

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DEVELOPMENT
OF THE DEPARTMENT OF EMPLOYMENT
SERVICES DISTRICT UNEMPLOYMENT
TAX ACCOUNTING SYSTEM**

**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Charles C. Maddox, Esq.
Inspector General



November 29, 1999

By Inter-Agency Mail

Gregory P. Irish, Director
Department of Employment Services
500 C Street, N.W. Room 600
Washington, D.C. 20001

Jearline F. Williams, Director
Department of Human Services
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Suzanne J. Peck, Chief Technology Officer
Office of the Chief Technology Officer
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Washington, D.C. 20001

Dear Mr. Irish, Ms. Williams, and Ms. Peck:

Enclosed is the final report summarizing the results of our audit of the Development of the Department of Employment Services District Unemployment Tax Accounting System, (OIG 10-99CF).

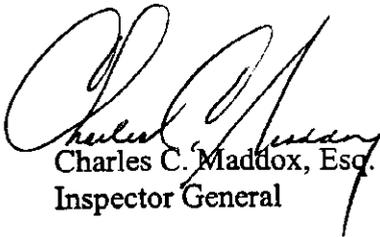
Based on our audit of the contractor's system development process and supporting documentation for the District Unemployment Tax Accounting System (DUTAS), we believe that the development process is adequate and DUTAS will be delivered to meet Department of Employment Services (DOES) specifications. However, there were indications that serious service disruptions may occur because: (1) DOES did not have an adequate information management organizational structure or adequate technical resources to assume the support function for DUTAS or any of the DOES-owned application systems; and (2) DOES had not tested its Year 2000 business continuity plans for uninterrupted operations in the event the DUTAS or other essential computer applications suffer processing problems on or after January 1, 2000.

This report contains recommendations that center on identifying the level of information technology (IT) support needed for DOES applications, realizing potential monetary benefits of about \$3 million (less offsets), consolidation of IT functions, and finalizing and testing contingency plans for DOES programs.

Management responses to our draft report were provided by DOES, Office of the Chief Technology Officer (OCTO), and the Department of Human Services. In general, management agreed with the report and provided details of actions taken or planned to address the recommendations. However, the OCTO disagreed that significant savings would be realized by data center consolidation. These responses are incorporated as appropriate in the report. The responses (in full text) are included as Appendixes A, B, and C.

If you have any questions about this audit report, please call me at (202) 727-2540. or John N. Balakos, Assistant Inspector General for Audits, at (202) 727-8279.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

Enclosure

CD/wms

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EXECUTIVE DIGEST

OVERVIEW

The initial purpose of our audit was to determine if the system development process adopted for the District of Columbia Unemployment Tax Accounting System (DUTAS) had a clear set of developmental standards and that the standards were being followed. However, after our preliminary survey, we expanded our audit to include the Year 2000 (Y2K) readiness of DUTAS and Department of Employment Service's (DOES) ability to maintain an adequate Information Technology (IT) support function for DUTAS and other DOES owned application systems.

CONCLUSION

Based on our review of the contractor's system development process and supporting documentation, we believe that the development process employed is adequate and DUTAS will be delivered to meet DOES specifications. However, there are indications that serious service disruptions may occur because: (1) DOES did not have an adequate information management organizational structure or adequate technical resources to assume the support function for DUTAS or any of the DOES-owned application systems; and (2) DOES had not tested its Y2K business continuity plans¹ for uninterrupted operations in the event the DUTAS or other essential computer applications suffer processing problems on or after January 1, 2000.

These problems are the result of the gradual deterioration of DOES IT operations due to the loss of its IT staff, failure to upgrade software and hardware, a delay in a planned January 1999 migration of DOES software applications to the Department of Human Services (DHS) data center, and the Office of the Chief Technology Officer's (OCTO) subsequent cancellation of the migration. Also, contributing to the problems is the fact that the DOES mainframe computer is not Y2K compliant and DUTAS had to be developed on the DHS mainframe computer, even though it will not be implemented at the DHS data center. Because of Y2K concerns, the OCTO has now initiated the movement of all DOES mainframe applications, including DUTAS, to a Lexington, Kentucky "clean managed" production environment,² where, according to the OCTO, the applications will reside during the calendar years 1999-2000. However, no matter where the DOES applications reside, DOES will not be able to provide adequate technical support for its application systems because of an inadequate information management organizational structure and the lack of technical resources. As a result, DOES may not be able to provide essential

¹ Business continuity plan in the context of Y2K is a plan for responding to the loss or degradation of essential services due to a Y2K problem in an automated system.

² Clean managed production environment is a Y2K compliant operation, where all changes to Y2K ready applications are controlled.

unemployment services, collect unemployment taxes, and disburse unemployment checks. DOES' problem concerning the lack of adequate applications support could be alleviated by shifting all DOES technical support and data center operations to the DHS data center. As such, the District could avoid cost of approximately \$3 million (less offsets)³ annually by consolidating computer operations. Moreover, essential unemployment services could continue uninterrupted.

CORRECTIVE ACTIONS

We addressed joint recommendations to the Director of DOES, Director of DHS, and the Chief of OCTO that represent actions considered necessary to address the concerns described above. The recommendations, in part, center on:

- identifying and quantifying the exact level of IT support needed for DOES applications;
- making a final determination when to consolidate, at some point, the DOES' IT function with another data center's operations, such as the DHS data center; and
- ensuring that contingency plans for DOES programs are developed and tested to provide for continuity of services in the event of Y2K induced system failures.

Management responses to our draft report were provided by DOES, OCTO, and DHS. In general, management agreed with the report and provided details of actions taken or planned to address the recommendations. However, the OCTO disagreed that significant savings would be realized by data center consolidation. The responses are incorporated as appropriate in the report. The responses (in full text) are included as Appendixes A, B, and C.

³ The estimated annual cost savings is based on Fiscal Year 1999 budget figures provided by DOES for the annual operation of the data center and support functions. The realized savings will be reduced by the costs incurred by DHS in support of DOES.

INTRODUCTION

BACKGROUND

The District of Columbia Code, Section 36-102(a), mandates the establishment and management of the District Unemployment Fund. The average outlay of benefits over the last three years was over \$104 million. During fiscal year (FY) 1997, 300,000 checks were produced, directly benefiting 29,000 individual claimants. The current DOES unemployment tax system is an interrelated collection of computer applications, Employment Tax Accounting System (ETAS), which provides automated support for all phases of the administration of the unemployment tax program. The ETAS was developed in the early 1970's and has undergone numerous modifications.

After federal officials reviewed the ETAS in early 1990, and found the ETAS to be antiquated and unreliable, the District became one of only ten states to receive a federal grant to upgrade their unemployment tax systems. In 1993, the Department of Labor (DOL) awarded DOES a grant totaling approximately \$911 thousand for the development of a new unemployment tax accounting system. Procurement and administrative delays resulted in no contract being awarded between 1993 and 1996. Only after DOL informed DOES that the \$911 thousand grant would be rescinded on December 31, 1997, was agreement reached with a contractor to develop a system. On December 5, 1997, the contractor was presented with a purchase order for the analysis, design, development, and implementation of the DUTAS to replace the current ETAS. The DUTAS is a version of the Montana Automated Contributions (MAC) system that is being extensively modified to meet DOES requirements. In 1998, DOL awarded DOES a special grant of approximately \$1.2 million because the initial grant was found to be inadequately funded to address Y2K problems. DOES estimates that the total cost for the development of DUTAS to be approximately \$1.9 million.

The DUTAS was being designed to operate on the DHS mainframe computer with communication to DOES District of Columbia Tax Transfer System local area network (LAN). The DUTAS will be dependent upon the District Unemployment Compensation Accounting System (DUCAS) for critical exchange of data.

OBJECTIVES

The audit objectives were to determine whether:

- a clear set of developmental standards were being followed;
- contract deliverables were adequately reviewed by DOES prior to acceptance;
- developmental problems have been or are being adequately resolved by both the contractor and DOES;

- the current status of the development process will result in the implementation of DUTAS prior to January 1, 2000;
- contingency plans were being developed and tested; and
- DOES had the technical expertise and operational capacity to maintain an IT support operation

SCOPE AND METHODOLOGY

Our review focused on the system development process adopted for the DUTAS. However our scope was expanded to include the Y2K readiness of DUTAS and DOES ability to maintain an adequate IT support function for all DOES owned applications.

To accomplish the objectives, we reviewed the current organizational structure and staffing of DOES Office of Management Information and Data Systems (OMIDS), reviewed pertinent documents and applicable laws and regulations, and interviewed representatives from DOES, DHS, and OCTO.

Our audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

FINDING 1: Information Management Organizational Structure And Technical Support Resources

SYNOPSIS DOES does not have an adequate information management organizational structure or sufficient technical resources to support DUTAS or any of the other DOES-owned application systems. This situation could result in service interruptions in both the collection of unemployment taxes and disbursement of unemployment checks. The problems are the result of the gradual deterioration of DOES IT operations due to the loss of its IT staff, and failure to upgrade software and hardware. Since DOES does not have an adequate IT support function and DHS has an adequate IT support function, the District could reduce operating cost by about \$3 million (less offsets) by transferring and consolidating DOES IT requirements to the DHS data center.

AUDIT RESULTS Our review of the organizational structure and staffing of DOES's Office of Management Information and Data Systems (OMIDS) and interviews with personnel at the DOES data center, disclosed that DOES does not have the organizational structure or adequate technical resources to assume full software support of DUTAS or any of the DOES-owned application systems. Conversely, our interviews with DHS personnel disclosed that DHS has an adequate IT support function that could be made ready to accommodate DOES IT requirements.

The OMIDS IT organizational structure consists of what appeared to be three functions; data entry operations; data center operations; and IT support operations. However, details of the responsibilities and functions of each OMIDS organizational component could not be provided by management. The FY 1999 budget for OMIDS is approximately \$3 million. Salaries and benefits accounted for approximately \$2.1 million of the \$3 million, and approximately \$900 thousand accounted for operating expenses (supplies, equipment, and etc.). At the time of our review, the OMIDS staff consisted of 39 staff members. Of the 39 OMIDS staff members, 2 were assigned application programming responsibilities; 2 were assigned systems programming responsibilities; 2 were assigned personnel computer/local area network support responsibilities; 1 was assigned secretarial duties; and 32 were assigned duties as either computer operators, operational support or data transcribers (data entry). Additionally, 4 application programmer positions were vacant.

Further review of the OMIDS organizational structure, job duties, job titles and assigned functional areas of staff revealed incompatibilities in job assignments, job titles, grades and assigned functional areas. Additionally, within the OMIDS organizational chart, several divisions are designated as "DOES Mainframe Data Center" with a staffing of 12 employees. However, the staffing within the DOES Mainframe Data Center consists of employees who have job titles that do not match their duties. For example, two employees with the job title of Clerk-Typist, one employee with the job title of Clerk, one with the job title of Data Transcriber, and one employee with the job title of Computer Clerk all have assigned duties of Operator for IBM ES9000 mainframe. The remaining seven staff members have the job title Computer Operator.

Additionally, even though the OMIDS mission statement requires that it maintain application programs, the OMIDS organizational structure does not provide for IT support functions such as change control management, quality assurance, security, and data base administration.

OMIDS personnel stated that the Director of DOES planned to reorganize DOES by the end of FY 1999, however details of the planned reorganization were not available. However, even if OMIDS was reorganized, technically qualified staffing would have to be hired in order for DOES to provide minimum IT support services for DOES-owned software.

The organizational structure problems of the DOES IT operations are critical because under the current contractual agreement between DOES and the DUTAS development contractor, the contractor has been engaged to provide sixty days of post implementation maintenance at a cost of approximately \$200,000. According to DOES officials, the maintenance contract for DUTAS will be extended. The extension of the maintenance contract for DUTAS will minimize the risk for only that system. All other DOES applications will remain at risk because maintenance of these applications will have to be performed by the DOES OMIDS staff. In order to reduce the risk to the other applications, additional maintenance agreements will have to be initiated or DOES computer specialists assigned to application maintenance will have to quickly become knowledgeable of all the maintenance requirements for the remediated, and legacy application systems. The maintenance of DOES applications is critical because it has a direct impact on DOES's ability to provide efficient and economic services (collection of unemployment taxes, and disbursement of unemployment checks) without interruptions well beyond the January 1, 2000.

COBIT⁴ provides that effective control over the IT process requires defining the organizational relationships necessary to satisfy the business requirements needed to deliver IT services. This includes having an organization suitable in numbers and skills with roles and responsibilities defined and communicated. Further, in order to maintain such an organization, sound personnel management techniques are needed to satisfy the business requirement to maximize personnel contributions to the IT processes.

During our audit, OMIDS management personnel stated that DOES had no policies and procedures for application maintenance, change control, and security. However, had DOES software applications migrated to the DHS data center, OMIDS personnel anticipated being governed by DHS operating policies and procedures. Since the migration of the DOES data center to DHS has been canceled, DOES officials stated that they will probably be governed by the application maintenance and change control policies and procedures of the Lexington, Kentucky "clean managed" production environment. DOES officials could not provide details of the policies and procedures because, at the time of our review, the contract with the Lexington, Kentucky "clean managed" production environment site was still in the negotiation stages. Based on interviews with the DHS Data Center Chief Information Officer, we were told that DHS could assume the maintenance and change control processes required for the DOES software applications if additional staffing resources were made available. However, until the

⁴ COBIT is a group of generally applicable and accepted standards for good practice for Information Technology (IT) controls.

level of support services that would be required in support of DOES requirements are determined, no estimate of the costs that would be incurred by DHS could be made.

Additionally, an exact projection of the potential cost savings related to the elimination or reduction of DOES IT operations could not be determined because DOES only captured the expenditures for its IT operation under broad categories such as supplies, rent, and equipment. Specific expenditures for the operation and maintenance of the DOES IBM ES9000 mainframe computer were not captured. The budgetary information provided to us by DOES disclosed that the total OMIDS budget for FY 1999 was approximately \$3 million. Accordingly, we believe economies of scale could be realized by consolidating the DOES IT functions with that of DHS.

By doing so, the District could realize immediate savings in annual salaries of approximately \$408 thousand (excluding fringe benefits) by eliminating OMIDS Computer Operations and Production Control Branches. Further, if DOES only maintains an IT liaison function to coordinate requests for services between DOES and DHS, an additional savings of approximately \$305 thousand in annual salaries (excluding fringe benefits) could be realized by the elimination of the application and system programmer positions. If all of DOES's IT operations were moved, the monetary benefits could approximate \$3 million per year, less the cost of additional resources required by DHS.

RECOMMENDATION

1. DOES, in conjunction with DHS and OCTO, identify and quantify the level of support needed for DOES applications and use this information to make a final determination on when to consolidate, at the proper time, the DOES IT functions with another data center's operations such as the DHS data center.

DOES RESPONSE

DOES agreed with our finding that existing staff resources in the OMIDS are inadequate to support the IT needs of the department. However, in response to the recommendation, DOES outlined plans to obtain support staff for this fiscal year. Additionally, during FY 2000, DOES management plans to realign the entire department, which will include the IT office. Plans have been made by OCTO to return DOES applications in FY 2001 from the remote processing site in Lexington, Kentucky to a centralized data center operation in the District.

OIG 'S COMMENTS

Actions planned by DOES are responsive to the recommendation. However, we emphasize the need to assure that only a limited support staff be maintained at DOES and that the size of the staff be based on the level of support needed for DOES applications.

OCTO RESPONSE

The OCTO agreed with our finding that consolidation is a desired objective. However the OCTO disagreed that \$3 million can be saved annually by DOES through consolidation with another data center. The OCTO asserts that, even with consolidation, annual costs to operate DOES' portion of a consolidated data center and improvements in ongoing IT support will be approximately \$2.8 million annually. Additionally, the OCTO asserts that a one-time cost of \$4.6 million would be required to improve DOES' portion of the consolidated data center.

OIG 'S COMMENTS

The OIG agrees that there would be a one-time cost to improve DOES's IT support capability which would be basically in the area of hardware for communications purposes and the creation of a new DOES input/output distribution center. However, we disagree with OCTO that the annual costs to operate DOES' portion of a consolidated data center and improvements in ongoing IT support will be approximately \$2.8 million annually. Our projections of annual savings of approximately \$3 million, less the cost of additional resources required by the receiving data center is based on budgetary information provided to us by DOES for FY 1999 which listed the total OMIDS budget at approximately \$3 million. Accordingly, we believe economies of scale would be realized with elimination of all DOES IT operations other than software support.

DHS RESPONSE

DHS neither agreed nor disagreed with our finding and recommendation, but emphasize the need of conducting a thorough analysis of the recommended consolidation.

OIG 'S COMMENTS

The OIG agrees with DHS that a thorough analysis of the data center consolidation efforts be conducted to definitively identify requirements and resources.

FINDING 2: Contingency And Business Continuity Planning

SYNOPSIS DOES contingency and business continuity planning for Y2K and beyond has not been finalized or tested. As a result, DOES could face serious service disruptions because it has not finalized or tested Y2K contingency plans for the uninterrupted service of all its operations in the event essential computer applications suffer processing problems on or after January 1, 2000. A factor contributing to this condition is the delay in obtaining needed resources to develop comprehensive contingency plans.

AUDIT RESULTS This issue was originally reported to the Director of DOES in an OIG Management Alert Letter, dated January 29, 1999. The DOES Director responded on February 19, 1999 by submitting a detailed contingency plan for DUCAS and stated that the planned delivery date for the DUTAS contingency plan is June 4, 1999. In August 1999, DOES provided us with a draft contingency plan for DUTAS and a draft test plan.

Our audit disclosed that DOES has not finalized and tested its Y2K contingency plans for providing uninterrupted services for collecting unemployment taxes and paying unemployment benefits in the event DUTAS and DUCAS fail to work. Details follow:

Review of the contractor's system development process disclosed that DUTAS would be delivered to meet DOES specifications. However, the scheduled implementation date of DUTAS has been moved from July 1999 to October 1999 because of unresolved technical and procurement problems. Based on our discussions with members of the DUTAS project team and the development contractor, we found that there is an assumption that the unemployment systems (DUTAS and DUCAS) will be implemented and operational by January 1, 2000. These assumptions were based on the belief that (1) DUTAS and DUCAS will become operational at the DHS data center without experiencing any technical problems; (2) the installation of a local area network and the connectivity between DOES and DHS will be established without problems; and (3) that all external systems interfaces will become operational without a Y2K induced failure or other operational/technical problems.

The risks associated with the DOES assumptions could result in an unacceptable level of service. In order to minimize these risks, DOES must have business continuity and contingency plans developed and tested for its mission critical systems before September 30, 1999.

The following is an example of a problem that can occur when there is no contingency planning:

In an OIG Management Alert Letter, we reported that during March and April 1999, DOES was unable to produce the tapes necessary for the production of checks for participants in the Job Training Partnership Act (JTPA) because of systems problems.

This meant that approximately 400 to 500 checks per week for JTPA program participants could not be processed. The JTPA payments are used to subsidize incurred training cost and are generally about \$50 per participant. We were told that JTPA training contractors had been informed that they would not be paid until the end of April 1999. However, DOES OMIDS management did not know when the problem would be fixed and were looking to OCTO for assistance in resolving the problem. DOES management further stated that the problem had occurred before, but no contingency plan had been developed that would allow the continued processing of checks when the system was down. This problem would result in DOES owing JTPA participants between \$20 to \$25 thousand for each week the checks could not be processed.

DOES responded to our Management Alert Letter on June 8, 1999, stating that a new stand-alone, PC reliant, data entry system had been installed on March 5, 1999. DOES also stated in their response that the DOES automated infrastructure is failing. The department, lacking sufficient resources has been unable to maintain and replace aging resources and glitch prone software over the past ten years.... Absent a windfall to underwrite extensive automation improvements, the department's limited resources will continue to be primarily directed toward support of its mainframe operations. Other systems are less critical, although their importance to the efficient and effective operation of DOES programs cannot be overstated.

The General Accounting Office has published a guide on the structured approach to the development of business continuity and contingency plans. The guide describes a four-phase project structure. The phases are:

1. **Initiation**: Establish a business continuity project work group and develop high-level business continuity planning strategy. Develop a master schedule and milestones, and obtain executive support.
2. **Business Impact Analysis**: Assess the potential impact of mission-critical system failures of your core business processes. Define a Y2K failure or process interruption scenario, and perform a risk and impact analysis of the failure or interruption. Define minimum acceptable levels of service for each core business process.
3. **Contingency Planning**: Identify and document contingency plans and implementation modes. Define triggers for activating the continuity plans, and establish a business resumption team for each core business process

4. Testing: Validate the agency's business continuity strategy. Develop and document contingency test plans. Prepare and execute tests. Update the plans as needed.

If business continuity and contingency plans are not developed, DOES will not be prepared for the potential crisis of a Y2K induced failure or other operational problems. Additionally, there would be no plan to assist in the restoration of normal service at the earliest possible time in the most cost-effective manner. Accordingly, because of the seriousness of this matter and the identification of other DOES application systems that must have Y2K contingency plans, we have included this finding in our final audit report.

RECOMMENDATION

2. DOES, in coordination with the OCTO, continue the development of business continuity and contingency plans that will outline in specific detail how DOES will operate in the event of Y2K induced failures or other operational problems, and ensure that the contingency plans are thoroughly tested.

DOES RESPONSE

DOES responded that this finding is no longer an issue since DOES has already taken the actions recommended. DOES states that some initial testing of their business contingency plan has been completed with further testing planned.

OIG 'S COMMENTS

The OIG believes that DOES has made progress in the area of business contingency planning, and continued progress towards the Y2K readiness of their applications.

OCTO RESPONSE

The OCTO responded that DOES has maintained the test schedule required by the Department of Labor, for both the benefits and tax system's contingency plans and that the schedule is satisfactory to the OCTO.

OIG 'S COMMENTS

The OIG believes that the OCTO's response meets the intent of the recommendation.



Government of the District of Columbia

Department of Employment Services

Office of the Director • Employment Security Building • 500 C Street, N.W. • Suite 600 • Washington, D.C. 20001

NOV 08 1999

Charles C. Maddox, Esq.
Inspector General
Government of the District of Columbia
717 14th Street, N.W.
Washington, D.C. 20002

Dear Mr. Maddox:

This letter is in response to the draft OIG audit report on the development of the DOES Unemployment Accounting System. Our response addresses the two findings and recommendations concerning the IT support at DOES and the need for contingency plans.

We appreciate the opportunity to review the draft and offer our comments.

Sincerely,


Jeanette Provost
Deputy Director

Enclosure

RESPONSE TO OIG AUDIT

11/5/99

FINDING 1: Information Management Organizational Structure and Technical Support Resources

Recommendation: DOES in conjunction with DHS and OCTO identify and quantify the level of support needed for DOES applications and use this information to make a final determination on when to consolidate, at the proper time, the DOES IT functions with another data center's operations such as the DHS data center.

RESPONSE

DOES agrees that the existing staff resources in the Office of Management Information and Data Systems (OMIDS) are inadequate to support the IT needs of the department. A number of steps have been taken to rectify this situation, and more are planned for the future. In October, three assessments of support needs for the DOES applications were completed; by Robbins-Gioia, a U.S. Department of Labor funded consulting firm, by SAIC, the firm from whom the DOES consolidation project manager was obtained, and by IBM, the company in charge of the move to the remote processing site in Lexington. Procurement actions have been submitted by DOES and OCTO to obtain the required staffing support for this fiscal year, and some of the individuals are already in place. Procurement actions to secure continuing technical assistance from the developers of the two new UI systems will be forthcoming.

Plans have been made by OCTO to return the DOES applications in FY '01 to a centralized data center operation in the District. Other D.C. agency mainframe operations will be consolidated in this central site. During FY '00, the DOES Director is realigning the entire department, which includes the Information Technology office. Vacancies will be posted and filled. Certain IT functions will be outsourced, and staff will be on board to monitor the activity.

In summary this finding, while valid at this time, is being addressed and will be resolved during this fiscal year.

FINDING 2: Contingency and Business Continuity Planning

Recommendation: DOES, in coordination with the OCTO, continue the development of business continuity and contingency plans that will outline in specific detail how DOES will operate in the event of Y2K induced failures or other operational problems, and ensure that the contingency plans are thoroughly tested.

RESPONSE

As noted in the audit results, Business Contingency and Continuity Plans (BCCP) were completed for both the Unemployment Insurance benefits and tax systems. A test plan was developed and submitted. Following an initial review by the U.S. Department of Labor Regional Office, the first two levels of testing have been completed for the benefits BCCP, and the first level of testing was done on the tax BCCP. The benefits BCCP has been modified four times and the tax BCCP twice. As further testing occurs, the plans will be strengthened and refined. We feel that the mission critical functions of tax collection and benefits payment will continue even if the mainframe systems are not functioning. In addition, the basis for relying on the mainframe systems has been reinforced by recent activity. On October 4, DUTAS, the Y2K compliant tax system, was implemented. On November 1, DOCS, the Y2K compliant benefit system was implemented. Both systems were successfully migrated to the remote processing site in Kentucky prior to implementation. All that remains is for all of the DOES systems to be moved into the Y2K compliant operating system, which is scheduled for November. Testing will be completed in mid-December.

In conjunction with OCTO, DOES has identified its other mission critical systems and BCCPs have been developed for them. There are final plans for Disability Compensation, Workers' Compensation, Summer Youth Employment, Job Training Partnership Act (JTPA), and the Job Service. Testing began in October on the two compensation program plans. The JTPA BCCP will also be tested in November. The Summer and Job Service programs will not be tested, as the Summer system is not required for some months, and the Job Service activities can be completed manually.

In summary, this finding, while partially valid at the time the report was drafted, is no longer an issue, as DOES has already taken the recommended actions.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF TECHNOLOGY OFFICER



MEMORANDUM

TO: Charles C. Maddox, Esq.
Inspector General

FROM: Suzanne J. Peck 
Chief Technology Officer
Office of the Chief Technology Officer

DATE: October 15, 1999

SUBJECT: Audit of the Development of the Department of Employment Services
District Unemployment Tax Accounting System (OIG-10-99CF)

Attached are our responses to your draft report of the Audit of the Development of the Department of Employment Services District Unemployment Tax Accounting System.

SJP/rym

Attachment

Response to finding number 1 - The assertion that DOES can save their entire data center operations (G&A) budget by consolidation to another District data center, realizing potential monetary benefits of about \$3 million.

The Office of the Chief Technology Officer (OCTO) agrees that consolidation is a desired objective and is already moving in that direction. Both the Department of Employment Services (DOES) data center and the University of the District of Columbia (UDC) data center have been located on an interim basis in Lexington, Kentucky. A single, consolidated, outsourced data center is planned for September 2000.

The OCTO disagrees with the assertion that \$3 million can be saved annually by DOES through consolidation to another District data center, for the following reasons:

OCTO estimates that even with consolidation, annual costs to operate DOES' portion of the consolidated data center and to improve ongoing agency-based IT support, which is woefully understaffed, will be approximately \$2.8 million annually. The following table represents OCTO's estimate:

(Amounts in thousands)

(Amounts in thousands)		
Ongoing consolidated operations:		
Data Center Personnel	\$876	Operators, CICS support, VTAM/network support and MVS support
Additional 3 rd party software and increased licensing fees	\$500	Renewal licenses for additional clean management software for change control, problem management and performance/capacity.
Additional hardware maintenance and support	\$500	Increased hardware capacity will require additional 3 rd party maintenance support.
Agency based operations activity:		
Additional Subject Matter Experts (SME) for the applications	\$400	There should be at least 3 additional SME's to provide support for the DOES application system.
Operations support at the DOES input/output distribution facility	\$600	At least 6 operators will be required to support this function.
TOTAL	\$2,876	

Additionally, a one-time cost of approximately \$4.6 million will be required to improve DOES' portion of the consolidated data center IT operations to a minimum level of competence on the capability maturity model. The costs associated with this estimate are outlined below:

(Amounts in thousands)

One time consolidated operations:		
Additional CPU and storage costs	\$1,000	An additional 30 MIPS of central processing power and an additional 75 gigabytes of storage
Software upgrades	\$1,100	Endevor, the preferred change management software, alone costs \$750,000 for an initial license
Clean management costs to enhance operational environment	\$1,500	This is a 6 to 12 month effort to enhance problem/change management, performance/capacity management, production processing/migration, storage management and testing procedures
One time agency based IT support:		
Creation of a new DOES input/output distribution center	\$1,000	Rebuild network, data entry, tape processing, and printer operations
TOTAL	\$4,600	

Response to finding number 2 – DOES contingency and business continuity planning for Y2K and beyond has not been finalized or tested.

The Office of the Chief Technology Officer has been closely tracking the contingency and business continuity plans for the Department of Employment Services (DOES) Unemployment Insurance (UI) program. The federal Department of Labor has required DOES and all 50 states to fully develop and test contingency and business continuity plans for the UI benefits (DUCAS) and tax (DUTAS) programs.

The Department of Labor has hired a contractor, ICTS, to assist DOES in developing and writing its contingency plans for benefits and taxes. Both plans have been completed. In addition, Department of Labor has funded the PC-based, Automated Contingency System (ACS) that will process and print UI benefit checks in case the mainframe DUCAS application is not in operation due to a Y2K failure. The ACS system is scheduled to be tested in early November, and in the event DUCAS is not operational, the ACS system will be in production January 4, 2000.

Both the UI tax and UI benefits contingency plans have been written pursuant to Department of Labor standards. The Department of Labor requires that each state periodically test the plans and make needed modifications based upon the results of the tests. The Department of Employment Services has working contingency plans that are tested and revised based upon the testing results. DOES has maintained the schedule required by the Department of Labor and that schedule is satisfactory to the Office of the Chief Technology Officer.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HUMAN SERVICESJEARLINE F. WILLIAMS
DIRECTOR

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SEP 30 1999

MEMORANDUMTO: Charles C. Maddox, Esq.
Inspector GeneralFROM: Jearline F. Williams
Director

DATE:

SUBJECT: DHS comments on the Audit of the Development of the Department of
Employment Services District Unemployment Tax Accounting System

This memorandum is in response to your request for a review and comments on the OIG's draft audit report on the development of the Department of Employment Services' District Unemployment Tax Accounting System (DUTAS). My staff has completed a review of the subject audit and the following comments are provided:

- When DOES is moved to the "clean managed" production environment in Lexington, Kentucky they will have three separate Logical Partitions (LPARs). They are: (1) an LPAR that replaces the production system at 500 C Street, N.W.; (2) an LPAR that will replace DHS' current LPAR3 which is being used to develop the new DUTAS system; and, (3) an LPAR that will be used for Y2K testing. We are unaware of the methods and procedures to be used with this LPAR in Lexington, Kentucky. The DHS mainframe currently does not have an LPAR that could be used for DOES testing. An upgrade of the CPU would be required to develop such an LPAR.
- While preparing for the proposed consolidation of DOES with DHS, this agency encountered the same problems that the IG addresses (i.e., lack of application programmer support at DOES).
- Frequent references are made in the audit to moving DOES to DHS (i.e., Data Center consolidation). It should be noted that a consolidation at DHS from the Lexington, Kentucky site would be a different operational environment than what was planned for the 'original consolidation'. A consolidation consists of a number of management and technical components:

- ▶ Applications - It appears that the IG is implying that DHS would provide application support for DOES. All the management issues relating to this would have to be developed, agreed upon, and supported.
- ▶ Mainframe - Movement of the mainframe component is the easiest part. However, once the mainframe component is moved, the receiving agency has total authority for security and systems support. Operations and Production & Control authority can be shared with the using agency. This would be done because: (1) peripheral devices (i.e., tapes and printers), must be located at the using agency, thus requiring operators and production & control personnel; and, (2) sequencing of jobs is complex or jobs may need special application oriented attention, or jobs are not fully documented, thus needing production and control personnel. The original consolidation was designed in this manner. This necessary staff at the user agency (DOES), would need to be factored into potential savings of a consolidation.
- ▶ Other Items -
 1. The IG states that: "Based on interviews with the DHS Data Center Chief Information Officer, we were told that DHS could assume the maintenance and change control processes required for the DOES software applications if additional staffing resources were made available...". It should be noted that no attempt can be made to do a consolidation until after March 2000.
 2. If a consolidation is to be done, DHS will need both new hardware, hardware upgrades and software upgrades to support the DOES applications.
 3. All of the prior issues relating to the consolidation MUST be resolved.

In conclusion, DHS would like to emphasize the importance of conducting a thorough analysis of the recommended consolidation of DOES with another data center to more definitively identify requirements and resources.

If you have questions regarding these comments, please call Al Witcher of my staff at (202) 608-1021.

JFW/aw