



U.S. Department of Health  
and Human Services  
Administration for Children  
and Families  
Washington, D.C. 20447

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**Action Transmittal #: OISM-ACF-AT-93-3**

**Date: January 3, 1993**

**TO :** STATE PUBLIC ASSISTANCE AGENCIES AND OTHER  
INTERESTED PARTIES

**SUBJECT :** 45 CFR PART 95, SUBPART F "AUTOMATIC DATA  
PROCESSING EQUIPMENT AND SERVICES--CONDITIONS  
FOR FEDERAL FINANCIAL PARTICIPATION"--STATE  
RESPONSIBILITIES

**RELATED  
REFERENCES:** 45 CFR PART 95, SUBPART F

**PURPOSE:** *This transmittal revises the Action Transmittal (AT) of September 21, 1990, of the same subject issued jointly by the Department of Health and Human Services (HHS), and the Department of Agriculture (USDA), Food and Nutrition Service (FNS). It clarifies States' responsibilities for monitoring and approving ADP acquisitions which fall below the prior approval thresholds of 45 CFR Part 95, Subpart F. This revision applies to HHS requirements only. It does not change the requirements of the USDA, FNS.*

**BACKGROUND:** *The HHS Office of the Inspector General recently completed a review of States' compliance with the requirements of the September 21, 1990 AT and recommended that ACF revise its guidance to clarify: 1) the effective date of the transmittal provisions; and 2) the requirement for the State agency's central review of all automatic data processing acquisitions for which Federal financial participation (FFP) will be claimed. This AT revises the original issuance accordingly.*

*On February 7, 1990, the Department of Health and Human Services (HHS) published final rules at 45 CFR Part 95, Subpart F in the Federal Register. These regulations became effective on May 8, 1990. They modified the prior approval requirements for State and local governments requesting Federal*

***financial participation (FFP) for the acquisition of automatic data processing (ADP) equipment or services. Among other changes, the rules increased to \$500,000 the threshold under which regular match acquisitions do not require Federal prior approval. The rules also established specific thresholds under which certain requests for proposals, contracts and contract amendments, for both regular and enhanced funding, do not require prior approval.***

***These rules decreased the reporting burden imposed on States. With these rules, however, HHS was placing greater reliance on State central public assistance agencies to ensure that projects and procurements, which will now be undertaken without specific Federal prior written approval, are necessary and cost effective.***

***DISCUSSION: State public assistance agencies are accountable for all ADP expenditures throughout a State incurred under an approved State Plan for Titles I, IV-A, IV-B, IV-D, IV-E, IV-F, X, XVI (AABD), and XIX of the Social Security Act, and Title IV Chapter 2 of the Immigration and Naturalization Act, and undertaken under the provisions of 45 CFR Part 95, Subpart F. This subpart prescribes the conditions under which HHS will approve Federal financial participation (FFP) for the costs of automatic data processing equipment or services using commercial services or State or local government resources.***

***45 CFR 95.621 prescribes that the Department will conduct periodic on site surveys and reviews of State and local agency ADP practices to determine the adequacy of such practices and to assure that ADP equipment and services are utilized for purposes consistent with proper and efficient program administration and the Social Security Act. 45 CFR Part 95.621(d) Acquisitions Not Subject to Prior Approval, provides that reviews will be conducted on an audit basis to determine that systems and acquisitions costing less than \$500,000 are made in accordance with 45 CFR Part 74 and the conditions of 45 CFR Part 95, Subpart F, and to determine the efficiency, economy and effectiveness of the systems and acquired equipment.***

***All acquisitions of ADP equipment or services throughout a State, undertaken in support of Federally funded public assistance and social services programs that are subject to the provisions of 45 CFR Part 95, Subpart F, must be approved within the State agency. Under this requirement the State agency is responsible for the central review, approval and monitoring of all ADP acquisitions and is accountable for these acquisitions as a condition of eligibility for FFP.***

***State public assistance agencies are responsible for deciding which projects, acquisitions and procurement documents are subject to Federal prior written approval in accordance with the provisions of 45 CFR Part 95, Subpart F. Accordingly, State agencies must have procedures in place for the central review and approval of all ADP acquisitions, including those under threshold acquisitions not subject to Federal prior written approval. State and local government acquisitions, which are not approved centrally within the State agency, are not eligible for FFP.***

***It is HHS policy to require that States transfer systems and automated procedures whenever possible. Consequently a State central review and approval ensures that State and local jurisdiction ADP projects are necessary and cost beneficial from a statewide perspective, and do not duplicate other State efforts or the efforts of other local jurisdictions. Moreover, central review and approval at the State level provides the opportunity to consider a statewide system in order to achieve consistent statewide application of program policies. States also must ensure that local jurisdictions use public assistance funds appropriately. For example, HHS funding may not be used to acquire application specific proprietary software packages for the programs covered by 45 CFR Part 95, Subpart F.***

**GUIDANCE:**

***HHS will not specify the precise procedure, process and/or vehicle which a State agency may use to monitor, account for and control ADP projects and expenditures centrally, beyond requiring that the State agency centrally approve all such acquisitions. In determining whether Federal prior written approval of a project at the***

**regular matching rate is required, the State agency must consider the total cost of all ADP equipment and service resources to be acquired for a project. This includes the cost of ADP equipment and service resources acquired from State (including a State or county central data processing center), commercial or other sources. The State agency must then determine if the estimated total acquisition costs equal or exceed the \$500,000 threshold, i.e., whether prior Federal approval is required. HHS reserves the right to determine the scope of the ADP equipment and service resources which come under an individual project, on a case-by-case basis. Additionally, individual ADP acquisitions, not subject to prior approval, are subject to Federal audit.**

**EFFECTIVE DATE:**            **The requirements of this AT are effective on the date of the AT.**

**INQUIRIES TO:**            **ACF Regional Administrators**

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**Director**  
**Office of Information Systems Management**