

**U.S. DEPARTMENT OF EDUCATION
OFFICE OF THE INSPECTOR GENERAL**



Review of Year 2000 Compliance for
Processing, Delivery and Administration
Of Student Financial Assistance Programs

Control Number S11-90016
July 1999

MANAGEMENT INFORMATION REPORT

Area Manager
Washington DC Field Office



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

MEMORANDUM

JUL 16 1999

TO: Marshall Smith
Acting Deputy Secretary

FROM: Jim Cornell
Area Manager, OIG

SUBJECT: Management Information Report *Review of Year 2000 Compliance for Processing, Delivery, and Administration of Student Financial Assistance Programs (Control Number S11-90016)*

This is our Management Information Report on the U.S. Department of Education's (ED) Year 2000 (Y2K) Compliance for Processing, Delivery, and Administration of Student Financial Assistance (SFA) Programs. We appreciate your timely response to the draft report and have included your comments as Appendix B in the report.

Management Information Reports are intended to provide information for decision-makers and are not audit or investigative reports. However, the report provides recommendations for addressing the outstanding Y2K risk areas that could affect the SFA programs. Your response to our report included plans for addressing our recommendations. As part of our continuing work on the Y2K issue, we will monitor ED's progress in implementing these recommendations.

As required by the Higher Education Amendments of 1998, we are submitting this report to the Senate Committee for Health, Education, Labor and Pensions and the House Committee on Education and the Workforce. Additionally, copies of the report have been provided to ED officials having responsibility for Y2K compliance.

In accordance with the Freedom of Information Act (Public Law 90-23), final reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent that information contained therein is not subject to the exemptions in the Act.

We appreciate the cooperation given to us in this review. If you have any questions regarding this report, please call me at 205-9538 or Jack Rouch at 260-3878.

Attachment

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Review of Year 2000 Compliance for Processing, Delivery, and Administration of Student Financial Assistance Programs

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Executive Summary

We reviewed the U.S. Department of Education's (ED's) Year 2000 (Y2K) compliance for processing, delivery, and administration of grant, loan, and work assistance programs. This report is the second of two Office of Inspector General (OIG) reports concerning the Y2K issue required by the Higher Education Amendments of 1998 (HEA). In January 1999, OIG published a risk assessment of the systems and hardware under ED's management. In our current review, we assessed the status of 13 mission critical systems critical to the delivery of student financial assistance (SFA) and reviewed the ED's progress in addressing risk areas identified in our previous report. Management Information Reports are intended to provide information for decision-makers and are not audit or investigative reports.

ED substantially completed implementation and end-to-end testing of its internal systems and has devoted significant effort to reduce the risk associated with external trading partners and contingency planning. However, work remains to mitigate continuing risks. We are especially concerned with the Y2K readiness status of postsecondary institutions. Outreach by Congress is warranted to augment ED's extensive attempts to have schools take steps to reduce their risk of Y2K failure. ED will also need to take steps to 1) reduce the Y2K risks associated with other external trading partners on whom it must rely, 2) complete and test contingency plans, and 3) establish controls to ensure continued Y2K compliance.

ED Completed Implementation of Systems Critical to Student Financial Assistance

In assessing the status of ED's systems' Y2K compliance, we relied on contractors performing independent verification and validation (IV&V) procedures. We determined that these contractors were adequately performing the IV&V process and that we could rely on their work. IV&V documentation indicates that the 13 systems completed validation, except for low-risk issues pending completion or IV&V review. End-to-end testing between ED systems and with external parties (other than one-to-one testing with schools, guaranty agencies and their servicers) has been substantially completed. ED tested its ability to send and receive data from schools, guaranty agencies and their servicers in a simulated environment and has established test windows through September 1999 to allow these entities to perform actual one-to-one tests of their electronic interfaces.

The scope of our work did not include sufficient steps for OIG to verify independently the Y2K compliance of ED's systems. However, Exhibit 1 presents our risk assessment for the 13 systems using an adaptation of the Y2K Scorecard approach developed by the MITRE Corporation.

ED Conducted Extensive Outreach to External Trading Partners, but Risks Remain

The SFA delivery process involves a network of external trading parties, including approximately 7000 postsecondary institutions, 6500 lenders and 36 guaranty agencies. Significant Y2K-related failures at these entities could disrupt the processing, delivery, and administration of grants, loans and work assistance provided through the SFA programs. ED has implemented extensive outreach efforts to promote awareness, provide technical assistance, and to learn about progress made by these entities.

No matter how extensive its outreach efforts, ED cannot ensure that its trading partners will become Y2K compliant. These entities must take the steps necessary to mitigate Y2K risks for their organizations. ED is taking steps to understand the readiness of its trading partners and to implement contingency plans to address potential failures. After analyzing available information on trading partner readiness, we assessed the risk that Y2K-related failures at lenders, guaranty agencies, and postsecondary institutions would disrupt the processing, delivery, and administration of the SFA programs for student beneficiaries.

- **Lenders – Low Risk:** As of February 1999, approximately 96 percent of depository institutions examined by the Federal Financial Institutions Examination Council were making satisfactory progress.
- **Guaranty Agencies – Low to Moderate Risk:** During six OIG site visits from August 1998 to March 1999, we noted issues regarding data exchanges, contingency planning and systems/servicer changes. ED's Guarantor and Lender Oversight Service (GLOS) conducted site visits in early 1999 at seven agencies and concluded that the agencies' Y2K risk to the Federal Family Education Loan Program ranged from low to moderate. Presently, GLOS and OIG plan to conduct initial site visits at an additional nine guaranty agencies and one servicer and will revisit two agencies.
- **Postsecondary Institutions – High Risk:** There is insufficient information to assess accurately the readiness of postsecondary institutions, and the limited information available indicates that they may be at risk. ED is conducting a voluntary survey of 6,614 schools. Preliminary results from 653 or 9.9 percent of the survey population show that 46 percent of respondents do not have a written Y2K plan. Additionally, 42 percent did not expect to complete their implementation phase until after September 30, 1999. These early survey results raise a concern that a significant percentage of postsecondary institutions may be at risk for Y2K-related failures. Other factors that support our assessment of high risk include low participation by schools in ED's testing windows and concerns we have about the readiness of school servicers.

ED Needs to Complete and Test Contingency Plans

ED has made substantial progress in developing its business continuity and contingency plans (BCCP) and submitted preliminary plans to OMB on March 31, 1999. ED revised and resubmitted its BCCP on June 15, 1999, the date initially required by OMB. The current BCCP contains plans for eight SFA business processes as well as plans for ED's network operations (EDNET) and its Central Automated Processing System (EDCAPS). To prevent disruption of the SFA delivery process, however, ED will need to continue its efforts to develop, test and refine its plans. Additionally, ED will need to complete prerequisite actions in 1999, resolve policy decisions regarding waivers of statutes and regulations, and ensure adequate funding for implementation of the plans.

ED Needs to Establish Controls to Ensure Continued Y2K Compliance

ED must ensure that existing and new systems continue to be Year 2000 compliant. The Y2K Project

Team distributed guidance for maintaining Year 2000 compliance for systems and data exchanges. This guidance requires that all major releases of software or hardware upgrades for existing systems and all new systems must undergo a complete set of Year 2000 validation tests prior to acceptance. We found that the first two phases of the new RFMS system were implemented before complete Y2K tests were conducted. Implementing systems before they are validated increases the risk that ED's systems will not accurately process, deliver and administer the SFA programs. In the case of RFMS, the Y2K tests are now being completed

ED's guidance on maintaining Year 2000 compliance states that principal offices will become fully responsible for Year 2000 compliance of systems under their cognizance. The guide does not define an oversight role for the Y2K Project Team in the continued certification of systems and does not require the use of IV&V. These oversight functions were key controls established in the Y2K Project Management Plan for the original certification of mission critical systems.

Recommendations

We recommend that ED:

- Continue outreach activities to communicate Y2K issues and strategies to all sectors of the postsecondary education community;
- Require all postsecondary institutions to test their data exchanges and ensure that all guaranty agencies successfully complete the required testing with ED;
- Complete, test and refine its business continuity and contingency plans. Steps include soliciting and addressing industry comments, securing adequate resources to implement the plans, completing detail action plans, performing actions required prior to December 31, and implementing risk mitigation plans;
- Implement a process for validating continued Y2K compliance of critical systems when modifications are made. The process should include oversight by the Y2K Project Management Team; and
- Initiate controls to limit system changes to those considered essential by the Information Technology Investment Review Board for the period September 1999 to March 2000.

We also recommend that Congress:

- Promote Y2K awareness at postsecondary institutions in their districts and states; and
- Seek to build constituent support groups to help lagging institutions achieve Y2K readiness.

Management Response

Management agreed with the report's observations about areas that require ongoing efforts by ED. Management's response, included as Appendix B, addresses ED's plans for implementing our recommendations.

Review Results

We reviewed the U.S. Department of Education's (ED's) Year 2000 (Y2K) compliance for processing, delivery, and administration of grant, loan, and work assistance programs. We assessed the status of 13 mission systems critical to the student financial assistance (SFA) programs and reviewed ED's progress in addressing risk areas identified in our January 1999 risk assessment of systems and hardware under ED's management. Management Information Reports are intended to provide information for use of decision-makers and are not audit or investigative reports.

ED substantially completed implementation and end-to-end testing of its internal systems and has devoted significant effort to reduce the risk associated with external trading partners and contingency planning. However, work remains to mitigate continuing risks. We are especially concerned with the Y2K readiness status of postsecondary institutions. Outreach by Congress is warranted to augment ED's extensive attempts to have schools take steps to reduce their risk of Y2K failure. ED will also need to take steps to 1) reduce the Y2K risks associated with other external trading partners on whom it must rely, 2) complete and test contingency plans, and 3) establish controls to ensure continued Y2K compliance.

ED Completed Implementation of Systems Critical to Student Financial Assistance

ED reports that it has completed renovation, validation and implementation of the 13 systems critical for student financial assistance delivery before the March 31, 1999 deadline set by Office of Management and Budget (OMB) and the Higher Education Act. These systems include:

1. Direct Loan Central Database (DLCD)
2. Direct Loan Origination System (DLOS)
3. Direct Loan Servicing System (DLSS)
4. Postsecondary Education Participants System (PEPS)
5. Education's Central Automated Processing System (EDCAPS)
6. Campus Based System (CBS)
7. National Student Loan Data System (NSLDS)
8. Pell Grant Recipients Financial Management System (PELL)
9. Title IV Wide Area Network (TIVWAN)

10. Central Processing System (CPS)
11. Education's Local Area Network (EDNET)
12. Multiple Data Entry System (MDE)
13. Federal Family Education Loan Program System (FFEL)

*OIG Relied on Work
of Independent
Verification and
Validation
Contractors*

In assessing the status of ED's systems, we relied on the work of contractors performing independent verification and validation (IV&V) procedures. We determined that these contractors were adequately performing the IV&V process and that we could rely on their work in conducting our risk assessment. IV&V documentation indicates that the 13 implemented systems completed renovation and validation except for low risk issues pending completion or IV&V review. In May 1999, GAO reported that it reviewed the change control/quality control process, test plans and test results for NSLDS, FFEL, and PELL systems. [*Year 2000 Computing Challenge: Education Taking Needed Actions But Work Remains*, GAO/T-AIMD-99-180, May 12]. GAO stated that it found adequate documentation supporting baseline, regression, and future date testing for three systems it selected. The scope of our work did not include sufficient steps for OIG to verify independently the Y2K compliance of ED's systems.

*End-to-end Testing is
Substantially
Complete*

In our January 1999 report we noted that systems reported as implemented were independently validated and put into production, but had not completed end-to-end testing. In *Year 2000 Computing Crisis: An Assessment Guide* [GAO/AIMD-10.1.14] and *Year 2000 Computing Crisis: A Testing Guide* [GAO/AIMD-10.1.21] GAO recommends completion of end-to-end testing before systems are considered implemented. End-to-end testing between ED systems, and with external parties (except schools, guaranty agencies and their servicers), has been substantially completed except for a few exchanges affecting the Direct Loan Origination System that are scheduled to occur by July 1999.

*Postsecondary
Institution
Participation in
Testing Windows Has
Been Low*

ED tested electronic data exchanges with schools, guaranty agencies and their servicers by simulation, testing the systems' ability to send and receive data from external trading partners in a simulated environment. ED has established test windows through September 1999 to allow these entities to perform actual tests of their electronic interfaces. Only 15 schools participated in the first testing window of the DLOS that closed on May 21, 1999. Only three of the schools passed the tests. In an effort to increase participation, ED sent letters to approximately 50 higher education associations requesting that they urge their members to participate in testing with ED.

Y2K Risk Assessment For Critical Systems

Risk of ED's Systems and Hardware Not Being Ready for Y2K Has Diminished

Overall, we conclude that the risk of ED's systems and hardware not being ready for Y2K has been reduced to low. In January 1999, we provided a risk assessment for the 13 mission systems critical to the SFA programs. Exhibit 1 presents our latest risk assessments for these systems after analysis of documentation we received through June 21, 1999. We assessed the level of risk outstanding for each of the individual systems based on a review of the following factors:

- status of commercial off the shelf (COTS) software products;
- status of the network and operating environment;
- status of external interfaces;
- time and resources available;
- status of the validation process; and
- status of the implementation process.

Summary Risk Provides OIG's Overall Evaluation for Individual Systems

We describe our methodology and source of supporting data in the Scope and Methodology section of this report. Appendix A provides a description of the 13 systems included in our assessment. The Summary Risk column provides our overall evaluation of the level of risk associated with the individual systems. The following descriptions provide a guide for interpreting the level of summary risk:

BLUE: The system completed implementation and appropriate end-to-end testing. IV&V has reviewed resolution of all identified issues.

GREEN: The system completed implementation and made significant progress in end-to-end testing. ED is resolving low risk issues identified by IV&V and/or system needs to complete end-to-end testing. Remaining issues are scheduled for completion before September 30, 1999.

YELLOW: The system completed implementation and IV&V. However, the system requires monitoring because IV&V has identified moderate risk issues and/or there has not been significant progress in end-to-end testing. Remaining issues are scheduled for

completion before September 30, 1999.

RED: The system has not completed implementation and/or there are significant unmitigated risks that could affect program processing, delivery or administration.

Summary Risks for All Systems Were Rated GREEN or BLUE

There were no systems meeting our summary risk criteria for YELLOW or RED. The following three systems had a summary risk of BLUE: CPS, MDE, and TIVWAN. The remaining ten systems had a summary risk rating of GREEN.

OIG Noted Pending Issues Related to DLOS and PELL

Although we assessed the summary risk as GREEN for the DLOS and PELL systems, we did identify conditions meriting a YELLOW assessment for one of the risk columns:

- DLOS: ED did not complete testing for several data exchanges. These tests were originally scheduled for March 1999 and ED postponed them to July 1999.
- PELL: ED implemented two phases of its new RFMS system before completion of Y2K testing. These tests are currently being completed.

IV&V Recommended Interoperability Tests for EDNET

Validation of the EDNET system was primarily based on vendor certifications of the hardware and software supporting ED's network. The final IV&V report for EDNET reported that all validation issues had been resolved, however the contractor recommended that ED conduct interoperability tests as an added measure to reduce risk further. For purposes of our risk assessment, we considered the system validated. However, we assessed the interoperability tests as an issue related to the network and operating environment that remains to be tracked. We assessed a summary risk of GREEN for EDNET until the interoperability tests are successfully completed. ED requested approximately \$1.1 million in emergency funding from OMB to create a test facility and run the tests, however OMB did not approve the funds. OMB recommended that ED lockdown the current system and test over the July 4, 1999 weekend. ED previously decided against a test on its production environment and is now determining its best course of action to address the IV&V recommendation.

ED Conducted Extensive Outreach to External Trading Partners, but Risks Remain

ED Cannot Ensure the Y2K Compliance of SFA Trading Partners

The SFA delivery process involves a network of external trading parties including approximately 7000 postsecondary institutions, 6500 lenders, and 36 guaranty agencies. Significant Y2K-related failures at these entities could disrupt the delivery of the SFA programs and put Federal funds at risk. No matter how extensive its outreach efforts, ED cannot ensure that its trading partners will become Y2K compliant. These entities must take the steps necessary to mitigate Y2K risks for their organizations. There remains a risk that these entities might have Y2K-related system failures that affect their ability to perform their role in the SFA program delivery process.

We reviewed ED's outreach and oversight efforts and assessed the risks that failures at lenders, guaranty agencies and postsecondary institution would disrupt the processing, delivery, or administration of the SFA programs. We are especially concerned with the Y2K readiness status of postsecondary institutions, which we believe pose the greatest risk. Outreach by Congress is warranted to augment ED's extensive attempts to have schools take steps to reduce their risk of Y2K failure.

ED is taking steps to understand the readiness of its trading partners and to implement contingency plans to address potential failures. ED has performed extensive outreach efforts to promote awareness, provide technical assistance, and to learn about progress made by these entities. Additionally, ED has executed oversight over progress made at guaranty agencies.

Outreach to postsecondary community

ED serves as the lead agency of the Education Sector Workgroup of the President's Council on Year 2000 Conversion. Outreach efforts directed toward the postsecondary education community by ED and the Workgroup include:

- **Dear Colleague Letters:** ED issued Dear Colleague Letters to schools describing the Y2K issue and their responsibilities.
- **Conference Participation:** ED is promoting awareness of Y2K issues at industry conferences including those sponsored by the National Association of College and University Business Officers (NACUBO) and the National Association of Student Financial Aid Administrators (NASFAA).

- **Focus Groups – First Round:** ED sponsored focus groups for postsecondary institutions at sites throughout the country during the period May 1998 to September 1998. The first round of focus groups held were designed to 1) understand the status of participants, 2) understand the obstacles faced by organizations, 3) raise awareness of issues with participating schools and 4) get input on how ED could best assist schools.
- **Year 2000 Readiness Kit:** In November 1998, ED published and distributed the *Year 2000 Readiness Kit: A Compilation of Y2K Resources for Schools, Colleges, and Universities*. The kit provides approaches and techniques for responding to the Year 2000 challenge.
- **Interactive Teleconference:** On December 7, 1998, ED hosted an interactive teleconference titled *Meeting the Year 2000 Computer Challenge: Schools, Colleges and the Millennium Bug*.
- **Focus Groups – Second Round:** ED's second round of focus groups is concentrated toward assisting schools in four sectors: 1) Historically Black Colleges and Universities, 2) Hispanic Serving Institutions, 3) Tribally controlled colleges and 4) the 100 schools receiving the largest amounts of student financial assistance. These focus groups concentrate on contingency planning, the importance of testing and resources available.
- **Surveys of Postsecondary Institutions:** ED conducted a survey of Direct Loan Program schools from July to August 1998 and received the results of a survey of community colleges conducted by the American Association of Community Colleges. ED is currently conducting a survey of 6614 postsecondary institutions attended by students receiving financial assistance. This survey will be completed in July 1999.
- **Year 2000 Website:** ED maintains a Y2K website at <http://www.ed.gov/offices/OCIO/year/> that provides information on ED's progress and provides tools and resources for addressing the Y2K issue.
- **Testing Windows:** ED has provided opportunities for postsecondary institutions to test their data exchanges with ED

during voluntary test windows scheduled through September 1999. Participation by schools in the voluntary test windows has been low. For example, only 15 schools participated in the first testing window of the DLOS that closed on May 21, 1999. Only 3 of the schools successfully completed the tests. In an effort to increase participation, ED sent letters to approximately 50 higher education associations requesting that they urge their members to participate in testing with ED.

Outreach and Oversight of Lenders and Guaranty Agencies

ED has also addressed the readiness of lenders and guaranty agencies. Outreach and oversight activities directed towards these organizations include:

- **Dear Colleague Letters:** ED issued Dear Colleague Letters to guaranty agencies and lenders describing the nature of the Y2K issue and the entities' responsibilities.
- **Conferences and Focus Groups:** ED has participated at conferences and focus groups for lenders and guaranty agencies including the annual conference of the National Council of Higher Education Loan Programs (NCHELP).
- **Financial Institutions Sector Workgroup:** ED participates as a member of the Financial Institutions Sector Workgroup of the President's Council on Year 2000 Conversion. ED has not surveyed the readiness of lenders directly, but relies on information from bank examinations performed by agencies of the Federal Financial Institutions Examination Council.
- **Oversight of Guaranty Agencies:** ED's Guarantor and Lender Oversight Service (GLOS) surveyed all 36 agencies about their Y2K readiness and required agencies to submit their Y2K readiness plans, contingency plans, and certification of compliance. Additionally, GLOS hired a contractor to survey all 36 guaranty agencies and perform on-site reviews at a sample of guaranty agencies. OIG also conducted reviews at six guaranty agencies.

OIG Assessment of Risks Posed by Lenders, Guaranty Agencies and Postsecondary Institutions

After analyzing available information on trading partner readiness, we assessed the risk that failures at lenders, guaranty agencies, and postsecondary institutions would disrupt the processing, delivery, and administration of the SFA programs for student beneficiaries. Except for OIG's on-site work at guaranty agencies and school servicers, our analysis is based on information provided by ED.

Lenders – Low Risk

ED participates in the Financial Institutions Sector Workgroup of the President's Council on Year 2000 Conversion. The Workgroup reported that as of February 28, 1999, approximately 96 percent of depository institutions and credit unions examined by the Federal Financial Institutions Examination Council were making "satisfactory" progress.

Guaranty Agencies – Low to Moderate Risk

During six OIG site visits from August 1998 to March 1999, we found agencies in varying stages of Y2K preparation and noted issues regarding data exchanges, contingency planning and systems/servicer changes. A contractor hired by ED's Guarantor and Lender Oversight Service conducted site visits in early 1999 at seven agencies and concluded that the agencies' Y2K risk to the Federal Family Education Loan Program ranged from low to moderate. ED is implementing recommendations made by OIG to reduce risk associated with Guaranty Agencies. For example, ED has required Guaranty Agencies to test their exchanges with ED and is developing guidance for end-to-end testing and contingency planning. During June through August 1999, GLOS and OIG plan to conduct initial site visits at an additional nine guaranty agencies and one servicer and will revisit two agencies.

Postsecondary Institutions – High Risk

We assess the risk as high because there is insufficient information to assess adequately the readiness of postsecondary institutions and the limited information available indicates that they may be at risk. The data gathered from the two surveys completed in 1998 is now dated and was not representative of the entire population of schools participating in the SFA programs.

ED is conducting a voluntary survey of 6,614 postsecondary institutions. Although the survey has not been completed, preliminary results from 653 or 9.9 percent of the survey participants may indicate potential risks. As of June 11, 1999, 46 percent of the 653 respondents indicated that they did not have a written plan for achieving Y2K compliance. Additionally, 42 percent reported that they did not expect to complete their implementation phase until after September 30, 1999. These early survey results raise a concern that a significant percentage of postsecondary institutions may be at risk for Y2K-related failures.

Other factors that support our assessment of high risk include the low participation by schools in ED's voluntary testing windows and concerns we have about the readiness of school servicers. Only 15 schools participated in ED's first testing window for DLOS. Recent work we performed at school servicers indicates that some may not be adequately addressing the Y2K issue. One large servicer did not have a Y2K plan and did not begin a Y2K project until after we contacted it to announce our planned visit.

ED Needs to Complete and Test Contingency Plans

Substantial Progress Made in Developing Business Continuity and Contingency Plans

OIG monitored the Office of Student Financial Assistance Program's (OSFAP) efforts to develop Business Continuity and Contingency Plans (BCCP) for core business processes affecting the processing, delivery and administration of the SFA programs. We also gained an understanding of the progress made in developing contingency plans for the EDNET and EDCAPS systems. ED has made substantial progress in developing its business continuity and contingency plans (BCCP) and submitted preliminary plans to OMB on March 31, 1999. The plans were further refined and resubmitted on June 15, 1999, the date plans were initially required by OMB Memorandum M-99-16. To prevent disruption of the SFA delivery process, however, ED will need to continue its efforts to develop, test and refine its plans.

ED Expects to Modify Plans to Address Industry Comments and Testing Results

ED's current BCCP contains plans for eight SFA business processes. These plans are not final and ED expects to modify them as it further consults with business partners and identifies changes required as a result of testing. Additionally, ED will need to complete action items scheduled during 1999 to enable implementation of the plans in the event of Y2K-related failures.

OSFAP began its contingency planning process in August 1998. OSFAP assembled teams to prepare plans for the following eight critical business processes:

- Student Aid Application and Eligibility Determination;
- Student Aid Origination and Disbursement Process;
- Student Enrollment Tracking and Reporting;
- FFEL Lender and Guaranty Agency Payments;
- Repayment and Collection;
- Institutional Eligibility and Monitoring;

- Customer Service and Communication; and
- FFEL Origination, Disbursement, Repayment and Collection.

Similar efforts were established by the Office of Chief Financial and Chief Information Officer for the development of BCCPs for EDNET and EDCAPS.

*ED Follows GAO
Guidance*

The plans are being developed using the four-phase process recommended by GAO in *Year 2000 Computing Crisis: Business Continuity and Contingency Planning [GAO/AIMD-10.1.19]*. The phases include initiation, business impact analysis, contingency planning and testing. OIG provided advisory and assistance services to the contingency planning teams developing the plans by participation at team meetings and providing comments on draft plans.

*ED Must Complete
and Execute BCCP
Test Plans*

We reviewed the March 1999 BCCPs for the SFA core business processes and recommended that OSFAP revise their test plans to ensure they were comprehensive. We recommended that the teams provide more detailed descriptions of testing procedures, describe how test data will be developed, and review cases where testing was not planned. Additionally, we noted that the number of planned test transactions might not provide an adequate basis for determining the accurateness of the alternative procedures. OSFAP considered our comments and made changes to the plans submitted on June 15 to OMB. We have been informed that OSFAP plans to hire a contractor to review the adequacy of test plans; facilitate and observe the testing; and evaluate the results of the testing.

The EDCAPS plan was tested during March 1999 using a Desktop approach. Staff members role played a simulated situation performing the manual preparation of forms and spreadsheets and the physical passing of information among offices. This testing did not include testing the ability to process high volumes of transactions. The EDNET plan was preliminarily tested by a walkthrough of the plan's assumptions, roles, and responsibilities. The EDNET systems manager is responsible for developing a detailed test plan for each class of failure scenario and expects to complete testing by September 30, 1999.

*Other Required
Actions*

In addition to testing, OSFAP needs to take additional actions before December 31, 1999 to ensure that the BCCPs are complete and ready to be implemented. We noted the following actions that need to be taken:

- **Complete Prerequisite Actions:** Some of the plans include prerequisite actions that must be completed including the development of detailed procedures, the procurement or modification of contracts, training, and the execution of risk mitigation strategies. ED will need to monitor the plans to ensure that required actions are taken.
- **Resolve Policy Decisions:** The plans include waivers of statutes or regulations that may need to be approved. One example includes ED's plan to prefund institutions in December 1999, which has not been approved by OMB. OSFAP informed us that they also expect representatives from the FFEL community to present proposals to ED for waivers of statutes and regulations.
- **Complete Cost Estimates and Secure Funding:** In our report *Funding the Year 2000 Conversion, A Report on ED's Y2K Cost Estimates* [Report Number 11-80011, December 1998] we recommended that ED coordinate a funding strategy to ensure that costs, including contingencies, are sufficiently funded. In June 1999, OSFAP provided OIG with a contingency plan cost estimate showing total anticipated costs for each business process. OSFAP estimated the need for approximately \$1.7 million in fiscal year 2000 to fund implementation of the plans. OIG has not reviewed the reasonableness of this estimate, but has requested supporting documentation. The EDNET and EDCAPS contingency plans do not include cost estimates. ED needs to complete cost estimates for implementing the contingency plans and ensure that funding is available.

ED Needs to Establish Controls to Ensure Continued Y2K Compliance

Although ED completed implementation of the 13 critical systems involved in SFA delivery, it must ensure that existing and new systems continue to be Year 2000 compliant. Systems components frequently change as new software versions are released, existing software is replaced, hardware is upgraded, and as new systems are developed to meet changing management and legislative requirements. ED has systems development initiatives and systems enhancements planned for 1999 that must be monitored to ensure

they do not negatively affect its Y2K readiness.

*New RFMS
Implemented Before
Y2K Tests Completed*

In February 1999, the Y2K Project Team distributed guidance for maintaining Year 2000 compliance for systems and data exchanges. This guidance includes the requirement that all major releases of software or hardware upgrades for systems, and all new systems, must undergo a complete set of Year 2000 validation tests prior to acceptance. We found that the first two phases of the new Recipient Financial Management System (RFMS) system were implemented before complete Y2K tests were conducted. Implementing systems before they are validated increases the risk that ED's systems will not accurately process, deliver and administer the SFA programs. In the case of RFMS, the Y2K tests are now being completed, however ED should establish controls to ensure that systems are validated before being put into production.

*Guidance for
Maintaining Y2K
Compliance Should
be Improved*

ED's guidance on maintaining Year 2000 compliance states that principal offices will become fully responsible for Year 2000 compliance of systems under their cognizance. The guide does not define an oversight role for the Y2K Project Team in the continued certification of systems and hardware nor require the use of IV&V. These oversight and review functions were key controls established in the Y2K Project Management Plan for the original certification of mission critical systems. We believe that ED should implement these controls for ensuring continued compliance of critical systems.

Recommendations

We recommend that ED:

- Continue outreach activities to communicate Y2K issues and strategies to all sectors of the postsecondary education community;
- Require all postsecondary institutions to test their data exchanges and ensure that all guaranty agencies successfully complete the required testing with ED;

- Complete, test and refine its business continuity and contingency plans. Steps should include soliciting and addressing industry comments, securing adequate resources to implement the plans, completing detail action plans, performing actions required prior to December 31, and implementing risk mitigation plans;
- Implement a process for validating continued Y2K compliance of critical systems when modifications are made. The process should include oversight by the Y2K Project Management Team; and
- Initiate controls to limit system changes to those considered essential by the Information Technology Investment Review Board for the period September 1999 to March 2000.

We also recommend that Congress:

- Promote Y2K awareness at postsecondary institutions in their districts and states; and
- Seek to build constituent support groups to help lagging institutions achieve Y2K readiness.

Management Response

Management agreed with the report's observations about areas that require ongoing efforts by ED. Management's response, included as Appendix B, addresses ED's plans for implementing our recommendations.

Background

HEA Requirements Concerning Y2K

This Year 2000 readiness report is the second of two OIG reports concerning the Year 2000 issue required by the Higher Education Amendments of 1998 (HEA). In January 1999, OIG published a risk assessment of the systems and hardware under ED's management. This report fulfills the requirement to report on the results of our review of ED's Year 2000 compliance for processing, delivery, and administration of grant, loan, and work assistance programs.

The HEA required the Secretary of Education to "take such actions

as necessary to ensure that all internal and external systems, hardware, and data exchange infrastructure administered by ED that are necessary for the processing, delivery, and administration of the grant, loan and work assistance are Year 2000 compliant by March 31, 1999, such that there will be no business interruption after December 31, 1999.” This deadline for systems supporting higher education programs is consistent with the Office of Management and Budget’s requirement that agencies complete their Y2K compliance for all systems by March 31, 1999.

Results of OIG Y2K Risk Assessment

The Y2K issue arises from the inability of computer systems to store or process dates beyond December 31, 1999. Computer systems that use a two digit date field (i.e. “99” for the year 1999) may not be able to recognize “00” as the year 2000. Without renovation, these systems may fail or produce erroneous results. ED is currently taking steps to mitigate the risk of the Year 2000 (Y2K) issue affecting its computer systems and programs.

In January 1999, OIG reported that the risk of ED’s systems and hardware not being ready for Y2K had been significantly diminished. At the time, 10 of the 13 systems critical in the delivery of SFA had been reported by ED as renovated, validated and implemented. The remaining 3 systems were expected to be implemented by the March 31, 1999 deadline.

We identified four areas of risk that warranted continued monitoring. These areas included:

- End-to-End Testing: ED’s end-to-end test plan appeared complete and was in the process of being implemented, but was not expected to be complete until Summer 1999.
- External Trading Partners: ED had increased the SFA community’s Y2K awareness and invited all institutions to test their data exchanges during “windows” of opportunity. Despite this effort, ED should anticipate that some trading partners may not achieve Y2K compliance.
- Contingency Planning: ED expected to have contingency plans established by March 31, 1999, and tested by July 1, 1999.
- New Systems/Functionality: - ED had several development initiatives and systems enhancements planned for 1999 that must be monitored to ensure that they do not negatively affect its Y2K readiness.

In March 1999, OMB upgraded ED to its listing of Tier Three

agencies making adequate progress in preparing for the Year 2000. Until December 1998, OMB classified ED as a Tier One agency not evidencing adequate progress. In December 1998, OMB upgraded ED to a Tier Two agency where there was evidence of progress, but ongoing concern.

Success of ED's Year 2000 process is critical. Failure to adequately prepare for the Year 2000 could result in significant disruptions in the delivery of student assistance, such as the inability to originate new student loans, pay guaranty agency and lender claims, and administer education grants. These negative outcomes can be avoided by ED's implementation of Year 2000 compliant systems and by the development of strong contingency plans to ensure uninterrupted service.

Objective, Scope and Methodology

Report on Y2K
Compliance of Grant,
Loan, and Work
Assistance Programs

Our objective was to review ED's Y2K compliance for processing, delivery, and administration of grant, loan, and work assistance programs as required by the HEA. We assessed the status of 13 systems critical to the delivery of student financial assistance (SFA) and reviewed ED's progress in addressing risk areas identified in our previous report. Management Information Reports are intended to provide information for use of decision-makers and are not audit or investigative reports.

*We Identified 13
Systems Critical to
SFA Delivery*

We included 13 of ED's mission critical system in our assessment. These systems include eleven SFA program specific systems operated by the Office of Student Financial Assistance. The remaining two systems are ED's financial system and its Departmentwide network managed by the Chief Information Officer and Chief Financial Officer. Appendix A provides a listing of the thirteen systems and their related functions.

*MITRE Corporation's
Y2K Scorecard*

We used the Y2K Scorecard approach developed by the MITRE Corporation and included on its website as public information. The MITRE Corporation developed the Y2K Scorecard as a management tool for providing standard, periodic high level reporting on the risk that the Year 2000 problems will affect the missions of an organization's systems. The Scorecard identifies the level of risk for a number of risk drivers and it gives a snapshot of the progress each system has made in resolving its Y2K problems. The Scorecard uses four color codes to indicate the level of risk. The color codes, from lower to higher risk are: BLUE, GREEN, YELLOW and RED. MITRE designed the scorecard to be adaptable to the needs of the organization and to the specific

concerns of the systems used by the organization. We identified risk drivers affecting the readiness of the SFA systems and defined the color codes based on progress expected by June 30, 1999. We define the risk drivers and their color coding in Exhibit 1.

Reliance on the IV&V Process

Information supporting our assessments was primarily gathered from our monitoring of the IV&V process. We determined that these contractors were adequately performing the IV&V process and that we could rely on their work in conducting our risk assessment. To gain this reliance and gather risk information, we:

- Gained an understanding of the IV&V services by reviewing the contracts and planning documentation and discussing the process with ED and contractor personnel;
- Observed the IV&V process by attending meetings, participating in IV&V test visits, and interviewing contractor staff; and
- Reviewed monthly status reports, system closure plans, draft and final IV&V reports, and other appropriate documentation.

OIG Procedures for Reviewing Progress in Addressing Risk Areas

We assessed the progress made in addressing four risk areas identified in our January 1999 report: end-to-end testing, external trading partners, contingency planning, and new systems implementation. We conducted interviews with ED and IV&V

employees and reviewed documents supporting ED progress in these areas, including:

- Monthly and Quarterly Status reports submitted by ED to OMB;
- Y2K Project documentation, including the ED's Y2K management plan, data exchange testing plans and results, draft contingency plans, and documents disseminated to trading partners as part of the ED's outreach efforts;
- ED and GAO testimony concerning ED's Y2K progress;

Additionally, we evaluated information gathered during other OIG monitoring and audit efforts including:

- OIG's Management Information Report *Review of Year 2000 Related Risk to Programs Administered under Title IV of the Higher Education Act* [Report Number 11-80014];
- OIG audit reports including: *The Status of the U.S. Department of Education's Readiness for Year 2000* [Report Number 11-70011, March 1998] and *Funding the Year 2000 Conversion, A Report on ED's Y2K Cost Estimates* [Report Number 11-80011, December 1998];
- OIG Management Information Report: *Year 2000 Readiness at Guaranty Agencies* [Report Number 11-80015] and reviews at three school servicers.
- OIG attendance at Y2K steering committee meetings conducted by the Deputy Secretary; and
- OIG participation in ED's contingency planning teams.

Exhibit 1 OIG Risk Assessment of Critical Systems

System Name	Principal Office	Summary Risk	COTS Software	Network & Operating Environment	External Interfaces	Time and Resources	Validation	Implementation
EDCAPS	OCFO	GREEN	BLUE	BLUE	GREEN	BLUE	GREEN	BLUE
EDNET	OCIO	GREEN	BLUE	GREEN	BLUE	BLUE	BLUE	BLUE
CBS	OSFAP	GREEN	BLUE	GREEN	BLUE	BLUE	GREEN	BLUE
CPS	OSFAP	BLUE	BLUE	BLUE	BLUE	BLUE	BLUE	BLUE
DLCD	OSFAP	GREEN	GREEN	BLUE	BLUE	BLUE	GREEN	BLUE
DLSS	OSFAP	GREEN	GREEN	GREEN	BLUE	BLUE	GREEN	BLUE
DLOS	OSFAP	GREEN	GREEN	GREEN	YELLOW	BLUE	GREEN	BLUE
FFEL	OSFAP	GREEN	BLUE	GREEN	BLUE	BLUE	GREEN	BLUE
MDE	OSFAP	BLUE	BLUE	BLUE	BLUE	BLUE	BLUE	BLUE
NSLDS	OSFAP	GREEN	GREEN	GREEN	BLUE	BLUE	GREEN	BLUE
PEPS	OSFAP	GREEN	GREEN	GREEN	GREEN	BLUE	GREEN	BLUE
PELL	OSFAP	GREEN	GREEN	GREEN	GREEN	BLUE	YELLOW	GREEN
TIVWAN	OSFAP	BLUE	BLUE	BLUE	BLUE	BLUE	BLUE	BLUE

	BLUE		GREEN		YELLOW		RED
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Exhibit 1 (Continued)

Summary Risk: Overall evaluation of the level of risk for individual system based on analysis of following risk factors.

- Blue: System completed implementation and appropriate end-to-end testing. IV&V reviewed resolution of all issues.
- Green: System completed implementation and made significant progress in end-to-end testing. ED is resolving low risk issues identified by IV&V and/or system needs to complete end-to-end testing. Remaining issues are scheduled for completion by September 30, 1999.
- Yellow: System completed implementation and IV&V, however the system requires monitoring because IV&V identified moderate risk issues and/or there has not been significant progress in end-to-end testing. Remaining issues are scheduled for completion before September 30, 1999.
- Red: System has not completed implementation and/or there are significant unmitigated risks that could affect program processing, delivery, or administration.

COTS Application Software: Risks associated with COTS application software.

- Blue: System meets the "green" criteria, IV&V reviewed COTS documentation and no issues require resolution.
- Green: All COTS application software significant to program delivery have been certified by the manufacturer as compliant, and the ED documented this certification in an inventory available for IV&V inspection.
- Yellow: COTS products significant to program delivery have not been certified as compliant or certification documentation has not been maintained. Certification or replacement with compliant version is expected.
- Red: COTS products significant to program delivery have not been certified as compliant or certification documentation has not been maintained. Certification or replacement with a compliant version isn't expected.

Network and Operating Environment: Risks related to the system's hardware, operating system(s), and networking components required for successful operation of system.

- Blue: System meets the "green" criteria, IV&V reviewed the network and operating environment documentation, and there are no issues requiring resolution.
- Green: All network and operating environment components significant to program delivery were certified by manufacturer as compliant, and ED documented this certification in an inventory available for IV&V inspection.
- Yellow: Some infrastructure components significant to program delivery have not been certified as compliant, or the documentation has not been maintained. Certification or replacement with a compliant component is expected.
- Red: At least one infrastructure component significant to program delivery wasn't certified by the manufacturer as compliant, and certification or replacement with a compliant version isn't expected.

External Interfaces: Risks related to data exchanges including exchanges with 1) other ED systems; 2) external parties other than program participants and 3) program participants such as schools, lenders and guaranty agencies.

- Blue: The system meets the "green" criteria, IV&V reviewed the data exchange testing documentation, and there are no issues requiring resolution.
- Green: All data exchanges with other ED systems and external parties were tested with no issues requiring resolution. Data exchanges with program participants were tested by simulating the participant's role (i.e. sending and receiving data to and from the system) and testing opportunities are scheduled for program participants.

Exhibit 1 (Continued)

Yellow: At least one data exchange with ED or external party systems remains to be tested or outstanding issues identified in testing need to be resolved. Outstanding issues are scheduled for resolution before September 30, 1999.

Red: At least one data exchange with ED or external party systems remains to be tested or outstanding issues identified in testing need to be resolved. Outstanding issues are not scheduled for resolution before September 30, 1999 and require immediate management attention.

Time/Resources: Risks related to the ED having sufficient time and resources (staff, funds, management support) to complete the Y2K project successfully.

Blue: System has been implemented without outstanding issues or time/resources are adequate to resolve outstanding issues. Management has scheduled resolution of outstanding issues and identified necessary resources.

Green: Time and resources appear sufficient to resolve outstanding issues.

Yellow: There are significant issues requiring management attention to ensure adequate resources are provided for timely and successful completion of the project.

Red: Management has not committed to providing adequate resources, or there are external limitations that would prevent adequate resources from being made available.

Validation - Risks related to the timeliness or completeness of the IV&V process.

Blue: IV&V issued final report that indicated no outstanding issues to be resolved.

Green: IV&V report issued with minor issues to be resolved. ED implemented recommendations but IV&V has not yet reviewed their resolution.

Yellow: IV&V issued with minor issues to be resolved. ED plans to implement recommendations by September 30, 1999.

Red: Final IV&V report issued, or IV&V has reported substantial concerns with the system's validation that have not been resolved.

Implementation - Risks related to the timely and successful implementation of the system.

Blue: The system has been implemented and ED has completed Year 2000 Closeout Documentation with certifications from System Manager, Principal Office Coordinator, Y2K Project Management Team Liaison, and Y2K Contract Support Representative.

Green: The system has been reported as implemented, however System Closeout Documentation has not yet been completed. The IV&V report indicates no substantial issues remaining to be resolved.

Yellow: System has been reported as implemented, however, substantial unresolved validation issues remain outstanding

Red: ED has not reported system as implemented or substantial unresolved issues remain outstanding for system reported as implemented.

Appendix A System Descriptions

System Name	System Function
<i>ED Central Automated Processing System (EDCAPS)</i>	<p>EDCAPS is the ED's Central Automated Processing System maintained by the Office of Chief Financial Officer. Its major components are:</p> <ul style="list-style-type: none">• Grant Administration and Payment System - Supports grant planning, pre-award and award management of ED programs, and controls payments for ED's programs.• Financial Management Systems Software - Provides the functionality for general ledger, funds management, and all related reporting.• Contracts and Purchasing Support Software – Supports contract and purchasing processes.• The Recipient System – Serves as the customer database and validates whether an entity is eligible to receive funds.
<i>Dept. of Education Infrastructure (EDNET)</i>	<p>EDNET consists of ED's network services provided by the Office of Chief Information Officer. EDNET includes hardware, software and network control data that support ED's infrastructure. EDNET is responsible for maintaining four categories of systems components: 1) network elements (routers, switches, and hubs); 2) servers; 3) mail messaging; and 4) workstations directly connected to EDNET.</p>
<i>Campus-Based System (CBS)</i>	<p>CBS supports all database maintenance and operations for the Federal Perkins Loan, Federal College Work-Study, Supplemental Educational Opportunity Grant, Income Contingent Loan, National Science Scholars, and Default Reduction Assistance programs. The primary mission of CBS is to gather data from postsecondary institutions that participate in these programs, calculate awards according to legislatively prescribed formulae, and enter financial transaction information into ED's accounting system.</p>
<i>Central Processing System (CPS)</i>	<p>The primary role of the CPS is to process the Free Application for Federal Student Aid (FAFSA) through a series of data checks, formula calculations and verification checks with other Federal agencies. CPS then prints the information and eligibility results on the Student Assistance Report for mailing to the student or institution. CPS interacts with numerous other Federal systems, thousands of institutions, and millions of students. CPS is also responsible for the development, testing, and distribution of the EDE Express Software, FAFSA Express Software, EDE Express Tutorial Software, and the Pell Payment Software.</p>

System Name	System Function
<i>Direct Loan Servicing System (DLSS) and Central Database (DLCD)</i>	These two systems jointly are responsible for the servicing of all Direct Loans and maintaining the ledger accounts for all financial transactions associated with the Direct Loan Program.
<i>Direct Loan Origination/Consolidation System (DLOS)</i>	This system supports the delivery of the Direct Loan Program by providing the front end processing of direct student loans with the participating institutions of higher education. The system enables the making of direct student loans to eligible borrowers and then transmits the appropriate booked loan data to the Central Database and Loan Servicing systems. This system also provides for the consolidation of multiple student loans into a single direct consolidation loan.
<i>Federal Family Education Loan System (FFEL)</i>	The FFEL system supports the processing, delivery and administration of the Federal Family Education Loan Program. FFEL is used to pay interest and special allowances to lenders and to pay default claims to guarantors. The Debt Collection Subsystem supports collection of defaulted loans from all Title IV loan programs as well as Federal Pell Grant overpayments.
<i>Multiple Data Entry System (MDE)</i>	MDE provides all computer applications needed for the image-based processing of FAFSAs and transmits application data to the CPS.
<i>National Student Loan Data System (NSLDS)</i>	NSLDS is used to prescreen Title IV assistance applications to ensure no ineligible students receive assistance. NSLDS collects student enrollment data from schools and distributes it to the guaranty agencies and the Direct Loan servicer to ensure all loans are repaid in a timely manner. NSLDS calculates cohort default rates for schools, guaranty agencies and lenders to ensure that only quality institutions are participating in Title IV programs. NSLDS allows schools and guaranty agencies access to online functions that assist them in tracking students' Title IV assistance history. NSLDS supports policy and budget research conducted by various offices within ED, as well as the Congressional Budget Office.
<i>Postsecondary Education Participants System (PEPS)</i>	PEPS maintains information on institutions participating in the Title IV programs. It is used primarily by oversight authorities to certify and audit postsecondary institutions' participation within the program. PEPS feeds data to NSLDS, to maintain current participation levels and for calculating default rates; and, to OCFO for maintenance of audits.

System Name	System Function
<i>Pell Grant Recipient Financial Management System (PELL)</i>	PELL stores program information on post-secondary institutions and on recipients. It provides fund accountability and control information and source data for program budgeting and evaluation.
<i>Title IV Wide Area Network (TIVWAN)</i>	TIV WAN provides the network link from institutions to ED's systems, i.e., CPS, NSLDS, Pell, and DLOS, for delivery of student financial information.

Appendix B Management Response



UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

July 14, 1999

MEMORANDUM

TO : Jim Cornell
Area Manager, OIG

FROM : Marshall Smith *Marshall C. Ryan*
Deputy Secretary (A)

SUBJECT: Draft OIG Report "Review of Year 2000 Compliance for Processing,
Delivery and Administration of Student Financial Assistance Programs"
(Control Number S11-90016)

We thank the OIG for a very thorough, high quality, and valuable report. We agree with the report's observations about areas that require ongoing Department efforts. We have the following comments about the report's individual recommendations (page 15 of the report).

- (1) We will, of course, continue our aggressive Y2K outreach campaign. The Secretary is planning to send a letter to the presidents of all postsecondary institutions concerning the importance of Y2K readiness. Eight more postsecondary education Y2K workshops are scheduled around the nation over the next three months. We will disseminate and publicize the results of our Y2K survey of postsecondary education readiness. We are planning a follow-up survey in September. We will continue to speak at conferences and to host meetings with higher education groups concerning institutional Y2K readiness, data exchange testing and contingency planning. We are planning a public demonstration of the Y2K readiness of our on-line student aid application (FAFSFA-on-the-Web); and will encourage colleges to hold similar events.
- (2) The Department has notified all FFEL guaranty agencies that they are required to participate in data exchange testing. So far, almost all agencies have successfully tested the Treasury refund offset data exchange; and several have tested with the National Student Loan Data System. We expect all will have successfully tested by the end of August. The Department shares OIG's concern regarding the slow pace of data exchange testing by schools. We are seriously considering instituting a strict requirement for schools to test with the Department's systems, as the report recommends.

WASHINGTON, D.C. 20202-0500

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Appendix B Management Response

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- (3) We will, of course, continue to test and refine our student aid contingency plans, with input from the student aid community, and obtain needed resources to support implementation if needed. In March we were among the first agencies to complete and submit to OMB our initial business continuity and contingency plans. These plans were posted on the Department's web site for public comments. More detailed plans were submitted to OMB on June 15, and these will also be posted on the web for comment. We recently participated in a FFEL community conference on contingency planning, and we will be soliciting comments on our plans at several other conferences this summer. As OIG recommends, we are identifying and pursuing needed action steps to make possible implementation of contingency plans if necessary.
- (4) We agree that there should be a stronger Department-wide process for validating the continued Y2K compliance of critical systems as modifications are made. As the report points out, existing Y2K guidance was not strictly followed in the first two phases of the RFMS system. However, Y2K validation of this new system is now underway. The Department is considering ways of strengthening its policies and procedures in this area.
- (5) We concur with the report's recommendation that system changes during the transition period should be limited to those considered essential. Our practice to date has followed this principle. Official Department policies and procedures pursuant to this recommendation for the Y2K transition period will be established shortly and will be strictly enforced.