

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

and

Health Care Finance Administration

State Systems APD Guide

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PREFACE

This State Systems APD Guide was developed by the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF), in cooperation with the Health Care Finance Administration (HCFA), to help States prepare Advance Planning Documents (APDs) and related documents for approval for Federal financial participation (FFP). It is intended to streamline the process by establishing certain discrete standards that State submissions must meet prior to approval and by limiting these standards to the most essential.

This document will be used by HHS staff as a standard for review. It should also be used by State personnel and their consultants and contractors working on systems subject to HHS' review, approval, and certification.

Comments were requested and received from both HHS central and regional office staff and were incorporated, wherever possible, in this guide. Yet, the true test of this manual is how well it supports the States during the systems life cycle and whether it remains relevant and useful. In this sense, the final test of this guide by the ultimate users (the States) remains.

HHS welcomes suggestions from those using this guide. Written comments may be sent to:

Department of Health and Human Services
Administration for Children and Families
Director, Office of State Systems
Attn: OSS/SSPS
370 L'Enfant Promenade, SW
Washington, DC 20447-0001
Fax (202) 401-6400

CHAPTER I: INTRODUCTION

A. BACKGROUND AND OBJECTIVES

The Department of Health and Human Services (HHS) provides leadership and direction in planning, managing, and coordinating the administration and financing of a broad range of comprehensive and supportive programs for vulnerable children and families. These programs are carried out in part by public and private, State and local agencies and are designed to promote stability, economic security, responsibility, and self-sufficiency.

Although the programs are carried out at the State and local levels, HHS is responsible for approving, monitoring, and certifying that the programs are being implemented as intended by law and regulation and that the expenditure of Federal funds is made wisely.

This guide describes HHS' policies and procedures for Federal review, approval, and funding of information systems supporting the operation of the Administration's programs. An important element of the process is the preparation and approval of Advance Planning Documents (APDs).

The three primary purposes of the APD process are to:

- Describe in broad terms the State's plan for managing the design, development, implementation, and operation of a system that meets Federal, State, and user needs in an efficient, comprehensive, and cost-effective manner;
- Establish system and program performance goals in terms of projected costs and benefits; and
- Secure Federal financial participation (FFP) for the State.

This *State Systems APD Guide* (referred to in short as the *APD Guide*) is intended to:

- Provide a single guide addressing policies and procedures that apply across HHS' programs and apply equally to all States;
- Inform States how to obtain approval and funding through Advance Planning Documents (APDs); and
- Provide insight on the most critical elements of the approval process so that States

can prepare more effective APDs and so that Federal approval can be granted more readily.

In developing this guide, HHS was cognizant of the requirements of Administration for Children and Families (ACF), the Health Care Finance Administration (HCFA), and the U.S. Department of Agriculture's Food and Consumer Service (FCS). Given that State agencies must at times develop automation plans that integrate and address the requirements of ACF, HCFA, and FCS, this guide endeavors to describe high-level processes, procedures, and documents that are compatible within HHS and with those of FCS, given existing regulations and policies.

Nonetheless, to be useful to the States, this guide goes beyond high-level requirements to describe, for example, aspects of the review of APDs which reflect HHS' perspective. States developing APDs for systems which require approval from ACF, HCFA, and FCS should refer also to HHS' *APD Guide*, HCFA's guidance in Chapter 11 of the *State Medicaid Management Manual*, and FCS's *APD Handbook*.

EXHIBIT I-1: RESPONSIBILITIES

State Responsibilities	HHS Responsibilities
<p>Propose cost-effective systems solutions.</p> <p>Implement systems that meet Federal and State programmatic requirements.</p> <p>Achieve maximum practicable competition.</p> <p>Set system and program performance goals in terms of costs and benefits.</p> <p>Measure performance against projected costs and benefits.</p>	<p>Set standards for systems and for document approval.</p> <p>Review and approve or disapprove State submissions.</p> <p>Provide FFP.</p> <p>Ensure performance progress against projected costs and benefits.</p> <p>Serve as information source on system initiatives across all States.</p>

B. RESPONSIBILITIES

As Exhibit I-1 on the prior page indicates, the administration of HHS' programs is a cooperative endeavor, with Federal and State governments working together to implement information systems that support the

management of Social Security Act programs. Given the State's operational role, considerable responsibility rests with the State for operating welfare-related programs efficiently, effectively, and economically. Automated systems are needed to accomplish this task.

The cost of these automated systems is typically provided by matching Federal funds to State expenditures, resulting in shared funding responsibilities. In certain circumstances, enhanced rates for systems development and operations are authorized by statute and regulation, usually for specific programs and for set time periods. (See Exhibit I-2 below.)

EXHIBIT I-2: PROGRAM FUNDING INFORMATION

Program	FFP Percentage Rate		Approved by:
	Regular	Enhanced	
Title IV-A:			ACF
TANF (Block Grant)	N/A	N/A	
Refugee Resettlement	100	-	
Title IV-B: Child Welfare*	75	-	
Title IV-E: Foster Care and Adoption	50	75**	
Title IV-D: Child Support	66	80/90 ***	ACF
Title XIX	50	75 / 90 ****	HCFA
Food Stamps	50	-	FCS

[Key: * = Capped entitlement. ** = October 1993 through September 1997. *** =90% for development of eligible FSAct expenditures in APDU in effect as of 9/30/95, 80% for development of PRWOR system requirements, State allocation of enhanced funding is capped. **** 75% for operational costs / 90% for design, development, and implementation (DDI).]

C. TYPES OF APDs

Each State seeking Federal funding above the regulatory thresholds (covered in the next section) for the development and implementation of information systems must prepare and submit an Advance Planning Document (APD) for approval by HHS. The APD process may involve one or a series of documents used to secure Federal funding. Eligible State information systems are planned and developed under HHS' approval process which can include two major submissions:

- The Planning APD, and
- The Implementation APD.

In addition, States may use two types of APD Updates (APDUs) to keep HHS advised and to obtain continued funding throughout the systems life. The two types of APDUs are:

- Annual APD Updates, used for routine reporting on the status of the project and for requesting continued, phased project funding, and
- As-Needed APD Updates, used if significant changes occur in project approach, procurement, schedule, or costs.

As part of the APD process, States may also be required to submit copies of solicitation documents, contracts, and contract amendments for prior written approval when regulatory thresholds are exceeded (unless waived at the time of APD approval).

Although use of the formats described in this guide is encouraged to ease and expedite Federal review and approval the formats are not mandatory.

D. APPROVAL REQUIREMENTS

Typically, dollar thresholds determine whether States must obtain written approval from HHS before proceeding or before being authorized Federal financial participation (FFP). Exhibit I-3 beginning on page 7 illustrates the current approval requirements in brief.

The following chapters detail the APD requirements and set standards against which HHS conducts reviews. These standards should help States (and by extension HHS) in developing well-prepared APDs.

A State best serves its own interests if, *prior to submission*, State analysts

review the draft APD to anticipate questions or problems and *resolve them before submission*. States should be aware that the quality, completeness, and organization of the APD is directly related to the time needed by HHS to reach a funding decision.

E. SUBMISSION INFORMATION

All APD submissions must be signed by the State agency head or authorized State agency official¹. These signatures indicate to HHS that the project has the requisite organizational and financial support of the State, conforms with the State Plan, satisfies State users and organizations, and (to the State's knowledge) meets all policy and regulatory requirements.

The State sends APD submissions to:

Department of Health and Human Services
Administration for Children and Families
Director, Office of State Systems
370 L'Enfant Promenade, SW
Washington, DC 20447-0001

At the same time, the State sends a copy of the APD to the respective Regional Administrator for Children and Families. HHS Central Office consolidates headquarters and regional office comments on the APD submission and notifies the State whether the APD is approved, conditionally approved, deferred, or disapproved.

Further information about submission requirements is included at Appendix A.

F. PROCESS STREAMLINING

This document establishes certain discrete standards that State submissions must meet before Federal financial participation is approved. It is intended to ensure that HHS analysts will measure submissions against a common set of standards. It helps HHS by focusing review on areas critical to HHS' responsibilities under the law. It helps the States by finitely defining the rules for approval and supporting preparation of more concise, to-the-point submission documents.

¹ State agency heads are required to notify ACF in writing of the individuals authorized to submit APDs. Unsigned submissions and those signed by any person other than the State agency head or authorized officials may be returned.

G. PROMPT ACTION ON REQUESTS FOR PRIOR APPROVAL

The regulations at 45 Code of Federal Regulations (CFR) 95.611(d) specify that HHS must provide a State written approval, disapproval, or a request for information within 60 days of the date of the acknowledgement of receipt of the State's request. Otherwise, "the request will automatically be deemed to have provisionally met the prior approval conditions" of 45 CFR 95.611.

H. OVERVIEW OF GUIDE

This guide sets forth requirements related to the preparation, submission, and review of APDs and supporting documentation. This guide is for State use in acquiring and managing information systems and in preparing, submitting, and updating Advance Planning Documents (APDs). This guide is also used by Federal personnel in HHS central and regional offices in advising State personnel and reviewing submissions.

A comprehensive table of contents supports the guide's use as a reference document. The guide is divided into five chapters and two appendices.

- Chapter I is the introduction.
- Chapter II describes the requirements for Planning APDs.
- Chapter III addresses the requirements for Implementation APDs.
- Chapter IV covers APD Updates.
- Chapter V addresses solicitation documents and contracts.

Appendix A contains detailed submission requirements for APDs. Appendix B is a list of authorities.

**EXHIBIT I-3: SUMMARY OF 45 CFR 95-611's
KEY APPROVAL REQUIREMENTS**

Decision Table 1: HHS Approvals			
If the State is seeking:	and the total acquisition cost (Federal and State funds) is:	and the acquisition is:	then:
Regular Funding	< \$1,000,000		no submission is required.
	\$1,000,000 - \$5,000,000	Competitive	no submission is required.
		Noncompetitive	the sole source justification is required.
	>=\$5,000,000		an APD is required.
Enhanced Funding	> 0		an APD is required.

Continued on next page.

**EXHIBIT I-3, continued: SUMMARY OF 45 CFR 95-611's
KEY APPROVAL REQUIREMENTS**

Decision Table 2: HHS Approvals: RFPs² and Contracts			
If regular funding and an APD is required:	and the total acquisition cost (Federal and State funds) is:	and the acquisition is:	then:
	< \$1,000,000		no submission is required.
	\$1,000,000 - \$5,000,000	Competitive	no submission is required.
		Noncompetitive	submission of the RFP and contract is required.
	>=\$5,000,000		submission of the RFP and contract is required.
If enhanced funding:	and the total acquisition cost (Federal and State funds) is:	and the acquisition is:	then:
	<=\$100,000		no submission is required.
	> \$100,000		submission of the RFP and contract is required.

Continued on next page.

² Or other types of solicitation documents, such as Invitations for Bids (IFBs).

**EXHIBIT I-3, continued: SUMMARY OF 45 CFR 95-611's
KEY APPROVAL REQUIREMENTS**

Decision Table 3: HHS Approvals: Contract Amendments		
If regular funding and an APD is required:	and the contract amendment's cost increase is:	then:
	<=\$1,000,000	no submission is required.
	> \$1,000,000	submission of the contract amendment and APDU is required.
	and the contract amendment's time extension is:	then:
	<=120 days	no submission is required.
	> 120 days	submission of the contract amendment and APDU is required.
If enhanced funding:	and the contract amendment's cost increase is:	then:
	<=\$100,000	no submission is required.
	> \$100,000	submission of the contract amendment and APDU is required.
	and the contract amendment's time extension is:	then:
	<=60 days	no submission is required.
	> 60 days	submission of the contract amendment and APDU is required.

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CHAPTER II: PLANNING APD

A Planning APD is a written plan of action to determine the need for, feasibility of, and projected costs and benefits of an automatic data processing (ADP) equipment or services acquisition.

Planning APDs are used by States that *want to be reimbursed* for the costs of *planning* for the implementation of a system, including acquisition of ADP equipment or services. Planning activities eligible for Federal financial participation (FFP) by HHS include:

- Preparing a detailed Project Management Plan
- Determining system needs,
- Assessing project feasibility,
- Evaluating alternatives,
- Conducting cost/benefit analyses,
- Preparing Advance Planning Documents,
- Developing functional requirements,
- Assessing other States' systems for transfer, and
- Preparing procurements.

Standards for Approval

- % Is the need clear?
- % Does the State have a reasonable plan to plan?
- % Has the State committed to preparing a needs assessment, feasibility study, alternatives analysis, and cost/benefit analysis?
- % Has the State estimated the costs to plan?
- % Are the estimated planning costs and cost allocation reasonable for the project?
- % Has the State estimated the project cost?

The Planning APD is a very brief document prepared and submitted *prior to initiating* Planning Phase activities. It is a plan to plan. The purpose is not to provide needs and plans in detail but to develop a high-level management statement of vision, needs, objectives, plans, and estimated costs. The focus is on describing how planning will be accomplished and demonstrating that the State has established a plan that is reasonable for the level of effort of the project. Planning APDs that meet the standards for approval shown in the box on the preceding page will be approved within 60 days.

The Planning APD has four sections:

- Statement of need,
- Project Management Plan for planning,
- Planning project budget, and
- Estimate of total project cost.

The four sections of the Planning APD are described in the following paragraphs.

A. STATEMENT OF NEED

This section of the Planning APD should set forth the State's information and services "vision,"³ including the scope and objectives of the planned information system and its interrelationships with other systems (if known).

In addition, the needs statement should define the system requirements in terms of problems and needs which may represent:

- Deficiencies in existing capabilities,
- New or changed program requirements, or
- Opportunities for economies or efficiencies.

For example, the State may identify new requirements based on insufficient system capacity for current or projected caseloads, lengthy case processing times, limited functional automation, or current or projected operating costs. Therefore, deficiencies or needs may be based on functional, programmatic, technical, operational, or resource requirements.

This section should answer the question, "*Is the need clear?*"

³ "Vision" means the State planners' view of future program needs and the systems architecture necessary to support those needs.

B. PROJECT MANAGEMENT PLAN FOR PLANNING

The Project Management Plan summarizes how the State will plan.

The State's planning project organization is briefly described. At this point in the project, all that is required is that the State identify key players in the planning phase, such as the project manager and other key planning staff by name and title. This information can be depicted in an organization chart.

The Project Management Plan for planning describes how and when the activities for the Planning Phase will be conducted and schedules milestones for completion of key events. For example, provisions at 45 CFR 95.605 require a State to commit to:

- Conducting and preparing a needs assessment⁴, feasibility study, alternatives analysis, and cost/benefit analysis; and
- Preparing a functional requirements specification and/or a General Systems Design.⁵

If applicable and if known, this section sets forth how and when contractor services to support planning will be acquired. In some cases, the State may be able to describe an overall strategy - the number of contractors, the products and services they will provide, and their relationships to each other and to the State.⁶ An effective way to present this information is graphically.

This section should answer the questions, *"Does the State have a reasonable plan to plan?"* and *"Has the State committed to preparing a needs assessment, feasibility study, alternatives analysis, and cost/benefit analysis?"*

⁴ Referred to as a "requirements analysis" in this guide.

⁵ Note that, in many cases, only the Conceptual System Design will be completed during the planning phase. In that event, the Conceptual System Design may be referenced in the Planning APD with a note that the General System Design will be developed during the implementation phase.

⁶ Note that Planning Phase contractors must be barred from competing for or participating as a prime contractor or subcontractor on follow-on Implementation Phase activities and/or any resulting procurements.

C. PLANNING PROJECT BUDGET AND COST ALLOCATION

This section succinctly describes in narrative form the resource needs for which funding support during the Planning Phase may be requested by the State. These needs may relate to State and contractor staff costs, computer time, hardware and commercially available software, travel, space, supplies, telephones, photocopying, and so forth.

This section of the APD also provides the budget and the cost allocation to be used during the Planning Phase.

- 1. Budget.** Typically, the planning project budget provides estimated expenditures by category, with cost projections summarized annually and totaled for the Planning Phase. In very large or complex projects, budget data may be broken down by task or phase and category. (At times, ACF may require this on an exception basis.) Unless modified by HHS' approval, the total is the ceiling for expenditures during the Planning Phase. The budget format States should use is shown in Exhibit II-1 on the following page.
- 2. Cost Allocation.** Cost allocation should be described in narrative and in an exhibit depicting share and dollars. First, the Planning Phase cost allocation plan is described, including procedures to identify, record, allocate, and report direct and indirect costs, partially and fully attributable to the system project, for funding at regular and enhanced rates. The State also describes how it will fund its portion of the costs. The planning cost allocation is applied to the total planning project budget to calculate budget totals by program. States should follow the format for a cost allocation plan used in the example in Exhibit II-2 on page 7.

This section should answer the questions, *"Has the State estimated the costs to plan?"* and *"Are the estimated planning costs and cost allocation reasonable for the project?"*

D. TOTAL PROJECT COST

This section provides a gross estimate of total project costs for the entire system acquisition, including planning and implementation. This information is very preliminary and will be updated in the Implementation

APD.

This section should answer the question, *"Has the State estimated the project cost?"*

EXHIBIT II-1

Planning APD: Planning Project Budget

Cost Category*	Year 1	Year 2**	Total
Direct Personnel			
Contractor Services			
System Hardware			
System Software			
Training			
Overhead			
Supplies			
Other			
TOTALS			

* Actual State cost categories may differ

** If required.

EXHIBIT II-2**Example: Planning Phase Cost Allocation Plan (Planning APD)**

Estimated Planning Phase Budget					\$684,000
Federal / State Program	Program Share of Cost	Amount (\$)	FFP Rate	Federal Share (\$)	State Share (\$)
IV-A	.20	136,800	0	0	136,800
IV-E	.15	102,600	.50	51,300	51,300
XIX	.20	136,800	.50	68,400	68,400
ORR	.15	102,600	1.00	102,600	0
FCS	.20	136,800	.50	68,400	68,400
Other State Only	.10	68,400	0	0	68,400
TOTAL	1.00	684,000		290,700	393,300

CHAPTER III: IMPLEMENTATION APD

Implementation APDs are written plans of action that States use to request Federal financial participation (FFP) in the costs of designing, developing, and implementing the system.

Implementation activities eligible for matching funds from HHS include:

- Developing detailed system designs,
- Preparing solicitations for system hardware, software, and services,
- Converting data and software,
- Developing and testing software,
- Preparing sites,
- Training users, and
- Installing systems.

States are required to submit an

Implementation APD prior to incurring costs for system design and development, when the total project costs (including planning) are estimated to exceed the thresholds in 45 CFR 95.611(b). See Exhibit III-1 on the next page. Implementation APDs that meet the standards for

Standards for Approval
% What will this investment buy?
% Is the need for investment clear?
% Did the State analyze requirements, feasibility, and alternatives?
% Were at least two alternatives to the status quo evaluated for costs and benefits?
% Is the basis for selection of the chosen alternative reasonable?
% Is there a clear set of costs and benefits as a baseline for measurement?
% Is the acquisition well planned?
% How much will this investment cost?
% How will the costs be shared?

approval shown in the box to the right will be approved within 60 days.

**EXHIBIT III-1: Prior Written Approval Required:
Implementation APD [45 CFR 95.611(b)]**

Funding	Circumstance
Enhanced	Implementation APD for ADP equipment or services, regardless of costs <ul style="list-style-type: none"> • <i>before incurring costs</i>
Regular	Implementation APD for ADP equipment or services, with total project costs (including planning costs) projected at \$5,000,000 or more for competitive acquisitions ⁷ <ul style="list-style-type: none"> • <i>before incurring costs</i>

Unlike the Planning APD, the Implementation APD is a comprehensive and thorough document which sets forth specific, detailed information and summarizes or provides key documents prepared during the Planning Phase.

The detail in the Implementation APD should be commensurate with the complexity and scope of the acquisition. For example, States can set forth the need, costs, and benefits for a mainframe upgrade in significantly fewer pages than required for a new, multi-program, multimillion dollar, system development project. It is the State's responsibility to determine how much text and graphics are required to explain with clarity its plan of action. However, as a rule of thumb, HHS does not expect submissions that are too large to fit in a two- or three-inch binder. In general, less is better, provided clarity is not sacrificed.

As described in 45 CFR 95.605, the Implementation APD should have six sections, organized and categorized as follows:

- Section A. Statement of needs and objectives;
- Section B. Summary of results of the requirements analysis, feasibility study, and alternatives analysis;
- Section C. Cost/Benefit Analysis;
- Section D. Project Management Plan;
- Section E. Proposed budget; and

⁷ For noncompetitive acquisitions of ADP equipment or services from a nongovernmental source with total acquisition costs between \$1,000,000 and \$5,000,000, States must submit the sole source justification for prior approval. See Exhibit I-3 on page I-7 and Chapter V, Section A, for further information.

Section F. Prospective cost allocation.

In addition, the Implementation APD has two enclosures:

- Tab 1. Cost/benefit analysis, and
- Tab 2. Budget detail.

To support HHS' timely review, States should prepare the Implementation APD in the format and order described in this chapter. The key components of the APD are described in the following paragraphs.

A. STATEMENT OF NEEDS AND OBJECTIVES

The State should summarize the current environment and the new system needs, objectives, and anticipated benefits. Needs may be expressed in terms of deficiencies in existing capabilities, new or changed program requirements, or opportunities for economies or efficiencies.

This section should serve as an executive summary to the project. It should answer the questions "*What will this investment buy?*" and "*Is the need for the investment clear?*"

B. SUMMARY OF REQUIREMENTS ANALYSIS, FEASIBILITY STUDY, AND ALTERNATIVES ANALYSIS

The regulation at 45 CFR 95.605(2) requires that the Implementation APD include a *summary* of the results of the requirements analysis, feasibility study, and alternatives analysis. Note that copies of these documents are not required; their submission may delay action on the APD due to increased review time.

The requirements section should describe the functional and technical needs, including system interface requirements. System interface requirements may relate to IV-A, IV-D, IV-E, Medicaid, Federal Parent Locator Service (FPLS), Child Care, State Labor and Employment, IRS, and others as needed.

This section should also identify each of the alternatives analyzed for the system project and the considerations and conclusions reached regarding each one. It should also identify which alternatives were selected for evaluation of costs and benefits and provide the rationale for selection of

the chosen alternative. If applicable, system transfer is addressed, summarizing which State systems were assessed for possible transfer and the results of the assessment.

Unless specifically requested by HHS, States are *not* required to enclose copies of the requirements analysis, feasibility study, or alternatives analysis.

This section answers the questions *"Did the State analyze requirements, feasibility, and alternatives?," "Were at least two alternatives to the status quo evaluated for costs and benefits?,"* and *"Is the basis for selection of the chosen alternative reasonable?"*

C. COST/BENEFIT ANALYSIS

To meet this requirement, the State provides in the Implementation APD a summary of the results of the cost/benefit analysis. The purpose of the summary is to set forth succinctly the program performance improvements, projected costs, and anticipated benefits that the system is expected to deliver. *This is the baseline against which the State will measure and report actual costs and benefits.*

The narrative should address the basis, assumptions, calculations, and measurement plan related to performance, cost, and benefit goals. The summary should also include a comparison of alternatives,⁸ cost/benefit profile⁹ of the chosen alternative, and systems life benefits spreadsheet¹⁰ for the chosen alternative.

In addition, the State encloses a copy of the cost/benefit analysis (Tab 1) developed during the Planning Phase.

This section is one of the most important in the Implementation APD because it establishes the projected costs and benefits against which the State will measure and report its performance during implementation and operation.

⁸ See, for example, page 3-27 of ACF's *Feasibility, Alternatives, and Cost/Benefit Analysis Guide*.

⁹ See, for example, page 3-26 of ACF's *Feasibility, Alternatives, and Cost/Benefit Analysis Guide*.

¹⁰ See, for example, page 3-20 of ACF's *Feasibility, Alternatives, and Cost/Benefit Analysis Guide*.

This section answers the question *"Is there a clear set of costs and benefits as a baseline for measurement?"*

D. PROJECT MANAGEMENT PLAN

The Project Management Plan summarizes the project activities, deliverables, and products; project organization; State and contractor resource needs; and anticipated system life. Any significant differences from the Project Management Plan submitted with the Planning APD should be explained.

1. Nature, Scope, Methods, Activities, Schedule, and Deliverables. This section of the Project Management Plan describes in narrative and graphics how and when the project activities will be conducted and sets forth the resulting project documentation and contractor deliverables.

To support timely review, this section should provide a workflow (Gantt) chart addressing project activities, documentation, and contractor deliverables. Relationships between activities (sequential and parallel) are established in the plan, responsibilities identified, and provisions included to check progress. The schedule describes each activity and sets milestones for beginning and ending significant tasks.

Among the most critical activities of the Implementation Phase for a large system acquisition are:

- Developing the General¹¹ and/or Detailed System Designs;
- Preparing solicitations and awarding contracts for contractor support services, hardware, and software;
- Developing the conversion plan, test management plan, installation plan, facilities management plan, training plan, users' manuals, and security and contingency plans;
- Converting and testing data;
- Developing, modifying, or converting software;

¹¹ For a system transfer project, a new General System Design may not be necessary.

- Testing software;
- Training staff for systems testing and operation; and
- Installing, testing, and accepting systems.

If applicable with regard to procurement activities, this section should describe how and when contractor services to support the project will be acquired. Specifically, the State's overall strategy is established the number of contractors, the products and services they will provide (such as hardware, software, and quality assurance), and their relationships to each other and to the State.¹²

2. Project Organization and Personnel Resources. The State's project organization is described in overview in terms of staff, responsibility, and relationships. The project organization, preferably shown by organization chart:

- Identifies the project manager and other key staff by name and title;
- Identifies the relationship of the project team to the project steering committee (if applicable); and
- Identifies interrelationships with user groups and contractors.

3. State and Contractor Resource Needs. This section succinctly describes in narrative form the resource needs for which funding support may be requested by the State. These needs may relate to State and contractor staff costs, computer time, hardware and commercially available software, depreciation, travel, space, supplies, telephones, photocopying, office equipment, furniture, and so forth. This information serves as a narrative explanation of the budget (which is addressed in the next section of the Implementation APD).

4. System Life. This section describes the anticipated system life for the required resources, inclusive of planning, implementation, and operational phases.

The Project Management Plan answers the question *"Is the acquisition well*

¹² Note that Planning Phase contractors must be barred from competing for or participating as a prime contractor or subcontractor on follow-on Implementation Phase activities and/or any resulting procurements.

planned?"

E. PROPOSED BUDGET

The State's proposed budget, summarized in the APD, considers all costs for Implementation Phase activities. For a large buy, this might include (but not be limited to) system software and data conversion, software development, computer capacity planning, contractor costs, supplies, training, maintenance, and operations. Miscellaneous ADP expenses may also be included. Consideration of multiple funding programs or source (cost allocation) is not necessary in the proposed budget.¹³

Typically, the project budget details estimated expenditures by category, with cost projections summarized annually and totaled for the project. In very large or complex projects, budget data may be broken down by task or phase and category. (At times, ACF may require this on an exception basis.)

The narrative of the Implementation APD provides the summary information by year and project total for implementation costs. Detailed breakouts by category are included in Tab 2. A sample budget format is shown in Exhibit III-2 on page III-8.

This section answers the question *"How much will this investment cost?"*

F. PROSPECTIVE COST ALLOCATION

The prospective cost allocation plan is described, including procedures to identify, record, allocate, and report direct and indirect costs, partially and fully attributable to the system project. The State also sets forth the methodology for cost distribution (such as cost pools) and how it will fund its portion of the costs of implementing the system. See Exhibit III-3 on page III-9.

This section answers the question *"How will the costs be shared?"*

¹³ Cost allocation breakdowns are addressed in the last section of the Implementation APD.

EXHIBIT III-2

Implementation APD: Implementation Budget

Cost Category*	Year 1			Year 2			Cumulative Totals
	Enhanced	Regular	Total	Enhanced	Regular	Total	
Direct Personnel							
Contractor Services							
System Hardware							
System Software							
Training							
Overhead							
Supplies							
Other							
Yearly and Grand Totals							

* Actual State cost categories may differ

EXHIBIT III-3: Cost Allocation Plan Format

Estimated Implementation Phase Budget					\$
Federal / State Program	Program Share of Cost	Amount (\$)	FFP Rate	Federal Share (\$)	State Share (\$)
TOTAL					

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CHAPTER IV: APD UPDATES

There are two types of Advance Planning Document Updates (APDUs): Annual APDU and As-Needed APDU. These documents are reviewed in conformance with the standards to the right. (Note that the last three standards apply to post-implementation updates.)

Unlike APDs which require *prior* written approval, APDUs simply require written approval. APDUs may be submitted after the incident requiring the update has occurred. However, submission does not necessarily mean approval will be granted.

A. ANNUAL APD UPDATE

Annual APD Updates are used to report annually on the status of the project, request additional funding, and report post-implementation costs and benefits.

They are prepared by the State and submitted to HHS 60 days before the anniversary of approval of the Planning APD, Implementation APD, or system certification¹⁴, for all enhanced funding and for regular funding when the thresholds and

Standards for Approval
% Is the State's progress acceptable?
% Will schedule changes affect system breakeven?
% How do budget changes affect system breakeven and HHS' programs?
% Is the investment still sound?
% How do changes in cost allocation methodology affect HHS' programs?
% Are projected program performance, cost, and benefit goals being realized?
% Has the State initiated corrective action in the event costs are higher or benefits lower than projected?
% Has the system reached breakeven? Is further reporting unnecessary?

¹⁴ The last approval applies.

conditions set forth in 45 CFR 95.611(b) apply. See Exhibit IV-1 below.

The purpose of the Annual APDU is to allow both the State and HHS to assess the status of the project, in terms of past performance and future plans. Since HHS usually provides funding on an annual basis, the APDU also serves as the State's request for continued or additional funding.

**EXHIBIT IV-1: Annual APD Updates: Written Approval Requirements
[45 CFR 95.611(b)]**

Funding	Circumstance	Condition
Enhanced	Annual APD Updates	
Regular	Annual APDUs for projects with a total acquisition over \$5,000,000	When specifically required by HHS.

The Annual APDU includes the following sections:

- References to the approved APD and all approved changes,
- Project status report,
- Revised Project Management Plan,
- Revised project budget,
- Cost allocation/distribution changes, and
- Actual costs and benefits (once the system is operational).

The requirements for these sections are described below.

- 1. References to the Approved APD and All Approved Changes.** The State provides a brief summary of the history of the APD process, summarizing the submission and approval of the Planning APD (if applicable), Implementation APD, and APD Updates (whether Annual or As-Needed). If the system has been certified, the date of certification is indicated. HHS uses this information to quickly become current with the State's project status and immediate needs.
- 2. Project Status Report.** The State reports on the status of the past year's project tasks and milestones, addressing:
 - Task completion,
 - Task extension, and
 - New tasks, previously unanticipated.

In addition, if the State has encountered or anticipates problems or delays, an explanation should be provided. Slippages should be discussed in terms of causes and effect on the overall implementation schedule.

This section answers the question *"Is the State's progress acceptable?"*

3. **Revised Project Management Plan.** The State provides an updated Project Management Plan, reflecting the project changes summarized in the preceding section and including an assessment of the impact of significant changes on the projected system breakeven.

This section answers the question *"Will schedule changes affect system breakeven?"*

4. **Revised Project Budget.** The State's revised project budget consists of:

- An accounting of expenditures for project development over the past year,
- An explanation of the differences between projected expenses in the last approved APD or APDU and the actual expenditures for the past year, and
- A revised projection of total project costs and an explanation of significant (10% or greater) increases.

This section answers the questions *"How do budget changes affect system breakeven and HHS' programs?"* and *"Is the investment still sound?"*

5. **Cost Distribution Changes.** The State reports any approved or anticipated changes to the cost allocation methodology.

This section answers the question *"How do changes in cost allocation methodology affect HHS' programs?"*

6. **Actual Costs and Benefits.** During system operation either on a pilot basis, phased approval, or final approval the State continues to measure and begins to report actual costs and benefits realized from the system. Provisions in 45 CFR 95.605 require each State to submit a report which "compares the estimated cost-savings from the State's approved APD to actual cost-benefits to date." *Note that the State compares actual expenditures and savings to costs and benefits projected during the Planning Phase for the selected alternative not the new system to the old (status quo).*

The objectives of measuring costs and benefits are to:

- Determine if predicted costs and benefits are being realized;
- Identify unanticipated costs and benefits;
- Calculate the effect of the actual costs and benefits (whether predicted or not) on the cost-effectiveness of the system design, development, and implementation; and
- Enable management to take appropriate action.

ACF's *Feasibility, Alternatives, and Cost/Benefit Analysis* guide provides detailed instructions in Chapter 5 on measuring actual costs and benefits. In addition, worksheets are provided to assist States with these reporting obligations, and examples are published in ACF's *Companion Guide: Cost/Benefit Analysis Illustrated*. States should follow the approach in ACF's guides to measure actual costs and benefits.

If the actual costs and benefits vary significantly from the costs and benefits projected during the Implementation Phase, the State must explain why, initiating corrective action as required.

The State reports on the operational system *until HHS determines that projected benefits or cost savings have been achieved* which should occur within two to five years after implementation.

Each State should be aware that HHS will closely monitor these reports on actual system costs and benefits and should prepare the information with rigor and discipline. HHS advises that the approach in the *Feasibility, Alternatives, and Cost/Benefit Analysis* guide be used.

This section answers the questions:

- *"Are projected program performance, cost, and benefit goals being realized?"*
- *"Has the State initiated corrective action in the event costs are higher or benefits lower than projected?"*
- *"Has the system reached breakeven? Is further reporting unnecessary?"*

B. AS-NEEDED APD UPDATES

As-Needed APD Updates are used to:

- Report and receive HHS approval for additional funding,
- Clarify project information requirements as an approval condition of the Planning or Implementation APD, and/or
- Report and receive HHS approval for significant project changes,¹⁵

In addition, As-Needed APD Updates are used when the project is being funded on a phased implementation basis.

The format of the As-Needed APDU follows the format of the original APD which it is modifying. For example, a State which has submitted an Implementation APD prior to vendor selection must submit an As-Needed APDU to reflect such information as an updated schedule of activities, an updated project management plan, and a revised budget which incorporates contractual versus estimated vendor costs.

As-Needed APD Updates may also be required by HHS to evaluate projects at key decision points and milestones projected to occur between annual APD Updates. If so, the submission of an As-Needed APD Update at the decision point or milestone will be a condition of an APD approval.

As-Needed APD Updates are submitted if changes occur in project schedule or costs which exceed the thresholds set forth in 45 CFR 95.611(b). See Exhibit IV-2 on page IV-7.

For example, the State should use an As-Needed APDU to:

- Request approval when expenditures are anticipated to exceed regulatory thresholds;
- Request approval for additional funding below the regulatory threshold, but above previously approved expenditure levels, when the State wants to be reimbursed at the higher level;
- Request authority for project continuation when significant project changes are anticipated, such as a schedule extension that exceeds the regulatory limit;

¹⁵ If the change occurs within 60 days of the due date of the Annual APDU, the change may be reported as part of the annual submission.

- Report major changes in the scope of the project, such as a change in the procurement plan or activities, system concept, or development approach;
- Report significant, anticipated changes to the cost distribution plan or methodology or to projected system costs and benefits; or
- Provide detailed information on project and/or budget activities if required as an approval condition of a prior APD.

The As-Needed APDU may be submitted at any time, following the format of the APD being amended but including only those elements that have changed. The State must include supporting documentation to justify the need for a change to project approvals.

**EXHIBIT IV-2: As-Needed APD Updates: Written Approval Requirements
[45 CFR 95.611(b)]**

Funding	Circumstance	Condition
Enhanced	As-Needed APDUs for: <ul style="list-style-type: none"> • Projected cost increases of \$1,000,000 or more • Over 120 day extension for major milestones • Significant change in procurement scope or approach • Change in system concept or project scope • Change to approved cost allocation methodology • Change exceeding 10% of estimated cost benefits • When specifically required by HHS 	Submitted to HHS no later than 60 days after the occurrence of the change being reported. States may want to obtain prior approval, since costs are incurred at the State's risk.
Regular	As-Needed APDUs for: <ul style="list-style-type: none"> • Projected cost increases of \$1,000,000 or more • Over 120 day extension for major milestones • Significant change in procurement scope or approach • Change in system concept or project scope • Change to approved cost allocation methodology • When specifically required by HHS 	Submitted to HHS no later than 60 days after the occurrence of the change being reported. States may want to obtain prior approval, since costs are incurred at the State's risk.

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CHAPTER V: CONTRACTING DOCUMENTS

HHS reviews four types of contracting documents as part of its APD process:

- Sole source justifications,
- Solicitation documents,
- Contracts, and
- Contract amendments.

As indicated in the decision tables beginning on page 7 (and repeated in this chapter for ease of reference), only large dollar acquisitions (or lower dollar value noncompetitive buys) require review.

It is primarily the responsibility of the State to develop specifications that meet Federal program requirements and to acquire resources using maximum practicable competition. However, on large dollar procurements, HHS staff will review these documents for general conformance with the standards indicated in the box above. The purpose of the review is not to second guess the States, but to ensure broad conformance with the standards.

Standards for Approval
% Has the State met its obligation to provide for maximum practicable competition?
% Has the State met its obligation to specify ACF's program requirements?
% Are the relationships of the State and all contractors clear?
% Does the State have primary responsibility for the project?

A. SOLE SOURCE JUSTIFICATIONS

In certain situations, States are required to submit the sole source justification even though an APD is not required. As the decision table on the next page indicates, this occurs when the State is seeking FFP at the regular matching rate for a noncompetitive acquisition expected to cost between \$1,000,000 and \$5,000,000.

Noncompetitive acquisitions equal to or above \$5,000,000 at the regular matching rate and all acquisitions at the enhanced matching rate require an APD (rather than just the sole source justification).

If the State is seeking:	and the total acquisition cost (Federal and State funds) is:	and the acquisition is:	then:
Regular Funding	\$1,000,000 - \$5,000,000	Noncompetitive	submission of the sole source justification is required.

[This table is an excerpt of Decision Table 1 in Exhibit I-3 and is repeated here for ease of reference.]

B. SOLICITATION DOCUMENTS

The term "solicitation documents" refers to documents that are used to solicit bids, proposals, and information from contractors. *Those that are used to solicit bids or proposals can result in a contract and may be subject to prior written approval if the acquisition exceeds established thresholds.* In such cases, the solicitation documents are most frequently Requests for Proposals (RFPs) rather than Invitations for Bids (IFBs).

States are required to obtain prior written approval from HHS for solicitations of products and/or services when the regulatory thresholds set forth in 45 CFR 95.611(b) are exceeded. See the table on the next page.

Decision Table 2: HHS Approvals: RFPs and Contracts			
If regular funding and an APD is required:	and the total acquisition cost (Federal and State funds) is:	and the acquisition is:	then:
	< \$1,000,000		no submission is required.
	\$1,000,000 - \$5,000,000	Competitive	no submission is required.
		Noncompetitive	submission of the RFP and contract is required.
	≥ \$5,000,000		submission of the RFP and contract is required.
If enhanced funding:	and the total acquisition cost (Federal and State funds) is:	and the acquisition is:	then:
	# \$100,000		no submission is required.
	> \$100,000		submission of the RFP and contract is required.

[This decision table duplicates one in Exhibit I-3 and is provided here for ease of reference.]

Although the form of solicitations varies due to differing State procurement policies and regulations,¹⁶ there are common elements which are important to HHS' review. These include:

¹⁶ State procurements must adhere not only to Federal requirements, but also to State law, procurement regulations, and practices.

- A "specification" (for products) or a "statement of work" (for services) describing what the State intends to buy;
- The authorities and responsibilities of the State and contractor(s) under the contract;
- The rules for contractor evaluation and selection,¹⁷ including an indication of the relative importance of the evaluation factors; and
- "Acceptance criteria" which describe how the State will review and "accept" (as a precursor to final payment) products and services delivered under the contract.

In addition, the solicitation should be clear about what constitutes acceptable performance under the contract.

C. CONTRACTS AND CONTRACT AMENDMENTS

States are required to obtain prior written approval from HHS for prospective contracts for products and/or services when the regulatory thresholds set forth in 45 CFR 95.611(b) are exceeded. In addition, certain contract modifications or amendments must also be submitted for prior written approval. These thresholds, described in the table on the following page, apply to single contract amendments or modifications. However, *requirements may not be fragmented to avoid submission requirements.*

Contracts should not be submitted for HHS' review until the State has determined that the offer meets all the mandatory requirements of the solicitation, conforms with the approved APD, has been selected in accordance with the evaluation and selection criteria, is within projected expenditures or is otherwise justifiable, and is signed by the vendor but not the State.

Contracts are reviewed by HHS to meet the broad standards of review established at the beginning of this chapter.

¹⁷ Cost must always be a significant factor in selection.

Decision Table 3: HHS Approvals: Contract Amendments		
If regular funding and an APD is required:	and the contract amendment's cost increase is:	then:
	# \$1,000,000	no submission is required.
	> \$1,000,000	submission of the contract amendment and APDU is required.
	and the contract amendment's time extension is:	then:
	# 120 days	no submission is required.
	> 120 days	submission of the contract amendment and APDU is required.
If enhanced funding:	and the contract amendment's cost increase is:	then:
	# \$100,000	no submission is required.
	> \$100,000	submission of the contract amendment and APDU is required.
	and the contract amendment's time extension is:	then:
	# 60 days	no submission is required.
	> 60 days	submission of the contract amendment and APDU is required.

[This decision table duplicates one in Exhibit I-3 and is provided here for ease of reference.]

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Appendix A: Submission Requirements for APDs

Effective immediately, it is no longer necessary to provide the Director, Regional Administrative Support Center (RASC), with copies of requests for Federal financial participation for automatic data processing (ADP) equipment or services acquisitions.

1. States should address ADP funding requests to:

Mark E. Ragan
 Director
 Office of State Systems
 Administration for Children and Families
 370 L'Enfant Promenade, S.W.
 Washington, D.C. 20447
 ATTN: Joseph F. Costa - Mail Stop OSS/SSPS

Funding requests for Medicaid Management Information Systems should continue to be sent directly to the Associate Regional Administrator, Division of Medicaid of the appropriate Health Care Financing Administration (HCFA) regional office.

Meetings with OSS staff are held at the following address: Department of Health and Human Services, 200 Independence Ave., S.W., Room 334F - Humphrey Building. The telephone listings for the Director's office and the staff responsible for coordinating your requests within the Department are as follows:

Mark Ragan	(202) 401-6960
Joseph Costa	(202) 690-1205
Ann Darden	(202) 401-6403
William Davis	(202) 401-6404
Mark Graboyes	(202) 401-7237
Ronald Lentz	(202) 401-6413
Bridget O'Shaughnessey	(202) 401-6411

2. For requests addressed to Mark E. Ragan, States should provide, in addition to the original, one copy for each program participating in funding the acquisition/project.

We are enclosing a worksheet which will be helpful in determining the correct number of copies to submit and where to send them.

The State should enclose a copy of the completed worksheet with its submission and identify in the cover letter each funding source (preferably by Social Security Act Title) from which funding is sought. Also, the State should list in the cover letter, as courtesy

copies, the HHS regional offices to which the State has sent copies of the request. This will confirm for us that the State has sent copies to the appropriate regional office components.

To help expedite the review process for requests relevant to the Title XIX program, States are requested to send a separate copy to:

Director
Office of Information Systems and Data Analysis
Health Care Financing Administration
7500 Security Blvd.
Mail Stop C4-23-07
Baltimore, MD 21244-1850

The State will continue to receive a consolidated HHS response; however, direct mailing from the State to HCFA will help to eliminate the delay involved in our mailing copies of requests to HCFA in Baltimore.

Please distribute these instructions to appropriate offices within your agency and other pertinent State agencies.

If there has been a change to the official(s) authorized in your Department to submit requests for prior systems approval on behalf of the State agency for Titles IV-A, IV-B, IV-D, IV-E, XIX. list, please notify us in writing of the newly designated individual(s).

**WORKSHEET FOR DETERMINING NUMBER OF COPIES REQUIRED
FOR SUBMISSION TO HHS CENTRAL & REGIONAL OFFICE**

HHS Funding Source by Social Security Act Title	% *	Column A Central Office	Column B Regional Office
IV-A/IV-B/IV-E REFUGEE (ACF)			
IV-D (ACF)			
** XIX (HCFA)			
DEPARTMENTAL MANAGEMENT	%	1	
COLUMN TOTALS			

* For each program checked, place 1 in columns A & B

*Column A Central Office Copies should be addressed to:
 Mark E. Ragan, Director, Office of State Systems,
 Administration for Children and Families
 370 L'Enfant Plaza, S.W.
 Attn: Joseph F. Costa - Mail Stop OSS/SSPS
 Washington, D.C. 20447

*Column B Regional copies must be sent individually to the appropriate address for each funding source - See attached address list.

** Also send a copy to the HCFA Baltimore Office address, as follows:

**Director
 Office of Information Systems and Data Analysis
 Health Care Financing Administration
 7500 Security Blvd., Mail Stop C4-23-07
 Baltimore, MD 21244-1850**

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Appendix B: Authorities

The origin of many of the programs overseen and financed by HHS is the Social Security Act. Included under HHS' scope of review authority are:

- Title IV-A: Temporary Assistance to Needy Families (TANF)
- Title IV-B: Child Welfare Services
- Title IV-D: Child Support Enforcement
- Title IV-E: Foster Care and Adoptive Services

Also included is the Refugee Resettlement program authorized under the Refugee Act of 1980, Title IV, Chapter 2 of the Immigration and Nationality Act (8 U.S.C. 1521 *et seq.*), and under Title V of Public Law 96-422, the Refugee Education Assistance Act of 1980.

The State systems activities for these programs are managed and reviewed in accordance with rules codified in the Code of Federal Regulations (CFR). Regulations generally applicable across programs¹⁸ include:

45 CFR Part 74, Subpart D: Establishes retention requirements and access rights for programmatic, financial, statistical, and other types of records pertinent to grants.

45 CFR Part 74, Appendix J: Codifies the Office of Management and Budget's (OMB's) audit requirements for State and local governments that receive Federal aid and defines Federal responsibilities for implementing and monitoring those requirements.

45 CFR Part 95, Subpart A: Sets a two-year limit (15 months in some cases) for a State to claim Federal financial participation (FFP) in expenditures under State plans approved for certain titles of the Social Security Act.

45 CFR Part 95, Subpart E: Establishes requirements for preparation, submission, approval of (and adherence to) State cost allocation plans for public assistance programs.

45 CFR Part 95, Subpart F: Specifies the conditions for FFP in the cost of acquiring data processing equipment and services under an approved State plan; sets forth the approval and reporting processes of the Advance Planning Document (APD) and Advance Planning Document Updates (APDUs); and requires access by HHS to all aspects of State systems. Authorizes under section 95.621 the Department to conduct "periodic on-site surveys and reviews of State and local agency ADP methods and practices."

¹⁸ Regulations specific to programs, such as IV-A and IV-D, are outside the scope of this document.

45 CFR Part 95, Subpart G: Prescribes requirements concerning the computation of claims for FFP in the cost of equipment under public assistance programs and identifies requirements for the management and disposition of equipment. Applies to equipment purchased by State agencies and equipment purchased under service agreements with other State agencies and under cost-type contracts. Allows an exemption under .95.641 to the capitalization and depreciation provisions for ADP equipment if previously approved by HHS.

Program-specific rules codified in the CFR, but not addressed in this guide, include:

45 CFR Parts 300 to 305: Sets forth operational procedures, reporting requirements, and standards for audit for the Title IV-D program.

45 CFR Part 307: Governs enhanced funding for the acquisition and operation of comprehensive, statewide Child Support Enforcement systems. Includes the programmatic conditions and functional requirements required for States to qualify for funding of systems acquisitions. Sets forth HHS' oversight responsibilities.

45 CFR Part 1355: Sets forth requirements for Statewide Automated Child Welfare Information Systems (SACWIS).

In addition to the law, regulations, and this document, the following guidelines apply:

- Action Transmittals issued by HHS;
- OMB Circular A-87, which establishes principles and standards for determining costs applicable to grants, contracts, and other agreements with State and local governments;¹⁹
- OMB Circular A-102, which sets consistent and uniform Federal policy in the management of grants and cooperative agreements with State and local governments;
- OMB Circular A-128, which establishes uniform Federal audit requirements for State and local governments that receive Federal aid codified in 45 CFR Part 74, Appendix J;
- ACF's *Information Systems Review Guide*;

¹⁹ OMB Circulars can be obtained by calling the Office of Management and Budget on 202-395-3000 and asking for publications.

- ACF's guide, *Feasibility, Alternatives, and Cost/Benefit Analysis*;
- ACF's *Companion Guide: Cost/Benefit Analysis Illustrated*; and
- Program-specific guides as applicable.

Because guidance is regularly released by HHS, State and Federal personnel must routinely update their guidance files. In order to obtain information about currently effective Action Transmittals and other ACF guidance, reviewers may contact the ACF's Office of Information Systems Management, State Systems Policy Staff, on 202-401-6414, or visit the Office of State Systems' home page at this location: <http://www.acf.dhhs.gov/programs/oss/>.

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