

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

Office of Child Support Enforcement

**Addendum to
State Systems APD Guide
for Child Support Enforcement Systems**

March 1999

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A. BACKGROUND

Federal financial participation (FFP) for statewide automated child support enforcement systems (CSESs) is among the highest for all programs. Beginning in 1981, enhanced FFP at the 90% rate was made available to State Child Support Enforcement agencies for the costs associated with the development, implementation, and, on a limited basis, operation of statewide, automated CSES. This level of FFP was limited to those costs which were detailed in an approved Advance Planning Document (APD).

The Family Support Act of 1988 (FSA of 1988; Pub. L. 100-485) mandated that by October 1, 1995 all States must have a CSES which has been certified as meeting all Title IV-D requirements, including the requirements of the FSA of 1988. The statute also provided that the authority for approving 90% FFP would expire on September 30, 1995. Subsequently, Public Law 104-35 extended the deadline for implementing a certified CSES until October 1, 1997. It did not, however, extend the availability of enhanced (90%) FFP.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; Public Law 104-193) was enacted on August 21, 1996. This legislation required States to build on existing automation efforts to implement programmatic enhancements for strengthening child support enforcement. It also mandated that States have an automated statewide CSES which meets all the requirements of both the FSA of 1988 and PRWORA by October 1, 2000. Under PRWORA, the APD process continues to be the sole vehicle for the request and approval of FFP for system development.

PRWORA reinstated 90% enhanced FFP, with limits, through September 30, 1997 in order to enable States to complete the development and implementation of statewide CSESs that meet FSA of 1988 requirements. This restoration of 90% FFP applied only to those costs that were included in an approved APD submitted on or before October 1, 1995. Additional guidance on this limited restoration of 90% FFP was provided in the Office of Child Support Enforcement (OCSE) Action Transmittal (AT) 96-10.

In addition, a limited amount of 80% enhanced FFP was provided to assist States in meeting the automation requirements of PRWORA and the FSA of 1988. The amount of enhanced 80% funding available to each State is capped, with the Federal total not to exceed \$400 million. This \$400 million has been allocated on a State-by-State basis in accordance with statute. You may refer to OCSE AT 98-25 for additional information.

On August 21, 1998, OCSE published regulations implementing the child support enforcement automation provisions of PRWORA (refer to OCSE AT 98-26). These regulations strengthen OCSE management and oversight of CSES development projects, and reflect States' experience in implementing the systems requirements of the FSA of

1988. One of the most important lessons learned in that process was that States with insufficient staffing resources were at the highest risk of failure. Therefore, under these new regulations, OCSE will intensify its review of States' APD submissions to ensure that States have applied adequate resources to the project. In addition, approvals of funding by OCSE will be more closely related to the completion of critical milestones. States' failure to meet critical milestones, or to report promptly and fully on their progress toward meeting those milestones, may result in full or partial suspension of the APD and associated funding.

B. OBJECTIVES

The *State Systems APD Guide* (September 1996) 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 APDs and other related procurement documents for information systems supporting the operation of ACF programs. The *APD Guide* offers information on obtaining approval and funding for these information systems through the APD process, and documents the standards that State submissions must meet prior to approval. It was designed to be used by State personnel and their consultants and contractors working on systems subject to HHS' review, approval and certification, as well as by HHS staff as a standard for review.

The objective of this *Addendum* to the *APD Guide* is to provide guidance on the regulations implementing the child support enforcement automation provisions of PRWORA. Those new regulations are at 45 CFR Parts 302, 304 and 307. The final rule was published in the Federal Register on August 21, 1998 and disseminated to States through OCSE AT 98-26 on August 21, 1998.

C. GENERAL

C.1. "Project" Defined

According to 45 CFR 95.605 Definitions, a "project" means "an automated systems effort undertaken by the State to improve the administration and/or operation of one or more of its public assistance programs. A project may also be a less comprehensive activity such as, office automation, enhancements to an existing system or an upgrade of computer hardware."

C.2. Advance Planning Documents

States seeking Federal funding for an information systems development and implementation project must submit an Advance Planning Document (APD) for approval

by the Department of Health and Human Services (HHS), if the project funding exceeds the regulatory thresholds specified at 45 CFR 95.611. Federal regulations at 45 CFR 307.10(a) specify that a CSES must be planned, designed, developed, installed or enhanced in accordance with an initial and annually updated APD approved under 45 CFR 307.15.

Once a project has been funded at the enhanced FFP rate, it remains an enhanced project and is subject to the enhanced rate thresholds, regardless of the FFP rate that is being requested for a contract, contract amendment or task order.

An APD provides the Federal government with information necessary to determine funding levels as well as monitor the progress of a project. It includes a statement of needs and objectives, a requirements analysis, a proposed schedule and budget, as well as other information as described in 45 CFR 95.605 and 45 CFR 307.15. The APD remains the sole vehicle for approval of a project or for approval of FFP for that project. The APD must be complete and submitted according to requirements.

REMINDER:

Once a project has been funded at the enhanced FFP rate, it remains an enhanced project and is subject to the enhanced rate thresholds, regardless of the FFP rate that is being requested for a contract or task order.

There are two major types of APD submissions:

- Planning APD, which is used by States seeking reimbursement for the costs of planning for the implementation of a system; and
- Implementation APD, which is used by States seeking reimbursement for the costs of designing, developing and implementing a system.

In addition, there are two types of APD Updates (APDUs), which are used to keep HHS informed of the project status, and to obtain continued funding throughout the life of the project:

- Annual APDUs, which are used for providing the official project status reports and requesting continued project funding; and
- As-Needed APDUs, which are used if significant changes occur in the project approach, procurement, methodology, schedule or costs.

D. APD SUBMISSION REQUIREMENTS

Any State CSES established and operated under the Title IV-D State plan must be planned, designed, developed, installed or enhanced in accordance with an initial and annually updated APD.

D.1. Where to Send APD, RFPs and Contracts

Although the APD, Requests for Proposals (RFPs) and contracts related to CSESs are approved by OCSE, States must continue to submit ADP's, APDUs and procurement documents to:

Mr. Mark Ragan, Director
Office of State Systems
Administration for Children and Families
Attention: Joseph Costa, Mailstop OSS/SSPS
370 L'Enfant Promenade, SW-
Washington, D.C. 20447

If you do not receive an acknowledgment from ACF within two weeks of submission, we strongly recommend you contact OCSE as a follow up measure.

D.2. Annual APD Update

Annual APDUs are used to provide project status updates, to request additional funding and to report post-implementation costs and benefits. States are required to 60 days prepare and submit an Annual ADPU to HHS/ACF before the one year anniversary of the last APD approval, (see Chapter IV: "APD Updates" in this *Guide*). This requirement applies to all projects, regardless of the FFP rate. Annual APDUs must be submitted until OCSE has determined that the system reached or passed a break-even point. Failure to submit an Annual APDU in a timely fashion may lead to the suspension of system development funding under Federal regulation because the State is no longer in substantial compliance with its approved APD, or it may lead to the need for an Independent Validation and Verification (IV&V) assessment as described in this Addendum under "Independent Validation and Verification." In such cases, OCSE may require an IV&V assessment as a condition of its approval of the State's APDU and associated procurement documents and funding.

REMINDER:

States are required to prepare and submit an Annual ADPU to HHS/ACF 60 days before the one year anniversary of the last APD approval. This requirement applies to all projects, regardless of the FFP rate.

An Annual APDU must include the following:

- Reference to the approved APD and all approved changes as a baseline against which additional changes are proposed
- Project activity status report on major tasks and milestones
- A report of all tasks completed and degree of completion of unfinished tasks
- A project activity schedule with new estimated completion dates for unfinished tasks for the remainder of the project
- A project expenditures status detailing costs incurred and explaining the difference between projected expenses in an approved APD and actual expenditures
- A report of any approved or anticipated changes to allocation basis in APD's approved cost methodology
- An updated cost/benefit analysis report comparing estimated cost-savings to actual cost-benefits to date

An APD is a "living" document. In submitting an Annual APDU, States need to follow the format of the APD being amended, and include only those pages that have changed. Revised pages should be marked with the date of revision and numbered for insertion into the original document. Annual APDUs must include supporting documentation to justify the need for changing a previously approved project schedule or cost.

D.3. As-Needed APD Updates

Federal regulations found in 45 CFR Part 307 require that OCSE take action whenever a State ceases to substantially comply with its APD. This might mean suspending system development funding, or requiring the State to conduct an IV&V assessment. To avoid these consequences, States may submit an As-Needed APDU with a revised schedule and budget whenever a significant milestone is missed or whenever changes to the project schedule or costs exceed regulatory thresholds as described in EXHIBIT IV-2

[As-Needed APD Updates: Written Approval Requirements] of this *Guide* or in 45 CFR 95.605 (b).

In submitting an As-Needed APDU, States should follow the format of the APD being amended, and include only those pages that have changed. Revised pages should be marked with the date of revision and numbered for insertion into the original document. As-Needed APDUs must include supporting documentation to justify the need for changing a previously approved project schedule or cost.

REMINDER:

States need to submit an As-Needed APDU with a revised schedule and budget whenever a significant milestone is missed or whenever changes to the project schedule or costs exceed regulatory thresholds.

D.4. Cost/Benefit Analysis

Federal regulations at 45 CFR 95.605 require that each State submit an annual report comparing the estimated cost benefits in its approved APD to actual cost benefits to date. Therefore, States must measure system costs and benefits throughout the system development effort, and begin reporting actual system costs and benefits as soon as any part of the system becomes operational (i.e., enters the pilot phase). This Cost/Benefit Analysis must be submitted as a part of the State's Annual APDU. The requirement to submit an annual Cost/Benefit Analysis continues until HHS/ACF determines that projected benefits or cost savings have been achieved. This should occur within two to five years after implementation.

D.5. Decision to Continue Existing APD or Begin a New One

Each State needs to assess the feasibility of enhancing their existing system to meet the statutory and regulatory requirements of PRWORA. Any State which determines that its existing system cannot be modified to meet the new PRWORA requirements must transfer or develop a new system. States concluding that it would be better to replace their existing system must conduct an IV&V assessment in order to justify that decision to the satisfaction of OCSE.

OCSE AT 96-10 offers two options for States planning to meet PRWORA requirements by enhancing their existing CSES:

1. The State may treat the addition of the new PRWORA enhancements as a continuation of the existing CSES project and include them in an update to its FSA of 1988 APD; or
2. The State can submit an Implementation APD to address the PRWORA enhancements.

States that choose to include the PRWORA requirements in their existing APD should incorporate the costs and benefits associated with the PRWORA enhancements in their existing Cost/Benefit Analysis. However, States that choose to address the PRWORA enhancements in a new Implementation APD must develop a separate and distinct Cost/Benefit Analysis for the PRWORA enhancements.

States that are planning to transfer or develop a new CSES to meet PRWORA requirements must submit a separate Planning APD, an analysis of alternatives, an Implementation APD and Cost/Benefit Analysis, which address both FSA of 1988 and PRWORA requirements.

D.6. When Is Prior Approval Needed?

The prior approval thresholds used in FSA of 1988

REMINDER:

The prior approval thresholds used in FSA of 1988 projects have not changed. They are detailed in EXHIBIT IV-2 [As-Needed APD Updates: Written Approval Requirements] of this Guide and 45 CFR Part 95.611.

projects have not changed. They are detailed in EXHIBIT IV-2 [As-Needed APD Updates: Written Approval Requirements] of this Guide and 45 CFR 95.611.

States which elect to use consultants or task order contracts to complete the PRWORA enhancements are reminded that, regardless of the FFP level, any task orders which exceed the \$100,000 threshold must receive prior approval.

NOTE: "Task order" is just one of several terms used to describe a service for which the State is obligated to pay. Other equivalent terms include "statements of work", "contract amendments", "project change requests", etc.

Once a project has been funded at the enhanced FFP rate, it remains an enhanced project and is subject to the enhanced rate thresholds, regardless of the FFP rate that is being requested for a contract or task order.

E. INCREASED MONITORING

OCSE will be monitoring State CSES development efforts more closely under PRWORA. This means that OCSE will be providing more on-site technical assistance, taking steps to ensure that States have adequate quality assurance (QA) assistance, and requiring States to provide additional information in their APD submissions. In some circumstances, OCSE will require States to acquire IV&V services.

E.1. Quality Assurance Contracts

OCSE will not approve an APD unless there is evidence of adequate QA assistance. Many States already retain QA assistance. However, States with a history of troubled systems development efforts will have to demonstrate that sufficient resources are available to the project, and that those resources are integrated into the project's management. Please refer to OCSE-AT-98-26 for information on quality assurance.

E.2. Independent Validation and Verification

The purpose of an IV&V assessment is to provide an independent appraisal of a system development project. Obtaining IV&V services to review a troubled system is a good business practice and has been used by a number of States as they have encountered the types of problems referenced in the new regulation at 45 CFR 307.15(b)(10)(i). Properly conducted, IV&V should not impede the State's timely completion of automation requirements nor should it undermine or duplicate State efforts.

A State's IV&V assessment is not intended to replace Federal monitoring. It is simply a mechanism which a State, and the Federal government by extension, can use to obtain an

objective analysis and recommendations on how to deal with serious system development issues. OCSE has obtained its own IV&V contractor that will be assisting the Federal government in its oversight and monitoring role. However, it should be noted that the responsibility, authority and accountability for successful completion of CSES projects remain with the designated State child support agency.

When it is determined that an IV&V assessment is appropriate, OCSE will work with the State to determine the type and scope of IV&V services required. Funding for IV&V services is available to States at the regular (66%) FFP rate.

E.3. Quality Assurance Versus Independent Validation and Verification

Note: Quality Assurance, in a generic sense, includes any function that improves or ensures the quality of the product or the product's development process. For purposes of this discussion, QA will be used to describe the QA vendor, those persons who work directly for State CSES projects.

It is possible and desirable to have internal (QA) and external (IV&V) organizations perform validation and verification functions because of the different perspectives they bring to a project. QA providers differ from IV&V providers in that they work with and under the direction of State CSE project staff, while IV&V providers are not directly affiliated with the CSE project and can provide an independent assessment of the project.

Validation (ensuring the right product is built) and verification (ensuring the product is built correctly) are functions or activities that are performed by both the internal and external organizations providing oversight on the project. Validation and verification functions are usually performed on plans, products and other deliverables, so it is easy for an external organization or organizations to perform these functions. Other functions, such as peer review, metrics collection, process fidelity monitoring, process improvement and configuration management, are usually more easily performed by an internal QA organization.

E.4. When IV&V Services Are Required

Under PRWORA, States are required to conduct an IV&V assessment of their CSES project when one or more of the following "triggers" occur:

1. The State does not have an operational statewide automated CSES that meets all Title IV-D requirements including the requirements of the FSA of 1988.
2. The State fails to meet a critical milestone, as identified in its APD.

3. The State fails to submit timely and complete APDs.
4. The State's APD indicates the need for a total system redesign.
5. OCSE has granted a waiver for the State's CSES configuration.
6. OCSE determines that the State's CSES development efforts are at risk of failure, significant delay, or significant cost overrun.
7. The CSES is not Year 2000 (Y2K) compliant and the State does not have an existing assessment and monitoring mechanism in place.

It should be noted that conducting an IV&V assessment can be to a State's advantage. It can enable a State to identify and address the problems before the situation reaches the point where suspension of the State's APD and associated Federal funding approval is necessary.

E.5. Requirements for an IV&V Assessment

To meet Federal requirements, an IV&V assessment must be conducted by an entity that is independent of the child support agency or any other entity responsible for the CSES project, (i.e., a contractor or independent State agency).

For States requiring an IV&V assessment, OCSE will conduct a "Scope of IV&V Assessment" review to provide guidance on the level of IV&V support required and to provide initial findings of specific areas which must be addressed during the IV&V assessment. The "Scope of IV&V Assessment" review will address all areas of the system development at a preliminary level. These areas will include project management, training, process definition, quality assurance, configuration management, requirements definition and management, system security, and system capacity. Each of these areas of development will be further examined, as applicable, with respect to systems engineering, operating environment, database management, development environment, software architecture, code, and testing.

The IV&V provider must:

1. Develop a project work plan that must be submitted directly to ACF/OCSE at the same time it is given to the State.
2. Review and make recommendations on the management of the project, both State and Vendor, and the technical aspects of the CSES project. The results of this assessment

must be provided directly to OCSE at the same time they are given to the State.

3. Consult with all stakeholders and assess user involvement and buy-in regarding system functionality and the system's ability to meet program needs.
4. Conduct an analysis of past project performance (schedule, budget) sufficient to identify and make recommendations for improvement.
5. Provide risk management assessment and capacity planning services.
6. Develop performance measures that allow tracking of project completion against milestones set by the State.
7. Address any additional issues raised during the ACF "Scope of IV&V Assessment."

E.6. Prior Approval Requirements for IV&V Procurement Documents

Both the RFP for selecting an IV&V provider and the resultant IV&V contract must be submitted to OCSE for prior approval. These documents must address the experience and skills required and proposed, and the contract must specify the names of key personnel who actually will work on the project. OCSE recognizes that many States have already retained IV&V services, and OCSE will review those arrangements to determine if they sufficiently meet the criteria specified above. If the IV&V services are deemed inadequate, OCSE may require the State to enhance its IV&V efforts.

REMINDER:

Both the RFP for selecting an IV&V provider and the resultant IV&V contract must be submitted to OCSE for prior approval.

E.7. IV&V Assessment Reports

Federal regulations at 45 CFR 307.15(b)(10)(ii) require that all reports prepared by a State's IV&V provider must be submitted directly to OCSE at the same time they are submitted to the State's project management. Delaying the reports in order to edit them before submittal to OCSE defeats the purpose (i.e., early identification of problems). In addition, the fact that these reports must be submitted to OCSE and the State simultaneously should have no impact on CSES development progress, since funding approval is not tied to these reports. OCSE intends to give the State the opportunity to correct all errors or misconceptions before acting upon any report submitted directly by a State IV&V provider.

E.8. Quarterly Status Reports

OCSE may request quarterly status reports. Quarterly status reports provide a snapshot of where a State is in terms of their CSE project. These reports are generally quite brief and may be used to track completion of modules and assist ACF in determining whether funding for the next logical module is appropriate. Although they are not required, several States have elected to submit quarterly status reports to OCSE in order to facilitate communication on the progress of their CSES development projects. States are encouraged to communicate with OCSE frequently, especially during critical system development phases. A suggested sample of a quarterly status report is available by contacting OCSE, Division of State Systems. Please note that quarterly status reports cannot be used as a substitute for an APDU.

F. CHANGES TO APD REQUIREMENTS UNDER PRWORA

F.1. APD Disapproval versus Disapproval of FFP

When OCSE disapproves an APD, the CSES Implementation project is automatically suspended, and no additional funding through FFP will be approved for that project until the State submits an acceptable APD and the project is formally reinstated. Reasons for disapproval of an APD include:

- The CSES ceases to comply with the APD.
- The State is not allocating adequate resources to the project.
- The project has poor or inadequate project management.
- The project has an ill-conceived project plan.
- The State has not obtained a required IV&V assessment.

Neither disapproval of funding through FFP, nor deferral of approval of an APD, results in the automatic suspension of the project.

F.2. Identify Critical Milestones

Under PRWORA, States must identify specific project milestones in their APD submissions. The reason for this requirement is twofold: 1) FFP approvals will be tied to the completion of critical milestones; and 2) failure to meet critical milestones may result in full or partial suspension of the APD and associated funding.

Milestones are typically set for the beginning and/or end of project modules, significant tasks or deliverables, and are relative to the size, complexity and cost of the effort. More complex modules or tasks, such as the implementation of a State Directory of New Hires, might include a number of interim milestones, while others, such as revising the monetary threshold for tax offset might have only one milestone associated with it. Traditional milestones tend to be based on project life cycle methodology and at a minimum address requirements analysis, procurement, design, acceptance testing, pilot testing, and implementation. However, since most States are enhancing existing CSE systems rather than starting new projects, some of the traditional milestones may not be necessary or appropriate. Critical milestones are defined as those milestones, which if not met, would jeopardize the State's ability to meet program requirements within statutory timeframes.

States must identify all critical milestones in their APD and APDUs and explicitly address the status of each milestone. This is imperative because failure to meet critical milestones may result in the suspension of all or part of the systems efforts and funding under the APD until satisfactory corrective action is taken. In such cases, funding for current efforts not affected by the suspension would still be available, with OCSE continuing to monitor associated expenditures. In more serious cases, however, suspension would involve cessation of all Federal funding for the project until the State completes an OCSE approved corrective action plan.

F.3. Address Project Management and Available Resources

One of the most important lessons learned from States' experiences in implementing the systems requirements of the FSA of 1988 was that States assigning insufficient staffing resources were at the highest risk of failure. For this reason, OCSE is intensifying its review of States' APD submissions to ensure that States have allocated adequate resources to the project. In fact, as stated in the preamble to the new child support enforcement automation regulation, published on August 21, 1998, OCSE will not approve any State's APD unless it is convinced that adequate resources and a well conceived project management approach are available to monitor the progress of systems development efforts, assess deliverables, and take corrective action if necessary. Therefore, it is essential that States address in their APD submissions their project management approach as well as the resources available to:

- 1) monitor the progress of systems development efforts;
- 2) assess deliverables; and
- 3) take corrective action if the project goes astray.

Anticipated RFP's, contracts and contract amendments must be addressed in the APD as

well.

F.4. Address Y2K Compliance

The State's CSE system must be Y2K compliant under PRWORA systems requirements set forth in the revised CSE Systems Certification Guide. OCSE considers CSE systems that are not Y2K compliant, or have key interfaces that are not Y2K compliant, to be at serious risk of systems failure. Therefore, a State's APD or APDU must address the status of the CSES with respect to Y2K compliance. States that are not Y2K compliant must describe in detail their mechanisms for assessing and monitoring Y2K compliance, their plans for achieving compliance in a timely fashion and any contingency plans.

F.5. Address Quality Assurance

In accordance with OCSE AT-98-26, OCSE will not approve a State's APD unless the State provides evidence of QA services. States with a history of troubled systems development efforts must rigorously demonstrate that sufficient resources are available and integrated into the project. States are encouraged to submit reports prepared by their QA vendor to OCSE.

F.6. Provide More Detailed Project Schedule

The Child Support Enforcement automation regulation requires that FFP approvals be tied to specific modules, significant tasks or deliverables. It also requires that OCSE relate these funding approvals to the completion of critical milestones. States' failure to meet critical milestones, or to report promptly and fully on their progress toward meeting those milestones, may result in full or partial suspension of the State's APD and associated FFP funding.

In order to receive Federal funding, States must include in their APD submission a detailed estimated Project Schedule. For OCSE to relate funding approvals to specific modules, significant tasks or deliverables, this Project Schedule must directly correspond to the estimated Project Budget. For example, funding may be approved for the RFP procurement phase, but deferred for system implementation pending contract approval. Or funding may be approved for acceptance testing, but deferred for implementation roll out until the results of the acceptance testing are analyzed.

The narrative part of the Project Schedule should describe each module or significant task, and establish milestones for the beginning and/or ending of modules or tasks within modules. Critical milestones, are those milestones which, if not met, would seriously jeopardize the State's ability to meet program timeframes, and must be identified in the

Project Schedule. The project status, with respect to each of these critical milestones, must be part of the Project Schedule narrative.

To facilitate the review and approval of project funding, Project Schedules should be broken out by quarter and detailed according to module or significant task (e.g., development of State New Hire Directory (SDNH), development of the SDU, Distribution Modifications, CSENet Enhancements, development of UIFSA capability, etc.). Critical milestones must be identified within the appropriate module or task. In addition, depending on the complexity of the effort, it may be appropriate to divide significant tasks into subtasks. For example, the SCR might be subdivided into three subtasks: 1) SCR development and implementation; 2) development and implementation of the SCR/FCR interface; and 3) utilization of FCR match data. Larger, more complex tasks should be further delineated by life cycle phase (e.g., requirements analysis, General Design Document, Detailed Design Document, coding, testing, implementation, etc.).

A sample project schedule is provided in Exhibit 1. In this example, a Gantt chart is used to show two primary systems being developed in parallel, then integrated and tested. Cross-cutting tasks such as project management and quality assurance are shown throughout the project's life cycle. Interdependencies between tasks are shown by the arrows connecting task bars on the Gantt chart,

F.7. Provide More Detailed Project Budget

The Child Support Enforcement Automation regulation requires that OCSE approve funding by specific module, significant task or deliverable, and that these funding approvals be tied to the completion of critical milestones. Failure to meet critical milestones may result in full or partial suspension of a State's APD and associated funding. Funding will not be approved by year unless the State has substantially met previous obligations and its APD gives evidence of a sufficiently detailed project plan with adequate resources assigned to each task.

In order to receive Federal funding, State APD submissions must include a detailed estimated Project Budget, showing project costs by quarter and FFP rate, and detailing those costs according to module or significant task (e.g., development of State New Hire Directory, development of the SDU, Distribution Modifications, CSENet Enhancements, development of UIFSA capability, etc.). Within each module or task, personnel costs should be identified as being either State staff costs or contractor costs. In addition to detailing costs by module or task, the Budget should include separate line items for such non-task-specific project costs as operation of the system, system maintenance, hardware, software, overhead and miscellaneous costs. The Project Budget must directly correspond to the Project Schedule, to enable OCSE to relate funding approvals to

specific modules, significant tasks or deliverables. A sample project budget is provided in Exhibit 2.

F.8. Federal Financial Participation

Under PRWORA, States must continue their efforts to develop and implement a CSES in accordance with an approved APD. These systems must meet the requirements initially described in the FSA of 1988 and subsequent legislation, and reiterated and/or expanded in PRWORA. Although Federal funding is no longer available at the 90% rate, Federal funding at the 80% and 66% FFP rates is available for these efforts, in accordance with 45 CFR Part 307.

Addendum to State Systems APD Guide

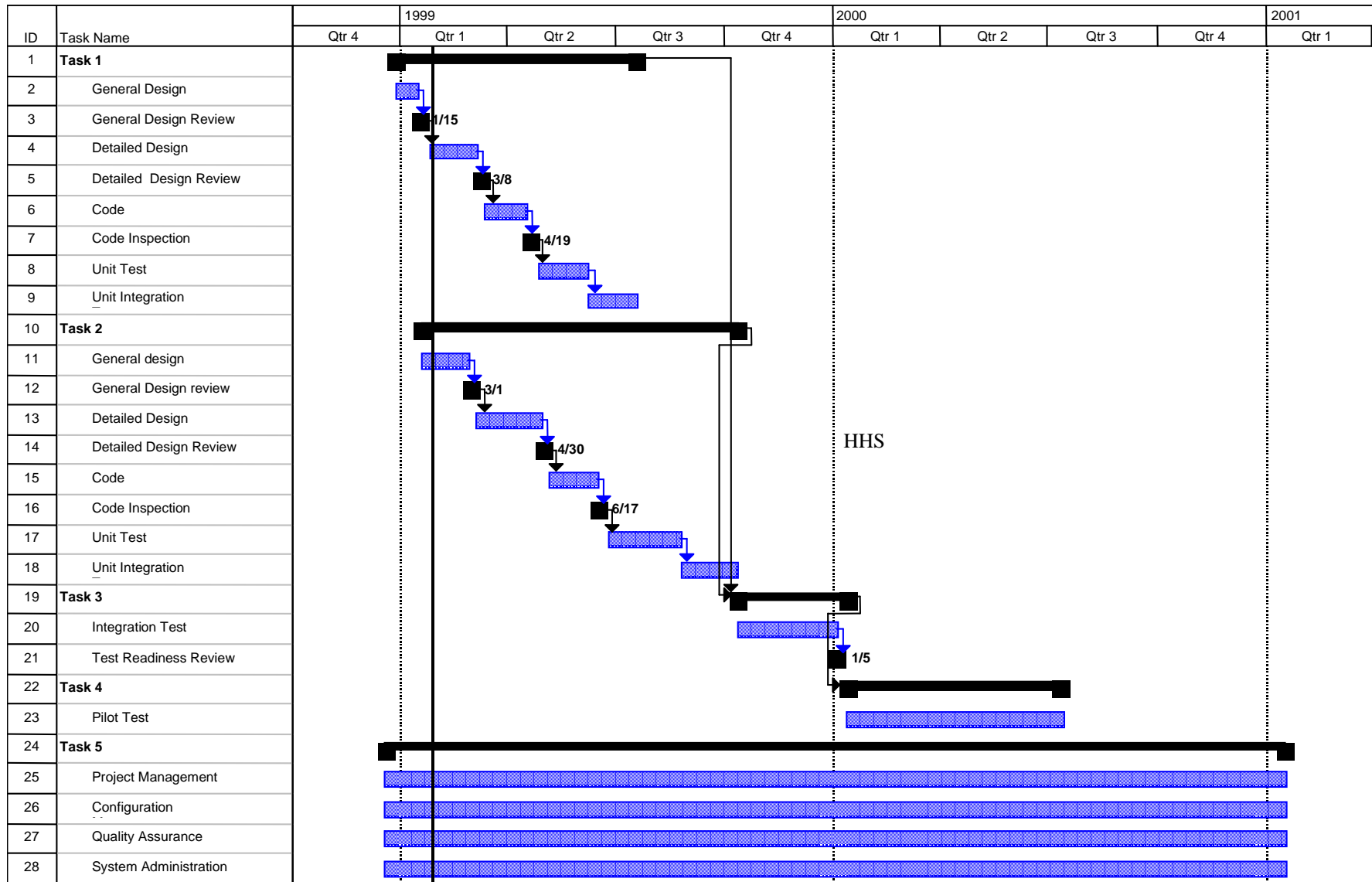


EXHIBIT 1: Sample Project Schedule

Project Budget (1999)										
Quarter Funding	Q1		Q2		Q3		Q4		1999	
	Regular	Enhanced	Regular	Enhanced	Regular	Enhanced	Regular	Enhanced	Regular	Enhanced
Task 1										
State Staff Costs	\$0.00	\$5,040.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,040.00
Contractor Costs	\$0.00	\$90,000.00	\$0.00	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$120,000.00
Task Total	\$0.00	\$95,040.00	\$0.00	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$125,040.00
Task 2										
State Staff Costs	\$0.00	\$3,840.00	\$0.00	\$2,880.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,720.00
Contractor Costs	\$0.00	\$112,500.00	\$0.00	\$135,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$247,500.00
Task Total	\$0.00	\$116,340.00	\$0.00	\$137,880.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$254,220.00
Task 3										
State Staff Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,160.00	\$0.00	\$0.00	\$0.00	\$2,160.00
Contractor Costs	\$0.00	\$0.00	\$0.00	\$30,000.00	\$0.00	\$120,000.00	\$0.00	\$0.00	\$0.00	\$150,000.00
Task Total	\$0.00	\$0.00	\$0.00	\$30,000.00	\$0.00	\$122,160.00	\$0.00	\$0.00	\$0.00	\$152,160.00
Task 4										
State Staff Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$90,000.00
Contractor Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$90,000.00	\$0.00	\$90,000.00	\$0.00	\$180,000.00
Task Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$135,000.00	\$0.00	\$135,000.00	\$0.00	\$270,000.00
Task 5										
State Staff Costs	\$0.00	\$54,000.00	\$0.00	\$54,000.00	\$0.00	\$54,000.00	\$0.00	\$54,000.00	\$0.00	\$216,000.00
Contractor Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Task Total	\$0.00	\$54,000.00	\$0.00	\$54,000.00	\$0.00	\$54,000.00	\$0.00	\$54,000.00	\$0.00	\$216,000.00
Operational Costs										
State Staff Costs	\$350,000.00	\$0.00	\$350,000.00	\$0.00	\$350,000.00	\$0.00	\$350,000.00	\$0.00	\$1,400,000.00	\$0.00
Contractor Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$350,000.00	\$0.00	\$350,000.00	\$0.00	\$350,000.00	\$0.00	\$350,000.00	\$0.00	\$1,400,000.00	\$0.00
Maintenance Costs										
State Staff Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractor Costs	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$180,000.00	\$0.00
Total	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$45,000.00	\$0.00	\$180,000.00	\$0.00
Hardware Costs	\$100,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100,000.00	\$0.00
Software Costs	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20,000.00	\$0.00
Overhead Costs	\$125,000.00	\$0.00	\$125,000.00	\$0.00	\$125,000.00	\$0.00	\$125,000.00	\$0.00	\$500,000.00	\$0.00
Miscellaneous Costs	\$40,000.00	\$0.00	\$40,000.00	\$0.00	\$40,000.00	\$0.00	\$40,000.00	\$0.00	\$160,000.00	\$0.00
TOTALS	\$680,000.00	\$265,380.00	\$560,000.00	\$251,880.00	\$560,000.00	\$311,160.00	\$560,000.00	\$189,000.00	\$2,360,000.00	\$1,017,420.00

EXHIBIT 2: Sample Project Budget

F.9. 90% FFP Rate

PRWORA provides limited reinstatement of FFP at the 90% rate for costs incurred by States to meet the development and implementation requirements of the FSA of 1988. However, this 90% funding is only available for project costs that were approved in an APD on or before October 1, 1995, and were expended prior to October 1, 1997. OCSE AT 96-10, dated December 23, 1996, specifies the procedure to be used by States seeking restoration of 90% funding. Please note that authorization for the restoration of 90% funding may be deferred if the State does not have an approved APDU.

States need to identify costs approved at the 90% rate on their quarterly submissions of Form OCSE-396A, Part 1 in order to receive reimbursement at the 90% rate. Any portion of these expenditures previously claimed for Federal funding at the regular (66%) match rate may be reclaimed as a prior quarter adjustment at the higher rate. Amounts must be reported on Line 7 as either a current quarter (col. a) or prior quarter (col. c) "ADP Developmental Expenditure," as appropriate. Claims of prior quarter adjustments must also be accompanied by the usual submission of Form OCSE-396A, Part 2. Form OCSE-396A was transmitted by OCSE-AT-98-28 dated September 29, 1998.

States have two years from the end of the quarter in which an expenditure is made to file a claim for Federal funding for that cost.

F.10. 80% FFP Rate

Enhanced Federal funding at the 80% rate is available for systems development and implementation costs associated with meeting remaining FSA of 1988 requirements as well as the new PRWORA requirements. However, the amount of enhanced 80% funding available to each State is capped with the Federal total not to exceed \$400 million. ACF has allocated this \$400 million on a State-by-State basis in accordance with PRWORA and 45 CFR 307.31. If a State is unable to complete its project within its allocated amount, the remaining approved expenditures will be eligible for Federal funding at the regular 66% FFP rate. Refer to OCSE AT 98-25.

Since the availability of 80% FFP is limited, any decision to use these funds to complete the system implementation requirements of the FSA of 1988 may result in a substantial portion of the expenditures incurred to meet the system requirements of PRWORA being reimbursed at the 66 % FFP rate.

The availability of enhanced funding at the 80% FFP rate is further limited as follows:

- The costs associated with the operation and maintenance of the CSES are not eligible for Federal funding at the 80% rate, but remain eligible for 66% funding. Those costs

include:

- facilities management/operational costs
 - software and hardware maintenance costs
 - hardware depreciation costs
 - replacement hardware costs
 - the cost of upgrades to operational software
- Federal funding at the 80% rate is available for the costs associated with the development and implementation of a State Disbursement Unit (SDU) or a State Directory of New Hires (SDNH) only when the SDU or the SDNH is an integrated part of the State CSES.
 - If the SDU or SDNH is implemented as a separate unit rather than as an integrated part of the State CSES, then the development and implementation costs (including contracts, cooperative agreements, service agreements, etc.) are considered to be regular (66%) administrative costs and should not be included in the APD or APDU.
 - Federal funding at the 80% rate is available for the costs associated with the development and implementation of the CSES interfaces required to meet FSA of 1988 and PRWORA requirements. These include but are not limited to the following:
 - the interface between the CSES and the SDU;
 - the interface between the CSES and the SDNH;
 - the interface between the CSES and CSENet;
 - the interface between the State Case Registry (SCR) and the courts or other systems for the collection of information on non-IV-D cases; and
 - the interface between the CSES and the Federal Case Registry (FCR).

It should be noted that although the costs associated with the development and implementation of these interfaces is eligible for enhanced funding, all maintenance and operations costs are eligible for reimbursement at the regular (66%) match rate only.

Although the new PRWORA CSES requirements must be implemented by October 1, 2000, Federal funding at the 80% FFP rate remains available through September 30, 2001. Therefore, for these expenditures, the practice of permitting States to establish escrow accounts for contractual holdback payments is unnecessary and will not be available. States have two

REMINDER:

Administrative costs, service agreements, and cooperative agreements with outside agencies or organizations should not be included in a State's APD or APDU.

years from the date of expenditure to claim funds for reimbursement at the 80% rate.

To receive reimbursement for costs approved at the 80% rate, States must include these costs on their quarterly submissions of Form OCSE-396A, Part 1.

- States may receive reimbursement at the 80% rate for costs that are eligible for enhanced funding but were previously approved at the 66 % FFP rate. To do this the State must send a letter to ACF (see section entitled "Where to Send APD, RFPs and Contracts") identifying the amount of additional funding being requested and providing the citation(s) from the State's APD that supports this request. States are not required to submit either an APDU or an As-Needed APDU for these requests.
- Any amounts that were previously claimed at the 66% rate and are now eligible for reimbursement at the 80 % rate may be reclaimed at the 80% rate as a prior quarter adjustment. In order to do this, States must report those amounts on Line 5 (ADP Costs Developmental) of the Form OCSE-396A, Part 1 as either a current quarter claim (col. a) or prior quarter claim (col. c), as appropriate. Claims of prior quarter adjustments must also be accompanied by the usual submission of Form OCSE-396A, Part 2. Form OCSE-396A was transmitted by OCSE-AT-98-28 dated September 29, 1998.

States have two years from the end of the quarter in which an expenditure is made to file a claim for Federal funding for that cost.

F.11. 66% FFP Rate

While the amount of enhanced (80%) funding is capped, there is no limitation on the amount available at the 66% rate for systems development efforts. FFP at the regular (66%) match rate is available for all expenditures approved through the APD process which exceed the State's allocated portion of 80% funding, or are claimed at 66% because the State chooses to use its allocated portion of 80% funding at a later date.

The costs associated with the automated or manual conversion of non-IV-D child support case data are eligible for 66% funding through the APD process. This includes the following activities and limitations:

- the automated or manual conversion to the SCR of information on all non-IV-D child support orders established or modified in a State on or after October 1, 1998; and
- the automated or manual conversion to the SDU of information on non-IV-D cases with orders issued on or after January 1, 1994 in which the non-custodial parent is subject to wage withholding. Refer to OCSE-AT-97-13 and OCSE-PIQ-98-08.

It should be noted, however, that the costs of initial and ongoing data collection, data clean-up and ongoing data entry costs are considered to be regular (66%) administrative costs, and should not be included in the APD or APDU.

APPENDIX A

APD Addendum Acronyms

APD	Advance Planning Document
APDU	Advance Planning Document Update
ACF	Administration for Children and Families
AT	Action Transmittal
CFR	Code of Federal Regulations
CSENet	Child Support Enforcement Network
CSES	Child Support Enforcement System
FCR	Federal Case Registry
FFP	Federal Financial Participation
FSA	Family Support Act (of 1988)
HCFA	Health Care Finance Administration
HHS	(Department of) Health and Human Services
IV-D	Title IV-D of the Social Security Act (Child Support Enforcement)
IV&V	Independent Validation and Verification
OCSE	Office of Child Support Enforcement
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act (of 1996)
QA	Quality Assurance
RFP	Request for Proposal
SCR	State Case Registry
SDNH	State Directory of New Hires
SDU	State Disbursement Unit (sometimes referred to as Centralized Collections)
UIFSA	Uniform Interstate Family Support Act
Y2K	Year 2000