

# ACF

Administration  
for Children  
and Families

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Administration for Children, Youth and Families

**1. Log No:** ACYF-PI-CB-96-05

**2. Issuance Date:** May 10, 1996

**3. Originating Office:** Children's Bureau, Office of Program Support, Office of State Systems

**4. Key Words:** Statewide Automated Child Welfare Information Systems (SACWIS)

## PROGRAM INSTRUCTION

**TO:** State Agencies Administering the Child Welfare Program Under Title IV-E of the Social Security Act and Other Interested Parties

**SUBJECT:** Reduction in Federal Financial Participation (FFP) Rates for the Child Welfare Program Under Title IV-E of the Social Security Act (Act)

**BACKGROUND:** Under Section 474(a)(3)(c) of the Act, States are currently entitled to Federal funding at the "enhanced" 75 percent FFP rate for expenditures for the planning, design, development, implementation and hardware of an approved Statewide Automated Child Welfare Information System (SACWIS).

Under Section 13713(b) of the "Omnibus Budget Reconciliation Act of 1993" (Public Law 103-66, dated August 10, 1993) this provision of the Act will be repealed to eliminate the enhanced FFP rate for these expenditures and substitute the "regular" 50 percent FFP rate.

A further explanation of the FFP rates applicable to SACWIS planning, design, development, installation and hardware costs is found in Federal regulations at 45 CFR 1355.52(a) and (b). The 75 percent FFP rate was never applicable to SACWIS operation costs, which remain eligible for Federal funding at the 50 percent FFP rate, in accordance with 45 CFR 1355.52(c).

**PURPOSE:** This Program Instruction is to advise States of the reduction in the FFP rate and to provide guidance to the States concerning the submission of claims under the situation described below.

Most contracts for the planning, design, development and implementation of an ADP system include a provision permitting the State to withhold portions of its periodic payments until the entire project has been successfully completed and accepted. Under current SACWIS implementation schedules, this practice will cause many States to withhold payments for work completed early in the project period until such time that Federal funding at the enhanced rate is no longer available.

**EFFECTIVE DATE:** The 75 percent FFP rate for eligible SACWIS expenditures is repealed as of September 30, 1996. For all SACWIS expenditures made on or after October 1, 1996, Federal funding is only available at the 50 percent FFP rate.

**SPECIAL CIRCUMSTANCES:** System Development and Holdback Payments. Under the provisions of Section 13713(a) of Public Law 103-66, States are encouraged to plan, design, develop and install SACWIS for use in the Foster Care and Adoption Assistance Program under Title IV-E of the Act. Towards this goal, Federal funding was made available at the enhanced FFP rate of 75 percent for these expenditures for a three-year period, from October 1993 through September 1996.

It was never anticipated that all State SACWIS implementation projects would be completed by September 1996. In fact, many States have entered into contracts with various system developers and others for SACWIS design and implementation that extend beyond that date. Since it is a standard contractual practice that a portion of each scheduled progress payment be retained or "held back" by the State pending successful completion of the entire project, many of these "hold back" payments will not be made to the respective contractors until after the September 30, 1996 termination of the availability of FFP at the 75 percent rate.

**Escrow Accounts.** If a State wishes to preserve its claim for Federal funding at the 75 percent FFP rate for some of its holdback payments, it must establish an escrow account with a third party. This account must be established no later than September 30, 1996 and must be located outside the control of either the Title IV-E program administrator or the State agency responsible for the administration of the Title IV-E Program.

**Limitations:** An escrow account may be used only for holdback amounts associated with SACWIS project work completed on or before September 30, 1996. Deposits to the escrow account must also be made not later than September 30, 1996 and should not exceed the 25 percent State share of the holdback amounts. When later forwarded to a contractor, the amount contained in the escrow amounts will constitute the State share of that payment, which will remain eligible for Federal funding at the 75 percent FFP rate.

Holdback amounts associated with SACWIS project work completed on or after October 1, 1996 do not qualify for deposit to the escrow account and will only be eligible for Federal funding at the 50 percent rate. Likewise, any regular, contractual, non-holdback payments made on or after October 1, 1996 do not qualify for deposit to the escrow account and will only be eligible for Federal funding at the 50 percent rate.

**Financial Reporting.** For Federal reporting purposes, funds placed in an escrow account will not be considered expenditures at the time deposited. Upon successful completion of the SACWIS project and acceptance by the State, the holdback payments made to the contractor will include funds from the escrow account (subject to the "Limitations" described above) and should be claimed as "prior quarter adjustments" at that time. These claims will remain eligible for Federal funding at the 75 percent FFP rate.

Additional Federal funding at the 75 percent FFP rate will not be available to correct system deficiencies identified by the State, including deficiencies concerning contract deliverables, if such corrections are made after September 30, 1996.

**OTHER PROVISIONS:** Prior Quarter Adjustments. For the purposes of determining the applicable FFP rate for those expenditures affected by this change, the date the expenditure is made (or the quarter to which the expenditure is allocated) is the controlling factor. Expenditures made prior to October 1, 1996, but claimed later than that date, will remain eligible for Federal funding at the 75 percent FFP rate.

**Timely Filing.** The reduction in FFP rates does not alter the requirement under Section 1132 of the Social Security Act (45 CFR Part 95, Subpart A) that claims be filed within two years of the last day of the quarter in which the expenditure was made. The determination of the appropriate FFP rate for these claims is governed by the guidelines discussed above. Any claim for an expenditure made prior to October 1, 1996 found to meet the criteria for an exception to the two-year deadline, will remain eligible for Federal funding at the 75 percent FFP rate regardless of when that claim is filed.

**Depreciation Claims.** Claims filed in accordance with a multi-quarter depreciation schedule are eligible for FFP at the rate applicable to the quarter to which the depreciation is allocated. Depreciation claims applicable to quarters beginning prior to October 1, 1996 will continue to be eligible for FFP at the 75 percent rate; depreciation claims applicable to quarters beginning on or after October 1, 1996, will be eligible for FFP only at the 50 percent rate.

(Example: ADP equipment purchased in accordance with an approved plan in July 1994 is to be depreciated over a five-year period, from July 1994 through June 1999. The portion of the depreciation allocated to and claimed for quarters beginning July 1994 and ending September 1996 will be eligible for Federal funding at the 75 percent FFP rate; the portion of the depreciation allocated to and claimed for quarters beginning October 1996 and ending June 1999 will be eligible for Federal funding at the 50 percent FFP rate.)

**ACTION REQUIRED:** For expenditure reports submitted for fiscal quarters beginning on or after October 1, 1996, the "Federal Share of Expenditures" for all SACWIS costs must be calculated using the 50% FFP rate.

**INQUIRIES:** Direct inquiries to the appropriate ACF Regional Administrator.

Olivia A. Golden  
Commissioner  
Administration on Children Youth and  
Families

Norman L. Thompson  
Director  
Office of Program  
Support