H.R. 1599, THE YEAR 2000 COMPLIANCE
ASSISTANCE ACT

HEARING
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY
OF THE
COMMITTEE ON GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTH CONGRESS
FIRST SESSION
ON
H.R. 1599
TO AMEND THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES
ACT OF 1949 TO AUTHORIZE THE PURCHASE OF INFORMATION TECH-
NOLOGY RELATED TO THE YEAR 2000 COMPUTER CONVERSION BY
STATE AND LOCAL GOVERNMENTS THROUGH FEDERAL SUPPLY
SCHEDULES

JUNE 23, 1999

Serial No. 106–46

Printed for the use of the Committee on Government Reform


U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1999
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H.R. 1599, THE YEAR 2000 COMPLIANCE ASSISTANCE ACT

WEDNESDAY, JUNE 23, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 2203, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Biggert, Davis and Ose.

Staff present: J. Russell George, staff director and chief counsel; Randy Kaplan, counsel; Matt Ryan, senior policy advisor; Matthew Ebert, policy advisor; Bonnie Heald, director of communications; Grant Newman, staff assistant; Paul Wicker, Justin Schleuter, and John Phillips, interns; Michelle Ash and Faith Weiss, minority counsels; Mark Stephenson, minority professional staff member; Earley Green, minority staff assistant; and Patricia Jones, minority congressional fellow.

Mr. HORN. Sorry about the hearing delay. OK. So we will begin the Subcommittee on Government Management, Information, and Technology. A quorum is present.

Only 191 days remain until we greet the new millennium, its expectations and enormous challenges. Last week, on behalf of the Subcommittee on Government Management, Information, and Technology, I released our eighth report card on the year 2000 within 24 agencies and departments in the executive branch of the Federal Government.

Based on our analysis of the agencies’ self-reported data, we gave the executive branch an overall B-minus. That is progress. We had given them F’s, we had given them D’s, we had given them C-pluses, and now they’re at the B-minus category. The agencies have made remarkable progress, frankly, in the last 6 months.

At the same time, the subcommittee has begun to examine 43 Federal programs that affect millions of Americans, such as Social Security, Air Traffic Control, and Medicare. The President’s Office of Management and Budget identified these Federal programs as high impact. When it comes to year-2000 computer readiness, they may also be considered as high risk.

Although Federal computers may be fully prepared for the global glitch by the January 1st deadline, 10 of those 43 programs are administered and delivered by State governments. In addition, each program involves a large number of public and private sector part-
ners, from vendors and suppliers to county and municipal governments.

The fact is that several of these high-impact programs, including Medicaid, Food Stamps and Child Nutrition, are not scheduled to be ready until December, leaving little, if any, time to correct unforeseen problems.

The year 2000 problem dates back, as we know, to the mid-1960's when programmers were desperate for space and these huge dinosaurs that filled the whole room such as this and somebody had the bright idea, instead of 1967, let's just put in 67 and drop the 19. And, obviously, when you get to the year 2000 and you do that, you have zeros in the 67 area, and the computer might well think it is back to McKinley in the 1900's.

Today, we will discuss H.R. 1599, the Year 2000 Compliance Assistance Act, proposed by our colleague, Representative Tom Davis of Virginia. The legislation would amend the Federal Property and Administrative Services Act of 1949, giving temporary authority to the General Services Administration to allow State and local governments to purchase year 2000-related projects and services from Federal supply schedules. The participation of these governmental entities and the information technology suppliers is voluntary.

Our goal today is to discuss how the proposed legislation would allow the Federal Government to help its essential business partners—State and local governments—prepare their computers for the year 2000.

We will examine whether the bill would provide the States and localities with another tool in their efforts to prepare for the year 2000.

I welcome our witnesses, and I am delighted to have the author of the bill, who has been an excellent member of this committee, Mr. Davis of Virginia, for opening remarks on this legislation.

[The text of H.R. 1599 and the prepared statement of Hon. Stephen Horn follow:]
H.R. 1599

To amend the Federal Property and Administrative Services Act of 1949 to authorize the purchase of information technology related to the Year 2000 computer conversion by State and local governments through Federal supply schedules.

IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 1999

Mr. DAVIS of Virginia (for himself, Mr. MORAN of Virginia, and Mrs. MORELLA) introduced the following bill: which was referred to the Committee on Government Reform

A BILL

To amend the Federal Property and Administrative Services Act of 1949 to authorize the purchase of information technology related to the Year 2000 computer conversion by State and local governments through Federal supply schedules.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE.
4 This Act may be cited as the “Year 2000 Compliance
5 Assistance Act”.

SEC. 2. AUTHORIZATION FOR ACQUISITION OF YEAR 2000
INFORMATION TECHNOLOGY BY STATE AND
LOCAL GOVERNMENTS THROUGH FEDERAL
SUPPLY SCHEDULES.

(a) AUTHORITY TO USE CERTAIN SUPPLY SCHED-
ULES.—Section 201(b) of the Federal Property and Ad-
ministrative Services Act of 1949 (40 U.S.C. 481(b)) is
amended by adding at the end the following new para-
graph:

“(3)(A) The Administrator may provide for the use
by State or local governments of Federal supply schedules
of the General Services Administration for automated data
processing equipment (including firmware), software, sup-
plies, support equipment, and services (as contained in
Federal supply classification code group 70) related to the
Year 2000 computer conversion.

“(B) In any case of the use by a State or local gov-
ernment of a Federal supply schedule pursuant to sub-
paragraph (A), participation by a firm that sells to the
Federal Government through the supply schedule shall be
voluntary with respect to a sale to the State or local gov-
ernment through such supply schedule.

“(C) The authority provided in this paragraph shall
expire on December 31, 2002.

“(D) As used in this paragraph, the term ‘State or
local government’ includes any State, local, regional, or
tribal government, or any instrumentality thereof (including any accredited public school district or public educational institution)."

(b) PROCEDURES.—Not later than 30 days after the date of the enactment of this Act, the Administrator shall establish procedures to implement section 201(b)(3) of the Federal Property and Administrative Services Act of 1949 (as added by subsection (a)).

c) REPORT.—Not later than December 31, 2003, the Administrator of General Services shall submit to the Committee on Government Reform of the House of Representatives and the Committee on Governmental Affairs of the Senate a report on the implementation and effects of the amendment made by subsection (a).
Opening Statement
Rep. Stephen H. Hinojosa, D-Texas
Chairman, House Subcommittee on Government Management, Information, and Technology
June 23, 1999

Only 191 days remain until we greet the New Millennium—its expectations and enormous challenges. Last week, on behalf of the Subcommittee on Government Management, Information, and Technology, I released our 6th report card on the Year 2000 progress within 24 agencies and departments in the executive branch of the Federal Government.

Based on our analysis of the agencies' self-reported data, we gave the executive branch an overall "B-minus." The agencies have made remarkable progress during the last 6 months.

At the same time, the subcommittee has begun to examine 43 Federal programs that affect millions of Americans, such as Social Security, Air Traffic Control and Medicare. The President's Office of Management and Budget identified these Federal programs as "high impact." When it comes to Year-2000 computer readiness, they may also be considered as "high risk."

Although Federal computers may be fully prepared for the global computer glitch by the January 1st deadline, 10 of these 43 programs are administered and delivered by State governments. In addition, each program involves a large number of public- and private-sector partners—from vendors and suppliers to county and municipal governments.
The fact is that several of these high-impact programs – including Medicaid, Food Stamps, and Child Nutrition – are not scheduled to be ready until December, leaving little, if any, time to correct unforeseen problems.

The Year 2000 problem dates back to the mid-1960s when programmers, seeking to conserve limited computer storage space, began designating the year in two digits rather than four. The year 1967, for example, simply appeared as “67.” Regardless of the merits of that decision, now we all must deal with it. And the clock is ticking.

Today, we will discuss H.R. 1599, the “Year 2000 Compliance Assistance Act,” proposed by Congressman Tom Davis. The legislation would amend the Federal Property and Administrative Services Act of 1949, giving temporary authority to the General Services Administration to allow State and local governments to purchase Year 2000-related products and services from Federal supply schedules. The participation of these governmental entities and the information technology suppliers is voluntary.

Our goal today is to discuss how the proposed legislation would allow the Federal Government to help its essential business partners – State and local governments – prepare their computers for the Year 2000.

We will examine whether this bill would provide States and localities with another tool in their efforts to prepare for the Year 2000.

I welcome our witnesses and look forward to their testimony.
Mr. Davis. Thank you, Mr. Chairman. Let me first convey to you how impressed I am by your work and leadership.

Mr. Chairman, over the past 4 years, we have tried to ensure that our Nation is ready for the year 2000. For this reason, I am pleased that we are here today to hold this hearing on H.R. 1599, the Year 2000 Compliance Assistance Act. This bill is critical to addressing the very unique circumstances brought on by the year 2000, circumstances that exist only once every thousand years, by providing our State and local governments with the necessary assistance for achieving year 2000 compliance.

As a former local government official and high technology executive, I recognize the tremendous burden placed on State and local governments as they work to ensure that their mission critical systems are ready for the new millennium.

Over the past 4 years, under the persistent urging of the chairman of this subcommittee, Mr. Horn, and Representative Connie Morella of Maryland, the Federal Government has sluggishly moved toward readying most Federal mission-critical systems for the year 2000 conversion. However, many are now just beginning to turn their attention to the condition of State and local government mission-critical systems that are critical to the seamless delivery of essential services at all levels of government.

As John Koskinen, the chair of the President’s Council of Year 2000 Conversion, has emphasized, we should all be concerned about the ability of some State and local systems to interface with year 2000 compliant Federal systems. There are approximately 160 different State systems that interface with the Federal Government. These systems include the delivery of vital services such as Medicaid, unemployment insurance and child nutrition aid programs.

Many State and local governments have been unwilling to let the Federal Government or the private sector know the progress of their Y2K work for fear of lost public confidence and/or fear of the potentially negative effect on their bond rating. This reluctance makes it exceptionally difficult for us to judge our true readiness for January 1st, 2000.

At the Federal level, we should do all we can to help State and local governments that lack the resources and expertise to tackle Y2K problem. As the latest report card from this subcommittee indicates, the Federal Government and its mission-critical systems are rapidly reaching compliance or are already compliant. It is time to make the valuable resources and expertise of the IT firms included on the FSF/FTS schedules available to State and local governments.

As the former chairman of the Fairfax County Board of Supervisors, I understand all too well the countless number of local government services the citizens take for granted on a daily basis. If a county is not prepared for the year 2000, it is quite possible that the school bus won’t be there to pick the kids up at the end of the winter break or that the locally controlled stoplights will not be operational.

Oftentimes, the technical expertise necessary to correct the Y2K problem may not be readily available to State or local governments. Access to the GSA schedule will give State and local governments
access to the companies and products that can address these problems. Many officials from State and local governments are not aware of the scope of the problem either.

Different computer systems must be tested together in order to see whether or not they can interface on January 1st, 2000. It is not just the local fire station’s computer system but its ability to communicate with neighboring jurisdictions, the local police department and so on. Critical information must still be transmitted from computer system to computer system in every level of government.

In the metropolitan D.C. area we have seen a stark contrast in the resources available to State and local governments and the readiness of local governments. For instance, on June 15th, 1999, Fairfax County in northern Virginia tested their Y2K readiness in best case and worst case scenarios successfully. Clearly, this is a local government that is comfortably prepared to deliver local services on January 1, 2000. However, just a short distance away, the District of Columbia is still struggling with Y2K compliance as they work to find out the status of many of their computer systems.

A General Accounting Office report on the status of D.C.’s Y2K conversion efforts reported that our Nation’s Capital was at significant risk of not being able to effectively ensure public safety, collect revenue, educate students and provide health care services.

In my role as chairman of the Subcommittee on the District of Columbia, I have had the opportunity to watch our Nation’s Capital struggle to address its Y2K situation. Despite the Herculean efforts on the part of the District’s chief technology officer, strong private sector support and substantial Federal resources, it appears that the one thing that cannot be controlled during D.C.’s year 2000 compliance efforts is time. Many States and localities are simply running out of time.

Unfortunately, I believe that a substantial number of States, cities, towns, and villages across the country are in similar situations as our Capital City.

According to 1992 census statistics, it’s estimated that there are 84,000 local governments operating throughout the United States. Our State and local governments are responsible for management or delivery of essential services such as fire and police services, airports, transit systems, and court and criminal justice systems. Are we at the Federal level prepared to say that we are unwilling or unable to provide all of the tools at our disposal to State and local governments to deliver these services?

That is why I introduced the Year 2000 Compliance Assistance Act. This legislation is a voluntary program where the Federal Government will allow State and local governments to purchase year 2000 conversion-related information technology products and services off GSA’s IT multiple award schedules. Under this emergency authority, State and local governments will have one more option in the fight against time to procure year 2000 compliance assistance in a cost-effective and timely manner. I believe that during this period of moving governmental responsibilities back to the States and localities the Federal Government has a unique opportunity to provide procurement assistance to State and local governments to ensure nationwide year 2000 compliance and contingency preparation.
The authority under this legislation is limited to the unique nature of the year 2000 computer bug, and I want to underscore that this legislation is intended for the unique nature of the year 2000 computer bug. It doesn’t include drug companies, fire stations, fire equipment or anything else. There is no intent to do that here, no underlying intent to do that. We are trying to solve a once-in-a-thousand-year problem.

The authority would expire on December 31, 2002; and, frankly, after looking at the letter today from—Mr. Chairman——

Mr. HORN. Lee.

Mr. DAVIS [continuing]. The White House, we are willing to make that much sooner schedule if that will accommodate some of the critics. This can only be used by State and local governments for procurement necessitated by the year 2000 computer problem. I don’t consider this legislation the first step on any pathway toward cooperative purchasing, and I welcome any constructive comments to alleviate any lingering concerns on that front. I have long been a proponent of working toward forging reasonable compromises that allow us to accomplish our end goal and will gladly work with those who have concerns about H.R. 1599. I want to stress that this is a unique legislation to address a unique circumstance.

Again, Mr. Chairman, I thank you for holding this timely hearing on this bill, and I look forward to the testimony from our two panels on this critically important legislation.

[The prepared statement of Hon. Thomas M. Davis follows:]
STATEMENT
JUNE 23, 1999

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY
SUBCOMMITTEE HEARING ON H.R. 1599

DAVIS: MR. CHAIRMAN

HORN: THE CHAIR RECOGNIZES THE GENTLEMAN FROM VIRGINIA,
MR. DAVIS.

DAVIS: Thank you, Mr. Chairman. Let me first convey to you how
impressed I am by your work and leadership, Mr. Chairman, over
the past four years to ensure that our nation is ready for the Year
2000. For this reason, I am very pleased that we are hear today to
hold this hearing on H.R. 1599, the Year 2000 Compliance
Assistance Act. This bill is critical to addressing the unique
circumstances brought on by the Year 2000 by providing our state
and local governments with the necessary assistance for achieving
Year 2000 compliance. As a former local government official and
high technology executive, I recognize the tremendous burden
placed on state and local governments as they work to ensure that
their mission-critical systems are ready for the new millennium.

Over the past four years, under the persistent urging of the
Chairman of this Subcommittee, Mr. Horn, and Representative
Connie Morella of Maryland, the federal government has sluggishly
moved towards readying most federal mission-critical systems for
the Year 2000 conversion. However, many are now just beginning
to turn their attention to the condition of state and local government
mission-critical systems that are critical to the seamless delivery of
essential services at all levels of government. As John Koskinen,
chair of the President's Council of Year 2000 Conversion has emphasized, we should all be concerned about the ability of some state and local systems to interface with Year 2000 compliant federal systems. There are approximately 160 different state systems that interface with federal systems. Those systems include the delivery of vital services such as Medicaid, unemployment insurance, and child nutrition aid programs.

Many state and local governments have been unwilling to let the federal government or the private sector know the progress of their Y2K work for fear of lost public confidence, and/or fear of the potentially negative effect on their bond rating. This reluctance makes it exceptionally difficult for us to judge our true readiness for January 1st, 2000. At the federal level, we should do all that we can to help state and local governments that lack the resources and expertise to tackle the Y2K problem. As the latest report card from this Subcommittee indicates, the federal government and its mission critical systems are rapidly reaching compliance, or are already compliant. It is time to make the valuable resources and expertise of the IT firms included on the FSS/FTS schedules available to state and local governments. As former Chairman of the Fairfax County Board of Supervisors, I understand all too well the countless number of local government services that citizens take for granted on a daily basis. If a county is not prepared for the Year 2000, it is quite possible that the school bus will not be there to pick the kids up at the end of winter break, or that the locally-controlled stoplights will not be operational.

Oftentimes, the technical expertise necessary to correct a Y2K problem may not be readily available to state or local governments. Access to the GSA schedule will give state and local governments access to the companies and products that can address these problems. Many officials from state and local governments are not
aware of the full scope of the problem either. Different computer systems must be tested together in order to see whether or not they can interface on January 1st, 2000. It is not just the local fire station’s computer system, but its ability to communicate with neighboring jurisdictions, the local police department, etc. Critical information must still be transmitted from computer system to computer system at every level of government. In the Metropolitan-D.C. area, we have seen a stark contrast in the resources available to state and local governments, and the readiness of local governments. For instance, on June 15th, 1999, Fairfax County in Northern Virginia tested their Y2K readiness in best-case and worst-case scenarios — successfully. Clearly, this is a local government that is comfortably prepared to deliver local services on January 1, 2000. However, just a short distance away, The District of Columbia is still struggling with Y2K compliance as they work to find out the status of many of their computer systems. A General Accounting Office (GAO) report on the status of D.C.’s Y2K conversion efforts reported that our Nation’s Capitol was at significant risk of not being able to effectively ensure public safety, collect revenue, educate students, and provide health care services.

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Our state and local governments are responsible for the management or delivery of essential services such as police and fire service, airports, transit systems, and court and criminal justice systems. Are we, at the federal level, prepared to say that we were unwilling or unable to provide all of the tools at our disposal to state and local governments to deliver these services?

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Again, I thank the Chairman for holding timely hearings on this bill and I look forward to the testimony from our two panels on this critically important legislation.
Mr. HORN. I now yield enough time for an opening statement to the vice chairman of the committee—subcommittee, Mrs. Biggert, the Representative from Illinois.

Mrs. BIGGERT. Thank you, Mr. Chairman. I am pleased to participate in the hearing today about the Year 2000 Compliance Assistance Act, and I commend the gentleman from Virginia.

I believe that, largely because of congressional attention, our Federal agencies will be ready for the year 2000 date change. But will our Nation’s State and local communities have the necessary technology to partner with the Federal Government in service delivery? Many of the programs that our constituents rely upon are administered by our State. So it’s not enough for the Federal Government to be ready. Our States also must help to provide seamless delivery of key programs such as Medicare and nutrition services.

I am pleased to be from a State, Illinois, that has reported 98 percent of Y2K renovations completed. However, some States may not be so far along. The Y2K computer date change will affect every business, consumer, local government, and school.

This July, we will hold a hearing in my home District to determine the Y2K progress made in our community. At our hearing, local gas stations, grocery stores, banks and utilities will testify to their computer capacity. So we must all work together to find solutions to the Y2K problem.

I look forward to hearing today how Mr. Davis’ legislation will assist the States in preparing for year 2000, for as we all know, the year 2000 won’t wait.

Thank you.

Mr. HORN. Thank you.

Mr. TURNER. Mr. Chairman, thank you for holding this hearing on H.R. 1599, the Year 2000 Compliance Assistance Act, which presents a possible approach to helping State and local governments with Y2K readiness. As this subcommittee has observed, the Federal Government is making progress in ensuring that its mission-critical computer systems are Y2K compliant. However, many State and local governments have not made as much headway in their efforts.

Numerous State and local governments began their Y2K readiness efforts significantly later than the Federal Government, and as a result, we are just now hearing about potential Y2K problems at the local level. For example, last week in Los Angeles, the testing of a septic system caused sewage overflows that resulted in the closing of a city park for several days. I am pleased that testing is occurring. It is certainly preferable to experience these small test failures now rather than confront whole system failures in the year 2000. However, the results of this test do illustrate the magnitude of the work that remains at the State and local levels.

In addition to State and local problems with regard to personal computers, elevators, telephone switches, and the breakdown of computer-aided dispatch operations, the Federal Government could also suffer from the impact of Y2K failures at the State and local government level because of the frequent information exchanges between local and Federal computer systems. The Federal Government sends and receives data from the States in support of many
social service programs, including Medicare, Medicaid, welfare, food stamps, and unemployment insurance.

The Federal Government will not be able to deliver critical social services if data exchanges with State governments are not Y2K-compliant. According to John Koskinen with the President's Council on Year 2000 Conversion, approximately 165 Federal interfaces with State systems have been identified. And according to the Office of Management and Budget [OMB], as of May 27, 1999, Federal agencies report that 75 percent of Federal/State data exchanges are Y2K-compliant.

There is no question that we need to have State and local governments Y2K compliant, and we know that compliance efforts will place a burden on State and local budgets. H.R. 1599 would offer assistance by permitting State and local governments to purchase computers and other information technology off of the Federal supply schedules. Due to the volume of purchasing done by the Federal Government, these schedules generally have very good prices, so we might actually be helping State and local governments quite a bit.

In closing, I look forward to hearing from our witnesses as to how the Year 2000 Compliance Assistance Act, or any other resource or tool that we may be able to provide, can assist State and local governments meet their goals for Y2K preparation and compliance.

[The prepared statement of Hon. Jim Turner follows:]
OPENING STATEMENT -- REP. JIM TURNER
June 23, 1999

Mr. Chairman, thank you for holding this hearing on H.R. 1599, the “Year 2000 Compliance Assistance Act,” which presents a possible approach to helping state and local governments with Y2K readiness. As this Subcommittee has observed, the federal government is making progress in ensuring that its mission-critical computer systems are Y2K compliant. However, many state and local governments have not made as much headway in their efforts.

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In closing, I look forward to hearing from our witnesses as to how the Year 2000 Compliance Assistance Act, or any other resource or tool that we may be able to provide, can assist state and local governments meet their goals for Y2K preparation and compliance.
Mr. HORNE. Let me put in the record some communications we have received, without objection.

One is from the Baxter firm, a developer and manufacturer of medical products. They are opposed to the Federal cooperative purchasing concept in this legislation, and a letter has come here to the chairman dated June 23rd. It will be put in the record without objection.

[The letter referred to follows:]
June 23, 1999

The Honorable Stephen Horn
Chairman, Government Management
Information and Technology Subcommittee
Government Reform Committee
US House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Horn:

On behalf of Baxter, I write urging the defeat of HR 1599 before your committee tomorrow.

Baxter is a developer and manufacturer of medical products and services which focuses on critical therapies for life-threatening conditions. Though our business is mainly wholesale, we use a network of small distributors and suppliers to ensure our products reach health care providers. These local businesses are best suited to handle the needs of local customers. Their viability should be encouraged by government—not undercut by it.

Yet whether a business is small or large, in the United States of America, it should not have to compete with a government agency to sell its products. Our nation's economic system is predicated on private business making and selling products and providing jobs.

Government agencies have a duty to regulate but not to market certain products without having to pay taxes or marketing costs. This subsidized competition is plainly unjust.

In 1997 Congress rightly repealed Section 555 of the Federal Acquisition Streamlining Act (FASA) which would have opened up GSA supply schedules to state and local governments. HR 1599 would once again set up a federal program of 'cooperative purchasing,' albeit for information technology. IT companies should be able to compete on a level playing field with each other without creating an unfair federal program to promote some, but not others.

Baxter opposes this federal cooperative purchasing concept and this legislation.

Thank you for considering the company's views on this issue, and again, we would be grateful for your help to defeat HR 1599.

Respectfully,

Danna C. Bower
Director, Business Affairs
Mr. HORN. We have a communication from the Acting Deputy Director for Management of the Office of Management and Budget. Their concern is that they would recommend H.R. 1599 be amended to provide the authorities strictly to address critical Y2K needs and to be available only through June 2000, a period of time during which such purchases would be directly related to Y2K readiness. And this correspondence was signed by Deidre A. Lee, the Acting Deputy Director for Management. We put it in the record at this point without objection.

[The letter referred to follows:]
EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503  
June 22, 1999

The Honorable Stephen Horn  
Chairman  
Subcommittee on Government Management,  
Information and Technology  
Committee on Government Reform  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

We understand your Subcommittee is considering H.R. 1599, the "Year 2000 Compliance Assistance Act." This bill would authorize states and local governments to make purchases from the General Services Administration's (GSA's) Federal Supply Schedules (so-called "cooperative purchasing") to fill critical information technology (IT) needs related to their Year 2000 ("Y2K") computer conversions.

We support efforts to provide states and localities with tools that can assist them in ensuring that their mission-critical systems are ready for the new millennium. Towards this end, the Administration agrees that there may be benefit in allowing states and local governments to make purchases through GSA's IT Federal Supply Schedule that can help them become Y2K compliant. We recognize that cooperative purchasing has been the source of considerable discussion within Congress in recent years. Therefore, we recommend that H.R. 1599 be amended to provide this authority strictly to address critical Y2K needs and to be available only through June 2000 -- the period of time during which such purchases would be directly related to Y2K readiness.

Limited use of cooperative purchasing provides an opportunity to test and analyze its potential benefits and impacts (including that on small businesses). In this regard, we would recommend that the General Accounting Office study the impact of cooperative purchasing usage under this bill.

We look forward to working with you towards the enactment of a bill tailored to providing states and localities with another tool to ensure Y2K compliance.

Sincerely,

[Signature]

Deidre A. Lee
Acting Deputy Director for Management

Identical Letter Sent to The Honorable Jim Turner
Mr. HORN. The testimony of Mr. John J. Nold, the Director, Office of Information Services for the State of Delaware. He favors the proposed legislation of Mr. Davis, and without objection that will go into the record.

[The prepared statement of Mr. Nold follows:]
TESTIMONY

Statement of

John J. Nold
Director, Office of Information Services
State of Delaware

for the

Subcommittee on Government Management, Information, and Technology
House Committee on Government Reform
United States House of Representatives

on

HR 1599
Year 2000 Compliance Assistance Act

June 23, 1999
Ladies and Gentlemen: Thank you for the opportunity to speak to the Subcommittee on Government Management, Information, and Technology regarding the "Year 2000 Compliance Assistance Act." It is my honor to be speaking to you today on behalf of not only the State of Delaware, but also as a representative of the National Association of State Information Resource Executives (NASIRE).

From NASIRE's perspective, the membership encourages passage of this resolution. While from an overall state viewpoint Y2K issues do not represent a "purchasing problem" as such, any additional weapons we can add to our arsenal are welcome. We appreciate the committee's and the sponsors' efforts. They may want to reconsider the implication that state laws will immediately allow for this adjustment, but we have no specific recommendations for changes to the resolution's wording. We would also encourage the committee to research applicability for local governments to likewise capitalize on HR 1599, as it may be most beneficial to those agencies who, with limited time left in the current year, wish to address their Y2K remediation efforts via the replacement of old equipment.

Speaking on behalf of the State of Delaware, I can assure you that Delaware supports this measure. With only 191 days to go before January 1, 2000, any assistance that can be made available to the technicians and managers who are attempting to thwart Y2K-related negative impacts is greatly appreciated. Since it is likely that additional corrective measures will need to be applied long after the January 1st "event horizon", the fact that you've extended the benefits of HR 1599 into 2002 is a welcome bit of foresight. At this stage of Delaware's efforts, that language is the bill's true value. And, as there are provisions within the Delaware Code that permit State agencies -- with the approval of the Secretary of Administrative Services -- to (among other things) piggyback on GSA schedules, I see no problem with Delaware capitalizing on any benefits of this measure. For your information, Delaware's Secretary of Administrative Services supports this legislation, and Delaware's Purchasing folks, albeit with certain concerns that are largely administrative/procedural in nature, support it as well. I have no suggestions for wording, and defer to the NASPO representative in this regard. Perhaps the "procedures" as called for under subparagraph (b) will likely address the issues highlighted by our Division of Purchasing. In closing, thank you again for permitting me to speak to this Subcommittee.
John J. Nold

EDUCATION

Ed.D., University of Delaware
Additional Phd. studies at the U of Pgh.
M.B.A., Duquesne University
B.S. Ed., Clarion University

RANGE OF EXPERIENCE

Dr. Nold has successfully engaged in professional employment in both the public and private sectors, serving as senior management in public higher education and state government, and as a technical EDP professional in private industry. Dr. Nold has also served as a technical consultant to such clients as Honeywell, Xerox, Wilmington College, and several professional organizations.

PROFESSIONAL AND BUSINESS HISTORY

State of Delaware CIO/Ex Director, Office of Information Services, since 1981.

Currently employed as a member of the Executive Office of the Governor, serving as Delaware's Chief Information Officer. Directs the State of Delaware's Office of Information Services, involving multiple equipment sites, a staff of 179, and an annual operating budget of $22mm.
Mr. HORN. We also have two very interesting documents from the National Association of Counties. One is the Y2K Survey of America's Counties, and the other is a statement for the record. And the National Association of Counties favors the Davis legislation. Without objection, all of that is in the record at this point.

[The information referred to follows:]
The National Association of Counties

Statement for the Record
Hearing on H.R. 1599

Subcommittee on Government Management, Information and Technology
House Committee on Government Reform

June 23, 1999
Washington, D.C.
Statement for the Record on H.R. 1599
Provided by the National Association of Counties

June 23, 1999

The Honorable Stephen Horn
Chairman,
Subcommittee on Government Management,
Information and Technology
House Committee on Government Reform
Washington, D.C. 20515

Dear Representative Horn,

The National Association of Counties (NACo), which represents the Nation’s 3,068 counties, recognizes and commends your dedication and attention to the Year 2000 (Y2K) issue which threatens to disrupt everyday services that counties provide to citizens living within county borders. For the record, NACo supports H.R. 1599 sponsored by Representative Tom Davis (R-VA), which we believe will help to bridge the fiscal gaps that counties currently face in the area of Y2K compliance accessories.

NACo supports every effort to provide counties with low cost opportunities to meet their operational challenges. We are pleased to learn that H.R. 1599 would help counties across the nation gain access to affordable Y2K compliance tools. Specifically, the bill would allow counties to buy Y2K compliance accessories, including purchases of automated data processing equipment, software, supplies, and support equipment through the federal supply schedule of the General Services Administration. These discounted purchases should help all counties save precious monetary resources, especially many of our rural member counties that find it difficult to purchase current Y2K compliance software and equipment within their budget parameters.

NACo too, has developed a national cooperative purchasing program for computers, software and peripherals through its Financial Services Center, which we believe will also assist counties in meeting the Y2K challenges.

It is important to note that Y2K compliance upgrades not only affect county computers, but also any type of computer dependent system that relies on imbedded date sensitive chips, many of which affect our everyday lives. These include everything from traffic signals, emergency services equipment, such as radio communications and 911 services which rely on GPS and other date sensitive equipment, and most importantly, hospitals.

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1The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to improve county government; serve as the national spokesman for county government; serve as a liaison between the nations' counties and other levels of government; achieve public understanding of the role of counties in the federal system.
According to a recent Senate report on Y2K, 64% of hospitals nationwide, primarily smaller hospitals, responded that they have no plans to test their Y2K remediation efforts. This poses a significant threat to all aspects of a hospital system, especially in rural areas that possess older medical equipment which may be disproportionately subject to Y2K problems. Counties run many of the public hospitals across the country and often are the providers of last resort. According to the report, Y2K may affect hospital systems in all areas including embedded microprocessors which affects MRI and X-Ray machines, and other important medical equipment such as electronic interfaces which affect the distribution of medicines and drugs to patients through intravenous devices. It would also affect software which provides health claim billing and patient data systems. H.R. 1599 would help these financially challenged county hospitals acquire the Y2K compliance materials they need in order to upgrade their critical electronic health care equipment.

NACo has done much work in trying to prepare local communities for the turn of the Millennium. We have worked closely with the Administration and Congress to better inform counties as to the problem, and raised awareness to the potential disruptions that may occur at the beginning of next year. In addition, NACo has teamed up with Public Technologies, Inc (a consortium of the NACo, the National League of Cities, and the International City/County Managers Association) to develop a Y2K toolkit and coordinate nationwide Y2K satellite broadcasts in order to keep county officials and citizens informed about Y2K. PTI has also established a "Y2K Mail" to assist small and medium size governments meet the Year 2000 challenge.

NACo has commissioned a Y2K survey that was issued late last year, and did a follow up to the study this past April, the results of which are just being released. According to these two recent surveys of 500 randomly selected counties, we found that the number of Y2K compliant counties has increased over the past six months. The first iteration gave us great pause. Over 50% of America’s counties did not have Y2K plans in place. The more recent results provide greater progress is being made in addressing the Y2K problem in our counties. Here are some of the highlights of the surveys:

- Counties with countywide Y2K emergency management plans has increased nearly twenty-five percent to 74% of the counties surveyed;
- 51% of counties stated that they were 100% Y2K compliant which is an increase of 19% over the previous study;
- 32% responded that they were between 75% - 99% compliant which represents an increase of 4%;
- only 9 counties out of 500 responded that they have not started in their Y2K preparedness compared with 26 that had responded in the previous survey
- Overall, 83% of counties are almost fully Y2K compliant

The actions of these counties on the whole represent the urgency that counties are finally placing on the Y2K issue, and how to prepare in case emergencies do develop from Y2K compliance problems. However, there is still some work left to be done.
Passage of H.R. 1599 should help counties throughout the country acquire more affordable Y2K compliance software and equipment, which would aid in the improvement of computer-driven systems throughout America. These improvements will go a long way in ensuring that county services such as emergency management systems, infrastructure, and hospital systems will be ready when the clock turns over to a new Millennium this coming January.

We appreciate the opportunity to make our views known on this important legislation, and let the committee know that NACo is working with America’s counties to assure that the challenges of Y2K compliance will not disrupt the important services county residents expect from their local government. Thank you.

Respectfully submitted,

Larry Nace
Executive Director
National Association of Counties
Foreward

NACo has played a leading key role in President Clinton's Y2K Initiative and has worked with county governments across the nation to recognize and address this problem. It has partnered with PTI to develop a Y2K Toolkit and coordinated a nationwide Y2K satellite broadcast for county officials.

In November, the National Association of Counties conducted its initial Y2K survey of county governments. In order to determine the readiness of America's counties, 500 randomly selected counties told us how they were doing. This second survey, conducted in April and May 1999 is a followup survey to measure the continuing progress of counties toward Y2K compliance. Many of the same questions were asked in order to measure progress, but a new section on outreach was added. Responses to this section indicate that not only are counties working on their own Y2K issues, but many are assisting businesses, vendors and private citizens with an understanding of this issue.

We are pleased with the results of this second survey because it shows that counties are continuing their progress to Y2K compliance. These results reaffirm the success of NACo's efforts in this area, but they also demonstrate that NACo, PTI and other public interest groups must continue to provide the technical assistance, training and information that counties need to successfully meet this challenge.

Betty Lou Ward
NACo President
Commissioner, Wake County, North Carolina

Larry Naake
NACo Executive Director
Revisiting County Y2K Readiness

Executive Summary

Methodology

In early November 1998, the National Association of Counties commissioned National Research, Inc., to conduct a random survey of 500 county governments on the status of their Y2K activities. In April 1999, NACo commissioned a follow-up survey to measure the progress of counties in achieving Y2K compliance. Although both surveys were random surveys, no effort was made to exclude previous respondents from the second survey. The proportional breakdown of respondent counties again correlates to the population breakdown of counties nationwide.

Of the 500 counties that completed the survey:
- 19 (4%) had a population 500,000 or above
- 15 (3%) had a population between 250,000 and 499,999
- 44 (9%) had a population between 100,000 and 249,999
- 60 (12%) had a population between 50,000 and 99,999
- 96 (19%) had a population between 25,000 and 49,999
- 144 (29%) had a population between 10,000 and 24,999
- 122 (24%) had a population below 10,000

The responding counties represented 47 states and 351 of the counties (70%) are NACo member counties. The largest number of responding counties (270) are from the South, followed by 170 counties in the Midwest, 67 counties in the West and 33 counties in the Northeast.

Strategic Plans

In the earlier survey 250 (50%) of the counties responded that they had countywide plans to address Y2K issues. In the new survey 368 counties, or an increase of 24 percent, (74%) have countywide plans. Only 26 percent of all respondents to the latest survey don’t have plans compared to 49 percent in the earlier survey.

Of the current plans, 60 percent (304 counties) are using in-house staff to develop their plans, compared to 39 percent in the earlier survey. State agency staff use has increased from only 3 percent in the earlier survey to 19 percent in the current survey. The use of private consultants has increased from 14 percent to 27 percent.
In response to the question concerning the department to which the person leading the Y2K effort is assigned, there has been very little change from the previous survey. Administration remains the primary department (41% compared to 43% in the earlier survey) followed by Information Technology at 26 percent in both surveys. Nine percent indicate they have an Interdepartmental Task Force, an option not offered in the earlier survey.

Priorities

Counties were asked to list the top three priorities for their compliance efforts. Public safety, which includes emergency management and jails, was the number one response from 410 counties (82%). It was followed closely by taxation and finance (71% or 355 counties) and general government administration (292 counties at 58%). Other major areas of concern included social services (17%), roads and traffic management (13%), utilities (11%) and schools (11%). Nearly 100 counties reported having only two priorities.

Needs Assessment

Sixty-two percent of responding counties (309) have identified up to 10 computer applications that need to be repaired or replaced compared to only 237 counties (47%) in the earlier survey. The number of counties that have identified more than 100 applications decreased slightly from 6 percent (29 counties) to 5 percent (24 counties) but the number with 11 to 50 systems slightly increased from 17 percent (83 counties) to 18 percent (91 counties) as did the number of counties with 50 to 100 systems (5 percent as compared to 3% in the earlier survey.)

System Assessment

When asked the percentage completion of the system assessment for their county, 254 counties (51%) stated that they were 100 percent completed. This compares with only 179 counties (32%) that indicated that they were completed in the earlier survey. Another 158 counties (32%) indicated that they were between 75 percent and 99 percent complete (compared to 28%) in the earlier survey. Only 9 counties stated that they have not started compared to 23 counties in the earlier survey. Eighty six percent of the responding counties have completed at least 50 percent of their systems assessment compared to just 61 percent in the first survey.

System Repair or Replacement

Nearly 25 percent of the responding counties (118) are 100 percent completed, compared to only 79 (16%) in the first survey. Thirty one percent (153 counties) are between 75 percent and 99 percent completed close to twice as many (88 counties) as reported in the earlier results. Less than half (23 counties as compared to 57 counties) stated that they had not started their system repair or replacement. More than 80 percent of all responding counties are at least 50 percent completed in this area compared to just 55 percent in the earlier survey.
System Testing

Twenty seven percent of the responding counties (135 counties) have completed their systems testing compared to only 16 percent (79 counties) in the first survey. Nearly 40 percent (196 counties) have completed between 75 percent and 99 percent of the system testing compared to only 18 percent (88 counties) in the earlier survey. Seventy five percent of all responding counties have completed at least 50 percent of their system testing compared to only 51 percent from the first responses. Only 57 counties (7%) indicate that they have not started compared to 91 counties (18%) who indicated that they had not started at the time of the first survey.

The vast majority of counties (337 counties or 67%) are working with their original vendors to solve the embedded chip problem. Nearly as many (302 or 60%) are also addressing the problem with in-house staff, many using both to develop a solution. Only 106 counties (21%) are hiring private consultants to resolve this problem.

In the first survey only 202 counties or 40 percent were working with their original vendors and only 41% (207 counties) were using in-house staff. The same percentage (21%) or 105 counties indicated that they were hiring private consultants to resolve the embedded chip problem.

Y2K Testing

It is interesting that 55% percent of the counties in the first survey indicated that they had no plans for a system wide test and 49% of the counties in the latest survey also have no plans for a test. Forty one percent of responding counties stated that they have already conducted their tests or plan to conduct the test before the year is over. Only 10 percent of respondents didn't know whether there would be a test compared to 17 percent who did not know in the early questionnaire.

Y2K Spending
Prior to FY98

Three hundred fifteen counties (65%) had not spent any money on Y2K compliance before FY98. Only 12 counties (2%) had spent more than $1 million prior to FY98. In the earlier survey only 7 counties (1%) spent more than $1 million. The percentages for the lower amounts varied very little from the first survey. Three percent spent less than $10,000 compared to 4 percent in the first survey, while 5 percent spent between $100,000 to $999,999 on both surveys. The total amount budgeted for Y2K compliance was $33.4 million compared to $36 million on the first survey.

FY98/99/00

Twenty four counties (5%) have budgeted more than $1 million of which seven have budgeted between $11 and $41 million. On the earlier survey only 16 counties (3%) had budgeted more
than $1 million with amounts ranging between $12 million and $123 million. A major increase in the number of counties (124 or 25%) spending between $10,000 and $99,999 occurred from the first survey where only 91 counties (18%) had budgeted this amount. The number of counties reporting no dollars budgeted decreased from 175 (35%) on the first survey to 147 (29%). The amount budgeted for Y2K compliance changed very little from the first survey with the latest respondents reporting budgets of $218 million compared to the earlier budgets of $223 million.

**Estimated Total Costs of Compliance**

The total amount estimated for Y2K compliance by the responding counties is $255 million compared to $283 million on the earlier survey. Extrapolating this latest figure to develop a cost of compliance for all counties in the county provides an estimate of $1.53 billion as compared to the earlier estimated cost of $1.7 billion.

The number of counties whose respondents did not know the cost of compliance decreased substantially, from 40 percent on the earlier survey (20 counties) to 22 percent (111 counties) on the latest survey. Thirty four counties (7%) estimate compliance costs above 1 million compared to 22 counties (4%) who estimated the same amounts on the earlier survey. The number of counties estimating compliance costs of less than $10,000 doubled (10%) from the first survey (5%) and the same percentage (16%) estimate compliance costs between $100,000 and $999,000 (79 counties or the earlier survey and 80 counties on the latest responses). The highest estimated cost by a county was $44 million.

**Funding Compliance**

Counties are still looking primarily to general funds for Y2K compliance funding. More than 88 percent (441 counties) plan on using these funds. In the earlier survey a comparable number (431 counties or 86%) indicated the same funding plans. A larger number (8%) indicated the use of state grants than on the earlier survey where only 5 percent planned to use state funding. The number that plan to use federal grants increased from 2 percent to 4 percent and the private sector funding increased from less than 1 percent to 2 percent. The number of counties that don’t know how they will fund compliance nearly doubled from 5 percent in the earlier survey to 9 percent in the latest responses.

**Compliance Difficulties**

The vast majority of the counties indicated that they have had no difficulty with Y2K compliance or didn’t know if there were any difficulties. The two areas that were reported by counties as causing the most difficulty with compliance are public safety, including emergency management and law enforcement, and finance, including accounting and taxation. Sixty five counties reported finance related difficulties and 56 counties reported difficulties with public safety compliance. The primary difficulties in public safety compliance are 911 issues and jail administration.
Contingency plans

The questions on contingency plans were added to the second survey because of interest expressed by many interested in county Y2K compliance.

Fifty eight percent of counties do not have a contingency plan for computer chip failures. Although these 289 counties have no plan, 190 counties (38%) do. Only 4 percent of respondents didn’t know if their county had a plan or not.

The majority of counties (160 or 32%) indicated that their plans were developed by in-house staff. The number of responses to plan development questions indicate that some counties are using multiple sources for plan development with 75 counties or 15 percent using vendors and contractors and 7 percent using private consultants. Eight percent are using state officials to assist with plan development.

When asked if they plan to develop a plan if they don’t have one now, the majority (29% or 144 counties) said no, but 114 counties (23%) said yes. The 52 counties responding that they did not know included some who did not know if a plan had been prepared as well as some who did not know if their county was going to develop a contingency plan.

The majority of the counties that will be developing a contingency plan, will be completing their plans in the July-September quarter (64 of 114 counties). Twenty two counties are completing their plans in the April-June quarter and 18 counties (4%) will be completing their plans in the October-December quarter. Only 10 percent don’t know when their plans will be completed.

Outreach

Only 128 counties (26%) have done no outreach or worked with other groups on Y2K compliance issues. More than 200 counties (40%) are working with municipalities and 192 counties (38%) are working with other counties to achieve compliance. Forty two percent are working with public and private utilities and 36 percent are working with business and private industry groups. Thirty one percent are working with their local medical service providers, 29% are working with special districts, agencies and authorities, while 20% are working with nonprofit and community groups. Only 57 counties are working with the Federal Government.

Forty five percent (226 counties) of the responding counties have put articles in the local newspaper to help educate residents about Y2K issues. A large proportion of counties (33% or 164 counties) have held public meetings and forums for residents and 129 (26%) have designated county phone contacts for inquiries from the public. Eighteen percent have published guidebooks and 15 percent have prepared local television and radio spots, while 15 percent have set up website notices. Even with all of the activities mentioned above, nearly 200 responding counties (39%) have done nothing to educate or prepare their residents.
### Y2K Activities Telephone Survey Results, April 1999

Number in survey group: 500 counties, representing 47 states. NACo member counties represent 70% (351) of the survey group.

#### Population breakdown of respondents:

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<thead>
<tr>
<th>Group</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10,000</td>
<td>122</td>
<td>24%</td>
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<tr>
<td>10,000-24,999</td>
<td>144</td>
<td>29%</td>
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<tr>
<td>25-49,999</td>
<td>96</td>
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<td>500-999,999</td>
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<td>3%</td>
</tr>
<tr>
<td>Over 1,000,000</td>
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<td>1%</td>
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#### Regional breakdown of respondents:

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<td>34%</td>
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<td>South</td>
<td>230</td>
<td>46%</td>
</tr>
<tr>
<td>West</td>
<td>67</td>
<td>13%</td>
</tr>
</tbody>
</table>

#### Y2K Activities Telephone Survey

1. **Does your county have a countywide plan to address Y2K issues?**
   - Yes: 368 (74%)
   - No: 130 (26%)
   - Don't Know: 2 (0.4%)
   - If "Don't Know," skip to question 3.

2. **How was this plan developed? Using...**
   - In-House Staff: 202 (40%)
   - Private Consultants: 137 (27%)
   - Regional Development Agency: 51 (10%)
   - State Agency: 93 (19%)
   - Other: 41 (8%)
   - Don't Know: 5 (1%)

3. **Who is the individual responsible for achieving Y2K compliance in your county?**
   - Name: 312 (62%)
   - Title: 55 (11%)

4. **To what department is this individual assigned?**
   - Information Technology/Management Information Systems: 132 (26%)
   - Administration: 206 (41%)
   - General Services: 51 (10%)
   - Interdepartmental Task Force: 46 (9%)
   - Other: 15 (3%)
   - Don't Know: 3 (1%)

5. **What are the top three priority areas for your county's Y2K compliance efforts?**
   - Public Safety (includes emergency management and jails): 410 (82%)
   - Taxation and Finance: 355 (71%)
   - General Government Administration: 292 (58%)
   - Roads and Traffic Management: 67 (13%)

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7
Social Services (includes health and human services) 88 (17.9%) (22)
Utilities 54 (11.8%) (23)
Water and Waste Treatment 31 (6.5%) (24)
Telecommunications 66 (13.9%) (25)
Schools and Education 11 (2.3%) (26)
Parks and Recreation 21 (4.5%) (27)
Other 29 (6.2%) (28)
Don't Know 22 (4.6%) (29)

6. How many computer applications has your county identified as needing repair or replacement?
   1 to 10 300 (62.8%) (30)
   11 to 50 91 (18.4%) (31)
   51 to 100 24 (5.1%) (32)
   More than 100 24 (5.1%) (33)
   Don't Know 59 (12.3%) (34)

7. For all county computer applications, estimate the percentage completion in each of the following areas:

**Part I: System Assessment**
Fifty seven counties (9%) did not know.
Of the remaining counties:
9 (2%) are 0% completed
6 (1%) are between 1-24% completed
6 (1%) are between 25-49% completed
20 (4%) are between 50-74% completed
158 (32%) are between 75-99% completed
254 (51%) are 100% completed

**Part II: System Repair or Replacement**
Fifty four counties (8%) did not know.
Of the remaining counties:
23 (5%) are 0% completed
10 (2%) are between 1-24% completed
11 (2%) are between 25-49% completed
92 (18%) are between 50-74% completed
196 (39%) are between 75-99% completed
118 (24%) are 100% completed

**Part III: System Testing**
Fifty nine counties (10%) did not know.
Of the remaining counties:
37 (7%) are 0% completed
19 (4%) are between 1-24% completed
22 (4%) are between 25-49% completed
83 (17%) are between 50-74% completed
153 (31%) are between 75-99% completed
135 (27%) are 100% completed

8. What is your county doing to resolve the embedded chip issues?
   Working with original vendors 337 (67.8%) (35)
   Hiring Private Consultants 106 (21.3%) (36)
   Using In-House Staff 102 (69.9%) (37)
   Other 21 (4.2%) (38)
   Don't Know 67 (13%) (39)
9. Is your county planning a countywide Y2K test?
   Yes, the test will occur this year. 134 (27%) (40)
   Yes, the test has already occurred. 72 (15%) (41)
   No. 244 (49%) (42)
   Don’t Know. 50 (10%) (43)

10. How much money has your county budgeted for Y2K compliance?

   Part I: Spent prior to FY98
   Ninety nine counties (20%) did not know. Three hundred fifteen counties (63%) spent zero dollars for Y2K compliance prior to FY98. Fifteen counties (3%) spent below $10,000; thirty six (7%) spent between $10,000 and $99,999; twenty three (5%) spent between $100,000 and $999,999; and twelve counties (2%) spent above $1 million, ranging from $1 million to $10 million. The total number of dollars spent prior to FY98 on Y2K compliance was approximately $33.4 million.

   Part II: Budgeted for FY98/99/00
   Ninety eight counties (20%) did not know. One hundred forty seven (25%) said zero dollars are budgeted. Forty four counties (9%) have budgeted less than $10,000; one hundred twenty four (25%) have budgeted between $10,000 and $99,999; sixty three (13%) have budgeted between $100,000 and $999,999; and twenty four counties (5%) have budgeted millions, of which seventeen have budgeted between $1 million and $7 million and seven have budgeted between $11 million and $41 million. The total number of dollars budgeted for FY98/99/00 on Y2K compliance is approximately $218 million.

   Part III: Estimated total costs for compliance
   One hundred eleven counties (22%) did not know. Seventy nine (16%) said zero dollars. Fifty two (10%) estimate compliance costs below $10,000; one hundred forty five (29%) estimate compliance costs between $10,000 and $99,999; eighty (16%) estimate compliance costs between $100,000 and $999,999; and thirty four (7%) estimate millions, of which twenty seven estimate between $1 and $8 million and seven estimate $14.5, $15, $19, $20, $20 and $44 million respectively. The total numbers of dollars estimated for Y2K compliance is approximately $255 million.

11. How is your county funding Y2K compliance?
   General Funds. 441 (88%) (44)
   State Grants. 38 (78%) (45)
   Federal Grants. 18 (42%) (46)
   Private Sector. 8 (18%) (47)
   Other. 24 (53%) (48)
   Don’t Know. 44 (22%) (49)

12. What system has given your county the most difficulty with Y2K compliance?

13. Has your county prepared a contingency plan for Y2K related computer chip failures?
   Yes. 190 (38%) (50)
   No. 399 (78%) (51)
   Don’t Know. 21 (4%) (52)
   If “Don’t Know” skip to question 15a.

14. How was this plan developed? Using...
43

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>In-house IT staff</td>
<td>161 (32%)</td>
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<tr>
<td>Private Consultants</td>
<td>34 (7%)</td>
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<tr>
<td>Vendors and Contractors</td>
<td>75 (15%)</td>
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<tr>
<td>State Officials</td>
<td>38 (8%)</td>
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<tr>
<td>Other</td>
<td>12 (2%)</td>
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<tr>
<td>Total</td>
<td>512 (100%)</td>
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15a. Does your county plan to develop a Y2K contingency plan?

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<td>Yes</td>
<td>114 (23%)</td>
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<tr>
<td>No</td>
<td>144 (29%)</td>
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<tr>
<td>Don't Know</td>
<td>52 (10%)</td>
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15b. When will this plan be complete?

<table>
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<th>Time Frame</th>
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<tr>
<td>April-June</td>
<td>22 (4%)</td>
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<tr>
<td>July-September</td>
<td>64 (13%)</td>
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<tr>
<td>October-December</td>
<td>18 (4%)</td>
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<tr>
<td>Don't Know</td>
<td>10 (2%)</td>
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16. Has your county government worked with any of the following groups on Y2K planning, compliance, contingency, or liability issues?

<table>
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<tr>
<th>Group</th>
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<tbody>
<tr>
<td>Federal Government</td>
<td>51 (10%)</td>
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<tr>
<td>Municipal Government</td>
<td>200 (40%)</td>
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<tr>
<td>Other County Governments</td>
<td>121 (24%)</td>
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<tr>
<td>Regional Agency/Authority/Special Districts</td>
<td>144 (29%)</td>
</tr>
<tr>
<td>Public and private utilities</td>
<td>209 (42%)</td>
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<tr>
<td>Medical service providers</td>
<td>113 (23%)</td>
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<tr>
<td>Other business/private industry groups</td>
<td>181 (36%)</td>
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<tr>
<td>Nonprofit/Community groups</td>
<td>102 (20%)</td>
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<tr>
<td>Other</td>
<td>17 (3%)</td>
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<td>Total</td>
<td>512 (100%)</td>
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17. What has your county government done to educate residents about Y2K issues and to help them prepare?

<table>
<thead>
<tr>
<th>Method</th>
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<tbody>
<tr>
<td>Public meetings/forums</td>
<td>164 (33%)</td>
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<tr>
<td>Publications/Guidelines</td>
<td>82 (16%)</td>
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<tr>
<td>Articles in the local newspaper</td>
<td>226 (45%)</td>
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<tr>
<td>County wide mailings</td>
<td>20 (4%)</td>
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<tr>
<td>Designated staff phone contacts for answering Y2K questions from the public</td>
<td>122 (24%)</td>
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<tr>
<td>Local television/ad spots</td>
<td>73 (15%)</td>
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<tr>
<td>Web site notices</td>
<td>64 (13%)</td>
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<tr>
<td>Other</td>
<td>14 (3%)</td>
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<tr>
<td>Total</td>
<td>512 (100%)</td>
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No, have not done anything to educate or prepare residents
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<th>Hawaii (1)</th>
<th>Lim County</th>
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**Y2K Survey State List**
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### Population Group I: Below 10,000

(122 counties)

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<th>County 3</th>
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### Population Group II: 10,000-24,999

(144 counties)

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Population Group III: 25,000-49,999 (96 counties)
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<td>Shawano County, WI</td>
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**Population Group IV: 50,000-99,999**

(60 counties)

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<td>Oxford County, ME</td>
<td>Umatilla County, OR</td>
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<td>Spetulina County, VA</td>
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Population Group V: 100,000-249,999  
(44 counties)

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<td>Florence County, SC</td>
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<td>Boone County, MO</td>
<td>Horry County, SC</td>
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Population Group VI: 250,000-499,999  
(15 counties)

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<td>Lee County, FL</td>
<td>Union County, NJ</td>
<td>Nueces County, TX</td>
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<td>St. Clair County, IL</td>
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Population Group VII: 500,000-999,999  
(15 counties)

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<td>Fulton County, GA</td>
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Population Group VIII: 1,000,000+  
(4 counties)

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<th>Maricopa County, AZ</th>
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<tr>
<td>Harris County, TX</td>
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</table>
Mr. HORN. We now will go to panel one, and I think most of you know the routine. We swear in all witnesses in this investigating committee, and we would like you to summarize your statement as best you can. The statements automatically become a part of the record and to be printed when I introduce you. And so if you gentlemen will rise and stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. All three witnesses have affirmed, the clerk will note. We will begin with Joel Willemssen, the Director for Civil Agencies Information Systems, Accounting and Information Management Division of the General Accounting Office. Mr. Willemssen has been our principal witness in almost every one of these hearings and usually starts out with a fine statement; and we keep him usually till the end to get back into it in terms of the dialog and discussion, if you don’t mind.

Mr. WILLEMSSEN. Certainly, Mr. Chairman.

Mr. HORN. So go ahead.

STATEMENTS OF JOEL C. WILLEMSSEN, DIRECTOR, CIVIL AGENCIES INFORMATION SYSTEMS, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, GENERAL ACCOUNTING OFFICE; FRANK P. PUGLIESE, COMMISSIONER, FEDERAL SUPPLY SERVICE, GENERAL SERVICES ADMINISTRATION; AND GARY LAMBERT, CHIEF EXECUTIVE OFFICER, NATIONAL ASSOCIATION OF STATE PROCUREMENT OFFICIALS

Mr. WILLEMSSEN. Thank you, Mr. Chairman, Congressman, Congresswoman. Thank you for inviting GAO to testify today.

As requested, I will briefly summarize our statement on the Y2K readiness of State and local governments and on H.R. 1599.

Available information on the year 2000 readiness of State and local governments indicates that much work remains. For example, according to recent information on States reported to the National Association of State Information Resource Executives, about 18 States had completed implementing less than 75 percent of their mission-critical systems. Further, while all States responding said they were engaged in contingency planning, 14 reported their deadlines for this as October or later.

State audit organizations have also identified significant Y2K concerns in areas such as testing, embedded systems and contingency planning. Recent reports have also highlighted Y2K issues at the local government level. For example, a March 1999, National League of Cities poll of over 400 representatives found that almost 70 stated that they would finish 75 percent or less of their systems by January 1, 2000.

Another area of risk is represented by Federal human services programs administered by States, programs such as Medicaid, food stamps, unemployment insurance, and child support enforcement. Of the 43 high-impact programs identified by OMB, 10 are State-administered Federal programs. OMB reported data on the systems supporting these programs show that numerous States are not planning to be ready until close to the end of the year. Specifically, a large number of State systems are not due to be compliant until the last quarter of 1999. Further, this is based on data that predominantly has not been independently verified.
To provide an additional option to State and local governments to address Y2K, especially for those entities facing major risks, Congressman Davis has introduced H.R. 1599, a bill enabling State and local governments to use the GSA schedule to address Y2K.

Although State and local governments have in the past expressed interest in having access to GSA's schedules, the extent to which they would use it is somewhat uncertain. Factors that could limit use include lack of authority in laws or ordinances, in State or local purchasing preferences and possibly higher prices on the schedule for some items. By contrast, States and localities could benefit to the extent they could acquire needed information technology products and services at lower prices, more quickly and with less administrative burden.

In particular, access to the information technology schedule would provide States with an additional tool for obtaining essential Y2K help. Such access may be especially appealing to those entities not planning to be compliant until close to the end of the year.

In addition, another consideration of the bill is the effect on businesses of opening the schedule. Those that would choose to participate could benefit from increased market exposure and sales and lower administrative costs. Conversely, some businesses that are not on the schedule could lose business to those that are on the schedule.

Nevertheless, the Congress should balance concerns such as those against the extraordinary circumstances facing the Nation because of Y2K.

Further, some of the concerns may be reduced by the limited nature of the bill and by GSA publishing implementation plans showing how the bill would be implemented. At the same time, to be most useful, this bill will need to be implemented expeditiously because of the very limited time remaining until the turn of the century.

That concludes a summary of my statement, and after the panel is through, I will be pleased to answer any questions. Thank you.

Mr. Horn. Well, thank you for that usual, very thorough statement.

[The prepared statement of Mr. Willemssen follows:]
Testimony
Before the Subcommittee on Government Management, Information and Technology, Committee on Government Reform, House of Representatives

YEAR 2000
COMPUTING
CHALLENGE

Delivery of Key Benefits
Hinges on States' Achieving Compliance

Statement of Joel C. Wilkerson
Director, Civil Agencies Information Systems
Accounting and Information Management Division
Mr. Chairman and Members of the Subcommittee:

Thank you for inviting us to participate in today’s hearing on the Year 2000 challenge facing state and local governments and on H.R. 1599, a bill that would authorize state and local governments to purchase information technology through the federal government to address the Year 2000 problem. Just as the federal government faces significant Year 2000 risks, so too do state and local governments. If the Year 2000 problem is not properly addressed, for example, (1) food stamps and other types of payments may not be made or could be made for incorrect amounts; (2) date-dependent signal timing patterns could be incorrectly implemented at highway intersections, with safety severely compromised; and (3) prisoner release or parole eligibility determinations may be adversely affected.

As requested, today I will (1) highlight the reported Year 2000 readiness of state and local governments and actions taken by the President’s Council on Year 2000 Conversion in this area, (2) discuss the readiness and federal activities associated with state-administered federal programs, and (3) offer our observations on H.R. 1599, the Year 2000 Compliance Assistance Act.

The President tasked the Chair of the President’s Council on Year 2000 Conversion with (1) overseeing the activities of agencies; (2) acting as chief spokesperson in national and international forums; (3) providing policy coordination of executive branch activities with state, local, and tribal governments; and (4) promoting appropriate federal roles with respect to private-sector activities.
YEAR 2000 RISKS OF STATE
AND LOCAL GOVERNMENTS

Available information on the Year 2000 readiness of state and local governments
indicates that much work remains. The successful completion of the Year 2000 efforts of
these governments is essential, since they perform critical functions in areas such as
public safety and benefits payments.

According to information on state Year 2000 activities reported to the National
Association of State Information Resource Executives as of June 17, 1999, states reported having thousands of mission-critical systems. With respect to completing the
implementation phase for these systems,

- 5 states reported that they had completed between 25 and 49 percent,
- 13 states reported completing between 50 and 74 percent, and

2Individual states submit periodic updates to the National Association of State
Information Resource Executives. For the June 17 report, over half of the states
submitted their data in May and June 1999. The oldest data were provided on March 4
and the most recent data on June 16. All but three states responded to the survey.

3In the context of the National Association of State Information Resource Executives
survey, the term “states” includes the District of Columbia, Guam, and Puerto Rico.

4The National Association of State Information Resource Executives defined mission-
critical systems as those that a state had identified as priorities for prompt remediation.

5Three states reported on their mission-critical systems, one state reported on its
processes, and one reported on its functions.

6Eleven states reported on their mission-critical systems, one reported on all systems, and
one reported on projects.
• 30 states' reported completing 75 percent or more.\(^5\)

All of the states responding to the National Association of State Information Resource Executives survey reported that they are actively engaged in internal and external contingency planning and that they had established target dates for the completion of these plans; 14 (28 percent) reported the deadline as October 1999 or later.

State audit organizations have also identified significant Year 2000 concerns. In January 1999, the National State Auditors Association reported on the results of its mid-1998 survey of Year 2000 compliance among states.\(^6\) This report stated that, for the 12 state audit organizations that provided Year 2000-related reports, concerns had been raised in areas such as planning, testing, embedded systems, business continuity and contingency planning, and the adequacy of resources to address the problem.

We identified additional products by 14 state-level audit organizations and Guam that discussed the Year 2000 problem and that had been issued since October 1, 1998. Several of these state-level audit organizations noted that progress had been made. However, the audit organizations also expressed concerns that were consistent with those reported by the National State Auditors Association. For example:

\(^5\)Twenty-five states reported on their mission-critical systems, two states reported on their applications, one reported on its "priority business activities", one reported on its "critical compliance units", and one reported on all systems.

\(^6\)Of the states that responded to the survey, two did not respond to this question.

\(^3\)Year 2000: State Compliance Efforts (National State Auditors Association, January 1999).
• In December 1998 the Vermont State Auditor reported\textsuperscript{10} that the state Chief Information Officer did not have a comprehensive control list of the state's information technology systems. Accordingly, the Audit Office stated that, even if all mission-critical state systems were checked, these systems could be endangered by information technology components that had not been checked or by linkages with the state's external electronic partners.

• In April 1999, New York's Division of Management Audit and State Financial Services reported that state agencies did not adequately control the critical process of testing remediated systems.\textsuperscript{11} Further, most agencies were in the early stages of addressing potential problems related to data exchanges and embedded systems and none had completed substantive work on contingency planning. The New York audit office subsequently issued 7 reports on 13 of the state's mission-critical and high-priority systems that included concerns about contingency planning and testing.

• In February 1999, the California State Auditor reported\textsuperscript{12} that key agencies responsible for emergency services, corrections, and water resources, among other areas, had not fully addressed embedded technology-related threats. Regarding


\textsuperscript{12}Year 2000 Computer Problem: The State's Agencies Are Progressing Toward Compliance but Key Steps Remain Incomplete (California State Auditor, February 18, 1999).
emergency services, the California report stated that if remediation of the embedded technology in its networks were not completed, the Office of Emergency Services might have to rely on cumbersome manual processes, significantly increasing response time to disasters.

- In March 1999, Oregon’s Audits Division reported\(^{13}\) that 11 of the 12 state agencies reviewed did not have business continuity plans addressing potential Year 2000 problems for their core business functions.

- In March 1999, North Carolina’s State Auditor reported\(^{14}\) that resource restrictions had limited the state’s Year 2000 Project Office’s ability to verify data reported by state agencies.

It is also critical that local government systems be ready for the change of century since critical functions involving, for example, public safety and traffic management, are performed at the local level. Recent reports on local governments have highlighted Year 2000 concerns. For example:

- The National League of Cities conducted a poll during its annual conference in March 1999 that included over 400 responses. The poll found that (1) 340 respondents stated that over 75 percent of their city’s critical systems would be Year 2000

\(^{13}\)Department of Administrative Services Year 2000 Statewide Project Office Review (Secretary of State, Audits Division, State of Oregon Report No. 99-05, March 16, 1999).

compliant by January 1, 2000. (2) 35 stated that 51-75 percent would be compliant, 
(3) 16 stated that 25-50 percent would be compliant, and (4) 16 stated that less than 
25 percent would be compliant. Moreover, 34 percent of respondents had 
contingency plans, 46 percent stated that they were in the process of developing 
plans, 12 percent stated that plans would be developed, and 8 percent said they did 
not intend to develop contingency plans.

- In January 1999, the United States Conference of Mayors reported on the results of 
it survey of 220 cities. It found that (1) 97 percent had a citywide plan to address 
Year 2000 issues, (2) 22 percent had repaired or replaced less than half of their 
systems, and (3) 45 percent had completed less than half of their testing.

The National Association of Counties has announced that it plans to release later today 
the results of its latest survey of 500 counties, which should provide additional 
information on the readiness of local governments.

Of critical importance to the nation are services essential to the safety and well-being of 
individuals across the country, namely 9-1-1 systems and law enforcement. For the most 
part, responsibility for ensuring continuity of service for 9-1-1 calls and law enforcement 
resides with thousands of state and local jurisdictions. On April 29, we testified that not 
enough was known about the status of either 9-1-1 systems or of state and local law 
enforcement activities to conclude about either's ability during the transition to the Year 
2000 to meet the public safety and well-being needs of local communities across the
nation. While the federal government planned additional actions to determine the status of these areas, we stated that the President's Council on Year 2000 Conversion should use such information to identify specific risks and develop appropriate strategies and contingency plans to respond to those risks.

Recognizing the seriousness of the Year 2000 risks facing state and local governments, the President's Council on Year 2000 Conversion has developed initiatives to address the Year 2000 readiness of state and local governments. For example:

- The Council established working groups on state and local governments and tribal governments.
- Officials from the Council participate in monthly multi-state conference calls.
- In July 1998 and March 1999, the Council partnered with the National Governors' Association to convene Year 2000 summits with state and U.S. territory Year 2000 coordinators.
- On May 24, the Council announced a nationwide campaign to promote "Y2K Community Conversations" to support and encourage efforts of government officials, business leaders, and interested citizens to share information on their progress. To support this initiative, the Council has developed and is distributing a toolkit that provides examples of which sectors should be represented in these events and the issues that should be addressed.

STATE-ADMINISTERED FEDERAL HUMAN
SERVICES PROGRAMS ARE AT RISK

Among the critical functions performed by states are the administration of federal human
services programs. As we reported in November 1998, many systems that support state-
administered federal human services programs were at risk and much work remained to
ensure that services would continue. In February of this year, we testified that while
some progress had been achieved, many states' systems were not scheduled to become
compliant until the last half of 1999. Accordingly, we concluded that, given these risks,
business continuity and contingency planning was even more important in ensuring
continuity of program operations and benefits in the event of systems failures.

Subsequent to our November 1998 report, OMB directed federal oversight agencies to
include the status of selected state human services systems in their quarterly reports.
Specifically, in January 1999, OMB requested that the agencies describe actions to help
ensure that federally supported, state-run programs will be able to provide services and
benefits. OMB further asked that agencies report the date when each state's systems will
be Year 2000-compliant. Tables 1 and 2 summarize the information gathered by the
Departments of Agriculture and Health and Human Services, respectively, on the
compliance status of state-level organizations. The information indicates that a number
of states do not plan to complete their Year 2000 efforts until the last quarter of 1999.

16Year 2000 Computing Crisis: Readiness of State Automated Systems to Support

17Year 2000 Computing Crisis: Readiness of State Automated Systems That Support
<table>
<thead>
<tr>
<th>Program</th>
<th>Compliant</th>
<th>April-June</th>
<th>July-September</th>
<th>October-December</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Stamps</td>
<td>25</td>
<td>12</td>
<td>14</td>
<td>3</td>
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<tr>
<td>Child Nutrition</td>
<td>29</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Women, Infants, and</td>
<td>33</td>
<td>11</td>
<td>7</td>
<td>3</td>
<td>0</td>
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<tr>
<td>Children</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This chart contains readiness information from the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.*

*Unknown indicates the state did not provide a date or the date was unknown.*

Source: Department of Agriculture.
Table 2: Reported State-level Readiness for Federally Supported Programs-Department of Health and Human Services-January 1999\(^a\)

<table>
<thead>
<tr>
<th>Program</th>
<th>Jan.-March</th>
<th>April-June</th>
<th>July-Sept.</th>
<th>Oct.-Dec.</th>
<th>Unk. (^b)</th>
<th>N/A (^c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Care</td>
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<td>5</td>
<td>8</td>
<td>2</td>
<td>6</td>
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<tr>
<td>Child Support Enforcement</td>
<td>15</td>
<td>4</td>
<td>13</td>
<td>8</td>
<td>8</td>
<td>6</td>
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<tr>
<td>Child Welfare</td>
<td>20</td>
<td>5</td>
<td>9</td>
<td>11</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Low Income Housing Energy</td>
<td>10</td>
<td>0</td>
<td>3</td>
<td>7</td>
<td>1</td>
<td>32</td>
</tr>
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<td>Assistance Program</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid – Integrated</td>
<td>20</td>
<td>0</td>
<td>15</td>
<td>15</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Eligibility System</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid – Management</td>
<td>17</td>
<td>0</td>
<td>19</td>
<td>14</td>
<td>4</td>
<td>0</td>
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<tr>
<td>Information System</td>
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<tr>
<td>Temporary Assistance</td>
<td>19</td>
<td>3</td>
<td>12</td>
<td>15</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>for Needy Families</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\)This chart contains readiness information from the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

\(^b\)In many cases the report indicated a date instead of whether the state was compliant. We assumed that states reporting completion dates in 1998 or earlier were compliant.

\(^c\)Unknown indicates that, according to OMB, the data reported by the states were unclear or that no information was reported by the agency.

\(^d\)N/A indicates that the states or territories reported that the data requested was not applicable to them.


In addition, in June 1999, OMB reported that, as of March 31, 1999, 27 states’ unemployment insurance systems were compliant, 11 planned to be completed between April and June 1999, 10 planned to be completed between July and September, and 5 planned to be completed between October and December.
Agencies Are Addressing Year 2000
Issues of State-Administered Programs

On March 26, 1999, OMB issued a memorandum to federal agencies designating lead
agencies for the government’s 42 high-impact programs. (OMB later added a 43rd high-
impact program.) About a quarter of the federal government’s programs designated as
high impact by OMB are state-administered, such as Food Stamps and Temporary
Assistance for Needy Families.

For each program, the lead agency was charged with identifying to OMB the partners
integral to program delivery; taking a leadership role in convening those partners;
assuring that each partner has an adequate Year 2000 plan and, if not, helping each
partner without one; and developing a plan to ensure that the program will operate
effectively. According to OMB, such a plan might include testing data exchanges across
partners, developing complementary business continuity and contingency plans, sharing
key information on readiness with other partners and the public, and taking other steps
necessary to ensure that the program will work. OMB directed the lead agencies to
provide a schedule and milestones of key activities in the plan by April 15. OMB also
asked agencies to provide monthly progress reports.

In response to the March memorandum regarding the high-impact programs, the
Departments of Agriculture, Health and Human Services, and Labor reported on various
actions that they are taking or plan to take to help ensure the Year 2000 compliance of
their state-administered programs. For example:
- The Department of Agriculture reported in May 1999 that its Food and Nutrition Service requested that states provide their contingency plans and had contracted for technical support services to review these plans, as needed, and to assist in its oversight of other state Year 2000 activities.

- The Department of Health and Human Services reported that its Administration for Children and Families and Health Care Financing Administration had contracted for on-site assessments of state partners, which will include reviews of business continuity and contingency plans.

- The Department of Labor reported that states are required to submit a certification of Year 2000 compliance for their benefit and tax systems along with an independent verification and validation report. In addition, Labor required that state agencies prepare business continuity and contingency plans, which will be reviewed by Labor officials. Further, the department plans to design and develop a prototype PC-based system to be used in the event that a state’s unemployment insurance system is unusable due to a Year 2000-induced problem.

An example of the benefits that federal/state partnerships can provide is illustrated by the Department of Labor’s unemployment services program. In September 1998, we reported that many State Employment Security Agencies were at risk of failure as early as January 1999 and urged the Department of Labor to initiate the development of realistic contingency plans to ensure continuity of core business processes in the event of
Year 2000-induced failures. Just last month, we testified that four state agencies systems could have failed if systems in those states had not been programmed with an emergency patch in December 1998. This patch was developed by several of the state agencies and promoted to other state agencies by the Department of Labor.

The important services that state and local governments provide to the nation's citizens warrant actions such as these to help states ensure that critical human services will be successfully transitioned to the next century. Indeed, additional actions may be needed to provide further assurance that disruptions will be minimized.

OBSERVATIONS ON H.R. 1599, THE YEAR 2000 COMPLIANCE ASSISTANCE ACT

To provide an additional option to state and local governments in their Year 2000 efforts, on April 28 1999, Congressman Thomas M. Davis introduced H.R. 1599, the Year 2000 Compliance Assistance Act. This bill, if enacted, would amend the Federal Property and Administrative Services Act of 1949 to authorize state and local governments to purchase information technology related to Year 2000 conversion through specific federal supply schedules. In particular, it states:

- The General Services Administration (GSA) may allow state and local governments to use federal supply schedules for automated data processing equipment (including


firmware, software, supplies, support equipment, and services (as contained in federal supply classification code group 70) related to the Year 2000 computer conversion.

- Participation by firms that sell through the federal supply schedule shall be voluntary with respect to a sale to the state or local governments.
- The authority provided would expire on December 31, 2002.

Cooperative Purchasing Previously Authorized, Suspended, and Repealed

GSA's Federal Supply Service negotiates and awards contracts for information technology products and services as well as other goods and services available through the federal supply schedules. Federal agencies order products and services directly from vendors on a schedule and pay the vendors directly. In fiscal year 1998, there were about 140 federal supply schedules and sales totaled $8.1 billion. GSA reported that about three-quarters of the contracts awarded under the program were to small businesses.

Under the cooperative purchasing program authorized by section 1555 of the Federal Acquisition Streamlining Act of 1994, the Administrator of GSA was permitted to allow state and local governments, the government of the Commonwealth of Puerto Rico, and Indian tribal governments to purchase items available through federal supply schedules. Participation by vendors was to be voluntary. Subsequent concerns were raised about the purchasing program from several industries that, because of either their market structure or other factors, they would be subject to adverse effects from cooperative purchasing.
As a result, in 1996 the Congress suspended GSA’s authority for this program. The Congress also required that we assess the effects cooperative purchasing may have on state, local, Indian tribal, Puerto Rican, and federal governments; and on industry, including small businesses and local dealers. Our subsequent February 1997 report\(^2\) found:

- Cooperative purchasing would not be likely to adversely affect the federal government if GSA would exclude schedules from the program when adverse effects are indicated. At that time, information technology services were not available on the schedule. Today, both information technology goods and services are available. Whether cooperative purchasing would have positive effects on the federal government depends largely on whether increased use of the schedules by state and local governments would lead to lower prices and reduced administrative charges by GSA. It is unclear whether either of these would occur.

- The potential effects of the cooperative purchasing program were likely to vary among state, local, and the Puerto Rican governments. Some of these governments may experience benefits such as cost savings and a reduction in the time to procure items. However, several factors such as state or local laws, ordinances, or policies that direct how or where state or local purchases can be made could limit the extent of these benefits.

- The potential effects of the cooperative purchasing program on industry, including

\(^2\)Cooperative Purchasing: Effects Are Likely to Vary Among Governments and Businesses (GAO/GGD-97-33, February 10, 1997).
small businesses and dealers, were also likely to vary, although sufficient data were not available to conclusively predict these effects. Some businesses expected to benefit from increased sales or reduced administrative costs, while others expected to lose sales or have lower profits. Still other businesses did not believe that they would be affected by the program. Most of the concerns that businesses expressed about significant adverse effects involved only a few GSA schedules, such as firefighting vehicles, airline services, and construction and highway maintenance equipment.

- Cooperative purchasing's effect on all parties also depends on how GSA implements the program and, at the time of our review, GSA's implementation plan was still evolving. Details such as whether federal or state prompt payment provisions would apply and controls against program abuse were uncertain. To address these issues, we recommended that GSA develop a detailed implementation plan, including how GSA intended to evaluate the program, so that the Congress and others would know how GSA intended the program to work. GSA concurred with this recommendation.

In late 1997 the Congress repealed the part of the Federal Acquisition Streamlining Act of 1994 which permitted GSA to allow state and local governments to use the federal supply schedules. However, in certain cases, the Congress has allowed use of the schedules program beyond federal agencies. For example, in 1993, the Congress authorized state and local law enforcement agencies involved in counter-drug activities to

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21Public Law 105-61, October 10, 1997.
Potential Benefits of Allowing State and Local Governments To Use the Information Technology Schedule

GSA's information technology schedule offers a variety of goods and services that could prove helpful to state and local governments, such as business continuity and contingency planning services. As of June 18, 1999, the GSA's schedule 70 (information technology) listed 1,818 vendors, of which 291 were specifically designated as "vendors who have millennium conversion (Y2K) products and/or services." According to GSA, about 76 percent (220) of the vendors that provided Year 2000 products and services were small businesses.

Although state and local governments have in the past expressed interest in having access to GSA's schedules the extent to which they would use it is uncertain. Factors that could limit state and local government use of the schedule include, in some instances, lack of authority in their laws or ordinances, in-state or local purchasing preferences, and possibly higher prices on the schedule for some items. On the other hand, state and local governments could benefit to the extent that they could acquire needed information technology goods and services at lower prices more quickly, and/or with less administrative burden than they otherwise could.

In particular, access to the information technology schedule would provide states with an

additional tool for obtaining essential Year 2000-related products and services. Such
tools may be especially welcomed by states and localities that do not plan to have
essential programs Year 2000 compliant until the last quarter of the year and are,
therefore, at greater risk of service disruption. Still, this bill would be most useful if
implemented expeditiously because of the limited time remaining until the change of
century. If implemented expeditiously, states could still have time to use the federal
supply schedule to obtain help in areas such as the development of business continuity
and contingency plans.

Another consideration is the effect of opening the information technology schedule on
businesses. Those that would choose to participate could benefit from increased market
exposure and sales and lower administrative costs to the extent that they would not have
to prepare separate bid proposals for state and local governments for purchases through
the schedule. This could also benefit the federal government should participating
vendors lower their prices for the schedule items due to the higher sales volume and
lower administrative burden. The federal government would also benefit from the 1
percent administrative fee charged for schedule purchases to cover GSA’s administrative
expenses.

On the other hand, some businesses that are not schedule vendors that supply information
technology goods and services to state and local governments could lose some or all of
this business to schedule vendors. The extent that this would happen and the effects it
would have on the vendors are uncertain. However, information technology firms were
not included among the groups that raised major concerns about the cooperative purchasing program.

Notwithstanding the concerns raised by vendors, the Congress should balance these issues against the extraordinary circumstances facing the nation because of the Year 2000 problem. The bill would provide state and local governments with an additional option that could assist them in completing key Year 2000 tasks in time. Moreover, some of these concerns may be reduced by the limited nature of the bill and because vendor and state and local government participation would be voluntary. Some concerns may also be reduced if GSA were to publish implementation plans describing how the bill would be implemented, including a provision for monitoring the implementation so that any significant adverse effects could be promptly identified and mitigated.

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In summary, much work remains at the state and local levels to ensure that major service disruptions do not occur. In particular, several states do not plan to have their systems that support state-administered federal programs Year 2000 compliant until the last quarter of 1999. Federal agencies are working with their state partners to obtain readiness information and evaluate key activities such as business continuity and contingency plans. Nevertheless, some state completion dates are so close to the turn of the century that the risk of disruption to their programs is substantially increased, especially if schedule delays occur or if unexpected problems arise. Accordingly,
creative solutions such as allowing state and local governments access to federal supply schedules for Year 2000 purposes, as called for by H.R. 1599, may well be warranted.

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

Contact and Acknowledgments

For information about this testimony, please contact Joel Willemssen at (202) 512-6253 or by e-mail at willemssen.aieml@gao.gov. For information regarding the federal supply schedules, please contact Bernard L. Ungar at (202) 512-4232 or by email at ungar.beren@gao.gov. Individuals making key contributions to this testimony included Margaret Davis, Michael Fruitman, Linda Lambert, Marcia McWraith, and Glenn Spiegel.
Mr. HORN. The next witness is Frank P—and I don’t quite know the pronunciation. I apologize.

Mr. PUGLIESE. Pugliese, Mr. Chairman.

Mr. HORN. Pugliese, OK—Commissioner, Federal Supply Service, General Services Administration. Mr. Pugliese.

Mr. PUGLIESE. Good morning, Mr. Chairman, members of the subcommittee. I appreciate the opportunity to be here.

I don’t have a formal statement. In fact, we worked late into the night trying to work out some appropriate language and were unable to do that. So what I would like to do is, without sounding like a plug for the schedules program, which I am a big proponent of, I will be happy to answer whatever questions that come up as a result of the later testimony, and I can certainly get into lots of nitty-gritty on the program and what I feel we can achieve with it.

GAO’s testimony is to the point. Time is of the essence. This will certainly be a vehicle that allows us to expedite this process.

Mr. HORN. So we really need to ask you a few questions to get your views on the record?

Mr. PUGLIESE. Yes, sir, Mr. Chairman.

Mr. HORN. Have you had a chance to read the Davis bill?

Mr. LAMBERT. Yes, sir.

Mr. HORN. Can you comply with that should the Congress approve it?

Mr. PUGLIESE. I think the Davis bill will go a long way in achieving and accomplishing what we need to do, which is quick response to a very serious problem. It also will allow you to get to 1,800 companies who have already negotiated contracts with us.

I would like to step back for a second. And there always is some concern about what does this do from a pricing standpoint. The beauty of the schedule program, the way it currently is structured, is if our price is not good, get a better price, negotiate with the vendor, establish a BPA or, in fact, say, you guys are not a good deal; I’m walking away. I think that’s the beauty of the program, and it’s the beauty of this current legislation. The way it’s being proposed, it is voluntary on both parts.

Mr. HORN. Has legislation similar to this ever been passed, do you know?

Mr. PUGLIESE. Never.

Mr. HORN. In terms of the 50 years of the GSA?

Mr. PUGLIESE. Never. It always comes close, Mr. Chairman, but never quite makes it.

Mr. HORN. Well, this is focused in on a very narrow thing and a very narrow time period. You noted the statement I read from Ms. Lee of OMB. Would you concur with her in terms of—

Mr. PUGLIESE. Yes, I read the statement early this morning, and I believe it’s a reasonable statement, and certainly this is an issue that does become a hot button for certain industries, even though they are in fact excluded and there is no intention to include them. I think it is a very reasonable approach.

Mr. HORN. Now, where do you keep these different products throughout the Nation? You’ve got various regional facilities.

Mr. PUGLIESE. We—I guess, the other beauty of the schedules program is I’m not really keeping anything anywhere. It’s between a buyer and a seller, and the seller would be a commercial partner
of ours, and, as I say, there are 1,800 firms; 78 percent of those are small businesses, for those folks who like to say it's only the big boys that play with us; 78 percent of those 1,800 are small business concerns; 450 of those 1,800 are small disadvantaged concerns. So this is not just the big boys playing in this game, and it is truly a commercial transaction.

You as a customer make your selection, negotiate your best deal and deal with the commercial partner who can deliver, whether it's hardware, software, integration services. So it is strictly a commercial transaction once we have done our work which has already been done.

Mr. HORN. I have fairly strong feelings in this area, and that is my worry about a small businessperson who has a franchise in a particular community, let's say, it's the county seat, the State capitol and, quote, a Wal-Mart type operation comes in, drives them out. And I have seen this with Home Depot which came into my end of Long Beach, drove two wonderful hardware stores that had been there for 50 years out of business. Then they moved to another city. So we have no hardware stores. And what kind of worry is that to GSA?

Mr. PUGLIESE. What we have generally—it is a concern because the core of our program, as I said, is 17 percent small business concerns. What we see generally when we look across the landscape, though, is—I mean, local purchase normally is local purchase. State and local governments try to deal with local folks.

When you look at our schedules program what you will see as you look across the landscape is almost every person, every company, every State is represented because they are in locales all around the country. I mean, if you deal with a CACI or an IBM or a smaller group, they are usually not just in one place; and, in fact, even if they are located here in D.C., they have staff who are going to go to where they need to go.

What you are seeing right now also is State and local governments, aside from not being able to use the schedules program, have been fairly creative and have actually formed co-ops to do similar kinds of things when they see what they can get.

Mr. HORN. This is off the record.

[Discussion held off the record.]

Mr. HORN. Would you have any other comments on the legislation?

Mr. PUGLIESE. I just believe it is—time is of the essence, and if we are going to move forward, we should probably move forward and allow State and local governments to get the benefit.

Mr. HORN. OK. I don't want to shortchange you without a Member here, Mr. Lambert, so we are going to be in recess till Mr. Davis comes back, and then he can pick up on you, and then we will have a dialog. By that time I will have come back. So we are in recess until Mr. Davis returns.

[Recess.]

Mr. DAVIS [presiding]. Now, we will come back to Mr. Lambert.

Mr. LAMBERT. Thank you.

Mr. Chairman, members of the Subcommittee on Government Management, Information, and Technology, thank you for inviting me to testify before the subcommittee this morning. I'm here to
speak in favor of H.R. 1599, the Year 2000 Compliance Assistance Act.

For several years now State and local governments have been working diligently to ensure that the systems that we use will function properly on and after January 1, 2000. Despite all of this hard work and diligence from dedicated government workers and their contractors, they are still faced with the fact that more work and assistance from our work force and our colleagues in the private sector is needed if we are going to be successful at all levels of government.

We are working against the clock, and we need to provide State and local government officials, procurement professionals, and chief information officers with all of the tools available in the public sector. What we need is cross boundary and cross-jurisdictional cooperation and coordination. We cannot afford to spend time bidding for and developing contracts that replicate those that may already be in place at the Federal level or available in sister States. What State and local government needs is easy access to all public sector contracts that offer Y2K solutions. By enabling State and local government more tools to tackle the Y2K problem head on, our chances for success on January 1, 2000, will increase significantly, particularly at the local level where several small communities continue to struggle with this problem at this late date in 1999.

I applaud the efforts of Congressman Davis of Virginia for championing this bill, but I contend that without rapid passage and enactment of the bill, his efforts will be for naught. Throughout State and local governments today, people are running out of time to address the problems of Y2K, and the longer it takes to pass H.R. 1599 the less likely it will be that there will be an opportunity to utilize the Federal supply schedules to solve this problem.

Also, I submit that Congress and the General Services Administration must do their part to guarantee State and local government easy access to the schedules and not complicate the administrative process by requiring a myriad of bureaucratic registration, ordering, reporting and/or auditing requirement.

Failure to apply the KISS principle—keep it simple and stupid—will be as harmful to this effort as not passing the legislation.

For NASPO, National Association of State Procurement Officials, to be in a position to fully support this legislation, we must be able to demonstrate to our members and to the local government purchasing professionals, who in many instances are our customers, that there is value in the use of these schedules for Y2K. This means that use of the schedules must be as easy, or easier, than the use of our current contract at the State and local levels. There must also be a willingness on the part of scheduled vendors to work cooperatively with State and local government once we make a decision to explore using the services available to us on the schedules.

Without the easy access to the schedules by State and local government and without a willingness from vendors on the schedules to enthusiastically take on State and local government business, this legislation, if enacted, will not live up to the expectation of NASPO, its members and the customers we serve.
Thank you for the opportunity to appear before the subcommittee; and on behalf of the National Association of State Procurement Officials, we look forward to working with you and other members of the subcommittee to successfully implement H.R. 1599.

Mr. Davis. Thank you very much.

[The prepared statement of Mr. Lambert follows:]
Testimony of Gary Lambert, President
National Association of State Procurement Officials
Before the Subcommittee on Government Management, Information and Technology on H.R. 1599

Chairman Horn, members of the Subcommittee on Government Management, Information, and Technology, and fellow panelists, my name is Gary Lambert, President of the National Association of State Procurement Officials (NASPO), a nonprofit organization comprised of the chief procurement officials from the fifty states and the territories of the United States. I am also a member of the Board of Directors for the National Electronic Commerce Coordinating Council (NEC\(^2\)), and serve as the Chief Operating Officer for procurement operations within the Commonwealth of Massachusetts.

Thank you Mr. Chairman for inviting me to testify before the Subcommittee this morning. I am here today to speak in favor of H.R. 1599, the “Year 2000 Compliance Assistance Act.” For several years now state and local governments have been working diligently to ensure that the systems that we use will function properly on and after January 1, 2000. Despite all of this hard work and diligence from dedicated government workers and their contractors, we are still faced with the fact that more work and assistance from our workforce and our colleagues in the private sector is needed if we are going to be successful at all levels of government.

We are working against the clock and we need to provide state and local government officials, procurement professionals, and chief information officers with all of the tools available in the public sector. What we need is cross-boundary and cross-jurisdictional cooperation and coordination. We can not afford to spend time bidding for and developing contracts that replicate those that may already be in place at the Federal level or in sister states. What state and local government needs is easy access to all public sector contracts that offer Y2K solutions. By enabling state and local government more tools to tackle the Y2K problem head on, our chances for success on January 1, 2000 will increase significantly, particularly at the local level where several small communities continue to struggle with this problem at this late date in 1999.

I applaud the efforts of Congressman Davis of Virginia for championing this bill, but I contend that without rapid passage and enactment of this bill, his efforts will be for naught. Throughout state and local government today, people are running out of time to address the problems of Y2K and the longer it takes to pass H.R. 1599, the less likely it will be that there will be an opportunity to utilize the Federal Surplus Schedules for this purpose. Also, I submit that Congress and the General Services Administration must do their part to guarantee state and local government easy access to the schedules and not complicate the administrative process by requiring a myriad of bureaucratic registration, ordering, reporting, or auditing requirements. Failure to apply the KISS principle (keep it simple and stupid) will be as harmful to this effort as not passing the legislation.
For NASPO to be in a position to fully support this legislation, we must be able to demonstrate to our members and to the local government purchasing professionals, who in many instances are our customers, that there is value in the use of the Federal Supply Schedules. This means that use of the schedules must be as easy, or easier, to use than our current contracts. There must also be the willingness on the part of schedule vendors to work cooperatively with state and local government once we make a decision to explore using the services available to us on the schedules. Without easy access to the schedules by state and local government and without a willingness from vendors on the schedules to enthusiastically take on state and local government business, this legislation, if enacted will not live up to the expectations of NASPO, its members and the customers we serve.

Again, thank you for the opportunity to appear before the Subcommittee and on behalf of the National Association of State Procurement Officials, we look forward to working with you and other members of the Subcommittee on Government Management, Information, and Technology to successfully implement H.R. 1599.
Mr. DAVIS. Let me say at the start that the criticism I’ve heard of this legislation doesn’t go to what this legislation does. I think everyone recognizes that Y2K is a critical problem, and for many State and local governments in particular where they’re bound under different procurement rules, sometimes it’s lengthy. You have to go under State code and everything else. You don’t know where to get this. This becomes and will become over the next—particularly September, October, November, December, panic will set in; and they will want to know where they can get answers and where they can get it very quickly.

And I don’t think anyone really objects to what this legislation is trying to do, but the concerns are where else does this go? Is this the camel’s nose under the tent? And I think the opposition—in fact, drug companies, pharmaceutical companies that are opposing this, I can’t believe they wouldn’t want State and local governments to be Y2K compliant. Why in the world would they not want that or do everything they could?

So we are going to try to do what we can to assuage them and let them know this is a once-every-thousand-year type of episode, but we think, frankly, that the Federal Government is doing some other extraordinary things to assist State and local governments with Y2K, and this falls along those lines rather than being the camel’s nose inside the tent for cooperative purchasing. And I’m a little suspect because I have been a strong supporter of that, and we fought that battle, and we lost it last year in a conference report.

That’s not what this is about, though. That’s why we have narrowly tailored this, and we don’t want that fear of where this might go to be the enemy of what otherwise I think everyone agrees is a pretty good bill. And if the administration has concerns about this, I’m again a little nervous because they wanted the full-blown, cooperative purchasing and fought hard for it a year ago, and now they want this bill tailored, very narrowly focused, and I guess they’re all over the place. But we will work with them. I mean, that’s the legislative sausage-making that goes through here.

What we have to do is sit down and accommodate a lot of different interests that sometimes change their minds and roll back and forth. But if we don’t get there, it’s going to be very difficult for some little village out there or State or locality that has to get an answer to be able to get it and coordinate it in an appropriate fashion. And I don’t want something to go wrong in Bullfrog Corner, West Virginia, or wherever on a Y2K and not knowing that we didn’t do everything we could have done at the Federal level to try to assist these localities and that someone is hurt because we didn’t do everything that we could, and that’s really what the motivation of this is.

And I think, from the thrust of your comments, this is something that can work very, very well, and it may make a difference in some people’s lives if we can pass it, and it may—and we want to do it in a way where we are not setting some outstanding precedent that’s going to be cited down the road. And I will just say for myself, I’m not going to cite this as a precedent if these issues come back. I just want this to pass because I, along with Chairman Horn, Mrs. Morella and others who have been on the cutting edge
of this Y2K, we want as minimal disruption as we can of services from all levels of government on January 1, 2000.

Let me just ask a few questions.

Mr. Pugliese, in dollar amounts, how much does the Federal Government procure each year in computer systems, software, hardware?

Mr. PUGLIESE. Total government is probably doing—we have seen a couple of estimates, anywhere from $30 to $70 billion. Our piece of that is probably $8 to $10 billion goes through schedules.

Mr. DAVIS. And growing, isn’t it?

Mr. PUGLIESE. And growing.

Mr. DAVIS. And the schedules just work really well in terms—I mean, what I see around town is with the procurement reforms we’ve made and the growth of the schedule, the only losers are really the protest lawyers, of which I used to be one.

Mr. PUGLIESE. Yes.

Mr. DAVIS. That’s why I’m here now.

Mr. PUGLIESE. That’s correct. And the schedule program, when Federal supply took it over on the IT side of it only, because we do schedules for other things, like furniture and other commodities, was about a little more than a billion, and it will probably finish this year at about $10 billion. Services in all fashions are all growing, aside from IT services also.

Mr. DAVIS. OK. Thank you very much. And I think no one is in disagreement with the fact that State and local governments that are encountering acquisition problems getting procurement—in fact, some of them are still waking up, and we will see this in the next panel, still waking up to the fact that there is a problem. This Y2K problem is tough.

My wife is a physician out in Fairfax, a gynecologist, and she and her two partners had to pay $25,000, which is a lot of money for a small practice like that, operating under managed care and seeing what’s happened to her income, just to get Y2K compliant in their own offices.

So this is, you know, something people would rather not spend money on. As an elected official, you get no credit for spending money on Y2K because nobody’s life is improved, you aren’t adding any value. What you are doing is, you’re cutting losses. You’re trying to make sure something bad doesn’t happen, and when you have these budgets out there that are already tight to begin, these State and local governments, spending money, you just get no credit. So many governments have been very late to come to the table on this. This is a time-sensitive problem.

Let me ask you, there are products, aren’t there, windowing and some other issues, that can give you short-term solutions sometimes when you’re backed against the wall that can be used in some circumstances?

Mr. PUGLIESE. Yes, there are some short-term products, but I think more appropriately what we are looking at here, obviously, is the correct fix in a timely fashion, which hopefully this legislation will allow State and local governments—and I think we need to also be careful that State and local governments do have enough protective devices. If they are concerned about their local firms, there are some requirements and remedies on the State and local
governments that they would be prohibited probably from using, but there's enough here to let folks get to where they need with a solution quickly.

Mr. DAVIS. Let me ask Mr. Willemssen, according to GAO, how close do you think that State governments are in reaching the Y2K compliance with the mission-critical systems that have to interface with the Federal Government? Is there any way of estimating that or is the data just so sketchy in terms of what's available to you?

Mr. WILLEMSSEN. The best data we've seen is for those 10 State-administered Federal programs such as Medicaid, food stamps, child support enforcement; and that data for the most part has not been independently verified and validated. What the data shows is a tremendous variance among States and even in some cases within States. Several States, and several programs have taken the lead and been aggressively dealing with Y2K for several years. On the other hand, the data indicates that there are States and programs that aren't planning to resolve their Y2K issues until the last quarter of 1999 and that's the State's estimates.

As you know, as well—

Mr. DAVIS. There is some risk in that, isn't there?

Mr. WILLEMSSEN. As you know, IT projects historically run late. So to the extent that those kind of organizations can have other available tools accessible to them to make sure they get the job done on time, I think that will be to everyone's benefit.

Mr. DAVIS. And my observations have been that you—governments always tend to undertake the problems for a lot of reasons.

Mr. WILLEMSSEN. Correct.

Mr. DAVIS. Also, Mr. Willemssen, is the noncompliance by State and local governments hindering the ability of the Federal Government to reach Y2K compliance?

Mr. WILLEMSSEN. Yes, because of the massive amount of data exchanges that Federal agencies and State governments in particular have, that can be a hindrance.

And in particular, again on these State-administered programs which are considered Federal programs but administered at the State level, it's particularly important that those systems are compliant. We are looking at hundreds of those systems and so the risk that some of them will not be compliant is there. I think the States and the Federal Government have to use all available avenues and tools that are out there to try to get done in time.

Mr. DAVIS. So let me understand, the Federal Government can do—can have its programs clean as a whistle, fixed, Y2K compliant, every terminal, everything's fine, and yet people who are the beneficiaries of some kind of Federal aid that's funneled through the State or whatever can get hurt because the State government may not be compliant and may not have—for whatever reason?

Mr. WILLEMSSEN. Correct, and even two different entities may, looking at just themselves, be compliant but if one entity has expanded their date fields and another one has windowed and they haven't dealt with the data exchange or tried to exchange the data properly, all of that good work by the individual entities may go for naught because they haven't dealt with that exchange.

Mr. DAVIS. So the interconnectivity really—if the Federal Government wants to become compliant, we have to do everything we
can to make sure the State and local governments and even the private sector we interconnect with are compliant?

Mr. WILLEMSSEN. Correct.

Mr. DAVIS. Mr. Lambert, will the ability to shop off the GSA schedule for Y2K products provide States with more timely access to necessary tools, do you think, to bring these systems into compliance?

Mr. LAMBERT. I think it will. I think it provides a wonderful opportunity for those States particularly that are behind right now to gain access to a whole series—1,800 companies is not a small number of companies—to gain access to get those solutions. And as you step it down into the villages and the smaller communities, the fixes may not be difficult, but the procurement process may be more difficult than the fix in opening the schedule up, and giving access is going to provide that opportunity to perhaps get back up to speed or at least get back on schedule, so that, come January 1, 2000, those small town halls or whatnot may only have a few PCs and a server will be compliant as opposed to losing all of their data potentially and not being able to recreate the records because they don't have the skills.

Mr. DAVIS. Let me ask this. If this legislation doesn’t pass, and I'm a small town and I want to get Y2K compliant and it's October and I'm bumping up against the edges and, oh, my goodness, we need to fix this, what's preventing me from getting a schedule, opening up and just calling some of those vendors and cutting my own deal?

Mr. LAMBERT. It's really going to depend on what the local laws say. In some cases, there may be an emergency provision in the laws that will allow them to do that. In other cases, it may be a question of whether or not you call someone off of that schedule and say, well, I can't really work because the legislation didn't pass with you off of the schedule so we are going to have to think about this and——

Mr. DAVIS. With this legislation, we basically allow State and—many State and local governments who couldn't do that to be able to buy off and waive the usual procurement?

Mr. LAMBERT. Correct, and it also provides an affirmative statement that this is something that you can do, as limited as the timeframe may be, but it is something that you can do to solve a very critical problem for your constituents within that community.

Mr. DAVIS. Any liability to the Federal Government by opening up these schedules? A State or local government decides to buy off the schedule, the vendor that they pick botches the job, somebody is injured, and they say, well, gee, the Federal Government recommended these people, they put them on the schedule.

Mr. LAMBERT. That's going to be hard to say. It depends on how the schedules are worded and what the liability conditions are there.

Mr. DAVIS. But as a general rule?

Mr. LAMBERT. As a general rule, a botched job is a botched job, and you are going to go after whoever made that mistake.

Mr. DAVIS. Mr. Pugliese.

Mr. PUGLIESE. Let me try to take a stab at that, Congressman.
A botched job is a botched job, that’s correct, but at least when you’re under the schedules program, you have the immediate recovery of saying, let me go back to that 1,800 and figure out how to get this botched job fixed, No. 1 priority, which is what you want to do; and, second, let me have recourse against my commercial partner, which you would have in any case in any contract.

Mr. Davis. So you don’t really—the Federal Government’s exposure on this—

Mr. Pugliese. In the normal government parlance, what you would have had to do is start your procurement process all over again and select somebody hopefully who could successfully complete, whereas in this process you move to your next x number of folks you’d like to consider, you make your choice, and you still can’t recover for damages.

Mr. Davis. Let me ask Mr. Lambert this from the State procurement office. Do you think this would be widely used by State and local governments or do you think it would not be if this were passed?

Mr. Lambert. I think the potential is there for it to be widely used.

It’s really going to be a timing matter. If we get into late summer, there may not be a reasonable number of local governments that are going to be able to wait that long for this to happen in order to take advantage of it and maybe far enough down another road that it will be too late to turn back or there will be some concerns about whether or not they should stop in the middle of a process now in order to take advantage of the schedules. So timing is very, very important right now.

Mr. Davis. Well, let me ask you this, and I’ll ask all of you, what do you bet January 2nd, 2000—I think that’s a Monday, I’m not sure of what the date is—when they open up, things have gone bad over the weekend, they find they’ve got a problem, this schedule could still help them even if—when you find you have a problem after January 1, right?

Mr. Lambert. That’s very true, on the back end. And also, if I may, the OMB date of June 2000 may be a bit too shortsighted. From the standpoint of—if you have that major a problem come January 2nd, you may be spending enormous amounts of time trying to, A, recreate the records before you can actually solve the problem or doing both, and 6 months may not be a broad enough window to get all of that work completed. So it may be a question of interpretation of what does June 2000 mean. Does June 2000 mean that you cannot engage a service after June 2000 or does it mean that all services must be completed and all products must be installed by June 2000 for that Y2K fix?

Mr. Davis. You know, that’s an excellent point. I think from our perspective the question is, are we trying to fix a problem or is there another agenda? And there’s nothing wrong with having other agendas. I mean, I think if you’re sitting there as a pharmaceutical and you’re very nervous about the expansion of this, that’s not a bad agenda. I understand that. But we want to work with that because the goal of this legislation is to solve the problem without creating other problems.
And I just want to tell you that I know Mr. Horn and myself and others feel the same way, we want to get this Y2K problem resolved to the best ability we are able. If something goes wrong, we don't want it at our doorsteps that we didn't do everything we could to make this—and we will work with anybody to try to draft this legislation I think in a way that solves our problem and solves their problems or concerns about it as well. I think the chairman would agree with me.

Mr. Lambert. I have no issue with just focusing this on Y2K. My real concern is just making sure that if we are doing this to solve the Y2K problem that we give that amount of time that's necessary to do that problem solving.

Mr. Davis. Thank you very much.

Mr. Horn [presiding]. Before you leave that question, could I just ask Mr. Willemssen if you would like to put a GAO figure on that? We now have the author in 2002, we have Ms. Lee, June 2000. What does GAO think after they looked at the complexities throughout the Nation?

Mr. Willemssen. I'll give you my estimate not from a procurement or legal perspective but more from a Y2K remediation perspective. To be safe, you would probably want to look at early 2001, especially to the extent that there's a large amount of windowing done. You also increase the possibility of problems down the line, but you may want to go one more calendar year rollover just for added assurance of any additional problems that may occur. I don't know that you'd have to go to December 31st of that year, but——

Mr. Davis. That's an excellent point. I think what you are saying is you may want to use the schedule to get a short-term solution, but then the permanent ones, when it comes along, you want to keep it open.

And let me just say, again, I think we want to have discussions with OMB, and we want to keep everyone here in the loop. We are trying to solve a problem. We are doing everything we can to solve the problem before it becomes a problem, and if you look at that as the goal and everybody understands that is the limited goal, there is no hidden agenda, I think we can get this done.

If more people are concerned about protecting their own industries long term from some precedent or something like that, it becomes more difficult to resolve. But I sincerely mean this when I say we are just trying to solve a problem at this point, and we are doing everything we can so that on January 1, 2000, citizens across this country at all levels of the government are going to have minimal disruption in their lives, and hopefully no one will get hurt.

Mr. Chairman, I yield back.

Mr. Horn. Well, thank you for that line of questioning. Let me just throw in one or two others.

Do the State and local governments currently have access to information about products and services on the Federal supply schedule?

Mr. Pugliese. Mr. Chairman, yes, they do, from the standpoint of this issue has been swirling around Washington, DC, as long as I have been in Washington, DC. So they are very familiar with schedules. So they are very familiar with schedules. They are very familiar with the companies that are on the schedule; and most of
them, because they cannot do cooperative purchasing, in some cases they have basically approached companies and used the scheduled price as the starting point for their own negotiations. That is, my benchmark is this schedule price. Can you do better? Will you do better? So, yes, they are very familiar with what's available on the schedule.

Mr. HORN. How many State GSAs are there? I know there's a very active one in California that used to love to bill back everything so they could go to the legislature and say we cost you nothing.

Mr. PUGLIESE. We actually—we were fairly proactive actually with the State of California GSA, because they looked at our electronic commerce site and also the fact that we have not used paper invoices in 10 years in Federal supply, and California still does a tremendous amount of paper invoicing and purchase orders. So there are 50 of them. Everybody recreates or reinvents the wheel in a little bit different form or fashion.

Mr. HORN. Any comment on that, Mr. Lambert, in terms of the use of the GSA schedule in terms of negotiation?

Mr. LAMBERT. It's used effectively throughout most of the country. There are some States where the laws are pretty restricted, but there are not that many. There are probably 10 where low bid rules, and you must do a low bid procurement every time, but other than that, people do use the GSA schedule as a benchmark and to a minimum. It is not a negotiating tool.

Mr. HORN. Any further questions on our side, Mr. Ose?

Mr. OSE. No, sir.

Mr. HORN. OK. With that, we will move to panel two; and we thank all of you gentlemen on panel one.

And, Mr. Willemssen, if you would like to sit through panel two, please join us.

So we have Mr. Giles and Ms. Peters.

OK. If you would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note that both witnesses have affirmed.

Mr. HORN. We will begin with Mr. Giles, who is the managing director of Keane Federal Systems, Inc.

Welcome.

STATEMENTS OF GLENN GILES, MANAGING DIRECTOR, KEANE FEDERAL SYSTEMS, INC.; AND NANCY PETERS, VICE PRESIDENT, SALES AND MARKETING, CACI, INC.

Mr. GILES. Good morning, Mr. Chairman and members of the committee. Thank you for this opportunity to give you an industry perspective on H.R. 1599, the Year 2000 Compliance Assistance Act.

I'm Glenn Giles, a managing director in Keane, Inc., and I am responsible for Keane's public sector's subsidiary. Keane's a $1.1 billion software services company headquartered in Boston, with operations throughout the United States, Canada and the United Kingdom. Keane's 12,000 employees help organizations plan, build and manage applications software. Our clients include Fortune 1000 companies, Federal, State and local agencies and health care organizations.
In this .com age of the Internet, the market drivers are convenience, speed, selection, and price. These drivers are not new to the consumer marketplace, and they are no different for our government clients as they acquire goods and services to benefit American taxpayers.

As we approach the new millennium, these drivers have become more and more important to the civil servants who oversee and implement Y2K solutions. For the last 5 years, Keane has provided Y2K services in virtually every industry of the United States, eventually becoming the U.S. leader in Y2K services. We have planned, analyzed, fixed, tested, verified and validated thousands of systems, both for the commercial and government sectors. Many of these systems would have failed had it not been for timely access to affordable, high-quality Y2K services.

Y2K solutions need to be formulated and acquired very quickly now. There is no time to waste. Year 2000 transactions for many State and local governments begin, if they haven’t already, in 7 days, on July 1, 1999, as they enter their fiscal year 2000. Others will enter their fiscal year 2000 over the next 6 months. We should soon begin seeing the successes and failures of government Y2K efforts in a very graphic way as the year progresses.

Access to the GSA schedule will allow State and local governments who haven’t been able to make significant headway on their Y2K problems the ability to make up lost time, potentially. For those who have made significant progress, it will allow them to access Y2K capabilities to quickly solve problems that suddenly and unexpectedly appear, probably at the worst possible time.

The competitive procurement process takes time. If State or local governments are in the early stages of developing procurements for Y2K remediation, they are in trouble. Alternatively, these government organizations could use the GSA schedule and avoid the precious administration time, cost and resources that they don’t have at this late stage in the game.

Service to the citizen has no less urgency and priority than customer service in a commercial setting. When the check isn’t in the mail or it is in the mail and the mail room tracking system doesn’t work and can’t find it, or it is sent and it’s too much or it’s too little, citizens suffer. When a Y2K problem occurs or must be avoided, quick access to appropriate vendors must be an absolute given, not a question mark.

Convenience goes hand in hand with speed. The potential for quick response from contracted services is of little value if the front end process to gain contract access is made laborious and confusing by Federal restrictions and paperwork. GSA must keep its process simple for its potential State and local buyers just as it has for its Federal customer base.

An enormous amount of money has been spent by U.S. industry and public sectors on their Y2K problems. Most of these funds have come from “out of hide” and, therefore, have caused impacts on new technology priorities, postponed new systems initiatives and created much pressure on IT budgets. Y2K compliance expenditures, for the most part, were not investments in upgraded capabilities or functionality. We simply restored broken systems to a working state.
Since Y2K expenditures are predominantly viewed as maintenance expenses rather than capability enhancing investments, funding efforts to achieve compliance have been especially painful. Y2K funds are diminishing from many State and local agencies, so it is vital that we enable access to economical, competitive services through vehicles such as the GSA schedule.

Finally, passage of the Year 2000 Compliance Assistance Act will allow selection options by State and local governments of seasoned corporate veterans having extensive experience in the unique and not-so-unique Y2K problems encountered in government computer systems.

The key issue at stake is allowing the State and local governments to decide for themselves. I don't advocate that the use of the GSA's schedules be made any more or any less attractive to potential non-Federal users, only that they be made available for the asking.

Mr. Chairman, as a result of my experience as a manager of both Federal and State contracts, I can without any reservation whatsoever encourage this committee and this Congress to pass H.R. 1599. Allowing the States to use the GSA schedule for Y2K addresses the critical need for speed, convenience, price, and selection. This legislation is in the best interest of our taxpayers, our citizens and our economy.

Thank you.

Mr. HORN. We thank you.

[The prepared statement of Mr. Giles follows:]
Testimony
Before the House Committee on Government Reform
Government Management, Information and
Technology Sub Committee

Year 2000
Compliance
Assistance Act
H.R. 1599

June 23, 1999

Statement of M. Glenn Giles
Managing Director
Keane Federal Systems, Inc.
1375 Piccard Drive, Suite 200
Rockville, MD 20850
Good morning, Mr. Chairman, and Members of the Committee.

Thank you for this opportunity to give you an industry perspective on HR1599, the Year 2000 Compliance Assistance Act. Mr. Chairman, I would like my written statement to be entered into the record in its entirety.

I am Glenn Giles, a Managing Director in Keane, Inc. and I am responsible for Keane’s public sector subsidiary. Keane is a $1.1B software services company headquartered in Boston, with operations throughout the United States, Canada, and the United Kingdom. Keane’s 12,000 employees help organizations Plan, Build and Manage Applications Software. Our clients include Fortune 1000 companies; Federal, State and local government agencies; and healthcare organizations.

Government information technology services are one of Keane’s largest vertical markets, accounting for over 15% of our 1998 revenues; we have provided services to the government marketplace for over 30 years. Keane has been deemed one of the leading providers of Y2K services by industry analysts and we have worked virtually every aspect of the Y2K problem for organizations from the cockpit to the trading floor.

In this .com age of the internet, the market drivers are convenience, speed, selection and price -- these drivers are not new to the consumer marketplace and they are no different for our government clients as they acquire
goods and services to benefit American taxpayers. As we approach the new millennium, these drivers will become more and more important to the civil servants who oversee and implement Y2K solutions for reliable service to our citizens. For the last five years Keane has provided Y2K services in virtually every industry of the US, eventually becoming the U.S. leader in Y2K services among the high tech industry. We have planned, analyzed, fixed, tested, verified, and validated thousands of systems, both for the commercial and government sector; many of these systems would have failed had it not been for timely access to, affordable high quality Y2K services. The shrinking window to acquire these products and services to “fix” the Y2K problem focuses the argument to allow open access to federal contract vehicles by state and local governments. There is no significant harm in doing so, and there could be harm if access to these contracts is denied.

**Speed** — Y2K solutions need to be formulated and acquired very quickly now; there is no time to waste. Year 2000 transactions for many state and local governments begin, (if they haven’t already) in 7 days, on July 1, 1999, as they enter their fiscal year 2000. Others will enter their fiscal year 2000 over the next six months. We should soon begin seeing the successes and failures of government Y2K efforts in a very graphic way through real life examples as this year progresses.

Access to the GSA schedule will allow state and local governments who haven’t been able to make significant headway on their Y2K problems the ability
to make up lost time, potentially. For those who have made significant progress, it will allow them to access Y2K capabilities to quickly solve problems that suddenly and unexpectedly appear, probably at the worst possible time.

Speed will be vital to government entities as we move into the home stretch of the approaching millennium. There are several likely scenarios over the course of the next six months concerning our nation's government computer systems. Some government organizations will experience relatively few Y2K problems; some will run out of time and have to implement their contingency plans (assuming they have one); and others will find out mysteriously they had more "mission critical" systems than they anticipated and reported. Regardless of the scenario, all problems encountered must be addressed either with in-house resources, qualified external resources or more likely a combination of both.

The competitive procurement process takes time. If state or local governments are in the early stages of developing procurements for Y2K remediation, they are in trouble. Alternatively these governments organizations could use the GSA schedule, avoid the precious administration time, cost, and resources they don't have at this late stage in the game.

Service to the citizen has no less urgency and priority than customer service in a commercial setting; when the check isn't in the mail, or it is in the mail and the mailroom tracking system doesn't work and can't find it, or it is sent
but it is too much or too little, citizens suffer. When a Y2K problem occurs or is anticipated and must be avoided, quick access to appropriate vendors must be an absolute given, not a question mark. If a non-federal government organization already possesses its own schedule-like, convenience contract, then GSA schedule access is less critical; if they don't have access to such a contract vehicle then the GSA schedule becomes a contingency, and contingency is what the Y2K problem is all about now.

Convenience goes hand in hand with speed. The potential for quick response from contracted services is of little value if the front-end process to gain contract access is made laborious and confusing by federal restrictions and paperwork. GSA must keep its process simple for its potential state and local buyers just as it has for federal customer base. Equally important, a streamlined approach for GSA contract usage must also be supported by the procurement groups representing state and local buyers. Funding documentation requirements and local procurement statutes will test the effectiveness of the GSA schedule solution; we must be careful to consider solutions to these issues in the implementation of HR1599.

Price – An enormous amount of money has been spent by U.S. industry and public sectors on their Y2K problems; most of these funds come from "out of hide" and therefore have rearranged new technology priorities, postponed new systems initiatives, and created much pressure on Information Technology (IT) budgets. Y2K compliance expenditures, for the most part, were not investments
in upgraded capabilities or functionality, we simply restored broken systems to a working state. Since Y2K expenditures are predominantly viewed as maintenance expenses rather than capability enhancing investments, funding efforts to achieve compliance or quick response fixes have been especially painful. Y2K funds are diminishing for many state and local agencies, so it is vital that we enable access to economical, competitive services through vehicles such as the GSA schedule.

Finally, passage of the Year 2000 Compliance Assistance Act, will allow Selection by state and local governments of seasoned corporate veterans having extensive experience in unique and not-so unique Y2K problems encountered in government computer systems. In many cases this experience has been gained on the federal side of state implemented federal programs; thus there may be an opportunity to leverage Federal program subject matter expertise in state and local government efforts to implement these programs. By leveraging the experience of companies knowledgeable in specific federal programs, state and local governments may be able to expedite the rapid diagnosis and correction of Y2K system and interface problems. At the very least, GSA schedule vendors can offer their broad knowledge of Y2K solutions and management skills gained at the Federal level for the benefit of non-federal organizations needing help.

The key issue at stake is allowing the state and local governments decide for themselves. I do not advocate that the use of GSA's schedules be made any
more or any less attractive to potential non-federal users, only that they be made available for the asking. If these users decide as consumers and as agents of civil service, that GSA schedules satisfy their needs, then that is their prerogative. Keane has performed a great deal of Y2K work for state and local governments; we have found this market sector to be full of educated and savvy customers, focused on obtaining maximum return for their taxpayers' dollars and committed to maximizing service to their citizen constituency. I am confident they will continue to act in their publics' best interest when considering Y2K acquisition strategies. Our job is to broaden their options, and it is only that. I disagree with any concerns that state and local government use of GSA schedules will be harmful to local businesses. No contractor, large or small is precluded from participation in GSA schedules; current state and local vendors may choose to obtain their own GSA schedule contracts to explore opportunities in the federal marketplace. There are literally hundreds of small, medium and large business with GSA schedules; as this contract has flexibly demonstrated additional vendors can easily obtain a schedule contract.

Mr. Chairman, as a result of my experience as a manager of both Federal and state Y2K contracts, I can without reservation encourage this committee and this Congress to pass HR1599. Allowing the states to use the GSA schedule for Y2K addresses the critical need for speed, convenience, and price and selection. This legislation is in the best interest of our taxpayers, our citizens and our economy.
Mr. HORN. And Ms. Peters is the sales and marketing vice president, and do we—how do we pronounce this? What does C–A–C–I stand for?

Ms. PETERS. Well, it doesn't stand for anything any longer. It once was a computer company name, but it is C–A–C–I—or CACI as someone referred to it.

Mr. HORN. As in army and uniforms?

Ms. PETERS. Not exactly. A unique spelling.

Mr. HORN. Were these the partners' initials or what?

Ms. PETERS. No. It was a computer—California Analysis and Computer Institute. That was——

Mr. HORN. I see.

Ms. PETERS. That was 37 years ago.

Mr. HORN. OK. Now, I have that little bit of history in my head.

Ms. PETERS. Valuable information.

Mr. HORN. Well, I always like to know.

Ms. PETERS. The company did start in California.

Mr. HORN. Where did it start there? Do you know? Was it in Silicon Valley?

Ms. PETERS. Silicon Valley didn't exist then. It was another valley.

Mr. HORN. OK. We have lots of valleys.

Ms. PETERS. Yeah.

Mr. HORN. OK. Ms. Peters, it's all yours. Try to summarize it if you can. Take your time.

Ms. PETERS. Yes. Good morning, Chairman Horn and members of the subcommittee. I'm pleased to appear here today on behalf of CACI, a systems integration company located in northern Virginia, and ITAA, the Information Technology Association of America, to express our support for H.R. 1599, the Year 2000 Compliance Assistance Act. Congressman Davis, as you know, is the chief sponsor of this legislation, with several cosponsors.

I commend the chairman and the subcommittee for holding this hearing and urge you to support the bill which will allow State and local governments to acquire needed Y2K products and services. With only 191 days left, time is of the essence.

In addition, not all of the systems used by these entities will be Y2K compliant by January 1st. Many of them were not deemed mission-critical but will need to be remediated during the year 2000. Since the bill's provisions will be extended at a yet to be determined date, perhaps this provides sufficient time for all systems to be converted.

A key question is, why are the schedules so attractive? That's because they work. They work quickly. The Federal procurement process has been greatly streamlined and has been extensively used by Federal agencies for some time now, and there are services on the schedules from a variety of companies that address the entire Y2K process from assessment through mediation and all the way through IV and V and contingency planning.

As this committee knows so well, in dealing with the year 2000, speed is a good thing and delay is the enemy. Federal agencies have been able to gain rapid access to a variety of service providers such as CACI through the schedules, and these ordering processes have often been completed within a number of days. The ease of
purchase of these vital services is one of the reasons that State and local governments need to have this access. One of the most appealing features of the schedules is that they are contracts with the Federal Government with negotiated terms and conditions already in place. This includes negotiated labor ratings for services and products, which have the guarantee of preferred customer status.

Another advantage to State and local government in gaining access to our Federal business partners is that it opens the door to service providers who have supported the Federal Government for 2 years or more. This gives them the added assurance that the companies on the schedules have successfully met their Federal customers’ needs and have experience in providing Y2K products and services with skilled employees who understand public sector systems.

In the case of CACI, we’ve been providing Y2K support for Federal agencies for more than 2 years, primarily through the schedules. We’ve also provided Y2K services to State and local governments through some State contracts, often established when the Congress repealed the cooperative purchasing provision.

In addition to my experience with Federal, State and local governments, I serve as the Chair of the ITAA Year 2000 Task Group. I have been a member since its formation in 1995, and we have repeatedly been concerned that some State, but especially local, governments are lagging in their Y2K preparedness. Study after study has indicated that some local governments have barely started their remediation and have no contingency plans in place.

It’s high time for these localities to cut to the chase and be able to cut through red tape. We can help them by enacting H.R. 1599. It would give governments immediate access to hundreds of companies, as I learned today, 1,800 companies, large and small, on the schedule. This is an invaluable resource. There are, it’s true, some States, cities and counties that are leaders in Y2K conversion, but there are many more lagging behind private sector and the Federal Government, and they could greatly benefit from access to these services.

The Y2K problem is unique, not even a once-in-a-lifetime occurrence, and it requires bold and innovative solutions by Congress to pass such a bill. In many cases, Y2K problems are going to be felt most heavily at the local level. It’s the local governments’ success that will make a difference.

Mr. Chairman, I know you are partial to Y2K report cards. As a former teacher myself, I suggest you give Representative Davis and his cosponsors an A for this innovative legislation. I would also give high marks to every Member of Congress who can understand that the Nation’s business continuity in this unprecedented situation means a break from business as usual. Let’s get on with getting it done.

I will be glad to respond to any questions you have.

Mr. HORN. Well, thank you very much.

[The prepared statement of Ms. Peters follows:]
STATEMENT OF NANCY PETERS, CACI, BEFORE THE HOUSE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND
TECHNOLOGY
JUNE 23, 1999

Chairman Horn, Members of the Subcommittee:

I am pleased to appear here today on behalf of CACI Inc., a systems integration
company located in Northern Virginia, and ITAA, the Information Technology
Association of America, to express our support for H.R. 1599, the Year 2000
Compliance Assistance Act. Congressman Davis is the chief sponsor of this
legislation, with Representatives Jim Moran and Connie Morella as co-
sponsors.

I commend Chairman Horn and the Subcommittee for holding this critical hearing
and urge you to move this bill which would allow state and local governments to
acquire needed Y2K products and services from the GSA Federal Supply
Schedules. With only 191 days until the Year 2000, time is of the essence. In
addition, not all the systems used by these entities will be Y2K compliant by
January 1st. Many of them that were not deemed "mission critical" will be
remediated during the year 2000. Since the bill's provisions extend until 2002,
this provides sufficient time for all the systems to be converted.

A key question is: Why are the FSS Schedules so attractive? They work. And
they work quickly. The FSS federal procurement process has been greatly
streamlined, so consequently, it is used extensively by federal agencies to
acquire Y2K products and services for the entire range of the Y2K process—
from assessment through remediation, testing, and implementation as well as
including the independent verification and validation process (IV&V) and
contingency planning/procedures.

As this Committee knows so well, in dealing with the Year 2000, speed is a good
thing and delay is the enemy. Federal agencies have been able to gain rapid
access to a wide variety of Y2K service providers, such as CACI, through the
FSS schedules and these orders are often completed within a number of days.
The ease of purchase of these vital services is one of the reasons that state and
local government organizations have repeatedly expressed their desire to have
the option to buy off of FSS. One of the most appealing features of the
Schedules is that they are contracts with the federal government with negotiated
terms and conditions already in place. This includes negotiated labor rates for services, and products, which have the guarantee of preferred customer status.

Another advantage to state and local government in gaining access to FSS as our federal business partners, is that it opens the door to service providers who have supported the federal government for two years or more. This gives them the added assurance that the companies on the Schedules have successfully met their federal customers' needs and have experience in providing Y2K products and services with skilled employees who understand public sector systems. ITAA, which has an active state and local government program, is often asked by the public sector organizations to support their access to the GSA Schedules.

In the case of CACI, we have been providing Y2K support to the federal agencies for more than two years, primarily through the FSS schedules. We have also provided Y2K and other services to state and local governments through some state contracts, often established when the Congress repealed the Cooperative Purchasing provision. Local governments, in some cases, are also able to piggyback on their state contracts.

In addition to my experience with federal, state and local government contracts, I serve as the Chair of the ITAA Y2K Task Group. I have been a member since its formation in July 1995. At these monthly meetings, we have repeatedly expressed our concerns, as an industry association, that some state, but especially local, governments are lagging in their Y2K preparedness. Study after study has indicated that to this day—191 days out—some local governments have barely started their remediation and have no contingency plans in place.

High time for these localities cut to the chase by cutting through procurement red tape. You can help them. Enacting H.R. 1599 would give these governments immediate access to the hundreds of companies—large and small—on the FSS schedules. Think how invaluable a resource this would be since it is too late for any government entity to issue an RFP and endure a lengthy procurement process. There are some states, cities, and counties that are leaders in Y2K conversions, but many more are lagging behind the private sector and could greatly benefit from the variety of products and services found today on the FSS schedules.

The Y2K problem is a unique event that is not even a once in a lifetime occurrence. It requires bold and innovative solutions by Congress to ensure that our country and its citizens will pass into 2000 with only minimal disruptions of services and few risks to our health and safety. In many cases, it is local government that will make the difference. Your passage of the Year 2000 Compliance Assistance Act could ensure that all state and local governments
would have immediate access to critical products and services to meet this challenge of a century.

Mr. Chairman, I know you are partial to Y2K report cards. As a former teacher myself, I suggest you give Rep. Davis and his co-sponsors an "A" for conceiving this innovative legislation. I would also give high marks to every member of Congress who can understand that the nation's business continuity in this unprecedented situation means a break from business as usual. Let's get on with getting it done.

ITAA and I will be glad to respond to any questions you may have. Again, thank for this opportunity to express our views.
Mr. HORN. Now, do you have—how does the system work with your firm? Do you have franchises or do they operate all over the United States on their own?

Ms. PETERS. We have offices all over the country, about 80 around the country.

Mr. HORN. So you don’t really—some of your adaptation in working on Y2K things are not left with local people that might have other firms work through them?

Ms. PETERS. Sometimes they do. Certainly, with the work we are doing in Ohio and Virginia, we have subcontractors working for us and companies that are subcontracting to us who are local firms.

Mr. HORN. Would you essentially be—if this legislation passed, in your adaptation mission, you would buy off that schedule, I take it? Is that how it works with you?

Ms. PETERS. I don’t understand your question.

Mr. HORN. Well, if you have got people that are helping solve the Y2K problem of various firms around the country and at these governments, nongovernment, you go in and do most of that work to make sure they are 2000 compliant, right?

Ms. PETERS. Yes, uh-huh.

Mr. HORN. OK. And you sometimes contract with local firms to use your method and approach and all that?

Ms. PETERS. Right.

Mr. HORN. OK. That—and leading up to that, do any of the local firms object to you going off and doing that? I realize it’s far different than a manufacturer.

Ms. PETERS. Right.

Mr. HORN. But they might want to do it themselves, and could they, if they are under contract to you? You’d be doing all that, I assume.

Ms. PETERS. We wouldn’t be preventing them from doing other work.

Mr. HORN. So they could do—well, on your contract, could they go draw on the GSA schedule to fulfill your contract that you want them to do?

Ms. PETERS. Are you suggesting that they would do the work through our contract but without us?

Mr. HORN. Yeah—no. They could use you for the advice——

Ms. PETERS. Oh, certainly.

Mr. HORN [continuing]. And the consultant work. I’m talking about getting the software or maybe even hardware.

Ms. PETERS. Oh, absolutely. They could do that.

Mr. HORN. OK. So you could both access the GSA schedule essentially?

Ms. PETERS. Right.

Mr. HORN. And that wouldn’t be a problem for the people with whom you contract if they are regulars and not just a one-shot affair?

Ms. PETERS. Yeah, as long as we have a subcontract in place with them, that would not be a problem.

Mr. HORN. OK. Because I think one of the things we are interested in is, on the software in particular, if that’s a franchise or if they are trying to put it everywhere in America, I realize that might be their best approach, but let’s say there’s some franchise,
certain computing approaches, programs, so forth, and I'm just interested in, is there a feedback coming on those? And maybe your experience would tell us that, Mr. Giles.

Mr. Giles. Yeah, I think there's——

Mr. Horn. If there's a feedback, do you get any? Do they say, hey, what are you doing?

Mr. Giles. Just to further comment on what Ms. Peters said, typically, the tools come along and are deployed by people, and CACI and Keane are predominantly focused on services that utilize tools. The tools are commodities. It's our methodologies and our management that really ensure the Y2K solutions. So it would be unlikely that we would totally franchise or totally subcontract a year 2000 engagement to a subcontractor, even if they were going through our GSA schedule simply because the liabilities are too high, and we want to ensure that the benefits of all of our corporate knowledge were going to be put into play for any particular engagement.

Mr. Horn. Now, your firm meets a lot of people, has acted and is asked to do certain things in a lot of different States. How would you sum up where the States are in America at this point on the Y2K compliance? And you don't have to name the States, but which ones are successes in a way? And if you want to name them, fine, and there are others that aren't successes, where do you think the mistakes were made by some States in how they organized to get the job done?

Mr. Giles. I think just as the Federal Government has its A's and its F's, within each State agency there are A's and F's, except they don't for the most part have anybody giving them report cards. So their intention isn't focused as well in many of the States.

Keane is located in 26 States around the country, and we are doing State and local business in probably 20 States or so. I would have to say that States that I'm personally involved in run across the gamut, not only from State to State but within States. We have found that States that are more dependent upon financial information seem to have gotten the message early on, started working more quickly. Those that aren't as financial information centered have waited a long time to get started because the urgency just didn't seem to be there at the beginning.

The States that we are finding that have been more successful are the ones that had a well-crafted plan laid out at the very beginning and an organized approach to making sure that most or all of their agencies are adhering to a standard methodology or standard approaches.

Mr. Horn. Where those success stories are, was that because the Governor was very active or the Governor's department of finance or department of organization and management?

Mr. Giles. Yeah, I would say that whenever there is executive leadership and administration leadership on these issues we have encountered a lot more success. Whenever there's leadership at the top, there's always a natural ability to get things done more quickly, more focused.

In other agencies or other States, I've found that the States that thought they were going to wait for a silver bullet to come along were the ones that were fooled. We have not encountered a silver
bullet. The tools are enabling devices, but they are not the end-all solutions. The States that have depended on silver bullets coming along are going to have to resort to the pick and shovel method, and that’s where I believe the GSA schedule can help the most.

Ms. Peters. May I comment?

Mr. Horn. Sure.

Ms. Peters. Of the States that I think are in pretty good shape, and I will just stick my neck out and name a few, certainly Washington, Oregon, California to some extent, Maryland and Virginia, New York, Ohio, those were all States that put into place some sort of procurement vehicle for Y2K service and products, but they did it 2 or 3 years ago, and it took in some cases many months to get that vehicle in place. I think about the shortest turnaround I know about with a State was something like 3 months.

The point of this legislation is to give people access now to a schedule that’s in place. States don’t have time to develop some sort of procurement vehicle now, and for that reason we need to give them a vehicle that’s easy to use and available because the time is gone for putting those in place.

Mr. Horn. Do any of you have any estimate from your own pricing system where—how much you would save if the products that GSA has a bargaining with were used by you as part of your adaptation and implementation process? Would you say 5 percent or 2 percent or what are we talking about here in real money?

Mr. Giles. There are economies of scale. There are quite a few States that have so-called convenience contracts that are somewhat similar to the GSA schedule, a lot of vendors that they can select from fairly easily. For the most part, those convenience contracts have as their basis pricing from GSA’s schedule. The States are aware of GSA’s schedule contracts, and they use them often as a basis for that. In those States that have tracked their pricing to the GSA schedules, unless we negotiated a discount independently, they would probably not save a lot of money, but they would indeed some time perhaps.

In other States, we would probably be able to save them money, 5 percent, 10 percent I think is probably an outside number. It would have to be on a case-by-case basis, though.

Mr. Horn. Now, we have a lot of people in the country saying they can really help firms, adapt them. They are bringing people that know COBAL out of retirement and so forth. What’s your impression? Are most of these legitimate or are some just saying they can do it and when the chips are down nothing much has changed?

Mr. Giles. One of the things that Keane has maintained all along, and I believe our other competitors in Y2K services area, is Y2K is a management problem more than it is anything else. It is difficult to bring a tool based or a commodity based solution into place and make it successful. And many of the companies that want to sell a COBAL body or a silver bullet solution that’s not surrounded with a management and a methodology approach are not successful because they are not looking comprehensively at the problem with a comprehensive solution. So we have not had a lot of success in relying on those sorts of firms. In some cases, we will subcontract to them and bring them into the overarching solution, the management techniques and methods that we have.
Mr. HORN. We have been preaching that management point since April 1996, so I’m glad that’s followed out. I think it’s pretty obvious that chaos sort of reigns when you don’t have decent management.

Mr. GILES. Indeed.

Mr. HORN. Now, has Keane worked for any of the Federal executive departments and agencies or have you been mostly working with the States?

Mr. GILES. No. States. Our private or public sector business is about 15 percent or $175 to $200 million of our revenues per year. I would say approximately a third to a half of that is in the Federal sector. We have done a lot of Y2K business across the analysis to independent verification, validation and everything in between for at least 12 to 15 agencies.

Mr. HORN. Now, how does that happen? Does somebody come to you because you’ve got a reputation in the area or do you talk to who with an agency and does GSA route in or do you just deal directly with the particular agency or department? How does it work?

Mr. GILES. Five years ago we knocked on a lot of doors that didn’t open up because no one wanted to talk about the year 2000 in the Federal Government. That’s when our commercial sector really started paying attention to the year 2000. I would say several years ago agencies started listening, and a year or two ago, agencies started calling us up to either begin remediation for them but recently to perform independent verification, validation services on efforts that have already been under way. So we’ve kind of matured through this process as the market has and vice versa. Many agencies are using our GSA schedule for these services. Others are using their own IT IQ contracts for us to provide them services.

Mr. HORN. In your testimony you said, “funding documentation requirements and the local procurement statutes will test the effectiveness of the GSA scheduled solution.” Can you explain what you meant by this and how the local procurement laws and regulations would affect the ability of State and local governments to procure off the Federal supply schedules?

Mr. GILES. I have found that even within the Federal Government, whenever an agency is using somebody’s else’s contract vehicle, whether it’s a GSA schedule or whether it’s an IT IQ contract, GIWAC or what have you, there is always an education, orientation and negotiation process that goes on within the buying agency’s procuring shop. They tend to want to do things in-house. They tend to want to stand behind whatever their particular agency’s regulation—acquisition regulations are; and sometimes there is a lag, if you will, to overcome that.

I believe—and particularly when it comes to the whole funding document and funding process, how do you transfer funds? How do you get the right signatures within these procurement shops and contracts groups and through their legal counsel to expedite the process? I don’t think it will be any less daunting a test than in the State and local agencies, particularly because they are dealing with an entirely different government entity.
Mr. HORN. Ms. Peters, has your experience with CACI been about the same as Mr. Giles where 3 or 4 years ago you didn’t have any open doors and awareness came and then panic came and——

Ms. PETERS. Right, right.

Mr. HORN [continuing]. Et cetera? Is that the way your situation has gone?

Ms. PETERS. Yes. I would say that about half of our Y2K business is with Federal agencies and the other half with State and local governments. In a number of cases, Federal customers have already been our customers and have called us up and said, can you help? Sometimes we get calls from people. Often they will call and say, I need Y2K support. Do you have a GSA schedule? Because they know if we have a GSA schedule that, in fact, we can probably get something in place and get work started within a matter of days because GSA doesn’t have to intervene. We just have to verify through our schedule number that we, in fact, have a contract in place with the Federal Government, and it’s a matter of agreeing on labor categories which are already set and kinds of services and products, if they are relevant, and then we move forward, and so it can be a very simple and very expedient process. It’s a matter of being willing to trust that process.

I certainly have some instances with Federal agencies where we set out to do some Y2K work through an internal vehicle or a GIWAC of some kind. In one case, it took 6 months to get the work started.

Mr. HORN. Now, is that because of their procurement system in this particular area?

Ms. PETERS. Right, it was the internal agency’s procurement system.

Mr. HORN. Did they have a chief information officer?

Ms. PETERS. Yes.

Mr. HORN. Was that a helpful position to bang heads?

Ms. PETERS. Not in that particular situation. It has been in others.

Mr. HORN. Yeah. I was wondering because, during this 4 years, shall we say, since 1996 up, you’ve got more and more chief information officers, and they’re better and better in many cases than it was before 1996. So I just wondered how helpful they could be. They’re supposed to report directly to the Secretary or the Deputy Secretary, and unless they are just sloughed aside somewhere and somebody says, “oh, yeah, we’ve got one of those. Where is he or she?”

Ms. PETERS. I think as the visibility of the CIO has increased and they have gained in authority that they’ve been able to be much more effective.

Mr. HORN. Good.

Ms. PETERS. And certainly can make some differences. But we also have agencies who have normally dealt with us through their own vehicles who have gone to the GSA because it’s easier and, in some cases, less expensive.

Mr. HORN. Yeah. Well, that’s always interesting.

You heard some dates passed around here. Mr. Davis has 2002. The OMB, Ms. Lee speaking as Deputy Director for Management,
says it ought to end in June 2000; and the GAO has a view on it also, as we heard from Mr. Willemssen.

By the way, Mr. Willemssen, if you have some sum-up things here, I’d like you at the table, and feel free to get into this one because this is one of the last two or three questions.

So, do you have any feeling on how long that authority should last for the schedule?

Ms. Peters. I think June 2000 is unrealistic in terms of organizations being done. We’ve been focusing and talking about mission-critical systems for some time now because those are, obviously, the ones that have to be dealt with first. But in most organizations, mission-critical systems can comprise as little as 10 percent of the whole organization systems, and while there are some systems that will fade away, they won’t work and nobody will notice, it won’t be 90 percent of the systems that will fade away. So it seems to me one of the things we really have to deal with after the year 2000 begins is all of the nonmission-critical systems or the mission-enabling or mission-essential systems that will also have to be fixed and dealt with, and I think you need at least a year, and that’s probably pushing it.

Mr. Giles. I would agree. June 2000 will only allow some of the temporary fixes that people have put in place to cross over the year 2000 boundary to fail.

My concern would be these band-aids that have been put on some of these systems that would fail after June 2000 which would cause the fire drill that would require some new or some easy access to contract vehicles after everybody’s guard’s let down because January 1st has already gone, we create some problems. I would advocate that we at least let it go into the first quarter of calendar year 2001, because you get a full-year cycle, you’ve cleared out everybody’s fiscal year boundaries, and you’ve got some post-mortem assessment time after that year boundary has been crossed to determine what your procurement actions and your responses need to be.

Mr. Horn. Some of these agencies that reflect some of our 13 appropriations subcommittees are obviously going to be seeking long-overdue upgrades in their equipment, and that could last, as you suggest, I think through 2001 and maybe even 2002, given the budget cycle and how much you can do in a particular year. Do you think that needs an even longer extension than Mr. Davis wanted in his bill? Should it be 2003 or what?

Mr. Giles. That’s going to be conditional. I mean, we are predicting here, and there’s one thing that I found out about year 2000 problems, you don’t predict anything very well with them. They crop up where you don’t expect them.

I would think that a reasonable procurement cycle to allow the procurement for any particular year 2000 fix with hardware and software be allowed to gestate. I don’t know that needs to be until the year 2002, but what I am suggesting is, the systems that we’ve dealt with, I think the preponderance of them would be—would show their stripes, whether they are Y2K compliant after a full-year cycle.

Mr. Horn. Mr. Willemssen, any additions you’d like to make?
Mr. Willemse. One related comment in this area is that there can actually be Y2K problems that occur that aren’t actually noticed for many, many months afterwards, especially in financial-oriented systems, where a problem may have happened but has not been picked up until many months later by senior management, and when they start investigating, they uncover the full exposure of what that problem is. So that also points to the need to have this—the deadline beyond June 2000.

Mr. Horn. Well, I thank you for that, and I thank you and the previous panels. We obviously want to help State and local governments in their efforts to ready their computers for the year 2000, and this bill, while it’s limited in scope, clearly does target that significant problem. As the legislative process continues, we must also remain mindful of the bill’s impact on the businesses and vendors who are supplying year 2000 products and services.

I want to insert in the record at the beginning, after Mrs. Biggert as vice chairman, please put the opening statement of the ranking member of the Democratic side, Mr. James Turner, the gentleman from Texas, and that will be put in as read.

I now want to thank the subcommittee staff for the hard work they’ve done on such short notice. Mr. J. Russell George is the third one in on my left and against the wall, the staff director and chief counsel. Randy Kaplan is over here with the flag backing him up, is the counsel; and Matt Ryan at the other end is the senior policy advisor.

The one that did the most to set up this particular hearing is to my immediate left, Patricia Jones. She’s a professional staff member and congressional fellow, which is a great program.

I happened to be in it in 1958–1959, so I’m well aware of it. You weren’t born in 1958–1959, I don’t think, but that was the fourth year of the program; and it’s a good program run by the American Political Science Association to turn around the attitudes of the profession of political science; and we did it, and that’s—so it was all Presidential executive oriented, and every great political scientist was working for Roosevelt in the Second World War.

This program has resulted in probably 400 books that have come out of it of the fellows in the program. And she is on loan from the National Security Agency [NSA], and we are delighted to have her with us. And we wish you would educate all your colleagues in the executive branch when you go back there, but smile a lot when you do that because they won’t believe you, that we work hard.

And Bonnie Heald, our director of communications, is over there, second in from Mr. Ryan; and Grant Newman, our clerk. There he is. And we’ve got a few interns—Paul Wicker. Is Paul around? He’s down there working. You know what interns—they slave all summer. Justin Schlueter is the other intern and Lauren Leitlin, intern.

On the other side, we have Faith Weiss as minority counsel; Earley Green as minority staff assistant.

And our official reporter for this hearing, Melinda Walker. Melinda, thank you very much. We appreciate it.

With that, this hearing is adjourned.

[Whereupon, at 12 noon, the subcommittee was adjourned.]