

**Question 1. When can I close out my Advance Planning Document (APD) for a statewide child support system project?**

**Answer 1.** In brief, three factors affect whether a state must continue to submit Annual APD Updates (AAPDU), and when necessary "As Needed" APD for its statewide child support Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) automation projects. These are:

- 1) whether or not the State Automated Child Support Enforcement Systems (ACSES) is federally, unconditionally, certified as meeting the automation requirements prescribed by the PRWORA legislation, implementing regulations, and guidance documents incorporated in regulation by reference;
- 2) whether any outstanding, significant software development efforts, projects, modules, activities and/or significant procurement actions remain to be completed as described in and funded through the respective AAPDU and,
- 3) whether or not the State ACSES project has achieved cost/benefit "break-even" as quantified in the cost/benefit analysis presented in the AAPDU, and verified by the Federal agency;.

**Question 2. Relative to the "break-even" requirement for cost/benefit analyses, my state initially developed a functional model with intangible as well as tangible benefits that are now difficult to quantify. Is there any easier way to demonstrate that my project has reached break-even?**

**Answer 2.** In order to assist states in the historically difficult task of measuring quantifiable benefits accruing to an automation project as complex as those in the child support enforcement program, our Office issued an alternative approach to conducting a cost/benefit analysis. It is called the *Revenue Stream Model*. This second model, different from the standard approach referred to as the *Functional Model*, defined in ACF and OCSE guidance over the years, presents a methodology found to be significantly easier to employ. Explanation on the application of the *Revenue Stream Model*, as well as detailed guidance on use of the *Functional Model*, can be found in OCSE's publication Companion Guide 3: Cost/Benefit Analysis Illustrated for Child Support Enforcement Systems, 48 pp., September 2000. In addition, automated tools supporting the use and production of these two cost/benefit analysis models, including help guides, as revised in March 2001, are available on OCSE's State and Tribal Systems' web domain at: <http://www.acf.dhhs.gov/programs/cse/stsys/cse.htm>.

Again, a state's submission of its cost/benefit analysis within the AAPDU must be approved by OCSE. An approvable cost/benefit analysis is one that is fully documented, arithmetically measurable and repeatable, and presents a reasonable mathematical argument that the basic requirement of having achieved break-even in costs-to-benefits ratio is met. Upon submission and acceptance by OCSE of such a cost/benefit analysis, the state can subsequently consider whether to discontinue AAPDU submissions for its ACSES project.

### **Question 3. What does OCSE mean by outstanding software projects?**

**Answer 3.** The second prerequisite to close-out of a state's ACSES project AAPDU is whether any outstanding, significant software development efforts, projects, modules, activities and/or significant procurement actions remain to be completed as described in and funded through the AAPDU. Examples of these types of outstanding significant events and actions are:

- An outstanding, unresolved reconsideration request by the state under Action Transmittal OSSP-00-01, related to Federal disapproval of a procurement, including the resultant disallowance of Federal Financial Participation (FFP) in the contract's cost by the ACF/OCSE.
- Significant application software changes are defined by three basic characteristics: level of effort, cost, and risk. These include software efforts like the replacement of an ACSES enforcement module or its document generation module, the development of significant, new electronic interfaces, the replacement of a character-based user interface with a graphical user interface (GUI), or migration of the main software application system from a mainframe-based platform to a client-server architecture. Because these types of software development efforts are most often labor intensive they are also usually costly endeavors (e.g., above the regular rate threshold for FFP). The complexity of such efforts, including the accompanying heightened risk, weigh against close-out of the APD. Certainly, the potential for cost or schedule overruns is a real risk factor due to the size and scope of such efforts. Other risks, such as interruptions of service of the existing on-line application being enhanced, also must be considered. For these reasons, the need for proactive Federal review and oversight dictates a state's APD remain open.
- Outstanding federal PRWORA and/or FSA88 certification findings that have not been resolved unconditionally; and,
- Outstanding procurement efforts (hardware, software, and/or services) as identified in the AAPDU for which final procurement costs (based on final contract execution) have yet to be determined.

### **Question 4. Could some of the software activities above be considered "routine maintenance"?**

**Answer 4.** Rarely. Routine software maintenance activities normally reflect efforts not nearly as labor intensive, costly, or risk laden as those discussed above in Answer 3. Examples of routine software maintenance include: revising or creating new reports, making limited data element/data base changes, making minor alterations to data input and display screen designs, upgrading hardware, operating system and Commercial-Off-The-Shelf (COTS) software, etc. If maintenance efforts, similar in nature to those above, are the only activities that remain to be performed in a state's ACSES project, and their associated acquisitions are under the regulatory thresholds for submission of regular rate FFP, then a close-out APD may be submitted to ACF/OCSE.

**Question 5. What is the format for a close-out request?**

**Answer 5.** The format and content of a final or “close-out” APD is essentially the same as that described by Federal regulations and guidance documents incorporated in regulation by reference, for any AAPDU. The term “close-out” connotes only that its respective submission represents the last APD required to fully and finally describe all past project activities, cost, benefits, and functional-compliance with applicable Federal certification requirements (PRWORA and FSA88). All informational requirements for a fully approvable, ongoing ACSES project APD must also be presented in the project’s final “close-out” APD.

| Requirements for “Close-out” APDU | Regulatory Citation(s) From 45 CFR 95.605 “Advance Planning Document Update”                   | Required or Optional | Information to Include – Summary/Optional  |
|-----------------------------------|--|----------------------|--|
| Executive Summary                 | None   | Optional             | Though not required, it is helpful for Federal reviewers to have a summary in the APD of the significant project milestones achieved or requests being made.   |
| Project Management Plan           | Project status 95.605(3)(a)(ii)<br>Deliverables 95.605(3)(a)(iii)<br>Schedule 95.605(3)(a)(iv) | Required             | This section provides information on project tasks and milestones for which Federal funding has been approved. For a “Close-out APD”, it is assumed all project tasks and milestones are now being reported as complete. For tasks reported in past APD’s as completed, a brief statement to that effect, or references to where in prior APD documents such information may be found, is acceptable. For those remaining tasks finally being reported as complete under this “Close-out” APD, a brief statement to that effect, including any deliverables produced, with a schedule showing when each outstanding task or milestone was finished, is acceptable.   |
| Budget                            | Expenditures 95.605(a)(v)<br>Cost Allocation 95.605(a)(vi)                                     | Required             | In a “Close-out” APD, this section must essentially reconcile all project costs from planning through full statewide installation and final certification of the system. This budget reconciliation will balance all approved Federal funding with all final, actual project expenditures. For tracking and consistency, data should be presented by Federal fiscal quarter, summed by Federal fiscal year, and reflect all of the line items of cost (e.g., staff, contracts, travel, training, operations, etc.) as presented and approved in previous Annual APD Updates. Note that if any changes occurred to any approved cost allocation methodologies since the last approved APD, a narrative description of the change including any resulting budget implications, is also needed. |
| Cost/Benefit Analysis (CBA)       | 95.605(a)(vii)   | Required             | In a “Close-out” APD, this section provides the final CBA that establishes achievement of the project’s break-even point. Use of either the “Functional” or “Revenue Stream” model formats is acceptable.  |

A few clarifications as to the breadth and depth of the information to be provided in such a “close-out” APD follow:

1. The project management plan in the AAPDU must summarize, in the same manner as defined in OCSE’s APD guidance document, Addendum to State Systems APD Guide for Child Support Enforcement Systems, 22 pp., March 1999, any outstanding ACSES project planning, design, development, test and/or implementation activities not cited as complete in past AAPDU’s.
2. The APD’s budget must present all past, actual and expended, ACSES project costs from planning through ongoing operations and maintenance from the earlier of either Federal Fiscal Year (FFY) 1991 or project inception, through to the end of the FFY in which the APD is being submitted. The beginning of FFY 1991 is usually chosen as the starting point for tracking state project costs due to the fact that all states were required by federal law and regulations to submit a full, initial IAPD no later than July 1, 1991, reflecting the design, development and implementation of a statewide ACSES. When planning for such an effort is taken into consideration, the start of FFY 1991 becomes a reasonable point from which to begin budgeting. In some states, however, meeting the requirements of the FSA 88 meant enhancing an already operational system, thus a starting point earlier than FFY 1991 may be applicable.
3. The AAPDU’s cost/benefit analysis (CBA), as previously described, must be complete and thoroughly address all costs (as presented in the budget section) and quantitative and qualitative benefits data, including the following:
  - While not mandatory, OCSE suggests that a narrative summary be included providing examples of the quantitative (ex: increased collections year-to-year in dollars/percentages, collection increases by functional process/automated enforcement remedy, cost savings in reduced operations expenses, etc.) and qualitative (i.e. user friendly, customer service, serves management needs for accessible information, etc.) benefits attributable to ACSES automation. The narrative summary must also present a calculation presenting the total benefits-to-cost ratio for the full lifecycle of the ACSES based on the CBA data spreadsheet/tables below (this ratio presents a measure of cost-effectiveness of the automation) as well as identifying the month and year that costs-to-benefits breakeven was achieved;
  - Presentation of the spreadsheets/tables that comprise a cost/benefit analysis. Please note that the cost/benefit analysis must calculate all actual and estimated costs and benefits attributable to the ACSES from the end of the “base year” (fiscal year preceding statewide ACSES operations) through the years in which the state has committed in the APD to operationally employ the ACSES (normally seven to ten years of operation.) This is addressed in the Revenue Stream Model mentioned in Question and Answer 2. ; and,

- Presentation of the cost/benefit analysis break-even chart. This is also included in the Revenue Stream Model addressed in Question and Answer 2.

**Question 6. Can I obtain help from OCSE in developing a revenue stream model, even if I choose to keep the project open?**

**Answer 6.** Yes. Explanation on the use of the *Revenue Stream Model* and *Functional Model*, as well as the overall requirements for approvable CBA's can be found in OCSE's publication, Companion Guide 3: Cost/Benefit Analysis Illustrated for Child Support Enforcement Systems, 48 pp., September 2000.

OCSE has sponsored several training sessions on the use of the revenue stream model for cost/benefit analysis. If there is sufficient interest, we will schedule additional training sessions.

**Question 7. Why should I consider keeping my APD open, once it qualifies for close-out?**

**Answer 7.** Careful consideration should be given to the determination as to whether an APD should be closed. Obviously, submission of a final or "close-out" APD for the ACSES project relieves the state of future Federal reporting requirements relative to the ACSES. On the other hand, rarely do such systems remain static in their operation, construction, architecture or functional capabilities. Systems as complex and as integral to successful operations as those mandated in the child support enforcement program are extremely dynamic, as the power and capabilities of hardware and software platforms continue to exponentially increase. Likewise, new, enhanced, and increasingly complex but also increasingly robust operating systems and programming languages, databases and tools arrive with such frequency that all too often a computing platform has little option but enhancement and upgrade to avoid architectural obsolescence.

User communities also play an important role in the decisions affecting ACSES enhancement and upgrade. Many of today's statewide ACSES rely on platforms that employ character-based user interfaces that rely on legacy programming languages. It is increasingly difficult to find qualified staff to maintain or enhance these interfaces, and there is often little or no built-in support for newer, emerging technologies. Also, our ACSES user communities today are more computer literate than ever before, quite often using more advanced graphical operating systems and applications than anything available in their business environments. Add to that the accumulated knowledge these users now have with their ACSES, which has enabled them to identify functional deficiencies and needed operational enhancements, and we find numerous arguments of the need for cyclical enhancements to our automated systems.

These enhancements and upgrades, however, on the scale of a statewide ACSES, are rarely anything but complex, expensive, labor-intensive and time-consuming. Federal funding thresholds for determining the need for submission of an APD today, even at the regular rate of FFP, currently stand at \$5 million. Such a threshold has in recent years proven to be too low to avoid APD submissions for most, if not all, significant enhancement/upgrade efforts to statewide ACSES. ACF has met with decision makers from Food and Nutrition Services and Centers for Medicare and Medicaid Services as well as state staff to discuss a wide range of APD reforms,

including raising the regulatory thresholds for submission. Because the Federal regulatory process is lengthy, the need for APD submissions will most likely be unavoidable in those states that choose to conduct major overhauls or enhancement efforts of their ACSES over the next few years.

An alternative to closing an APD, in light of the above issues, is to maintain the document in an open, ongoing status. For example, by keeping the APD open, the existing, still accruing benefits under that APD can be used to offset the costs of any new, major (above APD threshold) enhancement projects. This may be a much better option than having to recreate a cost-benefit analysis from scratch as part of a new AAPD for such an enhancement project. In other words, the state retains a means to use continually accruing benefits as presented in the open cost-benefits analysis to justify the costs associated with any new development or enhancement effort.

By contrast, a state without an open APD, will have to “start over” in that a new planning or implementation project must be initiated, with a new cost/benefit analysis tied to the new/proposed functionality, systems and/or services. The “old” ACSES, and by reference that project’s closed APD, continues to accumulate the benefits being derived from and attributable to the successful installation of that system’s automation. These constantly accruing benefits, however, are not transferable to the brand new project (new APD). This is essentially the same situation a state would find itself in if it determines that a “new” or “replacement” system is needed; a new Planning APD and/or IAPD would be required which likewise would require a new cost/benefit analysis, thus eliminating the application of the old ACSES system’s still accruing benefits. The use of accruing benefits in an open APD to offset any additional project costs, such as those incurred by new hardware, software, and services procurements and activities applies only to projects where the existing system is the foundation platform for the enhancements/upgrade project. Any completely new ACSES project, such as one in which a brand new system is built or transferred in from another donor state, will necessarily need to justify itself based on its own attributable, quantifiable benefits as that system is able to accrue them. These principles are consistent with industry standards for cost/benefit analysis and the calculation of return on investment (ROI).

**Question 8. What are the benefits of closing the APD project?**

**Answer 8.** An obvious benefit to closing the APD project is the reduced burden on state staff for maintaining and submitting annual and "As-Needed" Advance Planning Documents to the federal government. Another benefit may include the elimination of duplicative reporting processes: the APD for Federal submission versus separate formats and content for internal, state project reporting and tracking.

**Question 9. If my state closed our child support APD project before we realized the implications or benefits of keeping the APD open, can we reopen the "closed" APD?**

**Answer 9.** Yes. A previously closed APD can be reopened by the state within 24 months of closure if the state updates the information in the Advance Planning Document, including the cost-benefit analysis, from the date of the last AAPDU to the current date.

**Question 10. If my state opts to close the APD project, when will the state need to submit a new APD?**

**Answer 10.** If the state is seeking regular rate (66 percent) Federal Financial Participation (FFP), including funding for operations, and the total acquisition cost exceed \$5 million, then an APD is required. If the state plans to obtain non-competitively from a non-governmental source ADP equipment or services with a total acquisition cost that exceed \$1,000,000, then an APD is also required. Please note that 45 CFR 95.605 indicates that *total acquisition* means all anticipated expenditures for the project. The definition of total acquisition cost is not based on any given contract or year.

**Question 11. If my state acquires its maintenance and operation (M&O) support through a contractor and the acquisition exceeds the regular rate threshold of \$5 million, can I ever close my developmental APD?**

**Answer 11.** The regulation governing cost-benefit analysis, 45 CFR 95.605, indicates that, "*Once the state begins operation, either on a pilot basis or under a phased approval, the cost-savings shall be submitted 2-5 years after statewide operation until the Department determines project cost savings have been achieved.*" Therefore you can request that your developmental APD, including future M&O costs, be closed within 2-5 years after statewide operation, based on having achieved "break-even." Most states had systems that were operational statewide several years before they were certified. If your maintenance and operation support is provided through a service agreement from a State agency, you may be able to close your APD earlier. See the answer to question #14 for more detail.

**Question 12. If a particular APD section or an attachment was previously submitted, and has not changed, we did not submit it in subsequent AAPDU's. Does a close-out APD need a full copy of each section and attachment of the APD?**

**Answer 12.** A close-out APD must present sufficient information on the project in order for our Office to determine whether all of the close-out criteria, as described herein, have been met (see Answers 1 and 5 above.) As described in the table in Answer 5 above, all sections of the APD need to be reproduced in the close-out document, or in the alternative, the close-out APD can affirm that there has been no change to a specified section(s) of the APD since a previous AAPDU submission. The state must reference where to find that section not included in the document. For example, the name and date of the document in which the section was submitted. (i.e. *Kansas IAPD, Fiscal Year 2000, Appendix A, submitted September 13, 2000.*)

**Question 13.** One reason my state was considering closing our APD project was to have a higher threshold for submitting acquisitions. Section D-6 of the *Addendum to State Systems APD Guide for Child Support Systems dated March 16, 1999*, states: "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." Is this policy still in effect?

**Answer 13.** No. For ACSES projects, enhanced funding legislation, which provided such funding for ACSES expenditures until September 30, 2001, was enacted to assist states with certification requirements. Therefore, once a state is certified for meeting PRWORA automation requirements, then the acquisition threshold rates for regular rate FFP projects apply, even if the state opts to keep its APD open. Once PRWORA-certified, acquisitions need to be submitted for prior approval only if they exceed \$1 million for sole source acquisitions or \$5 million for competitive procurements.

**Question 14.** If I obtain my maintenance and operation (M&O) support for my child support system in-house under a service agreement, from a state agency, does it need to be submitted for prior approval?

**Answer 14.** The state is not required to submit an APD for purely operational costs obtained in-house under a service agreement from a state agency, if that state agency does not acquire its services from a commercial source. However, under 45 CFR 95.605, the definition of "service agreement" indicates that prior approval is required for APD equipment and APD services acquired by a state service agency if: 1) the state agency acquires those services from commercial sources in excess of the thresholds (see Questions and Answers 9 and 12); and, 2) the state agency bills more than fifty percent of total charges to all users to Federal programs seeking matching FFP under 45 CFR Part, 95, Subpart F.

## **Conclusion**

Any decision to maintain or close-out an APD for the statewide ACSES can have far-reaching effects into the future in terms of the cost-justification for those future expenses. In addition, re-creating such significant project management and tracking information as is contained in an APD can require a substantial level-of-effort. OCSE's Division of State and Tribal Systems staff can provide technical assistance, as needed, to state projects considering these types of decisions. We encourage you to continue to discuss and work with our Office to address these and similar issues. Together, we can help to ensure that Federal funding in any future enhancements of your ACSES project proceeds in as uninterrupted and uncomplicated a manner as possible.