

September 20, 1999

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SENIOR VICE PRESIDENT, CHIEF TECHNOLOGY OFFICER

SUBJECT: Audit Report – Year 2000 Initiative: Status Report on Postal Service Year
2000 Readiness (Audit Report Number IS-AR-99-002)

This report presents the results of our review of the USPS Year 2000 (Y2K) Initiative regarding progress in addressing the Year 2000 Challenge. (Project Number 99EA017IS000). This is our seventh report addressing USPS efforts to deal with the Year 2000 Issue.

The report contains no recommendations but presents an independent perspective with regard to Y2K activities reported by the various elements within the Postal Service. We compared work completed against initial and/or adjusted baseline numbers for each activity and characterized progress as substantial, considerable, or limited. Postal management commented on this report, at our invitation, even though there were no recommendations. Their comments questioned our reporting on baseline numbers and work completed instead of discussing planned actions and interim status of various activities. Our evaluation of management's comments, which is included in its entirety as an appendix, can be found in the executive summary.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact [REDACTED] or me at (703) 248-2300.

Billy J. Sauls
Assistant Inspector General
for Employee

Attachment

cc: Richard D. Weirich
John R. Gunnels
Alan B. Kiel

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EXECUTIVE SUMMARY

Introduction

This is our seventh audit report in a series of Office of Inspector General (OIG) reports regarding the United States Postal Service (USPS) Year 2000 (Y2K) Initiative. (See the Prior Audit Coverage section on page 17 for details on these prior reports.) This report discusses our review of the USPS Y2K Initiative regarding progress in addressing the Year 2000 challenge. The report contains no recommendations but presents an independent perspective with regard to Y2K activities reported by the various elements within the Postal Service.

Results in Brief

Overall, the Postal Service had demonstrated considerable progress on the Y2K Initiative as of May 1999 in comparison to the baseline numbers we reported in December 1998. However, much work remains in successfully completing the Y2K Initiative. The Postal Service demonstrated substantial progress in making its severe and critical information systems Y2K compliant and obtaining or developing Y2K compliant solutions for its information technology infrastructure and mail processing equipment. It also showed considerable progress in making its data exchanges Y2K ready and determining the readiness of its suppliers. However, the Postal Service disclosed varying levels of progress in the area of component contingency plans and limited progress in facilities, business continuity and recovery management planning, external suppliers, and information system readiness testing. While much work remains to be done in the areas where we have classified progress as "considerable" and "limited," the Postal Service is actively engaged in accomplishing these tasks.

In our February 1999 report on the USPS Y2K Program Management Office's reporting on Y2K activities, we made several recommendations to improve the quality of reporting, including the adoption of a single status sheet for briefing senior management. This report includes a synopsis of actions taken by management to date regarding those recommendations (see Exhibit D).

Summary of Management's Comments

This report contains no recommendations and therefore Postal management was not required to comment on its contents. However, management did accept our offer to

comment on the report and we have highlighted some of their points in this summary section. The comments are included in their entirety as an appendix to the report.

Management's comments focused on those areas in the draft where we noted progress was either mixed or limited. There were no major comments regarding other areas where we noted substantial or considerable progress. The comments addressed (1) component contingency plans, (2) external suppliers, (3) facilities, (4) business continuity planning and recovery management, and (5) simulation testing.

In their comments, management noted that Business Continuity Planning was classified as having made "limited progress" because none of the 32 continuity plans had been completed at the time of our review. Management claims that, had we referenced the plan that called for *developing business continuity plans* (emphasis added) by August 30, 1999, we would have reported that all such plans had been *drafted* (emphasis added) by May 31, 1999, two months before the planned date.

The comments also cites another area where the OIG was critical for reporting that none of the Postal Service's 353 critical facilities had been found Y2K ready to date. The comments noted, ". . . even though the report acknowledges that assessments of all facilities were in progress as of May 31, 1999, it does not evaluate progress of this work segment in comparison with the June 1999 planned completion date for the assessments. At the time of the audit, this activity was ahead of schedule, having completed 288 assessments against a plan of 258."

In general, management's comments on our draft report regarding their efforts to become Y2K compliant indicate that, had we reported progress against their Year 2000 plan - (the milestones and metrics contained therein) - instead of focusing on baseline numbers, the results of our audit might have been different and our findings would have resulted in more accurate reporting.

**Evaluation of
Management's
Comments**

As noted on the introduction to this report, we said we would be reporting progress based upon the number of items/functions becoming Y2K compliant. We chose to use actual numbers in order to provide an understandable metric with which to gauge progress. We took no issue with management's Y2K Plan but we do believe presenting interim milestones and partial results is less informative than reporting actual results as to what was done and what remains to be done. We evaluated progress against baseline numbers to provide the metrics for Y2K components actually completed for each area in relation to the overall, desired result, and also reported the milestone dates from the Plan to show a compliance reference point or timeline.

The methodology we chose provides a different perspective - a quantitative progression toward a finite goal that, when compared to our first report and the baseline numbers, clearly presents the degree of progress achieved and also where progress is lacking or lagging behind. Another reason for this approach is that the Plan does not provide metrics for all components for every category we reported and plans are subject to revision – the Plan has been revised twice since its inception.

With regard to the examples cited in their comments, we believe a report that indicates 353 critical facilities will be Y2K compliant by November 30, 1999 (the current Plan milestone date), is not as meaningful as one that reports none of 353 critical facilities are Y2K compliant as of July 31, 1999 - only five months short of the Y2K deadline.

Also, in the case of the business continuity plans (32 at the time), we believe a more meaningful metric, for reporting purposes, would be the number of plans completed, tested, and deployed – which, in this case, was none. Without this information, a reader would not know how close or far the Postal Service is with regard to actually completing each planned task.

Future status reports will continue to compare baselines to current progress using baseline numbers and numbers made compliant. We will also continue to provide milestone dates to give some perspective to the work completed and in process.

INTRODUCTION

Background

The Y2K problem results from the way dates are recorded and calculated in computer systems. In the past, to conserve electronic data storage, systems typically used two digits to represent the year, such as '98' representing 1998. With this two-digit date format, however, the year 2000 is indistinguishable from 1900, 2001 from 1901, and so on. As a result of this ambiguity, systems that use dates to perform calculations may fail after 1999.

The Postal Service Y2K Initiative covers information systems and platforms as well as other non-information systems issues. The information systems portion of the Y2K Initiative spans over 500 applications systems and Postal Service information technology infrastructure including mainframe hardware and software, telecommunications, servers, personal computers, and internal/external data exchanges. The Y2K Initiative also includes external supplier activities as well as embedded software found in mail processing equipment, facilities, and vehicles. Further, business continuity planning, information systems contingency planning, and readiness testing are critical processes which must be performed to ensure that the Postal Service is ready for the year 2000.

In order to effectively address business issues during the final year of preparation for the turn of the century, the Postal Service established a Year 2000 Executive Council. The Council is made up of senior officers leading Y2K communication, remediation, and business continuity planning activities. These include the Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer, Chief Technology Officer, and the Senior Vice President for Government Relations. The Council meets approximately twice each month to review the plan, assess progress, and resolve issues. Progress is measured against the plan and the results are reviewed at Council meetings.

Objective, Scope, And Methodology

The objective of this phase in our continuing audit coverage was to report on the status of Y2K readiness. Our audit work was accomplished from March to July 1999 in accordance with generally accepted government audit standards, and included tests of internal controls as were considered necessary under the circumstances. The data in this report was gathered at headquarters and field locations by sending a survey questionnaire and by

contacting the responsible officials, as necessary, in their respective areas. We measured progress by taking the Y2K accomplishments through the end of May 1999 (see Exhibit A) and comparing them to the December 1998 accomplishments (see Exhibit B) and their respective baseline data that was available at the time. The numbers reported herein represent data gathered as of May 31, 1999. Our review focused on measuring USPS' Y2K progress at a given point in time. During our review, we also followed up on implementation of prior recommendations made in our February 18, 1999 report on Program Management Office Y2K reporting. The results of that work can be found in Exhibit D.

We recognize that the Postal Service's effort to become Y2K compliant is a continuous process, and the numbers are constantly changing - up or down depending on the circumstances. We will reflect those changes in subsequent status reports. We are not comparing Postal efforts with their plan but are reporting the numbers as they evolve, to give those concerned an understandable metric (standard of measurement) with which to gauge progress. If a task had not been started or was not reported, either because of a problem or it was planned that way, we set the point of reference or baseline at zero and reported the differences accordingly.

Prior Audit Coverage

As part of our continuing Y2K review coverage, we issued five audit reports focusing on the operational aspects of the Y2K Initiative. A sixth report was issued that dealt with Y2K contract administration issues. A letter report was also issued addressing Y2K contract indemnification matters. In addition, the OIG and General Accounting Office testified in a February 23, 1999 joint hearing before three House subcommittees on various USPS Y2K issues. Exhibit C contains a more detailed discussion of these reviews.

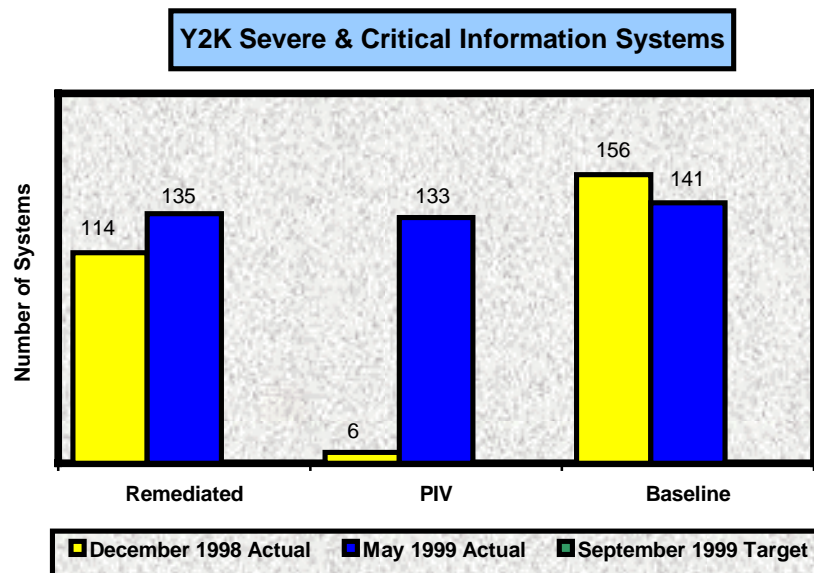
AUDIT RESULTS

Status of Major USPS Y2K Areas

While we are aware that the Postal Service Y2K Initiative continues to evolve, this report documents the progress of specific Y2K areas as of May 31, 1999. The characterization of the status of Y2K areas in this report, as compared to the baseline numbers, was determined as follows: substantial progress -- 75 percent or more of the baseline completed; considerable progress -- 25 to 74 percent of the baseline completed; and limited progress -- 24 percent or less of the baseline completed. This report does not contain any recommendations, however, two ongoing Y2K reviews will address specific issue areas and may include recommendations. This status report will be updated and issued on a periodic basis.

Information Systems Area

Severe and Critical Information Systems: The Postal Service demonstrated substantial progress in making its severe and critical information systems Y2K ready.



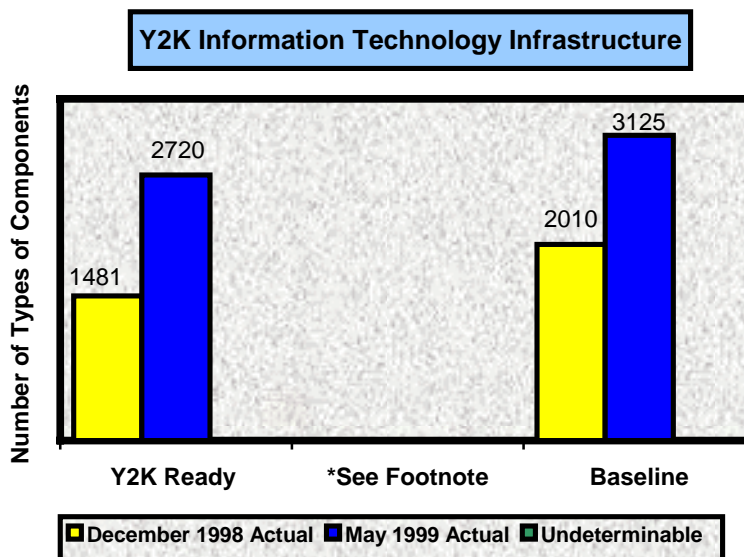
Of the 141 information systems deemed severe and critical as of May 31, 1999 (shown in the chart), 135 were remediated¹ and 133 successfully completed post implementation verification² (PIV). We noted improvement in the remediation and post implementation verification

¹ Remediate – reviewing and correcting systems/components for Y2K readiness.

² Post implementation verification (PIV) - a review of systems after remediation to provide independent assurance that they are Y2K ready.

efforts as shown in the chart since December 1998. The Postal Service reduced the baseline³ from 156 severe and critical information systems in December 1998 to 141 systems in May 1999 (17 systems were deleted and 2 other systems were added for a net difference of 15). Business owners determined that the majority did not significantly affect core business processes, for deleted systems.

Information Technology Infrastructure: The Postal Service relies heavily on mainframe systems, midrange computers, network servers, personal computers and telecommunication equipment to carry out its mission. The Postal Service demonstrated substantial progress in identifying Y2K solutions for 2,720 of the 3,125 baseline information technology infrastructure components as shown in the chart below.⁴ The Postal Service identified the remaining 405 components as candidates for retirement.



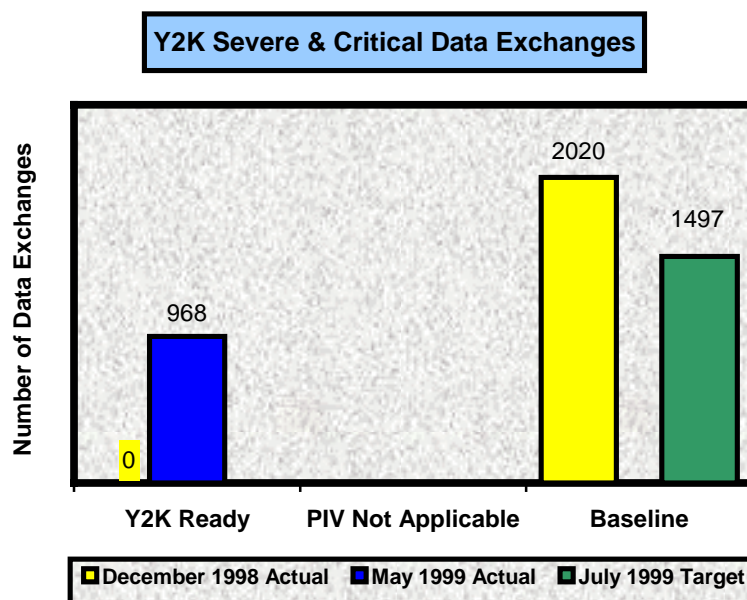
The baseline has increased from 2,010 to 3,125 since December 1998, increasing the number of components needing Y2K solutions. Most of the remaining components needing Y2K solutions were acquired from commercial

³ Baseline – the number of items in an inventory for each particular Y2K area; the beginning number to which remediation must be applied.

⁴ According to Postal Service officials, the post implementation verification process is not applicable to the information technology infrastructure. A less rigorous process---Independent certification---was used for these components and was ongoing at the time of our review

vendors. Thus, the Y2K solutions for these components are not controlled by the Postal Service, and therefore a target completion date was undeterminable.

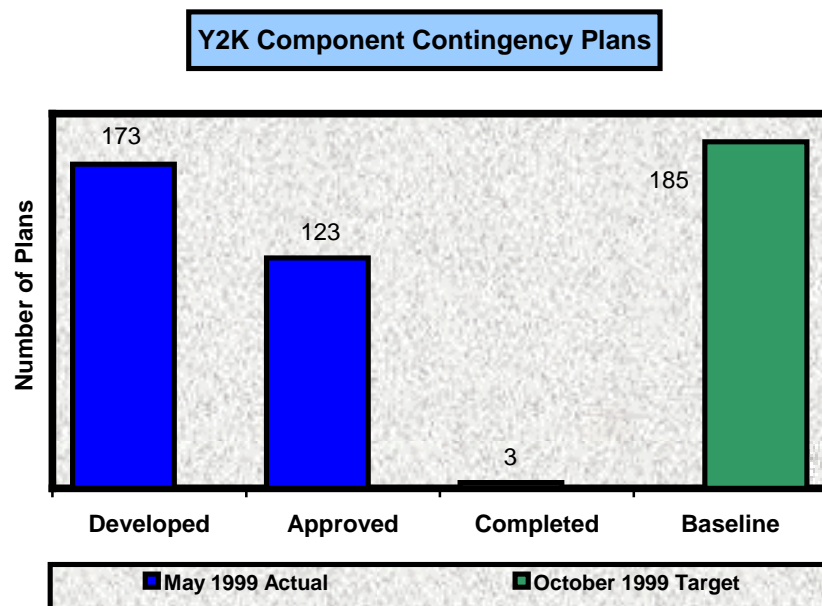
Data Exchanges: The Postal Service exchanges a significant amount of system data internally and with external organizations. The Postal Service demonstrated considerable progress in making 968 of its 1,497 severe and critical data exchanges Y2K ready as shown in the chart below:



We noted improvement since December 1998 when none of the data exchanges were Y2K ready. Also, since December 1998, the Postal Service validated its data exchanges and determined that the final baseline contained 1,497 severe and critical exchanges - down from 2,020.⁵ According to Postal Service officials, the reported reduction in the baseline since December 1998 was attributed to removing those exchanges that were previously double and triple counted in the inventory. The Postal Service target date for making all severe and critical data exchanges Y2K compliant is July 1999. We are conducting a separate, in-depth review on Y2K data exchanges to determine the readiness status and completeness of testing.

⁵ Our December data did not contain a breakout for severe and critical exchanges. In fact, the baseline we reported was changing. This 2,020 baseline represents the first breakout of severe and critical exchanges we encountered. We first identified this baseline in January 1999.

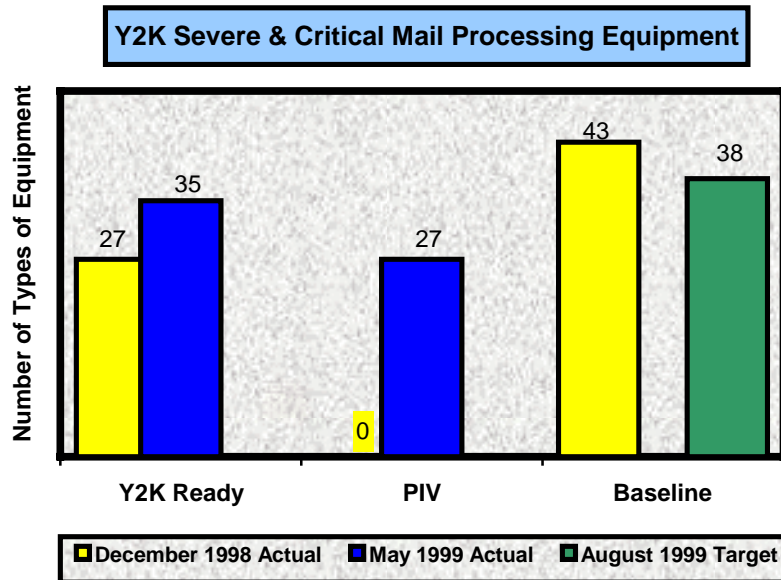
Component Contingency Plans: The Postal Service demonstrated substantial progress in developing and approving component contingency plans, however, its progress in testing and deploying the plans has been limited. The Postal Service's limited progress in this area is related to a revised definition of the term "completed," which now encompasses developing, approving, testing, and deploying contingency plans. As shown in the following chart, the Postal Service had developed 173 of 185 contingency plans and approved 123 of the plans, but only 3 had been "completed" as of May 31, 1999. None of the component contingency plans had been completed prior to December 1998. The scheduled completion date for these plans is October 1999.



Critical Core Business Infrastructure

Mail Processing Equipment: As depicted below, the Postal Service demonstrated substantial progress in developing Y2K solutions for 35 of its 38 severe and critical types of mail processing equipment. Also, the number of solutions being developed increased from 27 to 35 for severe and critical types of mail processing equipment since December 1998. For the three types of equipment not remediated, officials indicated that the equipment's primary function of processing mail was fully operational and was not affected by Y2K. Secondary functions of this equipment, such as reporting, were still in remediation. Post implementation verification at the time of our review was completed on 27 of 38 types of mail

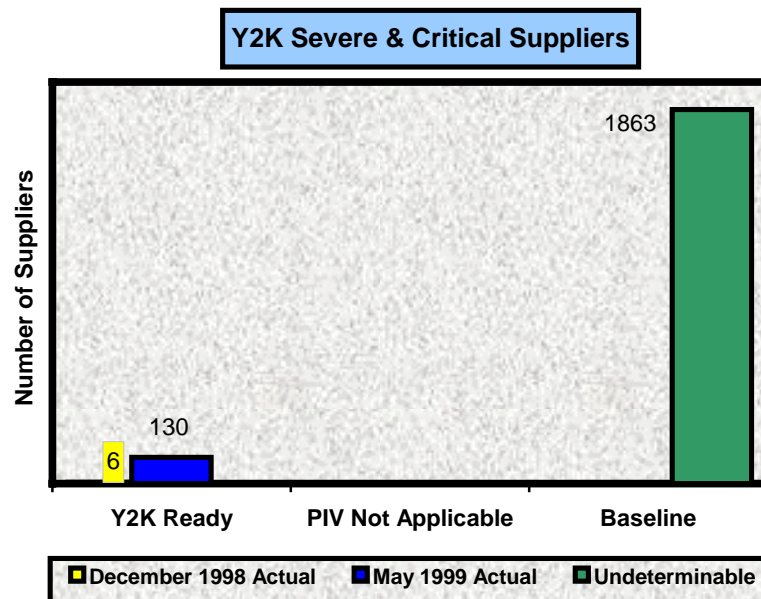
processing equipment. The Postal Service was in the process of deploying the actual Y2K-ready solutions to thousands of pieces of equipment nationwide.



Since December 1998, the mail processing equipment baseline was reduced from 43 to 38 because (a) deployment was delayed until post year 2000 on two new pieces of equipment, (b) one system was being replaced, and (c) two others were reclassified as important but not critical. The scheduled completion for developing and deploying the remaining solutions for mail processing equipment is August 1999. We are currently conducting a separate review of mail processing equipment Y2K readiness, including progress in deploying actual solutions, progress on embedded systems' Y2K readiness, and the adequacy of mail processing equipment testing.

External Suppliers: The Postal Service's progress with regard to the overall Y2K readiness of its 1,863 critical suppliers, business partners for whom the Postal Service has no real control over, is limited. The severe and critical suppliers' baseline was increased from 563 (the December 1998 number) to 1,863 as of May 1999 because the original baseline only included the Business Area suppliers. At that time, the Postal Service had not begun assessing Geographic Area suppliers. The current baseline consists of 277 Business Area suppliers and 1,586 Geographic Area suppliers. These suppliers include external organizations

used by the Postal Service to support its core business processes such as those in the airline, railroad and trucking industries. As depicted in the chart below, 130 suppliers (36 Business Area suppliers and 94 Geographic Area suppliers) are Y2K ready -- a considerable improvement from the December 1998 numbers when only 6 suppliers were Y2K ready. (Our prior report inadvertently indicated two Y2K suppliers were ready.)

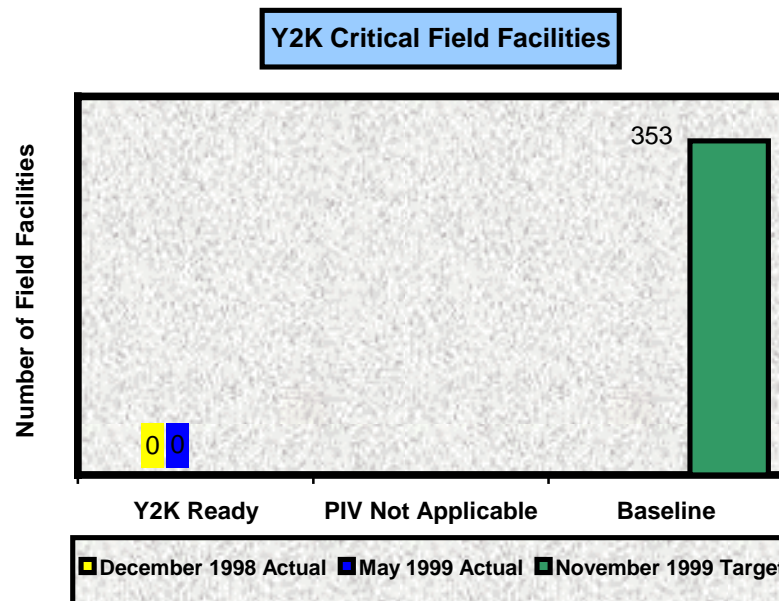


However, with only 130 of 1,863 critical suppliers reported as Y2K ready, the May 31, 1999 progress--in our opinion--would be considered limited (only 7 percent completed). We are aware of the fact that the Postal Service expects 863 suppliers (240 Business Area and 623 Geographic Area) to be Y2K ready but those numbers still remain to be seen. These additional suppliers (863), when added to the 130 suppliers that were reported as Y2K ready, will only represent a little over 50 percent of the baseline.

Our review also showed that 639 Geographic Area suppliers were contacted by the Postal Service but had not responded as of May 31, 1999. During our review, the Postal Service continued efforts to contact these non-responsive Geographic Area suppliers. The Postal Service will prepare business continuity plans and will consider alternate suppliers for those who may not be ready, however, a specific milestone for taking such action had not been established. We are currently evaluating the status

and progress of external supplier readiness in a separate, ongoing review.

Technology-Dependent Facilities: The Postal Service's progress in making its critical technology-dependent mail processing equipment field facilities ready for Year 2000 has been limited. The technology-dependent facility baseline decreased from 1,200 in December 1998 to 353 in May 1999 (see chart below) because of a reclassification of facilities. The Postal Service redefined its critical facilities to include those important network nodes through which they process 95 percent of the mail. Subsequent to establishing its original critical facilities baseline, the Postal Service also added to its inventory 3,631 facilities that it categorized as having potential Y2K life safety issues. We did not present a chart since this was a new category of facilities as of May 31, 1999 and a comparison for metrics to the December 1998 statistics could not be made. However, this new category of facilities will be reviewed for Y2K readiness in our next status report.



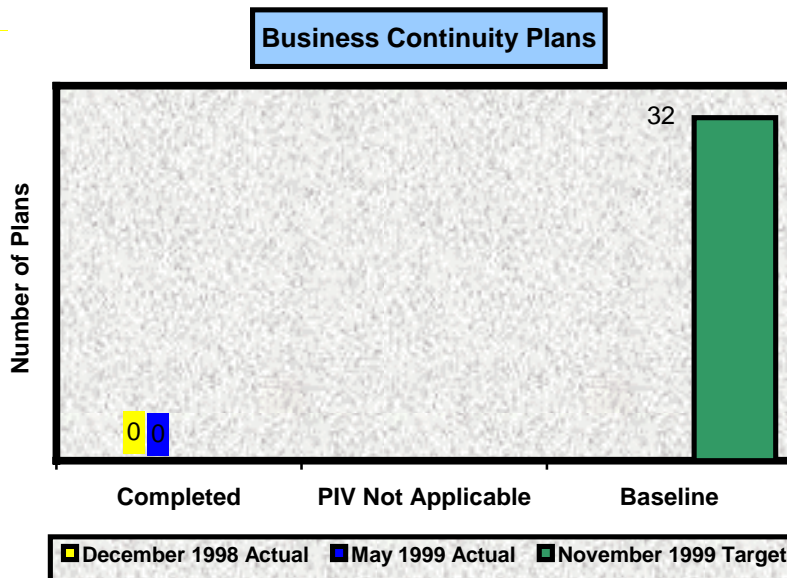
Assessments of all facilities were in progress as of May 31, 1999. At that time, none of the critical technology-dependent facilities had been reported as Y2K ready, while 342 of the important, but not critical life safety facilities were reported as Y2K ready. The planned Y2K readiness date for all facilities is November 1999.

Corporate-wide Y2K Issues

Business Continuity Planning and Recovery

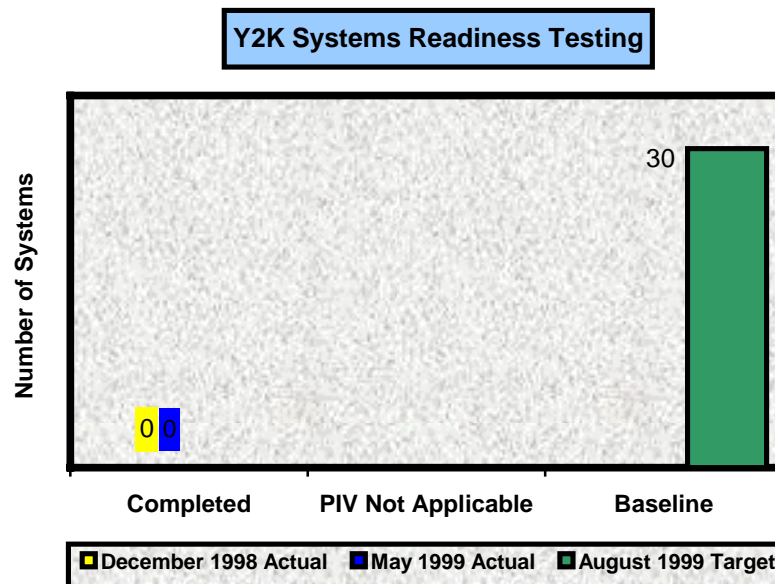
Management Planning: The Postal Service is fully engaged in business continuity planning, but had made limited progress in completing its business continuity and recovery management planning as compared to its baseline numbers. We rated this as “limited” because the continuity plans had not been completed or tested at the time of our review. However, we recognize that the Postal Service does have a schedule for developing and testing these plans in August 1999 and, if needed, November 1999. Nonetheless, much work remains over the next several months to complete these plans.

We noted improvement between the present and December 1998, when none of the continuity plans were developed. At the time of our review, the Postal Service had documented its mission critical processes and identified key systems, components, and suppliers supporting those processes. Postal officials had also identified a number of potential failure scenarios for mission-critical systems and developed 32 draft business continuity plans to address these scenarios. The draft continuity plans are expected to be completed by July 1999, with rehearsals (tests) targeted for August and, if necessary, November 1999. Component contingency plans and procedures required to implement some of the business continuity plans also need to be completed.



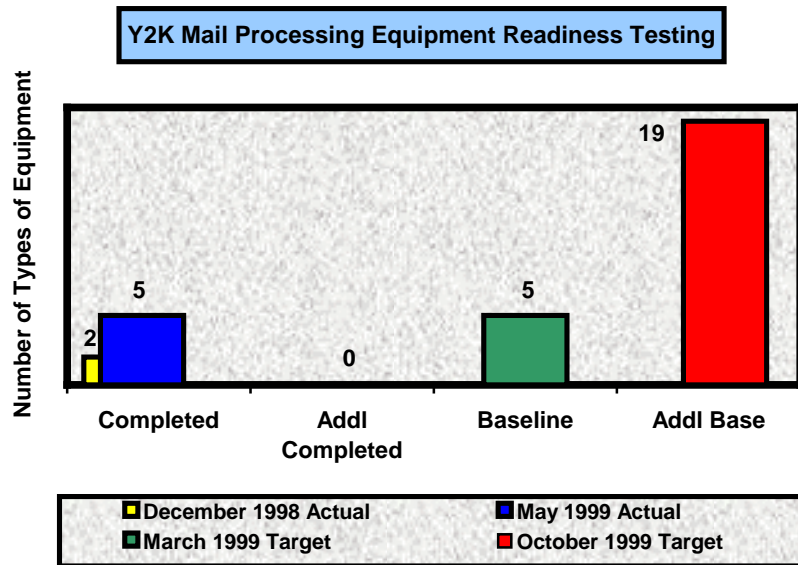
In May 1999, the Postal Service began recovery management planning which included documenting existing disaster recovery capabilities, identifying recovery process owners and their roles, and developing a recovery management plan. With the reported target date of November 1999 for completion, the recovery management effort was on schedule, however, we believe much work remains to be done. Future actions include developing requirements for reporting, tracking, and correcting Y2K induced failures; integrating rollover schedules; and integrating and validating the recovery management plan. We are conducting a separate review to determine if the Postal Service has adequate continuity and recovery plans to minimize Y2K disruptions.

Information Systems Readiness Testing: The Postal Service initially planned to conduct release testing on all severe and critical information systems to ensure Y2K readiness. However, in December 1998, the Postal Service's focus shifted from release testing to simulation testing. In March 1999, postal officials established a new baseline of 70 information systems for testing, prepared the test environment and test plans, and conducted information system pilot tests. In May 1999, the Postal Service again reduced the number of information systems to be tested from 70 to 30 because of budget reductions and a shortened window to complete testing.



Because of the reduction in the scope of testing and the fact that testing had not begun as of May 1999, progress was considered limited. However, the Postal Service started readiness testing of the 30 systems in June 1999 and expects to be completed by August 1999. A separate Y2K review is underway to look at the scope and adequacy of planned testing and the rationale behind management's decision to reduce readiness testing.

Mail Processing Equipment Readiness Testing: The Postal Service planned and successfully completed five Y2K readiness tests on nationally maintained mail processing equipment as of May 1999, an improvement over the two reported as completed in December 1998. Two tests were conducted at a Plant and Distribution Center, two at a bulk mail center, and one involved retail vending. According to Postal Service officials, some Y2K problems were found during testing (and were being corrected), however none of the problems should directly affect the movement of the mail.



We view the progress as mixed. On the one hand, all five tests planned in December 1998 were completed as of May 1998, indicating considerable progress. However, on the other hand, we were concerned that the Postal Service used a small number of tests to represent all mail processing equipment components in Postal facilities across the nation and therefore were reluctant to place too much value on this progress. The Postal Service subsequently decided to expand mail processing equipment testing to include

additional geographic areas. Nineteen new tests are now planned to ensure that what was successfully tested in one location would apply to all other locations that are configured the same. This new series of tests is scheduled to be completed by October 1999. We are reviewing this area in more depth in an ongoing review.

Status of Program Management Office Report Recommendations**Implementation of Prior Program Management Office Reporting Recommendations:**

Our February 1999 Y2K report, entitled "Year 2000 Initiative: Program Management Office Reporting" (Report No. IS-AR-99-001, February 18, 1999), addressed the quality and reliability of Y2K information reported to senior managers. We found that Y2K briefings and reports to senior management were not always complete, consistent, or clear. Y2K briefings did not include a standard report on the overall status of Y2K progress and were not provided at regularly scheduled intervals. Senior managers did not always have the information to monitor Y2K progress and lost time critical opportunities to make important resource and budget decisions. We made four recommendations in this report addressing these issues which the Postal Service agreed to implement.

In December 1998, the Postal Service reorganized its program management to better reflect Y2K efforts in terms of the business operations and created a Y2K Executive Council. The Council is made up of senior officers leading Y2K communication, remediation, and business continuity planning activities and other senior managers. The Council meets approximately twice each month to review the new Y2K program plan, assess progress, and resolve issues. The Y2K program plan established management accountability and control within Y2K work segments and an official has been assigned to each work segment. Progress is measured against the plan and the results are reviewed at Council meetings.

The Y2K program management reorganization and new Y2K program plan facilitated implementation of several of our recommendations. In implementing recommendations 1 and 2, the Postal Service developed a standardized report used by the Y2K Executive Council to monitor progress against the overall Y2K program plan. The Council uses this standardized report to track progress using set milestones and baseline metrics as set forth in the Y2K

program plan. In implementing recommendation 3, the Postal Service consolidated some Y2K standalone databases into a single database and have established links to other systems. In implementing recommendation 4, the Postal Service had, and continues to reevaluate priorities and shift or identify resources to complete the initiative. Exhibit D contains a more detailed discussion on the Postal Services' implementation of the recommendations.

MAY 1999 Y2K STATUS INFORMATION

Y2K Major Area *****	Baseline Inventory	Status	No. Verified as Compliant (PIV'ed)	Est. Completion Date or Verified as Compliant
Information Systems:		Remediated		
o Severe and Critical	141	135	133	Sep-99
o Important, Not Critical	283	267	83 (Optional)	Nov-99
o IT Infrastructure	3,125	2,720	N/A	Undeterminable
		Y2K Ready		
o Exchanges (internal/external)	1,497	968	N/A	Jul-99
		Completed		
o Component Contingency Plans	185	3	N/A	Oct-99
	Current Known Inventory	Y2K Ready	No. Verified as Compliant (PIV'ed)	Est. Completion Date or Verified as Compliant
Core Business Processes:				
** Mail Processing Equipment				
o Severe and Critical	38	35	27	Aug-99
o Important, Not Critical	27	27	NA	Jul-99
** Suppliers				
o Severe and Critical	1,863	130	N/A	Undeterminable
Business Areas	277	36		
Geographic Areas	1,586	94		
** Facility Sites				
o Severe and Critical-HQ	None	None	N/A	N/A
o Important, Not Critical-HQ	155	95	N/A	Nov-99
o Critical, Tech.-Dependent-Fld	353	0	N/A	Oct-99
o Important, Life Safety-Fld	3,631	342	N/A	Nov-99
		Completed		
Corporate Y2K Issues:				
o Business Continuity Plans	32	0	N/A	Nov-99
o Systems Readiness Testing	30	0	N/A	Aug-99
o Non-IS Readiness Testing	5	5	N/A	Mar-99
o Addl Non-IS Readiness Testing	19	0	N/A	Oct-99

The blue areas represent issues that are high priorities and at a minimum need to be performed. NLT indicates the item is no longer tracked. TBD denotes dates to be determined. N/A indicates post implementation verification no applicable.

DECEMBER 1998 Y2K STATUS INFORMATION

Y2K Major Area *****	Baseline Inventory	Status	No. Verified as Compliant (PIV'ed)	Est. Completion Date or Verified as Compliant
Information Systems:		Remediated		
o Severe and Critical	156	114	6	TBD
o Important, Not Critical	354	296	12 (Optional)	TBD
o IT Infrastructure	2,010	1,481	0	Jul-99
		Y2K Ready		
o Exchanges (internal/external)	3,186*	0	N/A	TBD
		Completed		
o IS Contingency Plans	156	0	N/A	Oct-99
	Current Known Inventory	Y2K Ready	No. Verified as Compliant (PIV'ed)	Est. Completion Date or Verified as Compliant
Core Business Processes:				
** Mail Processing Equipment				
o Severe and Critical	43	27	0	TBD
o Important, Not Critical	33	18	0	TBD
** Suppliers				
o Severe and Critical	563*	2	N/A	Sep-99
o Important, Not Critical	3,650*	7	N/A	Sep-99
** Facility Sites				
o Severe and Critical-HQ	None	None	N/A	N/A
o Important, Not Critical-HQ	131*	10	N/A	TBD
o Severe and Critical-Fld	1,200*	0	N/A	Sep-99
o Important, Not Critical-Fld	30,073*	0	N/A	Sep-99
		Completed		
Corporate Y2K Issues:				
o Business Continuity Plans	Unknown	0	N/A	Aug-99
o Systems Readiness Testing	Unknown	0	N/A	TBD
o Non-IS Readiness Testing	Unknown	2	N/A	TBD

The yellow areas represent issues that are high priorities and at a minimum need to be performed. The single asterisk indicates baseline not complete at the time. TBD denotes dates to be determined. N/A indicates post implementation verification not applicable.

PRIOR AUDIT COVERAGE SYNOPSIS

The OIG and General Accounting Office established a joint partnership in the fall of 1998 to work on Y2K issues which led to February 1999 testimony before three House subcommittees. The Inspector General testimony on the Postal Service Y2K Initiative (Report No. IS-TR-99-001 dated February 23, 1999), addressed major challenges facing the Postal Service. These included: developing and implementing a business continuity and contingency plan; determining whether external suppliers and Postal facilities are Y2K ready; deploying solutions and testing mail processing equipment; and reviewing, correcting, and testing information systems, data exchanges, information technology infrastructure. The GAO delivered testimony entitled "Year 2000 Computing Crisis: Challenges Still Facing the U.S. Postal Service" (GAO/T-AMID-99-86, dated February 23, 1999) which addressed Y2K operational issues similar to those presented in the IG testimony.

In July 1999, we issued a Y2K report entitled "Year 2000 Initiative: Review of Administration Management" (Management Advisory Report No. FR-MA-99-002, dated July 7, 1999). Among the more significant issues, we noted that adequate controls were not always in place to monitor contractor activities, information had not always been provided to Integrated Business Systems Solutions Center personnel to help in controlling Y2K resources, and work products provided by contractor personnel were not always timely or adequate. We also noted issues with unnecessary layers of contractor management, numbers or expertise of contractor personnel, security clearances, and deviations from USPS travel regulations granted to one contractor. USPS management concurred with seven of our eight suggestions for opportunities to save resources.

In February 1999, we issued a Y2K report entitled "Year 2000 Initiative: Program Management Reporting" (Report No. IS-AR-99-001, dated February 18, 1999) that addressed quality and reliability of Y2K information reported to senior managers. We found that Y2K briefings and reports to senior management were not always complete, consistent, or clear. Y2K briefings did not include a standard report on the overall status of Y2K progress and were not provided at regularly scheduled intervals. Senior managers did not always have the information to monitor Y2K progress and lost time critical opportunities to make important resource and budget decisions. USPS management concurred with our findings and recommendations.

In September 1998, we issued a Y2K report entitled "Year 2000 Initiative: Post Implementation Verification" (Report No. IS-AR-98-003, dated September 29, 1998), that involved an assessment of the efficiency and effectiveness of the process implemented as an independent check on USPS remediation efforts. This report recommended USPS modify its system certification and post implementation verification procedures to improve the quality of systems sent to verification as well as the process itself. USPS management concurred with our findings and recommendations.

In July 1998, we issued a Y2K report, entitled "Year 2000 Initiative: Status of the Renovation, Validation, and Implementation Phases" (Report No. IS-AR-98-002, dated July 21, 1998), that involved a preliminary assessment of the renovation, validation, and implementation phases of the USPS Year 2000 initiative. It contained recommendations for improvement in several areas including accurately reporting the compliance status of systems applications. USPS management concurred with our findings and recommendations.

Our first Y2K report entitled "Year 2000 Initiative" (Report No. IS-AR-98-001), was issued on March 31, 1998. During this review, we examined the awareness and assessment phases of the USPS Y2K initiative and made recommendations for improvement in several areas including assigning accountability to responsible managers. USPS management concurred with our findings and recommendations.

We also issued a letter report, entitled "Y2K Contract Indemnification Advisory Letter" (Report No. CA-LA-98001, dated July 7, 1998). That letter addressed negotiations between the Postal Service and a consulting firm regarding the Y2K program management contract's indemnification clause. That letter contained suggestions to USPS management regarding the indemnification issue.

Details of Y2K Report on Program Management Office Reporting Recommendation Implementation

RECOMMENDATION 1: VP, Information Systems - Develop a “standardized report” to be included in briefings that discloses all Year 2000 Areas and provide them on a frequent (e.g., biweekly) basis to senior management.

ACTIONS COMPLETED TO DATE: The Program Management Office developed a standardized bi-weekly “Program Plan Update” report used by the Year 2000 Executive Council to monitor progress against each of the 31 Program Plan work segments. The report provides the current status against the milestones and metrics defined in the Program Plan. This report is presented as the first agenda item at the Executive Council meetings.

Decision briefings are standardized in terms of addressing specific issues related to achievement of program plan metrics and milestones.

RECOMMENDATION 2: VP, Information Systems - Ensure that the “standardized report” includes at a minimum, the following: (1) all major Year 2000 areas, (2) original baseline figures, any changes to the baseline and reason for change, and target dates, and (3) definitions of terms as appropriate. Also details should be provided on baselines, such as mail processing equipment, information technology infrastructure, etc. to show the magnitude of effort undertaken.

ACTIONS COMPLETED TO DATE: The “Program Plan Update” report delivered to the Executive Council on a bi-weekly basis provides the current status of milestones and metrics in the program plan, and tracks approved changes to the Program Plan. In cases where dates are changed, new dates are identified and noted in supporting documentation to the Program Plan Update.

RECOMMENDATION 3: VP, Information Systems – Consolidate and link USPS Year 2000 databases to provide a complete, centralized repository of Year 2000 project information.

ACTIONS COMPLETED TO DATE: The Postal Service has made strides in consolidating stand-alone databases into the central repository, the Planning and Reporting (P&R) database. In cases where the costs to consolidate additional databases outweigh the benefit, database links may be established.

RECOMMENDATION 4: VP, Information Systems – Re-evaluate priorities given the non-information systems and corporate Year 2000 issue areas and shift or identify additional resources to address them as soon as possible.

ACTIONS COMPLETED TO DATE: This is ongoing with no end date. Priorities and resources are continuously re-evaluated, reassigned, and/or acquired. The work segment leaders reviewed their detailed plan to ensure adequate funding is in place to achieve plan objectives. If additional funding is required, there is a process in place to request the funding.

RICHARD D. WEIRICH
VICE PRESIDENT, INFORMATION SYSTEMS



August 18, 1999

Mr. Billy J. Sauls
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SUBJECT: Comments on Draft Audit Report Year 2000 Initiative: Status of Postal Service Year 2000 Readiness (Report No. IS-AR-99-00X)

Dear Mr. Sauls:

We are pleased to have the opportunity to provide comments on the subject draft report. We recognize that a written response is not required, but believe there is value in providing you additional information on the five areas your audit report classified as making "limited" or "mixed" progress since the Office of Inspector General (OIG) reported baseline numbers in December 1998.

As you are aware, the teams working to successfully complete the Year 2000 Initiative are tracking and reporting progress against the metrics and milestones in the approved Year 2000 Program Plan. We are concerned that the audit report evaluated progress against a goal of 100% achievement of baseline numbers rather than evaluating progress against the plan. If the audit characterized progress in relation to the approved plan, we believe the findings would have resulted in more accurate reporting.

For instance, Business Continuity Planning (BCP) was classified as having made "limited progress" because none of the 32 continuity plans had been completed at the time of your review. The Year 2000 Program Plan includes the milestone, "Develop Business Continuity Plans" which has an August 30, 1999 completion date. If our plan had been used in your evaluation of this work segment, you would have reported that all BCPs had been drafted by May 31, 1999, two months prior to the program plan completion date.

The enclosed comments briefly explain our view of progress in comparison with the program plan milestones and provide an update on the progress we have made to date. We remain confident that our continued dialog with respect to the audits your office conducts will result in the production of value-added information which we all can use to improve our organization.

A handwritten signature in black ink, appearing to read "Richard D. Weirich".

Enclosure

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Management Comments on
Draft Audit Report Year 2000 Initiative:
Status of Postal Service Year 2000 Readiness
(Report No. IS-AR-99-00X)

There are no recommendations in this report; therefore, the Postal Services' comments are limited to the five categories identified as having made "limited" or "mixed" progress. Our comments will include a brief discussion of the status of the work segment in relation to the progress required by the approved Year 2000 Initiative Program Plan and an update on the current status of each category or work segment. Because the June 1, 1999 Year 2000 Program Plan update had not been released at the time of the audit, references to the program plan milestone dates and metrics are relative to the March 12, 1999 plan.

1. Component Contingency Plans (CCP)

The audit report recognized that "substantial progress" has been made in developing and approving the plans, but rates our progress in testing and deploying the plans as "limited" because only 3 plans had been "completed" as of May 31, 1999. The term "completed" means that plans have been developed, tested, approved and deployed.

At the time of your audit, 173 CCPs had been developed and 123 approved. The plan includes a June 30, 1999 milestone for approving the CCPs. Using the program plan milestone, at the time of your audit, 93% of the CCPs had been developed and 66% of the CCPs had been approved – a full month prior to the scheduled approval date. To date, all required CCPs for severe/critical systems have now been developed, tested, as appropriate, and approved. Deployment of the plans is not scheduled until October 15, 1999.

Additional comments regarding this area will be provided as part of the response to the OIG Report on Year 2000 Business Continuity and Contingency Planning: Initiation and Business Impacts.

2. External Suppliers

The audit results rated our progress with regard to External Suppliers as "limited" because only 130 of 1,863 critical suppliers (277 business area and 1,586 geographic area) were reported as Y2K ready and 863 suppliers were expected to be Y2K ready. This total, representing a little over 50% of the baseline, resulted in the OIG's "limited progress" assessment. As the report recognizes, our control over suppliers' readiness is limited; therefore, our plan contains no metrics related to the number of suppliers that are Y2K ready. It is worthwhile to note, however, that to date, 99.6% of business area and 73% of geographic area suppliers are either ready or expect to be ready and the Supplier Management work segment is meeting all metrics and milestones in the plan.

The report acknowledged that business continuity plans (BCPs) would be developed, but stated that there was no specific milestone for taking action to prepare the plans. The March 12, 1999 program plan has three separate milestones related to contingency plans requiring the work segment to facilitate development and testing of the plans. The plan requires completion of these three milestones June 30, August 31, and October 31, 1999, respectively. Additionally, the business continuity process focuses on suppliers not expected to be Year 2000-ready as well as those that could have a high impact on mission critical processes. This process provides for the development of BCPs for high impact suppliers that include workarounds in the event of disruptions.

Additional comments regarding this area will be provided as part of the OIG Report on Year 2000 Business Continuity and Contingency Planning: Initiation and Business Impacts.

3. Facilities

The OIG assessed our progress on the 353 "Technology-Dependent" (classified as "Critical Area-managed Facilities" in the program plan) as "limited" because none of these facilities had been found Y2K ready. Although the OIG recognized the planned readiness date for facilities is not until November, the rating was based on our progress against the total baseline number rather than the plan. The report acknowledges that assessments of all facilities were in progress as of May 31, 1999, but it does not evaluate progress of this work segment in comparison with the June 30, 1999 planned completion date for the assessments. At the time of the audit, this activity was ahead of schedule, having completed 288 assessments against a plan of 258.

As of July 31, 1999, assessments for these facilities are complete and readiness activities are on target for completion in mid-October.

4. Business Continuity Planning (BCP) and Recovery Management Planning (RMP)

The progress rating for Business Continuity Planning (BCP) was "limited" notwithstanding the fact that the report acknowledges that the Postal Service is fully engaged in BCP activities. As with other activities, this rating was based on the fact that none of the BCPs had been completed or tested at the time of the review. Again, the program plan requires completion of development and testing in August and November 1999, respectively, and this work segment is progressing in accordance with the program plan.

To date, over 500 BCPs have been developed and approved for mission critical processes. Rehearsals for plans requiring further validation will be completed prior to November 30, 1999.

Similarly, Recovery Management Planning (RMP) was found to have made "limited" progress against the baseline numbers in the plan. This rating was given notwithstanding the OIG's finding that recovery management was "on schedule." The report explains the rating was given because the OIG believes "much work remains to be done." We believe that this rating again fails to acknowledge progress against our plan.

Additional comments regarding this area will be provided as part of the OIG Report on Year 2000 Business Continuity and Contingency Planning: Initiation and Business Impacts.

5. Simulation Testing (Information Systems and Mail Processing Equipment)

The report raises concerns relative to the number of tests scheduled for both information systems and mail processing systems. Testing of information systems was considered "limited" because the Postal Service reduced the scope of testing from 70 to 30 systems and had not begun testing as of May 1999. With respect to the progress of this activity, the program plan milestone "Execute Simulation Test" has an August 31, 1999 completion date and over 40 of the applications that support critical business processes have been tested during the first of a two-phased testing effort.

The report acknowledges that five Y2K readiness tests on nationally maintained mail processing equipment (MPE) were completed successfully, yet, progress was viewed as "mixed." This determination was based on the concern that, while all tests had been completed, the number of tests did not represent *all* MPE components across the nation. As the report states, Postal Executives responsible for this area added additional tests throughout the nation to provide additional assurance of Y2K readiness and this testing is scheduled to be complete October 1999.

Further comment on this area will be provided in response to the detailed audit which is in process.

**Major Contributors to
This Report:**

[REDACTED]
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