

DEPARTMENT OF LABOR

**Witness appearing before the
House Subcommittee on Labor-HHS-Education Appropriations**

**Charles C. Masten
Inspector General**

U.S. DEPARTMENT OF LABOR

**Statement by
Charles C. Masten
Inspector General**

on

**Department of Labor Year 2000 Transition
April 21, 1998**

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to discuss DOL's status in resolving its Year 2000 problem. I would like to emphasize that views expressed today are mine as Inspector General and may not be the official position of the U.S. Department of Labor.

Mr. Chairman, the challenges posed by the Year 2000 transition are great and failure to meet these challenges can have far-reaching consequences. DOL has identified 61 mission-critical systems for which it must ensure Year 2000 compliance, or have adequate contingency plans in place for performing the required functions in the event that the replacement or conversion effort is not completed on time. DOL's systems are used to carry out the myriad of mission-critical functions including: generating vital statistics of the U.S. economy such as unemployment rates and the consumer price index; providing income security to millions of workers through a variety of benefit programs; administering nationwide employment and training programs and services; and providing vital information to the public on a variety of employment issues including the security of pension plans, occupational injuries and illnesses, and employment rights.

In February, DOL reported that 13 of its 61 mission-critical systems were Year

2000 compliant; however, none have been independently verified or validated as compliant.

Over the last year, my office has escalated its monitoring of the Department's progress in addressing the Year 2000 issue. While our activities in this area have been limited by resource constraints, we have reviewed reported information, raised a number of issues internally, and promoted the need for a strong management structure to address this significant problem. Since the beginning of this year, we have become increasingly concerned with the Department's Year 2000 problem because there has not been sufficient progress in meeting the accelerated performance targets established by the Office of Management and Budget.

Based on the Department's February quarterly report, OMB dropped DOL's rating from "making progress but with concerns" to "making insufficient progress." In addition, the Chairman of the House Subcommittee on Government Management, Information and Technology gave DOL an "F" in the Subcommittee's Year 2000 report card. As you may recall, Mr. Chairman, in testimony before this Subcommittee in February of this year, we identified this as a high-risk area for the Department of Labor. Because at that time only 13 out of 61 mission critical systems were reported to be Year 2000 compliant, we cautioned that the Department still had a large task to accomplish in a short period of time and, thus, was vulnerable to problems.

In the 2 months that have passed since that testimony, my concerns have heightened because we have not seen marked progress in this area. Mr. Chairman, simply put, I am very concerned about the potential impact inadequate Year 2000

progress may have on the Department's ability to provide services beyond December 31, 1999. Especially critical will be the impact on individuals who rely on programs that deliver benefits or other income security programs. I am especially concerned about DOL benefit payment systems for Job Corps students, and injured coal miners, longshore and harbor workers, and Federal employees and their families.

Also important, is the Department's responsibility to help the 53 State Employment Security Agencies to bring into compliancy systems that interface with important Department programs. The largest and most critical of these systems is the Unemployment Insurance System, the \$30 billion benefit entitlement and tax system that provides temporary benefits for those who have suffered job loss while seeking to reenter the workforce. In FY 1998, the Department provided \$160 million of the \$200 million appropriated by Congress for FYs 1998 and 1999 for grants to assist the states and territories. However, nine states and two territories have been determined by ETA to be "at risk" because they have not been able to demonstrate meaningful progress. It is my opinion that this area warrants increased attention and vigilance from the Department.

Finally, we are concerned that the Department's insufficient progress in testing and validating systems as Year 2000 compliant may result in additional strain on the Department to ensure contingency plans exist for all mission-critical systems that will not be ready on time.

As a result of the concerns we had been raising, we were approached by the Department's Chief Information Officer (CIO) for assistance. Last week, we entered into

an agreement with the CIO, in which the following areas were established as priorities to ensure Year 2000 compliance.

- 1) Assessing the accuracy of compliance information reported by the agencies to the CIO and forwarded to OMB.
- 2) Ensuring the adequacy and validity of the testing plan and schedule.
- 3) Verifying that systems reported as Year 2000 compliant are actually compliant.
- 4) Ensuring that replacement systems are Year 2000 compliant and completed on time.
- 5) Ensuring plans are in place to address Y2K fixes for non-ADP equipment.
- 6) Ensuring adequate contingency plans are in place to assure business continuity, particularly for payment and benefit systems if Y2K deadlines are not met in these areas.

The agreement establishes that the CIO is responsible for addressing all of these areas, with the OIG providing audit oversight. As feasible, OIG oversight will be prioritized as follows: 1) financial and economic systems, 2) operational systems, 3) management information systems, and 4) administrative systems. Consistent with the agreement, the OIG is beginning an audit to assess the accuracy of the information being reported to the CIO by agencies of the Department.

Mr. Chairman, you asked that I provide an assessment as to whether DOL's systems will be ready for the transition into the new millennium. Based on the Department's performance in this area thus far, I must say that I have serious concerns

as to whether DOL will be Year 2000 compliant or have the necessary contingency measures in place to ensure continuity of operations. Signing an agreement is only a small, first step. In order for the agreement to have any impact, the Department needs to ensure that each step is accomplished effectively and in a timely fashion. In addition, the OIG urges the Department to effectively address those obstacles under its direct control that have hindered progress in this area, namely, insufficient management and accountability in addressing the Year 2000 problem, as well as difficulties in funding related activities. We support the Secretary's decision to raise the responsibility for this problem to the Deputy Secretary level and to inform the Assistant Secretaries, orally and in writing, that they will be held personally accountable for their agencies' compliance.

However, we believe it is also critical for DOL to:

- (a) ensure that agencies follow a clear plan with specific milestones to address the areas identified in the agreement;
- (b) ensure that funding needed to achieve Year 2000 compliance be more realistically estimated;
- (c) monitor closely the replacement of systems to ensure systems will indeed be compliant and delivered on time, and if not, have appropriate contingency plans in place to guarantee continuity of operations; and
- (d) identify and address external factors beyond DOL's control that may impact program agencies' compliance or interfaces with outside entities.

Clearly, Mr. Chairman, DOL has an arduous task ahead. Far more difficult, however, will be dealing with the problems DOL could face on January 1, 2000, if this problem is not adequately managed in the months ahead. From our perspective, we will continue to work with the Department by providing audit oversight and management consultation as permitted by our resources. However, the resources that we will need to devote to this area, may likely result in my having to terminate grant and contract audits to free up resources for Year 2000 activities.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or the other Members of the Subcommittee may have.