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**Testimony**

Before the Committee on Ways and Means, House of Representatives

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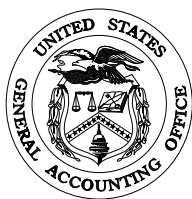
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**YEAR 2000 COMPUTING  
CRISIS**

**Readiness of State  
Automated Systems That  
Support Federal Human  
Services Programs**

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



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Mr. Chairman and Members of the Committee:

Thank you for inviting us to participate in today's hearing on the Year 2000 status of states' automated systems that support federal human services programs, such as Medicaid, Temporary Assistance for Needy Families, and Food Stamps. The federal government and states have a huge vested interest--financial and social--in related automated state systems. Many of these systems must still be renovated to make the transition to the year 2000.<sup>1</sup> Unless successfully remediated, many systems will mistake data referring to Year 2000 as meaning 1900. Such corrupted data can seriously hinder an agency's ability to provide essential services to the public and ensure adequate accountability over program operations.

Given the magnitude and nature of the programs these automated systems support, the potential problems of failing to complete Year 2000 conversion could be felt by millions of needy Americans. While some progress has been achieved, many states' systems have been reported to be at risk and not scheduled to become compliant until the last half of 1999. Further, progress reports to date have been based largely on state self-reporting which, upon on-site visits, has occasionally been found to be overly optimistic. Given these risks, business continuity and contingency planning becomes even more important in ensuring continuity of program operations and benefits in the event of systems failures.

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## Human Services Programs' Essential Services Face Risk of Year 2000 Disruptions

Failure to complete Year 2000 conversion activities could cause billions of dollars in benefits payments to fail to reach our nation's elderly, needy families, and women, infants, and children. Those newly approved for benefits could face an inability to be automatically added to the recipient file; eligibility for new applicants might not be able to be determined in a timely fashion; eligible recipients could be denied benefits; and payments could be underpaid, overpaid, or delayed. Key state-administered programs that could be affected include the following.

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<sup>1</sup>The Year 2000 problem is rooted in the way dates are recorded and computed in automated information systems. For the past several decades, systems have typically used two digits to represent the year, such as "99" to represent 1998, in order to conserve electronic data storage and reduce operating costs. With this two-digit format, however, the year 2000 is indistinguishable from 1900 because both are represented simply as "00." As a result, if not modified, computer systems or applications that use dates or perform date- or time-sensitive calculations may generate incorrect results beyond 1999.

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- In fiscal year 1997, Medicaid provided about \$160 billion to millions of recipients. A joint federal-state program supported by the Department of Health and Human Services' (HHS) Health Care Financing Administration (HCFA) and administered by the states, Medicaid provides health coverage for 36 million low-income people, including over 17 million children. Its beneficiaries also include elderly, blind, and disabled individuals.
  - Temporary Assistance for Needy Families (TANF), child support enforcement, child care, and child welfare programs are likewise critical to the health and well-being of needy families. HHS' Administration for Children and Families (ACF) oversees these programs that provide benefits to economically needy families with children who lack financial support from one or both parents because of death, absence, incapacity, or unemployment. In fiscal year 1997, federal and state agencies spent just under \$14 billion on cash and work-based assistance. Of this total, almost \$8 billion was federal money, while just over \$6 billion was state-funded. This program served almost 8 million recipients as of September 1998.
  - Food Stamp and the Supplemental Program for Women, Infants, and Children (WIC) programs provide food for millions of Americans. The U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) oversees these programs. In 1998, almost 20 million people received food stamp benefits, while an average of 7.5 million received monthly WIC benefits.

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## Survey of State Readiness to Support Federal Human Services Programs Raises Concerns and Potential Risks

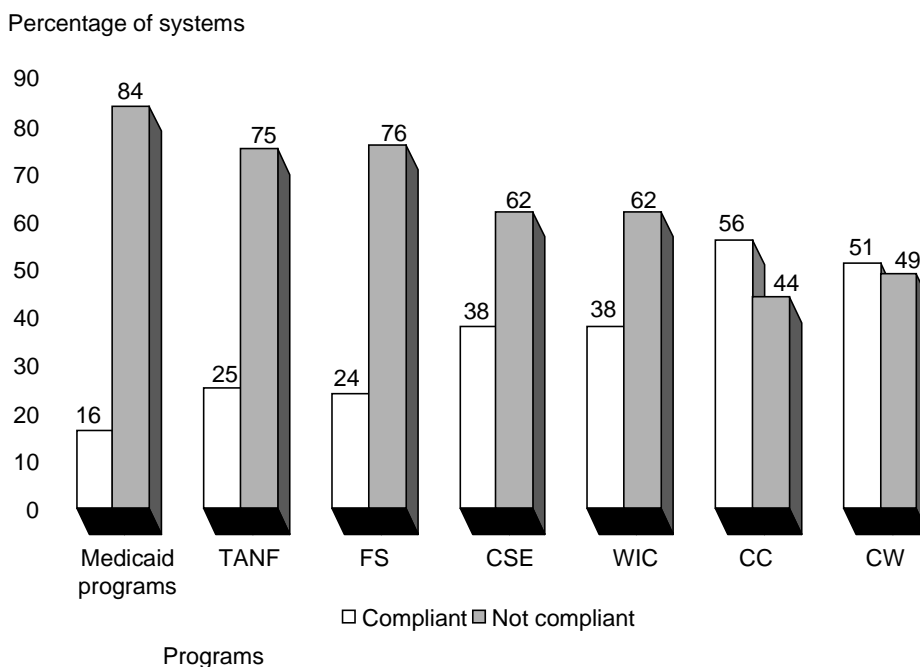
Our survey last year of states' Year 2000 status found that many systems were at risk and much work remained to ensure continued services. Overall, only about one-third of the systems supporting the Medicaid, TANF, Food Stamp (FS), WIC, Child Support Enforcement (CSE), Child Care (CC), and Child Welfare (CW) programs were reported to be compliant.<sup>2</sup> As figure 1 illustrates, the state-reported compliance rate

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<sup>2</sup>Year 2000 Computing Crisis: Readiness of State Automated Systems to Support Federal Welfare Programs (GAO/AIMD-99-28, November 6, 1998). We sent a survey to the 50 states, the District of Columbia, and three territories (Guam, Puerto Rico, and the Virgin Islands). All but one of the 54 entities surveyed responded.

ranged from a low of about 16 percent (Medicaid systems) to a high of 56 percent (child care systems).<sup>3</sup>

**Figure 1: Percentage of Systems Reported Compliant – July/August 1998<sup>4</sup>**



States reported having completed renovation on only about one-third of the systems as of July/August. Of those states that had not completed this phase, many systems (25 percent) were no more than one-quarter complete. For example, 18 states reported that they had completed renovating one quarter or fewer of their Medicaid claims processing systems. These 18 states had Medicaid expenditures of about \$40 billion in

<sup>3</sup>The Office and Management and Budget endorsed a five-phase approach for conducting Year 2000 work, and established target completion dates for each phase. Following *awareness*, agencies were instructed to *assess* systems (by June 1997), including inventorying, analyzing, and prioritizing them. Agencies then had to *renovate* their systems, either by converting or replacing them (by September 1998); *validate* through testing and verification (by January 1999), and then *implement* the converted or replaced systems (by March 1999). These phases are detailed in GAO's Year 2000 assessment guidance, *Year 2000 Computing Crisis: An Assessment Guide* (GAO/AIMD-10.1.14, September 1997) .

<sup>4</sup>The states reported using a total of 421 automated systems to manage these programs. (Several states reported using more than one system to support a program.)

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fiscal year 1997--one-quarter of total Medicaid expenditures nationwide, covering about 9.5 million recipients.

Thorough testing is required to ensure that Year 2000 modifications function as intended and do not introduce new problems. Despite this need, states said last summer that they had not yet developed test plans for about 27 percent of the systems. Further, only about one-quarter of the systems were reported at that time as having completed validation and implementation.

In addition to Year 2000 systems conversions, states must continue to perform routine systems development and maintenance activities, as well as implement other systems changes required to support their human services programs. Eighty percent of the states noted that these systems activities had been delayed because of Year 2000 compliance efforts. Faced with these competing priorities, states reported struggling to manage their workloads, including important initiatives such as tracking and reporting the requirements of federal welfare reform, new HCFA programmatic requirements, and new child support requirements.

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## Updated Results of State Human Services Systems

Since our report, federal guidance and oversight activities for state human services systems have increased; however, concerns regarding states' systems status remain. Following our report, OMB implemented a requirement that federal oversight agencies include the status of state human services systems in quarterly Year 2000 progress reports.<sup>5</sup> Specifically, it requested that federal agencies describe actions to help ensure that federally supported, state-run programs will be able to provide services and benefits. OMB has further asked that agencies report the date when each state's systems will be Year 2000 compliant, and provide information on any significant difficulties that states are encountering.

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## Medicaid Systems Remain at Risk

Since last summer, HCFA has administered two state self-reported surveys and conducted several on-site visits and found that overall state Medicaid systems status has improved little. For example, HCFA reported in

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<sup>5</sup>OMB Memorandum for the Heads of Selected Agencies, Revised Reporting Guidance on Year 2000 Efforts, January 26, 1999. The state programs included were Food Stamps, Medical Assistance, Unemployment Insurance, TANF, Child Support Enforcement, WIC, Low Income Home Energy Assistance, Child Nutrition, Child Care, and Child Welfare.

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November 1998 that Medicaid systems had shown some progress in renovation, but that the number of states reporting completion of this phase had actually decreased compared to the July/August 1998 data that was reported to us by the states. It found, further, that 11 states' Medicaid systems were still reported to be 25 percent or less renovated, and about half of the states were 50 percent or less renovated. Only five states—Arkansas, California, Idaho, Illinois, and Iowa—reported their Medicaid systems to be 100 percent renovated. Thus, while OMB guidelines target completion of systems renovation by September 1998, states' self-reported data to HCFA showed that about 90 percent of states had not completed renovation for the Medicaid programs as of November 1998.

To obtain more reliable Year 2000 state Medicaid status information, HCFA hired a contractor to conduct independent verification and validation of states' systems. As an initial effort, the contractor and HCFA distributed a survey to all states to ascertain background and Year 2000 status information. However, based on more recent information from on-site visits, the independent verification and validation (IV&V) project leader said that the survey data were not as reliable as HCFA had expected because states tended to overstate their progress. As a result, HCFA has instead decided to rely on on-site contractor visits to ascertain accurate Medicaid systems' status.

HCFA reported in HHS' February 1999 quarterly report to OMB that based on seven site visits, some of the dates that states had reported to us in July/August 1998 had already slipped, underscoring the need for on-site visits to secure more accurate information. For example, according to HCFA, while four states appeared to have made some progress in the 6 months since our survey, three states' status remained the same. Further, HCFA found that one state's Medicaid eligibility system was not as far along as the state had reported in our survey. As of February 17, 1999, HCFA told us it had visited 14 states and that half of those states have shown some improvements. Thus, HCFA and the IV&V contractor plan to make on-site visits to all 50 states and the District of Columbia by the end of this April. For states considered at risk, HCFA will conduct second site visits between May and September 1999 and, if necessary, third visits between October and December 1999. The later visits will emphasize contingency planning to help the states ensure continuity of program operations in the event of systems failures.



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## Current Status of Systems Supporting ACF Programs Is Unknown

ACF is currently surveying the states to determine the status of TANF, child support enforcement, child care, and child welfare systems, however, it does not have current information on states' systems. In response to OMB's requirement to provide updated state systems status in the quarterly Y2K progress reports, ACF sent letters and surveys to state chief information officers asking for such information and asked the states to return the survey by January 31, 1999. As of February 16, 1999, ACF had received responses from 27 states. Further, according to HHS' Year 2000 Program Manager, the information provided by the states raised more questions than answers--some states did not answer all questions or complete the survey for all systems.

ACF is now proposing on-site reviews of state systems for TANF and the child support enforcement, child welfare, and child care programs in all 50 states. ACF sees these reviews as enhancing the available information concerning states' Year 2000 readiness and providing a vehicle through which the agency can provide states with technical assistance. ACF is considering developing a process similar to the one being used by HCFA, or possibly working with HCFA in gathering information.

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## USDA Has Been Tracking Systems Status for Food Stamps and WIC

The Department of Agriculture's Food and Nutrition Service (FNS) is tracking and reporting on Year 2000 progress for the Food Stamp and WIC programs for all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. For both programs, USDA initiated a survey in April 1998, asking states when their hardware, software, and telecommunications supporting automated Food Stamp and WIC systems would be compliant.

FNS updated the survey last December, and noted that 13 of the states' software, hardware, and telecommunications systems supporting the Food Stamp Program were reported as being Year 2000 compliant. Another 15 expected to be compliant by March 31, and another 13 by June 30 of this year. The remaining 13 states reported that they would not achieve compliance until the last 6 months of calendar year 1999--which puts them at high risk of failure if any unforeseen problems are encountered during testing.

Regarding WIC, as of last December, FNS reported that 42 states said their WIC systems were already compliant or would be Year 2000 compliant by June 30, 1999. However, 12 states reported that they would not be compliant until the last 6 months of 1999. For states reporting that they

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will not be compliant by March 31, 1999, USDA has requested the state to certify in writing that it has a working contingency plan in place that will ensure the delivery of benefits to Food Stamp Program and WIC recipients.

In closing, although some states are reporting progress in achieving Year 2000 compliance, many human services systems may not become compliant until later this year. Consequently, these systems are at a high risk if any unforeseen problems are encountered during testing. Business continuity and contingency plans will thus become increasingly critical for these states in an effort to ensure continued timely and accurate delivery of benefits and services. Federal oversight agencies, through their monitoring activities, plan to likewise continue to emphasize the need for contingency planning to ensure continuity of service.

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

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