

AT-94-5 Federal/State Information Technology Policy

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**Administration for Children
and Families (ACF)**

U.S. Department of Health and Human Services
Administration for Children & Families
370 L' Enfant Promenade
Washington, DC 20447

**Food and Nutrition Service
(FNS)**

U.S. Department of Agriculture
Food and Nutrition Service
3101 Park Center Drive
Alexandria, VA 22302

Action Transmittal

Transmittal No. AT-94-5

Date: July 22, 1994

TO : STATE PUBLIC ASSISTANCE AGENCIES, STATE
INFORMATION EXECUTIVES, AND OTHER INTERESTED
PARTIES

SUBJECT : FEDERAL/STATE INFORMATION TECHNOLOGY POLICY

RELATED
REFERENCES: 45 CFR PART 95, SUBPART F
7 CFR Part 277

PURPOSE: This Action Transmittal (AT) implements short term
changes in policy, which can be made within
current law and regulations, to the Advance
Planning Document (APD) requirements of the
Department of Health and Human Services (HHS), in
particular the Administration for Children and
Families (ACF) and the Health Care Financing
Administration (HCFA), and the Department of
Agriculture, Food and Nutrition Service (FNS).
These policy changes will provide greater
flexibility within the existing APD process, while
Federal and State representatives investigate more
far reaching alternatives for changing or
replacing the APD process. The policies detailed
in this document will enhance State systems
development and eliminate excessive paper work.

BACKGROUND: Funding for State automatic data processing (ADP)
systems which support Federally funded public
assistance, child welfare, and child support
enforcement programs, are subject to the
provisions of 45 CFR Part 95, Subpart F and 7 CFR
Part 277. These are generally known as the
advance planning document (APD) requirements or
process. The APD process: ensures that Federal
funds for capital investments in automation and
technology projects are spent appropriately and
wisely; and provides a source of information about
State systems projects which is shared with other

States.

DISCUSSION: As part of the Federal government's initiative to reinvent processes and improve service to the States, Federal and State representatives worked together, through an Information Technology Work Group, to identify action items which would make the existing APD process more flexible and effective.

HHS and FNS anticipate that the policies instituted in this AT will result in: a reduction in State systems project delays; States developing personal computer (PC) based (client server) systems; States purchasing rather than leasing PCs; an increased emphasis on new ideas and new technology; reduced paperwork and recordkeeping; and associated cost savings.

In addition to the actions being taken within this AT, HHS and FNS intend to revise their APD regulations to provide additional relief and flexibility to States.

For the longer term, the two Departments will be investigating ways to further modify, or replace the existing APD process. Areas to be further investigated and initiatives to be undertaken with State representatives include: 1) alternative funding of State systems; 2) performance and accountability standards; 3) application software ownership rights; 4) APD review and operating standards; 5) Regional Office consistency; 6) technical assistance and model systems; 7) cooperative purchasing; 8) allocation of common costs; and 9) the role of State Chief Information Technology officials.

ACTION: The following new policies are effective with the date of this Action Transmittal:

DEPRECIATING EQUIPMENT COST

Current Policy:

Presently, State's may expense (claim Federal matching for the full cost in the calendar quarter in which the expense is incurred) the total cost of automatic data processing (APD) equipment

acquired under a single acquisition totalling \$25,000 or less without Federal approval. All other equipment acquisitions must be depreciated regardless of unit cost. The Departments may waive the depreciation requirement for an ADP equipment acquisition of more than \$25,000 in total cost, when a State shows it is in the best interest of both the Federal and State governments.

New Policy:

Individual items of ADP equipment with a useful life of more than one year and costing \$5,000 or less need not be depreciated but may be claimed in the calendar quarter in which they are purchased. The unclaimed part of ADP equipment costing \$5,000 or less, which is currently on a depreciation schedule, may be claimed in any calendar quarter after the effective date of this AT.

The equipment must be used by the program for which it was acquired for the useful life of the equipment, which we would expect to be a period of no less than three years.

States will depreciate or charge use allowance for ADP equipment acquired at a unit cost of greater than \$5,000, in accordance with statewide accounting practice.

PRIOR FEDERAL APPROVAL

Current Policy:

Regular match funded RFPs and contracts of less than \$100,000 sole source are exempt from Federal prior approval. The threshold limit under which competitive RFPs and contracts, funded at the regular match rate, are exempt from prior approval is \$300,000 for HHS and \$500,000 for FNS. RFPs and contracts above these thresholds may be specifically exempted by the Federal agency at the time of APD approval, if they are adequately described by State agencies within an APD.

New Policy:

The Federal agencies will exempt from Federal review and approval regular match RFPs and contracts with a total Federal and State cost

under \$1,000,000 for sole source acquisitions and under \$5,000,000 for competitive procurements. States must describe the scope and strategy for these procurements in the pertinent APD. The information required includes: justification for sole source acquisitions; procurement strategy, e.g. competitive sealed bid, statewide blanket contract, competitive negotiations, etc.; selection criteria; and any information unique to the acquisition.

For the purposes of this Action Transmittal, HCFA will consider the title XIX 75-percent matching rate for Medicaid Management Information Systems (MMIS) operational costs to be regular match. This policy does not affect 90-percent MMIS funding, which HCFA continues to define as enhanced match.

The agencies will retain the right to review and approve RFPs and contracts under these thresholds on an exception basis, for example where new program requirements or technology is involved, as in electronic benefit transfer.

SYSTEMS TRANSFER

Current Policy:

Federal regulations stipulate that systems transfer is an option for consideration in the alternatives analysis for a systems development. In practice, the Administration for Children and Families has required States to transfer existing systems.

New Policy:

Systems transfer must be considered as an option in the alternatives analysis of a systems development. Systems transfer is not a required solution.

INQUIRIES

TO

: HHS -- ACF Regional Administrators
 USDA -- FNS Regional Administrators

Director, Office of
Information Systems Management
Administration for Children
Service
and Families

Deputy Administrator
for Management
Food and Nutrition