

INF89-1 Prior Approval: Information Memorandum

HHS' position regarding the provision of Federal matching funds for the costs of Automatic Data Processing (ADP) equipment and services in cases where a state did not receive the required HHS prior written approval before entering into a contract or agreement or making any other commitment for acquisition of ADP equipment or services.

Date: December 1, 1989

I am writing to heads of all public assistance and social services agencies concerning the Department of Health and Human Services' (HHS') position regarding the provision of Federal matching funds for the costs of Automatic Data Processing (ADP) equipment and services in cases where a state did not receive the required HHS prior written approval before entering into a contract or agreement or making any other commitment for acquisition of ADP equipment or services.

On March 14, 1988, the Deputy Assistant Secretary for Procurement, Assistance and Logistics, by letter (copy enclosed) informed you of the Department's position concerning the provision of Federal matching funds for prospective operational costs of ADP systems where a state did not receive the required HHS prior approval of systems development costs.

Since that time, the Department has been asked to clarify its position concerning Federal matching of all prospective costs. Specifically, states asked if the March 14 letter only applies to equipment acquisitions in support of ongoing operational activities, or whether the letter could be applied also to prospective development costs.

HHS has reviewed this issue and determined that the Department has the authority under existing rules to approve matching funds for prospective costs of system operations or for systems development in cases where a state did not receive prior approval, if contract(s) or agreement(s) for system operations or systems development are conditioned on the availability of Federal matching funds and are revocable if Federal matching funds are not awarded. HHS may also approve Federal matching of prospective costs for projects where there is no contract(s) or agreement(s), i.e., where ADP services are provided by state staff.

HHS will approve matching funds for prospective costs under the following circumstances:

a state submits a request for Federal matching of prospective costs, along with an Advance Planning Document (APD) and supporting documentation, including, as appropriate, associated requests for proposals and contracts; and

the Department, as a result of its review pursuant to 45 CFR 95.601, et. seq. and specific program regulations, as applicable, approves the APD for prospective costs.

HHS' approval of prospective costs for contract(s) or agreement(s), with their related state staff costs, as well as ADP services provided exclusively by state staff, will be as follows:

## DEVELOPMENT COSTS

Prospective development costs will be matched for the cost of development activities performed after the date of the Department's letter to a state approving the request for the prospective matching. The program shares will be based on the developmental cost allocation plan provided with the APD, as approved by HHS.

## OPERATIONAL COSTS

Prospective operational costs will be matched for the cost of operational activities performed after the date of the Department's letter to a state approving the request for the prospective matching. The program shares will be based on the state's approved cost allocation plan for operational costs.

Costs for activities performed before the date of the Department's approval letter to a state are not eligible for matching funds even if payment for the cost of these activities occurs after the date of the Department's approval letter.

HHS expects states to adhere to the requirement to obtain prior written approval before acquiring ADP equipment and/or services or proceeding with systems development efforts. Situations where the provisions of this letter would apply should be extremely rare.

Under no conditions will retroactive costs be approved.

This letter supersedes the letter dated March 14, 1988 on this subject noted above. If you have any questions, please contact me or Joseph F. Costa, Director, State Data Systems Staff on (202) 401-6414.

Sincerely,

Naomi B. Marr  
Associate Administrator  
Management and Information Systems

Enclosure

MAR 14 1988

We are writing to heads of all state public assistance and social services agencies to inform you of the Department of Health and Human Services' (HHS') position concerning situations in which it would provide Federal matching funds for the operational costs of Automatic Data Processing (ADP) systems in cases where a state did not receive the required HHS prior written approval for systems development costs.

In response to requests from several states, HHS has reviewed the above issue and determined that the Department has the authority under existing rules to approve matching of ADP systems

operational costs in cases where a state did not receive prior approval of systems development costs under the following circumstances:

a State submits a request for Federal matching of prospective operational costs, along with an Advance Planning Document (APD) and supporting documentation; and

the Department finds, as a result of its review of the APD and supporting documentation, that the project's operational costs would have been approved had a request for prior written approval been timely filed under 45 CFR 95.601, et seq. and specific program regulations, as applicable.

HHS' approval would apply to prospective operational costs only; i.e., incurred after the date of the Department's letter to a State approving the APD and request for prospective matching.

Should you have any questions or comments, please contact Joseph F. Costa, Director, Division of State Data Systems on (202) 401-6414.

Sincerely Yours,

Henry G. Kirschenmann, Jr.  
Deputy Assistant Secretary  
for Procurement, Assistance and Logistics