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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 15, 1999

Mr. George P. Basher
Acting Director
Division of Veterans' Affairs
Corning Tower
Empire State Plaza
Albany, NY 12223

Re: Report 99-Y-9

Dear Mr. Basher:

To assist in your oversight of the Division of Veterans' Affairs (Division) Year 2000 compliance progress, we reviewed selected steps being taken by the Division, as of March 8, 1999, to make the Data Collection for Federal Fund Reimbursement System (System) Year 2000 compliant. The System is not a mainframe based system, but rather a process that uses stand-alone computers and vendor supplied word processing software. The Division identified this process as one that meets the New York State Office for Technology's (OFT) criteria for a "High Priority" system. OFT is responsible for overseeing the State's Year 2000 readiness. Division counselors use the computers and software to enter the results of their interviews with veterans that collect Medicaid benefits. The purpose of the interview is to assess whether the veteran qualifies for veterans' benefits, thus reducing the Medicaid rolls. The time spent by the counselors is tabulated and submitted for Federal reimbursement. The steps we selected for review pertained to Year 2000 project planning and management, Year 2000 System testing, identification and correction of System data exchanges, and the establishment of contingency plans for continuing important business and service functions in the event of a Year 2000-related failure.

The objective of our review was to assess whether the Division appears to be taking the necessary steps to address Year 2000 problems related to the System. To complete our review we interviewed Division personnel and we reviewed Division documents. In addition, we obtained and analyzed the Division responses to a Year 2000 assessment questionnaire that we designed (see attached Table). Unlike an audit, a review does not include testing or verification of information and records provided by the Division and does not include a review of internal controls. Therefore, we cannot conclude whether the System will be Year 2000 compliant in a timely manner.

The results of our review show that the Division needs to take additional steps to address Year 2000 problems related to the System. For example:

- The Windows 98 operating system, which will be used to run the newly purchased computers, is not Year 2000 compliant. Division officials were not aware that they needed to download software patches to remediate the Year 2000 deficiencies in this operating system, or that there is available software to test the system date for these computers.
- The Division has not yet taken substantial steps to prepare contingency plans to ensure the continuance of business and service functions, which are dependent on the System. Therefore, should the System experience a Year 2000-related failure, the Division may not be prepared to provide for such functions. We encourage the Division to expedite its contingency planning process.

Major contributors to this review were Brian Reilly, Jim Brunt, Deb Spaulding, and Jorge Vázquez.

Your comments to this review are welcomed. We wish to express our appreciation to the management and staff of the Division of Veterans' Affairs for the courtesies and cooperation extended to our auditors during this review, and hope that it is helpful to your Year 2000 monitoring and oversight responsibilities.

Very truly yours,

William P. Challice
Audit Director

cc: Bernard Sullivan, Y2K Coordinator
Gary Davis, Office for Technology

**DIVISION OF VETERAN AFFAIRS
DATA COLLECTION FOR FEDERAL REIMBURSEMENT
YEAR 2000 ASSESSMENT QUESTIONNAIRE
TABLE**

A colored "traffic light" Legend is included in the table below to assist management in focusing an appropriate level of attention on the issues identified in the Status and Comments sections of the Review Findings.

Legend:

	Status/Comments contain matters which may be of immediate concern to management.		Status/Comments contain matters which management may wish to consider.		Status/Comments do not contain issues which require immediate management consideration.
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Review Findings:

	YEAR 2000 STEPS	STATUS	COMMENTS
	A. PROJECT PLANNING & MANAGEMENT		
	A1. Is there a written Year 2000 Project Plan and does it include/identify steps needed to correct the System in question?	Not Applicable	Although the Division did not have a written Year 2000 Project Plan, it had prepared a proposal to replace its noncompliant computers and software. Installation of the computers and software was completed as of March 8, 1999.
	A2. Does the Plan (or any other available record) define what is meant by "compliance" when describing systems at the agency which are Year 2000 ready?	Not Applicable	The Division relied upon the OFT definition of what is meant by "compliance."
	A3. Is there a written schedule covering the time frame for achieving compliance for the System in question?	Not Applicable	The Division did not maintain a written schedule covering the time frame for achieving compliance. However, the new computers and software were installed as of March 8, 1999.
	A4. Is progress toward completion of the schedule for the System in question being monitored?	Not Applicable	As reported earlier, the Division has installed new computers and software. The Division reports its progress quarterly to OFT.

TABLE (Cont'd)

	YEAR 2000 STEPS	STATUS	COMMENTS
	A5. Is the System in question meeting the schedule (no significant slippage being reported)?	Not Applicable	Division officials stated that all the new computers have been installed.
	B. TEST PLANS		
	B1. Is there a documented test plan and does it include/identify steps needed to ensure that the System in question will process as expected after it has been corrected to comply with Year 2000?	No	There was no documented test plan to ensure that the recently purchased computers will function with dates beyond the Year 2000. There is available software to test the system date for these computers. In addition, the Windows 98 operating system is not Year 2000 compliant. Division officials were not aware that they needed to download software patches to remediate the Year 2000 deficiencies in the operating system.
	C. DATA EXCHANGES		
	C1. Have all data exchange partners/interfaces for the System in question been identified and included on a written inventory record?	Yes	The Division determined that there are no electronic data exchanges.
	C2. Have data exchange interfaces been considered in the overall Year 2000 Project Plan and the test plan covering the System in question?	Yes	The Division determined that there are no electronic data exchanges.
	D. CONTINGENCY PLANS		
	D1. Is there a written business contingency plan in place for the System in question and does the plan specify steps for completing vital business functions if the System in question is noncompliant or inoperable for Year 2000 purposes?	No	The Division has not developed a contingency plan for the System. Division officials were not aware of OFT's contingency plan requirements or the guidance OFT provided on February 3, 1999.