

**STATEMENT OF PATRICIA A. DALTON
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BEFORE THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
EDUCATION AND THE WORKFORCE COMMITTEE
U.S. HOUSE OF REPRESENTATIVES**

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Good afternoon Mr. Chairman and members of the Subcommittee. Thank you for inviting the Office of Inspector General (OIG) to discuss the highly important and pressing issue of Year 2000 (Y2K) readiness as it relates to the U.S. Department of Labor (DOL). I am here to present the views of the OIG, which may not be representative of those of the Department of Labor.

WHERE IS THE DEPARTMENT RIGHT NOW?

Mr. Chairman, the OIG continues to share your concerns in ensuring that the Y2K problem be addressed so that the operations of the Department of Labor are not disrupted at the start of the Year 2000. As you may recall, in November 1997, the OIG began to assess the Department's progress and provide audit oversight in those areas of greatest concern within the Department's 61 mission-critical systems. In order to maximize available OIG resources, our priorities were designed to mirror the DOL's business priorities (*benefits and payments, economic statistics and reports, financial management, enforcement functions, operations, and administration*). Consequently, we reviewed the Department's 61 mission-critical systems and issued a report in July 1998 that established a baseline of Y2K progress.

To ensure that all 61 mission-critical systems would be compliant, and to bring greater focus to the Y2K problem, in November 1998, DOL's Chief Information Officer named a Y2K director to manage compliance efforts throughout the Department. The OIG and the new Y2K director have been working to address issues and problems of mutual concern. As these issues have arisen, the Department has taken action that has been both responsive and reasonable.

As you may be aware, Mr. Chairman, the Department reported on March 31, 1999, that its 61 mission-critical systems were Y2K compliant. While progress has been made, much still needs to be done in the next few months. Today I will update you on where the Department stands and elaborate on those areas where we believe that DOL continues to be vulnerable. Specifically, I will discuss our concerns in the areas of the business continuity and contingency plans (BCCP), compliance testing, independent verification and validation, progress and concerns involving the State Employment Security Agencies (SESA), and the Department's interfaces and data exchanges with other business partners.

BUSINESS CONTINUITY AND CONTINGENCY PLANS

BCCPs detail the short- and long-term planned procedures that will be used to ensure the continuity of an agency's core business functions. If the BCCPs are not fully developed and tested, there is a risk that if Y2K failures occur agency core business functions will be unable to continue. This past March, we pointed out to the Department that the original BCCPs were inadequate. Our review of a number of DOL's plans disclosed that they were incomplete, were not scheduled for

testing, relied heavily on disaster recovery plans, were prepared by information technology staff without input from knowledgeable program staff, lacked sufficient detail to identify resources needed to implement the plans, and did not always provide alternative solutions for identified problems.

Since we provided our assessment to the Department, it has re-evaluated its plans, and asked its agency heads to work with program officials on developing new BCCPs around core business operations. The Department has indicated that the revised BCCPs will be completed by the end of this month. Because of their importance in ensuring the continuity of the Department's core business functions, the OIG plans to re-examine the BCCPs.

COMPLIANCE TESTING

Mr. Chairman, Federal guidelines clearly point out the importance of testing systems. Complete and thorough Year 2000 testing is essential to provide reasonable assurance that new or modified systems process dates correctly, do not jeopardize an organization's ability to transition to the new century, and perform core business operations. For testing to be done effectively, it should be planned and conducted in a disciplined fashion.

During our review of agency compliance testing, we have found problems in the areas of test planning, execution, and documentation. As a result, we are not sure that the stated risk levels, as reported, are realistic. Specifically, the OIG identified the following:

- Testing incomplete or unavailable for review where unsupported and Y2K noncompliant software exists in mission-critical systems;
- Infrastructure (hardware and software) compliance not verified through end-to-end testing;
- Software configuration management procedures not formalized;
- Testing results documentation missing or ad-hoc and not logically linked to test plans, scenarios, scripts, and cases; and
- Lack of user involvement in the testing phase.

Deficiencies were found in a number of systems, including the Department's Integrated Payroll System; BLS's Employment Cost Index System; MSHA's Coal Information Management System, Assessments Management Information System, and Accident Injury and Employment System (also known as the Part 50 System). The OIG is concerned about the adequacy of the testing, as it relates to the Department's assurances that these systems are Y2K compliant. We will be looking at additional systems.

INDEPENDENT VERIFICATION AND VALIDATION

The next critical Y2K date for DOL is June 30, 1999, at which time IV&V needs to have been completed. As of April 30, 1999, the Department had issued final IV&V reports on 37 of its 61 mission-critical systems. While the Department is doing much to complete its IV&V work within the established June 1999 time frame, the OIG has a number of concerns in this area. Specifically, the Department's approach to IV&V primarily consists of limited desk reviews of existing documentation

and reliance on interviews of people testing the agencies' systems.

Inherent in IV&V is the actual work to verify compliance of the agency's Y2K efforts, including testing of systems. We are concerned that the IV&V approach being taken by some of the agencies in the Department may result in inadequate assurances that the systems will not fail. For example, our reviews are finding that:

- Infrastructure assessments are incomplete;
- Operational and Y2K system testing is incomplete;
- Relevant test documentation is not available;
- Vendor-acknowledged unsupported and noncompliant Y2K software currently in use is not being replaced with Y2K compliant software;
- In one instance, a system with related dependent systems, was not tested in a Y2K environment prior to reporting the system to OMB as Y2K compliant;
- System tests performed in a Y2K environment do not represent a full system integration test of the system's functionality;
- Not all external data exchanges have been identified; and
- Not all external data-exchange partners have been contacted.

During the remaining months of 1999, management oversight must intensify to ensure that IV&V is thorough, complete, and -- above all -- provides Congress and all of the Department's other stakeholders with assurances that operations will not be interrupted.

WHAT IS HAPPENING AT THE STATE LEVEL?

DOL's efforts to respond to the Y2K problems include \$245 million in Federal funding, as well as guidance, technical assistance, and monitoring of the States. Both the Employment and Training Administration (ETA) and the SESAs have given priority to the Unemployment Insurance (UI) Benefits systems. In January 1999, the UI program successfully cleared its first major Y2K challenge when the SESAs began processing new claims which calculated "benefit-year-ending" dates for January 2000. These dates represented the first occurrence that required the States' automated UI Benefits systems to use dates extending into the year 2000. All SESAs were able to take claims on the first business day of January and to make benefit payments with no disruption in service. Although this became the first significant test for the SESAs to pass, other issues and concerns continue to exist.

Between December 1998 and January 1999, the OIG audited the Y2K efforts related to the four main components that comprise the SESA system (UI Benefits, UI Tax, Employment Service, and Administrative). In our audit, we conducted onsite work at 13 SESAs. Specifically, we reviewed Y2K efforts in California, Delaware, Florida, Georgia, Iowa, Massachusetts, Michigan, Nevada, New Jersey, New York, Ohio,

Pennsylvania, and Texas. Attached to my testimony is a chart that outlines the progress these States

have made with respect to Y2K compliance in four significant areas.

In general, we found that the 13 SESAs have made good progress overall, but there are still some areas of concern regarding the implementation and management of the Y2K problem. In the area of Y2K implementation, we found a number of problems including:

- Two SESAs had late projected completion dates that impact their overall progress (*NJ and NY*);
- Several had inadequate testing documentation (*DE, NY, and PA*);
- Two had delays in scheduling SESA testing (*CA and NY*); and
- Two had staffing problems that could potentially affect their Y2K compliance

(*DE and PA*).

In the area of Y2K project management, we found that:

- A number of SESAs had either deficient business continuity and contingency plans (*DE, FL, IA, GA, MA, MI, NJ, PA, and TX*), or no business continuity and contingency plans at all (*NY*);
- There were weaknesses in ETA's SESA assessments and onsite monitoring of Y2K compliance progress in several states (*CA, FL, IA, NV, NJ, NY, and PA*);
- One state had undocumented IV&V (*PA*); and
- Two states had unconfirmed SESA IV&V completion dates (*CA and IA*).

Mr. Chairman, the information technology environment of each SESA is different and jurisdictions also operate differently due to various unemployment and tax requirements set by state laws and regulations. As a result, Y2K solutions vary greatly among the jurisdictions. While assistance provided by the Department has helped the SESAs meet their Y2K compliance targets, we still remain concerned about implementation and management-related issues that we identified in our audit.

Y2K INTERFACES AND DATA EXCHANGES

With respect to other business partners of the Department, we are also concerned about computer interfaces and data exchanges. DOL agencies greatly depend on electronic data exchanges to execute their programs and facilitate the delivery of agency services. A good example of this (which is illustrated in an attachment to this statement) is the Job Corps program. This program is operated through a nationwide network of 113 residential facilities providing a comprehensive and intensive array of training, job placement, and support services to at-risk youths and young adults. In carrying-out its mission, Job Corps engages in many data exchanges that are used to transfer funds to contractors and grantees, and to process payments through the banking system. If a DOL agency is unable to correctly identify and contact critical business partners, the Y2K problems of the business partners may affect the ability of the Department to carry out its core business functions.

We conducted an audit of the Job Corps Student Pay Allotment and Management Information System (SPAMIS). The SPAMIS system performs payroll collections and facilitates payments to 40,000 students in 113 Job Corps facilities. During our audit, we worked with the ETA to identify its external and internal interfaces and data exchange partners. As a result of OIG working closely with ETA Job Corps officials, SPAMIS was identified as having 115 external interfaces, including banks and an interface with the Payment Management System at the Department of Health and Human Services. Since these partners had not previously been identified, no contacts were initiated by the agency to determine partners' Y2K compliancy efforts. However, after completion of the audit work, the CIO's office provided information that Y2K assurances were being obtained from these Job Corps partners.

Although the Department reports all 3,369 external data exchanges were compliant by March 31, 1999, OIG continues to be concerned about the extent external interfaces and data exchanges have been identified and tested. OIG's audit work indicates that other external data exchanges need to be accounted for and assurances obtained from all data exchange and interface partners.

The OIG will continue to focus on interfaces and data exchanges. Ongoing audits continue to review the quality and completeness of agency testing to ensure data exchange partners are fully included in Department and agency plans to conduct end-to-end testing of mission-critical systems.

CONCLUSION

In the past year, considerable attention has been given to the impact the Y2K problem may have on the delivery of services by the Federal Government. The ultimate impact of the Y2K problem on DOL is still uncertain. We believe DOL must be persistent and timely in ensuring that it adequately converts, implements, and verifies its systems so that they will not be affected by this problem. Problems will continue to be identified. Management, as they have to date, must take prompt action to implement effective solutions. Mr. Chairman, this concludes my prepared statement, I would be pleased to answer any questions that you or the other Subcommittee Members may have.