

Local Government Insurance Trust**RISK MANAGEMENT BULLETIN**

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Year 2000 Glitch (Y2K)

First there was Godzilla, King Kong, Twister, Volcano, Deep Impact, Men in Black and El Nino. Now in production and ready to make its debut on January 1, 2000, is the Y2K glitch.

According to some sources, this just may be the end of the world as we know it. Some estimates include \$600 billion for the fixing of the hardware and software and \$1.4 trillion for litigation which will inevitably result when loss of life and wealth are traced to errors relating to the Y2K glitch. It has been stated that one third of all U.S. businesses will fail, there may be a tremendous drop in the stock markets, and a host of other problems may occur. Then there are others who believe that the Y2K issue has been greatly exaggerated and it will be solved with a simple "fix". This is the extent of the viewpoints and somewhere between these two spectrums lies the truth.

What is the Problem?

The Year 2000 (Y2K Glitch) is a problem that developed by coding the year 2000 using only the last two digits in many computer programs and embedded chips in such things as cars, washing machines, copy machines and VCRs. The date "00" may be interpreted as 1900 or calculations may be made from "00 instead of 2000". Some imbedded chips may simply be so confused by a date that makes no sense that they cause a shutdown of the equipment in which they are installed.

The goal of every local government should be to minimize potential Y2K problems by evaluating equipment containing embedded chips and to include Y2K compliance in the specifications for new purchases.

Sponsoring Organizations

The Computer is Down!

For most local governments across the State of Maryland the statement, “the computer is down or the network is down” simply means that we cannot function, we have to cease operations or we cannot perform our normal work responsibilities. Add the Y2K dilemma to this scenario, and we have a recipe for disaster. Local governments that do not convert in time will face serious problems as systems and operations such as: emergency management permit systems, asset management, detention centers and utilities, etc. will fail. Not all embedded chips will fail or even have a problem, but those that control vital equipment that do fail will cause serious headaches if not dealt with.

The Institute of Electrical Engineers (IEE) has indicated that for every computer in use, there are 100 microchips in all kinds of everyday equipment that might be affected by the date problem. Therefore, tackling the crisis is not really a technical issue; it is the sheer scale of the problem. Everybody must act simultaneously to solve the problem.

Top Five Mistakes Made in Addressing the Y2K Problem

Denial – Thinking that the problem does not exist, or if it exists that it does not affect you.

Wishful Thinking - That someone is going to come up with a “silver bullet” that magically makes the problem go away without too much trouble or expense.

Unjustified Optimism – The organization will meet the schedules they have set out for achieving compliance even though they probably have a track record of not completing the majority of their projects on time.

Putting on Blinders - Solving your own internal Year 2000 compliance problem is not good enough. If your vendors or customers fail then you too may also fail.

Not Focusing in on the Critical Systems - At this late date local governments cannot fix everything on time. They must concentrate on the most critical areas.

Key Concerns for Local Governments

- The billing system, utility invoices, property taxes, banking, payroll, accounts payable, cash on hand. Delayed tax bills or utility bills to citizens may cause financial hardship causing cash flow delays.
- Public Safety/Emergency Management – The 911 operation as well as detention centers. There is a potential for a public safety crisis.

- Utility Operation – The embedded chips at these locations could fail which could result in a disruption of utility services to the community.
- Other computerized operations including permits, code enforcement, pension plan administration, retirement benefits, etc.
- Court System – The jury pool and other date sensitive processes.

Once the problems have been identified and addressed, appropriate testing should be done to ensure that the problem has been solved. Further tests should also be conducted to ensure that the solution integrates well with the existing network, etc.

What Can Local Governments Do to Avert Serious Problems?

The first step is to become familiar with the problem as soon as possible and then develop a plan of action. The Internet is a good starting point as there are reams of information available on the Y2K problem. Here are some suggestions on where to start:

Awareness – Since there is a tendency to dismiss or underestimate the seriousness of the Y2K problem, it is very important to make employees aware of the everyday equipment and systems that will be impacted.

User Group - Join with other local governments to form a Y2K user group to exchange strategies for handling the problem. The State of Maryland has a Year 2000 Program:

Year 2000 Management Office
49 Old Solomons Island Road
Annapolis, MD 21401
410-974-6111
Joe Pancaro
JPANCARO@dbm.state.md.us

Inventory – Take an inventory of the equipment and systems affected by the Y2K problem and concentrate your attention on the most critical items. Inventory should include hardware, software, software licenses and vendor agreements.

Legal Issues – Since there is a potential for huge liability issues, involve your legal counsel in the process from the outset.

Vendor Compliance – Contact vendors to obtain in writing on your forms their certification of compliance for your products in your inventory. Vendors' verbal assurances or statement of compliance in their words may be insufficient.

Future Purchases – Establish control in your purchasing procedures to assure that all new systems and equipment purchased will be compliant.

Contingency Plan - Develop a contingency plan to deal with those systems that may fail at the end of 1999.

The Local Government Insurance Trust will be assisting members with solving the Y2K problem. We are gathering Year 2000 plans to share with local governments and would appreciate a copy of your entity's plan to deal with the problem. If you have any questions, please contact our office.

Attached is a survey that should aid in your internal assessment. Please complete and return to LGIT by 7/31/98.