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U.S. GOVERNMENT
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STATE OF THE STATES: WILL Y2K DISRUPT ESSENTIAL SERVICES?

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

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

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STATE OF THE STATES: WILL Y2K DISRUPT ESSENTIAL SERVICES?

WEDNESDAY, OCTOBER 6, 1999

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

Washington, DC.

The subcommittees met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the Subcommittee on Government Management, Information, and Technology) presiding.

Present from the Subcommittee on Government Management, Information, and Technology: Representatives Horn, Biggert, Ose, and Turner.

Present from the Subcommittee on Technology: Representatives Morella, Bartlett, Baird, Gutknecht, Wu, Barcia, and

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, communications director and professional staff member; Chip Ahlswede, clerk; P.J. Caceres and Deborah Oppenheim, interns; Trey Henderson, minority counsel; and Jean Gosa, minority staff assistant.

Staff present from the Subcommittee on Technology: Jeff Grove, staff director; Ben Wu, counsel; Joe Sullivan, staff assistant; Michael Quear, professional staff member; and Marty Ralston, staff assistant.

Mr. HORN. The joint hearing of the House Subcommittee on Government Management, Information, and Technology, and the House Subcommittee on Technology will come to order.

These programs, which include Medicaid, temporary assistance for needy families, food stamps, child support enforcement, serve millions of Americans each day.

This spring, the President's Office of Management and Budget identified 43 "high impact," or essential Federal programs. Of these 43 programs, 10 are administered by State and local governments.

In August, we found that only seven of these will be completely ready for the new year until December. That is simply not acceptable. Millions of American lives will be harshly disrupted if these vital programs fail. It is time to start naming names. We must know now whether States such as Alabama, Oklahoma, and California, among others, are ready. Will they be able to provide essen-

tial services without a severe degradation of services because of potential Y2K failures?

The Office of Management and Budget has charged three Federal departments with ensuring that these State-run programs are ready. Representatives from these departments are with us today.

The Department of Health and Human Services is responsible for six State-run programs, including Medicaid, the health care safety net for 33 million of the Nation's most vulnerable citizens; its children, its elderly, and its poor. This department is also responsible for the Nation's welfare program, called temporary assistance for needy families. The $16.5 billion program shores up families who have fallen on hard times through the loss of a job or an illness and helps them return to the work force.

The Department of Health and Human Services supplements these two major programs with its programs for child care, child support enforcement, child welfare, and low-income home energy assistance. Will States be able to deliver these services after the clock ticks past midnight on January 1st? That is what we will be asking our panel.

The Department of Agriculture is responsible for three State-run food programs—child nutrition, food stamps, and special supplemental nutrition program for women, infants, and children [WIC]. In the year 2000, the child nutrition program will serve more than 27 million lunches a day.

Could a State's year 2000 failures result in some of these lunches not being served to the school children who need them? Could such failures prevent families from obtaining the food stamps they dependent on? Or deprive nourishment from the women and their very young or unborn children? We need to know the answers to those questions.

The Department of Labor is responsible for only one State-run program, unemployment insurance. In the year 2000, an estimated 8 million people for one reason or another will lose their jobs and rely on this program to supplement their incomes. Could year 2000 failures degrade States' abilities to pay this benefit?

Together, these State-run programs affect millions of people and cost the Federal Government in excess of $125 billion a year. Today, we want to provide an accurate portrayal of the States' year 2000 readiness. In just 86 days we will witness the dawn of the new millennium. The American public deserves to know which States are ready and which, if any, are at risk of failure.

I welcome today the panel of expert witnesses, and look forward to their testimony.

[The prepared statement of Hon. Stephen Horn follows:]

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House Subcommittee on Government Management, Information, and Technology

For Immediate Release
October 6, 1999

Contact: Bonnie Heald (202) 225-5147

Opening Statement
Chairman Stephen Horn (R-CA)

This joint hearing of the House Subcommittee on Government Management, Information, and Technology, and the House Subcommittee on Technology will come to order.

Today, we will hear testimony about the Year 2000 readiness of our states. We need to ensure the seamless delivery of essential Federally funded, state-run programs. These programs, which include Medicaid, Temporary Assistance for Needy Families, Food Stamps and Child Support Enforcement, serve millions of Americans each day.

This spring, the President's Office of Management and Budget identified 43 "high impact," or essential, Federal programs. Of these 43 programs, 10 are administered through state and local governments.

In August, we found that these 10 programs are not scheduled to be completely ready for the new year until December. That is not acceptable. Millions of American lives will be harshly disrupted if these vital programs fail. It is time to start naming names. We must know now whether states such as Alabama, Oklahoma and California, among others, are ready. Will they be able to provide essential services without a severe degradation in service due to potential Y2K failures?

The Office of Management and Budget has charged three federal departments with ensuring that these state-run programs are ready. Representatives from these departments are with us today.

The Department of Health and Human Services is responsible for six state-run programs, including Medicaid, the health-care safety net for 33 million of the nation's most vulnerable citizens: its children, its elderly, and its poor. This department is also responsible for the nation's welfare program, called Temporary Assistance for Needy Families. That $16.5 billion program shores up families who have fallen on hard times through the loss of a job or an illness, and helps them return to the workforce.

The Department of Health and Human Services supplements these two major programs with its programs for child care, child-support enforcement, child welfare, and low-income home energy assistance. Will states be able to deliver these services after the clock ticks past midnight on January 1?

The Department of Agriculture is responsible for three state-run food programs -- Child Nutrition, Food Stamps, and the Special Supplemental Nutrition Program for Women, Infants, and Children. In the year 2000, the Child Nutrition program will serve more than 27 million lunches a day.

Could a state's Year 2000 failures result in some of those lunches not being served to the school children who need them? Could such failures prevent families from obtaining the food stamps they depend on? Or deprive nourishment from the women and their very young or unborn children? We need answers to these questions.

The Department of Labor is responsible for only one state-run program – unemployment insurance. In the year 2000, an estimated 8 million people for one reason or another will lose their jobs and rely on this program for supplemental incomes. Could Year 2000 failures degrade s' abilities to pay this benefit?

These state-run programs affect millions of people and cost the federal government in excess of $125 billion a year. Today, we want to provide an accurate portrayal of states' Year 2000 readiness. In just 86 days, we will witness the dawn of the new millennium. The American public deserves to know which states are ready and which, if any, are at risk of failure.

I welcome today's panel of expert witnesses, and look forward to their testimony.

Mr. HORN. I will now turn to my colleague, the co-chairman for this hearing, Mrs. Morella, the gentlewoman from Maryland, the Chair of the House Subcommittee on Technology.

Mrs. Morella.

Mrs. MORELLA. Thank you, Mr. Chairman. Mr. Chairman, in the past 3½ years that our two subcommittees have been engaged in the review of the year 2000 computer problem, we have pushed for a greater Federal Y2K focus in correcting the millennium bug. Since we first began our oversight hearings, we have seen vast progress from our Federal agencies, in most instances. Y2K was finally mandated as an agency-wide priority and management leadership was required where previously there was none.

While we have been comforted by the actions of the great majority of Federal agencies, unfortunately, just as you said, with 86 days remaining before the January 1, 2000 deadline, there is still much to be concerned about. For example, as of this past August, only 7 of the 43 essential Federal programs, or a mere 16 percent, are Y2K ready in a timely manner. This is troublesome because these 43 essential programs, referred to by the Office of Management and Budget as "high impact programs," collectively affect the lives of virtually every single American.

It appears as if the main reason for such a low level of Y2K readiness is that key supply chain partners, including State and local governments and the private sector, are simply not yet ready. And especially troubling is the fact that of the 43 "high impact" Federal programs, not one of the 10 essential programs administered by the States was Y2K completed. These include such important Federal programs as food stamps, food safety inspections, child nutrition, child support enforcement, temporary assistance for needy families, child welfare, and Medicaid.

No agency can take pride in their Y2K efforts, however remarkable their progress over the past 3½ years, if the delivery of one of their essential Federal programs is impaired. Even for those Federal agencies that have received a high Y2K grade by Congress, it is a hollow victory if they do not have effective interoperability with key program partners such as the 50 States.

Today we are going to hear from representatives of the three Federal agencies that oversee the 10 State-administered programs. I am looking forward to hearing their testimony, as well as the General Accounting Office, and the National Association of State Information Resources Executives. I look forward to hearing from our distinguished panel, a number who have been here before, certainly GAO. I was on a program, Mr. Chairman, with Mr. Hugler just the other evening on this Y2K, and Labor Department has an excellent booklet that he will probably refer to.

We want to hear from our distinguished panelists so that we can move expeditiously to confidently reassure the American people that our Federal Government will not be subject to catastrophic Y2K glitches and will be able to proceed with all essential programs, especially the 10 that are State-administered. Thank you, Mr. Chairman.

[The prepared statement of Hon. Constance A. Morella follows:]

Opening Statement of
Congresswoman Constance A. Morella

Chairwoman, Technology Subcommittee
House Science Committee

State of the States: Will Y2K Disrupt Essential Services?

Oversight hearing on the status of the
Year 2000 computer problem and the
readiness of key State-administered Federal Programs

Wednesday, October 6, 1999

Mr. Chairman, in the past 3½ years that our two subcommittees have been engaged in the review of the Year 2000 computer problem, we have pushed for a greater Federal Y2K focus in correcting the millennium bug.

Since we first began our oversight hearings, we have seen vast progress from our Federal agencies – in most instances, Y2k was finally mandated as an agency-wide priority and management leadership was required where previously there was none.

While we have been comforted by the actions of the great majority of Federal agencies, unfortunately with just 86 days remaining before the January 1, 2000 deadline, there is still much to be concerned about.

For example, as of this past August, only 7 of 43 essential Federal programs, or a mere 16%, are Y2K ready in a timely manner.

This is very troubling because these 43 essential programs, referred to by the Office of Management and Budget (OMB) as "high impact programs," collectively affect the lives of virtually every single American.

It appears as if the main reason for such a low level of Y2K readiness is that key supply chain partners, including State and Local governments, and the private sector, are simply not yet ready.

And especially troubling is the fact that, of the 43 high impact Federal programs, not one of the 10 essential programs administered by the States was Y2K compliant.

These include such important Federal programs such as food stamps, food safety inspections, child nutrition, child support enforcement, temporary assistance for needy families, child welfare, and Medicaid.

No agency can take pride in their Y2K efforts, however remarkable their progress over the past 3½ years, if the delivery of one of their essential Federal programs is impaired.

Even for those Federal agencies that have received a high Y2K grade by Congress, it is a hollow victory if they do not have effective interoperability with key program partners, such as the 50 States.

Today, we will hear from representatives of the three Federal agencies that oversee the 10 State administered programs and I am looking forward to hearing their testimony, as well as the General Accounting Office and the National Association of State Information Resources Executives.

I look forward to hearing from our distinguished panel so that we can move expeditiously to confidently reassure the American people that our Federal government will not be subject to catastrophic Y2K glitches and will be able to proceed with all essential programs, especially the 10 that are State administered.

Thank you.

Mr. HORN. Thank you.

I now yield for an opening statement to the gentleman from Texas, Mr. Turner, a distinguished member of the Subcommittee on Government Management, Information, and Technology.

Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman. I want to commend you and Mrs. Morella for our continuing joint efforts of the Government Management, Information, and Technology Subcommittee and the Technology Subcommittee of the Science Committee in trying to continue to beat the drum to encourage all of our Federal agencies and their partners to be Y2K ready.

As was noted, many of our essential or so-called "high impact" Federal programs rely on partners, both in the public sector through State and local governments and in the private sector. And not having direct control over them, we can only continue to urge them to join with our Federal agencies in continuing to be prepared for January 1st.

It is interesting, as Mrs. Morella noted, that as of August 13th, there were only 7 of the 43 programs deemed by OMB to be "high impact" that were ready for January 1st. Of course, the chairman's latest Y2K report card which was issued earlier this month indicated that the status of the programs in question had not changed. So the failure to become compliant is due in large part to the fact that there are many public and private sector partners who must also be prepared for Y2K.

Our hearing today is simply to focus upon the progress that the States have made in becoming Y2K compliant, and to hear from our Federal agencies regarding that partnership and that joint effort. It is good to see all of our witnesses here today, and we thank you for your participation.

Mr. HORN. I now yield time for an opening statement to Dr. Roscoe Bartlett, distinguished member from Maryland, and a member of the Science Subcommittee on Technology.

Dr. Bartlett.

Mr. BARTLETT. Thank you very much. The question that I get asked most by constituents is what is going to happen in the Y2K. This Sunday I am speaking at a church. They want to know what they ought to be doing in preparation for Y2K. My usual response to all these people is that I just do not have the foggiest idea what is going to happen; I hear a lot of different things.

So I am here to be edified today. And I hope I will be able to speak with more certainty when I am asked that question in the future. Thank you very much.

Mr. HORN. Thank you.

I now will yield time for an opening statement to Mr. Baird of the State of Washington. Welcome.

Mr. BAIRD. Thank you, Dr. Horn. I hope at some point you will address the question of whether our voting machines in the House are Y2K compatible on the off chance that we stay here that long this session. But I hope that will not be necessary.

Mr. HORN. Thank you. That is under the jurisdiction of Mr. Thomas and the Committee on House Administration. [Laughter.]

We all know that we have got little red cards, little green cards, and little orange cards. So, if we can write, we can vote. But it is a good thought.

As most of you know who have testified here, we have a routine we go through, which is, No. 1, when we introduce you, and we do in the order in which you are on the agenda, your full testimony is immediately put in the hearing record, and then we would sort of like you to summarize it, hopefully in about 5 minutes, and that will leave us more time for a dialog of you among the panel as well as those here on the rostrum and the panel. And then since we are an investigating subcommittee of the House Committee on Government Reform, we do swear in all witnesses.

So if you will stand and raise your right hands, and your subordinates that you brought with you that might give you something, please have them stand. So we have eight backing up the witnesses of six. That is almost like the Pentagon.

Do you swear the testimony you are about to give this subcommittee is the truth, the whole truth, nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. HORN. I see those lips moving. The clerk will note they have all taken the oath.

We will start with the person we usually start with on our hearings of the Government Management, Information, and Technology Subcommittee and that is Joel Willemssen, the Director, Civil Agencies Information Systems, U.S. General Accounting Office, part of the legislative branch and people we depend on in terms of the marvelous job they do not simply in financial audits, but in programmatic audits. Thank you, Mr. Willemssen, for coming.

STATEMENT OF JOEL WILLEMSSEN, DIRECTOR, CIVIL AGENCIES INFORMATION SYSTEMS, U.S. GENERAL ACCOUNTING OFFICE

Mr. WILLEMSSEN. Thank you, Mr. Chairman, Chairwoman Morella, members of the subcommittees. Thank you for inviting GAO to testify today. As requested, I will briefly summarize our statement.

Of the 43 "high impact" governmentwide Y2K priorities identified by OMB, 10 are State-administered Federal programs. OMB reported data on the systems supporting these programs show that numerous States are not planning to be ready until the last quarter of 1999. However, because the information in the OMB report was not verified, even some of that information may not be accurate or up to date. For example, in five cases programs listed as compliant by OMB in its June report now have estimated compliance dates of October 1999, or later, in the report issued in September.

In addition, the reported compliance dates for some States are problematic because schedule delays or unexpected issues could still arise. Reported schedule delays have now occurred in 8 of the 10 programs since OMB's report in June. For example, OMB's June report showed that three States had estimated compliance in the last quarter of 1999 for food stamps, while the most recent OMB report indicates that 7 States now have estimated last quarter compliance dates.

The three Federal departments responsible for oversight of these 10 State-administered programs have taken different approaches in assessing Y2K readiness of the States. For example, Agriculture's approach includes actions such as having its regional offices obtain State certifications of compliance. At HHS, contractors have performed onsite reviews at all States. In another approach, the Department of Labor is requiring States to submit independent verification and validation reports after declaring their systems compliant.

These Federal approaches yielded very beneficial information to helping to target the needed actions by States, while also pointing out some of the remaining risks. For example, USDA is collecting information from States on Y2K readiness and business continuity and contingency plans. However, much work remains. For example, last month USDA officials told us that only two States had submitted suitable contingency plans.

At HCFA, a contractor has now completed a second round of State visits. Despite this effort, several States are still considered to be at high risk within the Medicaid area. Specifically, four State eligibility systems were still considered high risk, while five State systems responsible for Medicaid payments were high risk. These risk ratings also indicate that the information in OMB's report may have overstated the compliance status of some of the States. For examples, systems cited as compliant by two States were considered to be at high risk by HCFA.

For the other five HHS State-administered programs, HHS' Administration for Children and Families [ACF] has modelled its assessment approach after that of HCFA's. However, because ACF started later than HCFA, it is not as far along. Specifically, while an ACF contractor has completed onsite reviews of all States, only 19 draft reports have been provided to those States.

At the Department of Labor, its contractor has reviewed States' independent verification and validation reports of unemployment insurance systems and rated them from low to high probability of Y2K compliance. The contractor's review found 20 States' benefit systems to have a low probability of compliance. Given the results of those reviews, the information in last month's OMB report appears to overstate the readiness of States because, of the 39 State unemployment insurance programs cited in OMB's report as compliant, Labor's contractor had rated 15 States as having low probability of compliance.

That completes a summary of my statement. After the panel is finished, I would be pleased to address any questions. 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
Expected at
10 a.m. EDT
Wednesday,
October 6, 1999

YEAR 2000 COMPUTING CHALLENGE

Readiness of Key State-Administered Federal Programs

Statement of Joel C. Willemssen
Director, Civil Agencies Information Systems
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GAO/T-AIMD-00-9

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

Thank you for inviting us to participate in today's hearing on the Year 2000 readiness of state-administered federal programs. These programs include critical federal human services functions such as Food Stamps and Medicaid. As we reported in November 1998, many systems that support state-administered federal human services programs were at risk from the Year 2000 challenge, and much work remained to ensure that services would continue.[1] In February of this year, we testified that while some progress had been achieved, many states' systems were not scheduled to become Year 2000 compliant until the last half of 1999.[2] This past summer we testified that although federal agencies were working with their state partners to obtain readiness information and provide assistance, much work remained at the state level to ensure that major services were not disrupted.[3]

As requested, after a brief background discussion, today I will (1) highlight the reported Year 2000 readiness of 10 key state-administered federal human services programs and (2) discuss federal activities to assess states' readiness for these 10 programs.

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[1]Year 2000 Computing Crisis: Readiness of State Automated Systems to Support Federal Welfare Programs (GAO/AIMD-99-28, November 6, 1998).

[2]Year 2000 Computing Crisis: Readiness of State Automated Systems That Support Federal Human Services Programs (GAO/T-AIMD-99-91, February 24, 1999).

[3]Year 2000 Computing Challenge: Federal Efforts to Ensure Continued Delivery of Key State-Administered Benefits (GAO/T-AIMD-99-241, July 15, 1999).

BACKGROUND

In March 1999, the Office of Management and Budget (OMB) designated 42 programs as high-impact (later adding a 43rd) and designated lead agencies for each. OMB reported that it designated those programs that, if disrupted, could have a direct effect on the public's health and safety or the well-being of individuals.

Almost one quarter of the programs on OMB's high-impact list are administered by the states. These programs provide essential benefits, such as food stamps and unemployment benefits, to millions of people. Table 1 lists these 10 high-impact state-administered federal human services programs, and the lead federal agency responsible for each.[4]

[4]Appendix I contains a description of each program.

Table 1: State-Administered Federal Human Services Programs

Lead Federal Agency	Program
Department of Agriculture	Child Nutrition programs
	Food Stamps
	Special Supplemental Nutrition Program for Women, Infants, and Children
Department of Health and Human Services (HHS)	Child Care
	Child Support Enforcement
	Child Welfare
	Low Income Home Energy Assistance Program
	Medicaid
	Temporary Assistance for Needy Families
Department of Labor	Unemployment Insurance

Source: OMB.

For each high-impact program, the lead federal 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 had an adequate Year 2000 plan and, if not, helping each partner without one; and developing a plan to ensure that the program would 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 would work. OMB directed the lead agencies to provide a schedule and milestones of key activities in the

plan by April 15, 1999; it also asked agencies to provide monthly progress reports.

OMB also directed federal oversight agencies to include the status of selected state human services systems in their quarterly Year 2000 progress reports. Specifically, OMB asked that agencies report the date when each state's systems would be Year 2000 compliant. Further, it requested that federal agencies describe their planned actions to help ensure that these programs would be able to provide services and benefits.

SOME STATE PROGRAMS REPORTED AS ALREADY COMPLIANT; OTHERS MAY NOT BE UNTIL LATE 1999

Table 2 summarizes the latest information on state-administered federal human services programs reported by OMB on September 13, 1999.[5] The table indicates that while many states[6] reported their programs to be compliant, a number did not plan to complete Year 2000 efforts until the last quarter of 1999. For example, nine states did not expect to be compliant until the last quarter of 1999 for Child Support Enforcement, seven states for Food Stamps, and four states for Unemployment Insurance. Moreover, Year 2000 readiness information was unknown in many cases. For example, according to OMB, the status of 16 states' Low Income Home Energy Assistance programs was unknown

[5]For Medicaid, OMB reports on the two primary systems that states use to administer the program: (1) the Integrated Eligibility System, used to determine whether an individual applying for Medicaid meets the eligibility criteria for participation; and (2) the Medicaid management information system, used to process claims and deliver payments for services rendered. Integrated eligibility systems are also often used to determine eligibility for other public assistance programs, such as Food Stamps.

[6]In the context of this testimony, the term states can include the District of Columbia and U.S. territories such as Puerto Rico.

because applicable readiness information was not available.

Table 2: Reported State-level Readiness for Federally Supported Programs[a]

Program	Compliant[b]	Est. Compliance Date before Aug. 1999[c]	Expected Date of 1999 Compliance						
			Aug.	Sept.	Oct.	Nov.	Dec.	Unk.[d]	N/A[e]
Child Nutrition	41	1	4	4	2	0	2	0	0
Food Stamps	39	0	3	5	3	4	0	0	0
Women, Infants, and Children	45	0	0	2	3	3	1	0	0
Child Care	25	12	0	2	2	3	0	6	4
Child Support Enforcement	23	9	2	7	4	3	2	4	0
Child Welfare	23	14	1	3	5	3	0	5	0
Low Income Home Energy Assistance Program	25	2	3	3	2	0	0	16	3
Medicaid – Integrated Eligibility System	25	18	0	5	4	0	0	2	0
Medicaid – Management Information System	22	16	5	4	4	1	0	2	0
Temporary Assistance for Needy Families	27	15	2	4	2	1	0	3	0
Unemployment Insurance	39	0	0	10	3	0	1	0	1

[a]This chart contains readiness information from the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.
[b]OMB defined compliant as when the state or territory had determined that its systems were able to provide services, whether directly or indirectly, to beneficiaries.
[c]In many cases, the report indicated a date instead of whether the state was compliant. According to OMB, in some cases, while the estimated dates had passed, confirmation of completion had not been received from the federal agencies.
[d]Unk. indicates that, according to OMB, no information was reported by the agency.
[e]N/A indicates that the states or territories reported that the data requested were not applicable to them.

Source: Progress on Year 2000 Conversion: 10th Quarterly Report (OMB, data received August 13, 1999; report issued September 13, 1999).

The information in the OMB report was gathered, but not verified, by the Departments of Agriculture, HHS, and Labor based on submissions by the states and territories. As a result, some of the state information reported by OMB may not be accurate or up-to-date. For example, in five cases, state programs cited as compliant by OMB in its June quarterly report had estimated compliance dates of October 1999 or later in its September quarterly report.

Further, the late reported compliance dates of some states is problematic since schedule delays or unexpected problems could well arise. Indeed, reported schedule delays have now occurred in 8 of the 10 state-administered programs since OMB's June 1999 report.[7] For example, OMB's June report showed that 3 states had estimated compliance dates in the last quarter of 1999 for Food Stamps, while the most recent OMB report indicates that 7 states now have estimated fourth quarter compliance dates. To illustrate, the June OMB report indicated that a state and a territory were due to be compliant in June for Food Stamps but the September OMB report indicated that the date for these entities had moved to November 1999.

ASSESSMENTS OF STATE-ADMINISTERED HUMAN SERVICES PROGRAMS ARE ONGOING

In addition to obtaining state-reported readiness status information, the three federal departments are taking other actions to assess the ability of state-administered programs

[7]There was no change in one state-administered federal program and the number of states with estimated compliance dates in the last quarter declined by one for a second program.

to continue operating successfully into the next century. However, the approaches of the three departments in assessing the readiness of state-administered federal human services programs vary significantly. For example, HHS' Health Care Financing Administration (HCFA) obtained a contractor to perform comprehensive on-site reviews in all states, using a standard methodology. Agriculture's Food and Nutrition Service's (FNS) approach includes actions such as having regional offices monitor state Year 2000 efforts and obtaining state certifications of compliance. The Department of Labor is relying on its regional offices to monitor state Year 2000 activities as well as requiring states to obtain and submit independent verification and validation reports after declaring their systems compliant. I will now briefly describe some of the specific actions that the Departments of Agriculture, HHS, and Labor have taken and/or plan to take.

Department of Agriculture

Agriculture's FNS is responsible for three state-administered federal human services programs—Child Nutrition; Food Stamps; and Women, Infants, and Children. This past week we reported that FNS has taken action and made progress in ensuring Year 2000 readiness of these programs.[8] However, FNS had a long way to go with the limited time remaining to fully meet its high-impact program responsibilities. We continue to perform work in this area for the House Committee on Agriculture, Subcommittee on Department Operations, Oversight, Nutrition, and Forestry.

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[8]Year 2000 Computing Challenge: Readiness of USDA High-Impact Programs Improving, But More Action Is Needed (GAO/AIMD-99-284, September 30, 1999).

To obtain assurance that state systems are compliant, FNS' regional offices are collecting readiness status information from states as part of their monitoring. Moreover, in June 1999, FNS required its regions to provide, for each program, a copy of either a state letter certifying that it was Year 2000 compliant or a business continuity and contingency plan. As of August 25, 1999, FNS had received

- 15 certifications and 6 business continuity and contingency plans for Child Nutrition;
- 22 certifications and 16 business continuity and contingency plans for Food Stamps; and
- 25 certifications and 21 business continuity and contingency plans for Women, Infants, and Children.

The number of certifications provided to FNS[9] is significantly lower than the number of compliant state-level programs indicated in OMB's latest quarterly report (see table 2)—41 states for Child Nutrition; 39 for Food Stamps; and 45 for Women, Infants, and Children.

Business continuity and contingency plans are essential to respond to two types of failures: those that can be predicted (e.g., systems renovations that are behind schedule) and those that are unforeseen (e.g., systems that fails despite having been certified as Year 2000 compliant). Therefore, it is important for organizations to have such plans,

[9]FNS officials told us that some states are reluctant to provide certification statements because of potential litigation concerns.

regardless of the readiness status of their systems.

Although agency officials instructed FNS regional offices to require state agencies for all three programs to prepare business continuity and contingency plans, it remains unclear whether all states have adequate plans to ensure the continuity of these programs. For example, a June 18 FNS document summarizing the agency's review of contingency plans received to date noted that "all need work." It appears that little progress has been made since then because, as of September 15, FNS officials told us that only two states had submitted suitable contingency plans. In addition, FNS has not established milestones for when states should complete business continuity and contingency plans. Our September report[10] recommended that such milestones be established. USDA and FNS agreed with this recommendation and said they planned to take steps to implement it.

To help states with their Year 2000 efforts, FNS obtained a contractor to conduct on-site visits to certain states and territories. Between May 1999 and September 1999, this contractor visited 21 states and territories—for one or more state-administered programs—in which (1) the state had estimated it would not be compliant until the last quarter of the year, (2) the state had reported little or no progress to date, and/or (3) an FNS regional office requested that the state be visited. These visits were principally intended to provide technical assistance to the states in areas such as Year 2000 project management, hardware and software testing, and contingency planning. FNS

[10]GAO/AIMD-99-284, September 30, 1999.

headquarter officials told us that while they have not required their regional offices to followup with states in those cases in which the contractor had recommendations for improvement, the regional offices were doing so in some cases. As a next step, FNS plans to have its contractor review contingency plans at those states that reported that they expect to be compliant after September 30, 1999.

Department of Health and Human Services

Six of the 10 state-administered federal human services programs are overseen by either one of two HHS component entities, HCFA or the Administration for Children and Families (ACF). HCFA has adopted an approach that includes three rounds of on-site contractor reviews of states (performed in conjunction with HCFA regional and headquarters offices) using a standard methodology. Yesterday, we issued correspondence to the Senate Committee on Finance on the results of our Medicaid work, as summarized below.[11]

Between November 1998 and April 1999, the HCFA contractor completed the initial round of on-site reviews in all 50 states and the District of Columbia. These reviews included assessments of states' integrated eligibility systems and Medicaid management information systems (MMIS) in areas such as project management and planning, remediation progress, testing, and contingency planning. After completing the on-site review, the contractor (1) identified barriers to successful remediation; (2) made recommendations to address specific areas of concern; and (3) placed Medicaid

[11] Reported Medicaid Year 2000 Readiness (GAO/AIMD-00-22R, October 5, 1999).

integrated eligibility and management information systems into low, medium, or high risk categories based on the quality and completeness of project management/planning, progress in remediation, quality management, testing, and contingency planning.

Since May 1999, HCFA's contractor has (again, along with officials from HCFA regional and headquarters offices) conducted a second round of on-site reviews in 40 states—primarily those in which at least one system was categorized as a high or medium risk during the initial visit. As in the first round, the state systems were placed in low, medium, or high risk categories. A system's risk level was determined based on the resolution of critical issues previously identified, progress in remediation, testing, and senior management support. During this round, HCFA's contractor also conducted follow-up telephone calls to four states not visited.

With respect to the risk levels assigned to the states, as of October 4, 1999,

- 4 eligibility systems and 5 MMISs were assessed at high risk,
- 13 eligibility systems and 8 MMISs were assessed at medium risk, and
- 36 eligibility systems and 40 MMISs were assessed at low risk.[12]

These risk ratings indicate that information in the latest OMB quarterly report may have overstated the compliance status of some states. For example, a program cited as

[12]Thirteen state risk ratings in the low category are based on the results of first-round visits because the states were not visited in the second round.

compliant in 2 states (see table 2) was considered to be at high risk by HCFA.

HCFA's current state risk ratings represent an overall improvement from those assigned after the first round of reviews. Nevertheless, many issues continue to be unresolved at the states. For example, based on final and draft reports for the eligibility systems and MMISs for 37 states, the District of Columbia, and two territories and completed follow-up telephone calls to 3 states: (1) 43 testing issues were open, (2) 37 project management or planning issues were open, and (3) 24 contingency planning issues were open.[13]

HCFA's third and final round of contractor visits began during the last week of September. While HCFA had not finalized its list of states to visit as of September 28, 1999, HCFA officials told us that all states will either be visited or undergo follow-up telephone calls.

To complement its system reviews, HCFA obtained another contractor to review state business continuity and contingency plans. In June 1999, HCFA's business continuity and contingency plan contractor began reviewing the quality of state plans through either a desk audit alone or both a desk audit and an on-site visit. After the contractor's review, each state's plan was placed into a high, medium, or low risk category based on the contractor's evaluation of the state's development process and the quality and completeness of its plan. Of the 33 states and two territories that have been reviewed by

[13]A state can have more than one issue in each area.

the business continuity and contingency plan contractor as of October 1, 1999,[14] 11 were high risk, 11 were medium risk, and 13 were low risk. In addition, many states were reported to have open issues in essential areas. For example, 9 states had insufficient detail in their plans, 7 states lacked management oversight, and 4 states did not intend to test their plans.[15]

Regarding the other five HHS state-administered federal programs, ACF modeled its state assessment program after that of HCFA. However, because ACF began its Year 2000 review of state programs several months later than HCFA, it is not as far along in its assessment of each state's ability to continue the operation of these programs into the next century. As of September 27, 1999, an ACF contractor had conducted on-site reviews of 50 states, three territories, and the District of Columbia. These reviews, performed with the participation of ACF regional offices, encompassed areas such as project management, business risk assessment, interfaces, testing, and the business continuity and contingency planning process.

While ACF and its contractor have completed an initial round of site visits, the agency has only issued one final report and has provided draft reports to another 18 states even though some states were visited many weeks ago. For example, as of September 27, 1999, ACF had not provided draft reports to 5 states in which the visits had been completed in June.

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[14]As of October 1, 1999, 16 state business continuity and contingency plans had not been reviewed, and 2 states had not provided their plans to HCFA.

[15]A state may have more than one issue.

The delays in issuing reports restrict the value of the contractor's state visits. For example, because draft reports may not be sent to states for months after on-site visits, the information in the reports may no longer be current. Further, the recommendations in the reports to improve the states' Year 2000 program may no longer be useful, applicable, or feasible.

With respect to the 19 reports that have been provided to the states as of September 27, 1999, table 3 breaks out the number of states placed in each risk assessment level.

Table 3: Summary of Risk Levels as of September 27, 1999

Program	Number of State Reports	Risk Levels		
		High	Medium	Low
ACF - Child Care	19	1	9	9
ACF - Child Support Enforcement	19	3	6	10
ACF - Child Welfare[a]	18	0	8	10
ACF - Low Income Home Energy Assistance Program	19	0	7	12
ACF - Temporary Assistance for Needy Families	19	2	7	10

[a]This program was not evaluated for one of the U.S. territories.

Given the results of the contractor's review, the state readiness information in the latest OMB quarterly report (see table 2) may have overstated the status of one state system. One state assessed as at high risk for the Child Care program was cited as compliant in the OMB report.

The 19 reports also raised a number of concerns. The most common areas of concern were business continuity and contingency planning and testing.

ACF plans to continue working with the states after the initial on-site reviews are completed, and a second round of reviews is expected for at least 10 states. According to an ACF official, this second round of reviews will include a reassessment of the concerns raised in the first round as well as technical assistance for business continuity and contingency planning.

Department of Labor

With respect to Unemployment Insurance, State Employment Security Agencies (SESA) use automated systems to pay unemployment compensation benefits to eligible workers and collect state unemployment taxes from employers. We have ongoing work reviewing this program for the House Committee on Education and the Workforce.

Labor's regional offices are responsible for monitoring the SESAs' Year 2000 activities to better ensure the reliability of state-reported readiness status information provided quarterly to Labor. In September 1998 Labor established a valuable tool in gauging the readiness status of state Unemployment Insurance programs by requiring that all SESAs conduct independent verification and validation reviews of their Unemployment Insurance programs. The department set a target date of July 1, 1999, for states to submit independent verification and validation reports of their Unemployment Insurance systems

to Labor. Labor obtained a contractor to review these reports and rate them from low to high probability of Year 2000 compliance.

According to the Labor contractor's review of states' independent verification and validation reports for their benefits and tax systems,

- 20 benefits and 19 tax systems had a low probability of compliance,
- 10 benefits and 9 tax systems had a medium probability of compliance, and
- 7 benefits and 6 tax systems had a high probability of compliance.

In addition, 11 and 12 states, respectively, had not submitted independent verification and validation reports for their benefits and tax systems.[16]

Given the results of the contractor's review, the information provided in the latest OMB quarterly report (see table 2) appears to overstate the readiness status of state systems. Of the 39 state Unemployment Insurance programs cited in the report as compliant, Labor's contractor rated 15 states as having low probability for Year 2000 compliance for their benefits and/or tax systems.

Labor's contractor also reviewed states' business continuity and contingency plans. The states' plans were rated from low to high in terms of their compliance with Labor's

[16]Five benefits and seven tax systems independent verification and validation reports had not yet been rated.

requirements for coverage of core business functions of benefits and tax systems. Based on the contractor's completed reviews,[17] the quality of state business continuity and contingency plans varied widely. For example, according to Labor's contractor (1) 23 benefits and 14 tax plans had a low/very low degree of compliance with Labor's requirements and (2) 9 benefits and 5 tax plans had a high degree of compliance with Labor's requirements. In addition, one and five states, respectively, did not submit business continuity and contingency plans for their benefits and tax functions.

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In summary, much work remains at the state level to ensure that major services are not disrupted. At particular risk are several states with systems that are not yet Year 2000 compliant. In addition, federal agency reviews of business continuity and contingency plans for state-administered federal programs indicate that many are inadequate. Federal agencies are working with their state partners to obtain readiness information and evaluate and provide assistance in key activities such as business continuity and contingency planning. Nevertheless, some state completion dates are so close to the turn of the century that the risk of disruption to their programs is substantially increased, especially if schedule delays or unexpected problems arise. This is especially troublesome considering the amount of work remaining in developing effective business continuity and contingency plans.

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[17]Eleven state tax business continuity and contingency plans were not yet rated.

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

Contact and Acknowledgments

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Descriptions of Ten State-Administered Federal Human Services Programs

AGRICULTURE

Child Nutrition Programs

These provide healthful, nutritional meals to children in public and nonprofit private schools, child care institutions, adult day care centers, and summer recreational programs through the National School Lunch Program, School Breakfast Program, Special Milk Program, Child and Adult Care Food Program, Summer Food Service Program, and Nutrition Education and Training Program. Agriculture funds these programs, while state and local governments administer them. In fiscal year 1998, about $8.7 billion was obligated for these programs.

Food Stamps

This program provides low-income households with paper coupons or electronic benefits transfer cards that can be redeemed for food in about 200,000 authorized stores across the nation. Agriculture administers the program in cooperation with state agencies. The federal government pays the full cost of benefits and shares administrative costs with the states. In an average month in 1998, 19.8 million people, or 8.2 million households, received benefits.

Special Supplemental Nutrition Program for Women, Infants, and Children

This program is designed to improve the health of lower-income pregnant, breast-feeding and postpartum women; infants; and children up to age 5, who are at nutritional risk. The program provides participants with nutritious supplemental foods, nutrition, education, and referrals to health care services. Agriculture provides grants to states that, in turn, provide program benefits to participants through local agencies. In 1998, the program reached an average of 7.4 million people each month.

HHS

Child Care

This is a block grant program that provides low-income families with financial assistance for child care. It also funds activities to improve the quality and availability of child care, and to establish, expand, or conduct early childhood development programs and before- and after-school programs. Grants are made to the states and Indian tribes to administer such programs. In fiscal year 1998, about $1 billion in grants were made to provide child care services for about 1.25 million children.

Child Support Enforcement

This program provides four major services—locating noncustodial parents, establishing paternity, establishing child support obligations, and enforcing child support orders—to ensure that children are financially supported by both parents. The federal government provides funding to the states and local governments to run this program. In fiscal year 1998, the federal government provided about $2.6 billion to states and local governments.

Child Welfare

Federal grants provide for programs delivering foster care, adoption assistance, independent living for older foster children, family preservation and support services, child welfare services, prevention of neglect/disabled infants, and programs designed to improve the investigation and prosecution of child abuse and neglect cases. Grants are provided to states and local agencies to develop and administer such programs. In fiscal year 1998, about $4.3 billion was obligated to the states in grants for child welfare programs.

Low Income Home Energy Assistance

This is a federal block grant program that assists eligible low-income households in meeting their home energy needs. Grants are made to states, the District of Columbia, Indian tribes and tribal organizations, and insular areas. They can be used for energy assistance in heating, cooling, energy crisis intervention, and low-cost residential weatherization and other energy-related home repairs. In fiscal year 1998, about $1.2 billion was obligated for this program.

Medicaid

This is a federal/state-funded health care program furnishing medical assistance to eligible needy persons. In fiscal year 1998, Medicaid paid about $169 billion for medical services to millions of recipients. Medicaid provides health coverage for about 33 million low-income people, which include children, the elderly, blind, and disabled individuals. Within broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program.

Temporary Assistance for Needy Families

This program provides time-limited assistance to low-income families. HHS provides block grants to the states to operate the program. The states are given broad flexibility to set eligibility criteria and determine the types of assistance they provide. In fiscal year 1998, the federal government provided $16.5 billion in grants to the states.

LABOR

Unemployment Insurance

The Unemployment Insurance program is a federal-state partnership that covers 97 percent of all wage-earners. Under this program, Labor is responsible for establishing broad guidelines, general oversight, and administrative funding, while State Employment Security Agencies pay unemployment compensation benefits to eligible workers and collect state unemployment taxes from employers. In fiscal year 1998, these state agencies collected $22 billion in state unemployment insurance taxes.

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United States General Accounting Office
Washington, DC 20548

Accounting and Information
Management Division

B-283815

October 5, 1999

The Honorable William V. Roth, Jr.
Chairman
The Honorable Daniel Patrick Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

Subject: Reported Medicaid Year 2000 Readiness

At your request, we determined (1) what the Health Care Financing Administration (HCFA) was doing to ensure that the Year 2000 computing challenge does not adversely affect the delivery of Medicaid benefits and (2) the readiness of states[1] to successfully transition to year 2000 for Medicaid. On September 30, 1999, we briefed your offices on the results of our work. This report provides a high-level summary of information presented at that briefing. Our briefing slides are enclosed.

Background

In fiscal year 1998, Medicaid paid about $169 billion for medical services to millions of recipients. A joint federal-state program overseen by HCFA and administered by the states, Medicaid provides health coverage for about 33 million low-income people, which include children, the elderly, blind, and disabled individuals.

The federal government has a large vested interest, both programmatically and monetarily, in automated state systems that support the Medicaid program. Accordingly, it is essential that states successfully address the Year 2000 computing problem. Unless they do, beneficiaries could be denied critical medical services, incorrect eligibility decisions could be made, and payments could be made for the wrong amounts—or not at all.

HCFA's Actions Have Reduced the Risk of Year 2000-Induced Failures

HCFA has taken several actions that have significantly reduced the risk that the Medicaid program will encounter Year 2000 failures. In particular, it has adopted an approach that

[1]In the context of this report, the term state includes the District of Columbia, Puerto Rico, and the Virgin Islands.

includes three rounds of on-site contractor reviews of states (performed in conjunction with HCFA regional and headquarters offices) using a standard methodology. Between November 1998 and April 1999, the contractor completed the initial round of on-site reviews in all 50 states and the District of Columbia. These reviews included assessments of states' integrated eligibility systems[2] and Medicaid management information systems (MMIS)[3] in areas such as project management and planning, remediation progress, testing, and contingency planning. After completing the on-site state review, the contractor (1) identified barriers to successful remediation; (2) made recommendations to address specific areas of concern; and (3) placed Medicaid integrated eligibility and management information systems into low, medium, or high risk categories based on the quality and completeness of project management/planning, progress in remediation, quality management, testing, and contingency planning.

Since May 1999, HCFA's contractor has (again, along with officials from HCFA regional and headquarters offices) conducted a second round of on-site reviews in 40 states—primarily those in which at least one system had been categorized as a high or medium risk during the initial visit. As in the first round, the state systems were placed in low, medium, or high risk categories. A system's risk level was determined based on the resolution of critical issues previously identified, progress in remediation, testing, and senior management support. During this round, HCFA's contractor also conducted follow-up telephone calls to four states not visited. HCFA's third and final round of contractor visits began during the last week of September. The list of states to undergo third-round visits has not been finalized, but among the criteria HCFA plans to use is visiting states with the highest risk systems and business continuity and contingency plans, as well as states with the largest number of Medicaid recipients. In addition, agency officials told us that all states will either be visited or undergo follow-up telephone calls.

To complement its system reviews, HCFA obtained another contractor to review state business continuity and contingency plans. Such plans are crucial. Without them, if unpredicted failures occur, an entity will not have well-defined responses and may not have enough time to develop and test alternatives. In June 1999, HCFA's contractor began reviewing the quality of state plans, based on either a desk audit or on both a desk audit and an on-site visit. After the contractor's review, each state's business continuity and contingency plan was placed into a high, medium, or low risk category based on the contractor's evaluation of the state's development process and the quality and completeness of its plan. In September 1999, HCFA headquarters officials also began reviewing state business continuity and contingency plans to determine whether any programmatic issues needed to be addressed.

In addition to evaluating state system remediation activities and business continuity and contingency plans, HCFA has provided assistance to states through the issuance of guidance and best practices documents. Moreover, at the behest of HCFA, its contractors provided three states with technical assistance on the development of business continuity and

[2]Integrated eligibility systems determine whether an individual applying for Medicaid meets the eligibility criteria for participation. These systems are also often used to determine eligibility for other public assistance programs, such as Food Stamps.
[3]Medicaid management information systems process claims and deliver payments for services rendered.

contingency plans and intends to continue providing such assistance. States can also obtain technical assistance on testing and Day One strategies.[4]

Progress Made But Much Work Remains To Ensure the Continuity of State Medicaid Operations Into the Next Century

According to the system assessment contractor's completed round 2 reports of 37 states and the District of Columbia that had been visited during both rounds,[5] half of the state systems risk ratings improved, 45 percent stayed the same, and 5 percent declined. In summary, as of October 4, 1999,

- 4 eligibility systems and 5 MMISs were assessed at high risk,
- 13 eligibility systems and 8 MMISs were assessed at medium risk, and
- 36 eligibility systems and 40 MMISs were assessed at low risk.[6]

While state risk ratings have generally improved, many issues continue to be unresolved. Examples of open issues are testing in a future-date-compliant environment, which some states have not scheduled until late in the year, and the lack of top management involvement.

HCFA's business continuity and contingency plan contractor found problems in state efforts as well. In particular, of the 33 states and two territories that have been reviewed,[7] 11 were considered high risk, 11 medium risk, and 13 low risk. In addition, many states were reported to have open issues, such as insufficient plan details, inadequate project documentation, and incomplete plans.

States that are in a particularly difficult position are those that have a high-risk system as well as a high risk business continuity and contingency plan. Currently, two states fall into this situation. Also in a difficult position are the six states with at least one medium-risk Medicaid system and a high-risk business continuity and contingency plan.

Scope and Methodology

To determine what HCFA was doing to ensure that the Year 2000 challenge does not adversely affect the delivery of Medicaid benefits, we reviewed key documents such as the agency's Year 2000 guidance and best practices. We also assessed HCFA contractors' system readiness and business continuity and contingency planning methodologies, and interviewed HCFA and contractor officials about these methodologies.

To ascertain the readiness of states to successfully transition to year 2000 for Medicaid, we analyzed the assessment and business continuity and contingency planning contractors' final

[4]A Day One strategy (also known as a day zero strategy) comprises a comprehensive set of actions to be executed by a entity during the last days of 1999 and the first days of 2000.
[5]As of October 4, 1999, 23 final and 17 draft reports for second-round visits were completed. Two of the draft reports were for Puerto Rico and the Virgin Islands, which were not visited in the first round.
[6]Thirteen state ratings in the low-risk category are based on the results of first-round visits because they were not visited during the second round.
[7]As of October 1, 1999, 15 state and the District of Columbia's business continuity and contingency plans had not been reviewed, and 2 states had not provided their plans to HCFA.

and draft reports. In addition, we accompanied the system assessment contractor on its second round of on-site visits to Delaware, New Hampshire, New York, North Dakota, Ohio, South Carolina, Tennessee, and Vermont. We also interviewed state officials on their Year 2000 status. Further, we reviewed business continuity and contingency plans for five states considered to be models by HCFA.

Prior to briefing your offices, we supplied copies of our briefing materials to HCFA officials for comment, who agreed with the information provided. In addition, we subsequently updated the information on our briefing slides to reflect the most current state data. We conducted our review from June through October 4, 1999, in accordance with generally accepted government auditing standards. Our work was done at HCFA's headquarters in Baltimore, MD, the assessment contractor's headquarters in Columbia, MD, and in the eight states we visited.

As agreed with your offices, unless you publicly announce the contents of this correspondence earlier, we will not distribute it until 5 days from the date of this letter. At that time, we will provide copies to Senators Robert F. Bennett, Chairman, and Christopher J. Dodd, Vice-Chairman, Senate Special Committee on the Year 2000 Technology Problem; Representatives Stephen Horn, Chairman, and Jim Turner, Ranking Minority Member, Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform; Representatives Constance A. Morella, Chairwoman, and James A. Barcia, Ranking Minority Member, Subcommittee on Technology, House Committee on Science; and Representatives Bill Archer, Chairman, and Charles B. Rangel, Ranking Minority Member, House Committee on Ways and Means. We are also sending copies to the Honorable Donna Shalala, the Secretary of Health and Human Services; Mr. Michael Hash, Deputy Administrator, Health Care Financing Administration; the Honorable Jacob Lew, Director, Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request.

If you have any questions on matters discussed in this letter, please contact me at (202) 512-6253 or by email me at willemssenj.aimd@gao.gov or Linda Lambert, Assistant Director, at (202) 512-9556 or by email at lambertl.aimd@gao.gov. Key contributors to this assignment were Norman Heyl, John Mollet, and John Snavely.

Joel C. Willemssen
Director, Civil Agencies Information Systems

Enclosure

(511801)

GAO

Year 2000 (Y2K) Computing Challenge

Y2K Readiness of State Medicaid Systems

Briefing for the Committee on Finance, United States Senate

September 30, 1999*

*Information in the slides was updated as of October 4, 1999.

GAO Overview

- Objectives
- Scope and Methodology
- Health Care Financing Administration (HCFA) Monitoring and Oversight
- Reported Status of States' Systems Readiness[a]
- Reported Status of States' Business Continuity and Contingency Plans
- Overall Observations

[a]In the context of this briefing, states can include the District of Columbia, Puerto Rico, and the Virgin Islands.

GAO Objectives

- Determine what HCFA is doing to ensure that the Year 2000 challenge does not adversely affect the delivery of Medicaid benefits
- Determine the readiness of states to successfully transition to year 2000 for Medicaid

GAO Scope and Methodology

- Assessed HCFA contractors' system readiness and business continuity and contingency planning methodologies
- Accompanied HCFA and its contractors on eight site visits
- Reviewed and analyzed key documents and available site visit reports
- Reviewed business continuity and contingency plans for five states considered to be models by HCFA

GAO Scope and Methodology (cont'd)

- Interviewed agency, contractor, and selected state officials on assessment and business continuity and contingency plan methodologies and states' Y2K status.
- Our work was performed from June through October 4, 1999, in accordance with generally accepted government auditing standards.

GAO HCFA Monitoring and Oversight

- HCFA has:
  - Obtained a contractor to perform comprehensive Y2K readiness assessments of states' Medicaid systems.
  - Obtained another contractor to perform comprehensive reviews of states' business continuity and contingency plans.
  - Provided states with Y2K guidance and best practices examples.
  - Provided three states with technical assistance on the development of business continuity and contingency plans. Technical assistance is also available in other areas, such as testing.

GAO Reported Status of State Readiness: Systems Risk Assessments

- HCFA intends that its assessment contractor will conduct three rounds of site visits. During these site visits, the contractor assesses states' Eligibility and Medicaid Management Information Systems (MMIS).[a]
- HCFA round 1 (November 1998 through April 1999)
  - During round 1, HCFA's assessment contractor (accompanied by HCFA personnel) conducted comprehensive onsite assessments of all 50 states and the District of Columbia.

7 [a] Some state integrated eligibility systems determine eligibility for the Medicaid program as well as other state-administered public assistance programs, such as Food Stamps. MMIS process Medicaid claims and include beneficiary and provider information. Each state's eligibility and MMIS systems are unique due to the differences in state Medicaid programs.

GAO Reported Status of State Readiness: Systems Risk Assessments (cont'd)

- HCFA round 1 (cont'd)
  - Each state system was placed into a low, medium, or high risk category based on the quality and completeness of project management/planning, remediation process, quality management, testing, and contingency planning.
  - Reports to the states included issues (items that were considered to be "show stoppers") and recommendations (items that, if completed, would improve the quality of the state's Year 2000 program).

GAO Reported Status of State Readiness: Systems Risk Assessments (cont'd)

- During round 1 site visits, some states requested additional HCFA actions. In response, HCFA
  - issued guidance on interface agreements with Medicaid data exchange partners,
  - issued a Business Continuity Handbook,
  - issued seven issue papers on Y2K best practices,
  - is developing other Y2K issue papers on topics such as validating business continuity and contingency plans and emergency procedures, and
  - delayed changes to Medicaid dual eligibility reporting requirements until spring 2000.

GAO Reported Status of State Readiness: Systems Risk Assessments (cont'd)

- HCFA round 2 (May through September 1999)
  - HCFA's assessment contractor (accompanied by HCFA personnel) conducted comprehensive onsite assessments of 37 states and the District of Columbia, each of which had at least one high or medium risk system, to follow up on critical Y2K issues and barriers. Onsite assessments of Puerto Rico and the Virgin Islands, which were not covered in round 1, were also conducted.
  - HCFA's contractor conducted follow-up telephone calls to four states not visited.

GAO Reported Status of State Readiness: Systems Risk Assessments (cont'd)

- Round 2 (cont'd)
  - Each state system assessed was placed into low, medium, or high risk category, based on
    - resolution of critical issues previously noted
    - remediation progress, testing, and senior management support
  - Reports to the states included whether prior issues and recommendations were addressed by the states as well as any new issues or recommendations.

GAO Reported Status of State Readiness: Systems Risk Assessments (cont'd)

- HCFA round 3 (September through December 1999)
  - began in the last week of September
  - the list of states to undergo visits has not been finalized but among the criteria HCFA plans to use are to visit states with the highest risk systems and business continuity and contingency plans as well as states with the greatest number of Medicaid recipients
  - followup phone calls are to be made to other states
  - additional emphasis will be placed on areas such as day one planning, managed care organizations, and county eligibility determination

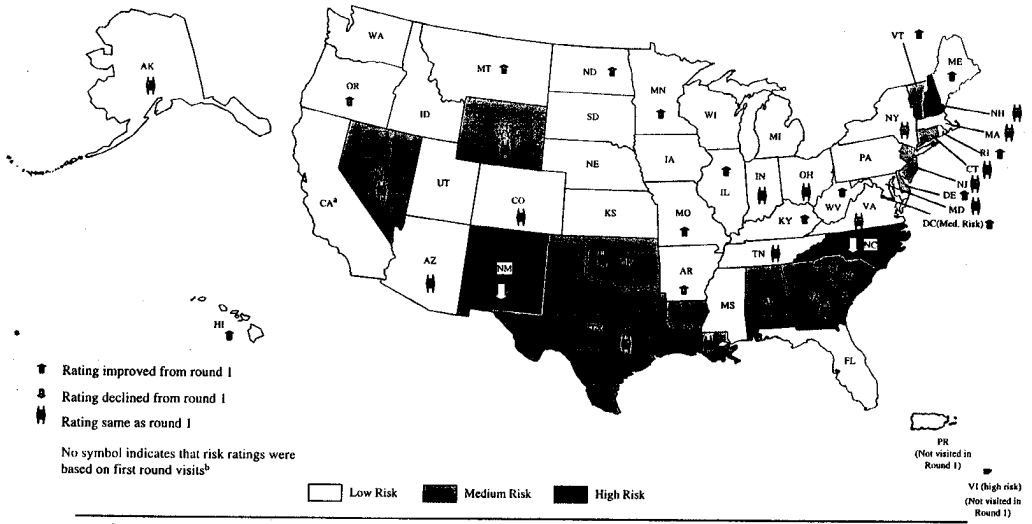
GAO Reported Status of State Readiness: Changes to System Risk Assessments

Round One	Round Two[a]
• Eligibility systems	Eligibility systems*
• 8 high (16%)	4 high (10%)
• 20 medium (39%)	13 medium (33%)
• 23 low (45%)	23 low (58%)
• MMIS	MMIS*
• 11 high (22%)	5 high (13%)
• 15 medium (29%)	8 medium (20%)
• 25 low (49%)	27 low (68%)

*Percentages do not add to 100% due to rounding

13 [a]Based on HCFA's 23 final and 17 draft reports for second round site visits, conducted May-September 1999 and does not include13 states that were not visited in the second round.

GAO Reported Status of State Readiness: Eligibility Systems as of October 4, 1999

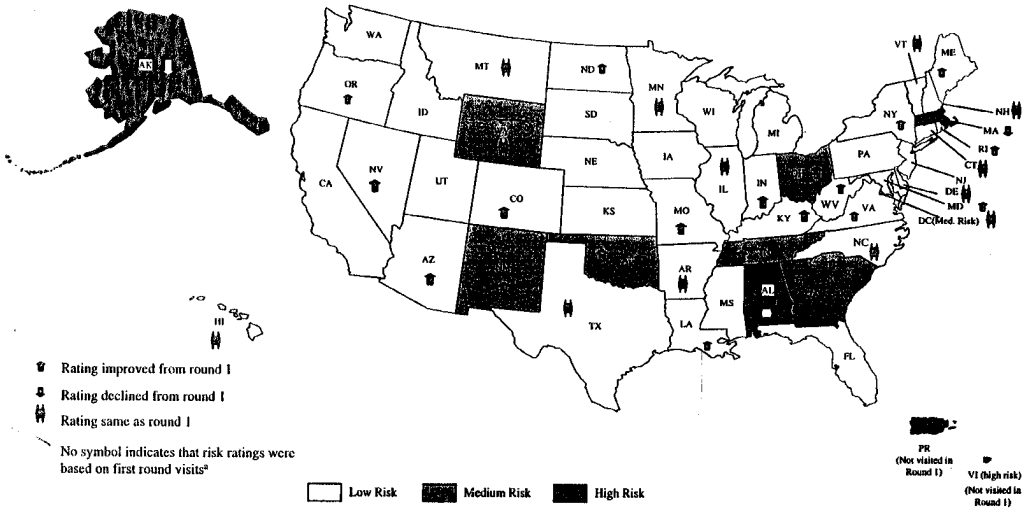


14 Source: HCFA/contractor site visits. Because some of these the state visits took place months ago, their status may have changed.

[a]HCFA assessed California's Medicaid eligibility database, but not its many county systems that perform eligibility determination.

[b]Except for Puerto Rico and the Virgin Islands which were not visited in the first round. Thirteen states were not visited during the second round.

GAO Reported Status of State Readiness: MMIS Systems as of October 4, 1999



15 Source: HCFA/contractor site visits. Because some of these the state visits took place months ago, their status may have changed.

[a]Except for Puerto Rico and the Virgin Islands which were not visited in the first round. Thirteen states were not visited during the second round.

GAO Barriers to Successful Remediation: Resolution of Round 1 Eligibility Issues

Resolution of round 1 eligibility issues for 40 states and the District of Columbia (a state may have more than one issue)[a]

Issues	Number of Issues	Closed			Unresolved
		Action Taken	Partial Action Taken	No Longer Applicable	
Testing	49	30	2	1	16
Project Mgmt./Planning	31	22	0	1	8
Contingency Planning	23	11	3	1	8
Archiving	11	8	2	0	1
Other	11	6	1	2	2

16 [a]Based on the completed round 2 visits for 37 states and the District of Columbia and completed telephone updates for 3 states. This information was not yet available for 10 states as of October 4, 1999 and Puerto Rico and the Virgin Islands were not visited in the first round.

GAO Barriers to Successful Remediation: Resolution of Round 1 MMIS Issues

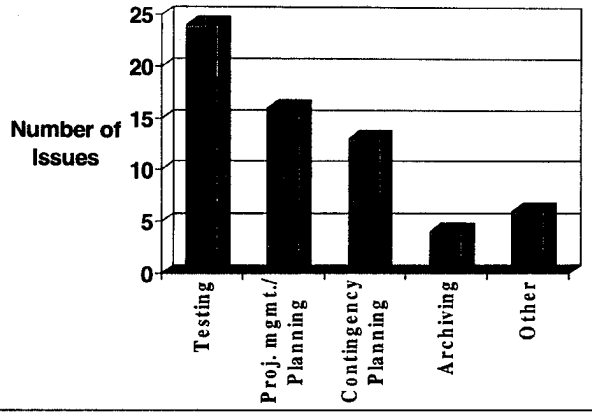
Resolution of round 1 eligibility issues for 40 states and the District of Columbia (a state may have more than one issue)[a]

Issues	Number of Issues	Closed			Unresolved
		Action Taken	Partial Action Taken	No Longer Applicable	
Testing	38	20	7	1	10
Project Mgmt./Planning	44	35	1	0	8
Contingency Planning	18	12	0	0	6
Archiving	8	6	1	0	1
Other	6	3	0	1	2

[a]Based on the completed round 2 visits for 37 states and the District of Columbia and completed telephone updates for 3 states. This information was not yet available for 10 states as of October 4, 1999 and Puerto Rico and the Virgin Islands were not visited in the first round.

GAO Barriers to Successful Remediation: Round 2 Eligibility Issues

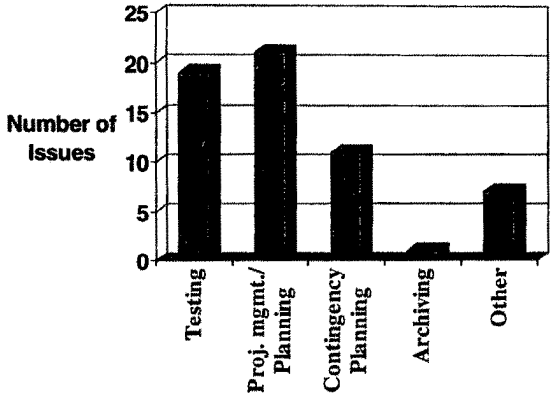
Open issues for 40 states, the District of Columbia, Puerto Rico and the Virgin Islands at the end of round 2 (a state may have more than one issue)[a]



18 [a]Based on the completed round 2 visits for 37 states, the District of Columbia, Puerto Rico and the Virgin Islands and completed telephone updates for 3 states. This information was not yet available for 10 states as of October 4, 1999. Also, some round 2 issues include unresolved round 1 issues.

GAO Barriers to Successful Remediation: Round 2 MMIS Issues

Open issues for 40 states, the District of Columbia, Puerto Rico and the Virgin Islands at the end of round 2 (a state may have more than one issue)[a]



[a]Based on the completed round 2 visits for 37 states, the District of Columbia, Puerto Rico and the Virgin Islands and completed telephone updates for 3 states. This information was not yet available for 10 states as of October 4, 1999. Also, some round 2 issues include unresolved round 1 issues.

GAO Barriers to Successful Remediation: Examples of Open Issues

- Testing
  - Future-date-compliant environment not planned or scheduled late in year
  - End-to-end testing not planned or scheduled late in year
- Project Management/Planning
  - No overall project plan
  - Lack of top management involvement

GAO Remaining Barriers to Successful Remediation: HCFA Reported Examples

- Contingency Planning
  - Contingency plan not completed
  - No hot site for disaster recovery
- Archiving of Y2K Program Data
  - No archiving policies
  - No archiving procedures
- Other
  - Risk of county office failures
  - Insufficient outreach to providers or beneficiaries

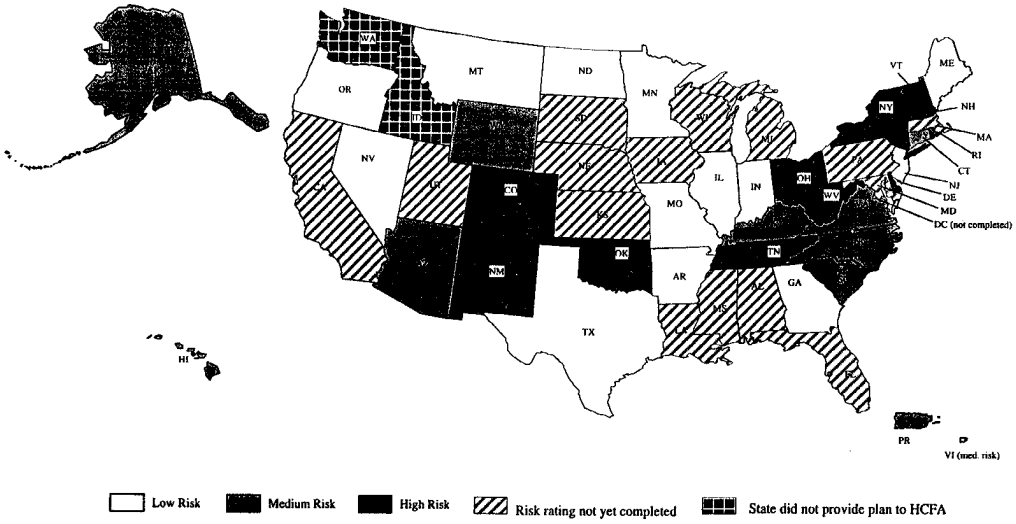
GAO Reported Status of States' Business Continuity and Contingency Plans

- HCFA's business continuity and contingency planning contractor began reviewing the quality of state plans in June 1999.
- Some of these plans were reviewed through both a desk audit and an onsite visit while other plans underwent just a desk audit.

GAO Reported Status of States' Business Continuity and Contingency Plans

- After the contractor's review, each state's business continuity and contingency plan was placed into a low, medium, or high risk category, based on the evaluation of its
  - development process--including management oversight, risk analysis, assessment of alternative strategies, and testing of plans, and
  - quality and completeness--including having a well-documented mission statement and the identification of critical business processes, minimum levels of service, triggers, and recovery mechanisms.

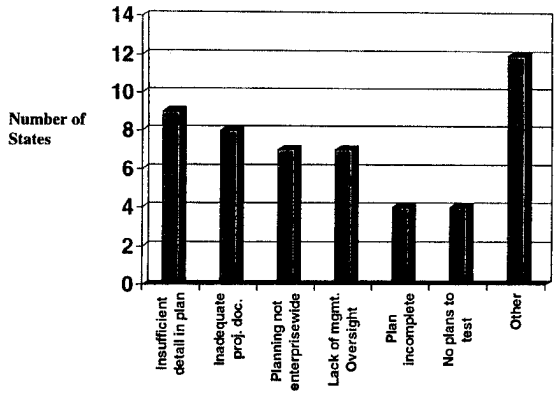
GAO Reported Status of States' Business Continuity and Contingency Plans



24 Source: HCFA, based on contractor reviews conducted between June and October 1, 1999.

GAO Business Continuity and Contingency Planning Issues

Business continuity and contingency plan issues for 31 states and 2 territories (a state may have more than one issue)[a]



The "other" category includes areas such as the lack of a training program or standard methodology

[a]Based on 16 final reports and 17 draft reports of HCFA's business continuity and contingency plan contractor. Reports were not available as of October 1, 1999 for the other 2 state business continuity and contingency plans reviewed.

GAO Business Continuity and Contingency Planning: HCFA Reviews

- In September 1999, HCFA headquarter personnel began reviewing state business continuity and contingency plans to determine whether any programmatic issues needed to be addressed.

GAO Business Continuity and Contingency Planning: HCFA Reviews

- HCFA is considering policies that could affect state business continuity and contingency planning.
  - States sending interim payments to providers. HCFA has drafted a policy paper on this issue which is undergoing internal review.
  - States approving presumptive eligibility (approving applicants without completing the normal eligibility determination process). HCFA is considering this issue and plans to issue a policy paper.

GAO Overall Observations

- HCFA's efforts in monitoring states' Medicaid Y2K actions have identified critical issues and have significantly reduced the risk of Y2K disruptions
- Half of the states' systems reported risk ratings improved after second round visits but reported risk ratings worsened in the following cases
  - Alaska (MMIS)
  - Massachusetts (MMIS)
  - North Carolina (Eligibility)
  - New Mexico (Eligibility)

GAO Overall Observations

- Much work remains on business continuity and contingency planning
  - 2 states have not provided HCFA their plans
  - 11 states were reported to have high risk ratings
  - HCFA's contractor has not reviewed the plans of 15 states and the District of Columbia
- States at the highest risk are those which have a reported high risk system and a reported high risk business continuity and contingency plan
  - New Hampshire (Eligibility)
  - New Mexico (Eligibility)

GAO Overall Observations

- States at significant risk are those with a reported medium risk system(s) and a reported high risk business continuity and contingency plans
  - Delaware (Eligibility)
  - New Mexico (MMIS)
  - Ohio (MMIS)
  - Oklahoma (Eligibility and MMIS)
  - Tennessee (MMIS)
  - Vermont (Eligibility)

United States General Accounting Office
GAO
Accounting and Information
Management Division

October 1999

Y2K Computing Challenge: Day One Planning and Operations Guide



GAO/AIMD-10.1.22

Preface

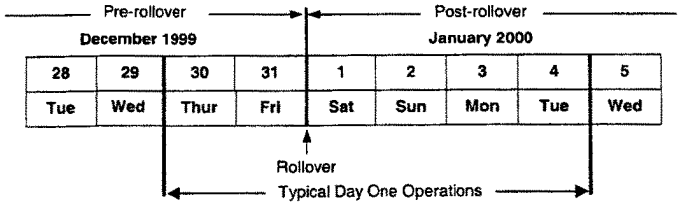
Federal agencies are making significant progress racing against time and renovating, validating, and implementing their mission-critical information systems. Nevertheless, organizations remain vulnerable to Y2K disruptions. Because most federal agencies are highly dependent on information technology to carry out their missions, Year 2000-induced failures of one or more critical systems may have an adverse impact on an organization's ability to deliver critical services.

The risk of failure is not limited to an organization's internal information systems. Many federal agencies depend on information and data provided by their business partners—including other federal agencies, hundreds of state and local agencies, private-sector entities, and international organizations. Finally, every organization depends on services provided by the public infrastructure—including power, water, transportation, and voice and data telecommunications.

In August 1998, we published a guide to help agencies address business continuity and contingency planning issues.[1] The guide provides a conceptual framework for managing and mitigating the risks of potential Year 2000-induced disruptions to agency operations. It also calls for agencies to develop a "day zero" strategy, also known as a "Day One" strategy, to manage the critical century rollover period.[2]

A Day One strategy comprises a comprehensive set of actions to be executed by a federal agency during the last days of 1999 and the first days of 2000. It must be integrated with agency business continuity and contingency plans, and should describe the key activities and responsibilities of agency component organizations and staff.

Day One Operations



[1] Year 2000 Computing Crisis: Business Continuity and Contingency Planning (GAO/AIMD-10.1.19, issued as an exposure draft in May 1998; issued final in August 1998). The guide is available at <http://www.gao.gov/special.pubs/bcpguide.pdf>.

[2] Agencies should also be prepared to deal with latent post-rollover problems that may emerge days or months later, and with other key date-sensitive events such as the leap year.

The objectives of a Day One strategy are to (1) position an organization to readily identify Year 2000-induced problems, take needed corrective actions, and minimize adverse impact on agency operations and key business processes, and (2) provide information about an organization's Year 2000 condition to executive management, business partners, and the public.

The guide provides a conceptual framework for helping agencies develop a Day One strategy and reduce the risk of adverse Y2K impact on agency operations. It builds upon our previously issued Year 2000 business continuity and contingency planning guide, and draws on other sources, including the Social Security Administration, International Business Machines Corporation, and the Legislative Branch Y2K Group.

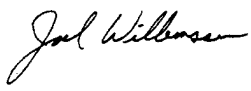
Because each agency is different, there is no single, cookie-cutter approach to Day One planning. Some agencies are highly centralized, while others operate in a highly decentralized environment. This guide addresses issues that will be common to most agencies; however, each agency must tailor its Day One plan in response to its unique needs.

The guide addresses four phases supported by executive oversight:

- Initiation
- Rollover risk assessment, planning, and preparation
- Rehearsal
- Execution, monitoring, responding, and reporting

In addition to executive oversight, the four phases are united by the common thread of accountability at all levels.

An electronic version of this guide is available from GAO's World Wide Web at *<http://www.gao.gov/special.pubs/dayone.pdf>*. If you have any comments or questions about the guide, please contact us, or Mirko J. Dolak, Technical Assistant Director, at (202) 512-6362; or E. Randolph Tekeley, Technical Assistant Director, at (202) 512-4070. We can also be reached by e-mail at *willemssenj.aimd@gao.gov, rhodesk.aimd@gao.gov, dolakm.aimd@gao.gov,* and *tekeleye.aimd@gao.gov*.



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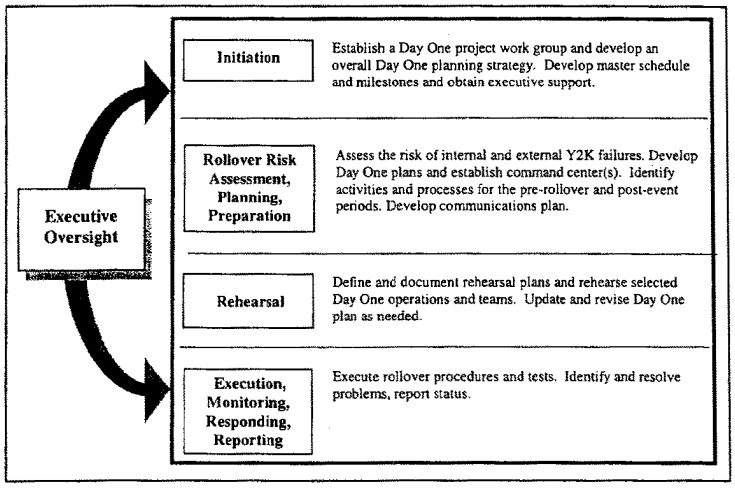
Glossary 15

Day One and the Year 2000

Although agencies are making significant progress in renovating and testing their mission-critical systems, crossing the century boundary will nevertheless present many challenges. To address these challenges, each agency should develop a Day One strategy for reducing risk to its facilities, systems, programs, and services during the weekend of the critical century rollover. Such a strategy should focus on actions to be taken shortly before, during, and after the rollover.

This guide presents a structured approach to aid federal agencies in Day One planning and management. The guide draws on (1) the Day One plan of the Social Security Administration, (2) the rollover guidance[3] developed by the International Business Machines Corporation, and (3) the Day One Guide drafted by the Legislative Branch Y2K Group. It describes four phases --supported by agency executive management--with each phase representing a major Day One planning project activity or segment.

Year 2000 Day One Planning and Operations Structure



[3]Planning for the 1999 to 2000 Rollover of IT Systems, Year 2000 Global Initiatives, International Business Machines Corporation, June 1999. The guide is available at <www.ibm.com/ibm/year2000/docs/rollover/rollover_english.pdf>.

1.0 Initiation

Executive management needs to be fully aware that the century rollover period can pose risks to an agency's ability to deliver services. Executives responsible for the agencies' core business processes should work with the Chief Information Officer, the Chief Financial Officer, and the Year 2000 program manager to develop a Day One strategy. Agency executives must dedicate sufficient resources and staff for this task, and ensure that senior managers support this effort.

Key Tasks

1.1 Establish a Day One project work group, define roles, and assign responsibility
1.2 Develop and document a high-level Day One planning strategy, and establish schedule and milestones
1.3 Establish Day One leave and compensation policy
1.4 Establish or activate mechanisms for planned reviews of Day One activities

1.1 Establish a Day One project work group, define roles, and assign responsibility

Establish a Day One work group. The group should report to executive management and work closely or be aligned with the business continuity and contingency planning group. This group should also include representatives from the IRM office, major business units, and field organizations.

Manage the Day One planning tasks and activities as a sub-project. Define roles and assign responsibilities for leading the planning effort and for performing analyses and developing Day One procedures and plans.

Determine what major business units and field organizations need to develop Day One plans. The principal candidates are organizational components responsible for key business processes—usually components that were required to develop individual business continuity and contingency plans, and large field organizations. Appoint individuals to lead the development of Day One plans for each of the designated organizational components.

1.2 Develop and document a high-level Day One planning strategy, and establish schedule and milestones

A high-level Day One planning strategy provides the agency's executive management with an overview of key activities. The strategy should address the project management structure, the number and location of information coordination and/or command centers, the project's relationship with the business continuity and contingency planning effort, metrics and reporting requirements, and initial cost and schedule estimates.

Develop a schedule and milestones for the planning effort. Ensure time for rehearsing the key teams needed to carry out each phase and function of the strategy.

Coordinate Day One planning with the agency's business continuity and contingency planning effort, and ensure that the Day One plan incorporates appropriate procedures and processes identified in the agency's continuity of operations plan.

1.3 Establish Day One leave and compensation policy

Address rollover leave and compensation issues. Work with human resources departments to determine special compensation requirements to deal with unused annual leave, overtime, holiday work, and standby. Consult the Office of Personnel Management for further guidance at <www.opm.gov/y2k/index.htm>.

1.4 Establish or activate mechanisms for planned reviews of Day One activities

Establish or activate mechanisms to review the Day One planning process and strategy for omissions, feasibility, and key assumptions. Use vehicles such as quality assurance office staff to ensure that the business resumption teams established during the business continuity and contingency planning process are ready, and that the individual business continuity plans were adequately tested.

2.0 Rollover Risk Assessment, Planning, and Preparation

Day One planning integrates and acts on the results of the rollover risk assessment. The output of this process is a Day One plan for headquarters and--if required--for each of the designated organizational units responsible for key business processes. The plan should focus on the key Day One functions (monitoring, responding, and reporting) implemented within the framework of the pre-rollover and post-rollover phases. Each plan should provide a description of the activities, resources, staff roles, and timetables needed for its execution.

Key Tasks

2.1 Assess failure scenarios documented in business continuity and contingency plans and identify key risk areas, including risks faced by business partners
2.2 Establish information coordination and/or command center(s)
2.3 Define the pre-rollover and post-rollover responsibilities for the command center(s), major business units, facilities, and critical infrastructure components
2.4 Develop agencywide schedule of key events for the pre- and post-rollover periods
2.5 Develop or acquire and document facilities infrastructure checklists and templates
2.6 Develop post-rollover test plans and procedures for testing of key business systems and processes
2.7 Establish rapid response procedures; develop rules for the deployment of business resumption teams and for the execution of contingency and disaster recovery plans
2.8 Develop rollover staffing plan
2.9 Review vendor service agreements and availability
2.10 Establish rollover security procedures for coordination/command center(s) and designated Day One sites
2.11 Develop and document internal communications procedures; establish process for monitoring external events
2.12 Develop external communications strategy and procedures

2.1 Assess failure scenarios documented in business continuity and contingency plans and identify key risk areas, including risks faced by business partners

Identify key risk areas, including facilities, critical infrastructure components, and systems supporting core business processes, that should be addressed by the Day One plan. Rely on the results of Year 2000 risk assessment and testing activities to identify the most likely failure modes and scenarios. Consider the potential impact of external events, including the loss of electric power, telephone communications, water, and natural gas. Consider risks faced by business partners.

2.2 Establish information coordination and/or command center(s)

Establish information coordination and/or command center(s) to coordinate and report on agencywide rollover activities.

2.3 Define the pre-rollover and post-rollover responsibilities for the coordination/command center(s), major business units, facilities, and critical infrastructure components

Define, for each organizational component responsible for a key business process, its pre- and post-rollover responsibilities, staffing, and problem resolution and escalation procedures. Specify events and conditions defined in the business continuity and contingency plan that will trigger contingency plans and activate business resumption teams. Review procedures and triggers for activating contingency plans to deliver services to constituencies served by business partners experiencing Year 2000-induced system and process failures.

Specify data backup requirements, and identify systems and infrastructure components that are to remain operational, remain idle, or be shut down. Develop start-up plan for idled or shutdown systems and infrastructure components.

2.4 Develop agencywide schedule of key events for the pre- and post-rollover periods

Develop agencywide schedule of key events and activities, including a schedule for closing business areas, shutting down systems, and facilities inspections.

2.5 Develop or acquire and distribute facilities infrastructure checklists and templates

The century rollover may affect the availability of public utilities and the operations of building services, including elevators, air conditioning, and building security systems. Agencies should develop or acquire infrastructure checklists, data capture and reporting templates, and reporting procedures to assist building managers in assessing the rollover impact on agency facilities.

2.6 Develop post-rollover test plans and procedures for testing of key business systems and processes

The post-rollover test and assessment process must be well defined and scripted to ensure adequate coverage and proper sequencing. For example, evaluation procedures may call for sequential evaluation beginning with hardware (mainframes, servers, PBX systems, routers, and switches), followed by connectivity testing (LANs and WANs), and ending with end-to-end evaluation and testing of mission-critical systems with live data.

Where possible, use existing troubleshooting and problem reporting processes and procedures during the rollover period, including those specified in agency Continuity of Operations plans.

2.7 Establish rapid response procedures; develop rules for the deployment of business resumption teams and for the execution of contingency and disaster recovery plans

Define risk-escalation procedures, activation thresholds, and action plans for predefined failure scenarios, including the activation of business resumption teams. Consider activating and terminating a response based on risk-escalation thresholds for the degradation or loss of business systems and applications.

2.8 Develop rollover staffing plan

Develop a rollover staffing plan to support Day One activities. Ensure that key technical staff are available to handle infrastructure problems, and that business resumption teams will be available to respond to problems affecting agency core business processes. Assess the availability of key staff to support Day One operations. Develop procedures for reaching all employees, including on-duty and on-call staff.

2.9 Review vendor service agreements and availability

Review contract support arrangements to determine availability and coverage. Confirm the availability and contact information for key vendors. Avoid entering into an exclusive service arrangement with vendors serving other clients.

2.10 Establish rollover security procedures for coordination/command center(s) and designated Day One sites

Review security plans to ensure their support for rollover activities. Ensure access to facilities in the event of security system failures, and provide additional physical security for critical facilities.

Assess system and network security during the rollover period. Consider risks posed by remote access services and public web servers. Modify or reduce remote access to network resources during the rollover period. Develop plans to monitor, resolve, and report network security incidents.

2.11 Develop and document internal communications procedures; establish process for monitoring external events

Develop and document internal communications strategy and process, both for intra- and inter-component communications, including communications between the Day One sites and the coordination/command center. Define status indicators and identify reportable events. Define modes of communication and reporting channels. Ensure that key Day One teams and staff have access to emergency communications equipment in case of the failure of public telecommunications networks.

Establish process for the monitoring of external events, including communications with the President's Council on Year 2000 Conversion's Information Coordination Center, to

obtain information about major infrastructure problems. Ensure that the coordination/command center(s) have access to information on the status of business partners, key suppliers, and service providers.

2.12 Develop external communications strategy and procedures

Develop and document external communications strategy and process. Designate agency Day One spokesperson, and define the process for issuing public announcements and communicating with the media. Establish communication links with Information Coordination Center.

3.0 Rehearsal

The Day One plan describes a wide range of complex, interrelated activities and geographically distributed processes that must be executed within a very short time frame. To ensure that the Day One strategy is executable, the Day One plans and their key processes and timetables should be reviewed, and, if feasible, rehearsed. Similarly, agencies may wish to rehearse the operations and integration of the Year 2000 coordination/command center(s) and teams responsible for the Day One activities in major business units, facilities, field organizations, and infrastructure components.

Key Tasks

3.1 Develop and document Day One rehearsal plan
3.2 Rehearse selected Day One operations and teams
3.3 Update and revise Day One plans and procedures based upon lessons learned

3.1 Develop and document Day One rehearsal plan

Define and document the Day One rehearsal plan. Ensure that management approves the plan. Disseminate applicable guidance and establish a help desk, preferably in the coordination/command center(s). Rehearsal plans should address objectives, scope, required equipment and personnel resources, likely scenarios, schedules and locations, and procedures.

3.2 Rehearse selected Day One operations and teams

Rehearse the operations of the coordination/command center(s) and of selected Day One teams to ensure that the coordination/command center staff and team member are familiar with Day One procedures and their roles. Test emergency communications and security procedures designed to deal with the loss of electric power and public communications networks.

3.3 Update and revise Day One plans and procedures based upon lessons learned

Identify and resolve shortcomings and problems noted during the rehearsals and testing, and revise the Day One plan and procedures accordingly. Retest, if feasible, critical processes, and update plans.

4.0 Execution, Monitoring, Responding, and Reporting

Unlike schedules for most other plans, the Day One schedule is immovable, with the rollover to occur at 12:00 A.M. on Saturday, January 1, 2000. The status—and success—of an agency's Year 2000 program will first be evident immediately after the rollover, with more detailed information on the status of mission-critical systems and on the viability of agency core business processes emerging during the post-rollover phase. The status information gathered during the post-rollover phase needs to be communicated to executive management as well as to external parties.

Key Tasks

Pre-rollover
4.1 Activate information coordination/command center(s) and designated Day One sites
4.2 Implement pre-rollover procedures specific to each site
4.3 Implement planned risk prevention and risk reduction measures
Post-rollover
4.4 Conduct facilities inspection using infrastructure checklist
4.5 Perform post-rollover tests, evaluations, and assessment
4.6 Identify and report incidents, including problems, failures, and outages
4.7 Perform problem and crisis management
4.8 Implement recovery procedures and change control
4.9 Activate, if necessary, business continuity and contingency plans
4.10 Implement internal and external reporting procedures

4.1 Activate information coordination/command center(s) and designated Day One sites

Activate coordination/command center(s) and designated sites, perform connectivity checks, and test reporting procedures and tools. Ensure that each site has accessible emergency contact information for local utilities, public safety organizations, key vendors, technical consultants, and contractors servicing critical equipment. Ensure that each site and business area addressed by a rollover strategy has a designated crisis intervention contact and that communication is established to the coordination/command center(s). Ensure that response teams are in communication, ready and awaiting dispatch.

4.2 Implement pre-rollover procedures specific to each site

Implement pre-rollover procedures at all designated sites. Conduct operational inspections and readiness checks for normal and emergency backup services, including electric power, lighting, water, communications, and transportation, as appropriate.

4.3 Implement planned risk-prevention and risk-reduction measures

Implement planned measures to prevent and reduce risks in business processes, systems, and applications. For example, perform backups of all critical files and data, including automated workflow rules, system configurations, database journals, system data, and application data.

Implement shutdown or partial shutdown of processes and applications that may not be able to process correctly across the rollover event.

4.4 Conduct facilities inspection using infrastructure checklist

Inspect facilities using infrastructure checklist. Report status and problems, and initiate corrective action.

4.5 Perform post-rollover tests, evaluations, and assessments

Initiate post-rollover test and evaluation procedures. Test key business processes and supporting systems. Coordinate tests and evaluations with designated Day One sites and business partners.

4.6 Identify and report incidents, including problems, failures, and outages

Report significant failures and outages. Provide status reports on key business processes and supporting systems. Identify and report on potential impact of failures and outages.

4.7 Perform problem and crisis management

Document all reported incidents, assign priority, and dispatch appropriate problem response team. Periodically review and escalate response as appropriate. When called for, invoke emergency procedures. Track incidents, problems, and crises to closure.

4.8 Implement recovery procedures

Follow recovery procedures for the rollover period. Pay special attention to systems and applications that were fully or partially shut down as a preventive measure. Test and implement corrections.

4.9 Activate, if necessary, business continuity and contingency plans

Use escalation thresholds to invoke contingency plans. If a problem remains unresolved for a specific length of time and the impact to operations exceeds a predefined threshold, activate business resumption teams.

4.10 Implement internal and external reporting procedures

Implement internal reporting procedures. Ensure that the coordination/command center(s) are provided with timely and accurate information on the rollover status of each designated site. Use standard data collection and reporting templates and tools to gather and report status information.

Implement external communications strategy and process. If required, prepare and issue public announcements and communicate with the media. Ensure that the Information Coordination Center is provided with timely and accurate status information.

Glossary

The definitions in this glossary were developed by the project staff or were drawn from other sources, including the Computer Dictionary: The Comprehensive Standard For Business, School, Library, and Home, Microsoft Press, Washington, D.C., 1991; The Year 2000 Resource Book, Management Support Technology Corp., Framingham, Massachusetts, 1996; The Year 2000 and 2-Digit Dates: A Guide for Planning and Implementation, International Business Machines Corporation, 1997; and Denis Howe's "Free On-line Dictionary of Computing," at < http://foldoc.doc.ic.ac.uk/>.

Business area	A grouping of business functions and processes focused on the production of specific outputs.
Business function	A group of logically related tasks that are performed together to accomplish a mission-oriented objective.
Business plan	An action plan that the enterprise will follow on a short-term and/or long-term basis. It specifies the strategic and tactical objectives of the enterprise over a period of time. The plan, therefore, will change over time. Although a business plan is usually written in a style unique to a specific enterprise, it should concisely describe "what" is planned, "why" it is planned, "when" it will be implemented, by "whom" it will be implemented, and "how" it will be assessed. The architects of the plan are typically the principals of the enterprise.
Business resumption teams	Teams responsible for managing the implementation of contingency and business resumption plans.
Contingency plan	In the context of the Year 2000 program, a plan for responding to the loss or degradation of essential services due to a Year 2000-related problem in an automated system. In general, a contingency plan describes the steps the enterprise would take--including the activation of manual or contract processes--to ensure the continuity of its core business processes in the event of a Year 2000-induced system failure.
Infrastructure	In the context of the Day One plan, the hardware, software, facilities, and public utilities supporting the enterprise's information management functions.
Metrics	Measures by which processes, resources, and products can be assessed.

Mission-critical system	A system supporting a core business activity or process.
Quality assurance	Planned and systematic actions necessary to provide adequate confidence that a product or service will satisfy given requirements for quality.
Risk assessment	An activity performed to identify risks and estimate their probability and the impact of their occurrence; used during system development to provide an estimate of potential damage, loss, or harm that could result from the failure to successfully develop individual system components.
Risk management	A management approach designed to prevent and reduce risks, including system-development risks, and lessen the impact of their occurrence.
Test	The process of exercising a product to identify differences between expected and actual behavior.
Year 2000 problem	The potential problems that might be encountered by computer hardware, software, or firmware in processing year-date data for years beyond 1999.

Mr. HORN. Thank you very much for that most helpful statement. I am sure we will have a lot of questions, because we know your team has been working hard at this.

Our next witness is Mr. John Spotila, the Administrator of the Office of Information and Regulatory Affairs, at the President's Office of Management and Budget. Pleased to have you here.

STATEMENT OF JOHN SPOTILA, ADMINISTRATOR, OFFICE OF INFORMATION AND REGULATORY AFFAIRS, OFFICE OF MANAGEMENT AND BUDGET

Mr. SPOTILA. Good morning, Chairman Horn, Chairwoman Morella, and members of the subcommittees. I am pleased to appear before you to discuss the Federal Government's progress on the year 2000 problem. I want to begin by thanking you and all of the members of the subcommittees for your continuing interest in the Y2K problem and its potential impact on our country. It is doubtful that we would be as well prepared for the year 2000 problem as we are if it were not for your efforts.

Today I will address briefly our progress in the Federal arena and our plans for the remaining 86 days as we transition into the year 2000.

As you know, we have been working on this problem on a Government-wide basis for almost 4 years. Based on the monthly reports that OMB received from the agencies in September, 98 percent of the mission critical systems are now compliant. This progress is a tribute to the skillful, dedicated, and hard work of thousands of Federal employees and contractors. While much remains to be done, we expect all of the Government's mission critical systems will be Y2K compliant before January 1, 2000.

This is an important part of our work on the Y2K challenge. But we also need to ensure that the programs supported by these systems will be ready for the new year. Accordingly, OMB has asked the agencies to take the lead in working with State, tribal, and local governments, and with contractors, banks, and others to confirm that Federal programs will work. They are helping to develop business continuity and contingency plans, and share key information on readiness with partner organizations and with the public.

We have also identified 43 "high impact" federally supported programs that are critical to the health, safety, and well-being of individual Americans. We took a look at the Federal Government from the individual's point of view to determine what programs have the most direct and immediate impact. Our goal is simple: to ensure the delivery of uninterrupted services to the people who depend upon those services and to reassure them that they can depend on those services. Overall, progress has been good. Of the 43 programs, 12 have completed all end-to-end testing. We expect 19 others to complete testing this month, 4 to complete it in November, and the remaining 8 in December.

Like you, we are concerned about the programs that will not be ready until December. This does not leave much of a margin for error. The task is not easy. One of the eight programs, the Indian Health Service, involves work with a large number of sovereign tribes. The other seven programs are State-run. In these cases, the Departments of Health and Human Services, Agriculture, and

Labor must work with all 50 States and, depending on the program, with several territories. We care about the people affected and will not consider the task complete until all of the States, territories, and tribal areas are ready.

We have been measuring progress in these programs as we move toward their completion dates. In this regard, OMB asked Federal agencies to tell us on a State-by-State basis when each of these programs will be compliant. We then gave that information to the National Association of State Information Resource Executives for comment, and asked the three Federal agencies to work with it to resolve any discrepancies.

We have reported the anticipated completion dates by State and territory in our June and September reports to the Congress. This information provides a better view of the status of these programs and the progress being made. It also helps identify States or territories that may be encountering problems so that Federal agencies can focus resources where they are most needed.

The Departments of Health and Human Services, Agriculture, and Labor will be testifying later this morning and will discuss their specific efforts with regard to these programs. I would acknowledge again, though, that you and other Members of Congress have played an important role in ensuring that both the States and the Federal agencies devote appropriate attention and work to these programs. We appreciate all that you have done.

Before closing, I would add an update on our progress in business continuity and contingency planning.

Although we expect all Federal mission critical systems to be ready by January 1, 2000, it is still important that every agency, no matter how well prepared, have a business continuity and contingency plan [BCCP] in place. Sound BCCPs are an important component of agency progress. To ensure quality and consistency, OMB has directed the agencies to use the General Accounting Office's guidance on this subject in preparing their plans. Many agencies also are working closely with their Inspectors General and expert contractors in the development and testing of these plans. OMB has reviewed initial agency BCCPs and has been providing feedback and guidance to these agencies on an individual basis.

One characteristic of the year 2000 problem is that we have a specific day when any problems are likely to occur. Even after all of our other preparation, we can focus on being ready to respond on day one. In this regard, we have been working with the General Accounting Office and the agencies to develop guidance that will help agencies take advantage of this opportunity. We will ask agencies to provide us their updated business continuity and contingency plans by October 15th, including their day one plans, and we will be reviewing those submissions.

Day one planning will allow agencies to take advantage of the fact that the year will change 17 hours earlier in New Zealand than in Washington. We can learn from problems encountered elsewhere in the world and take mitigating actions. Agencies can use the roll-over weekend to check their buildings for security and heating and to have technicians verify that all other systems are working. They can check with their partners in program delivery, including the States, to assess whether they are having problems

and to begin providing appropriate assistance. All of these steps will help minimize any adverse impact from the Y2K problem.

In conclusion, we are very focused on the tasks remaining. During the 86 days before the year 2000, we are concentrating on three priorities: completing work on remaining mission critical systems and on other Federal systems; completing 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; and completing and testing business continuity and contingency plans, particularly day one plans, to mitigate the impact of any failures due to the year 2000 problem.

Thank you for the opportunity to share information with you on our progress. We know that there is still a great deal to be done and we are hard at work. I would be pleased to answer any questions you may have after the conclusion of the testimony.

[The prepared statement of Mr. Spotila follows:]

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

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

STATEMENT OF
JOHN T. SPOTILA
ADMINISTRATOR,
OFFICE OF INFORMATION AND REGULATORY AFFAIRS
OFFICE OF MANAGEMENT AND BUDGET
BEFORE
THE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY
OF THE COMMITTEE ON GOVERNMENT REFORM
AND BEFORE
THE SUBCOMMITTEE ON TECHNOLOGY
OF THE COMMITTEE ON SCIENCE
U.S. HOUSE OF REPRESENTATIVES

October 6, 1999

Good morning, Chairman Horn, Chairwoman Morella, and members of the subcommittees. I am pleased to appear before you to discuss the Federal government's progress on the year 2000 problem. I would like to start by thanking you and all of the members of the subcommittees for your continuing interest in the Y2K problem and your understanding of its potential impact on our country. It is doubtful that the Federal government or the nation would be as well prepared for the year 2000 problem as they are if it were it not for the work of your subcommittees.

Today I would like to address briefly our progress in the Federal arena and our plans for the remaining 86 days as we transition into the year 2000. My remarks will give you an update on the status of Federal agency system repairs, discuss progress on high impact programs, and describe on-going work on business continuity and contingency planning.

Progress on Fixing Mission Critical Systems

As you know, the Administration has been working on this problem on a government-wide basis for almost four years. Many agencies, like the Social Security Administration, started long before that. Agencies have worked through the phases of awareness, assessment, renovation, validation, and implementation. Each phase has been a challenging one, as Federal agencies proceed systematically to identify and prioritize mission critical systems; address the implications for systems and equipment containing embedded chips, such as security systems, heating and air conditioning units; work with data

exchange partners; test and retest systems; work with service delivery partners, such as contractors, banks, vendors; and coordinate with State, local, and tribal governments to ensure the readiness of programs supported by the Federal government.

We have made dramatic progress. As of our August report, 97% of the Federal government's mission critical systems were compliant. Further improvement has been made and, based on the monthly reports that we received from the agencies in September, 98% of the mission critical systems are now compliant. This progress is a tribute to the skillful, dedicated, and hard work of thousands of Federal employees and contractors. While much remains to be done, we fully expect all of the Government's mission critical systems will be Y2K compliant before January 1, 2000.

High Impact Programs

As you know, getting our systems ready is important but represents only part of our work on the Y2K challenge. We also need to make sure that the programs supported by those systems will be ready for the new year.

Accordingly, on March 26, 1999, OMB issued guidance to the agencies that directed them to work with other Federal agencies, State, Tribal, and local governments, contractors, banks, and others to ensure that their programs will work. In particular, agencies should take the lead and work with their partners to test and assure that their programs will work, develop complementary business continuity and contingency plans, and share key information on readiness with partner organizations and with the public.

At the same time, we identified 42 "high impact" Federally supported programs that are critical to public health, safety, and the well-being of individuals. We took 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. We consulted with the agencies about the list, and vetted it with OMB career and policy officials. For these programs, we directed Federal agencies not only to take the lead on working with their partners, but to report on their progress to us. We have subsequently summarized that progress in our June and September reports to the Congress. I should note that we subsequently added the National Crime Information Center (NCIC) to the original list at the suggestion of several States, bringing the total to 43 programs.

Our goal is simple: to ensure the delivery of uninterrupted services to individuals who depend upon those services and to reassure those individuals that they can depend on those services. This initiative requires a great deal of cooperation and hard work by organizations outside the Federal government, success clearly is in everyone's interest. Overall, progress has been good. Of the 43 programs, 12 have completed all end-to-end testing, 19 others are expected to complete testing this month, four others are expected to complete it in November, and the remaining eight in December.

The twelve programs that have been completed are:

Weather Service
National Crime Information Center (NCIC) 2000
Air Traffic Control System
Disease monitoring and the ability to issue warnings
Community Development Block Grants
GNMA (Housing loans)
FHA Insurance
Section 8 Rental Assistance
Social Security Benefits
Passport Applications and Processing
Veterans' Benefits
Veteran's Health Care

Like you, we are concerned about the programs that will not be ready until December. This does not leave much of a margin for error. One of the eight programs, the Indian Health Service, involves work with a large number of Tribes, all of whom are sovereign nations. We are encouraged that all HHS-controlled Resource Patient Management System (RPMS) sites are compliant and that the vast majority of Tribally-controlled RPMS sites are compliant. The expected completion date for the remaining tribal sites is November 1. Nonetheless, some Tribes continue to operate non-compliant RPMS and have opted not to avail themselves of assistance being offered by HHS. We expect end-to-end testing with all participating partners to be completed this month, but Tribal Business Continuity and Contingency Plans will not be finalized until December.

State-Run Federal Programs

The other seven programs that will not be completely ready until December are State-run Federal programs. In the case of these programs, the Departments of Health and Human Services, Agriculture and Labor must work with all 50 States and, depending on the program, with several territories. Since we are concerned about recipients in each State, we will not consider the task complete until all of the States and territories are ready.

We have been measuring progress in these programs as we move towards their completion dates. In this regard we asked Federal agencies to provide us with their State-by-State expectations of when each of these programs will be compliant. We provided that information to the National Association of State Information Resources Executives (NASIRE) for comment, and asked the three Federal agencies to work with NASIRE to resolve any discrepancies. The resulting anticipated completion dates by State and territory were included in our June and September reports to the Congress. This information provides a better view of the status of these programs, the progress being made in preparing them, and also helps identify States or territories that may be encountering problems

so that Federal agencies can focus resources where they are needed.

Since the Departments of Health and Human Services, Agriculture and Labor will be testifying later this morning, they can discuss their specific programs. But it should be noted that you and other members of Congress have played an important role in ensuring that both the States and the Federal agencies devote appropriate attention and work to these programs.

Business Continuity and Contingency Planning

Before closing, I would like to update you briefly on our progress in business continuity and contingency planning

Although we expect all Federal mission critical systems to be ready by January 1, 2000, it is still important that every agency, no matter how well prepared, have a business continuity and contingency plan (BCCP) in place.

Agencies are developing business continuity and contingency plans to ensure that their core business functions will operate smoothly, despite any glitch in an agency's systems or with an agency's partners. While we are confident that the measures taken for Y2K compliance are sound, the chance remains that, despite testing, a bug may still slip through. Moreover, some elements beyond an agency's control may be at risk from the Y2K problem. For example, bad data from a data exchange partner or the inability of a vendor to provide key supplies could disrupt work at an agency. Therefore, despite all our preparations, it is possible, and even likely in some situations, that there will be glitches in systems that result in minor disruptions in agency operations. The business continuity and contingency plans will help ensure that agencies are prepared to respond to such glitches.

Although we do not expect any disasters, we also believe that it is always wise to prepare for the worst. Since the 1970s, agencies have been required to have in place Continuity of Operations plans (COOP plans) to address emergencies of any kind. In the event of a disaster, whether related to a terrorist attack or regional weather emergency such as a hurricane or violent snowstorm, Y2K or any other national emergency, agencies' COOP plans ensure that critical agency operations will continue to function. In May, OMB asked agencies to ensure that the development of their BCCP was coordinated with pending revisions to each agency's COOP plan. Again, although we do not expect any kind of Y2K disaster, agencies are developing plans, in coordination with their BCCPs, to address this contingency.

BCCPs are an increasingly important component of agency progress. Like a good insurance policy, a sound plan is important, no matter how well you have taken care of your systems. To ensure quality and consistency, OMB has 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 and testing of these plans.

Finally, OMB reviewed agency high-level BCCPs and has been providing feedback and guidance to the agencies on an individual basis.

Day One Planning

One of the characteristics of the year 2000 problem is that we have a good idea when problems will occur. This provides us an opportunity to prepare better for any problems and respond to them. We have begun working with the General Accounting Office and the agencies to develop guidance that will help agencies take advantage of this opportunity. Along with that guidance, we will ask agencies to provide us their updated business continuity and contingency plans by the fifteenth of October, including their day one plans.

This "day one planning" will encompass a comprehensive set of actions that agencies will take during the last days of 1999 and the first days of 2000 to mitigate risk from of the year 2000 problem. The objectives are to position each agency to identify any problems that occur, take needed corrective actions, minimize the adverse impact of problems on agency operations and business processes, and provide information about the impact of the problem to management, business partners and the public.

Much of this approach reflects common sense. Day one planning will allow agencies to take advantage of the fact that the year will change 17 hours earlier in New Zealand than in Washington. We can learn from problems encountered elsewhere in the world and take mitigating actions. Agencies also can take advantage of the roll-over weekend to check their buildings to be sure that security and heating systems are working and to have technicians verify that all systems are working. They can check with their partners in program delivery, including the States, to assess whether they are having problems and to begin providing appropriate assistance. All of these steps will help minimize any adverse impact from the Y2K problem.

Conclusion

In conclusion, during the 86 days remaining before the year 2000, we plan to:

- Complete work on remaining mission critical systems and on other Federal systems.
- Complete 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; and
- Complete and test business continuity and contingency plans, particularly day one plans, to mitigate the impact of possible failures due to the year 2000 problem.

Thank you for the opportunity to share information with you on the Administration's progress.

The Administration continues to treat this challenge with the direct, high-level attention it deserves. The additional focus on the year 2000 problem by the President, Congress, and the public has resulted in agencies focusing high-level management attention on the issue and in their making excellent progress. But there is still a great deal of critical work to be done.

I would be pleased to answer any questions you may have.

Mr. HORN. Thank you very much for your presentation.

The next witness is the Honorable John Callahan, Chief Information Officer, Department of Health and Human Services. Welcome again to this committee.

STATEMENT OF JOHN CALLAHAN, CHIEF INFORMATION OFFICER, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. CALLAHAN. Thank you very much, Chairman Horn, Co-Chairman Morella, and other distinguished members of both subcommittees. We want to thank you for holding this oversight hearing on the Y2k status of "high impact" federally financed State-administered programs. Your oversight has been very, very beneficial, not only to the departments but I think to the State governments as well.

HHS is responsible for several of the "high impact" programs under the direction of the Administration on Children and Families and the Health Care Financing Administration. First, I would note that all of HHS' mission critical systems, including the ones that service these programs, are Y2K compliant. There is one mission critical system, the Indian Health Service Resource and Patient Management System, which is Y2K compliant although we are in final negotiations with 16 tribes to ensure that they become Y2K compliant. But since they are sovereign nations, those negotiations are complex, to say the least.

We have listed and tested all of our data exchanges with States on the "high impact" programs that you are concerned about and they are Y2K compliant as well. Consequently, we are confident that from our end we will be able to make grant payments and child support enforcement matches for all of the programs under consideration. Additionally, we have fielded and are fielding contingency plans and day one operating plans for these programs which will be coordinated with the ICC, which is under the direction of John Koskinen, the President's Special Counsel on Y2K matters.

Now let me give you a brief assessment of the Y2K readiness of "high impact" Health and Human Services programs under the Department's jurisdiction.

We are now just finishing the first round of technical assistance on human service programs—TANF, child support enforcement, child welfare, child care, and low-income home energy assistance—that are the responsibility of the Administration for Children and Families. Our technical assistance reports in the HCFA case are being shared, first, with State program officials who are on the line providing these services, Governors, individual State chief information officers, NGA, and NASIRE.

At this time, we have adjudged that some of the ACF programs in the following States are at considerable risk of Y2K failure because of both the remediation or testing of systems is not complete, or behind schedule, or because the contingency planning process is deficient. These are the States of Alabama, Delaware, District of Columbia, Georgia, Mississippi, New Hampshire, and South Carolina.

Having said that, we believe that State Y2K preparedness progress has been considerable. State officials in all States are using these assessments provided by ACF and their contractors to

their best advantage. ACF is continuing to stand ready to provide further detailed technical assistance to States that need further help in correcting their Y2K problems that they are encountering. We are confident that Governors, State program officials, and State CIOs will continue to get on top of the Y2K problem.

Turning to Medicaid and the State children's health insurance program. HHS has provided extensive technical assistance for nearly a year and a-half now. Two rounds of State technical assistance visits have been completed, and a third round of State visits is now being conducted. States that are adjudged to be at considerable risk with regard to their eligibility or financial systems on the Y2K preparedness front at this point are Massachusetts, New Hampshire, Alabama, North Carolina, New Mexico, and Alaska. States that should be make substantial improvements in their contingency and business continuity planning include New Hampshire, Rhode Island, Vermont, New York, Delaware, West Virginia, Ohio, New Mexico, Oklahoma, and Colorado. However, as in the case with ACF, States are making almost daily improvements on these fronts as well, progress that we will report to the subcommittee as soon as we are able to.

Let me provide you with two examples of how our Federal efforts have assisted States. In Maine, in late January, HCFA made its first State site visit to Maine. Maine was hoping that a new system would be implemented before the end of the year and they were trying to decide whether to fix their old system or put their resources into implementing the Y2K compliant systems. Maine, like many States at the time, viewed the Y2K problem too narrowly as a systems problem.

The HCFA review called the State's attention to a number of issues where better direction was needed. Immediately, the Maine commissioner of human resources took the HCFA findings and developed a detailed strategy and put the department commissioner for programs in charge of the Y2K effort. Contractor support was obtained, and the State was able to remediate and test the old system and develop a new business continuity plan. When HCFA came back 4 months later, Maine had gone from high risk to low risk.

Similarly, in North Dakota, HCFA made a first State visit and the State was judged to be at risk because of inadequate contingency planning. HCFA sent a team of experts to North Dakota to work with State staff, and they are now adjudged to be low risk on the contingency planning front.

I would like to conclude my testimony on a positive note. As we all know, we only have a limited time left, but HHS has provided, on a very cooperative basis, Y2K technical assistance to make sure that State-administered federally financed programs will be millennium compliant. The technical assistance has been offered and received in a spirit of identifying and seeking to fix Y2K problems in these areas. State governments run these programs, they recognize that they have primary responsibility for fixing the Y2K problem in these areas. The Federal Government cannot assume any direct administrative responsibility for these programs, but we can offer the best and most cooperative technical assistance possible to the States in this area. We have mounted a strong technical assistance

effort with regard to all these "high impact" programs, and we will continue to provide that right down to last hour. So we believe that we are making progress, but, as this committee knows, we need to make more progress, and we will.

That concludes my testimony. I would be happy to answer any questions.

[The prepared statement of Mr. Callahan follows:]

TESTIMONY OF
JOHN J. CALLAHAN
ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET
AND
CHIEF INFORMATION OFFICER
DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE
THE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
OF THE
GOVERNMENT REFORM COMMITTEE

AND

THE SUBCOMMITTEE ON TECHNOLOGY
OF THE
COMMITTEE ON SCIENCE

U.S. HOUSE OF REPRESENTATIVES

REGARDING THE YEAR 2000 DATE ISSUE AND THE FEDERALLY SUPPORTED, STATE RUN HIGH IMPACT PROGRAMS

OCTOBER 6, 1999

INTRODUCTION

Chairman Horn and Chairwoman Morella. I am pleased to appear before this joint hearing of your subcommittees to provide you with a report on the accomplishments and the challenges faced by the Department of Health and Human Services (HHS) in assuring that our systems and those Federally supported State run systems are millennium compliant. I offer my comments on behalf of the Department and the Administration for Children and Families (ACF) and the Health Care Financing Administration (HCFA).

Secretary Shalala and Deputy Secretary Thurm have declared the Year 2000 date issue our highest priority -- simply put, Y2K is job number one at HHS. We have taken and will continue to take strong actions to ensure that HHS information systems are Year 2000 compliant.

HHS's YEAR 2000 EFFORT

All HHS mission critical systems are Year 2000 compliant[1]. All of the systems have been renovated, future-date tested, certified compliant, verified compliant by an independent contractor, and implemented. These systems include those that manage the eligibility, enrollment, and premium status of 40 million Medicare beneficiaries, and make payments to about 380 managed care organizations and all of the claims processing systems, operated by private insurance contractors that process Medicare fee-for service claims and pay bills. In addition, we have tested end-to-end the grants payment process for all the HHS programs and are very pleased to report that the tests were successful and the grantees will be able to access their grant funds after January 1, 2000.

HHS also requires all of its operating divisions to conduct thorough testing and independent verification and validation of renovated systems. We also know there is a possibility that, try as we might, some of our partners' systems may not be fully compliant in time. Consequently, all of our Operating Divisions have submitted initial business continuity and contingency plans to the Department. These plans are being finalized and tested to provide us with the operational policies needed to permit business continuity in the event of system failure.

HHS agencies collect a tremendous amount of information that requires data exchanges. The Department has inventoried our data exchanges and contacted our service partners to emphasize the importance of assuring Year 2000 compliance. HHS is working with the National Association of State Information Resource Executives (NASIRE) and others to assure a coordinated response. On April 22, 1998, HHS provided a listing of State interfaces to NASIRE for its review of completeness and accuracy, we updated this listing monthly until all of our State

[1]Resource and Patient Management System (RPMS) has been implemented at all of the federal sites that are directly operated by the Indian Health Service and at all of the urban Indian health programs that use RPMS. All of the remaining sites to be implemented are programs operated by individual Indian Tribal Nations. For these sites, the Tribal Nations have chosen to assume the resources and responsibility for these programs under self-determination statutes.

interfaces were compliant. HHS updated the listing on the GSA web site for NASIRE review. All 1,141 State data exchanges are compliant and in use today.

The Department of Health and Human Services is responsible for six high impact programs that receive federal funding, but are actually administered by States or localities. While HHS does not control these systems, the Department is working with States to ensure that State-administered programs like Medicaid, Temporary Assistance to Needy Families and child welfare programs are prepared. To accomplish this goal, the Department has worked on a number of fronts. We have provided outreach to health care and human services providers, as well as grantees administering our programs since mid-1998. We have assessed State programs for Y2K compliance and have provided feedback to States on potential problems. We are providing Y2K technical assistance to States that request it. We are providing special funding to the territories to address Y2K-related issues. All of these efforts have the goal of minimizing Y2K disruptions in the benefits and services provided to often vulnerable citizens.

HUMAN SERVICES PROGRAMS

The Administration for Children and Families (ACF) supports five impact programs that are administered at the State, county and local levels. Those programs are: Child Welfare, Child Support Enforcement, Child Care, Temporary Assistance for Needy Families, and Low-Income Home Energy Assistance.

The Administration for Children and Families (ACF) is 100% Y2K compliant for the internal ACF systems—those by which we interface directly with States. As the Assistant Secretary for ACF has testified earlier this year to the Ways and Means Committee, ACF has remediated or replaced all non-compliant systems, as well as independently tested and verified them. The agency is in the final testing stage on its business continuity and contingency plans, for the Day One time period and beyond.

Beyond the Federal level, Y2K compliance for human services programs is a very complicated issue. There are substantial variations in the degree of automation in each program and at each level, ranging from a Statewide system for multiple programs to a simple desktop operation for a non-profit service provider.

STATE ASSESSMENT PROCESS

In April of this year, ACF was provided funding to examine the Y2K compliance status of States and territories for those five high impact programs. In addition to assessing State systems, ACF looked at a sample of county-level, local, and private sector program administration. In April 1999, EDS Corporation was brought on as the contractor to perform this Y2K assessment.

EDS and ACF staff have now conducted on-site assessments in fifty-five jurisdictions to evaluate the Y2K compliance of the operations of the five high impact programs. The assessments

involved examining evidence pertaining to the agencies' efforts to achieve Y2K compliance with automated systems, to develop business continuity and contingency plans, and to communicate with and to involve the local offices (point of service delivery) in these plans. The assessment protocol addressed factors ranging from management support and sponsorship to mission-critical external interfaces.

A special challenge in this project was the assessment of county-administered States. To ensure Y2K readiness was addressed at the service provider level, additional resources were made available and the protocol was expanded to include the assessment of at least two distinct county operations in each of the 13 county-administered States. Because of the complex nature of our programs, in many States, it was necessary to include three or more counties in the assessment in order to obtain complete information and valid indicators as to the counties Y2K readiness.

ACF is satisfied with the scope, thoroughness, and objectivity of the reviews. We also believe the assessments have assisted some States in prioritizing the most critical needs among the Y2K activities that remain to be completed for our high impact programs.

All reports will be issued in October.

ACF ASSESSMENT FINDINGS

The findings from the assessments are generally good news. Trend analyses of findings to date reveal that many States have made substantial progress to ensure the Y2K compliance of their automated systems. While self-reported data that we had received from States showed that a portion of the programs would not be compliant until December of this year, in our actual assessments, we have found that, for the majority of our programs, States have completed or are well on their way to completing system remediation. We have also found that many State programs are not highly automated, or automated recently with Y2K compliant software, thus reducing the risk of Y2K failures.

This does not mean that we do not have concerns. We are very concerned about the compliance status of some territories, because their remediation effort may not be completed on time. A small number of State programs in Alabama, Delaware, District of Columbia, Georgia, Mississippi, New Hampshire, and South Carolina have been assessed as being at a high risk of Y2K failure because both the remediation and testing of systems is not complete or behind schedule and there are underdeveloped or nonexistent contingency plans. Also a number of States, regardless of the status of their automated systems, lack completed Business Continuity and Contingency Plans (BCCP). These plans are necessary in the event that unlikely or unanticipated failures occur, and provide for the implementation of alternate procedures and processes to continue program operations while the systems failure is corrected.

We are pleased to note that the States responding to our assessment reports have been in agreement with the findings, have taken steps to address the concerns identified, and are

implementing the recommendations made. A number of States, the reports have been appreciated for moving particular programs higher on the list of priorities for State remediation efforts.

ACF PHASE II OF THE ASSESSMENT PROCESS

The next steps in the process are to monitor States' progress of Y2K efforts in relation to the five high-impact programs and to target technical assistance where needed, particularly for high and medium risk programs. Follow-up assessments for those State programs that were found to have significant concerns in the initial assessments will be conducted by ACF and EDS staff who participated in the first round of visits. These second visits will focus on the concerns noted in the report, and will begin shortly.

ACF has been focusing its technical assistance efforts on business continuity and contingency planning, since that was the most commonly identified concern. EDS experts will conduct multiple sessions of BCCP training for State representatives. ACF and EDS staff will make technical assistance trips to States that require individualized assistance, in coordination with other Federal human services agencies, including HCFA.

These technical assistance efforts have resulted in progress. ACF and EDS staff have already provided on-site technical assistance in one State at its request, and will shortly conduct visits to one of the territories and several other States. Last week, the first BCCP training session was held, and representatives from one-third of the States targeted by ACF for BCCP Technical assistance attended; course evaluations were extremely positive.

For all State programs, ACF is collecting State BCCP plans and both EDS and ACF staff are reviewing them for completeness. We will provide specific feedback to States as needed on those plans, regardless of whether a State is targeted as needing technical assistance or not.

MEDICAID AND STATE CHILDREN'S HEALTH INSURANCE PROGRAMS

Although HCFA provides major funding for Medicaid, States operate these programs and it is each State's responsibility to take the steps it believes are appropriate to meet the needs of its Medicaid and State Children's Health Insurance Program (CHIP). HCFA's primary role is to assess, as best it can, each State's progress on meeting its own goals and to provide guidance on remediation, testing, and contingency planning. While HCFA does not have the authority, ability, or resources to take over and operate State systems, it is providing unprecedented levels of State technical assistance for Y2K preparedness.

Medicaid and CHIP programs are operated directly by the States with oversight from HCFA. State computers are used in determining the eligibility of Medicaid and CHIP beneficiaries, as well as Food Stamp recipients and Temporary Assistance to Needy Families (TANF) recipients. In addition to supporting the administration and oversight of these programs, computers help

make sure that eligible beneficiaries get the health care services for which they are eligible as well as process and pay Medicaid claims submitted by doctors, hospitals, and other health care partners. Generally, there are three key computer systems in each State that are being readied for Y2K: a Medicaid Management Information System (MMIS), a CHIP system for which HCFA has some oversight responsibility, and an eligibility system (ES) which is used to determine eligibility for both Medicaid and CHIP.

A SUCCESSFUL COLLABORATION

Although States are responsible for assuring Y2K readiness of their computer systems, HCFA provides technical assistance to State Medicaid agencies, including protocols for Y2K compliance and testing, contingency planning strategies, and information on best practices. HCFA has also taken the extra step of hiring expert consultants who, through site visits, are assessing States' progress against their own goals and standards in becoming Y2K compliant, as well as providing detailed feedback and additional technical support. These contractors are also assessing the adequacy of each States' contingency plans. The high degree of cooperation we have achieved with the States on Y2K is a source of great pride and satisfaction for us.

As of October 1, the first two rounds of State site visits has been completed. A third round of visits is now underway. Thus far, States have made substantial progress in their Y2K readiness and many appear to have benefitted from the assistance HCFA has provided. Systems are assessed in two categories, MMIS and CHIP together in one category and the eligibility system in the other category.

HCFA SITE VISITS

By the end of April, HCFA and its independent contractors had made three to four day visits to all 50 States and the District of Columbia, as part of the first round of assessments of State Medicaid and CHIP computer systems. The purpose of the initial visits was to establish an objective assessment of the status of each State's Y2K remediation efforts; and provide technical assistance in such areas as risk mitigation, contingency planning, and business continuity. States were rated as High, Medium or Low based on an assessment of several factors discussed below. Depending on the State's status, second and even third round visits may be conducted.

Second round site visits were devoted to the Y2K efforts of Medium- and High-Risk States and were made to 40 States, Puerto Rico, and the U.S. Virgin Islands, during May through September 1999. They focused on the status of States' validation and implementation phases, end-to-end testing, risk mitigation, business continuity and contingency planning, Day One planning, and outreach activities to beneficiaries and providers.

A third round of visits to 20 States that remain High or Medium Risk States is being conducted from September through December 1999. The focus of these visits is on the Sates' contingency plans and risk mitigation efforts.

After each site visit, the information gathered and HCFA's assessments are discussed with State officials in a debriefing session. In-depth written reports are then provided to State officials, including each respective Governor, State Medicaid Director, and State Chief Information Officer. These results document HCFA's key findings and recommendations and, through a letter from Secretary Shalala, request the Governor's leadership in assuring that federal and State systems will work effectively after the Year 2000. The States are also provided with recommendations and other types of technical assistance to strengthen their Y2K remediation efforts.

It is important to note that the States' computer systems involve many lines of code and are dependent upon numerous electronic interfaces with other partners ranging from hospitals and physician offices to county and city-based eligibility determination systems. For that reason, a determination that a State is a Low Risk does not mean the State has "no risk." Therefore, HCFA is being careful to continue to monitor the readiness of those Low Risk States that did not receive second and third round visits. For example, follow-up calls will be made to gauge and monitor progress in specific areas of interest and to verify that a State's risk status has not changed. Should there be a change in status, HCFA will conduct another site visit.

During the second round of visits, the majority of States are showing improvement in one or more systems. In fact, State ratings can change due to the dynamic nature of Y2K readiness. States considered to be High Risk earlier in the year have made considerable progress. On the other hand, States rated Medium or Low in Round 1 sometimes not have continued to meet their internal targets or taken other steps to ensure enterprise-wide Y2K readiness, thus causing their rating to increase in later rounds of HCFA visits. However, based on indicators from the Round 2 visits, HCFA expects to see States' system readiness continue to improve.

MEDICAID RISK EXPOSURE DETERMINATION

Details are provided below to explain how HCFA is evaluating Y2K readiness. Systems are assessed in two categories, with MMIS and CHIP together in one category, and the eligibility system in the other category. To compare and contrast the relative level of risk of Y2K failure for each Medicaid system in each State, HCFA is using a risk rating based on the evaluation of 42 individual factors that measure the processes, products, and progress of a State's Medicaid Y2K efforts. These include various independent factors that measure project management considerations, among others, that are correlated with the five critical phases identified by the General Accounting Office: Awareness, Assessment, Renovation, Validation, and Implementation. Scores on individual factors are weighted using a special protocol. An accumulated score is reached by adding the individual factors with the verification and validation experience of the on-site assessors. Each State's MMIS and CHIP system, and eligibility system (ES) fall into one of the three risk categories (High, Medium, and Low) based on the accumulated score.

High Risk Systems tend to share many of the same characteristics, such as inadequate project management, planning, and testing. There often is a lack of progress relative to the State's own schedule, and often no independent validation and verification of the State's status. Other common factors among High Risk systems include: a lack of an objective certification process, inadequate quality assurance measures, and an underdeveloped or nonexistent contingency plan to assure system remediation or business continuity in case of failure. The mix of these factors varies from State to State. Currently six States and two territories (Alabama, Alaska, Massachusetts, New Hampshire, New Mexico, North Carolina, Puerto Rico and Virgin Islands) are adjudged to be at high risk in one or more of their Medicaid mission critical systems.

Medium Risk Systems tend to exhibit some smaller set of the same characteristics of high risk systems, but are often characterized by better management practices. As a result, there is a better chance that risks will be mitigated in the coming months. For this reason, Medium Risk sites warrant a follow-up visit to verify the anticipated improvement. Currently 13 States (Connecticut, Delaware, Georgia, Louisiana, Nevada, New Jersey, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Vermont, and Wyoming) and the District of Columbia are adjudged to be at medium risk on their Medicaid mission critical systems.

Low Risk Systems usually combine a solid management approach, adequate resources, solid renovation and testing, all with adequate control and independent validation and verification. However, even these systems are not no risk since the delivery of Medicaid services are highly decentralized and depend heavily upon the smooth operation of many people and services beyond the State's direct authority control. Thirty-one States (Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Maine, New York, North Dakota, Pennsylvania, Florida, Illinois, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Oregon, Rhode Island, South Dakota, Utah, Virginia, Washington, West Virginia, and Wisconsin) are at low risk on both the Medicaid mission critical systems.

Finally, the Secretary has written to the governors three times to bring to their attention the progress that has been made in their State and to indicate what work remains to be done. We have found that the direct communication by the Secretary to the governors results in more attention and resources for States' compliance efforts.

We also have been working closely with our nation's Governors and State Program Directors to ensure that "high impact" Federally financed, State administered programs are ready for the Year 2000. We have undertaken an extensive effort to assess the Year 2000 readiness of these programs as well as provide technical assistance on compliance protocols, testing, contingency planning strategies, and best practice information. We have taken the extra step of hiring expert consultants who, through site visits, are assessing States' progress against their own goals and standards in becoming Year 2000 compliant, as well as providing detailed feedback and technical support. We are continuing to assist States that are having particular difficulties, including providing technical support in developing and evaluating their contingency plans where needed. Based on observations obtained through our site visits, States have made substantial progress.

CONTINGENCY PLANNING AND DAY ONE PLANNING

HCFA has requested business continuity and contingency plans from all 50 States, territories and the District of Columbia and recommended that States closely follow GAO guidance on the topic. The contingency plans address all the States' systems that support the Medicaid and CHIP programs. They also address the States' roles in monitoring the health and safety of individuals in Medicare and Medicaid participating facilities through their survey and certification agencies. HCFA and its contingency planning contractor is providing technical support on the development and evaluation of State contingency plans and has advised States on contingency planning. HCFA also has participated in a variety of meetings across the country with State officials and Medicaid providers to stress the importance of Y2K compliance and business continuity and contingency planning.

HCFA is also working with States on the coordination of Day One activities. On September 28, HCFA sent a letter to State Medicaid Directors advising them of HCFA's Day One activities and plans to track information about the status of State Medicaid Agency claims payment and recipient eligibility verification and determination systems. HCFA recommended that States complete Day one plans and provided a template/checklist for States to use to track key Day One information. HCFA also recommended that States establish a Day One team and command and control center.

CONCLUSION

HHS recognizes our obligation to the American people to assure that HHS's programs function properly now and in the next millennium. We all share a common goal of having our systems and programs function with appropriate care for program beneficiaries continue throughout the millennium transition. We are confident of our own internal preparedness, and cautiously optimistic that significant efforts of our State partners will minimize the effects of the Y2K computer problems in these "high impact" programs. In the coming months, we will continue our efforts to monitor State readiness for Year 2000 and provide technical assistance which is responsive to State needs. We would urge the Congress to continue to highlight both State and Federal preparedness efforts for these programs now and in the weeks ahead.

I thank the Committee for its interest and oversight on this issue, and I would be happy to answer any questions you may have.

Mr. HORN. Thank you very much. That is helpful and we will get back to that.

The Honorable Shirley Watkins, who is the Under Secretary for Food, Nutrition, and Consumer Services in the Department of Agriculture. Welcome.

STATEMENT OF SHIRLEY R. WATKINS, UNDER SECRETARY FOR FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Ms. WATKINS. Thank you, Mr. Chairman, Chairwoman Morella, and the distinguished members of the committees. I am delighted to be able to join you this morning and share with you the progress that we have made in the nutrition assistance programs at USDA that are State-administered. Those programs are going to be Y2K ready, and we will be working aggressively with the States and will increase our efforts as we need to do so.

Food and Nutrition Service's primary goal has been to work with our State partners to assure that there are no interruptions in the Nation's nutrition assistance programs that provide food to children and to working, needy families. This is consistent with our goal to ensure that no people in this country go hungry. These nutrition assistance programs consist of the food stamp program, the supplementary nutrition program for women, infants, and children, and the child nutrition program, which includes school breakfast, school lunch, and after school snacks.

FNS works with the partners in the States and the territories in monitoring and providing oversight of these critical programs. State agencies and territories are responsible for providing the delivery of services for the nutrition programs to the various customers across the Nation.

The Food and Nutrition Service started preparing for the millennium by communicating to the 50 States, Guam, the Virgin Islands, Puerto Rico, and the District of Columbia the importance of Y2K preparedness for the food stamp, WIC, and for the school nutrition programs. FNS, in January 1998 requested Y2K progress in three critical areas: software, hardware, and telecommunications compliance.

We also have sent several memoranda to the States, both individually from FNS and jointly with the Department of Health and Human Services regarding the significance of Y2K. Both FNS and HHS also provided expedited approval of funding for Y2K activities. We began obtaining status reports and updates from each of the States, and we requested such information on a quarterly basis at that point. That was to be submitted to the seven regional offices around the country. Secretary Dan Glickman, early in 1998, sent letters to every Governor requesting their leadership to assure Y2K compliance by June 1999.

We have participated in several national meetings involving all of the Federal and State partners and some of local partners to discuss Y2K and its impact on State and local systems. Each of our regional offices has performed site visits to the various State offices in order to perform Y2K compliance checks. In addition, FNS requested that the States report Y2K compliance and submit to us a certifying letter that their systems were Y2K complaint. The

agency also requested that those States that were not able to report that they would be Y2K compliant by March 1999 submit a contingency plan which would assure the continued delivery of nutrition assistance to all of our recipients.

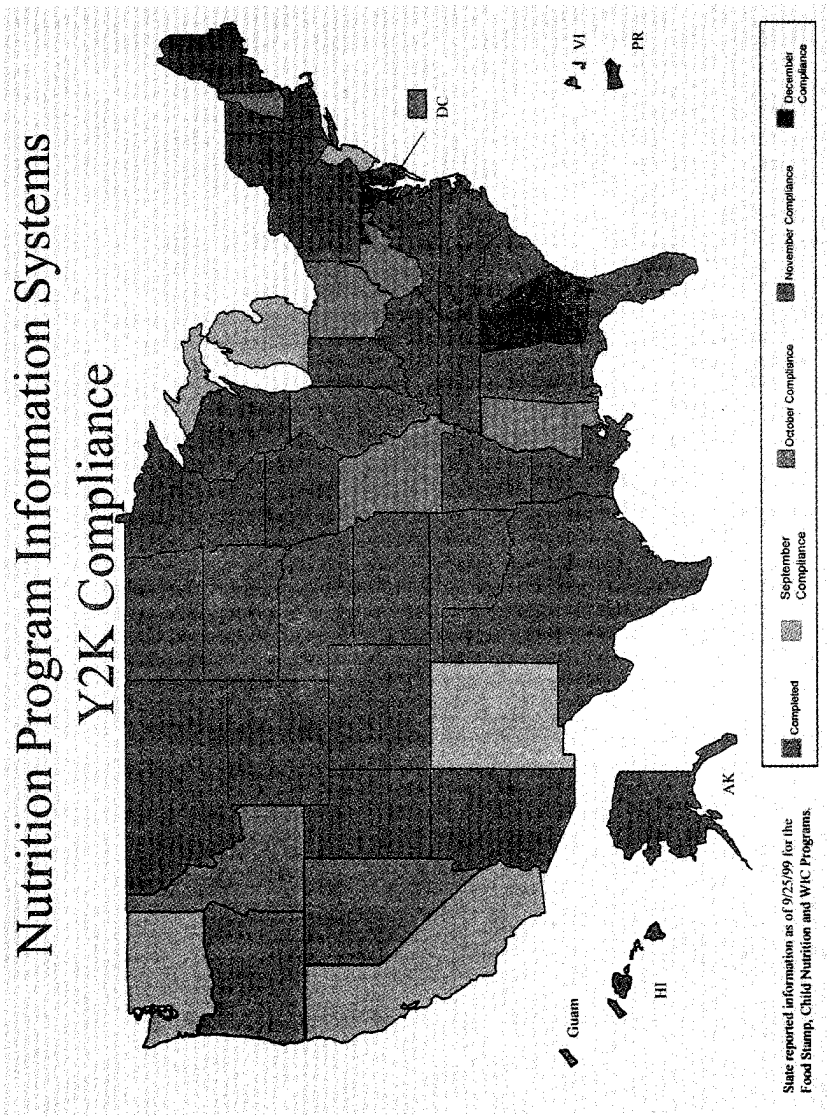
In April of this year, FNS acquired the services of Science Applications International Corp. [SAIC] to assist in the oversight and evaluation of State program compliance. We reviewed and analyzed the information that was gathered from the State agencies regarding the software, hardware, and telecommunications compliance to determine which States SAIC should review.

Thus far, SAIC has visited over 20 agencies in the States to review their compliance activities, such as planning, test procedures, test results, regression analysis, and implementation and contingency plans. SAIC has worked very closely with our headquarters office as well as the regional staff in monitoring the State Y2K program activities.

Well, what is our current status at FNS? As of September 30, the vast majority of the State agencies have notified us that they are Y2K compliant. FNS was designated by OMB as a "high impact" program because of the services that we provide to the large numbers of customers around this country. I would like to insert for the record a table outlining the progress by program as of September 25th, showing the month in which the State agencies report they will achieve Y2K compliance.

Mrs. MORELLA [presiding]. Without objection, so ordered. It will be included in the record.

[The information referred to follows:]


Nutrition Program Information Systems
Y2K Compliance
DC
VI
PR
Guam
HI
AK
Completed
September Compliance
October Compliance
November Compliance
December Compliance
State reported information as of 9/25/99 for the Food Stamp, Child Nutrition and WIC Programs.

Ms. WATKINS. Thank you. We are concerned with a couple of States, and we have noted that.

But to ensure the continued successful operations of the Nation's nutrition assistance programs into the year 2000, FNS has requested a certification letter from each State agency that operates the food stamp program and the WIC program. State agencies that cannot certify Y2K readiness have been asked to submit a business continuity/contingency plan. Through September 1999, FNS has received certification letters or contingency plans for these programs. For the food stamp program we have received 23 letters of certification from States, 19 States have submitted contingency plans, and 8 States have submitted both. For the WIC program, 37 States have submitted certification letters, 21 States have submitted contingency plans, and 9 States have submitted both.

With electronic benefit transfer, the District of Columbia and 40 States now deliver food stamp benefits through EBT. These systems are delivering benefits to nearly two-thirds of all food stamp recipients, with 31 States and the District of Columbia operating State-wide EBT systems. We are working aggressively with the States. We have met with the EBT processors, the retailers, the third party processors, and financial networks to assure that the food stamp benefits through EBT will be accessible to our clients on January 1, 2000. We have received assurances from the major food retailers that food will be available. Our third party processors have indicated to us in early July that all of those programs are Y2K ready.

Mrs. MORELLA. I am going to ask you if you can wind up.

Ms. WATKINS. Sure. What are our next steps? We are making preparations to ensure that all of these programs will be compliant. We do have some State agencies that have indicated that they will not be ready until December. Those include Georgia and Maryland for either WIC and child nutrition. We will be working with those agencies aggressively to assure that they are ready. Today, Secretary of Agriculture Dan Glickman is sending a letter to every Governor reemphasizing the importance of Y2K compliance to ensure that no families go hungry, and that letter will also let them know where they are currently in the process.

In conclusion, Congresswoman Morella, USDA's vision for its Food and Nutrition Service is to lead America in ending hunger and improving nutrition and health. To not provide food to needy families and children as a result of Y2K would undercut that vision. We want to make certain that all of our families are going to be served and all children will be served.

That concludes my prepared remarks. At the conclusion of the panel, I will be glad to answer any questions that you may have about these programs.

[The prepared statement of Ms. Watkins follows:]

TESTIMONY OF SHIRLEY R. WATKINS
UNDER SECRETARY FOR FOOD, NUTRITION AND CONSUMER SERVICES
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT REFORM SUBCOMMITTEE ON
GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
AND THE
HOUSE COMMITTEE ON SCIENCE, SUBCOMMITTEE ON TECHNOLOGY
OCTOBER 6, 1999

Good morning, Mr. Chairman and Madam Chairman, Members of the Committee, I am Shirley R. Watkins, Under Secretary for Food, Nutrition, and Consumer Services at the U.S. Department of Agriculture (USDA). I am pleased to join you today to talk about the Department's initiatives to ensure that the Federally funded, State administered nutrition assistance programs are Y2K ready.

As we prepare for the Year 2000 (Y2K), the Food and Nutrition Service's (FNS) primary goal has been, and remains, to ensure there will be no interruption in the Nation's nutrition assistance services. These services primarily consist of the Food Stamp Program, the Supplementary Nutrition Program for Women, Infants and Children (WIC), and the Child Nutrition Program, which includes school breakfast and lunch programs. FNS works in partnership with the States and territories and provides funding, monitoring, and oversight of these mission critical programs. State agencies and territories are the agents responsible for providing the delivery of nutrition program services to the public.

The Food and Nutrition Service started preparing for the millennium in June of 1997 by asking the 50 states, Guam, Virgin Islands, Puerto Rico and the District of Columbia, to report Y2K progress for the Food Stamp, WIC, and Child Nutrition Programs. FNS requested Y2K progress reports in three critical areas for each state and territory: software compliance, hardware compliance, and telecommunications compliance. FNS immediately sent several guidance memoranda to the States, both individually from FNS and jointly with the Department of Health and Human Services (DHHS). FNS and DHHS also provided expedited approval of funding for Y2K activities. We began obtaining status reports and updates from each State, and requested such information on a quarterly basis. FNS' Regional Offices requested Y2K information from each of the States within their geographical area. FNS has participated in several national meetings, involving Federal and state staff, to discuss Y2K and its impact on State systems. Our Regional Offices performed site visits to State offices in order to perform Y2K compliance checks. In addition, FNS has requested that States reporting Y2K compliance in all three areas send the Agency a letter certifying their systems are Y2K compliant. The Agency also has requested that those States not able to report that they would be Y2K compliant by March 1999 certify, in writing, that they submit a contingency plan that would assure the continued delivery of nutrition assistance to recipients.

In April 1999, FNS acquired the services of Science Applications International Corporation (SAIC) to provide Y2K technical assistance to States and to assist in the oversight and evaluation of State Year 2000 programs. FNS reviewed and analyzed

information gathered from State agencies regarding software, hardware and telecommunications compliance to determine which states would be reviewed by SAIC.

Thus far, SAIC has visited over 20 State agencies to review Y2K compliance program activities (e.g., planning, test procedures, test results, regression analysis, implementation and contingency plans). SAIC continues to work closely with FNS headquarters and regional staff assessing and monitoring State Y2K program activities.

Current Status

As of September 25, 1999 the vast majority of State agencies have notified FNS that they are Year 2000 (Y2K) compliant. FNS collects information from each State agency that operates an Office of Management and Budget (OMB) declared "high impact" feeding program. The following table outlines State agencies' progress in preparing for Y2K. The table shows, by program, the month in which State agencies report they will achieve Y2K compliance.

Time Table of States Achieving Year 2000 Compliance

	States Y2K compliant or reporting September compliance	*Achieve Compliance in October*	*Achieve Compliance in November*	*Achieve Compliance In December*
Food Stamp Program	44	New Hampshire, Washington, D.C., Ohio, Guam	Virgin Islands, Alabama, Georgia, Illinois, Arkansas, Oklahoma	0
WIC Program	47	West Virginia, Illinois, Idaho, Guam	Alabama, Oklahoma	Georgia
Child Nutrition Program	48	Mississippi, Ohio, Missouri, Nevada, Oregon	0	Maryland

To ensure the continued successful operation of the Nation's feeding assistance programs into the Year 2000, FNS has requested a certification letter from each State agency that operates the Food Stamp Program and the WIC Program. Additionally, all

State agencies have been asked to submit a business contingency plan to the Agency. Through September 1999 FNS has received certification letters or contingency plans for these programs as follows:

	Certification Letters	*Contingency Plans*	*Submitted Both*
Food Stamp Program	23	19	8
WIC Program	37	21	9

Electronic Benefit Transfer (EBT)

The Food and Nutrition Service is taking a leadership role in assuring our customers and the American public that the electronic delivery of food stamp benefits will transition smoothly into the year 2000. Forty States and the District of Columbia now deliver food stamp benefits via Electronic Benefit Transfer systems to nearly two-thirds of all food stamp recipients; with thirty-one states and the District operating statewide EBT systems.

FNS is actively working with states, EBT processors, retailers, third party processors, and financial networks to assure that food stamp benefits will be accessible to our clients on January 1, 2000. We have received assurances from major retailers and

third party processors, the point where our clients exchange their food stamp benefits for food, that they are Y2K ready and will have food available in the new year. EBT processors and financial networks have provided assurances that their systems are compliant and meet the rigid Y2K testing, remediation, and operational requirements of the Federal Financial Institutions Examination Council (FFIEC). And, FNS has asked and is now receiving assurances from states that their EBT systems can provide food stamp account and benefit information to the EBT processors.

Next Steps

As we move into the final phase ofY2K preparations, a major FNS concern is the ability of our State partners to be able to deliver program benefits as the new year begins. The plan below was developed to address the steps FNS is taking to monitor, and where possible, assist States in achieving Y2K compliance.

- The Agency will continue to monitor State progress in preparing the Food Stamp, WIC and Child Nutrition Programs for the year 2000, and the Agency will report that progress on a monthly basis to the Department, and through the Department to OMB.

- The Agency will continue to request that each State agency provide a certification letter as it achieves Y2K compliance for both Electronic Benefit Transfer (EBT) and Management Information System (MIS) systems.

- The Agency will renew its request for contingency plans from all State agencies and will give priority to the review of contingency plans of all States reporting that Y2K compliance will not be achieved for FNS programs (FSP, WIC, CNP) until after September 30, 1999. These reviews will be coordinated with DHHS.

- The Agency has requested its contractor to conduct a software technical review for any state that is reporting less than 75% compliance on or after September 30, 1999, or any other state identified by FNS' regional office personnel. The Georgia WIC program is an example of a program area that raises concern to FNS. Progress reports from Georgia leave little, if any, room for error or time slippage. The Agency intends to send its contractor, SAIC, to Georgia for a second time to provide assistance and support to the State agency, and to independently verify and validate the State's contingency system..

- The Agency will contact any state reporting less than 75% compliance for software, hardware or telecommunications compliance on or after September 30, 1999, or to any other state for which it is concerned. The letter will express FNS' concern and will seek assurance that funding, approvals, and appropriate

procurement vehicles are in place to make these areas Y2K compliant by the date the State has reported it will achieve Y2K compliance.

In addition to the above steps, Secretary of Agriculture Dan Glickman will soon be sending a letter to each State Governor emphasizing the importance of timely Y2K preparation and requesting the Governor's assistance in full Y2K preparations. FNS will be contacting each State with more specifics about that State and to finalize preparations for the transition to the year 2000. FNS' Regional Offices will meet with the relevant commissioners and State agency staff to insure that program beneficiaries will not have interruption in the receipt of their program benefits.

Conclusion

On September 25, 1999, 139 of the 162 State agencies that operate joint FNS/State agency programs reported that they are Y2K compliant would be or compliant on month's end. We intend to continue to work with the remaining 23 agencies to ensure the successful continuation of the Nation's nutrition assistance programs into the Year 2000 and beyond. We believe these steps and the hard work and dedication of FNS' employees and the employees of its State partners will achieve that goal.

This concludes my prepared remarks. I would be happy to answer any questions you may have at this time.

Mrs. MORELLA. Thank you very much, Secretary Watkins. I am particularly interested, as Mr. Bartlett is, in getting more compliance from Maryland.

We are going to recess this panel because we do have a vote. Mr. Horn will be back probably very quickly and then we will reconvene in about 10 minutes. Thank you.

[Recess.]

Mr. HORN. The subcommittee will come to order.

Our next presenter is Edward Hugler, the Deputy Assistant Secretary for Information Technology, and Acting Deputy Assistant Secretary for Administration and Management, U.S. Department of Labor. Welcome.

STATEMENT OF EDWARD HUGLER, DEPUTY ASSISTANT SECRETARY FOR INFORMATION TECHNOLOGY AND ACTING DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT, U.S. DEPARTMENT OF LABOR

Mr. HUGLER. Thank you, Chairman Horn, and members of the subcommittee. I appreciate the opportunity, like the rest of the panel, to discuss the readiness of the Department of Labor's programs, specifically, the Federal and State-run unemployment insurance program.

As you know, the unemployment insurance program operates through 53 State employment security agencies [SESAs]. The Department of Labor oversees this nationwide program which is administered by the 50 States, Puerto Rico, the Virgin Islands, and the District of Columbia. It is a $20 billion program, serving some 8 million workers annually. As such, the UI program is, indeed, and "high impact" program with very direct and immediate impact on the lives of individuals in need.

To carry out the Secretary of Labor's commitment to ensure the uninterrupted delivery of these and other core Department of Labor services, we have taken a very strong leadership role in assisting our 53 SESA partners. Since 1996, the Department has provided ongoing guidance and hands-on technical assistance. Specifically, our Employment and Training Administration unemployment insurance staff have worked extensively with the SESAs to carry out the very same year 2000 readiness regiment used across the Department of Labor for our own systems as well as other Federal agencies. That began with the system of remediation or replacement, followed by independent verification and validation, which is, in effect, a double-check audit of that work, followed then by end-to-end testing to see that we accomplished what we set out to do, and then, finally, business continuity and contingency planning so that if any automated system is in fact disrupted by something unforeseen, program services can still be delivered.

In support of these rigorous preparations, the SESAs have received more than $250 million to date, and we appreciate the support of Congress in making those funds available to our SESA partners.

I believe we have solid results to show for these efforts. At the beginning of this year, the unemployment insurance program was one of the very first to have to adapt to the century date change. This is because the eligibility computations for workers filing

claims at the start of 1999 began to include, for the first time, projections into the year 2000. The unemployment insurance program's 53 SESAs were prepared and they cleared this hurdle without incident.

Since then a tremendous amount of work has been done to ensure that all aspects of the unemployment insurance program are equally ready at the end of this year, and that we can repeat our earlier success. I should explain that the unemployment insurance programs are composed of three principal systems: the benefit payment system, which is really where the rubber meets the road; the tax system, which provides the revenue for the benefit payments; and the wage record systems. Right now, the benefit payment systems in 50 of the 53 SESAs are year 2000 compliant and have been successfully implemented; 46 SESAs also have all three of their primary systems compliant and on line.

In the time remaining, we are stepping up our monitoring and assistance to the SESAs focusing on those with work still to do. Yesterday, the Secretary of Labor sent letters to the Governors of three States, Iowa, Maine, and New Jersey, alerting them to the issues that require their attention.

In the District of Columbia, which is behind all other SESAs at this time, the Department is providing extensive and direct assistance, utilizing nearly $2 million in recently released emergency funds. As part of this effort, the Department is working with the District to install a first of its kind, stand alone, personal computer-based system that can actually substitute for any State's benefit payment system. It is called, appropriately, the Automated Contingency System. It was developed by the Department in cooperation with the State of Maryland specifically for the unemployment insurance program to protect against any unforeseen year 2000 disruptions. The system can be customized to the unique laws of any SESA, and thereafter it will process claims, calculate benefits, and issue payments to eligible claimants, while the main system is brought on line.

Right now we are installing this ingenious solution in the District of Columbia to back up our efforts to complete the installation and testing of compliant systems before the end of the year. We expect to have the Automated Contingency System operational in the District of Columbia next month. We have also demonstrated the ACS, Automated Contingency System, to other SESAs interested in utilizing it as part of their contingency planning.

These are some of the highlights of what we have been able to accomplish in our UI program and that staff working with our 53 SESA partners. I would be very pleased to expand on any of these topics and answer any questions you may have. One other thing I would like to do is revisit what I think is a misunderstanding of some of our management information that was referred to in Mr. Willemssen's testimony which I think could inadvertently cast some doubt on the readiness of our SESA systems. We are confident that the unemployment insurance program will be there for workers who may need it on and after the century date change. Thank you, Mr. Chairman.

[The prepared statement of Mr. Hugler follows:]

Statement of Edward C. Hugler
Deputy Assistant Secretary for Administration and Management
U.S. Department of Labor
Before the
Subcommittee on Government Management, Information and Technology of the Committee and Government Reform and
the Subcommittee on Technology of the Committee on Science
United States House of Representatives

October 6, 1999

Chairman Horn, Chairwoman Morella, distinguished members of the Subcommittees, thank you for the opportunity to discuss the Year 2000 readiness of the Unemployment Insurance program. One of the Department of Labor's highest priorities continues to be active cooperation with our partners in the State Employment Security Agencies to ensure that this high impact program will serve the nation's unemployed workers without interruption in the next century in every State and territory. As Secretary Herman has stated, "I take seriously my charge to ensure uninterrupted operation of all Departmental programs. No matter the rationale or hurdles encountered, if we are not Year 2000 compliant at 12:01 a.m. on January 1, 2000, we have failed those we are entrusted to serve."

Background

As you know, the Unemployment Insurance (UI) program is a Federal-State partnership which serves approximately 8 million unemployed workers, issues payments in excess of $20 billion, and collects taxes of about $22 billion from 6.5 million employers annually, making it one the largest benefit systems in the nation. The Department of Labor oversees the administration of the program nationwide. Direct program operation, however, is the responsibility of 53 State Employment Security Agencies (SESAs) which, within broad federal requirements, determine claimant eligibility, issue payments, collect taxes, and provide assistance to workers and employers in accordance with the laws passed by the 50 States, Puerto Rico, the Virgin Islands and the District of Columbia. Taxes collected by the States and jurisdictions are deposited in individual UI Trust Fund accounts maintained by the U.S. Treasury and disbursed to pay claimants' benefits.

Automated systems are critical to the effective daily operation of the UI program. The SESAs rely upon three critical systems which: (1) process and pay claims for benefits; (2) process tax billings and collections; and (3) maintain employees' wage histories. A majority of the SESAs' automated systems are complex, older, mainframe based programs, with the original coding developed, in some cases, as long as 30 years ago. The Department of Labor's automated systems receive information concerning operations and costs from the SESAs which are used for economic analysis and to assist in monitoring the program, but these data exchanges have no direct impact on the payment of claims or processing of taxes.

History of UI's Year 2000 Initiatives

The Department has assumed a leadership role in cooperating with our 53 SESA partners in the effort to achieve Year 2000 compliance for their automated UI systems. Beginning in 1996, the Department recognized the urgency of effectively addressing the Year 2000 problem to ensure the uninterrupted payment of benefits to the nation's unemployed workers. At that time, the Department initiated an on-going program to provide extensive guidance, on-site technical assistance and seminars on Year 2000-related topics, including remediation methodologies, testing procedures and Business Continuity and Contingency Planning activities. Each SESA has also received funding to address the Year 2000 problem which, to date, totals approximately $255 million. We appreciate the support of Congress in making these funds available to the Department and to our State partners.

To date our cooperative efforts have been successful. In January 1999, the Department and the 53 SESAs successfully met the UI system's, and indeed, the nation's, first major Year 2000 challenge. In early January, State UI agencies began processing new claims which had "benefit year ending" (BYE) dates in the year 2000, requiring the States' automated benefits systems to process dates after the turn of the century. All States were able to take claims beginning the first business day of January without problems. Payments on claims established in January were also issued without delays. Notably, the President's Council on Year 2000 Conversion has cited, as a good example, the SESAs' experience to persuade public and private sector leaders of the potential impact of the Year 2000 problem on their core business operations and to offer encouragement that, with effective planning, these problems can be overcome.

As the UI program's first Year 2000 encounter approached, the Department increased and refined its monitoring and technical assistance practices to ensure that all of our SESA partners would process claims and pay benefits to unemployed workers without interruption on, and after, the new year. Each SESA was instructed to provide quarterly reports on its progress in repairing or replacing the three critical systems, and to specifically address the status of BYE corrections on a priority basis. The Department conducted on-site monitoring visits to all States at least once throughout the year. During the latter half of 1998, the Department prepared and shared with our SESA partners scorecards and management reports, identifying those States at risk of BYE failures in January 1999. These scorecards helped the Department target assistance to those SESAs in greatest need of additional support and encouraged the States to accelerate their efforts. Where progress continued to lag, the Secretary of Labor communicated with the Governor or top elected official to solicit his or her assistance. The Department also provided technical assistance by identifying and publicizing a "hard code" solution, which was implemented by several States, to permit their systems to continue processing claims in January while permanent BYE repairs were completed.

To provide a further level of assurance that the SESAs' systems would continue to serve unemployed workers in January 1999, the Department and our partners prepared contingency plans to address unanticipated potential BYE-related failures. The contingencies included

preparations for larger SESAs to provide assistance to neighboring jurisdictions in the event manual processing was required, and Departmental rapid response teams were formed to provide assistance, if needed. All SESAs were contacted by the Department during the first two workdays of January and again after initial check processing cycles to confirm that all benefit systems were operating effectively.

The Department and our SESA partners gained valuable experience through the UI program's early exposure to the Year 2000 problem. Those practices which contributed to successful outcomes in January 1999 have been retained and strengthened as the Department and the SESAs finalize our preparations for January 2000.

Current Year 2000 Status of UI Systems

Since the Department's last Quarterly Progress Report on the Status of Year 2000 Conversion Efforts was submitted to the Office of Management and Budget (OMB) on August 13, we and our SESA partners have accelerated the pace and achieved significant progress, especially in the implementation of Year 2000 ready systems. Currently, all three critical UI systems -- benefits, tax and wage records -- are Year 2000 compliant in 46 SESAs, an increase of 10 SESAs since August. Benefit payment systems, the UI systems with the most immediate impact on the public, are now Year 2000 ready in all but 3 of the 53 jurisdictions. The three remaining SESAs planning to implement benefit systems during the last quarter of 1999 are: the District of Columbia, Puerto Rico, and California.

As we enter the last quarter of 1999, the Department has stepped-up monitoring and assistance to those SESAs that have not completed Year 2000 remediation for all UI systems. Regular contacts are maintained, and key dates for the remaining systems are closely tracked to confirm success or determine actions required to address delays or problems. Attachment 1 to this Statement is a color coded-chart, used as a management tool by the Department, that depicts the Year 2000 progress of each SESA's UI systems. Only one of the 53 jurisdictions -- the District of Columbia -- has systems currently considered at "high risk" of experiencing Year 2000 failures, and coded "red." All other UI systems which are not yet Year 2000 ready are coded "yellow" and considered in a cautionary status, in view of their scheduled completion in the last quarter of the year. Attachment 2 lists those UI systems, by SESA, which are not yet Year 2000 ready, with the scheduled dates for implementation of compliant systems.

Although Puerto Rico and California have not implemented complete Year 2000-ready benefit systems to date, both jurisdictions are expected to transition into the next century with no disruption to the automated payment of benefits to unemployed workers. Puerto Rico has renovated its UI benefit system, and Commonwealth officials notified the Department that testing was completed and the system was ready for implementation several weeks ago. Implementation of the Puerto Rico system was postponed to coincide with a three-day holiday weekend (October 9 through October 11), permitting additional time for the resolution of the potential minor problems which often accompany the installation of a new system. Since Puerto Rico's Year

2000 compliant tax and wage record systems interface with, and depend upon, the new benefit system, the implementation of these fully tested systems has also been scheduled for October 9. The Year 2000 readiness of California's benefits system has been hampered by a vendor's delay in scheduling repairs to the SESA's imaging equipment, which scans information from claims for continuing benefits into the mainframe computer. California has developed an effective contingency approach involving programming the mainframe computer to correct the erroneous data received from the imaging equipment, which will be implemented should the vendor fail to complete the repairs on schedule. Therefore, even without completing the remaining renovations, California will have no problems paying benefits.

As a result of substantial recent changes to the remediation strategy for Washington, D.C.'s UI systems, the Department is not projecting the completion of Year 2000 compliant systems for the District until December 1999. In June, District officials advised the SESA and the Department of their decision to designate a facility in Lexington, Kentucky as the Year 2000 environment for the UI systems, rather than the District data center previously identified and in use by the SESA's contractors developing the replacement benefit and tax systems. This relocation will require the contractors to modify the benefit and tax programs nearing completion in order to adapt the programs to operate on equipment for which they were not originally designed. The enhanced technical support available at the Lexington, Kentucky site provides a sound basis for the relocation as part of a long-term District strategy to improve the overall quality of information technology services. However, the immediate execution of the decision has extended the time required to complete Year 2000 compliant UI systems; final modifications and testing are not expected to be completed before December 1999, significantly raising the risks of Year 2000 failures for these critical systems.

In view of the status of the District's UI systems, the Department has provided more active and extensive assistance to this jurisdiction than to any other SESA. To remove the administrative obstacles which have hampered the UI Year 2000 projects in the District, the Department requested and received the approval of the Congress and the OMB for $1.9 million in Emergency Year 2000 funding to directly contract with and issue payments to vendors for the completion of the UI systems. The Department has also retained the services of a management consulting firm with expertise in information technology projects in crisis to assume the responsibility for Project Management of the District's UI systems. The contractor began work in the District on August 31, targeting its efforts on assessing the actions required and related timeframes necessary to complete the project on schedule in December.

As a further protection against the interruption of benefits to unemployed workers in the District of Columbia or any other SESA, the Department has developed a PC-based prototype system for use as part of a unique national contingency solution for potential Year 2000 failures in a Federal/State program. When modified for use by a SESA, the "Automated Contingency System" is capable of processing initial and continued claims, calculating benefit amounts, generating requests for information required from employers to verify eligibility, and issuing payments to eligible cliamants. This system, which could be customized for any SESA, would

capture and retain essential claim information for later uploading to the mainframe system when the SESA's system is restored to normal use. The prototype "Automated Contingency System" has been demonstrated to representatives of all SESAs at a recent contingency planning workshop, and arrangements are in process to customize the system to accommodate the program requirements of those SESAs electing to receive the system. In view of the District of Columbia's "high risk" classification, installing the "Automated Contingency System" at this SESA will take priority over other requests. Modification of the "Automated Contingency System" to operate the District's claim and payment process is underway and the system will be ready in November to pay UI benefits to the unemployed workers of Washington, D.C., if necessary, in the New Year.

Independent Verification and Validation

To add to public confidence that all UI systems will perform as expected next year, the Department instructed our SESA partners to follow our example in arranging for an Independent Verification and Validation (IV&V) assessment of their most critical systems -- benefits and tax -- promptly after each system became compliant. The purpose of an IV&V is to evaluate the complete repair or replacement process used by an organization from the assessment of a system's Year 2000 problems through the testing and implementation of the compliant system. The final IV&V report is expected to score each system's probability of transitioning into the next century without encountering a Year 2000 problem, assigning a rating from a high to a low probability of continued system reliability.

As anticipated, with the increase in the number of Year 2000 compliant benefit and payment systems implemented since the August Quarterly Report to OMB, the Department has received additional IV&V reports. As of October 1, IV&V reports have been received from the SESAs for 47 benefit systems and 45 tax systems -- a total increase of 33 IV&V reports since August. In several instances, the performance of IV&V assessments has lagged following the completion of system remediation. The Secretary recently elevated to the Governors of those States our views regarding the importance of IV&V assessments in an effort to increase the attention and cooperation of the SESAs in this area.

The Department is reviewing the IV&V reports as they are received to ensure that the reports confirm that all required tests were completed and the systems have been rated at "high" probability of transitioning without problems into the next century. Among those tests required for the benefit systems is an end-to-end test with the clock advanced to the Year 2000, which results in the preparation of sample benefit checks in appropriate amounts. This end-to-end test is to involve those data exchange partners of a SESA which are the most critical to ensuring the uninterrupted payment of benefits to unemployed workers. Feedback and technical assistance are provided to any SESAs with IV&V reports indicating a need for further system remediation or testing.

Business Continuity and Contingency Plans

The Department and our SESA partners have recognized that, as important as testing and verifying the readiness of our critical systems are, backup measures also need to be in place to protect against unexpected failures which, despite the UI program's best efforts, could occur in the systems of the SESAs, their partners, or in the infrastructure necessary to operate those systems. Those SESAs considered at risk of potential failures caused by the "Benefit Year Ending" calculation were, therefore, instructed to prepare targeted Business Continuity and Contingency Plans (BCCPs) during the last months of 1998 and, as previously discussed, the contingencies were invoked in several cases to continue the processing and payment of UI claims without interruption in January 1999. Complete BCCPs for the core business processes of benefit and tax processing were requested by July 1999.

Significant progress in the preparation of SESAs' BCCPs has occurred since the last Quarterly Report to OMB. During the last two months, 15 additional BCCPs were submitted by the SESAs. All 53 SESAs now have BCCPs in place for their benefit systems and only New Jersey and Puerto Rico have yet to submit contingency plans for their tax systems.

The BCCPs are currently under review in the Department to ensure that all aspects of a viable plan have been addressed and that contingent actions will permit the continued effective operation of benefit and tax programs. The Department is providing feedback and technical assistance to those SESAs with plans warranting improvements, and is assisting the SESAs in their testing of the viability of the BCCPs.

Public Notification of Program Readiness

As the Department and our SESA partners implement compliant systems and complete final preparations for the Year 2000, we recognize the importance of reassuring those who depend on our services that the UI program is Year 2000 ready. The Department has provided guidance to the SESAs offering a range of options for notifying the public about the status of the program. In response, most of our SESA partners have identified various actions planned to notify their constituents of their Year 2000 readiness and, in some cases, these actions have been completed. To further enhance public confidence nationwide in the ability of the UI program to continue the payment of benefits to America's unemployed workers, the Department intends to schedule an event during the upcoming weeks to inform the public about the program's readiness for the Year 2000.

"Zero Day/Day One" Preparations

Despite our planning and efforts, the Department and our SESA partners recognize the potential for unanticipated problems to adversely impact the UI systems as we transition into the next century. To further reduce the special one-time risks associated with the period from December 30, 1999, through January 3, 2000, and to enhance our response capability in the event of a SESA system failure, the Department has requested our partners to develop specific plans for this time period, generally referred to as "Zero Day" and "Day One." The plans are expected to

include additional steps the SESAs will take to reduce the special risks to their systems posed by "Zero Day" and "Day One." Examples of such actions include creating back-up files of pending claims, downloading wage record files, establishing crisis reaction teams, and implementing special reporting procedures so that any problems are immediately identified and action initiated.

Departmental officials plan to contact each SESA on January 1, 2000, to ascertain the status of their UI systems, and this information will be reported to the Information Coordination Center maintained by the President's Council on Year 2000 Conversion. If UI system failures are reported by the SESAs, the Department will be prepared to provide technical assistance to remediate the Year 2000 problem and support in the implementation of the SESAs' Business Continuity and Contingency Plans.

Audits of the UI Program's Year 2000 Readiness

The Year 2000 preparations of the Department and the SESAs are squarely focused on delivering core UI program services to the public without interruption in the next century. Among the key elements in this effort are an effective partnership with the Office of Inspector General (OIG) and a sound working relationship with the General Accounting Office (GAO). Both organizations have made numerous field visits to the SESAs and provided us with prompt briefings on the results to assist us in addressing problems without delay. The Department appreciates the information and assistance we have received from OIG and GAO throughout the course of this project.

In addition to the regular briefings we receive from both audit organizations, OIG has issued three audit reports, dated July 23, 1998, September 5, 1998, and March 24, 1999, on the SESAs' Year 2000 status. The latest report is summarized below:

OIG conducted audits of the progress of 13 SESAs and the auditors' conclusions -- that the States have made good progress overall in preparing UI automated systems for the Year 2000, but continued vigilance is needed -- are consistent with the Department's view. By the time the OIG's report was released, the Department had already initiated actions to address the majority of concerns identified by OIG.

The most noteworthy findings pertained to the need to improve the SESAs' BCCPs and to strengthen the monitoring of the SESAs. We concurred with these observations and the Department requested and received $340,000 of Year 2000 emergency funding to improve the Department's technical assistance to the SESAs in the preparation and testing of their BCCPs for the UI program. An additional $20,000 was provided to permit the Department to increase the level of comprehensive monitoring of the SESAs for the remainder of the year. OIG raised several additional concerns in the report, each of which pertained to three or fewer SESAs, and these matters were addressed with the States involved.

Conclusion

Our successful experience in meeting the UI system's "Benefit Year End" test has shown us that, working together, the Department and the SESAs can effectively manage the Year 2000 challenge. Through a combination of professional system remediation and comprehensive contingency planning, the Department is confident that the nation's unemployed workers can rely upon the uninterrupted payment of unemployment insurance benefits in the next century, and employers can be assured of the accurate assessment, collection and processing of tax payments.

This concludes my statement and I would be pleased to answer any questions.

Attachment 2

SESAs with UI Systems not yet Year 2000 Compliant Last Updated 10/5/99				
#	State	Benefits	Tax	Wage Records
		Compliance Date	Compliance Date	Compliance Date
1	California	10/30/99	Compliant	Compliant
2	Connecticut	Compliant	11/30/99	Compliant
3	District of Columbia	12/99	12/99	12/99
4	Montana	Compliant	10/29/99	Compliant
5	Nebraska	Compliant	10/15/99	Compliant
6	North Carolina	Compliant	Compliant	10/15/99
7	Puerto Rico	10/09/99	10/09/99	10/09/99

Mr. HORN. Thank you very much. That was a very thorough statement.

Mike Benzen is president of the National Association of State Information Resource Executives. Tell me a little bit about the group and who all is in there.

STATEMENT OF MIKE BENZEN, PRESIDENT, NATIONAL ASSOCIATION OF STATE INFORMATION RESOURCE EXECUTIVES

Mr. BENZEN. Mr. Chairman, members of the committee, I would be happy to. NASIRE represents the State government CIOs. In that capacity, we do need to understand, first, NASIRE does not control what individual States do, it is a coalition of States, if you will, and of State CIOs.

We began working on Y2K in terms of workshops, awareness programs 4 years ago. We think we have been very successful with it. But it is very difficult to characterize progress of 50 individual States. I would note that while certainly there are problems, and they have been well-documented at this table—I have five colleagues sitting here commenting about the States; I think I am the one now defending the States and it is hard to circle the wagons when you have only one wagon—but, nonetheless, we think that the progress of the States has been exceptional. If you look at the overall progress in terms of 40 States or 47 States, we are now dealing with a few. We certainly recognize that this is a serious issue. Those States need to do whatever has to be done to be ready on time. But we think, overall, the progress has been exceptional.

I think I would also mention this, and it is hard for the States to acknowledge this I think, we have partnered with the Federal Government, they have acted in partnership, the people at this table, and in a cooperative effort we have gotten out of an adversarial relationship and have gotten into cooperative agreements. I would hope that this would be something that we would see go on after the turn of the century and after Y2K, because I think this has been very beneficial and I believe both NGA and NASIRE feel the same way about that.

And with that, I will close and take questions.

[The prepared statement of Mr. Benzen follows:]

NASIRE

Representing Chief Information Officers of the States

STATEMENT OF MIKE BENZEN
PRESIDENT
NASIRE – REPRESENTING CIOs OF THE STATES

UNITED STATES CONGRESS -
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY/SUBCOMMITTEE ON TECHNOLOGY

OCTOBER 6, 1999

NASIRE Testimony 1

Attachments

1) Data Reflecting Self-Reported Compliance Status of State Government Mission Critical Systems – Survey Question #4e 5
2) List of Target Dates for Completion of State Contingency Plans – Survey Question #5 7
3) List of State Budgets/Funds Expended on Y2K - Survey Question #1 8
4) List of State CIOs 12
5) List of State Y2K Coordinators 18
6) List of State Y2K Websites 22
7) List of Top 10 Critical Service Systems 24
8) Additional Information Regarding Individual States 25

STATEMENT OF MIKE BENZEN
PRESIDENT
NASIRE – REPRESENTING CIOs OF THE STATES
BEFORE THE
UNITED STATES CONGRESS -
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY/
SUBCOMMITTEE ON TECHNOLOGY

OCTOBER 6, 1999

Thank you for inviting NASIRE to discuss the readiness of state governments to administer federally-funded "high impact" programs in the face of the Year 2000 technology problem.

As you may know, NASIRE is a voluntary membership association representing CIOs of 48 states. As leaders of state government IT programs, NASIRE members have collectively been working on the Year 2000 problem since 1996. Coordinating the leadership of state chief information officers and their Y2K managers, the association has been pro-active in this arena through efforts such as the following:

- Held regular seminars and conference sessions on this subject,
- Co-sponsored two intergovernmental summits in conjunction with the National Governor's Association (NGA) and the President's Council on Y2K Conversion,
- Established a State and Federal CIO Task Force in conjunction with John Koskinen and the President's Council on Y2K Conversion,
- Led a variety of public awareness events and campaigns, including "Community Conversations" hosted by John Koskinen and other members of the President Council,
- Participated in monthly teleconferences of state CIOs, Y2K Coordinators, and federal agency representatives which are hosted by various individual states and supported by the General Services Administration,
- Coordinated remediation reporting efforts with states and member-agencies of the Federal CIO Council, and
- Testified to the Senate Subcommittee on the Y2K regarding overall state preparedness and efforts needed in the area of emergency management.

Although we have had great success in leading the collaborative efforts of the states and increasing constructive communication on this and other important issues, we have no authority over the actions of individual states. Our mission centers on providing support and strategy for positive action within the states, as well as outreach to our federal counterparts on their behalf.

Y2K Reporting

NASIRE has collected a broad range of remediation benchmarks through an on-line self-reporting survey of our member states <www.nasire.org/y2k>. According to this voluntary overview, the vast majority of states have made impressive progress with their mission

critical systems.[1] In fact, 36 NASIRE state members are now at least 90% complete with their remediation progress.[2] According to the survey, 43 NASIRE member[3] systems are now at least 75% compliant. This figure represents more than 94% of the nation's population. While this information shows only a "snapshot" of overall state progress, the numbers reported are very encouraging. Moreover, according to their own assessments to date, states are scheduled to spend $3.5 billion [4]overall on Y2K remediation.

NASIRE members worked with their federal counterparts to identify a comprehensive assessment of data exchanges, contact information, and progress toward remediation of those exchanges. States have generally agreed to rely on the federal government's assessments of progress in remediating those exchanges since the federal agencies "own" the majority of the exchanges. According to federal agencies reports, the process of rectifying or bridging the exchanges are complete.

Federally-Funded, State-Managed Services

States and their federal agency partners have diligently worked together in order to communicate information on this important issue. Certainly, we trust this is a trend that will continue long after this project is completed. Relationships and common assessment practices are being established that will be beneficial to both levels of government long after January 1, 2000. We commend our federal partners on their efforts to work *with* us to resolve common concerns.

Some months ago, the states collaborated with John Koskinen's office and members of the Federal CIO Council to determine the "Top 10" federally-funded, state-run services to citizens. The states are working with their federal counterparts in the Departments of Health and Human Services (DHHS), Labor, and Agriculture to ensure that these programs are effectively delivered. The Office of Management and Budget (OMB) recently released its tenth quarterly report regarding the progress of these services. Overall, the outlook is very positive as it relates to state preparedness. Remediation of the majority of the services in question has been completed.

The majority of the most complex and cumbersome programs to implement are driven by the Administration for Children and Families (ACF) and the Health Care Financing Administration (HCFA). As many state efforts are implemented by varying levels of service providers throughout the state, county, local, and private-sector, DHHS representatives

[1] The survey instrument defines "mission critical systems" as systems that each state identifies as priorities for prompt remediation. Such systems could encompass public safety, public health, financial and personnel aspects of government services.

[2] The survey instrument defines percentage "compliant" as the total percentage of mission critical systems that are compliant, meaning the systems have been 1) assessed, renovated, validated, and put back into implementation, 2) retired or, 3) replaced.

[3] Arkansas and Oregon are not currently NASIRE members.

[4] See survey Question #1 in addendum of this document for state self-assessments. Scope of remediation efforts varies greatly from state to state.

continue to make state site visits in order to aid in the collective tracking of remediation progress for HCFA programs. According to both parties' assessments, the vast majority of states are ready to carry out their responsibilities toward implementation of these critical services. HCFA has rated each state's progress regarding successful Medicaid service delivery using 42 criteria. Current reports cite 31 of the states as having a low-risk of failure regarding their capabilities of using their current technology to implement state-run Medicaid programs, and 13 states are listed with a medium risk factor. These numbers are dynamic and should be updated frequently.

Contingency Plans and Business Continuity

Of course, state and federal agencies have different schedules and deadlines for the final phases of implementation and business continuity plans. It is our understanding that many of the state's DHHS ratings may be lower than their own assessments due to timing of their contingency plans. Obviously, progress is made toward these ends every day. For example, New Jersey and Connecticut are completing and testing their contingency plans as we speak. Although there are some states that have specific programs that are not scheduled for compliance until later this year, the vast majority have already been implemented. Certainly, the technical assistance and assessment provided by the Department continues to be beneficial to the states overall, particularly as it relates to prioritizing remaining efforts.

The development of workable contingency plans is the all-important last step of the remediation process. As you can see from Attachment Number Two, 31 states have completed and tested their contingency plans for mission critical programs, and another six plan to have plans finalized by the end of the month.

Although we continue to share this information with our data partners, passing the information through government "machines" inevitably dates our progress. Please make note of the "last collected" date on all reports and contact the owners of that information before making summary judgements.

Sensible Communication

As is the prerogative of individual state governments, each state is addressing the phases of their remediation process in a slightly different fashion. Each state and each level of government may report their progress or benchmarks differently. It is tempting to make comparisons of complex systems and structures that may or may not be relevant – comparisons that have little to do with our most important concern: *delivering services to our citizens*. It is everyone's goal to make the January 1, 2000 date change a non-event.

Thank you again for the opportunity to address you this morning. As you work to assess the potential impact of Y2K on the nation overall, I urge you again to talk to the individuals in your own states who are leading this issue. We must work together to ensure diligence and progress, to evangelize our progress on this issue, and stay public confidence. Y2K is a man-made problem that could be greatly exacerbated by irresponsible reporting regarding progress. Progress is made every day and responsible reporting of such is of paramount

importance. We are very confident in the states' overall progress with their remediation efforts.

We have included lists of state CIOs, Y2K Coordinators, and Y2K websites maintained by every state as an addendum to this testimony. Please take a moment to review your own state's situation and ask your constituencies to do the same.

Results of NASIRE On-Line Quick Y2K Survey

4. What percentage of the work of repairing or replacing mission critical systems has been completed for phase listed below?

Note: Survey results reflect estimates on behalf of the states and are as current as the dates listed in the column "Date Last Updated." They are intended as a reference point for NASIRE members and should not be reproduced without permission of NASIRE. Please contact individual state Y2K Coordinators or CIOs for confirmation or updates of survey results.

State*	Assessment	Renovation	Validation	Implementation	Compliant	Comments	Date Last Updated
					(Percentage of mission critical systems that are compliant.)		
Alabama	93	80	57	42	42	"Agencies are required to certify business processes as being compliant to the CIO, Alabama Department of Finance. Alabama uses a 7 phase remediation process. The last phase is implementation. The AL Dept. of Finance has an integrated accounting, purchasing and personnel system for most of the state agencies. The accounting covers departmental or agency level accounting as well as the State's Comptroller. Many of the agencies providing direct services and benefits are utilizing the Finance Department's mainframe computer. The Finance Department provides fee based services for agencies, but the larger ones mentioned above have their own programming staff. Percentages based on reporting agencies.	9/8/99
Alaska	100	92	83	84	84	The state of Alaska certifies systems as an acknowledgement that Y2K readiness efforts have adhered to established Y2K standards and guidelines, and have met established testing and procedural requirements, including having an approved Y2K contingency plan in place.	9/20/99
Arizona	100	100	98	96	94	We are tracking external interfaces only as a percentage of implementation. We do not break that down into phases. Nor do we compile and track that percentage completion with the data technology. Our external data interfaces are 100% complete, but that figure is not included in the 94% implementation figure above.	10/1/99
California	100	99	98	98	98	This information is subject to the Year 2000 Information and Readiness Disclosure Act (P.L. 105-271, 112 Stat. 2386).	10/1/99
Colorado	100	100	98	96	91	90.2% of the mission critical projects have been completed. However, Colorado does not consider a system COMPLIANT* until the Y2K Project Office performs an internal verification. In addition, Colorado is performing an extensive Independent Verification & Validation (IV&V) project to ensure quality Y2K work has been performed."	9/23/99
Connecticut	99	98	95	90	90	None - UPDATED BY: Rock Regan - UPDATED BY: Rock Regan - UPDATED BY: Rock Regan	9/24/99
Delaware	100	95	90	87	90	All percentages are estimates. Agencies have their plans with milestones. Y2K Advisory Team has the scheduled completion dates only. - UPDATED BY: Kathy Donovan	10/1/99
Florida	100	100	100	99	99	Florida is lauching an expanded effort to provide awareness to all government and private sector interests on the year 2000. Termed Florida Team 2000", the formal start has been announced by Governor Bush and the organization has been established. "	9/23/99
Georgia	100	98	93	81	82	The % provided for Compliant reflects the # of mission-critical systems that have completed Technical Testing. For additional information, please visit Georgia's Year 2000 Web site at www.year2000ga.org.	10/1/99
Hawaii	100	68	66	68	68	No Answer	4/26/99
Idaho	100	95	95	90	90	none	6/23/99
Illinois	100	99	80	75	95	Percentages represent amount of effort complete for Tier 1 & 2 functions	9/24/99
Indiana	100	99	96	61	97	Most of the remaining implementation involves one agency with many complex and tightly integrated systems. The implementation will be done in conjuction with legislatively mandated changes scheduled for 1-Oct-1999.	9/14/99
Iowa	100	100	100	100	100	None - UPDATED BY: Iowa Year 2000 Project Office	8/27/99
Kansas	100	98	97	97	98	No Answer	9/22/99
Kentucky	100	100	98	99	99	Kentucky's plans indicate that renovation will be completed November 1999- UPDATED BY: John Tomlinson	9/29/99
Louisiana	99	94	93	91	91	The LAY2K Coordination Office is tracking the percentage completion of the remediation effort of state systems.	9/22/99
Maine	99	95	92	92	95	None - UPDATED BY: Robert Mayer - UPDATED BY: Robert Mayer - UPDATED BY: Robert Mayer - UPDATED BY: Robert Mayer	10/4/99
Maryland	99	98	93	93	98	96% of Maryland's 430 critical systems are "Y2K Ready" (have completed remediation and are in final testing or are already compliant.) 100% of the mainframe environments are Y2K compliant, 91% of the mid-range computers are Y2K compliant, and 86% of the PC's are Y2K compliant. Maryland's 430 "critical systems" encompass more than the systems that meet NASIRE's definition of "mission critical." Each state agency identifies its critical systems – those systems without which a significant business process would be adversely affected. UPDATED BY: Y2K Program Management Office based upon inputs from state agencies.	9/27/99
Massachusetts	100	98	94	95	95	N/A - UPDATED BY: Val Asbedian	9/10/99
Michigan	100	100	99	99	99	Michigan's lower priority systems (463) stand at 94% Year 2000 ready.	9/15/99
Minnesota	100	99	97	97	97	None - UPDATED BY: Beverly Schult	8/19/99
Mississippi	100	100	905	90	90	All mission critical systems have been converted, except one. This system will be completed in September.	7/22/99
Missouri	99	99	96	92	92	UPDATED BY: Debbie Wells	9/13/99
Montana	100	80	80	80	80	no data available to differentiate renovation, validation, implementation and compliant.	7/7/99

Nebraska	100	100	100	100	100	- UPDATED BY: Steven L. Henderson Phase Two of Nebraska's Y2K efforts are outlined in the following four point strategy: 1. Address remaining technical Y2K problems beyond the enterprise legacy systems addressed in the original project; 2. Emergency/Disaster response; 3. Local government/business outreach and information; 4. Public education and information outreach. Notice regarding Nebraska's Phase Two Y2K efforts will be posted in the next few weeks at Nebraska's homepage (www.state.ne.us) and will identify the link to more detailed information about the workplan. - UPDATED BY: Steven L. Henderson	10/4/99
Nevada	100	100	85	85	85	No Answer - UPDATED BY: Marlene Lockard	7/9/99
New Hampshire	95	72	63	61	61	Vicki Tinsley - UPDATED BY: William Armstrong	7/13/99
New Jersey	100	99	98	97	98	This is a NJ year 2000 information and readiness disclosure - UPDATED BY: John W. Longworth	9/15/99
New Mexico	100	64	71	71	71	The state is convening a Y2K council of top program officials to ensure that contingency (business continuity)planning is robust, and that essential state services will continue with no disruptions due to Y2K.	9/27/99
New York	100	100	100	100	100	As of September 1999, NYS has completed 100% of the total work effort required to bring our Statewide Top 40" systems that impact public health, safety and welfare) into compliance. All NYS' mission critical systems are compliant and back into production. NYS is measuring progress in total person years of effort needed and completed. As of 8/30/99, 87% of the total work effort required to bring the High Priority systems (agency critical systems) into compliance has been completed. "	9/16/99
North Carolina	100	99	98	94	94	Based on the way the statements in question 4) are presented, it is unclear as to whether the values requested should be based upon only the progress of those systems requiring remediation or based upon all systems reported by state agencies regardless of remediation status. Therefore, the numbers shown above include all systems reported by state agencies regardless of remediation status.	9/30/99
North Dakota	100	100	100	100	100	Does not include Higher Education	5/6/99
Ohio	97	94	90	77	78	93% of all work associated with critical systems is complete. 92% of the statewide Y2K effort is completed.	9/7/99
Oklahoma	100	90	85	85	75	The above percentages are an estimate as Oklahoma is on a agency to agency basis.	3/11/99
Pennsylvania	100	100	100	99	99	none	9/30/99
Rhode Island	98	90	90	90	90	The mission critical systems tracked were defined by the Auditor General. The agencies are required to meet schedules established by Executive Order or obtain a waiver from the Chief Information Officer.	7/29/99
South Carolina	99	98	95	91	95	none	10/1/99
South Dakota	100	99	99	99	99	SD percentages are reflective of ALL systems, not just critical systems. *Mainframe systems-99.8% remediated, 88.3% certified (23,069,005 LOC) *Non-mainframe systems-96.6% remediated, 90.9% certified (1147 systems) *Data Center Infrastructure-99% remediated, 99% certified (1833 items) *Network Components-99% remediated, 96% certified (1225 components) *Voice Lines-100% remediated (16,300 voice lines) *Key Telephone systems-98% remediated (115 systems) *Standard hardware and software products-99% remediated, 99% certified (115 products) *Personal Computers-98% remediated, 98% certified (8432 PCs) *Public Broadcasting-100% remediated, 100% certified (125 items) *State Radio Infrastructure-99% remediated, 99% certified (726 items)	9/29/99
Tennessee	100	97	97	97	87	none	9/8/99
Texas	100	93	93	99	99	Our mission statement: To effectively apply and facilitate the use of resources to assist the agencies and institutions of higher education of the State of Texas in achieving Year 2000 operability". Texas Agencies/Universities do not report 'compliance.' They report 'operability.' These percentages include Mission Critical Compliance Units reported by Mission Critical Agencies.	10/1/99
Utah	99	97	90	90	90	Remaining systems are almost all in the final stages of validation. Website: http://y2k.state.ut.us - UPDATED BY: David Fletcher	9/20/99
Vermont	100	98	93	92	96	97% complete overall based on project plans and total hours.	9/30/99
Virginia	100	99	98	98	99	Note - Percents complete are only for the risk category information systems" for the report period ending August 31, 1999. Y2K remediation progress is posted to the CDCI web site on a monthly basis at www.cdci.state.va.us. "	10/4/99
Washington	100	100	99	99	99	None - UPDATED BY: Steve E. Kolodney - UPDATED BY: John O. Saunders	10/1/99
West Virginia	100	100	98	98	95	Of the 81 critical applications: 58 completed; 2 scheduled by Oct. 15, 1999; 1 scheduled by Dec. 1, 1999; 1 scheduled by Dec. 1, 1999	9/30/99
Wisconsin	100	100	96	92	92	n/a	8/5/99
Wyoming	100	67	51	67	67	The numbers still appear to be low, but one of the larger applications is scheduled to roll in 3Q1999. This should bump the % significantly.	7/9/99

** Arkansas and Oregon are not currently members of NASIRE*

0 =did not respond to this question

Data current as of Oct 4, 1999 - 3:00pm

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YEAR 2000 READINESS DISCLOSURE STATEMENT

The National Association of State Information Resource Executives, Inc. (NASIRE/*Representing Chief Information Officers of the States*), through this report, provides information about the Year 2000 in order to assist federal, state and local governments in meeting the challenge; to foster the exchange of best practices among state government; to report on the internal activities of the association as it relates to the problem; and to provide the public with information about the readiness of state government in as accurate a manner as possible. Any past or present information on these findings as provided by NASIRE regarding the readiness of a particular entity is a Year 2000 statement as defined in section 3(11) of the Year 2000 Information Readiness Disclosure Act, (Public Law 105-271, 112 Stat. 2386), and are hereby designated as Year 2000 Readiness Disclosures. Questions regarding NASIRE's Year 2000 committees, programs and activities may be sent to nasire@amrinc.net.

Results of NASIRE On-Line Quick Y2K Survey

#5. Is state actively engaged in internal and external contingency planning?

Note: Survey results reflect estimates on behalf of the states and are as current as the dates listed in the column "Date Last Updated." They are intended as a reference point for NASIRE members and should not be reproduced without permission of NASIRE. Please contact individual state Y2K Coordinators or CIOs for confirmation or updates of survey results.

STATE	Are you conducting emergency response planning?	What is the target date for completion and readiness of all contingency plans?	Date Last Updated
Alabama	Yes	Jul-99	9/8/99
Alaska	Yes	Oct-99	9/20/99
Arizona	Yes	Oct-99	10/1/99
California	Yes	Oct-99	10/1/99
Colorado	Yes	Dec-99	9/23/99
Connecticut	Yes	Aug-99	9/24/99
Delaware	Yes	Sep-99	10/1/99
Florida	Yes	Dec-99	9/23/99
Georgia	Yes	Dec-98	10/1/99
Hawaii	Yes	Jun-99	4/26/99
Idaho	Yes	Jun-99	6/23/99
Illinois	Yes	Oct-99	9/24/99
Indiana	Yes	Aug-99	9/14/99
Iowa	Yes	Sep-99	8/27/99
Kansas	Yes	Sep-99	9/22/99
Kentucky	Yes	Sep-99	9/29/99
Louisiana	Yes	Sep-99	9/22/99
Maine	Yes	Aug-99	10/4/99
Maryland	Yes	Jul-99	9/27/99
Massachusetts	Yes	Oct-99	9/10/99
Michigan	Yes	Jul-99	9/15/99
Minnesota	Yes	Jun-99	8/19/99
Mississippi	Yes	Sep-99	7/22/99
Missouri	Yes	Dec-99	9/13/99
Montana	Yes	Dec-99	7/7/99
Nebraska	Yes	Nov-99	10/4/99
Nevada	Yes	Jul-99	7/9/99
New Hampshire	Yes	Dec-99	7/13/99
New Jersey	Yes	Sep-99	9/15/99
New Mexico	Yes	Sep-99	9/27/99
New York	Yes	Jun-99	9/16/99
North Carolina	Yes	Dec-99	9/30/99
North Dakota	Yes	Oct-99	5/6/99
Ohio	Yes	Sep-99	9/7/99
Oklahoma	Yes	Jan-99	3/11/99
Pennsylvania	Yes	Sep-99	9/30/99
Rhode Island	Yes	Aug-99	7/29/99
South Carolina	Yes	Nov-99	10/1/99
South Dakota	Yes	Sep-99	9/29/99
Tennessee	Yes	Jul-99	9/8/99
Texas	Yes	Aug-99	10/1/99
Utah	Yes	Sep-99	9/20/99
Vermont	Yes	Nov-99	9/30/99
Virginia	Yes	Jul-99	10/4/99
Washington	Yes	Jun-99	10/1/99
West Virginia	Yes	Jul-99	9/30/99
Wisconsin	Yes	Dec-99	8/5/99
Wyoming	Yes	Dec-99	7/9/99

**Arkansas and Oregon not currently members of NASIRE.*

ø=did not respond to this question

Data current as of Oct 4, 1999 - 3:00pm

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Results of NASIRE On-Line Quick Y2K Survey

♦=did not respond

Describe the state in terms of its:

STATE*	Budget for remediation in millions	How much do you expect to spend on fixing the problem?	How much have you spent to date?	Scope of authority for remediation efforts (statewide, agency only, other?)	Date Last Updated
Alabama	47 Million Anticipated - Each agency has paid for Y2K remediation from current operational budget. Governor Siegelman has signed legislation that will appropriate approximately 47 million dollars.	$85.0-$100.0 Million for the State	No Answer	Legislative Mandate: Agencies receiving General Fund or Education Trust fund required to report status. Executive Mandate: Executive Order Number 2 requires all agencies to report Y2K status and develop contingency plans. Remediation authority for Finance and Finance Agency* customers.*	9/8/99
Alaska	A Y2K budget of $14,811,595 was appropriated by the State Legislature in May 1999.	We believe our current budget of $14.8 million will be sufficient to ensure that Alaska's mission-critical business functions are ready for the Year 2000.	Alaskan state agencies began working on their Y2K challenges three or more years ago. These early costs are difficult to calculate since Y2K funding was obtained from internal budgets and significant expenditures were also made to add new system capabilities.	The scope of the Alaska Y2K Project Office is statewide for the Executive Branch agencies.	9/20/99
Arizona	$121.8 million through FY 2000	$125 million. (note: The State of Arizona Y2K website describes our definition of qualified expenditures for Y2K. Our definition of qualified expenses include those for upgrades for testing beds, upgrades to system software, additional integrity checks, special personnel salary costs (and contractor costs), matching funds, system replacements (scheduled or unscheduled), appropriated and non-appropriated dollars. Different states use different definitions of qualified expenses which makes comparisons among states misleading. Those who have fewer qualified expenses will look like they are not spending sufficient funds. Those who have broad definitions will look spendthrift. Any comparison of budgeted and actual expenditures must include a disclaimer that different states account their spending in different ways.) This includes expenditures beyond FY 2000, particularly for the purchase of new telephone systems that will be lease-purchased.	Estimated $116.1 million as of 6/30/99.	Statewide Executive Branch Agencies.	10/1/99
California	$357	$357 (includes IT, desktop and embedded chip)	$320	Each department is responsible for the remediation of their systems.	10/1/99
Colorado	$39.56M - This is the amount reported to the Legislature in August 1997 for the cost to fix Information Systems for Year 2000.	$35.46M - Cost estimate as of 6/30/1999 for Information Systems only. Does not include Higher Education or Embedded systems. Higher Ed and Embedded systems costs will be available to this site in the near future.	$28.63M - This is the expenditures for Information Systems as of 6/30/1999. Financials are reported on a quarterly basis.	The Y2K Project Office has statewide responsibility - excluding Higher Education.	9/23/99
Connecticut	$110.0 million	$147.5 M (+$37.5 M in agency budgets + $110.0M in funding to DOIT).	approx. $90 million	statewide	9/24/99
Delaware	No answer, not made available	$6.0M on mission critical application systems	No answer, not made available	Agency only, with high-level coordination from Y2K Advisory Team. Each agency has own project plan	10/1/99
Florida	$92 million over three fiscal years. This includes FY1999/2000 funds of $11 million.	$92 million (for state agency mission critical systems and embedded chips in products & services)	$90.9 million as of August 1999 has been spent, encumbered or allocated.	Authority is to coordinate remediation across 32 state agencies and the Court system, and to conduct awareness within local government.	9/23/99
Georgia	$322 Million Appropriated	$322 Million State Funding. $56 Million Federal Funding	$216 Million	State level: policy, standards, oversight and funding approval. Agencies responsible for actual contracting and remediation.	10/1/99
Hawaii	23	23	18	statewide	4/26/99

Idaho	$16.0M	$16.0M (est.)	$14.5M (est.)	Statewide for coordination. Each agency has specific responsibility for its Y2K efforts	6/23/99
Illinois	$141.4M	$141.4M	$105M	Monitor all State Agencies	9/24/99
Indiana	$38M	$38M	$25.5M	Statewide	9/14/98
Iowa	$35.0M (For the Executive Branch including Board of Regents)	$35M (including costs related to the embedded systems remediation)	$34.5 M	Statewide	8/27/99
Kansas	$25M	$25M	$7.5M	Agency Only	9/22/99
Kentucky	The agencies were informed in 1994 that remediation would have to come from their operating budgets. Specific Y2K budgets not identified.	$38M Total: Internal Systems $9.5M, External Systems $8.5M, Infrastructure Components $11.5M, Embedded Chips $ 6M, and Agency Systems $3.7M.	Approximately $27M	The authority for Y2K is with the CIO	9/29/99
Louisiana	Total unknown at this time. Y2K costs are embedded into the general operating budget although a special $5million Y2K fund was budgeted and state agencies have spent in excess of $5million prior to this fiscal year.	Unavailable at this time. We are currently trying to accumulate Y2K costs. Best estimate available at this time includes the following: FY97 98 Budgeted $16.4; FY98 99 Requested $81. $5 established for Y2K fund pool.)	Total is unknown although estimates exceeds $50 million spent on Y2K	Statewide Executive Orders issued by Governor.	9/22/99
Maine	Each agency has its own existing appropriations	$15-20M	$12M	State agencies within the Executive Branch of Maine state government, the Judicial, Legislative, and Constitutional Offices, and Commissions have supplied the Department of Administrative and Financial Services with data	10/4/99
Maryland	$97 million through Fiscal Year 2000. (This does not include individual agency funds nor PC replacement costs.)	$120 million.	$69 million. (This does not include money spent by individual agencies such as Maryland Department of Transportation, University System of Maryland, Office of Attorney General, Legislative and Judiciary branches)	State's CIO oversees statewide Y2K program. Individual agencies responsible for their own systems. Common infrastructure (telecommunications, facility process control, etc.) being coordinated by CIO.	9/27/99
Massachusetts	N/A	$103M	$66M	Statewide	8/10/99
Michigan	-	$55.9M (This is what has been appropriated as supplemental funding for Y2K problems in executive branch agencies.)	Of the $55.6 million in supplemental funds, $27.8 million has been spent through August, 1999.	The Year 2000 Project Office's scope of authority includes all Executive Branch agencies.	9/10/99
Minnesota	As of June 1998, the Minnesota legislature has appropriated $28.7M for conversion of mission critical systems.	State agencies are also using an estimated $22 from operational fund budgets to address embedded technologies and standard upgrades of hardware. Additional funds may be requested during the next Legislative Session beginning January, 1999.	This is tracked by each agency	State Agencies	8/19/99
Mississippi	$20 million	$31 million	$16.6 million	agencies, community colleges and universities	7/22/99
Missouri	$57 M	$57.6M	$38.6M	Statewide	9/13/99
Montana	$3.7 million for the biennium	$5.6	unknown	Work is performed by individual state agencies rather than centrally. Data does not reflect the university system.	7/7/99
Nebraska	$19.6 million	$19.0 to $19.5 million	$14.3 million. Payment schedule was a component of our RFP.	Statewide	10/4/99
Nevada	$6,292,906	$6,292,906	$2,460,795	Statewide	7/9/99
New Hampshire	0	53M	41M	Statewide	7/13/99
New Jersey	$55.9M (fy 98 fy 99 fy 00) ($50.9M has been appropriated to-date specifically for year 2000 costs. Other year 2000 costs are being covered by agency operating accounts.)	$120.0M (this is the cost to remediate ALL systems)	$108.0M	Agencies statewide	9/15/99

New Mexico	Y2K expenditures absorbed by state agencies in their base budgets are not tracked. FY99 Y2K special appropriations = $8.5M. FY00 Y2K special appropriations = $9.7M, with an additional $1M appropriated as a contingency fund for unforeseen remediation needs. FY99 Y2K contingent amounts for special appropriations are not available.*	See above.	See above.		The CIO monitors executive agency Y2K projects by means of quarterly Y2K reports, annual IT plans and budget requests, and special means where appropriate. Each agency is responsible for its own Y2K compliance (see #11 below).		9/27/99
New York	$156 million in centralized funding allocated for the State's Top and High Priority projects. Agencies have been directed to reallocate existing funding to Y2k.	$260 million total statewide cost estimate, $83.0M (Plus $221.0M in other funded replacement projects)for Top Priority Systems, $73 million for the 308 High Priority Systems, $33 million for embedded and $71 million for agency medium and low priority systems.	$60.7 million of centralized funding has been spent as of 6/30/99. No totals available for individual agency expenditures at this time).	Each agency is responsible for bringing their systems into compliance. The State Office for Technology is responsible for coordinating the State's overall Y2K project, monitoring compliance for Top and High Priority Systems and reporting to the Governor's Office quarterly.			9/16/99
North Carolina	$131.0M	$131.0M	The Statewide Year 2000 Project Office manages $77.8M in the Special Fund, all within $56.1M has been spent to date. This amount does not include money that is expended from agency funds and/or federal funding)	Statewide			9/30/99
North Dakota	No Answer	The State of North Dakota has not made a seperate recording of expected Y2K expenditures.	No Answer	Agency only			5/6/99
Ohio	$61M	Under evaluation	This information is being researched	Each agency is responsible for its y2k efforts and budget. Ohio has also established a central communication, assistance, and monitoring group.			9/7/99
Oklahoma	no answer	no answer	no answer	agency			3/11/99
Pennsylvania	$45.2M	$45.2M for remediation and testing, plus costs for embedded technology and PC hardware/software	$45.2M	All agencies under the governor's jurisdiction--40 agencies. Note but this does not include Universities.			9/30/99
Rhode Island	Program specific $3 million FY98/99 Requesting an additional $2.5 million in FY99 Statewide reserve of $1.5 million in FY00 Additional agency funding has been requested (unaudited) at $20 million.	Approximately $35 million (see above	Approximately $27 million.	Statewide coordination and awareness. Agency specific project responsibility.			7/28/98
South Carolina	$10 million	$32.3 million	$25.1 million	Agency only. Each agency is solely responsible for its own remediation efforts.			10/1/99
South Dakota	$4.5M (this does not include costs for judicial and higher education systems)	$4.5M(this does not include costs for judicial and higher education systems)	$4.5M	statewide			9/29/99
Tennessee	$13.5M (estimate for total Y2K effort)	$13.5M	$14,786,561	Statewide			9/8/99
Texas	There are two sources of funding for remediation efforts in state agencies and universities. First, most state agencies are using funds from their current operating budgets for Y2K expenditures in the current biennium (FY1998 - FY1999). Second, the 76th legislature provided an additional appropriation to state agencies (not including universities) for the FY1998-FY1999 biennium. Agencies and universities have requested specific funds for remediation for FY1998 through FY2001. To date $250.8 million. The additional appropriations for FY1998 through FY1999 for state agencies only were $110.8 million. These figures do not include embedded systems costs.	$275.4 (total year 2000 estimated project cost FY 1998-2001). Excluding embedded systems costs.	FY 1998-1999 $24.7 FY1998-FY1999 $141.8 Total to date $166.5 (Excluding embedded systems costs.)	Statewide for approximately 200 state agencies and institutions of higher education, excluding junior colleges and the Legislature.			10/1/99

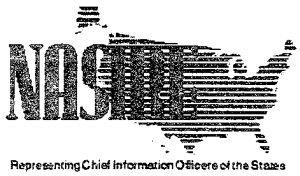
Utah	$18.7 million	Approximately $40.0M	Approx. $34 Million	Departments are responsible to assure compliance. We have a statewide coordinator that coordinates responses, reports, etc.	9/20/99
Vermont	n/a	n/a	We have spent approximately $1,000,000 on outside contractors.	The Office of the CIO is reponsible for project management of the Y2K efforts but has no direct authority over departments.	9/30/99
Virginia	$90.4M	$210.40	$165.00	State agencies and institutions of higher education	10/4/99
Washington	$88M	$88M	Unknown. We are not tracking expenditures at the statewide leve	Executive Branch, higher education	10/1/99
West Virginia	Not Available - Included in individual Agency budgets	Estimated at 37 million including higher ed.	Not Available	All State Agencies + Technical Assistance to Local Government	9/30/99
Wisconsin	Wisconsin has not separately identified Year 2000 costs and does not plan to do so at this time. Y2K efforts are funded from each agency's base budget"."	Same as above.	Same as above.	Wisconsin government is decentralized with the Department of Administration having limited ability to direct the activities of state government agencies. DOA is coordinating Y2K efforts across all state agencies.	8/5/99
Wyoming	$10 million appropriation, in addition to $13.5 million internally reallocated funds and $4.7 million currently obligated by the agencies	(Not including higher education) WY may spend as much as $26.6 million total	$16 million	Statewide custom developed software applications only.	7/9/99

"Arkansas and Oregon not currently members of NASIRE
Data current as of Oct 4, 1999 - 3:00pm

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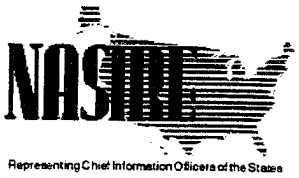
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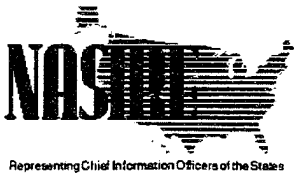
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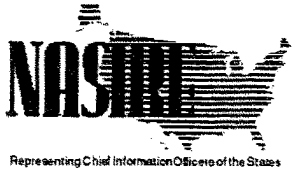
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Note: Changes can be emailed to bdoty@amrinc.net

State Y2K Web Pages

Alabama	http://agencies.state.al.us/y2k
Alaska	http://www.state.ak.us/y2000/
Arizona	http://www.gita.state.az.us/y2k.htm
Arkansas*	http://www.dis.state.ar.us/y2k/y2kintro.htm
California	http://www.year2000.ca.gov
Colorado	http://www.state.co.us/Y2K
Connecticut	http://www.doit.state.ct.us/y2k
Delaware	http://www.state.de.us/ois/y2000/welcom1.htm
District of Columbia	http://www.y2k.dcgov.org
Florida	http://y2k.state.fl.us
Georgia	http://www.year2000.state.ga.us/
Hawaii	http://www.state.hi.us/y2k/
Idaho	http://www2.state.id.us/itrmc/2k/default.htm
Illinois	http://www.state.il.us/cms/y2k/
Indiana	http://www.state.in.us/dpoc/y2k/y2khome.htm
Iowa	http://www.state.ia.us/government/its/century/
Kansas	http://y2k.state.ks.us/
Kentucky	http://www.state.ky.us/year2000/index.htm
Louisiana	http://www.crt.state.la.us/y2kla/y2kmain.htm
Maine	http://www.state.me.us/bis/y2k/y2khome.htm
Maryland	http://www.y2kmdok.org/
Massachusetts	http://www.state.ma.us/y2k/
Michigan	http://www.state.mi.us/dmb/year2000/
Minnesota	http://www.state.mn.us/ebranch/admin/ipo/2000/2000.html
Mississippi	http://www.its.state.ms.us/yr2000
Missouri	http://www.y2k.state.mo.us/
Montana	http://www.mt.gov/isd/year2000/index.htm
Nebraska	http://www.das.state.ne.us/das_cdp/y2k/
Nevada	http://www.state.nv.us/doit/y2k/
New Hampshire	http://www.state.nh.us/das/ditm/y2kpage.htm
New Jersey	http://www.state.nj.us/cio/nj2000.htm
New Mexico	http://cio.state.nm.us/y2k.htm
New York	http://www.irm.state.ny.us/yr2000/yr2000.htm
North Carolina	http://year2000.state.nc.us/
North Dakota	http://www.state.nd.us/isd/y2k/
Ohio	http://www.ov2k.state.oh.us/
Oklahoma	http://www.state.ok.us/osfdocs/y2kok.html
Oregon*	http://y2k.das.state.or.us/
Pennsylvania	http://www.state.pa.us/Technology_Initiatives/year2000/
Puerto Rico	http://www.ogp.prstar.net/informesy2k/listaeng.htm
Rhode Island	http://www.year2000.state.ri.us/
South Carolina	http://www.state.sc.us/y2000/
South Dakota	http://www.state.sd.us/state/executive/bit/y2k/index.htm
Tennessee	http://www.state.tn.us/finance/oir/y2k/webindex.html
Texas	http://www.dir.state.tx.us/y2k
Utah	http://y2k.state.ut.us
Vermont	http://www.state.vt.us/y2k
Virginia	http://www.cdci.state.va.us/

Washington	http://www.wa.gov/dis/2000/y2000.htm
West Virginia	http://www.state.wv.us/y2k/default.htm
Wisconsin	http://y2k.state.wi.us/
Wyoming	http://www.state.wy.us/ai/itd/y2000/index.html

**Currently not a member of NASIRE*

US Department of Agriculture

- Food Stamps
- Child Nutrition Programs
- WIC

Department of Health and Human Services

- Medicaid
- TANF
- Child Support Enforcement
- LIHEAP
- Child Care
- Child Welfare

Department of Labor

- Unemployment Insurance

Addendum

Upon your request for this testimony, NASIRE's leadership submitted its own request to the states for additional information regarding their individual efforts toward remediation. Giving the states only 24 hours, the following states submitted responses by the close of business on Monday, October 4:

Arizona: "Two months ago, Arizona State Government reported that we were 100% compliant on all systems that were identified among the 10 high-priority Federally Funded, State Administered Programs. The most recent report from the Office of Management and Budget does not completely confirm our assessment, instead simply reporting that eight of the systems are confirmed compliant while two more were scheduled to be compliant in June.

As of August 31 (the most recent reporting period), we are 100% compliant on all data exchanges with federal agencies. 95% of our mission critical applications are remediated, tested and in production.

We do have approximately 8 applications that are not yet Y2K compliant. For each of those applications, contingency plans have been developed. To add further credibility to these assertions, it should be noted that our State's efforts have been independently audited by the State Auditor General's Office; we provide monthly report to the Governor's Office and the Arizona State Legislature on all agency compliance status; and several federal agencies have conducted repeated independent validations of our status." – John Kelly, Chief Information Officer

California: See attached document

Connecticut: See attached letter

Kansas: "Kansas is compliant and ready to go on all Top 10 programs and have been for some time. A recent informal poll by me confirms we're still ready. Regarding HCFA programs, Kansas was rated as "low risk" during an HCFA audit on this end in March."

- Larry Kettlewell, Federal and Local Interace Manager, Kansas State Government

Kentucky: "Due to an early start, the Commonwealth is in excellent shape for the rollover into the new century. Ninety nine percent of mission critical systems have been remediated, tested and placed back into production compliant to the year 2000. These systems are currently undergoing independent verification and validation through off site code evaluation and on site third party testing.

Most cabinets/agencies have completed their business continuity plans. Others are in phases of development and testing. Rollover plants have been developed and are being expanded to reflect a statewide plan.

Rollover plans testing will occur in late November. Guidelines for documentation retention and storage have been developed to create a trail for future access and reference."
- John Tomlinson, Year 2000 Statewide Coordinator

Maryland: See attached document

Michigan: "Michigan would like to report that we are now (Oct 1, 1999) at 100% for our mission critical systems being remediated and tested. Also, we have just entered Fiscal Year 2000 without any Y2K problems being encountered anywhere."
- Gerald Williams, Director, Year 2000 Project Office

Mississippi: "We are waiting on PC upgrades for both the Liheap and Child Care systems. These upgrades were supposed to have been received in September. The Department of Human Services is checking with the vendor, GMS, to find out when the upgrade will be delivered."
- Teresa Karnes, Client Planning Manager, Strategic Services Division

New Mexico: "New Mexico's Medicaid eligibility system was given a high risk rating at the last federal oversight review in June, 1999. The rating from the previous visit had been a medium. The high risk rating was solely due to the state computer platform upon which the eligibility system runs, the system itself having been remediated a few years ago. Since the last federal visit, the issues associated with the state computer platform have been resolved, and end-to-end eligibility system testing was completed successfully on the state computer system in a fully compliant Y2K environment on September 21, 1999. New Mexico did encounter problems in the course of this testing; all have been resolved, and lessons learned have been documented and shared with other state agencies.

The State has contracted with a private Independent Verification and Validation contractor for an independent review which, unlike the federal rating system, considered the approach, plan and schedule of the remediation projects. Following the review, the system for which Medicaid eligibility is a subsystem was given a green light (low risk) for its remaining plans, and a yellow light (moderate risk) for tasks left to be done. Yellow is the best rating that is given for tasks that are not yet complete. Both the eligibility system and the MMIS system have alternative sites on which they can operate if their home environments fail for any reason.

New Mexico is confident that the federal follow-up visit in October will result in a low risk rating for the Medicaid eligibility system."
- Jody Larson, Information Technology Management Office

New York: "1. Federal/State Programs: We have reviewed NYS status for the Key Federal/State Program in the 10th Quarter Report on Year 2000 Conversion. All of our programs received a "C" (compliant) rating with the exception of Unemployment Insurance which had a September 1999 completion date. UI is reported 100% compliant and back into production. Our DOL is continuing to conduct forward date testing for the UI Employer interface through November.
2. Overall Compliance: As of September 1999, all of NYS' mission critical systems are reported as 100% compliant on the NASIRE/GSA Y2K site. An independent consultant recently concluded an IV&V (both code and process reviews) for all our mission critical systems (the IV&V reports were very positive siting that "most agencies had well under .1% of their source code"
with issues that required further review).
3. Contingency and Emergency Response Preparedness: All agencies have completed and tested contingency plans for critical systems and services. Our State Emergency Management Office is coordinating emergency response preparedness with federal, state and local partners. On September 23, 1999, NYS hosted an inter-state table top exercise with 8 neighboring states and FEMA representatives to share our Emergency Operations Center (EOC) concept of operation information and responded to scripted international and regional emergency response scenarios. Our State EOC will be activated from December 28th to January 3rd.
4. General Comment: NYS, along with all states, have been particularly challenged by the number of federally mandated program and system changes required over the past two years. These federal mandates have not only competed with limited IT time and resources but also limited our ability to "freeze code" once it has be remediated and tested."
- Gary Davis, Year 2000 Project Leader

Texas: See attached document

Virginia: See attached document

State of California
Y2K Preparedness

October 4, 1999

California has completed 95 percent of the work on mission critical systems that ensures that state residents can count on such mission critical services being delivered before, during, and after the century change. This state of readiness has been independently verified and validated by industry-leading information technology firms under contract with the State of California.

For your information, Elias Cortez, Chief Information Officer of the State of California, testified before the House of Representatives, Sub-Committee on Government Management, Information and Technology Field Hearing, conducted in Sacramento on August 13, 1999, and reported on California's enviable progress at that time. Below are the remarks Mr. Cortez made at that hearing.

Year 2000 Talking Points

California Chief Information Officer Elias S. Cortez

- Much of what I will talk to you about today can be found on the State's Year 2000 Home Page at www.year2000.gov.
- I am proud to announce that all state mission critical systems are 95% compliant as of September 30, 1999.
- We could not get there without the proper focus and vision and strong Executive sponsorship.
- I want to thank Governor Davis for providing this focus and vision as soon as he took office in January.
- Executive Order D-3-99 signed by Governor Davis in February 1999 identified the Y2K issue as the State's number one priority for information technology initiatives.
- This emphasis ensures that the State's resources are focused on public safety, economic stability, continuation of business, and the uninterrupted delivery of essential state government services to all of California's citizens and business partners.
- The Executive Order empowered me, as the State CIO, to lead bold and decisive initiatives to address Y2K. My primary focus has been to accelerate and escalate our Y2K efforts.

- The Executive Order also empowered me with the authority to oversee all information technology units within the state. In all, I have jurisdiction over 9,000 I.T. professionals and a $2.2 billion I.T. budget.

- Moreover, I have engaged successful partnerships with representatives of both the public and private sectors, including local governments, other state government entities such as the Governor's Office of Emergency Services (www.oes.ca.gov), the Health and Human Services Agency, and the various committees and task forces convened by the Governor:

- **Year 2000 Executive Committee** -- this body assumed statewide leadership, coordination and oversight responsibilities of Year 2000 activities

- **Year 2000 Business Continuity Task Force** -- created a statewide business continuity plan to address the delivery of essential services relying on the coordination of multiple jurisdictions, and to address potential failures of utilities, water, transportation, telecommunications and emergency services.

- **Year 2000 Business Council** -- served as our compass, and our guide and provided ongoing review of the state's Year 2000 strategies, plans and progress and to contribute best practices and proven solutions

- **Year 2000 Emergency Preparedness Task Force** – Chaired by Dallas Jones, this entity has guided state agencies, and worked with federal, county and municipal governments in assessing Year 2000 risks and developing worst-case scenarios that might cause significant disruptions in services.

- **Year 2000 Communication and Outreach Task Force** – This entity has been responsible for arranging nearly two dozen roundtables, workshops and other outreach exercises similar to this one to talk about Y2K issues and solutions.

- Later this month we will engage the "Follow the Sun Strategy" which will serve as our eyes and ears when monitoring unexpected impacts, if any, Y2K will have on Californians as the time zones change from Auckland, New Zealand toward California.

- As we implemented our Y2K program in February 1999, we found that the state government entities were not as prepared as we thought they should be.

- On paper, the state agencies believed they were 70 percent ready. Closer examination revealed that most of this was self-reported information, and in many cases, crucial testing documentation was either missing, incomplete or worse -- using a different set of standards that could not be harmonized across the board.

- As a result, we accelerated and escalated our program through the implementation of a state-wide Program Management Office and the development of prescriptive methodologies. This approach was documented in the Department of Information Technology's Year 2000 Strategic Plan.

- A compilation of the status information is presented for public review on the California Y2K website (www.year2000.ca.gov).

- This bold step allows the public access to objective, quantitative information about State entities.

- There are toolkits, guidance documents and how-to manuals that would be effective for your organizations in organizing and

prioritizing a number of tasks that must be completed in this Year 2000 exercise. These guidance documents are free, and have been available to any entity to use for their own Year 2000 readiness needs.

- Despite all this hard work, it was important for our organization to plan ahead.

- In the world of information technology, we need to ensure operational recovery, and refer to this planning exercise as business continuity planning.

- California's Y2K program has made a significant commitment to ensuring that business continuity planning occurs for all entities.

- This commitment to business continuity planning echoes the message of Governor Davis' Executive Order and assures the seamless delivery of services in order to make the century change a "non event".

- The Governor has entrusted the Department of Information Technology with this responsibility, a charge I take very seriously.

- Failure is not an option -- especially when you have the power to plan for an event that may occur on a date certain -- January 1, 2000.

- I am not willing to let a lack of planning seize defeat from the jaws of victory.

- All Y2K activities conducted by the State of California are a direct reflection of the decisive action and support of Governor Davis' Administration and the Legislature, as well as unprecedented cooperation among state government entities.

- Recent accomplishments by the program will allow the state to ensure continuity of state and county mission critical services to the community at large, regardless of potential information systems impacts.

- I am extremely confident that California, can, and will, deliver the mission critical services for residents before, during, and after the century change. The State has been meeting Californian's expectations of uninterrupted service by:

•Addressing the most challenging issues first by concentrating on the greatest risks to health, safety, and revenues;

•Maintaining public trust in the infrastructure that Californians depend upon, by accurately reporting on the progress made and challenges we face;

•Making sure there is a workable solution in place to provide uninterrupted service if a technology challenge occurs; and

•Preparing for the unexpected Y2K related impacts by anticipating scenarios and directing the resources necessary to maintain confidence in our communities.

September 27, 1999

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Dear Mr. Galligan:

We have received and are reviewing the "Administration for Children and Families—Year 2000 Assessment of Connecticut Systems DRAFT Final Report" issued by your office September 13, 1999. This letter is in response to the findings for Temporary Assistance for Needy Families (TANF), Child Care, Child Support Enforcement and Low Income Energy Assistance Program (LIHEAP).

We are pleased that the report recognized that "Overall, Connecticut is well prepared for the Year 2000. The Department of Social Services (DSS) and The Department of Children and Families (DCF) are both well on their way to reaching Year 2000 compliance." The assessment also found low risk for almost all of the Y2K project-management and technical-readiness factors for the DSS programs under review.

It is of concern to us that given the low-risk status of systems readiness for Year 2000, overall "medium" risk assessments were assigned to three of four DSS systems assessed—TANF, Child Care and LIHEAP. As your correspondence accurately states, we have made significant progress in our Y2K efforts since the completion of the onsite assessment.

The following brief update on the agency's Y2K and contingency plan efforts shows that the agency is well-prepared to continue business operations in the unlikely event of Y2K systems failure:

- *Emergency Food and Medical Vouchers* – Detailed contingency plans have been developed; tasks are in progress to order the voucher forms, generate special mailings to clients and grocers, and prepare training plans and Y2K desk guides for DSS staff. Local office staff participated in development of these detailed plans.

- *Generation of EMS Client Eligibility Data in Alternate Mediums* – Paper and electronic extracts of key client data will be produced and available to local office staff on 1/3/00 should system problems occur. Local office staff were involved in the design of these reports. EMS data extraction and production of paper reports has already been programmed and successfully tested. An ACCESS database is being developed and is due for completion by 11/1/99. Instructions on use of these reports will be included in the Y2K desk guide and worker training noted above.

- *Early Issuance of Cash & Food Benefits* – The final decision to implement this key contingency plan has been somewhat delayed as we assess our options in the absence of clear federal approval for this approach. However, the required Eligibility Management System (EMS) changes for early issuance have already been programmed and user acceptance testing is in progress. While this is an important and effective Y2K contingency measure, it is also a relatively simple plan to implement. Plans are in place to notify clients, staff, banks and grocers sufficiently in advance of implementation.

- *Y2K Communications Plans* – A strategy and plans to communicate DSS Y2K activities to clients, staff, business partners and the general public have been prepared by DSS Public & Government Relations staff. This initiative will be formalized during the first week of October 1999, when both the Information Technology Advisory Group overseeing the contingency planning process and the DSS Executive Team meet to give final approval to the process. Throughout our planning process we have considered it far more effective to focus Y2K communications activities in the last quarter of this year, and we do not consider it a concern that contingency plans were not in place at the local level at the time of the Y2K assessment.

- *Operations Center Plans* – DSS, as well as other key agencies in the State of Connecticut, will run a 24-hour Agency Operations Center starting December 29, 1999 at 7:00 am through January 3, 2000 at 7 pm, and longer if required. DSS will also be represented at the State's Command Center. A Management Information Systems Operations Center plan has been drafted; it includes comprehensive plans for monitoring and checking agency systems for Y2K problems over the weekend of 12/31/99—1/2/00, before the start of business on January 3, 2000. This plan is now being expanded to include program coverage, and the full plan is expected to be in place before the end of October 1999 for testing and training purposes.

- *LIHEAP* – DSS program staff continue to work with the Connecticut Association for Community Action (CAFCA) and the Community Action Agencies to refine and implement manual procedures should Y2K systems problems be encountered. We are pleased to report that the new Y2K-compliant system and infrastructure to support LIHEAP are installed and will be accessible in all locations by 10/1/99.

I feel confident that this agency is making all necessary preparations to ensure a smooth transition to Y2K for its clients, staff, business partners and systems. We appreciate the helpfulness of the federal and contractor staff who conducted the Y2K assessment and we will be happy to respond to your requests for additional information on our activities. If you have questions regarding this response, please contact Robert O'Connor at 424-5020 or Jan Vrecenak at 424-5501.

Sincerely,

Michael P. Starkowski
Deputy Commissioner

pc: P. Wilson-Coker, Commissioner
R. Pacheco, Deputy Commissioner
R. O'Connor
K. Loveland
P. Giannini
C. Taylor
D. Beltrame
J. Dillon
F. Stewart
C. Krewsky
J. Vrecenak

State of Maryland's Assessment of its Y2K Efforts

Prepared for the U.S. House Subcommittee on Government Management, Information and Technology

October 6, 1999

The State of Maryland has been asked to submit testimony on Y2K and how Maryland is preparing for the new millennium. Despite all the stories that have been published about power outages and other problems caused by the Y2K bug, the truth is that Maryland is well-prepared for the coming of the New Year.

First and foremost, you should know that Maryland has been working on this issue for years, not months. State agencies were not taken by surprise by the Y2K bug.

In preparation for the Year 2000, Governor Parris N. Glendening established three high-level task forces to ensure Maryland's citizens will be ***informed***, ***prepared*** and ***protected*** as 1999 ends.

What is being done to ***inform*** citizens?

- Several months ago, Governor Glendening created an Information Task Force, headed by Lieutenant Governor Kathleen Kennedy Townsend, to ensure the public was kept abreast of major Y2K developments. This Task Force has been hard at work reporting the results of readiness to the public.
- A prime way to share those results is by taking advantage of community conversations and town meetings. The State has participated in dozens of these meetings throughout Maryland.
- The Task Force is also in regular contact with a wide range of business and community leaders who pass Y2K-related news on to their colleagues and associates.
- The State has also established a toll-free number that citizens can call to receive detailed information on Y2K-related matters. This phone number, 1-877-Y2K-MD-OK, is printed on all of the brochures that the State has prepared for its citizens and businesses. The operators who take calls can provide information on a wide variety of subjects - everything from banking matters to questions about utilities.
- The State has also established a web site that contains the answers to a number of commonly asked questions and provides information on the State's Y2K program. The web site also contains a great deal of general information and links to other related web sites. The web site address is *www.y2kmdok.org*.

What is being done to ***prepare*** the citizens of Maryland for Y2K?

- As mentioned above, Maryland has been working on the Y2K issue for years. In fact, State agencies initiated efforts as early as 1995.
- As part of its preparations, the State established a Technical Preparedness Task Force headed by the Governor's Chief of Staff.
- Ensuring the State and its citizens are prepared for the Year 2000 is a major priority of the Governor. Thanks in large part to his efforts, the Maryland General Assembly has approved $ 97 million in general funds to ensure critical systems are tested and, if necessary, fixed. When funds budgeted in state agencies and federal funds are added to this amount, we estimate the total amount spent by Maryland on Y2K will be $150 million.
- The Task Force has also worked to ensure that contingency plans are in place for the State's critical business processes, in case the unexpected happens. As a result, the State is prepared.
- Listed below are some numbers that show that Maryland is prepared for Y2K. As of September 1999:
  - 100 percent of the State's mainframe computers are Y2K-ready.
  - 99 percent of our State mid-range computers are Y2K-ready.
  - More than 89 percent of the State's 62,000 personal computers or "PCs" are Y2K-ready
  - And, overall, more than 96 percent of the State's critical systems are Y2K-ready.
- The systems used by State agencies for federally-supported, state-run programs are ready for the Year 2000. This fact has been verified through independent assessments conducted by the Federal Department of Health and Human Services.
- Because Y2K certification is a lengthy process within Maryland, we still have a few systems to finish over the next few months. Fortunately, we began this process early enough to complete certification - and to do whatever further testing is necessary - prior to Jan. 1, 2000.
- Further, the State has been in contact with leaders of infrastructure providers from across the state. Representatives in such important fields as banking and utilities have assured the State and the public that their systems are Y2K- ready.

What is being done to ***protect*** Maryland citizens in the unlikely event that the State experiences some problems?

- In July 1999 the Maryland Emergency Management Agency conducted a statewide exercise to ensure each of Maryland's agencies is prepared to respond to a series of worst case scenarios. This emergency response exercise involved 23 counties and 2 cities as well as the major State departments and agencies. The exercise evaluation report has concluded that State and local emergency management organizations are adequately trained and equipped to manage Y2K-related emergencies within their own agencies and jurisdictions.
- Also, during that same period the State successfully performed "rollover" tests of 51 of its systems. It included a wide variety of systems across the state:
  - mainframe, midrange, PCs
  - telecommunications equipment
  - Process control (Lab equipment, environmental systems, traffic control)
- Key emergency and critical State personnel will be working on New Year's. All critical agencies will be staffed from the afternoon of December 31, 1999 through the rollover and will also be in place for the first business-day on January 3, 2000. Maryland agencies have been and will be in contact with their Federal counterparts, paying particular attention to the top ten Federal programs administered by the State.

In conclusion the State of Maryland is prepared for Y2K and will continue with its efforts to keep its citizens informed, prepared and protected.

The above constitutes a Year 2000 Readiness Disclosure under the Year 2000 Information and Readiness Disclosure Act, Public Law 105-271.

The 75th Legislature directed DIR to enter to a contract to assess and report the impact of the Year 2000 to the State of Texas. As a result, an additional $110 million was appropriated to assist state agencies in remediating computer systems. To coordinate this statewide effort, a Year 2000 Project Office was established within DIR. The mission of the Project Office is to effectively apply and facilitate the use of resources to assist the agencies and institutions of higher education in achieving Year-2000 operability. The Project Office roles and responsibilities include monitoring and oversight of Year 2000 efforts, status reporting to the Legislature, and providing awareness statewide.

It is the goal of the state to ensure that the state's mission critical business operations are operable and able to continue on January 1, 2000 and beyond.

A. Monitoring and oversight

Information Technology

- The current status as of September 1999, the State of Texas is 98.2% implemented.
- Developed a web-based reporting tool and guidelines for agencies and universities to report project status.
- Performed four levels of risk assessments with established risk criteria.
- Developed guidelines for the disbursement and reimbursement of Section 188 Funds.
- Established an interface taskforce, developed guidelines and a web-based reporting tool. Worked in conjunction with NASIRE to capture status on mission critical Federal interfaces.
- Developed contingency planning guidelines for Mission Critical systems not remediated by 12/31/98 as required by the legislature.

Business Continuity Planning

- Developed guidelines for Business Impact Analysis (BIA) and continuity planning. BIA's were completed for every goal/strategy in 2000 Legislative Appropriations Request.

Embedded Systems

- Established a Steering Committee to assist in the development of guidelines and a reporting tool. These efforts were coordinated with the State Auditor's Office.
- The current status as of September 1999 is 108,000 devices were identified, 95,174 corrected, and 12,826 remain to be corrected.

Crossover Planning

- Established a taskforce and developed guidelines to assist agencies and universities in developing crossover plans. These efforts are still in progress.

B. Status Reporting to Legislature

- Developed consolidated state of the state status reports to the legislature on Year 2000 efforts. The report dates are January 1998, March 1998, May 1998, November 1998, May 1999, and October 1999.

C. Statewide Awareness

- National coordination on a monthly basis with other states and the Federal Government through a teleconference.

- Working with the Division of Emergency Management (DEM) within the Department of Public Safety to address emergency preparedness in Texas including public information about Y2K preparedness.
- Provided local, national, and international presentations on Year 2000 efforts in Texas.
- Worked with Governor's office to publish a guidebook to assist county and city government on the Year 2000 issue.

D. Year 2000 Working Group

- Held monthly meetings with agencies and universities to allow for the exchange of information on current Year 2000 issues.

What's next

- Coordinating Crossover Planning with mission critical agencies to ensure that these plans are complete.
- Developing a "Best Practices" report to identify lessons learned during Year 2000 activities that can apply to future technology projects.
- Coordinating Federal reporting with the DEM on statewide infrastructure issues during the century transition period.

Continuing to monitor

Federally Supported State Run Programs

C means that the program is Y2K compliant, according to that federal agency's definition. (please review)
***** means that systems are not statewide and automated. (please review)
UA means that data from States was unavailable or was not clear. (action requested)
NA means that the State reported that the data requested were not applicable to them. (please review)
NI means that no information was reported by the federal agency. (please review)

The "**date**" refers to the Virginia's estimated completion date for remediation of the entire program. Please note that some dates have passed, which means that no confirmation of completion has been received by the federal agency to warrant placing a "C" in the box.

	USDA[1]			HHS[2]							DOL[3]
States	Food Stamps	Child Nutrition Programs	WIC	Medicaid - MMIS	Medicaid - IES	TANF	Child Support Enforcement	LIHEAP[4]	Child Care	Child Welfare	Unemployment Insurance
Virginia	9/30/99 98%	C	C	100%	9/30/99 98%	9/30/99 98%	8/31/99 99%	9/30/99 98%	NA	9/30/99 98%	C

October 3, 1999 - VIRGINIA UPDATES

Dates are the latest planned completion date for any milestone for the priority business activity. They are based on approved agency Y2K Remediation Plans. Progress (percent complete) is through the end of August 1999.

Alaska

"The High-risk rating given by HCFA to Alaska's MMIS Y2K remediation project was a result of an August 1999 on-site visit, and focused on delays in system testing and distribution of provider claims submission software.

Since this August review by HCFA, progress has been made on the areas of their concern. System testing has now been completed, distribution of claims submission software has been scheduled, and the MMIS business continuity contingency plan is under final review.

Overall, the concerns in the HCFA report based on the information and status available in August have now been addressed and we strongly believe that Alaska's MMIS system will be ready for the Year 2000 date change.

Additionally, the HCFA report praised Alaska's excellent statewide outreach campaign to make Medicaid providers and beneficiaries aware of the Y2K problem and Alaska's plan to deal with any disruption in services caused by Y2K-related failures.

Also, the Y2K remediation work on Alaska's Child Welfare System is scheduled to be complete in October, 1999."

- Bob Poe, Alaska's Senior Y2K Project Manager

Wyoming

The State of Wyoming as of 10/01/1999 is reporting 85% complete with the State's overall Y2K project. These are the numbers currently reported in the NASIRE Y2K Remediation Survey.

The State of Wyoming has several of the 10 Key Federally-Supported, State-Run Programs that currently are assessed as medium or higher risk by the federal contractors performing the reviews. The specific applications, MMIS, LIHEAP, Child Welfare and Child Support, will be addressed individually. A State of Wyoming Department of Family Services contingency plan was presented to ACF and HCFA reviewers on 17 September 1999.

Medicaid - The State of Wyoming is in the process of verifying that eligibility data is processed correctly between the various applications that support the Medicaid program. This includes addressing a key interface that is fixed window compliant that passes data among all of the various applications. The interface program is part of a code validation project that is being conducted by an independent 3rd party under contract to the State of Wyoming. Contingency plans are being developed, where appropriate, to supplement what is already in place.

Low Income Energy Assistance Program (LIHEAP) - This is a Year 2000 compliant application that was installed on 7/1/1999. This application is currently part of the code validation project (IV&V) that is being conducted by an independent 3rd party under contract to the State of Wyoming. Contingency plans are being developed, where appropriate, to supplement what is already in place.

Child Support Enforcement - This application is a Year 2000 compliant application and was developed as such from the beginning. This application is currently part of a code validation project (IV&V) that is being conducted by and independent 3rd party under contract to the State of Wyoming. Contingency plans are being developed, where appropriate, to supplement what is already in place.

Child Welfare - This application is a Year 2000 compliant application and was developed as such from the beginning. This application is currently part of a code validation project (IV&V) that is being conducted by and independent 3rd party under contract to the State of Wyoming. This application has been future date tested. Contingency plans are being developed, where appropriate, to supplement what is already in place. There was a concern raised as to the state of the hardware that was being used to execute the application. The State of Wyoming has had staff in the field for the last 3 months addressing this item.

Mr. HORN. Thank you very much. I think we are inclined to take your advice on that series of hearings in the future. So, thank you for raising it.

Let me start with Mr. Callahan, because HHS is a tremendous impact on the States and the people, Health and Human Services. I appreciate you publicizing in your written statement and your oral comments that several programs have a high risk of Y2K failures. Those States included, as I remember and wrote some of them down, Alabama, Colorado, Delaware, the District of Columbia, Georgia, Mississippi, New Hampshire, Rhode Island, South Carolina, Vermont, West Virginia. I might have missed a few. But which of those State-run programs are of the greatest concern to HHS?

Mr. CALLAHAN. Well, I think, Mr. Chairman, the fact that we have enumerated those States as having problems in two areas. One is the continued remediation schedules for Y2K, and then the development of sound business continuity plans. I do not know whether we would discriminate among those States as to saying one has a more serious problem than another. But I think the point here is that we will provide, and are providing, direct technical assistance from both HCFA and ACF to help them remediate these problems as quickly as possible.

I would echo Mr. Benzen's comments here. We entered into this technical assistance problem not "to fix the blame," but to fix the problem. We do feel that in many, many cases, you may get a listing today and it may change 3 days from now, a week from now, whatever. And that is our effort here, is to do the two things that you are concerned about, which is the remediation and the certification of Y2K compliance, and second, have a sound business continuity plan so that even if there is some system failure, services can be provided.

Mr. HORN. Have any of those States that we named, and I might have missed a few, have any of them undertaken—well, the remediation, has that been done at all with all of them or just a few?

Mr. CALLAHAN. Oftentimes they are in the process of doing the remediation, we just do not feel that their remediation based on the contractor assistance has progressed far enough at the time we take the snapshot. Again, all these reports, as you know, are snapshots and the snapshot can change today, tomorrow, et cetera. So the effort is to identify the problem and fix it as soon as possible. We will continue to provide the subcommittee as much as we can with direct reports on that. But I might add that when we do these reports, when the contractor goes in and does these reports, whether it is for ACF or HCFA, they provide immediate interaction with the program officials so that everyone comes to as much of an agreement as possible about the things that are problems and that need to be corrected. We are hopeful that they will continue down the path of making these corrections.

I will say, if I could, that a number of the States that have good business continuity plans, I think we are sharing those with other States so that they can benefit from the work of their neighbors or other States that they are compatible with. It is pretty clear that in many States they are moving to things like presumptive eligibility after year 2000 should a system fail. They are also in many

cases moving to preprint checks for January and February so that they are looking at their eligibility rolls and would have checks available. So I do think a number of States are making positive efforts in this regard. Our job is to work with the States that are not quite as far along and help them down the road.

Mr. HORN. Did any of them try testing for the January 1, 2000 date to see the extent of the problem they might have?

[The information referred to follows:]

INSERTS FOR THE RECORD TO THE TESTIMONY OF

JOHN CALLAHAN
ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET
AND CHIEF INFORMATION OFFICER
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

TO THE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM
U. S. HOUSE OF REPRESENTATIVES

OCTOBER 6, 1999

INSERT #1 – Page 49, lines 943-944)
QUESTION (from Rep. Horn): *Did any of them try testing for the January 1, 2000 date to see the extent of the problem they might have?*

RESPONSE (regarding forward-date testing):

Administration for Children and Families

In the ACF, state assessments of nearly 280 state programs found that all but five programs had either successfully conducted forward-date testing or planned to do so and had sufficient documentation (e.g. testing plans) to back up their plans. Since the ACF assessments began in May, some of the information is now quite dated. However, states with which we are following up in Phase II of the assessment process have typically completed testing as projected.

Future-date testing was an important criterion for the assessments that the ACF conducted. The ACF disagreed with the state-level decisions that no forward-date testing was necessary for those five programs, and the ACF has been continuing to follow up with those jurisdictions to ascertain if their decision has changed. Moreover, the ACF will increase the risk ratings of state programs if we find on a re-assessment visit that the projected future date testing did not take place after the first assessment schedule.

Three of five programs are complete replacement systems and were designed to be Y2K compliant. The other two programs use more manual operations than automated ones.

Health Care Financing Administration

The HCFA Y2K IV&V Assessment teams have visited and assessed the risk of Medicaid Management Information Systems (MMIS) and integrated eligibility systems (IES) in fifty states, Washington D.C., Puerto Rico and the Virgin Islands.

Of the 106 MMIS and IES systems evaluated, there are only three systems found in which future- date testing could not be confirmed as in process or compete, or it was not planned to be completed before the end of the 1999. The rest of the systems are being validated with some form of future-date testing.

- Level II testing - Testing future dates data (20XX dates) in a simulation mode. This testing verifies that computer software will correctly process dates at a future date.

- Level III testing - Testing of future dates data (20XX) in a completely parallel system. This testing verifies the computer hardware and application software will function correctly together at a future date.

- End-to-end testing - Testing which verifies the ability of the system to process a mock transaction from beginning to end using future date data.

All three types of future date testing are desirable for full confidence, but any one form is acceptable as a minimum.

Systems not being verified with Level II testing:
Puerto Rico – MMIS
Virgin Islands – MMIS
Virgin Islands – IES

Systems not being verified with Level III testing:

Alabama – MMIS	Arkansas – IES
Connecticut – MMIS	Florida – MMIS
Montana – MMIS	Nevada – MMIS
New Mexico – IES	New Mexico – MMIS
Puerto Rico – MMIS	South Carolina – IES
Tennessee – MMIS	Vermont – IES
Virgin Islands – IES	Virgin Islands – MMIS
Wyoming – IES	Wyoming – MMIS

Systems not being verified with end-to-end testing:

Alabama – IES	Alabama- MMIS
Georgia – MMIS	Idaho – IES
Idaho – MMIS	Iowa – IES
Iowa – MMIS	Missouri – IES
Nevada – IES	Nevada – MMIS
New Jersey – IES	New Jersey – MMIS
Puerto Rico – MMIS	Virgin Islands – IES
Virgin Islands – MMIS	Wisconsin - IES

Mr. CALLAHAN. Some of them have and have been successful. A number of them have not really gone as far as we would like in that regard. But we will provide as much as we can of that detailed information to the subcommittee.

Mr. HORN. OK. In your written statement, there were 19 States and territories that have been high or medium risks associated with Medicaid mission critical systems. I guess the question would be, what can be done to mitigate potential Medicaid Y2K failures in those States? Do you just feel they are the same as any other program, or some programs are much more difficult and with a much greater impact on people than some of the others?

Mr. CALLAHAN. The one thing that occurs in Medicaid that is somewhat similar to the problem that we have alluded to in the area of Medicare that we are directly responsible for, and this is the issue of making sure that the providers that provide these services, whether it is Medicaid or Medicare, are Y2K compliant. I think it is fair to say that in testimony before this subcommittee and elsewhere there has been a little bit of disappointment that a lot of the medical providers may not have taken this problem seriously enough. So the States will face very much similar problems that we face in the Federal Government about urging the providers to get on with it and be able to transmit their claims, for example, on a Y2K basis. HCFA, as you know, recently HCFA has provided a Y2K "jump start kit" which is available to any provider that would seek it. But, again, some providers, either because of the press of business, or hoping against hope I guess, are not coming to the fore. That will be a bit of a problem.

Mr. HORN. How about the Department of Agriculture, Secretary Watkins, where are we there with the particular States? I have got this chart that you have shown on nutrition programs. As I read it, the big problems would be the October compliance, the November compliance, and the December compliance. It looks like the December compliance is Georgia and Maryland primarily with the red markings. Can you give us any enlightenment on where your worries are, with what States?

Ms. WATKINS. The worries primarily, Mr. Chairman, are with those two States that you identified that have stated they will be compliant in December. The concern in Georgia is with the WIC program. We do have the contractor in there this week working with Georgia so that they can work on a backup system so they will be ready to deliver services for our WIC clients. And the Maryland program is with our school nutrition programs. They had a system that they were working on and had a failure in that system. So they do have a manual system in place. That will not disrupt any of the school nutrition meal services, and it will not disrupt the payment, because payments would be made mid-February for January. So that is not as critical for us, but we will continue to work with them to get their systems complaint.

Mr. HORN. How about the Department of Labor, Mr. Hugler, where are they with some of the States, and which are the ones that you think you might the most trouble with?

Mr. HUGLER. Mr. Chairman, right now, if we add up all the systems that we want to see be fully ready for the year 2000, there would be 159 component parts of all the respective SESAs. There

are 11 systems that have not yet been made year 2000 compliant. Breaking that down a little bit further. Three of those are benefit payment systems, and they really, again, are where the rubber meets the road, where the benefit payments will be made, and they are at the top of our list.

Mr. HORN. What are the States that are in that category?

Mr. HUGLER. Yes, sir. The States of concern right now would have to begin with the District of Columbia. They are, as I mentioned earlier, further behind than any other SESA. I think the good news there is that we are going to install, as I mentioned earlier, the automated system that will actually take over and independently run their benefit systems. We are going to do that and have that done by November.

Mr. HORN. Are you designing the software for that?

Mr. HUGLER. The Department of Labor, in conjunction with the State of Maryland, came up with a software system that can be adapted to any SESA. So the work being done in the District right now is to configure that program to the unique laws of the District of Columbia so that it can do that work in accordance with the local laws. That is the work being done right now in the District of Columbia.

Mr. HORN. Has the Department of Labor done software for any of the States on any of its programs?

Mr. HUGLER. We have not done this type of thing before, if that is your question. We have offered the Automated Contingency System and demonstrated it for all of the SESAs and will make it available to anyone who would want to make it part of their contingency plan.

Mr. HORN. The reason I am asking the question is I think it is an outstanding idea. I remember proposing it about twenty years ago on a couple of departments, saying, look, why are we reinventing the wheel everywhere. If you have got a compatible software for the States to administer it in relation to yours, that ought to be the way it was done. So I congratulate you. I am glad somebody in this town is doing that.

Mr. HUGLER. And the commendation goes to the unemployment insurance staff and working with the State of Maryland and the SESAs.

Very quickly, other States. California has a benefit program that has one piece, an imaging program, that needs to be fixed. That will get done we believe, and they have a very good contingency plan for it if it does not. That is due in at the end of this month. Puerto Rico will implement all three of their primary systems over this upcoming weekend. So that should take care of the remainder. So I think we are in good shape on that score.

Mr. HORN. I see my time is about up. So let me ask the whole panel here, in your opinion, which States run the risk of experiencing the most year 2000 related failures, and in what program areas?

Mr. Willemssen, do you want to answer that one?

Mr. WILLEMSSEN. I will answer it in two ways, Mr. Chairman. First of all, it is very difficult to generalize on States for all these 10 programs. When we look at any specific State, there are within those States differences among the programs. I think some of the

States and some of the programs have been highlighted where the most significant risks are. For example, in Medicaid, we would think that the two States right now with the highest risk would be New Mexico and New Hampshire since each of those has been assessed as high risk for one of its systems and also high risk for its business continuity and contingency plan. This is a double whammy that has to be avoided.

I would generally concur with the comments that have been made about the specific programs and the evidence we have seen in terms of where the risks are for those specific States.

Mr. HORN. If we can get the question in, we have got time to answer it. I made the mark.

Mr. SPOTILA. Mr. Chairman, I would agree with the comments that Joel has just made and the other panel members. We, obviously, reported based on information supplied by the agencies having the more current, up-to-date specific knowledge. But I think what we have heard today is pretty accurate.

Mr. HORN. Does anybody want to add to that?

Mr. Callahan.

Mr. CALLAHAN. Again, I would concur, especially to the extent where a State is behind on its basic remediation and its business continuity planning, that is a State where additional technical assistance from our side and State effort from their side has to occur.

Mr. HORN. Ms. Watkins.

Ms. WATKINS. I would agree with Mr. Callahan. We will have to work with those States that look like they may fall behind. And we will continue to work with Maryland with Georgia and those two program areas, as we work with Oklahoma, Arkansas, Illinois, and Alabama where we have some program areas of concern. We will work with everyone right up to the last minute where there may be some problems. We would be particularly concerned about those people who have November and December dates.

Mr. HORN. Do you want to add anything for the Department of Labor?

Mr. HUGLER. Mr. Chairman, the only jurisdiction with which we have concern about being at high risk is the District of Columbia. We are taking extraordinary efforts to work with them right now to solve that problem.

Mr. HORN. Anything you can——

Mr. BENZEN. Well, only this. Obviously, anyone that is planning on finishing in November, December, there is great cause for concern. I think I would have to agree with that.

Mr. HORN. Yes. Thank you.

I am going to yield to the gentleman from Washington on behalf of the minority. Mr. Baird, you have got 7 minutes.

Mr. BAIRD. Thank you, Mr. Chairman. I very much appreciate the work you folks are doing on this. I get asked about it almost every town meeting, and, like the speaker earlier said, this is a difficult problem.

I was intrigued by Mr. Hugler's comments. Is that pronunciation correct?

Mr. HUGLER. Yes, sir.

Mr. BAIRD. About the contingency plan with a PC-based backup system. I am interested, are other agencies using a similar model

as a contingency plan either at the State or at the Federal level? I will sort of open that up to whoever. If anybody is, it makes sense to me.

Mr. CALLAHAN. I do not believe we are. But certainly based on the comments today, we would immediately converse with the Department of Labor to see what benefits it would have. We are, as I mentioned earlier, providing assistance to providers both in Medicare and Medicaid, if they request it.

[The information referred to follows:]

QUESTION (from Mr. Baird): *About the contingency plan with a PC-based backup system. I am interested, are other agencies using a similar model as a contingency plan either at the state or at the federal level? I will sort of open that up to whoever. If anybody is, it makes sense to me.*

RESPONSE: (Mr. Callahan stated that we would contact Department of Labor regarding the DOL PC-based Contingency Planning Processes.)

The Administration for Children and Families (ACF) contacted the Department of Labor to discuss the PC-based contingency planning items as mentioned by Mr. Hugler in testimony. While we are awaiting additional information from the DOL, it was clear from the initial conversation that the plan was designed to fit DOL's program specifically and would be unlikely to translate well to ACF's programs. DOL's program is much more centralized than the generally dispersed nature of ACF programs; therefore, our asking states to apply this single type of contingency plan across the board would be problematic.

In checking with the Department of Labor, HCFA also preliminarily concluded that a PC back-up system would not prove the needed contingencies for state Medicaid systems since each system is tailored to meet both state and federal requirements. State systems are not standardized and, as such, a sweeping contingency plan would not be effective in case of a Y2K-related failure. These systems begin at the state level and branch out to various counties and other impoverished areas. Because each state carries a unique demographic makeup and payment mechanism, it is difficult to standardize each Medicaid system nationwide. Trying to use a PC-based approach would not be effective. Furthermore, Medicaid is a state-run program that only allows for federal oversight. A broad-based federal contingency plan may be on the threshold on interfering with the states' responsibility to run and monitor their own programs. It is more effective, from HCFA's standpoint, to allow each state to develop its own contingency plan specific to its program, with HCFA oversight and technical assistance, as needed and when requested. To date, HCFA'S IV & V have conducted or scheduled 22 technical assistance workshops, which are customized to meet each state's needs.

Mr. HUGLER. We would be happy to share anything we have learned.

Mr. BAIRD. It makes a lot of sense to me. I would hope that somewhere someone has a hard copy so that if Mrs. Jones comes in and her checks are late and she needs to feed the kids, somebody can look on a hard copy and see if somebody owes her a check or not. I hope we have got some kind of backup.

Let us suppose a system crashes in a State agency that administers one of these programs. Do we have a sense from previous test experience what sort of timeframe does the State have in how long it will take to bring the system back up and get it up and running again?

Mr. BENZEN. That depends entirely on what crashed. I can speak to my own State easier than I can the other 49. Medicaid—finished, done, back in production, year 2000 compliant. Stuck it into the test partition past year 2000 and it did crash. It took almost twenty minutes to get it back up and running again. The piece of this that you do need to understand, if these systems have been remediated, and some of these systems are 200,000 hours worth of labor to fix, once they are done, if you do find something that is going to crash on January 1st, it is very unlikely you are going to have to come back and spend another 200,000 hours to fix it again. It is typically going to be something much more minor. So, in terms of a surprise crash, what you are going to see—now, if people do not meet these December dates, it is not going to crash, they are not going to be able to turn it on because they know it is not going to work—but if you see a crash, chances are real good that you are going to get it up and running real fast.

Mr. BAIRD. If there were multiple crashes at the same time, it would follow that the skilled folks who can correct such a crash would be in high demand. It would seem almost analogous to a power outage where we have got people putting up lines in different places. Do we have a national readiness force, or do the States have in place readiness forces of people on call who can work on these issues?

Mr. BENZEN. I am not seeing that kind of preparation. Again, we know what needs to be done. What is being talked about at this table I believe is we have an estimate that it is going to take X thousands of hours and they have not completed that number of hours. But in terms of, gee, we thought we had it fixed and then all of a sudden it just crashed, I am not looking to see that kind of problem. I would be amazed if that happens.

Mr. SPOTILA. One thing I would add to that, though, is that when I testified about the importance of business continuity and contingency plans and day one plans, that is precisely the potential problem that those plans are directed at and that is why we are giving such emphasis to it.

Mr. BAIRD. Excellent. That is good to hear.

One final question. I have been reading about the concern people have about trap doors being written into the software from private business, particularly banking and other financial concerns. Do we have concerns about that at the Federal level, someone writes a trap door and suddenly gets 40,000 social security checks?

Mr. SPOTILA. I think the truth is we do have a concern about this. It is difficult to assess the extent of the risk. We work closely with the National Security Council, with Richard Clarke, the President's advisor in this area, and we have had discussions with them. It is something that we are watching closely. We do not have specific threats identified that we can go after and start working on now, but we are certainly watching it.

Mr. BAIRD. Is there a discussion underway of how to monitor that, how we would look for it?

Mr. SPOTILA. We are certainly trying to monitor it internally in terms of the Federal Government and there is a lot of discussion about how to do that. With respect to the private sector, we have ongoing discussions, particularly with key industry groups, about how to do that monitoring and how to get information from them so that we can respond. We can try to supply you with more information on that, if you like. But, in general, it is something we are sensitive to. We are going to need an awful lot of cooperation from the private sector if we are going to be able to work together on this.

Mr. CALLAHAN. I might add, if I could. I am sure that both for our agency and for other agencies, we are also standing up all our computer security people in this year 2000 process so that they can do what they normally do, which is look for intrusion, detection, et cetera, and we are working with the Department of Commerce, the Carnegie Mellon operation and other relevant agencies. We will fully stand up our security people along with Y2K people.

Mr. BAIRD. Thank you very much. Thank you, Mr. Chairman.

Mr. HORN. Thank you. Appreciate that line of questioning.

I now yield to the gentleman from Maryland, Dr. Roscoe Bartlett.

Mr. BARTLETT. Thank you very much.

Mr. Callahan, can you please update us on the Y2K readiness of HHS' big, $165 billion payment management system and where that is?

Mr. CALLAHAN. Yes. The payment management system is Y2K compliant. It has been certified as Y2K compliant by IV&V, and we have done some end-to-end testing as well in that regard. So, in essence, the payment management system that makes these grants, particularly in the ACF areas, will be available and ready to pay States their allotments.

I might add, what happens is the States generally draw down their money on a day-to-day basis. They might get a quarterly apportionment for any number of grant payments, but they draw it down from us on a day-to-day basis to make sure there is no interest payments that they would owe us. But we are ready to go on that.

Mr. BARTLETT. Assessment presumes I gather the readiness of the infrastructure? There are lots of electronic fund transfers, not much operates without electricity today. What sort of assessments do you make of the availability of the infrastructure, and what contingency plans do you have if it is not there?

Mr. CALLAHAN. This is power primarily?

Mr. BARTLETT. Power and electronic, phone lines and so forth.

Mr. CALLAHAN. We have had continuing discussions with the power suppliers and the telephone suppliers in the area and we

feel that those discussions have been very positive. I will supply for the record our detailed information on that, but I believe we have also identified hot sites to move from our current area in Rockville if, in fact, it is not serviceable.

[The information referred to follows:]

QUESTION (from Mr. Bartlett): *Assessment presumes I gather the readiness of the infrastructure? There are lots of electronic fund transfers, not much operates without electricity today. What sort of assessments do you make of the availability of the infrastructure, and what contingency plans do you have it if is not there?*

RESPONSE (Information about the electrical power to run the Payment Management System):

The Business Continuity and Contingency Plan (BCCP) for the Payment Management System (PMS) addresses infrastructure issues such as electrical power, telephone service, and office building availability.

The Program Support Center (PSC) runs the PMS on mainframe computers operated at the National Institutes of Health/Center for Information Technology (NIH/CIT). The NIH/CIT computer center has emergency electrical generating equipment capable of supporting mainframe operation indefinitely. NIH/CIT also has a "Hot Site" for remote operations in New Jersey. This hot site was tested during August 1999 and PSC successfully participated in this test. As noted in the PMS BCCP, the immediate response to an extended electrical failure (more than one business day) is to implement the PMS "home work plan." The "home work plan" enables the PSC staff to perform all PMS functions including system operation and communication with states and other grant recipient organizations from their homes. This plan has been successfully tested multiple times. As recently as November 3, 1999 PSC personnel have had discussions with the local electrical power provider during which the provider assured us that all critical systems are Year 2000 ready and that extensive business continuity plans are in place.

The NIH is not expecting any power interruptions that will affect the payment management system. Mr. John Vilgos, NIH's Assistant Chief for Engineering, has been assured by Kenneth Cohn, PEPCO Vice President and CIO, that there will be no power interruptions to the NIH campus. Mr. Cohn has reported to the North American Electric Reliability Council that they are Y2K ready with no exceptions.

In addition to PEPCO's assurances, we also have three 1000 KW generators and an uninterruptable power supply to assure the operation of the NIH Computer Center. There is enough fuel to continue the operation for 5 days, should there be some unexpected power disruption from PEPCO.

Should the office building that the PMS staff occupies be unavailable for use, the first option is to implement PSC "home work plan." A second option is to use office space in the Parklawn Building. Unavailability of the PMS staff office building would not affect operation of the computer systems running PMS since PMS is housed on the NIH campus.

Finally, if PMS itself were unavailable, the PMS staff has made provisions for full manual operations encompassing all PMS critical business processes. Fund transfers would be accomplished utilizing a Treasury fund transfer mechanism currently used by PMS for same day funds transfers.

Mr. BARTLETT. Several months ago I attended a hearing of our Technology Subcommittee with the power representatives. In effect, what they told us was that they would not be ready because they have hundreds of thousands of embedded chips in components and it was just impossible for them to figure out were all those going to work. But their hope was that they could wire around it. Obviously, we had electricity a long time before we had computers. But I do not know how much ability we have now to wire around computer problems. Are you sanguine with the position that if they cannot fix these embedded chip problems, they will just wire around it?

Mr. CALLAHAN. Well, not having been privy to your conversation with the power executives, it is a little hard for me to get a context here. But we will supply for the subcommittee and for you the nature of our discussions with our power and telephone suppliers as it relates to our payment management system.

Mr. BARTLETT. So your assessment of readiness is then intra-agency assessment? You are presuming the availability of services?

Mr. CALLAHAN. At this point, as I said in conversations with our power and telephone suppliers vis a vis this particular system, we are confident that that will be available. But we will provide the subcommittee with that information.

Mr. BARTLETT. I appreciate that. Thank you very much.

Thank you, Mr. Chairman.

Mr. HORN. Thank you.

I now yield to the gentleman from Minnesota, Mr. Gutknecht, who is a member of the Science Subcommittee on Technology.

Mr. GUTKNECHT. Thank you, Mr. Chairman, and thank you to the people that are here today testifying.

When we first starting having these hearings 4 years ago, they were very sparsely attended and most of us had no idea what Y2K stood for. I think we have made real progress. But there was something that you said, Mr. Callahan, that sort of just caught my ear. You said something about the problems that are still out there we expect to solve down the road. Part of the reason we have been having these hearings is to get periodic updates to make certain that we are making progress. I guess the real point here is that the road is getting shorter, and I know you are aware of that. We are down to T-minus 80 days, something like that.

Mr. CALLAHAN. Yes. Let me, if I can, correct the record. As you know, and every member of the subcommittee knows, when we started off with this Y2K problem, one of the biggest problems was the Federal Government itself. Congressman Horn, with his report cards, sort of put the sticks to us to provide a lot of progress in a lot of our systems, including Medicare, for example, which is a very, very complex system. So I think by necessity the initial efforts here were on our own, on the Federal Government computer systems, because if they did not work, it did not make any difference whether the State systems worked or not. I think, as Mr. Spotila has mentioned on behalf of OMB, tremendous progress has been made with regard to that. So first things have to come first, which was to fix our own computer systems.

Now, obviously, we have to work with the States and make sure that we have complimentary contingency plans, et cetera, to make

sure that the federally financed but State-administered programs will run. And so that came, to some degree, after the first effort here. I do think a lot of progress has been made, and will continue to be made, even though we have to focus for the subcommittee on some of the States where there are particular problems.

Mr. BARTLETT. I certainly agree. I want to congratulate all of you. Compared to where we were even a year ago, I think at least the Federal Government is in a lot better shape than we would have been. And, again, I congratulate Chairman Horn and Chairwoman Morella because I think it has been their reports cards and the updates and forcing people to come to grips with this situation that have really helped. And, of course, the real purpose is so that we do not have hearings in January asking why did people not get their checks, why did this happen. Unfortunately, this town is very good at finger-pointing and, frankly, I think most of us on this subcommittee and the science subcommittee as well do not want to be into that.

I do want to make one other point. Ms. Watkins, you sort of made a reference to how the food and nutrition programs would work. And by what you said, it sounded to me as if there would be no problem getting the money out to the schools so they could continue to buy food for the kids. Your concern was information coming to the Federal Government.

I am not trying to pin you down on this, but I do hope, and this is just one Member's opinion, that if there is a problem, we will err on the side of the people who need the benefit. OK? That if the bureaucracy, in other words, is not getting the information or the red tape from whomever, I hope that temporary aid for needy families, for example, will not be withheld because for some reason there is a glitch in our getting the right information. In other words, if there is a problem, I hope we will err on the side of making certain that people get the health care, get the temporary assistance, or get whatever that they would otherwise be entitled to. I just hope that is the policy, and I hope that someone here will kind of reassure me that that is the policy.

Ms. WATKINS. That certainly is the policy. Maybe I need to correct the record, because I did not want to give the impression that when talking about Maryland and the reports that would be flowing in from school districts to the State, that anything would delay the feeding of children or any person who is eligible for nutrition assistance in this country. We are going to work to make certain that all of the benefits that are deserved so all of customers will be delivered. We will be monitoring those contingency plans that are coming in from the States.

I personally am working with our staff here in headquarters to go through those State plans to ensure that no person goes hungry in this country. That is what the Secretary of Agriculture wants us to do, that is what this committee wants us to do, and we are going to monitor it. Nobody wants to see any interruption in our programs. So it will not be a bureaucratic process and looking at some report. We certainly are not going to get caught up in that. That is not what you want us to do.

Mr. BARTLETT. I assumed that was the answer and I just wanted to make sure that was clear and on the record. I thank you all.

I yield back, Mr. Chairman.

Mr. HORN. Thank you.

Let me just clean up a few things and then I will yield to the vice chairwoman, Mrs. Biggert.

Mr. Spotila, I am curious about the States that OMB is worried about and the respective programs. What had made us both curious, both Mrs. Morella and I, was the waiting till December for a lot of this review, last minute remediation testing, and so forth. There seems to be a little disagreement here with the General Accounting Office in terms of the number of States, what their names are, what are the programs that OMB is worried about. I just want to straighten that out.

Mr. SPOTILA. I think that, as we said earlier, Mr. Chairman, we have actually heard a pretty detailed discussion here by the agencies involved who are more directly connected.

Mr. HORN. But we have a lot of other agencies that also have programs. We just brought them up because they are so gargantuan in terms of their impacts.

Mr. SPOTILA. Right. As to the particular impact, Mr. Chairman, it would be best if we supplied you with that list. I do not have the individual States by program right in front of me. The information we have most recently is the report that we submitted to you. We do have some updated information that is coming in, but I do not have that compiled to give you this morning. I would be happy to try to supply you with more information.

Mr. HORN. Well, what are the States you are worried about? Does your subordinate know that?

Mr. SPOTILA. As I mentioned in my testimony, we share your concern for any State that is waiting until December to finish because the margin for error is so slim. We have heard references here to some States and individual programs, and we concur in that, Mr. Chairman.

Mr. HORN. Does OMB want that testing done in early, middle, or late December? Or do you want to move it up to November?

Mr. SPOTILA. I think the problem here is that the testing has to follow the work. The reason that the testing is late is that the work is not necessarily completed. Again, we are relying on information being supplied to us by individual agencies working with individual States in many of these cases. We are presuming that this testing is going to be done as soon as possible, as soon as there is something to test. So the problem here is that although people are hard at work on it, in many cases they started too late and they are behind.

We have a concern and we are doing all that we can do to work with the agencies to make certain that the resources are there and to make certain that information is supplied. But we do not control the effort ultimately when we are dealing with States or territories or tribal areas. We cannot do it for them. All we can do is try to be supportive, and they have that primary responsibility to do their part.

Mr. HORN. Mr. Willemssen, what are your thoughts on this?

Mr. WILLEMSSEN. My thoughts are to, first, recognize that the OMB reports that have been put together over the last couple of quarters that have laid out the detail by State, all of that informa-

tion is unverified. What you have heard today from some of the agencies who have overall responsibility for those 10 State-administered programs is that they have additional information, additional data, beyond that self-reported information. So I think OMB, in the very near future, needs to take that kind of information into account when it highlights those States that are most at risk for those particular programs rather than simply going with the unverified information that it receives. I think the agencies here are now in a position to provide more of a qualitative assessment given their risk evaluations that have been done, so that the agencies and OMB can go beyond that self-reported information and make real assessments on where the risks are.

Mr. HORN. What I would like, you said you would like to file it for the record, can you file that by Friday?

Mr. SPOTILA. We will respond by Friday.

Mr. HORN. OK. Because Columbus Day is Monday and I do not think much is going to happen then and that would kick it over to Tuesday. Let's see if we can get it up here by Friday, hopefully not 5. Do it at least by 4; there will be a lot of people running for planes.

Do you have any comments, Mr. Benzen, on this from the States' standpoint?

Mr. BENZEN. No, sir, I do not.

Mr. HORN. OK. I think that is about it on my side. I am yielding now to the vice chairwoman of the Subcommittee on Government Management, Information, and Technology, Mrs. Biggert of Illinois.

Mrs. BIGGERT. Thank you, Mr. Chairman. If I might submit my opening statement for the record.

Mr. HORN. Without objection, it will be put in the beginning where the opening statements appear as if read.

[The prepared statement of Hon. Judy Biggert follows:]

Opening Statement of Representative Judy Biggert (R-IL)
Government Reform Subcommittee on Government Management, Information & Technology
Hearing on State of the States: Y2K Compliance
October 6, 1999

Good Morning, Mr. Chairman. Thank you for holding this timely hearing.

Let me start by again commending you for putting together this series of oversight hearings on the Year 2000 date change. Today's hearing focuses on a particularly important aspect of this situation. This is the extent to which federally funded but state run programs are, or will become, Y2K compliant.

Less than three months remain until January 1, 2000. I have serious concerns about the ability of some of our federal agencies to address, in this short time period, every problem that could arise from the impending date change. Much of my concern revolves around the progress made to this point by their partners in this endeavor -- States and government contractors.

As demonstrated by the Y2K report card released by this Subcommittee in September, none of the ten "high impact" federally funded, State-administered programs is ready for the year 2000 date change.

High impact programs that remain out of compliance include child support enforcement, the low-income home energy assistance program and unemployment insurance. These are not minor, inconsequential programs. Tens of millions of people rely on them.

Exhaustive efforts have been made over the last ten months by both federal agencies and Congress to correct and minimize the potential dangers of the Y2K bug. While these efforts have substantially increased Y2K readiness, much more needs to be done. And it can't be done solely on the federal level.

The federal government is only one link in the chain of Y2K success. As such, I urge states and local governments to review their systems and to take the actions necessary to ensure that essential government programs continue without interruption.

Again, Mr. Chairman, I commend you for calling this important hearing. I also thank the witnesses for taking time out of their busy schedules to be with us today. I am interested in knowing their thoughts on the progress generally being made by states and contractors to address problems that could arise from the Y2K bug.

Thank you, Mr. Chairman.

Mrs. BIGGERT. I would just like to ask a couple of questions. First, what is going to happen on December 31, 1999, as it rolls over, in conjunction with these agencies and the States? Will the offices be open in case there are glitches? Is this part of the contingency planning? You obviously are not going to be sending out checks on January 1st. I would hope that people would have time to celebrate as well as to worry about the Y2K problems. But will there be somebody who is looking to see what the glitches are, if any?

Mr. SPOTILA. In general, I think it is fair to say yes, there will be someone, not just one person, but there will actually be teams of people at each of these agencies. We are looking to the individual business contingency plans in order to determine specifically how agencies are approaching it. As we get that information, we will certainly make that available.

Mrs. BIGGERT. Mr. Willemssen, in your statement you mentioned the lateness in the year 2000 compliance for States and programs, that there are nine States' child support enforcement programs, and then seven States' food stamp programs, and then four States' unemployment insurance programs. Can you name the States for each of these potentially late programs?

Mr. WILLEMSSEN. Yes. Child support enforcement is New Hampshire, New Mexico, North Carolina, Utah, California, Oklahoma, Alabama, and Illinois, and the Virgin Islands.

For food stamps, Illinois, New Hampshire, Ohio, Alabama, Oklahoma, Georgia, and the Virgin Islands.

Unemployment insurance, the District of Columbia, California, Nebraska, and Vermont.

Mrs. BIGGERT. Being from Illinois, I think I am sorry I asked.

In your opinion, are these programs severely at risk for not being ready for January 1, 2000?

Mr. WILLEMSSEN. I am most concerned about the risk status for those States that have late completion dates and are at high risk with their business continuity and contingency plans. As we get closer to the rollover period, the business continuity and contingency planning element is going to play an even more crucial role. To the extent that the States have these backup plans in place and can implement them in the event of disruptions, then I think we have reason to be more optimistic. If these kind of plans and day one strategies are not in place, even for those States who like are in good shape, then I am much more concerned.

Mrs. BIGGERT. In your written statement, you also said that at particular risk are several States with systems that are not yet Y2K compliant. Can you name those States?

Mr. WILLEMSSEN. Those States would be primarily by program. So if you go down the 10 programs, there is variance. I think I mentioned earlier, for example, Medicaid, the two States we would be most concerned for about would be New Mexico and New Hampshire. I would concur with Mr. Hugler's comments about the four entities that he mentioned, starting with the District of Columbia in the red alert status, and I believe there are three other entities in the yellow alert status.

So I think we would generally concur with the comments that have been made today that are program specific and State specific.

But, again with the caveat, it is still very difficult to generalize on a particular State because within that State you have different agencies running the program.

Mrs. BIGGERT. Thank you. Thank you, Mr. Chairman.

Mr. HORN. Thank you very much.

I now yield to the gentleman from Oregon, Mr. Wu from the Science and Technology Subcommittee.

Mr. WU. Thank you, Mr. Chairman. I have only a couple of questions.

With the passage of September 9, 1999, are we any more confident in the Y2K transition after we have gone by the 9/9/99 date?

Mr. SPOTILA. We are very conscious of the fact that January 1 will be a key date in and of itself. And although in one sense it is a comfort that September 9th was not a problem, we are pleased with the progress, but very conscious that there is a lot of important work still to be done. So we have a general sense, particularly from the standpoint of the Federal agencies, that we have reached 98 percent compliance on mission critical systems and we have a plan for completing it. We are pleased with that kind of progress and the hard work that has gone into it, but we are not over-confident. We are still focused on what remains to be done.

Mr. WU. I am reading between the lines that you are not taking much comfort in passing what might have been a potentially minor disruption date.

Mr. SPOTILA. Well, it is a good sign that we did not have a disruption on September 9, 1999. But it is not the end of the problem.

Mr. WU. One of my consistent concerns has been that despite however well or poorly we might do in the United States in the private sector or at the Federal level in preparing for the Y2K transition, foreign countries and the private sectors in foreign countries might not be nearly as well-prepared as the United States hopefully will be. The question is whether, in the arena that you all are addressing today with respect to State programs, whether there is a substantial risk basically of a cascade effect of problems in foreign countries cascading into the State preparedness arena?

Mr. SPOTILA. We are obviously all concerned that not every country in the world has matched the progress that we have been able to accomplish here in the United States. We are looking at what interrelationships there might be and interdependencies there might be. On a general level, we are reasonably confident that there will not be the kind of cascading negative effect you are describing affecting U.S. citizens. So I think we have a good confidence level there.

We are, speaking now in terms of the administration, we are sensitive to situations that vary from country to country. I would point out that the President's Council on Year 2000 Conversion, headed by John Koskinen, has been very much involved in working on an international level to try to promote year 2000 compliance and assess the risks. And I might add, and this ties into a question that came earlier about individual citizens, the Council makes good, updated information available both on a website, http://y2k.gov, and through a toll-free number, which is 1–888–USA–4–Y2K. That information is something people can monitor as it is updated. The Council is giving out advisories; the State Department is giving out

advisories on travel. So there are a variety of things happening to try to get information to American citizens. In general, we feel this is not a crisis affecting us from international Y2K compliance, but, again, it is a risk that is a little difficult to assess in some countries.

Mr. WU. Are there any particular systems that you might consider more vulnerable to problems developing in foreign countries? Telecommunication and aviation come to mind immediately. But I would like to hear from the panel about any particular systems that you all deem to be particularly sensitive.

Mr. SPOTILA. My understanding is that the major industries have all been focusing on this, including the aviation industry which has worked hard to ensure that we do not have major problems relating to Y2K. That does not mean that a particular airport in a particular country might not have a problem. And for this, I would defer to the Council and to other updates that will be coming out from now until the end of the year to give a better assessment. So I do not think we can look so much by broad industry area. I think most of the major industries are addressing the problem, but there are going to be individual areas where there may be more risk.

Mr. WU. Thank you very much, Madam Chairwoman.

Mrs. MORELLA [presiding]. Thank you, Mr. Wu.

I apologize for having been at another hearing that I had to attend. I know this has been covered before, but before I ask you all a final question, Secretary Watkins, I was not here to hear what you said about what we can do to get Maryland moving faster in terms of compliance. And what is wrong? We have been in the forefront. My county of Montgomery has been Y2K OK for a long time and had a lot of drills. It is sad to think that one of the basic connects is not working at this point.

Ms. WATKINS. Maryland is waiting till December to be compliant. Congresswoman Morella, you were not here and I will just restate Maryland's situation. It relates to the child nutrition program only. Our food stamp program in Maryland is compliant and we have a certification letter for the food stamp program. And the same is true with the WIC. WIC is compliant. We do not have a certification letter yet, but we will get the certification letter from them for WIC.

Maryland's only problem area is with the school meals programs and with child nutrition. That is not as critical for us, but we will continue to work with them. They do have a manual system in place. Their system crashed, but they were working aggressively and will continue to do so. We will provide them any kind of technical assistance and support that is needed for child nutrition. And when I say it is not as critical because they do not have a system in place, it only affects the reimbursement rate that the school districts would submit to the State. It is not going to impact their feeding of children throughout the State of Maryland. So we will work with them and Maryland will be OK.

Mrs. MORELLA. I am glad to hear that.

Mr. Hugler, did you have a chance to tell them about the booklet that you have put together?

Mr. HUGLER. I did not make any remarks about the Secretary of Labor's recent release of the future work report, but I appreciate

your mentioning it. It is quite a bit of insight into the workplace of the future, which, really, it is upon us now because there is a very heavy emphasis on computer engineering and other related skills. But I thank you for mentioning it.

Mrs. MORELLA. Yes. There is definitely a connection between Y2K remediation and work force readiness too, which has been one of the problems why it has been so costly, why so many companies and States and localities and even the Federal Government has had some particular problems. I often think Admiral Grace Hopper, who was involved with the COBOL beginning, I used to say she was the one who kind of designed it, and then someone said, "Oh, no, I was on that committee and it was a committee that did it." I just think that it has posed a challenge that we have been trying to take care.

I know that the agencies have all stated that they are confident that their own systems and kind of cautiously optimistic that the State systems will be compliant and interoperable. Is there a role that you see that Congress can and should play in these remaining 86 days? I just wondered if I might just go through the panel and see if you have any comments about that.

Mr. Willemssen.

Mr. WILLEMSSEN. Two comments on two different levels. One, I think each Member of Congress would be well served by inquiring about their own State, if they have not already. That inquiry should start at the level of the Governor in terms of getting information on readiness and making sure that information, if it has not already, has been given to the public so that the citizens know where the individual State is with respect to readiness.

The second thing I would offer, more in the traditional congressional role, is I think the Congress needs to be postured in the early January timeframe should there be any Y2K events and risks that realize themselves. I think the executive branch has set itself up with its information coordination center and working through FEMA and the FEMA regions to be in a position to know what problems may occur. That could lend itself eventually to some sort of a request to the Congress to be ready should funding, for example, be needed for implementation of contingency plans. Something that we have testified on before that we thought was important is that OMB have in hand how much it would cost if contingency plans need to be implemented on any kind of widespread basis. I think the Congress needs to be at the ready in the unlikely event that something like that occurs.

Mrs. MORELLA. I think it is a very good idea that we get the word out to our members to communicate with their States to inquire about and indicate their interest in making sure that the State is compliant. I am not quite sure what you mean by Congress being properly postured with the exception of the financial thing you mentioned.

Mr. WILLEMSSEN. That is essentially what I am getting at.

Mrs. MORELLA. OK. Great. Thank you. I appreciate the comment.

Mr. SPOTILA. What I would add, Congresswoman, as John Koskinen indicated in his August report, one of the areas that concerns us is that individuals and small businesses around the country may, even at this late stage, not be sufficiently aware of the

need for Y2K compliance. NFIB, for example, did a survey of small businesses earlier in the year and, based on what they were hearing from members, they predicted that there might be 850,000 small businesses not ready for Y2K. I think that Members of Congress are in a unique position to communicate with their constituents, to continue to try to articulate this message and create awareness. I think that is an important function.

Mrs. MORELLA. I think that is a very good point. I also wanted to thank you. In your oral statement, you also had some very laudatory comments about Congress and its interest and involvement in moving the Federal Government and State and local governments ahead, and I certainly appreciate that.

Mr. Callahan.

Mr. CALLAHAN. Yes. I think the key emphasis, and it has been mentioned here by a number of people, has been the need to have very strong and operable business continuity plans in the case of some system failures. I think it is fair to say there may be some isolated or sporadic system failures in any number of areas, and, if that occurs, we have to fall back very, very quickly and readily to these continuity plans so the citizens will receive the services they need and require.

Mrs. MORELLA. I hear more and more of that, people who are not sure of how they should react and some small businesses are saying we know this will pass, it will be all right. Again, there is a little bit of frustration about what you do about it. We have had a lot of different kinds of town meetings and given them legislative assistance in terms of encouraging openness and all. But I do agree that we need to inform the public about what needs to be done.

Secretary Watkins.

Ms. WATKINS. Congresswoman Morella, I could not agree more with the panelist who have spoken before me about your advocating and being there to let the general public know, particularly those people who are on nutrition assistance programs and who use those benefits, and joining with Governors and our other State partners and with retailers around the country to assure people in the various communities that the systems are Y2K compliant and that they will receive their benefits. I could imagine that if you were in Montgomery County, with the large number of people that we have eligible for these programs, and you had a public event with retailers and the Governor and someone from Health and Human Services and Education, to let them know that the systems are OK and that they should not worry about Y2K and they are going to have food. If this was done around the country with the various Members of Congress and Governors and our State partners, who have done an outstanding job, I think it certainly would send the right signal.

Mrs. MORELLA. It might be that a mailing would be more effective. Sometimes with these meetings you just do not get as many people as you would like to have show up to them. And so maybe something that would comfort them. I have been thinking I am going to give Christmas and Hanukkah gifts of baskets with a Y2K survival kit to hold you over for a weekend, with foods, and batteries, and whatever, and just let them know in advance not to be alarmed.

Mr. Hugler.

Mr. HUGLER. Madam Chairwoman, I would concur with everything that has been said by the panel thus far in response to your question. I would particularly highlight the value of Members of Congress interacting with their respective Governors over the issues concerning Y2K. The public events suggestion I think was a very good one. The important point here is I think it would be beneficial if the States would hear the same message that they hear from the Department of Labor and other departments represented here about what is important. I would second what Mr. Callahan said, for example, about business continuity and contingency plans. That is something where we need to finish that work. As good a job as we have done and we know our partners have done, we still need to be prepared for the unforeseen and be able to continue business in the temporary absence of automated systems.

Mrs. MORELLA. Mr. Benzen, I am sorry I did not hear your oral presentation, but I do have your written testimony. I would love to hear from you now.

Mr. BENZEN. Just very quickly. To answer your question, I think I would have to agree with everyone at this table. I think they are on target with what efforts need to be continued. I would point out the efforts of this committee have helped the States certainly in that it is an evangelizing role, if you will. It has called attention to the problem and it has gotten action. The idea of making sure the Governors know it is important, I think the Governors really already know what is important. I do not think the problems we are seeing are because of inactivity or because of ignorance. I think it is a matter of just a tremendous amount of work to do that needs to be done.

Mrs. MORELLA. And it all starts from the top, and those who recognized it and started early, and it kind of pyramided out to touch many more people.

We have 86 days to solve our remaining Y2K problems. The Y2K technology challenge has shown how closely our society is dependent on computers. It illustrates our interdependence also on each other. The Federal Government has many critical business partners that help carry out essential programs such as you have discussed, Medicaid, temporary assistance for needy families, food stamps, and unemployment insurance. Millions of lives will be severely disrupted if even one State-run program fails.

States and counties need to be ready. Many have significant work left to do. Today, we have named several States that face a significant challenge in the coming months. If computer systems are not ready, I strongly urge State and local governments to develop and test practical contingency plans. Some have done it, some have not.

Our society lives with minor disruptions and inconveniences each day, whether it is the traffic congestion or the weather. However, our Nation cannot afford to experience significant service delivery problems to our essential programs. We still have time to get the programs ready, but I think you all agree we must redouble our efforts.

I just think this has been a great panel. I want to thank you all for being with us. There may be some other questions with regard to what is happening in some States on some of the programs that we have not had a chance to discuss that, with your agreement, we may forward to you for responses.

I want to thank the following people. On the majority staff, J. Russell George, staff director and chief counsel; Matt Ryan, senior policy director; Bonnie Heald, communications director and professional staff member; Chip Ahlswede, clerk; P.J. Caceres, Deborah Oppenheim. On the Technology Subcommittee, Jeff Grove, staff director; Ben Wu, Joe Sullivan. On the minority staff, Trey Henderson and Jean Gosa. And the Subcommittee on Technology, Michael Quear, Marty Ralston. Also, the court reporter, Ruth Griffin.

The meeting is now adjourned. Thank you all very much.

[Whereupon, at 11:59 a.m., the subcommittees were adjourned, to reconvene at the call of their respective Chairs.]

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