection Service, Washington Financial Services Branch in support of Agricultural Marketing Service's financial functions.				05/31/1999	The AMS Financial Information System (FIS), originally scheduled for replacement, is now completing renovation using Year 2000 compliant hardware and software. AMS originally planned to use a contractor to accomplish this work; however, in order to accelerate renovation of the system and provide more efficiency, AMS COBOL programmers perform the work internally. The system is Y2K compliant under the OCIO definition of compliance. AMS, however, expects to have additional renovations completed by mid-April, with deployment completed by May 31, 1999.
AMS	*Market News Information System*	A fully web-enabled information system that provides timely, accurate, and unbiased market information to buyers and sellers of agricultural commodities. This information also supports the Nation's agricultural commodities markets.				04/26/1999	Six modules of this system have been remediated, three are fully deployed and three will complete deployment by April 26, 1999.
AMS Count			0	0	0	3	
APHIS	*Generic Database (GDB)*	Data used to analyze the spread and control of VS program diseases.			06/30/1999		Application is installed on compliant servers; forms and reports will be completed by 3/31/99; field tests in early April; fix bugs in late April; implement in May and June 1999.
APHIS	Information System Upgrade Project (ISUP)	The system is housed in the Field Servicing Office in Minneapolis, MN and supports finance, personnel and procurement administrative processes.			04/16/1999		New system being tested and implemented.

USDA Mission Critical Systems n\ ; Y2K Compliant or Fully Deployed

Agency	Name of Mission Critical System	System Description	Date to be Retired	Replacement Date	Repair Date	Deployment	Notes
APHIS	Laboratory Information Management System (LIMS)	The purpose of this project is to acquire, implement, and support a LIMS for Veterinary Services (VS) staff located at the National Veterinary Services Laboratories (NVSL) in Ames, Iowa, and the Center for Veterinary Biologics (CVB) in Ames, Iowa, and Riverdale, Maryland, and the Foreign Animal Disease Diagnostics Laboratory (FADDL) in Greenport, New York.		06/30/1999			Basic system to support Veterinary Diagnostics will be in place on compliant server in Ames, IA by 3/31/99. ARS reports telecomm will be ready at Plum Island by 6/1/99.
APHIS Count			0	1	2	0	
NRCS	Snowpack Telemetry Data Collection Office Software (SNOTEL)	The SNOTEL system provides the data collection, data management, and quality control functions associated with the meteor burst remote snowpack telemetry system. It also includes the collection and management of soil climate data across the country.		04/16/1999			All but 1 SNOTEL module will be implemented by COB 3/31/99. The DMP module will not be deployed at this time. It is a completely new module and the rigorous testing is taking longer than expected. Projected date is April 16, 1999.
NRCS Count			0	1	0	0	
CSREES	General Support System	The GSS provides connectivity to public Internet services such as E-Mail and file transfer facilities.		04/30/1999			There are currently 13 personal computers that are not compliant. New computers have been ordered and we are awaiting shipment. The new systems will be installed upon receipt. The vendor anticipates delivery to CSREES around 4/16/99. All installations should be completed by April 30, 1999.
CSREES Count			0	1	0	0	
RD	Automated Multi-Housing Accounting System	The official accounting and financial management system that provides accounting, servicing, and reporting functions for an outstanding loan portfolio of over $11 billion and for 18,500 multi-family housing projects.				08/31/1999	
RD	Dedicated Loan Origination and Servicing System	Commercial off-the-shelf software used by the St. Louis Centralized Facility to service Section 502 direct loans for home ownership and Section 504 loans for general repairs and improvements to property. This state-of-the-art system includes functionality such as escrowing of taxes and insurance, payment subsidies and income determinations, liquidating and acquisitions, and special collections.				08/31/1999	The new PC's to be acquired from the Y2K supplemental funds will be utilized to replace our old PC's that are currently running Windows 3.11, a non-complaint operating system. These obsolete PC's cannot process new applications developed by the National Finance Center, Rural Development (e.g. new WEB/Internet applications), and commercial vendor products. That is why the need is so great to replace them as expeditiously as we can.
RD	Program Loan Accounting System	Supports the Farm Service Agency and Rural Development's Water & Waste and Community and Business Program direct loan and grant programs by providing accurate accounting, servicing, and reporting functions.				08/31/1999	Further, these old PC's are limited in dynamic storage and cause operational problems as users continually get general protection faults caused primarily by a short-on-storage condition. The Y2K supplemental funds PC's cannot be deployed until the July-August timeframe in order to accommodate the Common Computing Environment (CCE) PC deployment schedule.
RD Count			0	0	0	3	
Grand Count			5	6	4	8	
Legend:	Systems in bold script text are Departmental Priority Systems.						

Mrs. MORELLA. Thank you, Ms. Reed.

We have been joined by Mr. Miller from California; by Mrs. Biggert from Illinois; and now we recognize Mr. Nygard.

Mr. NYGARD. Thank you, Madam Chairwoman. Madam Chairman, members of the subcommittee——

Mrs. MORELLA. Excuse me, Mr. Nygard. We are going to have a vote coming up, but I think we will have a chance to hear your testimony and then go vote. We will recess for about 15 minutes and then come back, and pick up then with the Department of State. Thank you.

Mr. NYGARD. Should I proceed?

Mrs. MORELLA. We want to make sure—we never feel comfortable or secure around here with those buzzers. They succeed—OK, great. You may proceed. [Laughter.]

Mr. NYGARD. Thank you, Madam Chairwoman. Madam Chairwoman, Chairman Horn, members of the subcommittee, I am pleased to appear today to report on the progress of the U.S. Agency for International Development, or USAID, in achieving Y2K systems compliance. In short, we at USAID are confident that our mission-critical systems will be Y2K compliant well before the end of this year, and that our agency will operate successfully on and after January 1st of next year.

Let me talk, first, about our mission-critical systems. As you are aware, we did not achieve Y2K compliance for these systems by the end of March, the governmentwide target date. Until early February, we had expected that three of the five systems that need to be repaired would be implemented by March 31st, but problems discovered during the testing phase delayed our efforts and forced us to move back our completion dates. These delays in all three systems were the result of problems encountered outside the systems themselves and were caught as we tested the broader processes that the systems support.

Our time and attendance systems, for example, rely on the government-wide International Cable System to transmit data back to Washington from our field posts. A program which extracts data from the cable system needed to be repaired to be Y2K compliant. The problem with the other two systems, personnel and payroll, resulted from an interface or linkage between the two systems whose code was not Y2K compliant. Once discovered, these problems were quickly fixed. All three systems are back in testing, and we plan for them to be fully implemented by May 15th.

Before turning to our other mission-critical systems, let me clarify what USAID defines as "implementing its Y2K-compliant systems." A system is implemented, in our view, when it is up and fully running, both at our headquarters and our overseas posts. This means our testing must include not only the systems themselves, but any connections to other systems or processes, such as that to the cable system mentioned above, that are needed for the mission-critical system to operate. It also means that our field posts, which we call missions, must have received and put into operation any necessary hardware and software needed to run the repaired systems.

This point is relevant to our fourth mission-critical systems, overseas accounting. This system is renovated and field testing at two

overseas post will commence next week. The required software and equipment have been sent to our 40 accounting stations overseas, and we expect implementation to be complete worldwide by the end of May. The main risk for this system is logistical rather than technical. The possibility always exists that equipment being sent overseas may be lost or stolen in transit. We are taking all possible precautions in this regard, including having our overseas staff pick up the equipment at airports immediately when it arrives in the country.

Our fifth critical system is USAID's new management system, which performs accounting, budgeting, and procurement functions at our Washington headquarters. The complexity of this system means that substantial work is needed to renovate it. We have utilized funding from the government-wide Y2K supplemental to apply additional programming and other resources to the task, and believe it will be renovated by the end of this month and fully tested and implemented by the end of July.

Our efforts have been greatly assisted by the methods of program management and measurement used by our prime contractor. Each step is laid out carefully and progress toward implementation of each system is quantified in terms of points for value earned to date. This approach has given us a high level of confidence that all of our mission-critical systems will be up and running, Y2K compliant worldwide, within the next few months, because we now know precisely what has been done and what needs to be done.

Let me next mention the steps we are taking to assure that our agency will be able to carry out essential business functions if automated information systems are unable to operate for reasons beyond our control. Since last fall, our Chief Financial Officer staff has been working to develop contingency plans that will assure the continuity of business operations for three basic processes: funds distribution, obligation of funds, and payments. All are broad categories and involve multiple applications.

Payments, for example, includes providing funding to vendors and grantees who deliver goods and services to USAID, but also includes meeting the agency payroll. I am pleased to report that these contingency plans, whose preparation is being assisted by a highly qualified contractor, are well along and will be field tested and finalized during the summer.

A final point I want to discuss is the ability of our field missions overseas to continue operating and providing assistance to the countries in which they are located. We have sent teams from Washington to 50 of our overseas posts to examine each mission's operating systems, the information technology used in its assistance programs, and in many cases the host country infrastructure upon which our missions depend to operate. We are working closely with the Department of State and other agencies who operate overseas to assure that essential functions will continue next January.

As we get closer to January 1, 2000, more information will be generated about the situation in the countries where we work, and

we will have a much better idea of the extent to which our ability to operate will be affected. This matter is of great concern to us, and we will continue to watch it closely country by country.

That completes my statement. Thank you very much.

[The prepared statement of Mr. Nygard follows:]

Testimony of
Richard Nygard
Chief Information Officer, U.S. Agency for International Development

Before the House Government Reform Committee
Subcommittee on Government Management, Information Technology
and the Technology Subcommittee of the Science Committee

Tuesday, April 13, 1999
Washington, D.C.

I am pleased to represent Administrator Atwood at today's hearing. USAID has been listed among the highest risk federal Agencies for Y2K. While USAID usually focuses on risks others face such as support for Hurricane Mitch reconstruction and humanitarian response in Kosovo, I want to assure you we understand the significance of resolving the Y2K problem, so that the Agency can carry out its important functions without interruption.

The U.S. Agency for International Development (USAID) administers bilateral economic assistance programs as an important instrument of U.S. foreign policy. The Agency has more than 7,000 employees worldwide, with 2,000 personnel at headquarters in Washington, DC. USAID's field structure is made up of 79 overseas missions and donor coordination sites in Latin America and the Caribbean, Africa, Asia, the Near East, Europe and the New Independent States of the former Soviet Union. Information systems support the business processes of the Agency's operations at headquarters and at our overseas posts.

We have determined that seven of our information systems are "mission critical" with regard to Y2K compliance. Two of these are currently being discontinued or outsourced. The other five are being made Y2K compliant. They are: personnel, time and attendance, payroll, overseas accounting and the New Management Systems (NMS). The largest and most complex of these applications is NMS, which supports headquarters financial management, acquisition & assistance, budget and operations.

USAID has been working actively to repair and test the mission critical systems to ensure Y2K compliance. In February 1998, a USAID-commissioned study carried out by the General Services Administration, with team members from IBM and Coopers & Lybrand, advised us that USAID lacked the size and expertise as an Agency to serve as its own system integrator for its business systems. Previously the Agency had used multiple contractors for developing and running the computer capabilities for corporate operations but supervised each of these specialized companies on an individual basis.

Based on the findings of this independent assessment, USAID obtained a prime contractor (Computer Sciences Corporation) in June 1998 to support its future information technology efforts worldwide, including Year 2000 improvements. Study findings also advocated that USAID should implement specific technical management strategies to minimize risk, because time was so short before the Millennium change and the federal Y2K deadline of March 31,

1999. These practices included detailed measurement of Y2K progress and comprehensive testing.

USAID has held itself to the highest standards on Y2K compliance because of the significance of sustaining support for our program operations. We will claim successful implementation of our mission critical systems only when the Y2K compliant versions are fully installed and operating at both headquarters and overseas locations and relevant testing on all related components has been accomplished.

While the Agency has missed the March 31, 1999 target date for implementing Y2K mission critical systems, we have made great progress toward completing this task. After 10 months of the Agency Y2K program supported by its prime contractor, USAID has renovated four of the five mission critical systems: Personnel, Time & Attendance, Payroll and Field Accounting.

We intend to continue the rigorous discipline of measuring and testing on our mission critical Y2K effort. Our measurement techniques have enabled us to track accurately the progress on fixing each date sensitive component of each system. Knowing where the problems are provides us a higher level of confidence that these systems will be ready well in advance of the Millennium change. The comprehensive testing has brought problems into the open, as intended, and has permitted early correction.

We have focused specific attention on testing of our older systems and fixing date problems in NMS. The discovery of unexpected problems in the validation or testing phase caused schedule delays in 3 of the 5 systems in February, one of which had been previously designated asY2K compliant. In all three cases, the problems were outside the systems themselves but involved linkages that would have prevented Y2K compliant implementation.

USAID experience matches the advice of OMB and industry that testing is the essential core of Y2K activity.

The specific circumstances that affected USAID's Y2K program in February were identified in our last quarterly report to OMB:

Programmers discovered software logic in a data interface program outside our mission critical Payroll and Personnel systems that was not only at Y2K risk but in the wrong place. This forced a change in the Personnel system to set matters right on an application we previously implemented for Y2K compliance. Both Payroll and Personnel systems were renovated successfully in February, and were returned for additional Y2K testing in parallel.

The Time & Attendance system for our missions has been renovated. However an interface to the Time & Attendance system, called the USAID Cable Switching System, was found to require Y2K improvement for comprehensive testing of this function. This interface reads and translates time and attendance data received from missions by diplomatic cable into a format that our mainframe payroll system can process. The cable switching system's Y2K repair has been expedited so USAID can meet the strictest definition of compliance for the Time & Attendance system including all of its essential interfaces.

Four missions have received Y2K compliant software Time & Attendance software for the "end to end" testing. Y2K compliant computers have been installed in all USAID missions, so when these pilot sites finish their testing the Agency will complete implementation with updated software.

Similar rigorous testing guidelines are being applied to USAID's field accounting application, which must be installed with data conversion at 40 overseas missions. Y2K compliant equipment has been shipped and field accounting software tests begin at two pilot sites on April 26.

I am pleased to report that our personal computers, networks and satellite capabilities essential for Agency mission critical systems are compliant. Some field posts, however, require additional equipment, which is currently being shipped.

There is always risk in sending equipment overseas that some items will be lost or stolen during shipment. We are working with missions to assure that as many deliveries as possible will be picked up by our Mission staffs as they are unloaded from the airplanes.

If testing and implementation goes forward as planned, three of our five mission critical systems (Personnel, Time & Attendance and Payroll) will be implemented by the middle of May. The field accounting system is scheduled for implementation at the end of May, and we expect some missions to beat that deadline.

NMS is targeted for validation and implementation in July. Progress against the planned Y2K schedule for NMS remains the most significant Agency concern. The NMS application has stabilized with sustained attention from our technical staff and the prime contractor, but software error rates identified in last year's GSA review are a factor in accomplishing Y2K changes. The next most challenging Y2K task is completion of validation for the payroll program by May 15 because of its significant size.

The summary of USAID Y2K progress and projected milestone completion dates is shown in the following table:

USAID Y2K Progress by GAO Category and Mission Critical System

	Total Mission Critical Systems	*Assessment*	*Renovation*	*Validation*	*Implementation*
All to be completed by	7 Total	30 Nov 1998	30 Apr 1999	01 Jul 1999	30 Jul 1999
Number completed by 31 Mar 1999	5 Repaired 2 Replaced	5 of 5	4 of 5	2 of 5	0 of 5
Percent of Repaired Systems Now Completed		100%	80%	40%	Schedule Date
Personnel		RAMPS	✓Done	30 Apr 1999	15 May 1999
Payroll		NAPS	✓Done	30 Apr 1999	15 May 1999
Time & Attendance		AETA	✓Done	✓Done	30 Apr 1999
Field Accounting		MACS	✓Done	✓Done	30 May 1999
Admin		NMS	30 Apr 1999	Jul 1999	03 Jul 1999

USAID efforts to ensure that these systems will be made compliant are underway. When Agency efforts on mission critical systems ran into difficulty in February, the Administrator and I met with the president of our prime contractor to discuss corrective action.

Findings of the prime contractor's analysis pointed to the importance of integrating the schedules of USAID's Y2K projects to highlight the interdependencies important for complete testing. We are augmenting our methods of measuring progress to assure technical problems in critical interfaces are recorded for action and tracking. Additional time is also being spent on quality assurance activities to correct errors in Y2K program effort as early as possible.

USAID business continuity planning is occurring at two levels: internal and external. Internal Agency Y2K business continuity planning for mission critical systems focuses on three critical functions: payments, obligations and funds management. The business continuity and contingency planning program, addresses the capability to handle, at an essential and minimal acceptable level, these critical functions through any Y2K difficulty.

Y2K contingency plans began last fall with an analysis of business processes and assets followed by a prioritization of these processes/activities. This initiative included a series of workshops to validate the financial management core processes interrelated with funds control, payments and obligation functions. Business processes were validated and decomposed to sub-process and major activity levels. Data has been collected, risk dependencies determined, asset Y2K readiness assessed and business exposure determined for these functions. The internal "high-level" contingency plan was finalized in December 1998.

Phase Two, underway since January 1999, formalizes detailed "work arounds" for the business processes/activities for each function per the contingency plan such as the manual procedures and local spreadsheet applications that would facilitate interim operations.

Externally, USAID is working with the Department of State Y2K Committees at embassies to evaluate on a continuing basis the host nation circumstances arising from Y2K. The potential impact of Y2K has been examined for our programs and employees. Contingency strategies such as emergency power generation and sustaining telecommunications are under review in coordination with the State Department.

USAID does not require any legislative action to optimize Y2K preparedness for its mission critical programs. We have the necessary resources and are proceeding to assure that implementation of Y2K compliant mission critical systems will be completed by July. We do, however, remain concerned about the potential impact of Y2K on the developing nations in which we work where preparations are just beginning.

Mrs. MORELLA. Thank you very much, Mr. Nygard.

Sorry for the interruptions. We are going to temporarily recess for about 20 minutes, and then we have not only this vote, but then another 5-minute vote. So, we are now recessed.

[Recess.]

Mrs. MORELLA. We will reconvene the joint hearing of the two subcommittees in the interest of time, and I am going to recognize, if he is ready, Mr. Burbano, from the Department of State.

Mr. BURBANO. Thank you, Chairwoman Morella and other distinguished members.

I plan to provide you with an overview of the Department's year 2000 challenge and the status of some of our key year 2000 initiatives. Our discussion today will focus on highlighting several noteworthy activities within the Department which will progressively ensure State's core business functions operate seamlessly during, and beyond, the millennium crossover.

Let me begin by saying the Department has maintained year 2000 as one of its top management priorities. From the Secretary down, we are committed to ensuring the Department's systems and operations will run uninterrupted through and beyond the millennium rollover. I am happy to report that our focus and hard work is yielding results. As evidence of our progress, OMB recently recognized the Department's improved results by raising us from tier one, inadequate progress, to tier two, progress. OMB and GAO also cited State for progress in other areas, including modernization in computer security, and for our leadership role in providing year 2000 support to U.S. operations overseas.

From an organizational perspective, the Department has taken many steps to ensure that it has the appropriate management talent, structure, and approach in place to successfully manage State's significant year 2000 challenge. Specifically, we have assembled an experienced management team to oversee State's year 2000 program.

I personally bring previous year 2000 management experience at the National Institutes of Health, and I have established a Deputy CIO for year 2000 to manage the day-to-day operations of the Year 2000 Program Management Office. Along with the Deputy CIO for year 2000, I have met separately with each of the Assistant Secretaries on a monthly basis to review individual bureau progress toward remediation, project test results, contingency planning efforts, and other year 2000 related activities. Additionally, the Under Secretary for Management meets monthly with the Assistant Secretaries at a steering committee meeting to manage State's year 2000 efforts throughout the Department.

From a remediation perspective, the Department of State has identified 59 systems which support enterprise-wide mission-critical functions. Additionally, the Department of State has the unique challenge of deploying 32 of its 59, or 54 percent, of its mission-critical systems to over 260 posed throughout the world.

In order to ensure the Department is capable of sustaining our core business functions beyond the year 2000, we have established a four-phase approach to assess, remediate, verify, and re-verify the readiness of our mission-critical systems and support of the Department's core business functions. Our four-phase approach in-

cludes aggressive global deployment and implementation of our most critical technology-based systems and independent certification of our mission-critical applications, a process based on end-to-end testing of our core business functions, and, finally, coordinated business continuation activities which span the year 2000 boundary.

First, we believe the Department of State has made significant progress in readying its systems for the year 2000 rollover. The Department has completed the remediation of all 59 mission-critical applications, and we are well underway in the implementation of our critical and routine systems. Currently, the Department has completed implementation of 53 of its 59 mission-critical systems, or 90 percent. Ninety-seven percent will be completed by the end of April and 100 percent by May 15th.

Second, the Department of State has established a rigorous year 2000 compliance certification process, heavily leveraging the experience and independence of the Office of the Inspector General. Once a mission-critical application has been thoroughly and successfully tested by the bureau, verified and validated by the Department's Year 2000 Program Office, my office, along with the Department's OIG, conducts an independent review of the project, using the best-of-class certification and testing guidelines in order to determine the depth and breath of the bureau level of test. If necessary, the Department may require the bureau to conduct further testing and revalidation to ensure my office and the OIG are confident that the application will not fail in the year 2000.

The third element of our four-phased approach is to conduct a process-based end-to-end test of those Department of State business functions which rely heavily on technology. The A-core functions which we test at an enterprise level include security, command and control, electronic mail, medical, logistics, personnel, financial, and counselor functions. One of the critical success factors of our end-to-end test includes our intent to test the suitability and viability of the system-level, post-level, and Department-level contingency plans. In spite of our best efforts, we may have system failures in the Department, infrastructure failures in the countries where we have U.S. missions, and political or economic dislocations which may ultimately impact our ability to perform the business of State.

As such, our forth—and at this point our final—element of our multi-phased approach is the development of an integrated and overarching business contingency plan. In order to prepare for potential year 2000 due system or infrastructure failures, the Department of State is finalizing contingency plans to ensure the continuation of core activities. The Department's contingency plan and approach focuses on maintaining the overall continuation of business in the face of year 2000 failures, rather than enabling information technology.

On the international front, the Department of State has developed an overseas contingency planning toolkit to allow each of the embassies and consulates and missions the ability to develop location-specific contingency plans by balancing the needs and priorities of the particular post against the year 2000 readiness of that host country. While global and deployment and certification of our

most critical systems will remain our top near-term priority, the Department will continue to aggressively pursue ways to ensure the business of State is able to continue beyond the year 2000.

Thank you.

[The prepared statement of Mr. Burbano follows:]

Department of State Year 2000 Program

Testimony to the Subcommittee on Government Management, Information, and Technology, and the Subcommittee on Technology

Prepared Statement
April 13, 1999

INTRODUCTION

The U.S. Department of State has made significant progress in readying its systems for the Year 2000 rollover. Through effective program management, consistent support and attention from the highest management levels in the Department, and a collaborative working arrangement between the Year 2000 Program Management Office (Y2K PMO) and applications teams, we have and continue to make monumental strides in preparing the Department for the Year 2000.

Currently, the Department has fully implemented 52 of 59 (88%) of its mission critical systems and will complete all 59 by the second week in May. This represents a significant accomplishment for the Department as many of our most critical technologies (32 of 59 mission critical systems) are being deployed worldwide to our 260 embassies, posts, and consulates. Additionally, the Department has nearly completed all mission critical contingency plans to ensure the business of State will continue uninterrupted beyond the Year 2000 if our remediation and verification efforts fall short.

As part of our verification process, we have developed a comprehensive certification process to ensure the Department's remediation work has been thoroughly tested and documented. The certification process will provide an independent verification of each application's readiness for the Year 2000. We have also developed a process-based end-to-end test strategy to test core processes of the Department across multiple applications and infrastructure elements. This testing process will further verify the Department's critical processes and technologies are prepared for the millennium date change.

Finally, we are currently defining a "Day One" strategy and plan to help guide the Department through the critical timeframe immediately before, during, and after the millennium rollover. Our "Day One" activities will include developing a capability to obtain, consolidate, and disseminate Y2K status information from our sites around the world, assisting the Department emergency response center in managing any Y2K-induced crises that may arise, and providing guidance on application start-up procedures to perform after the millennium rollover.

Additionally, State has assumed an important role in raising awareness of the Year 2000 problem among the international community. We are also working with the President's Year 2000 Conversion Council and co-chairing the International Working Group as part of the Council's overall Year 2000 Response Coordination process.

Although we have made solid progress on addressing our Year 2000 challenges, there remains work to be done. The Department believes by following through on current remediation efforts and conducting the verification activities described above, we will be successful in fully preparing the Department for the Year 2000.

In sections I through XII following this introduction, we provide further detail on the state of the Department's readiness and the status of key Y2K initiatives.

I. Remediation Progress

The Department has made substantial progress remediating its 59 Mission Critical applications. Only 7 of 59 mission critical systems have not been fully implemented. Of the 7 remaining systems, 4 are in the process of implementing, and 3 are finishing Y2K testing. These applications are the top priority of the Department's Y2K Program Management Office (PMO) and all are on schedule to be fully implemented by May 15, 1999.

Additional Facts:

The following table depicts the current status of the Department's 59 mission critical applications:

Total Number Compliant/Implemented:	**52 of 59**	**(88%)**
Total Number in process of Implementing:	4 of 59	(7%)
Total Number in process of Testing/Validation:	3 of 59	(5%)
Total Number in process of Renovation:	0 of 59	(0%)
Total Number in process of Assessment:	0 of 59	(0%)
		100%

The remediation strategy for the 59 mission critical applications is as follows:

Originally Assessed as Compliant:	21
Retire:	0
Repair:	14
Replace:	24
Total	59

The Department also maintains 57 Critical applications (26 Originally Compliant, 5 Retire, 25 Repair and Replace) and 173 Routine applications (52 Originally Compliant, 20 Retire, 101 Repair and Replace).

II. Contingency Plans

Each of the Department's applications is required to prepare a Year 2000 contingency plan. The purpose of the contingency plan is to provide a detailed strategy to ensure the Department's core business processes can continue in the face of Y2K technology failures. Each contingency plan is subject to intense technical and operational reviews by the Y2K PMO's Strike Teams. As well, a viable, comprehensive contingency plan is a requirement for Department of State application certification.

Additional Facts:

- The status of Contingency Plans for Mission Critical applications is as follows:
  - 47 of 59 mission critical applications have finalized contingency plans

- The Y2K PMO's Strike Teams are working to finalize the 12 Contingency Plans that are still in working form. All plans are expected prior to the final implementation date of May 15, 1999.

- The Department also requires each overseas post to prepare a Year 2000 Contingency Plan by April 16, 1999. Each overseas post has been provided with a Contingency Planning Toolkit and training to guide them through the process. Please see the Overseas Business Continuity and Contingency Planning section for detailed information on all overseas activities.

III. Test Plans

Each of the Department's applications is required to prepare a Year 2000 test plan that can produce valid, Y2K compliant test results. The purpose of the test plan is to ensure that each application can properly function during and beyond the millennium date. Each application's test plan is subject to technical and operational reviews by the Y2K PMO Strike Teams. Each test plan must include comprehensive testing of application functionality across 26 specific dates that may be Y2K sensitive, including January 1, February 29, 2000, and the fiscal year end. Any revisions or additions that are required to ensure an adequate test plan is in place must be made before an application can be certified by the Department.

The Department is very pleased to confirm that all 59 Mission Critical applications have valid Test Plans approved by the Y2K PMO.

IV. External Data Exchange (Interfaces)

The Department requires that every application prepare its interfaces (external and internal) through remediation and by ensuring that data is exchanged in a mutually agreeable format. The exchange data format and parameters are agreed upon via a Memorandum of Understanding (MOU).

The Department has signed MOUs not only for the data exchange interfaces within the Department, but also for the data exchanges external to the Department, including agencies such as the FBI and the Department of Defense. Due to our early focus on interfaces and persistence in working with our business partners, the Department has successfully finalized all external and cross-bureau MOUs for its mission critical applications.

V. Year 2000 Certification

In September 1998, the Y2K PMO, in coordination with the Department's Office of Inspector General (OIG), finalized and distributed detailed certification guidance for certifying Y2K compliance of our mission critical, critical, and routine applications. The certification requirements and process were developed to ensure each application has been adequately remediated and tested for year 2000 compliance through an independent review of all relevant remediation documentation. Our rigorous certification requirements have been validated by the Gartner Group, which commented "from the perspective of providing checklists for the approval process, this document is really an excellent one...it could indeed be considered one of the best quality certification documents we've read."

The Department believes that solid renovation and testing efforts are only part of the remediation equation. By thoroughly reviewing all Y2K-related remediation documentation and processes for each application, the Department will have further assurance that its applications will be ready for the Year 2000.

Additional Facts:

- All certification packages must ultimately be approved by the Department's Certification Panel, chaired by the CIO.
- The Y2K PMO has hired and deployed Certification Strike Teams to assist application managers in developing certification documentation.
- Required certification documentation includes:
  - Y2K Test Plan
  - Contingency Plan
  - Y2K Test Results
  - Configuration Management Plan
- Currently, the Department has 32 (54%) of its mission critical applications in the certification process and 2 (3%) mission critical applications have been certified.

VI. Telecommunications

Four major telecommunications projects are underway at the Department. Each provides a systematic approach to remediating telecommunications infrastructure to ensure compliance. The following is a description of progress for each project.

ALMA (A Logical Modernization Approach): We have completed installation of our large-scale infrastructure modernization program, known as ALMA, in over 84 percent of our overseas missions. ALMA is the Department's worldwide standardization of unclassified computers to replace obsolete systems and software, including email. When we complete ALMA deployment in June 1999, 229 of our overseas missions will have modern, Y2K compliant computer systems in place.

Consular Affairs Modernization Project: In order to establish a common Y2K compliant baseline for all its infrastructure users, CA is scheduling Y2K "refresh" visits for consular posts that received the modernized consular infrastructure prior to December 1998. These "refresh" visits will provide for replacement of non-Y2K compliant hardware, upgrade of commercial off the shelf (COTS) software to ALMA specified release levels, and upgrade of consular applications to current release levels. The project is now scheduled for completion by June 30, 1999.

DTS-PO (Diplomatic Telecommunications System Project Office) Remediation Project: DTS-PO has identified 66 telecommunications systems items that could be affected by the date change. Each of these is being investigated to determine the impact on the DTS network and the 47 customer agencies DTS-PO services. Of these 66 items, 64 (97%) are compliant as of April 5, 1999. Remediation of the remaining two items is in progress and scheduled to be completed by April 30, 1999.

NES Project: The National Security Agency has mandated that all NES units must be returned to Motorola, Inc. for an upgrade to correct the Universal Changeover/Dual Universal/Dual Edition key material issue and perform other minor upgrades. This effort is scheduled for completion by April 30, 1999.

VII. Embedded Systems

Overseas

The Department's assessment of building equipment and components found in overseas facilities revealed that facilities established prior to 1982 have no major building systems and equipment that are impacted by the Y2K problem. Only 30 overseas facilities exist that have been established from 1982 to the present. A check of 28,000 different items (generators, heating & cooling systems, utilities, etc.) of building equipment and components has resulted in the following summary statistics:

Summary Survey Statistics for 30 Sites

Initial Number of items in the database:	28,000
Number of vendors contacted:	242
Number of items represented in the Y2K survey:	4,116
Number of items considered non-compliant	3
Number of Indeterminate Items:	1,109
Number items considered Y2K Compliant:	3,004
Number / % of DOS locations affected: (of 30 CMPs studied)	30/100%
Percent of items considered compliant:	73%

Domestic

The Office of Operations within the Bureau of Administration (A/OPR) has completed an exhaustive survey of all the domestic facilities operated by the Department. A total of 23,364 items of building infrastructure equipment and components were included, spanning 79 different categories (fire alarm systems, elevators, generators, etc.).

The results reveal 91% Y2K compliance across all categories. Those categories requiring remediation of equipment and components are elevator diagnostics systems, fire alarm panel operating software systems, and energy management control systems. Work on remediating these systems is in progress.

The Y2K PMO telecommunications group has prepared embedded systems readiness review packages to provide an independent first-hand verification of the results described above for both overseas and domestic sites. These documents are designed to capture information directly from sites on the status of their building infrastructure systems.

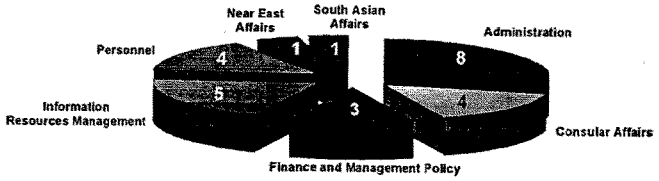
VIII. Year 2000 Moratoriums

The Department has issued three Y2K moratoriums to help focus IT resources on fixing Y2K problems throughout the Department and ensuring previous remediation activities and Y2K compliant environments are not disturbed until after the millennium rollover. These mandates are described in detail below:

Y2K Moratorium on Information Technology Development. The Under Secretary for Management issued the first Y2K moratorium on non-Y2K related information technology systems development on September 22, 1998. The purpose of the moratorium was to maximize resources, including both personnel and funding, to focus on resolving the Year 2000 problem and developing adequate contingencies in the event of Y2K-induced failures. To date, this moratorium has been successful in deferring 26 different IT projects across 7 bureaus until after March 1, 2000. The table below indicates those projects, by bureau, which have already been deferred under the moratorium.

Y2K Moratorium

To date, 26 information technology projects have been deferred under the Y2K Moratorium.



Bureau	Project			
Administration	Email Archive System FIN Systems Enhancement	Language Services Job Tracker SAS Overseas	SAS Domestic Enhancements FSL Enhancements	ILMS STATS II
Consular Affairs	CLASS - Hispanic Algorithm	Corp. Database	IV Enhancements	ACS - Phase III
Finance and Management Policy	Travel Management Upgrade (Domestic)	New CFMS Interfaces	CFMS Upgrade	
Information Resource Management	Mainframe Contingency Backup Phase II & III Mainframe Contingency Backup Phase IV & V	Mainframe Resource Tracking System UPS, Transformer Replacement	DMS	
Personnel	Miscellaneous IT Support	OFSAMA Improvements	GEMS Release	OPF Imaging
NEA	CLAN Modernization: Abu-Dhabi, Algiers, Beirut			
SA	CLAN Modernization: Katmandu, Colombo			

7

Y2K Moratorium on Modifications to Systems and Applications. On March 16, 1999, the Under Secretary for Management declared two additional Department-wide moratoriums to limit changes in operating systems, including COTS and government off the shelf (GOTS) software, and to applications operating in a production environment. These moratoriums will be effective July 1 and September 1, 1999, respectively. By minimizing changes to operating systems and applications, the Department hopes to minimize the risk of failures due to the millennium crossover.

IX. End-to-End Testing

The Department has developed a strategy for Year 2000 end-to-end testing of critical transaction flows across the major business functions, applications, and infrastructure which supports the transactions. The end-to-end test is an important process to ensure core business functions that rely on multiple, inter-related mission critical components will continue during and beyond the millenium rollover.

Our end-to-end test strategy focuses on eight key business processes within the Department, including: medical, command and control, personnel, email, consular, security, financial, and logistics. These functions comprise the core business areas of the Department and will be tested in a series of logically grouped, "cluster" tests of applications and inter-related processes. Our end-to-end testing team is currently working with each of the bureaus and application owners to identify cluster management and execution teams, devise appropriate, effective test scenarios and define realistic test dates.

Additional Facts:

- Detailed end-to-end test entrance criteria are currently being established to ensure all components of each "cluster" test are Y2K certified.
- Test dates will be classified to minimize security risks.
- We explored the optimal scenario of testing the Department's business functions simultaneously, but this is not feasible. Several constraints and considerations precluding this are:
  - Testing of all business functions at once would involve unmanageable planning, test management, and control issues.
  - Command and control and email tests must be conducted as two separate clusters. Both require the availability of production environments and one environment must remain available for real-time communications.
- The five "cluster" tests being prepared include:
  - 1) Security/Consular
  - 2) Business Management
  - 3) Email
  - 4) Command and Control
  - 5) Confidence/Retest

- Where possible, the Department will include external agencies and commercial entities in the end-to-end testing scenarios.
- The Department's end-to-end test approach will exercise contingency plans.
- The end-to-end testing planning phase included direct involvement and oversight by the Chief Information Officer (CIO) and the Office of Inspector General (OIG).

X. Day One Planning

Based on the current understanding of the Year 2000 problem, it is widely accepted the Department's most critical and vulnerable time frame will likely be the actual rollover from the year 1999 to the year 2000. "Day One" is the time period around this rollover date. The Department's focus to date has primarily been on the remediation of all IT systems and the development of contingency plans for the Department's business processes. With the remediation activities nearing completion, and end-to-end test strategies being formulated, the Department's focus is shifting to development of operational plans for this rollover period and other potential problem dates. The purpose of the "Day One" plan is to take a proactive approach and create a logical management framework to coordinate Department operations and the resumption of any disrupted services. Additionally, the Department is working to develop a Y2K crisis response capability to work in coordination with the Department's existing emergency response center. This additional response capability will likely be necessary to respond to a larger than usual volume of calls of varying severity.

Additional Facts:

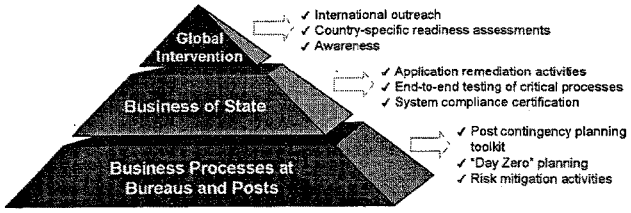
- An IT operations plan will be developed to designate how each system will perform the crossover to minimize the risk of failure and to isolate any problems that do occur.
  - Due to the nature of the Department's worldwide operations, many systems will remain fully operational while others that are not required may be shut down.
  - Other operational systems may have their interfaces to other systems temporarily severed until it is determined that outgoing and incoming data is correct.
  - Post-rollover test scenarios will also be developed to ensure that they are operating properly prior to putting them into full production in the year 2000. These tests may in part be a subset of the end-to-end test scenarios currently in development.
- A Department operations plan will also be developed to facilitate the coordination of all Department activities during the rollover period.
  - The key to this plan will be the development of a communications strategy and leveraging the capabilities of the Department's current operations center to respond to situations around the world.
  - This plan will put in place a mechanism to process a high volume of status and problem information from around the world, ensure that Department and U.S. leadership are kept informed, and coordinate response to difficulties.

- The Department has appropriated funds to aid business process owners with the enactment of contingency plans and the resumption of normal operations. Many of these resources may take the form of Business Resumption Teams that can be deployed as needed to problem areas.

- Additionally, the Department is investigating what "Day One" activities are being undertaken by other government agencies and leading corporations. The Department will incorporate any "best practices" discovered into the planning effort to make certain that all reasonable measures are being taken to ensure a smooth transition to the Year 2000.

XI. Management and Organization

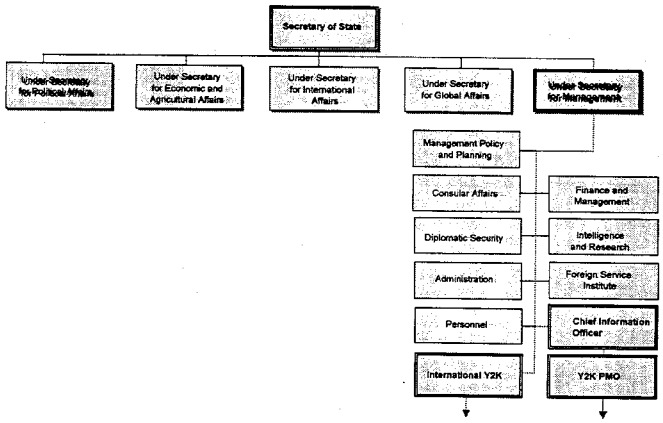
As the foreign policy and diplomatic relations arm of the U.S. Government, the Department of State has a broad range of Y2K-related responsibilities both domestically and abroad. The Department has been working with other agencies to communicate awareness of the Y2K problem to other governments and assess each host country's readiness for the millennium date change, as well as ensuring the Department's own information systems are ready and viable business process contingencies are in place. The Department's three tiered approach to managing the year 2000 effort mandates a flexible, yet focused organization to prepare State for the new millennium.



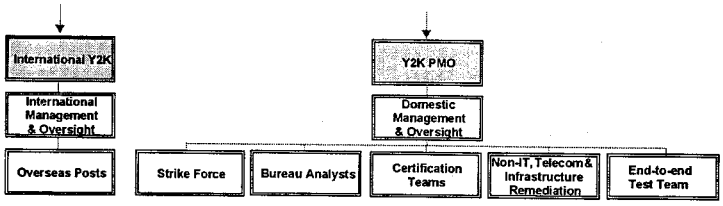
High priority attention from all management levels, beginning with the Secretary of State, has been applied to preparing State for the Year 2000. The Under Secretary for Management has been actively involved in supporting, guiding, and managing the Department's Y2K Program. The Under Secretary receives regular updates from the CIO and the Deputy CIO for Y2K on domestic Y2K status, and from the Under Secretary's Senior Advisor on international Y2K issues. Supporting these individuals is a robust organization performing the remediation of systems, developing and reviewing certification documentation, developing and executing the end-to-end test strategy, and writing "Day One" operational plans.

Additional Facts:

- The following organization chart indicates the chain of command employed by the Department to manage Y2K efforts. The organization boxes identify the management thread responsible for the Department's Year 2000 preparedness and success.



- Each bureau Assistant Secretary is held accountable for remediation progress and overall Y2K preparedness within their bureau. Each Assistant Secretary meets with the CIO and Deputy CIO for Y2K to discuss the status and progress of Y2K in their bureau. These one-on-one meetings precede monthly Y2K Steering Committee Meetings with the Under Secretary for Management and each Assistant Secretary. The Assistant Secretary-level accountability highlights the Department's emphasis on Y2K readiness.



- At the working level, Y2K efforts are managed by the DCIO. The DCIO reports status and issues to the CIO on a daily basis through data managed centrally in the Department's Y2K War Room. The War Room acts as the central repository for management information and is the centerpiece of the Y2K PMO, conducting a wide range of management oversight, technical validation, and status reporting services in support of the Deputy CIO.
- Internationally, the Senior Advisor works with the PMO and provides outreach to overseas posts. He and his staff meet regularly with regional bureau assistant secretaries to facilitate post readiness and contingency planning overseas. The Senior Advisor to the Under Secretary reports international progress and issues directly to the Under Secretary.

XII. Overseas Business Continuity and Contingency Planning

The Department of State has developed a comprehensive business continuity and contingency planning strategy for its overseas operations. Among other components, the strategy combines outreach to foreign governments, domestic travel advisories, and an overseas contingency planning toolkit for posts to use in preparing themselves for the potential impacts of the millenium rollover in their country. This comprehensive approach reflects the unique operational circumstances of our overseas activities.

The Department has leveraged existing post-specific Emergency Action Plans, which are regularly tested, and supplemented them with functional and information technology contingency plans to ensure potential disruption to the business of the State Department will be minimized.

Additional Facts:

- 64% of the posts have participated in a toolkit implementation training course to assist posts in effectively devising viable post-specific contingency strategies.
- A tool kit help desk has been established to answer questions and further assist posts while they are developing contingency plans.
- By April 16, 1999, each Chief of Mission will certify that their embassy and mission have adequate contingency plans in place for their post. The contingency plans will address the following criteria:
  - Safety and security of staff and dependents
  - Integrity and security of chancery and other premises
  - Continuity of core mission functions
- Each of the 7 regional bureaus will submit an overarching bureau contingency plan. The regional plan will be a comprehensive continuity plan to address continuing the region's core business in the face of Y2K-related failures. In May 1999, the Regional Assistant Secretaries will brief the Under Secretary for Management on their regional contingency plans.
- A final Y2K contingency plan report is expected from each post on September 15, 1999. This report will provide an update on the contingency planning activities since the April certification.

- Through the international outreach program, the Department is communicating with other governments to raise awareness and generate international cooperation. The outreach group is striving to identify sources of potential breakdowns in critical international business sectors. By identifying the sources of potential failure in advance, solutions can be developed to ensure core business processes continue.

- The Department's Bureau of Consular Affairs is issuing a series of travel advisories to inform citizens on unique regional or country-specific Year 2000 related concerns. The first was issued January 26, 1999. As the year 2000 nears, travel advisories will be issued to specifically identify countries or regions where travel for American citizens may be dangerous during or because of the millennium date change.

Mrs. MORELLA. Thank you very much, Mr. Burbano.

I wanted to acknowledge that we have here at the hearing Mr. Gutknecht from Minnesota and Ms. Jackson-Lee from Texas.

Mr. Flyzik, from Department of Treasury, we look forward to your testimony, sir.

Mr. FLYZIK. Chairwoman Morella, Chairman Horn, members of the subcommittee, thank you for the opportunity to appear today to discuss the Department of Treasury's progress on the year 2000 computer problem.

As the Deputy Assistant Secretary for Information Systems and Chief Information Officer, I am the overall program manager for Treasury for this effort. I brief Secretary Rubin periodically and provide him a weekly report on our status. The Assistant Secretary for Management and CFO and I meet on a recurring basis with all bureau heads to review their progress, and, of course, we have working groups meeting regularly for information technology, non-IT, and telecommunications components of our program.

Since I testified before Congressman Horn's subcommittee in March of last year, Treasury has made significant progress in ensuring our mission-critical systems will operate correctly, and our core business processes will function normally on January 1, 2000. Treasury has identified a total of 328 mission-critical IT systems; 9 of these systems are being retired and 293, or 91.8 percent, are year 2000 compliant. Eight of our 14 bureaus met the mandate of March 31st. Three bureaus are projected to implement 11 of the remaining 26 systems by the end of April, and thereby obtain compliance. Thirteen of the remaining 15 systems belonging to 3 bureaus—the Bureau of Alcohol, Tobacco and Firearms, the Financial Management Service, and Internal Revenue Service—are expected to be implemented by midyear. The last two are new IRS initiatives which are being delayed until after the tax season.

Three of Treasury's most visible bureaus—the IRS, Financial Management and U.S. Customs—have made tremendous progress this past year. IRS is now 90 percent compliant. FMS is able to now make 90 percent of its payments, over 775 million annual payments, using year 2000 compliant and tested systems. This includes monthly Social Security and supplemental security payments, veterans' benefits payments, IRS tax refunds, Railroad Retirement Board annuity payments, Federal salary payments, and vendor payments. The remaining payment systems are on target for implementation this month, including the Office of Personnel Management Payment System through which FMS issues Federal annuity payments. The system is already compliant, but cannot be implemented until mid-April due to a dependency on a required interface.

Customs met the goal of achieving year 2000 compliance for its mission-critical IT systems by September 1998. In fact, the Customs year 2000 program has successfully met program milestones established by Treasury, OMB, and the GAO. The combined audit team from General Accounting Office and Treasury and Inspector General's Office found that Customs had established an effective year 2000 program control. In addition, the Customs' year 2000 program was 1 of 19 Federal programs, out of a field of 200, to re-

ceive the Government Executive magazine's 1998 government technology leadership award.

Treasury is continuing with an aggressive approach in addressing non-IT devices that contain embedded chips. To date, we are over 90 percent compliant and expect to be fully compliant by June. We have been proactive in working to achieve compliance in telecommunications systems. We expect to complete interoperability testing analysis, independent verification, and validation of our corporate voice systems in May. We are also endeavoring to complete interoperability and IV&V testing of our corporate data network, the Treasury Communications System, by May. I convene and chair biweekly executive meetings in our command center to monitor our progress on telecommunications.

Last summer, we established interagency services programs to address interconnections and interoperability of our disparate systems. The scope includes all corporate Treasury systems, as well as non-Treasury services upon which we rely. We believe that we are aggressive and are a leader in the government for interoperability testing.

As bureaus near completion for achieving year 2000 compliance for their mission-critical systems, the Department is placing increased emphasis on year 2000 business continuity and contingency plans, as well as focusing on completion of systems and independent verification and certification interfaces, and then testing and changing management processes. We are also designing a Treasury emergency information coordination center that will address any contingency planning needs at Treasury while also specifically addressing the day-one strategy for January 1st.

Our cost estimates for fixing the year 2000 computer problem have continued to rise in our submission of the February report to OMB; we now estimate a total cost of $1.92 billion, of which approximately $1.53 billion are appropriated resources.

On a positive note, there are some good outcomes for the future as a result of our efforts on year 2000. For the first time ever, we have a complete inventory of all Treasury IT, non-IT, and telecommunication systems and components. Wherever possible, we are modernizing our IT, eliminating duplicative systems, and migrating to standard commercial solutions, as we fix year 2000 problems. We developed and refined program and project management skills, and created a new culture of our bureaus working together to meet common goals. Beyond year 2000, these efforts will allow Treasury to provide improved government services.

I believe that Treasury has an excellent overall year 2000 program in place, and I will commit to you that we are taking all steps necessary to ensure that Treasury's core business processes will continue to function without disruption as we cross into the year 2000. Nothing less than 100 percent compliance and uninterrupted delivery of our core business services would be acceptable to the American public or to me personally.

Thank you for the opportunity to meet with you today to discuss the actions being taken by the Department of Treasury in addressing the year 2000 computer problem. I will be happy to answer any questions you may have on this critical matter.

[The prepared statement of Mr. Flyzik follows:]

EMBARGOED UNTIL 1:00 P.M. EDT
Text as prepared for deilvery
April 13, 1999

DEPUTY ASSISTANT SECRETARY JAMES J. FLYZIK
DEPARTMENT OF TREASURY
HOUSE GOVERNMENT REFORM AND OVERSIGHT
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

Chairman Horn, Chairman Morella, and members of the Subcommittees, thank you for the opportunity to appear today to discuss the Department of the Treasury's progress on the Year 2000 computer problem. The Year 2000 computer problem is our highest priority information technology challenge at the Department of the Treasury. Treasury has a strong program in place to address this challenge.

The Assistant Secretary for Management and Chief Financial Officer (CFO) has overall responsibility for the Year 2000 date transition. As Deputy Assistant Secretary (Information Systems) and Chief Information Officer (CIO), I am the overall program manager for the Year 2000 effort. The day-to-day responsibilities of the Year 2000 program reside within my office. In addition, Treasury contracted with several firms with specialized skills in the Year 2000 problem to assist the Department in meeting this challenge.

Secretary Rubin is briefed periodically on the status of our Year 2000 program, and the Assistant Secretary for Management and CFO and I meet on a recurring basis with bureau heads to review their progress. Working groups meet regularly for the information technology (IT), Non-IT, and Telecommunications components of our program. The Department requires each bureau and office to submit detailed monthly status reports. Additionally, Secretary Rubin mandated that each bureau and office head select an executive official to be in charge of their Year 2000 program. This individual, typically at the CIO or CFO level or higher, is responsible for ensuring that the Year 2000 program at their bureau is completed in a timely manner.

Since I testified before you in March of last year, Treasury has made significant progress in ensuring that our mission critical systems will operate correctly and our core business processes will function normally on January 1, 2000 and beyond. Treasury has identified a total of 328 mission-critical IT systems. Nine of these systems are being retired and 293 (91.8%) are Year 2000 compliant as of March 31, 1999. Eight of the 14 Treasury bureaus and offices met the government-wide goal of attaining Year 2000 compliance for their mission critical IT systems by March 31. Three bureaus are projected to implement 11 of the remaining 26 systems by the end of April, and thereby attain compliance for their mission critical IT systems. Thirteen of the remaining 15 systems, belonging to three bureaus, the Bureau of Alcohol, Tobacco, and Firearms (ATF), the Financial Management Service (FMS), and the Internal Revenue Service (IRS) are expected to be implemented by mid year. The last two are new IRS applications under development that will be implemented in the fall. Treasury has closely monitored the progress of the mission critical

systems and is confident that they will be operational in a compliant mode well before the Year 2000 rollover.

Three of Treasury's most visible bureaus, the Internal Revenue Service (IRS), the Financial Management Service (FMS) and U.S. Customs have made tremendous progress. IRS has 133 mission critical IT systems, four of which are being retired. Of the 129 active systems, 121, or 90% are now compliant, 124 (96%) have completed renovation, and 122 (95%) have completed validation. IRS systems are converted and implemented according to a schedule consisting of seven implementation phases that are based on the semi-annual IRS production cycles.

As of March 31, 1999, FMS is able to make 90% of its payments -- over 775 million annual payments -- using Year 2000 compliant and tested systems. This includes monthly Social Security and Supplemental Security Income payments, Veterans' benefit payments, IRS tax refunds, Railroad Retirement Board annuity payments, Federal salary payments, and vendor/miscellaneous payments. The remaining payment systems are on target for implementation in April, including the Office of Personnel Management Payment System through which FMS issues Federal annuity payments. The system is already compliant but cannot be implemented until mid-April due to a dependency on required interface control changes.

FMS manages the collection and processing of more than $2 trillion in federal revenues each year. The Electronic Federal Tax Payment System (EFTPS) through which

FMS collected $1.1 trillion or 56% of the government's total collections in fiscal year 1998 was determined to be compliant in December, 1998. The collection systems, including the Internal Revenue Service (IRS) Lockbox, General Lockbox, Plastic Card Network and other collection systems, that account for the remaining 44% in federal government revenue were compliant as of the end of March, with the exception of one of the 25 IRS Lockbox applications, one plastic card application, and two applications in the Electronic Data Interchange System. Three of these applications are expected to be compliant by the end of April, and the fourth will be implemented in June 1999.

Customs met the goal of achieving Year 2000 compliance for its mission critical IT systems by September 31, 1998. In fact, the Customs Year 2000 Program has successfully met program milestones established by Treasury, OMB and GAO. The combined audit team from the General Accounting Office and the Treasury Inspector General' Office found that Customs had established effective Year 2000 program controls. In addition, the Customs Year 2000 Program was one of nineteen federal programs out of a field of 200 to receive the *Government Executive* Magazine's 1998 Government Technology Leadership Award.

Treasury is continuing with an aggressive approach in addressing Non-IT devices that contain embedded chips and telecommunications systems. To date, Treasury is over 90% compliant in our Non-IT mission critical systems and expects to be fully compliant by mid June. In order to more closely monitor current progress of Treasury's bureaus and offices, we have recently completed on-site bureau visits at eight of the 14 bureaus, and plan to complete the balance during April 1999. Concurrently, we are beginning an independent,

formal assessment and audit of our Non-IT testing and validation to confirm the status of the bureaus' independent verification and validation (IV&V).

Treasury has been proactive in working to achieve Year 2000 compliance in our telecommunications systems. We expect to complete interoperability testing and analysis, and independent verification and validation (IV&V) of Treasury's corporate voice systems in May. Renovation on these systems is 99% complete - we are waiting on the upgrade to one vendor supplied management information system (MIS), scheduled for the July - September time frame. If necessary, Treasury can live without this MIS. We are also endeavoring to complete interoperability and IV&V testing of the corporate data network, the Treasury Communications System (TCS) by May, but may not be able to complete the testing until June or July due to the magnitude of the components. I convene and chair biweekly executive meetings in our Command Center to monitor our progress on telecommunications IV&V testing.

Last summer, Treasury established the Interagency Services (IAS) telecommunications program area to address the interconnections and interoperability of disparate communications systems and services. Treasury has continuously worked to ensure that products among the different configurations supplied by the manufacturers and service providers are Year 2000 compliant. The scope of IAS involves all Treasury corporate telecommunications systems as well as other non-Treasury services upon which the Department relies. Included in the IAS scope are FTS2000, international long distance, Diplomatic Telecommunications Services, and local and long distance carriers. In addition,

IAS has initiated a plan to organize Treasury bureaus into a cooperative endeavor to perform joint component and interoperability testing of local telecommunications systems (PBXs, Key Systems, Voice Mail Systems, and Audio Response Units) used by multiple bureaus so that duplication of effort and cost is reduced. We believe that we are a leader in the government in interagency telecommunications testing.

Treasury has also been aggressive in our oversight and outreach efforts. The Office of the Comptroller of the Currency (OCC) performs readiness examinations at each institution it supervises. These examinations focus on national banks testing processes, contingency planning, and customer awareness. Quarterly, the OCC will monitor Year 2000 remediation progress at all national banking institutions through the first quarter of 2000 and take any steps necessary to deal with banks that fall behind schedule. In addition, OCC's Global Banking Division is developing a Global year 2000 Readiness Assessment System. The system will be a collaborative analysis tool to assist OCC managers and examiners in their evaluation of the global Year 2000 risks. It will assist in assessing the potential year 2000 impact on U.S. banks' clearing and payment activities, credit risks, and exposures to international trading counterparts. Finally, the OCC participates with other regulators in seminars and outreach efforts to educate banks and the public about the Year 2000 effort.

During February 1999, Washington and regional representatives of the Office of Thrift Supervision (OTS), together with other financial institution regulatory agencies, made presentations at ten meetings attended by personnel from thrifts and banks. Attendance at the various meetings totaled over 600 individuals from the financial institutions with

approximately 175 representing over 125 thrifts. OTS is currently conducting a round of on-site Year 2000 examinations of thrift institutions with in-house systems and service providers. Simultaneously, OTS is completing its current round of examinations of the thrifts. On April 15, OCC and OTS will host the second in a series of three summits for the representatives of all components of the financial institution community. The Summit theme is contingency planning and consumer awareness.

OTS recently conducted end-to-end testing involving industry and other external data exchange partners at its remote disaster recovery center. The tests focused on the OTS systems that support the industry and regulatory functions. Preliminary test results indicate that the systems accurately processed the test data. OTS' last Year 2000 tests are scheduled at the remote disaster recovery center for July 1999.

System interdependencies have been identified by all bureaus. Various bureaus are awaiting letters of agreement of date format changes, while others are in the process of analyzing and testing their interfaces. Treasury has identified a total of 32 state data exchanges, although in some cases the exchanges are with multiple states. Four Treasury bureaus (BPD, IRS, OTS, and Customs) identified data exchanges with the state agencies. This information has been used to populate the GSA-maintained database of Federal data exchanges with states.

As bureaus near completion of achieving Year 2000 compliance for their mission critical systems, the Department is placing increased emphasis on Year 2000 Business

Continuity and Contingency Plans (BCCPs), as well as focusing on completion of systems IV&V and certification, systems interfaces, end-to-end testing, and change management processes. Contingency planning and continuity of business planning have long been an area of emphasis by Treasury. The Year 2000 Program Office is reviewing the BCCPs in close coordination with the Office of Emergency Preparedness, and subsequently will work with the bureaus as needed to address issues that may be identified. Through development of a Baseline Management Plan, we are also designing a Treasury Emergency Information Coordination Center (EICC) that will address any contingency planning needs at Treasury, while also specifically addressing the Day One Strategy for January 1, 2000.

Treasury's cost estimates for fixing the Year 2000 computer problem have continued to rise. In our submission to OMB for the February 15, 1999, report, we now estimate a total cost of $1.92 billion, of which approximately $1.53 billion are appropriated resources. Our cost estimates were initially based in large part on a Year 2000 cost model that focused on costs associated with mainframe lines of code. In the period since those initial estimates were provided, Treasury bureaus and offices have made significant progress in their inventory and cost estimate efforts for repair and testing IT items, telecommunications items, and Non-IT items. In the February 15, 1999, quarterly report, we estimated Non-IT program costs of $49.7 million, and $395 million for telecommunications costs.

On a positive note, there are some good outcomes for the future as a result of our efforts on Year 2000. For the first time ever, we have a complete inventory of all Treasury IT, non-IT, and telecommunications systems and components. Wherever possible, we are

modernizing our IT, eliminating duplicative systems, and migrating to standard commercial solutions as we fix Year 2000 problems. We developed and refined program and project management skills, and created a new culture of our bureaus working together to meet common goals. Beyond Year 2000, these efforts will allow Treasury to provide improved government services.

I believe that Treasury has an excellent overall Year 2000 program in place, and I will commit to you that we are taking all steps necessary to ensure that Treasury's core business processes will continue to function without interruption as we cross into the Year 2000. Toward that end, I will also commit that we will complete the conversion, testing, validation, and implementation of all mission critical systems in time to avoid disruption to any critical systems. Nothing less than 100% compliance and uninterrupted delivery of core business services would be acceptable to the American public, or to me personally.

Thank you for the opportunity to meet with you today to discuss the actions being taken by the Department of the Treasury in addressing the Year 2000 computer problem. I will be happy to answer any questions you may have regarding this important matter.

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Mrs. MORELLA. Thank you, Mr. Flyzik. I am glad to see there are some positive spinoffs also that accrue to this diligent attempt for compliance.

In terms of questioning, we will also try to take about 5 minutes each and then go around for another round as necessary.

So to Ms. Lee, in your testimony you mentioned Federal funding for year 2000, and it is true that last year Congress appropriated $3.35 billion just for year 2000 efforts, more than the administration had requested, and yet many in the year 2000 community believe that additional funds may still be necessary. And, quite frankly, on many we are expecting that the President would request additional funding in his budget. Is it still OMB's position that it will not be necessary to appropriate additional funds for year 2000?

Ms. DIEDRE LEE. At this point, we believe that the emergency funding is adequate to address the needs that have been identified.

Mrs. MORELLA. How certain are you of this? What do you use for validation of that?

Ms. DIEDRE LEE. The latest request that has been submitted and is in the waiting period is $199 million, which leaves about $500 million. Based on expenditures to date and the best knowns of the unknowns, we believe that is going to be adequate. But we will continue to keep you apprised as we work our way through it.

Mrs. MORELLA. I hope you will. And do you think that there is a pretty reasonable chance that there will be a request for more money in the forthcoming months?

Ms. DIEDRE LEE. That would be a prediction on my part. I would be glad to try and get you more information on that.

Mrs. MORELLA. It is just very interesting, because we have consistently felt that the administration has underestimated what the cost would be.

Ms. DIEDRE LEE. Well, it certainly has grown from the original estimate. As the agencies continue to work on this and as more and more of the systems are remediated, and we move toward the completion we believe the funding is adequate. These business continuity and contingency plans, will look across the systems and try to ensure that we really do have the seamless delivery. We are making a lot of progress and it appears at this moment that we are going to get there with the funds we have. I will certainly validate that and get back to you.

Mrs. MORELLA. Good. Thank you.

[The information referred to follows:]

To date, we've utilized emergency funds mainly to remediate Federal systems, test and validate results and develop Business Continuity and Contingency Plans. We continue to review agency funding requirements on a case by case basis as they are forwarded to OMB. At the moment, we do not anticipate the need for additional supplemental funding for these activities. However, if additional funding requirements do arise, we will make you award of those requirements as soon as possible.

Mrs. MORELLA. Mr. Willemssen, would you agree?

Mr. WILLEMSSEN. One important thing to keep in mind is that, in the event that contingency plans, as we move to the end of 1999 and into the next century, need to be activated, it is important that some amount of these emergency funds be held back so that they can, if needed, be available for use. So I think that it is extremely important that you continue your oversight with regard to the

amount of funds that have been allocated to date. On the DOD side, 85 percent of the amount has been allocated; on the civilian side, with the recent announcement of the fifth allocation, I believe it is in the neighborhood of the amount of three quarters of the $2.25 billion. So I think it is important to keep that in mind, that we have some amount of funds available in the event we have to implement contingencies.

Mrs. MORELLA. I would like to ask you, Mr. Willemssen—and if Ms. Lee wants to comment—what Federal agencies are you most concerned with regards to meeting a January 1, 2000 deadline?

Mr. WILLEMSSEN. The agencies that we would currently view at the highest risk would start probably with the Health Care Financing Administration and the Medicare program in particular, but we also have concerns with Medicaid, which is, as you know, a State-administered program. Despite as we testified last month, a tremendous amount of progress made by the Federal Aviation Administration, we continue to view that also as a high-risk agency because of, as we testified, the many, many events and system implementations that yet remain, and the heavy reliance on a computerized environment to carry out air traffic control activities. In addition, I think HHS's Payment Management System, which is responsible for putting out more than $165 billion annually in grants and other funds to organizations, I think that is a fairly important system that needs continued attention. And then, as reflected in the statistics that OMB has put together based on agencies' submissions, the Department of Defense still has a number of systems that are not yet compliant.

Mrs. MORELLA. Picking up on what you said and looking at also your testimony, which focused basically on State's systems and how their readiness is essential for what you have said, Medicare and Medicaid and food stamps, temporary assistance, needy families, is there legislation that would be necessary to help with regards to States' system that you would recommend?

Mr. WILLEMSSEN. We do not see it at this point, the need for legislation. That could very well be the case within the next couple of months, to the extent that the partnerships that are necessary between the Federal Government and State governments do not realize themselves. Hopefully, at this point in time, we can reach those partnerships in a voluntary fashion.

One of the items that we pointed out in the testimony also, and related to this, is getting the necessary information on data exchanges, which is integral to these kinds of programs, and to the extent that States and/or Federal agencies are not providing that kind of information, then in the very near future we may have to look at legislative remedies.

Mrs. MORELLA. That is interesting to me. It could even be an Executive order, couldn't it? That could handle that?

Mr. WILLEMSSEN. Possibly, yes.

Mrs. MORELLA. And I would think that the timing would be such that we do not have too much time before a decision will have to be made.

Mr. WILLEMSSEN. There is not much time. I would point to the April 15th submissions, due in 2 days on these critical programs—and to the extent that we see the necessary partnerships and detail

on the plan and milestones on the State-administered programs, I think that will give us a higher level of comfort that things will be done as is necessary. To the extent that we do not see the detail in those submissions, then I think there is more room for concern.

Mrs. MORELLA. Thank you.

My time has expired. It is now my pleasure to recognize Chairman Horn.

Mr. HORN. Thank you very much.

Let me asked both the General Accounting Office and the representative of the Office of Management and Budget, is there any evidence in the recent submissions as to meeting the March 31st deadline of manipulation of data on the status of mission-critical systems? In another words, are agencies gaining the numbers to appear better positioned then they are, and what do we know about that. And has GAO looked at it, in particular; has OMB looked at it?

Mr. WILLEMSSEN. We have looked at that when we go into particular agencies and looked at how they are assessing, renovating, validating, and implementing particular systems. We have not seen any evidence of an agency consciously trying to game the system and play the numbers in order to make themselves look better. We have seen evidence that, as agencies get into their year 2000 programs, and better understand what they are dealing with, and better understand what is truly mission-critical, that there have been some dramatic changes in the numbers. The further into their programs that the agencies are, the less change that we have seen. I know there has been concern about the diminishing number of mission-critical systems. Frankly, I am more concerned with the high-impact programs and making sure that the systems, the partners, the data exchanges, the data flows all supporting those high-impact programs work as intended. At this point and time, we need to focus on those and make sure that those are compliant from an end-to-end perspective.

Mr. HORN. Ms. Lee.

Ms. DIEDRE LEE. I would certainly reiterate that the number of mission-critical systems has fluctuated. We have watched that very closely to ensure that problem systems are not dropped off to reach 100 percent. We think we validated that is not the case, because, otherwise, we would have 100 percent across the board. Certainly I will reiterate that, when we first started identifying mission-critical systems, there are a lot of human beings involved, and, of course, "my system is, by definition, mission-critical." As more planning was done, we found that although the immediate system user might consider it to be mission-critical, it really was not in the larger sense. For example there was a particular agency that originally had identified a system that scheduling for an advisory committee as mission-critical, and we subsequently determined that that probably could be moved to the less critical activity. Those kind of things have been happening.

Mr. HORN. In you testimony, you mentioned what the Senate had done to some of the requests for funding. When Dr. Raines was the Director of the Office of Management and Budget, he put the emphasis—as did this Subcommittee on Government Management, Information, and Technology of the House—on reprogramming money

being used to fix up the year 2000 situation, and we strongly backed him on that. The Speaker noted that we would give the administration—Speaker at that time—every dime they want, and they got every dime they wanted when they gave us a decent justification.

What has happened to the reprogramming, and couldn't have these agencies used more reprogramming money?

Ms. DIEDRE LEE. There certainly has been a mix of the appropriated funds planned in the budget as well as this particular emergency supplemental. The definition of those differences were ones that were in the appropriated amount, were those that could be more or less foreseen and were planned. The emergency supplemental was used more for the contingency planning, and as things developed, more and more systems and issues were found. Reprogramming has been done to a certain extent, but right now we feel that the emergency funding is the way to solve these particular contingencies.

Mr. HORN. Madam Chairman, without objection, I would like to have a letter from the Office of Management and Budget as to the reprogramming money that existed on September 30, 1998, the end of that fiscal year, and what happened to it, for all 24 major agencies—what is the programming money; what was applied to year 2000; what was sent back to the Treasury, et cetera—I would like it included at this point in the record.

Mrs. MORELLA. Without objection, so ordered.

Mr. HORN. OK. Now, on the U.S. Agency for International Development, Mr. Nygard, we have watched the charts for 2 years now where your seven critical systems, not one of them was adapted to become 2000 compliant. How come? Seems to me seven is pretty simple to deal with.

Mr. NYGARD. Well, Mr. Chairman, seven should be pretty simple to deal with. As I indicated in my statement, five of those systems need to be repaired; one is going to be outsourced, and we are in the process of doing that now, and the seventh one will be discontinued because it is no longer needed. Of the other five, we had hoped that three of them would be completed by the deadline, but in our end-to-end testing we found bugs outside the systems themselves, but in the linkages with the other systems that caused us to delay our progress. The last two are continuing to move forward and four of the five are renovated now; the fifth will be renovated by the end of the this month, and we expect will be completed by the end of July for the last one, and by May for the others in terms of implementation. We simply did not make the deadline. We got a late start and encountered problems in testing.

Mr. HORN. Mr. Nygard, when did you become the Chief Information Officer of the Agency for International Development?

Mr. NYGARD. Officially, I became the Chief Information Officer last October 28th.

Mr. HORN. Was there one before you?

Mr. NYGARD. Yes, there was a Chief Information Officer up until June 1997, and then there was a gap, and I was sort of unofficially acting in that capacity until April of last year, and then from April until October I was the Acting Chief Information Officer.

Mr. HORN. In 1996–1997, we were told that the Agency for International Development was getting new systems and, therefore, the problem would be solved—and this was before your beat, obviously—and they got the new system and nobody asked to make sure it was 2000 compliant. Yet when they replied to our survey of the Subcommittee on Government Management, Information, and Technology, it was clear they were buying the new system and did not have to worry about it because it would be compliant. So where did that all go wrong? It is not on your beat; it is prior to your beat.

Mr. NYGARD. Well, it is on the Agency's beat certainly. We did not buy a new system; we were attempting to develop our own system. We wanted to have a client-server-based system, and at that time there just were not government-wide, commercial, off-the-shelf systems that we could use. So, we tried a very ambitious approach. The underlying software for that system was Oracle and was year 2000 compliant, but in the individual applications that we developed inside the Agency, we were not able to do them in a sufficiently integrated fashion, so that the date, the four-digit date, was done the same way in all of them. So what we had thought in 1996, going into the process, was going to result in easy year 2000 compliance, turned out not to be the case, and we have been working on fixing that since last year.

Mr. HORN. You mentioned that we do not seem to have off-the-shelf client-oriented systems. Now I would think that problem would be on the doorstep of the General Services Administration. I would say to Ms. Lee, and wasn't it? Why didn't the General Services Administration have client-oriented, off-the-shelf stuff? We had $4 billion down the drain by the Federal Aviation Administration in this administration. We had $4 billion down the drain in the Internal Revenue Service in this administration. Now, where is the problem? There ought to be, GSA ought to have stuff off-the-shelf. Why doesn't it? Do you get it from GSA? Do you go out and do your own thing?

Mr. NYGARD. Mr. Chairman, they do now. At the time we were looking to develop an agency-wide system back in the early 1990's, all of the commercial off-the-shelf systems that existed were still what are called mainframe systems rather than client-server. We were trying to move ahead of the technology that existed for government agencies at the time and to develop a client-server-based agencywide system. What exists now, and what we are going to be using, will be off the GSA schedule, commercial off-the-shelf financial system to begin with.

Mr. HORN. Well, I am delighted to hear that $8 billion results in something. So, that is good news to me today.

Thank you, Madam Chairman.

Mrs. MORELLA. Thank you, Chairman Horn.

I am pleased now to recognize Ms. Jackson-Lee for any questions she may have.

Ms. JACKSON-LEE. As usual, let me thank the chairwoman for what has been an ongoing series of very vital hearings, and I appreciate very much the insight that has been given, and of course experienced some of the pain that we have evidenced here today in some of our hearings. I would like to followup on a line of question-

ing, and hope that the panelists recognize that all of us in Congress want to be able to be of help to this process that is befuddling most of America.

I think the new state of confusion for the country is certainly surrounded or is around year 2000, meaning that if you go into any community and raise the question, you will get all kinds of answers of what it means, and I have said for some it means survivalist camps, and others underground facilities, and just a lot that we hope we can clarify. And so it is important that the Federal Government be as prepared as it possibly can.

To followup on that, then I would like to ask all of the witnesses to give me a sense of what is the general level of preparedness that you believe State governments are engaged in and why, and if you don't know the answer, why we don't know the answer? Why should we be engaged on the Federal level to be able to assess what is going on in our State governments, because don't they interrelate with the Federal system, and therefore there is a serious impact that will occur if our State governments—50 of them—are not up to speed, and what specific actions do you think we should take? And I would like to start with the GAO on that question.

Mr. WILLEMSSEN. A couple points that I would like to make: First of all, the data that we have seen among States, there is a tremendous variance among States on their readiness, and even within States, among different programs, there is quite a bit of variance in readiness. So, on one hand, it is hard to generalize. However, if one had to generalize based on the data that we have seen, I think you would say that the State governments overall are behind the Federal Government. One of the reasons for that is that most of the data that we have seen at the State government level is self-reported information. There are few instances where other organizations have gone in and looked at the data. In some cases the ground truth is actually a little worse than what has been reported.

Last year when he took a look at some of the key human services programs, the self-reported State data we were provided was quite disappointing. Regarding Medicaid systems, only about 16 percent of those were considered compliant, and that was self-reported information. Based in part, on those kinds of data points, the Health Care Financing Administration actually hired a contractor to go out to all 50 States to help them to try to get on top of this issue.

So I think that the State issue is one of concern, I think it is one, though, that has been recognized by the executive branch, in large part through the recent memorandum that they have issued focusing on about 10 of the State-administered programs. And with Federal agency lead partners helping with those States, I think that has the potential to go a long ways toward helping to address this issue.

Ms. JACKSON-LEE. Can you name for us and help us find a bottom line for the five worst States that are not in compliance?

Mr. WILLEMSSEN. Actually, the report we did in November, it was hard to generalize even at a State level, because within a State the food stamp program may have been in better shape then the Medicaid, whereas the Temporary Assistance for Needy Fami-

lies Program may have been very bad. So, even within the State, it was difficult to generalize.

I will say that there are certain States that have been working on this for some time. The State of Pennsylvania, for example, has been considered a leader within the year 2000 arena; that is not again to say that every program within that State is necessarily where it needs to be. Other States have also, within pockets, received publicity and good press for their excellent efforts, but, again, it is hard to generalize within a given State, because even a chief information officer within a State may not have full control and authority over all of those programs.

Ms. JACKSON-LEE. Mr. Willemssen, you are using great diplomacy by answering my question with a positive, but I will try to pursue it with you directly and separately from this hearing, as to where some of our States are that need serious help. Because I believe the question that Chairwoman Morella asked you about whether or not we may need more money, it seems that we might need more money to be able to assist some of the States that may not be where we need them to be.

And I see the red light, if the chairwoman would indulge me just for a question and I won't ask the rest of the panel to answer that question.

I thank you, Mr. Willemssen, but I will ask Ms. Reed to followup. In particular, I am concerned—I chair the Congressional Children's Caucus—and I am concerned with respect to the Agriculture Department. Child nutrition, food stamps, WIC, rely heavily on State information systems, and we understand that some States won't even be in compliance until 1999. So what contingency plans is USDA engaging in to help some of these States with their compliance?

Let me, before you answer that, just note to my friend from USAID, that we applaud the great work that you do. I have just returned from Africa and I know the work that you do, and in difficult areas, in developing nations. However, it seems that it will be a great burden if you have seven systems and all seven of them are not working at this point.

My time has run out, but if you are able to answer that comment—if the chairwoman indulges me—otherwise, I would take your answer in writing, but I would like to hear from Ms. Reed, who is with USDA.

Ms. REED. The Food and Nutrition Service has been working with the States since 1967 to make sure that they are aware, and that we are aware, of what needs to be done in these arenas.

Ms. JACKSON-LEE. Did you say 1967?

Ms. REED. 1997.

Ms. JACKSON-LEE. Thank you.

Ms. REED. I apologize. We weren't quite that prescient. [Laughter.]

Ms. JACKSON-LEE. You are quite ahead of your time.

Ms. REED. Thank you for that.

However, we do now receive quarterly reports from the States. We have one that is just imminent here; the last report that I have is from December. A number of the States are reporting that they are compliant, but, as you indicate, some of the States do show that

they don't plan to be compliant until quite late in the year. So we are requiring business continuity plans from each State. We are actually requiring each State to certify their compliance as we move into these later months. Our State directors and regional directors are working very intensively with the States to assure that we have the most information possible and, where necessary, can provide technical assistance to them.

Mrs. MORELLA. Thank you, and thank you, Ms. Jackson-Lee.

Ms. JACKSON-LEE. Thank you.

Mrs. MORELLA. Mr. Gutknecht, I am delighted to recognize you, sir, for the questioning.

Mr. GUTKNECHT. Thank you, Madam Chair, and it is good to be here.

Let me start by saying that I have had a couple of townhall meetings in my district about year 2000, and I am happy to report the State and local government officials who have testified—at least in my State—are more than eagerly moving forward with their plans, and I think we are making tremendous progress—at least in my State. And I feel pretty good about what we hear from some of the Federal agencies.

But I want to come back to a point that Dr. Horn raised, and I think the real issue is about accountability. You know, it is disturbing that the FAA and—I will try to be diplomatic—in the end we wasted $4 billion, the FAA, and the story is that we also wasted $4 billion with the IRS. And I am not certain who to address this question to, but it strikes me that in the private sector, and one of the reasons—I think at least the major corporations; I am not so certain about small businesses—the only area that I am really worried about in terms of where we are going to be January 1st of next year, in my opinion, has much more to do with what is happening with small businesses, who are to busy or haven't taken the time, or for whatever reason. The SBA, Madam Chair, I might just say—and we should make this available and maybe connect somehow to our website, whatever—-SBA does have a wonderful kit that they have put together, including a CD ROM that sort of helps walk small business through what the problems are and what they need to look for, and so forth. And I really want to congratulate the SBA.

But I want to come back to a point that concerns me and it is the word "accountability." I think most major businesses—and we have had major airlines and some of the power companies and other companies come and testify at our townhall meetings about what they are doing with year 2000. They understand that this is serious. In fact, my first hearing we had, I think there were six companies that testified, and collectively, they were investing somewhere in the neighborhood of $150 million to make certain their systems would work on January 1, 2000. The reason, I think, is they understand that ultimately they are going to be held accountable.

I think the question that I have for anyone who wants to respond to it—you know, in the private sector there is an unwritten system of rewards and punishments. And I might just ask this question—maybe somebody can answer it—in both the situation with the

FAA and the IRS, was anybody replaced or demoted because of the $4 billion which was wasted?

Mr. FLYZIK. If you would like, from the perspective of Treasury, I would suggest to you that the majority of the folks at the IRS that were part of that are no longer at the IRS. I don't know, specifically, whether or not it was resulting directly from this or not. I will suggest to you that we have learned some lessons, and I will suggest to you that we were building systems back then with some 1980's approaches with 1990's technologies. I think, the Klinger-Cohen legislation, passed by the Congress, clearly, puts responsibility on the CIO. I do believe that the legislation passed by the Congress makes it clear that the chief information officers are now responsible. I accept that responsibility and plan to stay through the year 2000 program at Treasury, and we jokingly say that CIO may mean "Career is over," if we do not meet our year 2000 requirements. But I think the Congress passed the Klinger-Cohen legislation that makes it clear that CIO's are now accountable, and I think some of those lessons of the past are the reason the legislation was passed.

Mr. GUTKNECHT. Anybody else want to respond to that? Is that generally felt throughout the various agencies, that people are going to be held accountable?

I see some heads nodding; those don't show up on the tape.

Ms. REED. I will, on behalf of the Department of Agriculture—the Secretary of Agriculture has made it very clear that not only the CIO is accountable, but every single Under Secretary, every single agency administrator; their jobs are on the line, to make sure—our jobs are on the line—to make sure that we can continue to deliver USDA's programs. He has been most clear and emphatic on that point.

Mr. BURBANO. I would like to second that from the State. The Under Secretary for Management has put the responsibility for year 2000 delivery on every Assistant Secretary, including the CIO, which is me.

Mr. GUTKNECHT. All right, can I change the subject real quick, because I see the yellow light is already gone, and really I want to come back to Mr. Burbano.

As I say, I feel fairly confident that somehow our State and Federal Government and local governments are going to slug through this thing, but I am much more concerned about what is going to happen in foreign countries. I don't know how well you guys are plugged into—you are the best guesses we have got in terms of what is going to happen in some other countries, some of our trading partners around the world. What is your best guess, what is going to happen?

Mr. BURBANO. OK, we have an international working group comprised of several agencies in the international affairs arena, cochaired by the Department of Defense and State Department, and the Secretary has tasked each chief of mission, the Ambassador, to fill out a contingency plan toolkit that we have, which is due back April 16, which we will then put together and look where the gaps are. It is very detailed. It looks at the energy, water, transportation, telecommunications, healthcare, finance, public services, and technology systems of every post and every country, and based

on what we have seen in there, we will be in a position to do that. So that is one side of the house.

The other side of the house is we are collecting information from all the different agencies, as well as different private sector firms such as Gartner, putting it together, and we plan to have that information available sometime during this summer, which will give us that kind of information. Obviously, you know, we have to be concerned about possible release of that data in order not to cause harm. So we are in the mist of grappling with that issue. But we plan to be prepared to have that information this summer, and we plan to prepare to have these contingency plans post-by-post, country-by-country. April 16th is when we are due, and then we have to do some analysis, and so forth.

Mr. GUTKNECHT. OK, thank you.

Mrs. MORELLA. Thank you, Mr. Gutknecht.

Mr. Burbano, picking up on that same issue, what percentage of State Department year 2000 funds are being specifically designed for embassies abroad?

Mr. BURBANO. I would like to get those figures back to you. I don't have it broken down by overseas, but I would like to get those figures back to you.

Mrs. MORELLA. Sure, that would great, because I am actually also interested in whether or not the allocation is based on certain criteria that you have established. I mean, for instance, would our embassy in Italy have more in the way of year 2000 funding then our embassy in Tanzania? I mean, what do you use for criteria in that regard? And then, you know, I am interested also—and I know my colleagues are, too—in what contingency plans you have for embassies and in countries that are not year 2000 compliant. I think we have all had experiences with questioning the authorities in so many of the countries, including industrialized countries, and find that their responses seem to be in a vacuum with regard to understanding the situation, let alone implementing it. So if you could get that information to me, and actually to all of you, I guess I would ask the agency representatives, the CIO's.

GAO has, in its testimony, made many recommendations, such as establishing the target dates for contingency plans, the end-to-end testing, requiring the agency head to certify that systems are truly compliant, implementing a moratorium on software changes to ensure that these systems are compliant at the turn of the century. And I guess I would ask you is, do you agree with those recommendations? Do you plan to implement them? And I will start with any one of you, any one who wants to begin.

Mr. FLYZIK. Throughout the entire process of year 2000, we have had at Treasury a very positive working relationship with GAO. We have used the GAO guidance throughout the entire process, their contingency planning model, and it truly has been a value-added kind of work process we have used with GAO, and we intend to continue to use their guidance.

I think the change management moratorium will be relatively controversial. There are many, of course, industry counterparts that have strategic plans where they are moving forward, and as changes are made in the commercial sector, it will impact some of the things we are doing.

We also have, for example, at Treasury the IRS, where tax law changes are going to require certain changes. What we will likely do at Treasury is implement some type of exception process to minimize any changes, but I think we will need some flexibility in that guidance for things that are just out of our immediate control.

Mr. BURBANO. At the State Department this past fall we issued a moratorium on development other than year 2000. We did have an exception process for security, health, and other items. Up to date, we have put about 26 systems on the shelf as a result of not being year 2000 or security-or health-related. We are also issuing a moratorium this July on operating systems and off-the-shelf systems, and in September for application systems.

In terms of an earlier question about the countries and embassies, as I mentioned, when we get back our contingency plans which look at various systems I talked about—the energy, the water, transportation, telecommunications, healthcare, finance, public services, and technology—that is our criteria. We see where the gaps are, and when we get the information this summer from the international working group as to where the countries are, as opposed to the post, we will put those together and we will clearly see, you know, what additional funds are needed based on those two items, the post situation and the country situation.

Mr. NYGARD. We at USAID have also been following the GAO guidance pretty closely. We find it useful, particularly the moratoriums. It has helped us to fend off requests from inside the agency and elsewhere for changes, just saying that year 2000 has to have the highest priority. So we found it very useful guidance and have been following it closely.

Ms. REED. I certainly will echo that for the Department of Agriculture. We have tried very consistently to follow their guidance and have found it quite helpful in that regard. We, too, will be looking very closely at the change management program. We are extremely cognizant of the need to assure that there is stability as we go into the year 2000.

One of the issues that we are continuing to wrestle with is that some of the software that has been determined to be compliant by vendors, who continuously send us patches and upgrades. We certainly want to be in a position, if a software vendor recommends to us that we need something for year 2000 compliance that we had not foreseen earlier or they had not foreseen earlier, that we still able to implement it. So we need to be looking carefully at just how we approach achieving that stability.

Mrs. MORELLA. I would like to also just briefly ask you, are all of the four agencies that we have before us, have all of you undergone the independent verification and validation process? Say yes and no.

Mr. FLYZIK. Absolutely.

Mr. BURBANO. Yes, and I would say that we have done it at two levels. We did it first within the CIO office in the bureau, and then we are doing it at a second level with the Office of the Inspector General, and we developed that criteria. So we are actually going through it twice.

Mr. NYGARD. Yes, we, too, are using independent validation and verification, and then after that, all of our systems will be reviewed by our Inspector General. So we have two stages as well.

Ms. REED. IV&V has been a very, very key part of our year 2000 management program and will continue to be, as has our work with the Inspector General.

Mrs. MORELLA. And, Ms. Lee, will you be requiring that all agencies undergo the IV&V?

Ms. DIEDRE LEE. That is part of the system, not only the mission-critical system assessment, but also as we do the seamless program checks; we will verify that that has been done.

Mrs. MORELLA. What if agencies say they don't have the time to do it? Would you be helpful?

Ms. DIEDRE LEE. We haven't heard that to date, and because of the schedules of the mission-critical systems, that schedule that they put in place includes the IV&V piece. In fact, some of the agencies that are not yet 100 percent, that is the piece they are missing; they have gone that far. If they haven't completed that, they are not in the 100 percent category.

Mrs. MORELLA. Well, thank you.

Chairman Horn, your turn at bat.

Mr. HORN. Thank you very much.

The Director of OMB sent out memorandum to the head of the executive departments and agencies, dated March 26, 1999, and without objection, I would like that included in the record at this point, because my questions will relate to that memorandum.

Mrs. MORELLA. Without objection, so ordered.

[The information referred to follows:]

March 26, 1999

M-99-12

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jacob J. Lew
Director

SUBJECT: Assuring the Year 2000 Readiness of High Impact Federal Programs

During the past year the Federal government overall has made substantial progress in addressing the year 2000 problem in Federal systems. While many agencies have made outstanding progress on both internal systems and on their work with their program partners, other agencies must redouble their efforts to ensure that their mission critical systems will be ready and that their programs with a high impact on the public will function. We have consistently worked with you through the budget process and in other ways to ensure that your partner?s systems are also Y2K compliant; however, we need to be able to demonstrate the overall readiness of systems -- and the programs they support -- to the public.

This is a critical facet of our work. While the public generally understands that we have made progress in addressing the year 2000 problem based on our internal measure of systems made compliant, their bottom-line concern is that the programs they rely on will function properly. Many Federal programs rely on partners such as other Federal agencies, State, tribal, and local governments, contractors, banks, and others. We must take an even stronger leadership role and work with our partners to assure they have addressed any year 2000 problems that could effect Federal programs, jointly test that the Federal program will work, and together publicly demonstrate that it will.

In the attachment, we have identified a number of high impact Federal programs and we have assigned a lead agency for each program. For each program where your agency is the lead, please identify to OMB the partners integral to program delivery; take a leadership role in convening those partners; assure yourselves that each partner has an adequate Y2K plan, and if not, help each partner without one; and develop a plan to ensure that the program will operate effectively. Such a plan might include testing data exchanges across partners, developing complementary business continuity and contingency plans, sharing key information on readiness with other partners and the public,

and taking other steps that you and your partner feel are necessary to ensure that your agency?s programs will work.

We realize that you have been budgeting for the effective operation of these high impact systems for some time, including Y2K compliance, and have been providing much necessary assistance to your partners to ensure that they are fixing their Y2K problems. Nothing in this memorandum or the process it sets in motion is intended to indicate to any agency or any partner in a high impact program, that there is new money available in lieu of the funds they already have to administer programs effectively ? which, by definition, includes making their systems Y2K compliant.

For each program for which your agency is listed in the attachment as the lead agency, I ask that you provide OMB with a schedule and milestones for the key activities in the plan, a monthly report of progress against that schedule, and a planned date for an event or events to inform the public that the program is year 2000 ready. It would be most helpful if public events could be held prior to September 30, 1999.

Please provide a copy of the schedules for those programs for which you are the lead agency to OMB by April 15, 1999. Please also provide the first monthly status report detailing progress against that schedule by May 15, and by the 15th of each month thereafter until the work is complete. Schedules and reports can be sent to:

Office of Management and Budget
OIRA Docket Library
NEOB 10102
725 17th Street, NW
Washington, D.C. 20503

Reports may also be faxed to 202-395-5806. Ms. Pamela Beverly is available to answer any questions regarding the process of submitting schedules or reports at 202-395-6880.

Please note that this effort is not intended to give Federal agencies any additional responsibilities, nor are Federal agencies expected to fund fixes or systems other than their own. Rather, this effort should be one of cooperation and partnership among interested parties, all of whom share a mutual interest in ensuring that important Federal programs will function smoothly through the year 2000.

Thank you for your continuing work on this essential effort. If we all continue to work together, we can, as the

President said, make this problem the last headache of the 20th century, not the first crisis of the 21st.

Attachment

cc: Agency Chief Information Officers

Attachment A

Federal Programs and Lead Agencies

Lead Agency	Program
Agriculture (USDA)	Child Nutrition Programs
USDA	Food Safety Inspection
USDA	Food Stamps
USDA	Special Supplemental Nutrition Program for Women, Infants, and Children
Commerce (DOC)	Patent processing
DOC	Weather Service
Defense (DOD)	Military Hospitals
DOD	Military Retirement
Education	Student Aid
Energy (DOE)	Federal electric power generation and delivery
Health and Human Services (HHS)	Child Care
HHS	Child Support Enforcement
HHS	Child Welfare
HHS	Disease monitoring and the ability to issue warnings
HHS	Indian Health Services
HHS	Low Income Home Energy Assistance Program
HHS	Medicaid
HHS	Medicare
HHS	Organ transplants
HHS	Temporary Assistance for Needy Families
Housing and Urban	Housing loans (GNMA)

Lead Agency	Program
Development (HUD)	
HUD	Project-based Housing (Section 8)
HUD	Public Housing (Grants, FHA Mortgage Insurance)
Interior (DOI)	Bureau of Indian Affairs programs
Justice (DOJ)	Federal Prisons
DOJ	Immigration
Labor (DOL)	Unemployment Insurance
State	Passport Applications and Processing
Transportation (DOT)	Air Traffic Control System
DOT	Maritime Search and Rescue
Treasury	Cross-border Inspection Services
Veterans Affairs (VA)	Veteran's Benefits
VA	Veteran's Health Care
Federal Emergency Management Agency	Disaster relief
Office of Personnel Management (OPM)	Federal Employee Health Benefits
OPM	Federal Employee Life Insurance
OPM	Federal Employee Retirement Benefits
Railroad Retirement Board	Retired Rail Worker Benefits
Social Security Administration	Social Security Benefits
U.S. Postal Service	Mail Service

Mr. HORN. Ms. Lee, there are roughly 19 departments and agencies that are shown in his attachment, and that is where the 42 programs come from. I wonder if you could just tell me, how were those 42 programs selected?

Ms. DIEDRE LEE. We actually went out to the agencies and got agency input, as well as other governmental input. I think this might be a time to mention that, as we were talking about concerns of the States and other governments, we do have the President's Council on Year 2000 Conversion, and they have been very active in dealing with the Governors' associations, outreach programs, meetings, et cetera. That is also going on as we speak, and generally John Koskinen, who represents that group, speaks of their outreach activities and their accomplishments.

But through the consultation process with the agencies, and with the State and local governments, and in assessing the programs that had direct impact on people, this list was developed. But, it is an ongoing list, and should you have other programs that you feel are important, we are more than happy to add those, and make sure we have a lead agency assigned to it and that we monitor the progress.

Mr. HORN. Well, was the criteria based on what is the most that these programs are in relation to people? Is that it? You just said that.

Ms. DIEDRE LEE. I can get you the specific criteria that we went through, but, generally, it was: what are the major programs that cross agency lines that we couldn't say are mission-critical? Programs that may cross numerous agencies, State, local governments, and that have a delivery or an end product that we think we directly affects health, welfare, and safety of people.

[The information referred to follows:]

We have asked Federal agencies to work with their partners to assure that all Federal programs will work. In developing the list of high impact programs about which agencies are reporting status information to OMB, we looked at the Federal government from an individual's point of view and selected programs that, if interrupted, would have a direct and immediate impact on individuals.

Mr. HORN. Well, as it reads, you are absolutely right, that is the basic criteria, it would seem to me, both with other agencies to the Federal Government, as well as with State and local agencies, and I don't have a problem with that. But I guess I would ask the question, where are some of the very difficult programs that might not meet that criteria, but must be taken care of long before January 1, 2000? Let me give you an example.

I don't have a problem with the Department of Defense having its two programs of military hospitals and military retirement. Granted, they are, in essence, very much like what you have under USDA, or you have under HHS, or you have under HUD programs that affect a lot of people. I guess what I do worry about is, where is about the 100 or so readiness programs that the Department of Defense ought to have on this list? Is there a separate list floating around?

Ms. DIEDRE LEE. OMB didn't create a separate list, but we do acknowledge and recognize the Department of Defense has a lot of military programs. Certainly, some would say you could add them to this list. But because we generally say they are not something

that an individual per se has an interaction with, the Department of Defense on military systems are not put on this particular list. Nevertheless, we are very aware of that issue and DOD is tracking their mission-critical systems as well.

Mr. HORN. So you have a list of the readiness programs?

Ms. DIEDRE LEE. I believe DOD has that list. I can certainly get it for you. I don't have it at this meeting.

[The information referred to follows:]

The Department of Defense is closely tracking the Y2K status of its readiness programs. We are confident that the DoD systems will be ready for the new millennium and that the Department will be able to continue to carry out its missions.

Mr. HORN. All right, because I guess I would ask you, what are the key programs that are not on this list, and that would include all agencies? I mean have we—is this it? Or are there others even on the domestic non-military agencies?

Ms. DIEDRE LEE. These are the 42 high-impact programs that we have identified on the non-military side, with those two exceptions. But it is a continuing list, and as we progress farther in the business continuity and contingency plans, we could identify additional programs to be added.

Mr. HORN. Now, as I understand it, there are master plans for each of these high-impact programs to guide the key organizations to be sure that they work, one, together; No. 2, that they really work, and No. 3, that they be brought in, I guess by, April 15th. Is that roughly it?

Ms. DIEDRE LEE. We are looking for the business continuity and contingency plans to be in on April 15th, 2 days from now. We will then look at those plans, along with GAO, for thoroughness and other issues. That is going to give us the next step on. If they are thorough and descriptive and end-to-end, we have one situation, versus if there are pieces of information missing or holes or there is non-continuity, we have another situation.

Mr. HORN. It is good to know that on April 15th, when taxpayers are sweating out paying the revenue side of the coin, that agencies are sweating it out paying the expenditures side of the coin. So that——

Ms. DIEDRE LEE. Share the wealth?

Mr. HORN [continuing]. I find a certain symbolism in this; maybe you don't? In your opinion, when will these high-impact programs be certified as year 2000 ready?

Ms. DIEDRE LEE. It will be program by program. I wish I could tell you there is going to be one date. But that is going to be part of the plan, and part of the contingency plan is going to maintain the schedules and the milestones. From there we will set up the tracking mechanism. I feel certain that we will be back to discuss that with you further.

Mr. HORN. OK. Now, let me ask both you and Treasury, to which this is relevant, the President held his second statement on the year 2000 acknowledging Social Security's very good job of compliance. I had assumed, when he did that, that he also knew that the Treasury's Financial Management Service had been 2000 compliant. And I guess I need to ask the Treasury representative, is the Treasury's Financial Management Service compliant? Because, as you know, it needs to turn out about 43 million checks a month

from the Social Security Administration. I guess I would ask you, to what degree is FMS compliant?

Mr. FLYZIK. Chairman Horn, as noted in my testimony, over 90 percent of the payment systems are now using year 2000 compliant software, including Social Security and supplemental security income payments. The last payment system to be made compliant is the Office of Personnel Management Payment System for Federal annuity payments. That system is ready to go at the FMS and it is waiting on an interfacing system. For those systems where FMS did not meet the March 31st deadline, you should be aware that FMS, in many cases, is waiting on other interfaces with other agencies to actually implement year 2000 compliant systems. So, the FMS system is ready to go.

Mr. HORN. OK, let us just take Social Security. Is it ready to go 100 percent on Social Security? Can they cut the checks? Can they send them? Then the question is, what about the depositories, credit unions, banks, whatever?

Mr. FLYZIK. Yes, in terms of cutting the checks, the answer is yes. In terms of the banks, the depositories are. Office of the Controller of Currency, as well as the Office of Thrift Supervision, continue inspection programs. Their latest report sent to the Congress indicates over 90 percent of the financial institutions being year 2000 ready. So, we are on a very positive trend. We are putting together and are doing testing among FMS, IRS, Social Security, and all of the revenue collection agencies, as well as the payment agencies, end-to-end and interoperability testing, simulating configurations in a laboratory environment.

Mr. HORN. OK, let me just go down the line: Are you ready to submit your April 15th report and plan to OMB? Will you be able to do it on time? How about Treasury?

Mr. FLYZIK. Yes, we will, and sitting right behind me is my program manager—who does all the work that I get all the credit for—is working on that as we speak.

Mr. HORN. So if you go, he goes, is that it? [Laughter.]

OK, or is it the other way around?

Let me ask the gentleman from the Department of State: Are you ready on that April 15th?

Mr. BURBANO. Yes, we are ready.

Mr. HORN. OK. Let me ask Mr. Nygard of the Agency for International Development.

Mr. NYGARD. Mr. Chairman, I think we get a bye on that; we don't have any systems on that list.

Mr. HORN. Well, I would have put you on the list 3 years ago, Mr. Nygard. So, I mean, what is there left to do? Are you going to be able to do this job in AID or are we going to go back to the abacus?

Mr. NYGARD. No, we are there. We will do the job; no question.

Mr. HORN. OK. Yes. They are now your ward, by the way; you are the guardian now of AID, right? So what is happening on the Department of State with its new child?

Mr. BURBANO. Well, we are integrating with USI and with ACTA, and we have met and continue to meet with USI and ACTA, and we plan to be fully compliant with our systems with both of those before the end of the year at this point. I would like to say,

in terms of the 40 systems that you were addressing on the passport issue, that system is out of the independent test and validation phase; it is in deployment, and we plan to have that system fully implemented, the 14 passport offices, by the end of this month. So, not only will we have our report in, but we will have the system fully implemented by the end of this month.

Mr. HORN. Well that is good news, because you do—what—over a million passports a year?

Mr. BURBANO. Yes.

Mr. HORN. I know it is substantial and you have had a very efficient operation, as I have seen it. So this will carry that on?

Mr. BURBANO. Absolutely. So, again, we are fully implemented by the end of this month on our one system that is on that list.

Mr. HORN. Now, will the Agency for International Development be part of your jurisdiction?

Mr. BURBANO. No, that is why I was saying it is USI and ACTA. We do work closely as my counterpart mentioned.

Mr. HORN. You are all in the same building, so I wouldn't think it is to hard to communicate.

Mr. HORN. No, no, we work together, but we are not integrating their systems as we are with USI and with ACTA, so we do work and exchange information. They are part of the international working group as well, and they are out there in the post collecting information, sharing it with us; we are sharing it with them. So, we do work closely and help each other, but their systems are not being integrated with ours.

Mr. HORN. OK, how about the Department of Agriculture, Ms. Reed, are you going to be able to give them something on April 15th?

Ms. REED. We will be able to provide something, I will tell you that I think that it will require additional work, particularly the section on food safety, where we serve as the lead agency. I think we have pretty good command of what we have been doing within USDA, but we need to reach out to our partners across the Federal sector to assure we have incorporated their work, and quite frankly, that may take us just a little bit longer to do, but we will meet that commitment, because we take it very seriously.

Mr. HORN. One of the columns on our quarterly report card has been the contingency plan. A lot of agencies have said it is the U.S. Post Office, in other words, mailed the checks, rather then electronically deposit. We then had a hearing with the U.S. Postal Service, and they have no contingency plan. So I find that rather interesting, and we have the phrase "in progress" for most of the 24 major executive agencies and Cabinet departments. I just would like to ask the four agency people here today, are we going to get in Congress another in-progress-type thing on your contingency plan, or do you have a contingency plan before the next quarterly report?

Mr. FLYZIK. At the Treasury Department we established March 31st, this past March, as the date for all of our bureaus to work on business continuity and contingency plans. On March 31st, all but four of the bureaus had those plans into my office; the other ones are coming in now or will be in very shortly. We are going to do an analysis of those plans and put them together to come up

with a Treasury-wide approach. So, we feel at Treasury we are ahead of the curve a little bit in this particular area and will look forward to reporting to you as we do the analysis of where we stand on the plans.

Mr. HORN. State?

Mr. BURBANO. For the State Department, we have 59 mission-critical systems. Out of the 59, we have 47 systems that have been completely finished and verified; 12 are in the mist of being finalized, and we plan to have those finalized by June.

Mr. HORN. So you are saying, you don't need a contingency plan?

Mr. BURBANO. Oh, no, no, no. I am saying we have a contingency plan for each of them.

Mr. HORN. For each of them?

Mr. BURBANO. Right, that is why I was saying, out of those 59, 47 are solid green.

Mr. HORN. Fine. How about the Agency for International Development?

Mr. NYGARD. We are in the process of completing our contingency plans. We expect them to be completed by June 30. So, for our next quarterly report you will get an "in-progress" from us, but progress is going as per schedule, and we will be implementing those plans by the beginning of the summer.

Mr. HORN. Agriculture?

Ms. REED. We sent out guidance to our agencies last fall on business continuity and contingency planning. I have received the first draft from all agencies within USDA, except for one; I expect to have that one shortly. We have been reviewing that draft, and I can tell you that it is version one. We know we will have more work to do, but we feel relatively confident that we will have a strong business continuity and contingency plan in place by June 15th.

Mr. HORN. Well, I thank all of you. I am going to have to leave for another meeting, and thank you, Ms. Chairman.

Mrs. MORELLA. Thank you, Mr. Chairman.

And I am going to just ask one other question. Actually—I don't know—maybe it was in your testimony, Mr. Burbano, but it was reference to the year 2000 Program Management Office's strike teams. What do the strike teams do? Sounds like terrorism to me.

Mr. BURBANO. Well, we needed a strike team. You know, when I came on board we were zero compliant, and, you know, it took a lot to get us to 90 percent within 11 months. So, what I did, with my Deputy CIO for year 2000, is we got together and we decided we needed some strike teams to come in to not only do analysis, but provide assistance to each bureau to get us up there quickly in our steep curve of implementation. And they have actually provided the assistance, besides the analysis, in order to do test validations for helping contingency plans, for helping remediate, and so forth. So in all phases they have helped out, and continued to help out, the bureaus.

Mrs. MORELLA. It just seems to me, from what has been stated in your wonderful testimony and response to our questions, that we are looking to April 15th for a view of the critical programs beyond what you have told us today: plans, milestones, also business continuity plans that I think is so important, and then as we go on

to the end-to-end testing. So much more needs to be done, but I just am very much impressed with the progress that has been made. And as somebody who cares, as Mr. Horn does, very much about Federal employees, I do want to applaud you for responding to the challenge and the task. It is not all over yet, but, again, your cooperation in so doing I hope is a model for the States and local governments. Again, we will be back to you and hope you will be back to us about it.

So I want to thank you all for coming before us. Thank you, Ms. Lee, and Mr. Willemssen, and Ms. Reed, Mr. Nygard, Mr. Burbano, and Mr. Flyzik.

And I wanted to pick up the tradition that was established by Chairman Horn, and that is to acknowledge the staff who helped to put the committee hearing together: J. Russell George, who is with the Subcommittee on Government Management, Information, and Technology; Matt Ryan, senior policy director for GMIT; Bonnie Heald, who is the director of communications; Mason Alinger, who is the clerk; Richard Lukas, the intern. Technology is Jeff Grove, staff director; Ben Wu, professional staff member; Joe Sullivan, the clerk. And on the minority side, Faith Weiss, who is the counsel; Earley Green, staff assistant; Michael Quear; Marty Ralston, committee staff, and our court reporter, Kristine Mattis.

And I thank you all, and the joint committee is now adjourned.

[Whereupon, at 3:25 p.m., the subcommittees were adjourned.]

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