

Phase II — Assessment Stage. This phase begins with identifying all of the State's systems and individual components of those systems. The State has identified its mission-critical systems and equipment, which are systems and equipment that are critical to conducting operations and checking for compliance.

Phase III — Remediation Stage. This phase is comprised of making technical changes to existing systems and equipment or switching to new compliant systems. During this stage, decisions are made on how to make the systems Year 2000 compliant, and the required system changes are made.

Phase IV — Validation/Testing Stage. This phase validates and tests the changes made during the remediation stage. This stage includes the development of test data and test scripts, the running of test scripts, and the review of test results.

The State's Year 2000 program is built on an information technology approach whereby each State agency, as the business entity, is responsible for ensuring its systems are Year 2000 compliant. A critical part of the State's Year 2000 plan is the development of contingency plans to assure continued operation in the event of critical automated systems failure or unforeseen supply chain interruptions. Contingency plans describe the steps to be taken, including the activation of manual or outsourced processes, to ensure the continuing of operations in the event of a Year 2000 induced system failure. The PMO has been working with the State agencies to identify and prioritize systems and provide other technical and programmatic support to address all issues. The following chart details the mission critical systems by priority and their respective stage of conversion as determined by the PMO and the individual agencies.

	Number of Priority Systems			
	Awareness	Assessment	Remediation	Validation/Testing
Complete:				
Most Critical Systems	26	25	18	3
High Priority	207	153	90	34
Priority	215	190	119	43
Incomplete:				
Most Critical Systems		1	8	23
High Priority		54	117	173
Priority		25	96	172
Total	448	448	448	448

While the State has allocated significant resources to the Year 2000 issue and expects to resolve all of its Year 2000 problems prior to December 31, 1999, there can be no assurance that all systems will be ready or that failure of systems not identified as critical could have significant negative effect on the State's operation. Also minor problems will undoubtedly remain after December 31, 1999. The State does not expect Year 2000 problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. However, the State has no control over the Year 2000 remediation efforts of external third parties and to the extent that the third parties have not resolved its Year 2000 problems, they may negatively impact the State.