

Secretary of State **AUDIT REPORT**

Report No. 2000-06 • February 16, 2000

Department of Administrative Services: Year 2000 Management Review



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Summary

PURPOSE

This audit reviewed the management of Y2K remediation efforts at selected state agencies responsible for correcting the most critical statewide systems. Those agencies include the Oregon Department of Transportation, Oregon State Treasury, Oregon State Police and the Department of Human Services (DHS). During our audit, we reviewed documentation in support of actions taken by the agencies. We also reviewed the required Y2K supplementary information to be included in the state of Oregon Consolidated Annual Financial Report (CAFR) for fiscal year 1999.

RESULTS IN BRIEF

The report states that the required Y2K supplementary information included in the fiscal year 1999 state of Oregon Comprehensive Annual Financial Report (CAFR) was reasonable. Public disclosures made by selected agencies and the Y2K Project Office reasonably reflected their actual Y2K remediation status. Selected agencies were managing their Y2K remediation plans to ensure that all critical components could be timely addressed. Finally, the selected agencies had reasonable business continuation plans for their core business functions.

INTRODUCTION

The year 2000 (Y2K) problem arises from information systems that were programmed to use two-digit year codes for processing data. With a two-digit representation, the year 2000 is indistinguishable from 1900, 2001 from 1901, and so on. Consequently, information systems and computer chips in other equipment could fail if the dates they process are ambiguous. A number of state government information systems are vulnerable to this problem, as are many computer systems throughout other governments and private enterprises. If the state did not correct its Y2K problems for systems supporting statewide mission-critical operations, failures or malfunctions could occur.

Oregon decentralized the responsibility for addressing the state's Y2K issues. Each state agency was responsible for identifying its own risks associated with Year 2000, correcting the problem in its systems, and developing and testing business continuation plans as needed. The Department of Administrative Services (DAS) created the Year 2000 Statewide Project Office (Y2K Project Office) in 1996 to coordinate the state's Y2K remediation efforts.

SCOPE AND OBJECTIVES

This audit reviewed selected agency monitoring and reporting functions. These agencies included the Oregon Department of Transportation, Oregon State Treasury, Oregon State Police and the Department of Human Services (DHS). These agencies were responsible for correcting the most critical statewide systems.

Specifically, the objectives were to determine whether:

- Required Y2K supplementary information included in the state of Oregon Comprehensive Annual Financial Report (CAFR) was reasonable.
- Other public disclosures made by selected agencies and the Y2K Project Office reasonably reflected their actual Y2K remediation status.
- Selected agencies were managing their Y2K remediation plans to ensure that all critical components could be addressed in a timely manner.
- Selected agencies had reasonable business continuation plans for their core business functions.

We performed our audit work from August 1999 to December 1999. The scope of our tests included:

- The required Y2K supplementary information to be included in the state of Oregon Consolidated Annual Financial Report (CAFR) for fiscal year 1999.
- The selected agencies' remediation plans.

- The selected agencies' Y2K status reports submitted to the statewide project office.
- The selected agencies' business continuation plans.

The methodologies used in our testing are described in the Audit Results section of this report.

We conducted this audit according to generally accepted government auditing standards. This audit was not intended to provide assurance on whether the state's year 2000 remediation efforts would be completed on time or whether it would be successful. Our review was limited to the areas specified above.

AUDIT RESULTS

Required Y2K Disclosures

The Governmental Accounting Standards Board issued technical bulletins describing the Y2K related information that government entities were required to disclose in their fiscal year 1998 and 1999 financial statements. This supplementary information included the following:

- The status of work in progress or completed, which addresses year 2000 issues for computer systems and other electronic equipment, as of the end of the government's reporting period.
- Significant amounts of resources committed to Y2K remediation.
- Contracted amounts at the end of the government's reporting period.
- A general description of the Y2K issue as it relates to their organization.

The Department of Administrative Services (DAS) Statewide Accounting and Reporting Section (SARS) is responsible for preparing the required supplementary information to be included in the fiscal year 1999 Consolidated Annual Financial Report (CAFR) for the state of Oregon.

AUDIT METHODOLOGY:

The audit objective was to determine whether the required Y2K supplementary information included in the state of Oregon CAFR for fiscal year 1999, was reasonable. To meet the objective we did the following:

- Reviewed Y2K disclosure requirements.
- Interviewed personnel responsible for the CAFR disclosure.
- Obtained an understanding of the processes used to prepare the disclosure.
- Reviewed for reasonableness, the documents and amounts supporting the disclosure.

ANALYSIS AND CONCLUSIONS:

We found that the original amount to be included in the 1999 CAFR disclosure for committed resources was overstated. However, acting on our recommendation SARS personnel corrected the disclosure prior to issuing the CAFR.

Other Public Disclosures

DAS policy requires agencies to report monthly on the status of their Year 2000 projects. Agencies are required to report on the status of: hardware, operating systems, applications, and data for mainframe, mid-range, and desk-top systems; telecommunications systems; interfaces, both incoming and outgoing applications and data; and the status of their top five applications. In turn, the Y2K Project Office makes public assertions about the state's Y2K costs and progress.

AUDIT METHODOLOGY:

The audit objective was to determine whether public disclosures made by selected agencies and the Y2K Project Office reasonably reflected their actual remediation status. The procedures used to meet the objective included:

- Reviewing the agencies' internal progress reports and their supporting documentation.
- Reviewing agencies' monthly progress reports filed with the Statewide Y2K Project Office.
- Reviewing the Statewide Y2K Project Office monthly progress reports.

ANALYSIS AND CONCLUSIONS:

We found that the selected agencies' internal progress reports supported their assertions made to the Y2K Project Office. In addition, we found that the selected agencies' monthly progress reports reasonably supported the associated Y2K Project Office disclosures.

- Reviewing documentation supporting the justification for changes that may have been made to remediation plans.

ANALYSIS AND CONCLUSIONS:

We found that the selected agencies managed their plans to ensure that all critical components could be timely addressed.

Business Continuation Plans

DAS defined the varying levels of disaster recovery, contingency, and business continuation planning in its policy that it issued in August 1998. This policy specified due dates of November 1998 through September 1999 for various phases of business continuation planning and testing. This policy requires each state agency using technology to fulfill its mission to develop business continuation plans if disruption of

service delivery is likely because of internal or external Y2K failures.

AUDIT METHODOLOGY:

The audit objective was to determine whether the selected agencies had reasonable business continuation plans for their core business functions. The procedure used to meet the objectives included reviewing the selected agencies' business continuation plans and supporting documents to determine whether the plans met the specified DAS criteria.

ANALYSIS AND CONCLUSIONS:

We found that the selected agencies developed and tested their business continuation plans according to the criteria specified through DAS policy.

AGENCY'S RESPONSE

Thank you for the draft report entitled Department of Administrative Services: Year 2000 Management Review dated January 28, 2000. We appreciate your time and effort over the past few months to review the Department of Administrative Services Y2K remediation effort and the supplementary information to be included in the State of Oregon Consolidated Annual Financial Report (CAFR) for the fiscal year 1999.

We are pleased with the support your office has given us on this project, that our Y2K effort appears successful and that there are no audit findings to report.

This report, which is a public record, is intended to promote the best possible management of public resources. Copies may be obtained by mail at Oregon Audits Division, Public Service Building, Salem, Oregon 97310, by phone at 503-986-2255 and 800-336-8218 (hotline), or internet at Audits.Hotline@state.or.us and <http://www.sos.state.or.us/audits/audithp.htm>.

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The courtesies and cooperation extended by the officials and staff of the Department of Administrative Services were commendable and much appreciated.

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