
Office of Inspector General

Audit Report

***Use of Funds for the
Year 2000 Computer Program
Department of Transportation***

***Report No. FE-2000-080
Date Issued: April 11, 2000***





Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: **INFORMATION**: Report on Use of Funds
for the Year-2000 Computer Program, DOT
FE-2000-080

Date: April 11, 2000

From: John L. Meche
Deputy Assistant Inspector General
for Financial and Information Technology

Reply To
Attn Of: Meche:x61496

To: Assistant Secretary for Budget and Programs
Federal Aviation Administrator
Commandant, U.S. Coast Guard

This report presents our audit results on the Department of Transportation's (DOT) use of funds to address the Year-2000 computer problems. Our audit objective was to determine whether sufficient controls existed to ensure funds provided for Year-2000 preparations were used only for purposes authorized by law.

RESULTS IN BRIEF

During Fiscal Year (FY) 1999, DOT received, by direct appropriation or by the transfer of supplemental funding, a total of \$227 million for Year-2000 preparations. About 94 percent of these funds were for the Federal Aviation Administration (FAA) and the U.S. Coast Guard. We reviewed the internal controls over these funds within FAA and the Coast Guard and found the controls were adequate. For FAA, we identified four procurements totaling \$3.6 million that were not directly related to Year-2000 preparations, but which fell within the discretion of the agency as provided under law. Accordingly, this report contains no recommendations.

BACKGROUND

DOT's Year-2000 preparations included many activities to ensure national and international transportation computer systems continue to provide safe and reliable transportation before, during, and after the rollover to 2000. DOT replaced and tested hardware and software components of its internal computer systems for mission-critical functions, such as separating aircraft and performing safety

inspections. DOT worked with the domestic and international transportation industry, and with foreign governments to survey and verify the overall preparedness of the transportation industry for the date-change rollover. DOT also repaired, replaced, and tested internal mission-critical systems that provided communications, accounting and financial data, and administrative functions.

In its Report on DOT's FY 2000 Budget, the U.S. Senate Appropriations Committee directed DOT to report, in detail, on the specific use of funds provided for Year-2000 preparations. DOT must report on how the funds were directly applied to Year-2000 preparations; explain any other use of these funds, specifying the provision that gave DOT the authority to use these funds for other purposes; and estimate what portion of the funds would have been spent for technology without the Year-2000 crisis. DOT's report is to be delivered to the Senate by May 15, 2000, to the Committee on Appropriations, the Special Committee on the Year 2000 Technology Problem, the Committee on Governmental Affairs, and the Committee on the Budget.

SCOPE AND METHODOLOGY

During FY 1999, DOT received \$227 million for Year-2000 preparations, either by direct appropriation or by the transfer of supplemental funding from the Office of Management and Budget. DOT received the funds for Year-2000 preparations throughout the year, with the last transfer of funds occurring at the end of July 1999.

We limited our audit to \$214 million of FY 1999 funding for FAA and the Coast Guard, which accounted for about 94 percent of DOT's FY 1999 funding for Year-2000 preparations. FAA received \$182 million and the Coast Guard received \$32 million.

We interviewed budget officials from the Office of the Assistant Secretary for Budget and Programs, FAA Year-2000 Program Office, and the Coast Guard Year-2000 Group. We reviewed the FY 1999 budget request, appropriations law, and DOT justifications for supplemental funds. We reviewed internal controls and systems used to approve projects and procurements and track the use of funds. We reviewed 88 procurement transactions totaling \$96.4 million, and verified whether the funds were used for Year-2000 preparations. The Office of Inspector General Legal Counsel reviewed the applicable laws and legislative history as they pertained to four FAA transactions totaling \$3.6 million.

We conducted the audit in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States. Our audit was conducted from August 1999 through January 2000.

RESULTS

Federal Aviation Administration

FAA funds were administratively divided into three accounts, each managed and tracked separately. The three accounts and fund allocations were: Year-2000 Date Change Program, \$96 million; Host and Oceanic Computer System Replacement Program, \$52 million; and Operations, \$34 million.

Initially, the Year-2000 Date Change Program Office and the Host and Oceanic Computer System Replacement Program Office approved and processed all procurements using these funds. As supplemental funds became available, FAA distributed funds to the three offices to process individual procurements and manage the funds. However, the Year-2000 Date Change Program Office continued to monitor the usage of all funds.

We identified 623 procurement transactions valued at \$111 million that were recorded in DOT's accounting system. The procurement information was compiled from records available in July and August 1999. We reviewed a total of 43 procurements valued at \$92 million, and found 39 were directly related to Year-2000 preparations. The four procurements not directly related to Year-2000 preparations were from funds allocated to the Host and Oceanic Computer System Replacement Program.

The Host and Oceanic Computer System Replacement Program is a multi-phased program. The first phase was for hardware replacement. FAA requested \$72 million in the President's FY 1999 budget submission for the Host and Oceanic hardware replacement as well as upgrading the software. The Conference Report on the FY 1999 DOT Appropriations cut \$52 million from FAA's request and stated:

The conferees agree to provide \$20,000,000 for replacement of the host computer system. The conference agreement assumes that, if necessary, the balance of the \$72,000,000 required can be made available by the Office of Management and Budget from emergency supplemental funds for Year 2000 (Y2K) programs.

In accordance with this guidance, DOT requested and obtained \$52 million in supplemental funds from the Office of Management and Budget. Congress stipulated that supplemental funds be transferred “. . . for expenses necessary to ensure the information technology that is used or acquired by the Federal government, meets the definition of Year 2000 compliant under Federal Acquisition Regulations. . . .” By September 30, 1999, hardware replacement was complete, and both Host and Oceanic computer systems were certified as Year-2000 compliant.

FAA used at least \$3.6 million of the \$52 million provided for the Host and Oceanic Computer System Replacement Program for purposes that were not directly related to Year-2000 preparations. The four procurements related to the subsequent phases of the program, phases that would develop new software and enhance the systems operations. These procurements fell within the discretion of the agency as provided under law.

U.S. Coast Guard

The Coast Guard's Year-2000 Group established procedures to review each Year-2000 preparation project before authorizing the use of supplemental funds. Each review verified the need for the project and the appropriateness to use the supplemental funds. Once projects were approved, project managers reported monthly to the Year-2000 Group about the use of funds, and the reports were reconciled against DOT's accounting system.

As of July 31, 1999, the Coast Guard had approved the distribution of \$29.5 million to 116 Year-2000 preparation projects. Based on our review of the internal control procedures in place, we concluded the Coast Guard had effective controls, so we limited the scope of our review. We reviewed 45 contracts, purchases, other expenditures and obligating documents for \$4.4 million and found all purchases were related to Year-2000 preparations, as established in DOT's request for supplemental funds.

ACTION REQUIRED

Because this report contains no recommendations, a response is not necessary. We appreciate the courtesies and cooperation of DOT, FAA, and Coast Guard representatives. If you have any questions, please call Harry Fitzkee at (410) 962-3612, or me at (202) 366-1496.

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