

## EXECUTIVE DIGEST

# YEAR 2000 ISSUES FOR INFORMATION SYSTEMS

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### INTRODUCTION

This report, issued in May 1999, contains the results of our performance audit\* of the Year 2000 Issues for Information Systems, Year 2000 Project Office\*, Department of Management and Budget (DMB). This was our second audit of the State's efforts to address the year 2000 problem\*. We plan to periodically determine the status of the State's year 2000 issues as the State makes progress in resolving these issues.

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\* .

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### BACKGROUND

The year 2000 problem is the result of the way dates are stored and computed in many computer systems. For the past several decades, programmers typically used two digits to represent the year to save data storage and processing costs. However, in this format, the year 2000 is indistinguishable from the year 1900 because both are represented as "00." As a result, most computer systems

that use two-digit years will not work beyond the year 1999 if corrective action is not taken. Most State agencies have computer programs that use the two-digit years; therefore, those programs will not correctly process dates beyond December 31, 1999 without corrective action. Effective dates for benefits, license expirations, tax payments, personnel/payroll transactions, and other transactions are all potentially affected by this problem.

In response to the year 2000 problem, DMB established the Year 2000 Project Office, which reports to the State's chief information officer. The mission\* of the Year 2000 Project Office is to oversee and facilitate agencies in achieving year 2000 operability\* for their critical computer applications by December 31, 1998 and for their other computer applications by September 30, 1999. The scope of the Year 2000 Project Office's oversight is limited to executive branch agencies and excludes the legislative and judicial branches of government.

For fiscal year 1996-97, the Year 2000 Project Office was appropriated \$55.6 million. Act 114, P.A. 1997, stipulates that the unexpended portion of the appropriation is to be considered a work project appropriation and any unencumbered or unallotted funds are to be carried over into the succeeding fiscal year. As of September 1998, the Year 2000 Project Office had 9 individuals assigned to the project and had expended \$1.4 million for its internal operation. As of November 1998, the Year 2000 Project Office had reimbursed State agencies \$16.9 million for remediation work.

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**AUDIT OBJECTIVE  
AND CONCLUSION**

**Audit Objective:** To assess the effectiveness of the Year 2000 Project Office in implementing key processes to achieve year 2000 compliance.

**Conclusion:** In our opinion, the Year 2000 Project Office continues to be effective in implementing key processes to achieve year 2000 compliance. However, our conclusion does not imply that the State will be successful in its remediation efforts or that essential business functions will not be affected by either internal or external year 2000 related events. Because of the unprecedented nature of the year 2000 issue, sufficient audit evidence does not exist to conclude that the State will be successful in its remediation efforts or that essential business functions will not be affected by either internal or external sources. The effects and the success of related remediation efforts of the Year 2000 Project Office will not be fully determinable until the year 2000 and thereafter.

Our audit of the Year 2000 Project Office's efforts found:

- a. The *Michigan Year 2000 Remediation Framework*\* provides the basis for resolving the year 2000 problem facing State agencies.
- b. The Year 2000 Project Office has established a centralized Year 2000 Progress Reporting System to gain accurate and timely data from all State agencies.
- c. The Year 2000 Project Office has established an effective Quality Assurance Program to review agency remediation efforts.

- d. The Year 2000 Project Office has developed the Risk Management Program, which provides State agencies with the guidance needed to focus their limited resources on the most likely threats to their successful remediation of year 2000 problems.
- e. Executive Directive No. 1998-3 directs agencies to inventory, assess, and remediate all mission critical equipment that may have embedded technology\* by December 31, 1999.
- f. DMB Administrative Guide procedure 1310.33, entitled "Michigan Year 2000 Operability Certification for Application/Compliance Unit," directs agencies to certify that their computer applications are year 2000 operable.

Our assessment did not disclose any material conditions\*. However, we did identify a reportable condition\* directed to State agencies regarding their reporting of regulatory and enforcement responsibilities (Finding 1).

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Year 2000 Project Office and of various State agencies. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our audit objective, we utilized the Year 2000 Conversion Model established by the U.S. General Accounting Office (GAO), which is based on the work of

the federal Best Practices Subcommittee of the Interagency Year 2000 Committee. Our methodology included examination of records and activities of the Year 2000 Project Office for the period October 1997 through February 1999. We interviewed the Year 2000 Project Office and other State agency personnel and compared the *Michigan Year 2000 Remediation Framework* with the GAO's Year 2000 Conversion Model.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report contains 1 finding and 1 corresponding recommendation. The agency preliminary response from the Emergency Management Division, Michigan Department of State Police, indicated agreement with the recommendation.

DMB complied with all 3 of our prior audit recommendations.