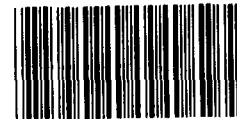


May 1992

WELFARE PROGRAMS

Ineffective Federal Oversight Permits Costly Automated System Problems



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May 27, 1992

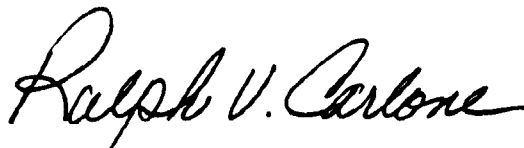
The Honorable Lloyd Bentsen
Chairman, Committee on Finance
United States Senate

The Honorable Daniel P. Moynihan
Chairman, Subcommittee on Social
Security and Family Policy
Committee on Finance
United States Senate

The Honorable Donald W. Riegle, Jr.
Chairman, Subcommittee on Health for
Families and the Uninsured
Committee on Finance
United States Senate

In response to your request, we assessed the effectiveness of federal oversight of states' efforts to automate eligibility determinations for the Aid to Families with Dependent Children, Medicaid, and Food Stamp programs. The report contains recommendations to the Secretaries of Health and Human Services and Agriculture to improve federal monitoring of states' systems. Unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Health and Human Services; the Secretary of Agriculture; the Director, Office of Management and Budget; interested congressional committees; and other interested parties. We will also make copies available to others upon request.

This work was performed under the direction of Frank Reilly, Director, Human Resources Information Systems, who can be contacted at (202) 512-6408. Other major contributors are listed in appendix IV.



Ralph V. Carlone
Assistant Comptroller General

Executive Summary

Purpose

Three of the federal government's major welfare programs are Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamps. In fiscal year 1990, these programs provided over \$92 billion in public assistance benefits. These programs rely heavily on computer systems, which are run by the states, to help determine participants' eligibility and the amount of assistance each participant should receive. The federal government estimates that from 1981 to 1990 it gave states more than \$950 million to develop and operate these systems.

GAO reviewed the federal government's oversight of states' efforts to automate eligibility determinations for these welfare programs. This review was done at the request of the Chairmen of the Senate Committee on Finance; Senate Committee on Finance, Subcommittee on Social Security and Family Policy; and Senate Committee on Finance, Subcommittee on Health for Families and the Uninsured. Our objectives were to determine whether the federal government is (1) effectively monitoring the development of states' federally funded automated systems, and (2) assessing whether these systems are providing anticipated benefits.

Background

The Department of Health and Human Services (HHS) administers the AFDC and Medicaid programs while the U.S. Department of Agriculture (USDA) administers the Food Stamp Program. States are responsible for determining participants' eligibility for each of the programs. Determining eligibility can be a complex and error-prone task due to the extensive data that must be obtained, evaluated, and verified, such as a person's income and number of dependents. Further, manually determining eligibility can take a great deal of time for applicants and administering agencies.

To reduce errors and process applications faster, the Congress authorized HHS and USDA to pay most of the states' costs to acquire and operate automated eligibility determination systems. This legislation and the implementing regulations also directed that, as part of providing federal funding to states, HHS and USDA ensure that states' systems be developed and operated effectively. Most states either operate or are developing automated eligibility systems for AFDC, Medicaid, or Food Stamps. In doing so, many states are integrating the three welfare programs into one computer system, rather than creating separate computer systems for each program.

Results in Brief

Although required to do so by law and regulations, HHS and USDA are not effectively monitoring states' efforts to develop automated systems. This has allowed millions of dollars to be spent on systems that either do not work or do not meet requirements. Further, HHS and USDA each spend time and money independently reviewing state systems rather than coordinating their reviews, even though most states are developing or operating integrated systems that include all three federal programs. This has sometimes resulted in contradictory directions to states.

HHS and USDA also have not determined whether installed automated systems are working as intended and providing improvements, although federal law and regulations emphasize that this be done. Automating eligibility determinations was supposed to reduce administrative costs and mistakes. However, despite providing hundreds of millions of dollars for these automated eligibility systems, the federal government does not know if such benefits have been attained because HHS and USDA have not measured how automation has improved the AFDC, Medicaid, and Food Stamp programs.

Principal Findings

Federal Agencies Are Not Effectively Monitoring Development Efforts

Federal laws and regulations require the federal government to monitor states' development of automated eligibility systems. However, neither HHS nor USDA have effectively done so. Instead of regularly evaluating states' progress in developing automated systems, the agencies only conduct limited reviews, which consist primarily of (1) assessing states' initial and updated system plans, and (2) certifying that systems are ready to be implemented after states consider development to be complete. On-site reviews rarely occur and key system development documents are often not assessed.

This ineffective oversight has allowed costly, failed systems. For example, three states spent almost \$30 million in federal funds before canceling the projects because of development problems. In another case, a state has been unable to implement its \$51 million system because it did not incorporate important user requirements into its system design.

HHS and USDA officials maintain that states have primary responsibility for systems development and that limited staff resources prevent the agencies from more actively monitoring the states. Regardless of who has primary

development responsibility, laws and regulations require federal monitoring to ensure that federal funds are well-spent. Further, the federal agencies are inefficiently using their available resources by reviewing systems separately rather than coordinating their reviews, even though most states are developing or operating systems that encompass all three programs. This lack of coordination has also led to contradictory directions to states. For example, occasionally one federal agency approves a state's development plan while another agency disapproves the same plan.

Agencies Do Not Know Whether Systems Are Providing Expected Benefits

In authorizing federal funding for automated systems, the Congress expected that automating eligibility determinations would help cut down on costs and mistakes. Further, federal law and regulations stress that HHS and USDA need to assess whether states' automated systems have created these benefits. However, except for a limited one-time USDA effort, neither HHS nor USDA has done these assessments. Agency officials agree that these assessments have not been done, noting that the reviews are not a high priority. As a result, the federal government does not know if its investment has been providing expected benefits. Further, this investment continues to grow as states ask for more money to develop new systems or to upgrade existing systems.

Recommendations

GAO recommends that the Secretaries of Health and Human Services and Agriculture direct the administering agencies for AFDC, Medicaid, and Food Stamps to develop an interagency agreement that calls for (1) effective, complete, and coordinated monitoring of states' systems under development; and (2) evaluating the benefits achieved for states' operational automated systems. To implement the interagency agreement effectively and efficiently, GAO also recommends that the Secretaries establish a joint program office to provide leadership and management of the oversight of state automated welfare systems. Chapter 4 provides additional details on these recommendations.

Agency Comments

In commenting on a draft of this report, HHS and USDA generally disagreed with GAO's conclusions and recommendations. GAO reviewed HHS' and USDA's comments and sees no reason to substantially change its conclusions and recommendations.

In disagreeing with the overall conclusion that states' system developments are not effectively monitored, HHS asserted that its current monitoring efforts are coordinated, effective, and appropriate. HHS also stated that while it was committed to vigorous oversight, taking a more active role in monitoring states' development effort would exceed its statutory authority. GAO disagrees with these comments. GAO believes the information contained in the report conclusively demonstrates that current monitoring efforts are ineffective. This conclusion is supported by the Secretary of Health and Human Services' December 1991 Federal Managers Financial Integrity Act report, in which he cited federal oversight of states' development of systems as a material weakness and stated that HHS needed to monitor more closely state systems development. Furthermore, since federal law and regulations require HHS to monitor states' systems, GAO believes that HHS' statutory authority does not preclude it from taking a more active role in this area.

USDA also stated that it believes its current monitoring is effective and coordinated. It emphasized that the associated cost of federal monitoring must be commensurate with available budgetary resources. GAO believes that the results of the review show that current federal monitoring is not effective. GAO agrees that monitoring costs should be minimized and therefore believes that USDA and HHS should discontinue duplicative reviews of the same systems and instead combine available resources. This should serve the federal government better than the current overlapping model in improving service delivery to the customer, the welfare client.

Chapter 5 provides additional details on HHS' and USDA's comments and GAO's evaluation of these comments. In addition, HHS' written comments are reprinted in appendix II and USDA's written comments, excluding attachments, are reprinted in appendix III.

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Abbreviations

AFDC	Aid to Families with Dependent Children
GAO	General Accounting Office
HHS	Health and Human Services
IMTEC	Information Management and Technology Division
USDA	U.S. Department of Agriculture

Introduction

Three of the federal government's major welfare programs are Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamps. In fiscal year 1990, these programs provided over \$92 billion in public assistance benefits to about 25 million people. Although the Department of Health and Human Services (HHS) and U.S. Department of Agriculture (USDA) have overall responsibility for administering the programs, states are responsible for determining participants' eligibility. To help determine eligibility and the amount of assistance people should receive, states rely heavily on computer systems. In the last 10 years, the federal government has given states more than \$950 million to develop and operate these systems.

AFDC, Medicaid, and Food Stamp Programs Intended to Aid the Needy

In establishing the AFDC, Medicaid, and Food Stamp programs, the government intended to help needy individuals and families. The AFDC program provides direct cash assistance to needy families with children. This state-run program is administered at the federal level by HHS' Administration for Children and Families. In fiscal year 1990, about 11.4 million people received about \$10.1 billion in federally funded AFDC benefits.

The Medicaid program, which became effective in January 1966, is a federally aided, state-run medical assistance program serving low-income people who are age 65 or older, blind, disabled, members of families with dependent children, or in other needy conditions. About 25 million people received \$68.7 billion in Medicaid services in fiscal year 1990. At the federal level, HHS' Health Care Financing Administration is responsible for administering the Medicaid program, establishing policy, developing operating guidelines, and ensuring states' compliance with Medicaid regulations.

The Congress established the authority for the Food Stamp Program in 1964 to improve the nutrition of low-income households. State welfare agencies operate this federally designed program under the supervision of USDA's Food and Nutrition Service. In fiscal year 1990, approximately 20 million people received over \$14 billion in federally funded food stamps.

Eligibility Determination Process Is Increasingly Automated

Determining eligibility and the amount of assistance for AFDC, Medicaid, and Food Stamps involves a myriad of eligibility factors and program-specific rules. Many different factors are used to determine participant eligibility, including earned and unearned income, amount of assets, and number of people in the family. Information relating to each of these factors must be obtained, evaluated, and verified by the state for every applicant. In addition, the state must apply numerous complex rules and regulations for each of the three programs in making its eligibility determinations. Manually performing each of these steps can be a time-consuming, inefficient, and error-prone process.

Recognizing these inefficiencies, the Congress acted to encourage states to develop automated systems. Specifically, the Congress authorized HHS to reimburse states for 90 percent of the total costs to develop AFDC and Medicaid automated eligibility systems,¹ and between 50 to 90 percent of the costs to operate these systems. In 1980 the Congress also authorized USDA to reimburse states for 75 percent² of their planning, design, development, and installation costs and to continue providing 50 percent of the costs to operate Food Stamp automated systems.

The goal of automated eligibility systems is to cut down on mistakes and the amount of time needed to determine eligibility, and to lower administrative costs. If an automated system is well-designed, tested, and validated, computer technology can reduce clerical or mathematical errors in calculating benefits. Such error reductions can result in significant savings. For example, even a one-percent decline in a state's rate of payment errors can save millions in program benefits.

Further, by automating eligibility determinations, decisions on eligibility can often be made much quicker, thereby providing better service to welfare recipients. Under a manual system, an applicant would often have to wait several weeks for a final decision on eligibility. With automation, such decisions can sometimes be done in days.

Automation can also help states cut administrative costs because they may not need as many staff to handle eligibility determinations. Further, if states have integrated eligibility systems that include more than one

¹Subsequent revisions led to HHS' funding rate for Medicaid systems being reduced in November 1989 to 50 percent of states' costs.

²The Food, Agriculture, Conservation, and Trade Act of 1990 reduced the Food Stamp funding rate to 63 percent of states' development costs approved after October 1, 1991.

welfare program, they can work more efficiently by determining participant benefits for all programs at one time.

Many States Are Developing and Operating Federally Financed Systems

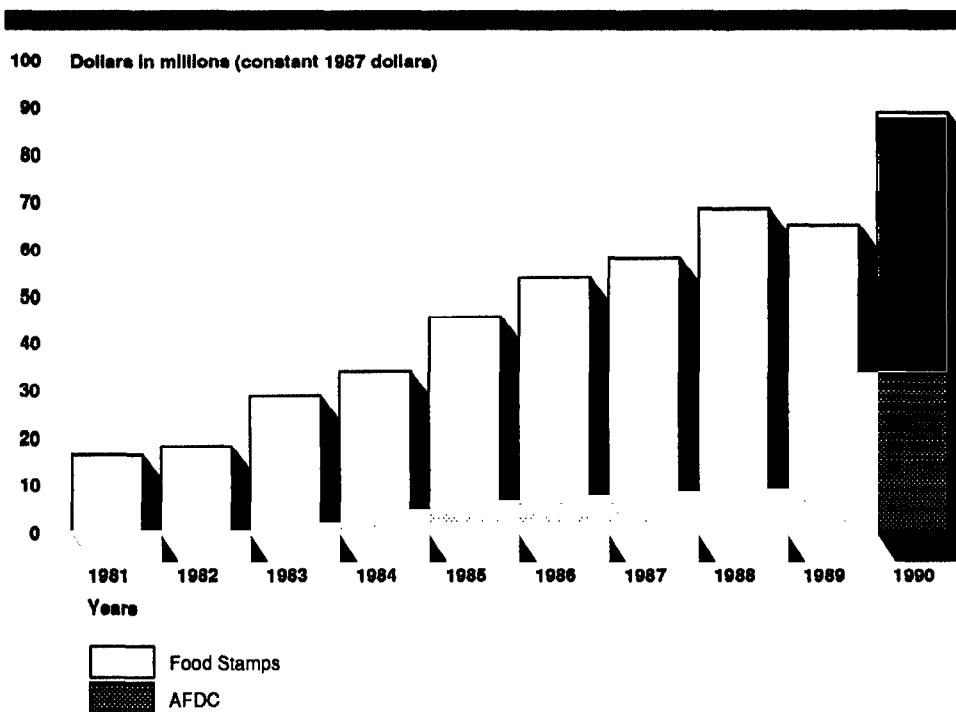
Most states are developing or operating automated eligibility systems for the AFDC, Medicaid, and Food Stamp programs (see app. I for a list of states with operational systems). Many of these are integrated systems that are able to determine eligibility for all three welfare programs. In addition to the states that are improving their current systems or developing new ones, other states that do not have integrated systems are now developing them.

The federal government's investment in state systems is large and increasing. For fiscal years 1981 to 1990, HHS and USDA estimate that they provided over \$950 million to states to develop and operate automated eligibility systems for AFDC, Medicaid, and Food Stamps. Approximately \$480 million of this was for the development of automated eligibility systems—\$286 million for AFDC, \$120 million for Food Stamps, and \$74 million for Medicaid.³ Over \$477 million was provided to states from fiscal years 1981 to 1990 for the operation of AFDC and Food Stamp systems.⁴ As shown in the following figure, the annual amount provided, in constant 1987 dollars, has escalated rapidly since 1981.

³The amount for Medicaid is through December 31, 1990.

⁴HHS officials could not provide the operational costs for Medicaid during this time period.

Figure 1.1: Amount of Federal Funds for Operation of State AFDC and Food Stamp Automated Systems^a



^aIn commenting on a draft of this report, HHS stated that the operational funding shown for AFDC systems was inordinately low. The AFDC funding displayed above is based on documents provided to us by HHS.

The amount of federal assistance for operating states' automated systems is expected to continue to increase because more states plan to run automated systems covering all three welfare programs. The amount of federal funding for systems development is also expected to continue to be high because states that have systems are planning major upgrades, and individual systems are expected to be increasingly complex and therefore cost more. For example, several years ago most states were installing relatively simple systems with costs averaging about \$5 million. Now, some states are developing highly advanced systems expected to cost from \$40 to \$100 million. In commenting on a draft of this report, USDA noted that increased caseloads, reductions in states' resources, and increased equipment needs will also lead to expected high federal funding.

As systems have grown more complex, most states are relying on contractors to develop systems rather than using their own personnel. Currently, about five firms nationwide perform most of the development of automated state welfare systems.

Objectives, Scope, and Methodology

We reviewed the federal government's oversight of states' efforts to automate eligibility determinations for the AFDC, Medicaid, and Food Stamp programs. This work was requested by the Chairmen of the Senate Committee on Finance; Senate Committee on Finance, Subcommittee on Social Security and Family Policy; and Senate Committee on Finance, Subcommittee on Health for Families and the Uninsured. Our objectives were to determine whether the federal government is (1) effectively monitoring the development of states' federally funded automated systems, and (2) assessing whether systems are providing anticipated benefits.

To address these objectives, we reviewed federal and agency regulations, policies, and guidelines for all three programs on (1) reviewing, approving, and funding automation projects; (2) monitoring critical system development life cycle phases; and (3) evaluating the impact of automation projects. We also analyzed program statistics compiled by HHS and USDA on administrative costs, system development and operating costs, caseloads, error rates, and case dispositions. In addition, we interviewed HHS and USDA headquarters and regional officials concerning the agencies' (1) management, review, and monitoring approach to states' planning, design, development, and installation of automated eligibility determination systems; and (2) evaluation of how automation has improved program administration. Further, we reviewed federal monitoring efforts and assessed whether they were adequate relative to federal laws, regulations, and guidance.

We visited selected states and evaluated efforts to automate eligibility determinations for welfare programs. In doing this, we reviewed state and contractor documents and correspondence on planned and operational systems, and interviewed state agency officials on the federal agencies' oversight of states.

We performed our work at HHS' Administration for Children and Families headquarters and USDA's Food and Nutrition Service headquarters in Alexandria, Virginia; HHS' Health Care Financing Administration headquarters in Baltimore, Maryland; and at HHS and USDA regional offices in Atlanta, Georgia; Boston, Massachusetts; and Chicago, Illinois. We interviewed officials at HHS and USDA regional offices in Denver, Colorado; Dallas, Texas; New York, New York; Philadelphia, Pennsylvania; and San Francisco, California; HHS' Kansas City, Missouri, and Seattle, Washington, regional offices; and at USDA's Robinsville, New Jersey regional office. We also visited the following states to review their automation efforts: Connecticut, Florida, Kansas, Missouri, Ohio, and Wisconsin. We selected

these states because they were either planning, developing, or had developed eligibility determination systems. In addition, we reviewed documentation related to system development for the states of Massachusetts, Oregon, and Washington, where such efforts were unsuccessful.

We conducted our review from October 1990 through April 1992, in accordance with generally accepted government auditing standards. The views of HHS and USDA officials were obtained on the key facts contained in this report. Their views are incorporated throughout the report as appropriate. In addition, we obtained comments from the Departments of Health and Human Services and Agriculture on a draft of this report. These comments are presented and evaluated in our report.

HHS And USDA Are Not Effectively Monitoring States' Development of Automated Systems

The development process for an automated system involves several key steps. To help ensure that states successfully proceed through this process, federal laws and regulations require HHS and USDA to monitor states' development of automated eligibility systems. However, neither agency has effectively monitored the states' systems. This has allowed millions to be spent on systems that either do not work or do not meet requirements. In addition, HHS and USDA are each spending time and money independently evaluating integrated state systems, rather than coordinating their reviews. This has sometimes resulted in contradictory directions to states.

Development of an Automated System Is a Well-Defined Process

The development of an automated information system is a disciplined life-cycle process with prescribed steps that should be completed. Successful system development normally proceeds through the following phases.

- (1) The system planning and initiation phase, which includes developing a plan consistent with program needs and identifying specific user needs within the context of the program's mission, resources, and priorities.
- (2) The requirements definition and analysis of alternatives phase, which includes defining and validating functional, data, and operational requirements; identifying alternatives to meet those requirements; estimating and comparing the costs and benefits of alternatives; and selecting the best alternative.
- (3) The design and development phase, which involves developing detailed system design documents and preparing test plans.
- (4) The programming and testing phase, which consists of writing software programs based on the detailed system design documents; testing, debugging, and documenting programs; and testing the system to make sure requirements are met.
- (5) The implementation phase, at which time the new system is installed, staff are trained, and conversion to the new system is initiated and completed.

Each phase is critical to system development and should be successfully completed before proceeding to the next phase.

Laws and Regulations Require Federal Monitoring of States' Development Efforts

Federal law and regulations require HHS to monitor states' development of automated systems. Public Law 96-265 and federal regulations require HHS to review, assess, and inspect the planning, design, and operation of state systems on a continuing basis to ensure that they meet legal and regulatory requirements. HHS is also required to review the initial and updated advanced planning documents that detail states' automation plans. This document is to include a requirements analysis, a description of the proposed system and the resources required, a cost/benefit analysis of alternative systems, and other pertinent project development documents. In addition, federal regulations require HHS to conduct periodic on-site reviews of state AFDC and Medicaid systems.¹ Such reviews may include a pre-installation inspection to assess whether the system can be used as planned.

The Secretary of Agriculture is authorized to fund 63 percent² of the costs incurred by a state in planning, designing, developing, or installing an information system for the Food Stamp program. By law, this funding is contingent on the system likely providing more efficient and effective administration of the program, and meeting the conditions prescribed by the Secretary. Included among the Secretary's conditions, as contained in the federal regulation, is that USDA monitor states' development of automated systems.³ Such monitoring, according to regulation, is to be accomplished by (1) reviewing states' submission of an advanced planning document that is to provide information on automation plans, including a functional requirements analysis, a feasibility study with associated alternatives and cost/benefit analyses, and a system design; (2) reviewing states' required submission of an annual update of the advance planning document, which gives information on project status, problems and delays, and expenditures; and (3) conducting optional on-site reviews of the project.

¹45 CFR 95.621

²The Food, Agriculture, Conservation, and Trade Act of 1990 reduced the funding rate from 75 percent to 63 percent.

³7 CFR 277.18

HHS And USDA Monitoring of States' Systems Is Inadequate

HHS' Administration for Children and Families and its Health Care Financing Administration are responsible for reviewing states' development of automated systems for AFDC and Medicaid, respectively. Program specialists at the Administration for Children and Families take the lead in coordinating these HHS reviews.

During most of the system development process HHS analysts generally rely on states' written reports rather than conducting their own reviews or performing on-site inspections of the systems. HHS staff also do not have standard procedures for reviewing states' systems and do not always require that key system development documents, such as cost/benefit and alternatives analyses, be provided. HHS analysts also stated that they do not review system designs because it either takes too much time to review or they do not possess the skills to do so.

HHS analysts do routinely inspect states' systems just prior to system installation. Such inspections give additional assurance that federal funds are being spent wisely. However, because these inspections occur after most of the development is complete, millions of dollars can be spent before discovering that a system will not work as planned.

According to the USDA analysts that have primary responsibility for monitoring states' food stamp system development efforts, they rely mostly on their review of original and updated state advanced planning documents and quarterly progress reports to monitor systems under development. While almost all of the analysts agreed that document review alone was not sufficient monitoring, most of them indicated that they do not conduct needed on-site visits to review states' systems because other duties and limited travel funds usually preclude these inspections.

Most of the USDA analysts also indicated that they had no standard method for reviewing states' development efforts. Several analysts said they do not review states' systems designs because they do not have the time to do so. Further, most stated that they did not require states to submit system development documents, such as cost/benefit or alternatives analyses, even though these are required by federal regulations.

We have previously raised concerns about USDA's review of state automation plans. In 1988 we reported that USDA had limited documentation to support its review of proposed systems and ensure that

minimum functional requirements were met, and therefore recommended that USDA better document these reviews.⁴

State Systems Have Had Major Problems

HHS' and USDA's lack of monitoring has permitted several states to develop integrated automated systems that had major problems. These systems either did not work and were canceled or did not meet requirements. Further, in several cases states developed systems that may not have been the most cost-beneficial alternative available.

Three states spent a total of almost \$30 million developing systems that were later canceled because of insufficient progress in designing the systems. In one instance, neither HHS nor USDA knew that after 9 years of development and about \$16 million in federal funds, the state's system had serious software problems. After witnessing testing of an initial pilot system and concluding that the development was high risk with a limited chance for success, the state terminated its contract for this system. In another case, a state terminated development after concluding that the system was designed without incorporating a key federal requirement on determining eligibility. By the time this problem was discovered, 5 years of system development had elapsed and almost \$9 million in federal money had been spent. In yet another case, a state terminated its planned system after spending \$3 million in federal funds when it determined that software development was not progressing as reported by the contractor. Both the state and federal analysts had relied on the contractor's written reports for the prior 2 years without independently assessing progress.

Some states have also had systems that did not meet their requirements. For example, one state spent about \$51 million in federal funds before discovering that the system could not be implemented as planned because the state had not defined how employees would interact with the system. As a result, the system needs to be redesigned. It is estimated that this redesign will take another year to complete. In another case, a state's system was not meeting federal requirements because it could not produce complete and accurate reports.

The lack of federal monitoring also raises questions about whether states are acquiring and developing the most cost-beneficial systems. Our review

⁴Food Stamp Program: Progress and Problems in Using 75-Percent Funding for Automation (GAO/RCED-88-58, Apr. 28, 1988).

of six states' planning documents for integrated systems showed that none of them assessed the costs and benefits of alternatives. Without these analyses, the federal government and states have little assurance that systems being developed will meet requirements at the lowest cost.

Agencies' Monitoring Is Inefficient and Not Coordinated

Both HHS and USDA recognize that their monitoring needs to be improved. HHS has now declared its monitoring of states' development of automated systems a material weakness under the Federal Managers' Financial Integrity Act, and USDA recently awarded a contract to assess the effectiveness of states' systems and its monitoring. However, several top HHS and USDA officials maintain that states are primarily responsible for developing automated systems, and therefore, the federal government should not play a dominant oversight role. Regardless of who has the primary responsibility for developing these systems, laws and regulations require federal monitoring of states' efforts to ensure that funds are spent wisely.

Officials from both departments also emphasized that they do not have enough staff to perform the required monitoring. However, this reasoning overlooks the fact that HHS and USDA are each using their staff to review the same state systems. Despite the fact that almost all new systems under development encompass all three welfare programs, HHS and USDA reviews are not coordinated.

This lack of coordination can result in contradictory direction to states. For example, HHS approved one state's plans to proceed with system development, whereas USDA did not because it wanted the state to perform a new cost/benefit analysis. In another instance, after HHS and USDA both told a state that its plan to develop system software was approved, HHS later decided that the state should change the proposed data management system. This change in direction caused an additional 3 to 6 months delay. In another instance, HHS approved a state's request to award a contract, while USDA disapproved the request. This led to uncertainty and delays while the state and federal government decided what to do; the contract was later awarded.

Top HHS and USDA officials agreed that their agencies could coordinate reviews of certain technical areas, such as software applications and testing procedures. These officials stated that they have not done so because each agency wants to oversee its own funds and because each program has different requirements. However, unified federal monitoring

Chapter 2
HHS And USDA Are Not Effectively
Monitoring States' Development of
Automated Systems

of states' development of systems could still identify and address these different requirements. Such an approach would more efficiently use existing federal monitoring resources and help ensure that consistent direction is provided to states.

The Federal Government Does Not Know If Automated Systems Are Providing Anticipated Benefits

The automation of eligibility determinations for AFDC, Medicaid, and Food Stamps is intended to reduce administrative costs, decrease program mistakes, and contribute to better-run welfare programs. Federal laws and regulations require HHS and encourage USDA to ensure that states' installed automated systems are operating as intended and providing expected benefits. However, agency officials do not consider this to be a high priority. Except for a limited one-time USDA effort, neither federal department has conducted reviews to determine whether states' operational automated systems are generating claimed benefits. As a result, despite providing hundreds of millions of dollars for states' automated systems, the agencies do not know whether the systems have resulted in more efficient and effective administration of public assistance programs. The need for data on benefits will become increasingly important as states begin requesting funding for more expensive, complex systems.

Laws and Regulations Emphasize Need for Federal Assessment of Operational Systems

The Congress authorized federal funding of states' development and operation of automated eligibility determination systems with the expectation that these systems would result in more efficient and effective welfare programs. Indeed, to justify their use of federal funds, many states have prepared analyses showing that their planned automated systems would save millions of dollars annually by reducing eligibility-related errors. These analyses also claimed that planned systems would cut administrative costs by increasing the productivity of case workers and improving service to clients by reducing the time to process applications.

To ensure that these types of benefits were gained through automation, laws and regulations require HHS and encourage USDA to evaluate federally funded, state-operated automated systems and determine whether the systems are operating as intended. Public Law 96-265 and federal regulations require HHS to review, assess, and inspect the operation of states' federally funded automated systems on a continuing basis. Further, regulations allow HHS to suspend funding if it finds the state is not operating systems as approved. According to federal regulation, USDA may conduct periodic on-site reviews of states' federally funded operational systems to ensure compliance with approved plans. Further, agency guidelines state that because on-site reviews are the most effective method for ensuring that federal dollars have been appropriately spent, post-installation reviews are to be performed to assess implementation of states' systems.

HHS And USDA Have Not Evaluated Operational Systems' Claimed Benefits

Except for a limited one-time USDA effort, HHS and USDA have not reviewed states' operational systems to assess whether the systems are providing projected benefits, even though some federally funded systems have been operational for many years. According to HHS and USDA, they have not conducted these reviews because such assessments are not considered to be a high priority.

Because these reviews have not been done, neither HHS nor USDA knows whether state systems are providing claimed benefits, such as improved productivity, reduced error rates, or reduced processing time. For example, one state claimed that its \$81 million system would generate numerous benefits, including salary savings of \$38 million for staff who would not be needed because of the new system. However, neither HHS nor USDA has attempted to assess whether this reduction has been realized.

States also frequently justify upgraded automated systems on the basis that the systems will reduce program error rates. However, the federal government has no data to show how automation has reduced errors. Such assessments are needed because, while transitioning from a manual to automated system can be expected to reduce errors to some degree, reductions can also be achieved through nonautomated means. For example, in 1988 a state estimated that an upgraded eligibility system would lower its error rates and save over \$35 million annually. The state subsequently encountered delays in developing the system and later decided not to complete the development. However, the state still saved over \$34 million due to reduced errors by improving staff training. Similarly, nationwide AFDC error rates declined from 7.64 percent in fiscal year 1981 to 5.99 percent in fiscal year 1984 prior to widespread state automation.

States have also justified their use of federal funds on the basis that automation would improve service to clients by reducing the time to process applications. However, again it is unknown whether states have actually provided this improved service.

Assessing states' automated systems is important to ensure that the federal government's investment is worthwhile. We have previously reported that

automation of the food stamp program has not achieved all expected benefits.¹ For the locations we reviewed, we found that while automation often improved administrative procedures and caseload management, other benefits, such as reductions in program error rates, were not always achieved or could not be clearly demonstrated.

Benefit Data Needed As
States Plan
Increasingly Costly and
Complex Systems

The need for data on projected and realized benefits of automated eligibility systems will become increasingly important as states begin planning for more expensive and complex systems. Several states are now planning new or upgraded systems costing up to \$100 million each. Further, two states have proposed rule-based expert systems designed to immediately provide automated decisions on eligibility and benefit amounts for all three programs on the basis of data supplied by the applicant at a computer terminal. Such combined expert systems could be difficult to design and perfect because many federal and state rules and procedures would need to be expressed in computer programs.

¹Food Stamp Automation: Some Benefits Achieved; Federal Incentive Funding No Longer Needed (GAO/RCED-90-9, Jan. 24, 1990).

Conclusions and Recommendations

Conclusions

HHS and USDA are not effectively monitoring states' efforts to develop automated eligibility systems for the AFDC, Medicaid, and Food Stamp programs. As a result, millions have been spent on systems that do not work or do not meet requirements. In addition, HHS and USDA inefficiently expend resources independently reviewing state systems rather than coordinating their reviews, even though most states are developing integrated systems that include all three federal programs. This has resulted in states receiving contradictory federal direction on their development efforts and has led to additional system delays. State attempts to automate eligibility are likely to continue to run into trouble unless HHS and USDA begin to effectively monitor system development in a coordinated manner. A coordinated approach, through the use of a joint program office, has been used by several defense agencies to manage overlapping programs.

Although the federal government has spent hundreds of millions of dollars on states' automated eligibility systems, it does not know whether this investment has been worthwhile. HHS and USDA have not determined how automation has enhanced the eligibility determination process and therefore cannot identify whether expected improvements, such as reducing administrative costs and the number of mistakes, have been achieved.

Recommendations

We recommend that the Secretaries of Health and Human Services and Agriculture direct the administering agencies for AFDC, Medicaid, and Food Stamps to develop an interagency agreement that calls for:

- Effective, complete, and coordinated monitoring of each state's system under development for each phase of the system development process, including (1) progress assessments, (2) evaluations of key system development documents, (3) on-site inspections, and (4) determinations of whether full federal funding is warranted based on program and financial risk assessments.
- Evaluating whether predicted benefits have been realized for states' operational automated systems. In those instances where the actual benefits achieved are significantly less than originally projected and lower than total project costs, a reduction of further federal funding of the state's operational system should be considered until the state demonstrates how its system is cost-beneficial.

To implement the interagency agreement efficiently and effectively, we recommend that the Secretaries establish a joint program office to provide leadership and management of the oversight of state automated welfare systems. Such an office, to be jointly funded by HHS and USDA, would have the responsibility, authority, and accountability for overseeing the development and implementation of states' welfare systems and determining whether such systems are providing anticipated benefits. Further, to help ensure that these responsibilities be effectively accomplished, the joint office should be given the authority to hire or contract for the technical expertise necessary to monitor the development and operation of automated welfare systems.

Agency Comments and Our Evaluation

HHS and USDA generally disagreed with our conclusions and recommendations. Both departments believe they are adequately monitoring states' development efforts. We reviewed HHS' and USDA's comments and see no reason to substantially change our conclusions and recommendations. HHS' written comments are reprinted in appendix II and USDA's written comments, excluding attachments, are reprinted in appendix III.

HHS Comments and Our Evaluation

HHS did not agree with our conclusion that it was not effectively monitoring states' efforts to develop automated systems. HHS asserted that its current monitoring is coordinated, effective, and appropriate. Further, while stating that it was committed to vigorous oversight, HHS maintained that to take a more active role in monitoring states' development efforts would exceed its statutory authority.

We disagree with these overall HHS comments. First, Public Law 96-265 requires HHS to review, assess, and inspect the planning, design, and operation of state AFDC systems on a continuing basis. Further, federal regulations require HHS to review states' automation plans for AFDC and Medicaid systems and conduct periodic on-site reviews of these systems. We believe the evidence presented in our report conclusively shows that current federal monitoring is not effective. This conclusion is supported by the Secretary of Health and Human Services' December 1991 Federal Managers Financial Integrity Act report, in which he cited federal oversight of states' development of systems as a material weakness and stated that HHS needed to "monitor more closely state ADP systems development" to prevent the potential impact of developing systems that do not meet requirements. The Secretary's report projected that this weakness would not be fully remedied until the last quarter of fiscal year 1993. The following sections provide more detailed HHS comments on our conclusions and recommendations, and our evaluation of these comments.

Federal Monitoring of States' Automated Systems

While stating that coordination among federal agencies was essential, HHS did not agree with our recommendation to establish an interagency agreement to accomplish needed federal monitoring. HHS contended that it and USDA have already sought to coordinate their state system monitoring activities and that they were making every effort to deal jointly with state officials. In addition, HHS stated that it and USDA have published virtually identical regulations concentrating on better project management and federal oversight by emphasizing the review and approval of key project

documents. HHS added that our report failed to note that the federal agencies are significantly involved in the planning, development, and implementation of state systems. At the same time, HHS stated that it did not want to be extensively involved in the technical aspects of state systems because project management and control of projects rest with the states. Finally, HHS pointed out that our report failed to recognize the number of highly successful system implementations in which the federal agencies have played a key role. It added that the three examples of system failures cited in our report were the only instances in which an approved project was not completed and that these failures were due to poor project management rather than insufficient monitoring.

Regarding HHS' comments on the need to coordinate effective monitoring, we believe a documented interagency agreement detailing the important monitoring functions to be performed is critical to ensuring that efficient and effective oversight occurs. In the absence of such an agreement, HHS and USDA will likely continue to independently review the same state systems with no assurance that either is evaluating appropriate documents or activities. We believe it is preferable to perform unified monitoring rather than continuing with duplicative and ineffective oversight efforts.

We recognize that HHS and USDA published regulations on monitoring state systems that included required reviews of system-related documents. However, as detailed in our report, we found that agency analysts did not always review these documents and that on-site reviews were often not performed. In addition, the regulations do not require assessments of the distinct phases of the system development process, but instead focus on states' annual updates of their initial advanced planning document. As stated in our recommendation, it is critical that the following be performed for each phase of the system development process: progress assessments, evaluations of key system development documents, on-site inspections, and determinations of whether continued federal funding is warranted based on program and financial risk assessments. Furthermore, in order to adequately perform these tasks, HHS must understand the technical substance of state projects. Without technical competence, the federal government cannot be expected to be an effective overseer of states' development efforts, as required by law and regulations.

According to HHS, we focused our report too heavily on three system failures and did not discuss all of the successful system development projects that have occurred. We agree that we highlighted the three system failures to demonstrate the financial and programmatic impacts of

ineffective federal oversight. In these cases, the lack of effective federal monitoring allowed over \$30 million to be lost without any resulting systems. In each of the three projects, states were allowed to continue developing systems with recognized problems for years before any actions were taken to terminate the efforts. We agree with HHS that states' project management was a key factor in these failures. However, the lack of effective federal oversight was also critically important in not identifying project management deficiencies and in not taking appropriate corrective action.

We agree with HHS that there have been other state projects that were successful. During our review, however, we did not find evidence to show that these efforts were successful because of federal monitoring actions. Furthermore, within the scope of the states we reviewed, we noted that some of these successful system development projects also had problems during development. For example, we found that the cost of one state's successful system escalated from the original \$11 to \$13 million estimate to nearly \$30 million before it was implemented.

Benefits of Operational Systems

While agreeing that projected system benefits have generally not been measured, HHS stated that evaluating such benefits can be a complex, costly undertaking and therefore it was implementing a more practical approach for assessing operational systems. According to HHS, it instituted a requirement that states report actual costs and benefits achieved against original estimates, and was developing a guide to assist states in preparing baseline cost and benefit data for comparison with actual results. HHS disagreed with our recommendation to terminate federal funding when the benefits of states' operational systems are significantly less than originally projected and lower than total project costs because it believed that it did not have the authority to take such action.

We commend HHS' recognition of the need for data on system benefits by requiring states to report cost and benefit information and developing an appropriate guide for states. However, HHS' requirement for states to report cost and benefit information must be enforced to be useful. We found that some states were not submitting this information. Furthermore, while such information will be helpful, it does not replace independent federal assessments of states' operational systems, as required by regulations. While such assessments for complex, costly systems should not be expected to be a simple undertaking, these assessments are warranted because such systems are costing tens of millions of dollars.

Regarding continued federal funding for operational state systems, federal regulations give HHS the authority to reduce federal funding if a state's system is not operating as specified. Recognizing the potential adverse impact on state operations if federal funding for a state's basic eligibility system is reduced, we have slightly modified our recommendation to state that HHS and USDA should "consider" reducing federal funding when the benefits of states' operational systems are significantly less than originally projected and lower than total project costs. This provides agency officials with flexibility in determining whether a reduction in federal funding would result in a state being unable to calculate participant eligibility. At the same time, agency officials could reduce funding for any costly system features that are not essential to determining eligibility.

HHS And USDA Coordination of Monitoring

HHS did not agree with our recommendation to establish a joint program office to provide leadership and management of the oversight of state automated welfare systems. While noting that pooling of available resources was conceptually sound, HHS stated that in this case it was not consistent with existing program and organizational structures. HHS expressed concern that transferring systems funding, monitoring, and review activities to an organization independent of the responsible administering agencies would affect the agencies' control over important elements of their programs. HHS added that duplication of effort is minimal and, in itself, insufficient to warrant a change, and that implementing our recommendation would create further inefficiencies by fragmenting approval responsibilities. HHS offered an alternative to our recommendation that would establish an interagency task force to identify specific problems in the coordination process associated with multiprogram systems and propose procedural changes to improve the agencies' performance in the area.

We agree with HHS that pooling available staff resources is conceptually sound and that such a concept is not consistent with existing organizational structures. That is why we are recommending that a joint program office be established to perform needed monitoring. We believe that a joint endeavor is a much more efficient method of monitoring states' automated systems. To retain consistency with existing organizational and program structures would permit HHS and USDA to continue monitoring states as they do now—separately and ineffectively reviewing the same systems. Regarding HHS' comment on loss of control, the recommended joint office would not be "independent" of HHS and USDA, but instead would be accountable to the two respective Secretaries. Further, the

recommendation reflects our concern about how the federal government can provide the most effective and efficient oversight of automated state systems. We are not concerned whether HHS or USDA retain individual control.

We disagree with HHS' position that duplication of effort is minimal and, in itself, insufficient to warrant change. As pointed out in our report, most states are now developing or operating systems that encompass multiple programs. Therefore, HHS' and USDA's monitoring of states will usually cover the same eligibility systems. Because duplication of effort in monitoring states' development and operation of systems should be eliminated, we believe available resources should be merged rather than two departments each expending resources.

Regarding HHS' proposed alternative recommendation, we believe further study of the issues is unnecessary. The existing deficiencies in federal oversight of states' systems are well documented and acknowledged by the Secretary of Health and Human Services. We believe we have identified the actions that are needed to address these deficiencies. While recognizing that these actions may be difficult for HHS managers to accept because they would significantly alter existing organizational boundaries and relationships, we believe that they are needed immediately.

USDA Comments and Our Evaluation

USDA also generally disagreed with our conclusions and recommendations. USDA stated that it believes its current monitoring efforts are effective and coordinated. It emphasized its commitment to the development of effective state systems and highlighted its recent award of a contract to examine automated systems in all states. In addition, while stating that it shared our commitment to vigorous federal oversight of automated welfare systems, USDA emphasized that the associated cost of monitoring must be commensurate with available budgetary resources and consistent with program responsibilities and statutory authorities.

While we are encouraged by USDA's stated dedication to effective state systems, we believe the results of our review are sufficient to conclude that USDA's monitoring is not effective. Moreover, USDA's recent award of the aforementioned contract reflects the agency's uncertainty about the effectiveness of states' systems and USDA's oversight. According to USDA's statement of work for this contract, "the study will assess the extent to which States have developed and are operating effective automated service delivery systems, and assess the extent to which FNS [USDA's Food and

Nutrition Service] is able to provide effective and efficient oversight and approval for those systems.”

We agree with USDA that the cost of monitoring should be minimized. We believe that if USDA and HHS discontinue their duplicative practice of separately reviewing the same state systems and instead combine their available resources, they will be able to more effectively provide the needed and required federal oversight. More specific USDA comments on our report and our evaluation of these comments follow.

USDA Oversight Through the Advanced Planning Document Process

According to USDA, the control system established through its advanced planning document process provides more than enough oversight and control of states’ development of systems. It stated that this process requires federal approval of key documents involved in the acquisition and development of systems and mandates the submission of periodic monitoring and testing reports. USDA added that this process is by far the most extensive control system for any type of Food Stamp Program administrative cost. Lastly, USDA stated that it was not convinced that greater on-site federal presence was necessary or advisable for state projects.

We disagree with USDA’s view that the advanced planning document review process is sufficient for monitoring states’ system developments. While this review process occurs at prescribed intervals during system development, the timing of the reviews is not linked to the status of the development, but rather to when states need to submit updates to their existing advanced planning document. It is widely recognized that effective system development reviews must be focused on the key development decision points that we discuss in our report. Furthermore, regardless of the process used, monitoring will be ineffective if USDA analysts do not review system development documents. As disclosed in the report, many of USDA’s analysts indicated that they did not review key documents, even though required to do so. Regarding USDA’s concern on the relative cost of its monitoring, we believe, as mentioned earlier, that such costs can be minimized through unified federal monitoring.

We disagree with USDA’s comments on the value of on-site monitoring. We believe effective monitoring must include periodic on-site reviews. In fact, USDA, in its own advanced planning document handbook, recognizes the

importance of on-site reviews. According to the handbook, "The on-site review is the most effective method for assuming¹ that the Federal dollars have been appropriately spent—grant managers can determine whether State agency ADP system equipment or services established with Federal funds has complied with FNS regulations." The impact of a lack of on-site monitoring is reflected in an example from our report in which federal officials had relied on written reports for 2 years before identifying a critical system development deficiency (see page 17).

USDA And HHS Coordination of Monitoring

USDA commented that we had not adequately considered the coordination between USDA and HHS that had already taken place in monitoring states' systems. USDA also stated that there were many logistical and programmatic concerns associated with our recommendation of establishing a joint program office. Similar to HHS, USDA offered an alternative recommendation that would require the agencies to convene an intergovernmental task force to make recommendations to increase coordination between the two departments.

We recognize that coordination between departments has increased in recent years as states develop increasingly integrated eligibility systems. Despite this coordination, however, duplicative monitoring of the same automated systems has not been eliminated. We recognize that pooling of available federal resources will create a different organizational structure, but we believe that such an organization can serve the federal government and the welfare client better than the current overlapping model. Further, our recommendation reflects our concern regarding how the federal government can provide the most effective and efficient oversight of automated state systems.

USDA's proposed alternative recommendation is similar to HHS' proposal. We therefore similarly believe that further study of the issues is unnecessary because the existing deficiencies in federal oversight of states' systems are well documented. Further, as previously noted, we believe we have identified the actions that are needed to address these deficiencies.

¹We believe a typographical error in the handbook resulted in the use of the word "assuming," whereas we believe the intended word was "assuring."

States With Operational Statewide Automated Eligibility Systems

	AFDC ^a	Medicaid	Food Stamps
Alabama	X		X
Alaska	X		X
Arizona	X		X
Arkansas	X		X
California			
Colorado	X		X
Connecticut	X	X	X
Delaware	X	X	X
District of Columbia			X
Florida			X
Georgia	X		X
Guam			X
Hawaii	X	X	X
Idaho	X	X	X
Illinois	X	X	X
Indiana			X
Iowa	X		X
Kansas	X	X	X
Kentucky			X
Louisiana			X
Maine			X
Maryland			X
Massachusetts			X
Michigan			X
Minnesota			X
Mississippi	X		X
Missouri			X
Montana			
Nebraska			X
Nevada			X
New Hampshire			X
New Jersey	X		X
New Mexico	X	X	X
New York			X
North Carolina	X	X	X
North Dakota	X	X	X
Ohio			X
Oklahoma	X	X	X
Oregon			X
Pennsylvania			X
Rhode Island	X		X

(continued)

**Appendix I
States With Operational Statewide
Automated Eligibility Systems**

	AFDC^a	Medicaid	Food Stamps
South Carolina	X		X
South Dakota	X		X
Tennessee			X
Texas	X	X	X
Utah	X	X	X
Vermont	X	X	X
Virginia			X
Virgin Islands			X
Washington			X
West Virginia			X
Wisconsin	X	X	X
Wyoming	X		X
Totals	27	14	51

^aIncludes only those operational systems approved by HHS as meeting applicable federal requirements for enhanced funding.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

APR 7 1992

Mr. Ralph V. Carlone
Assistant Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Carlone:

Enclosed are the Department's comments on your draft report, "Welfare Programs: More Effective Federal Oversight Can Minimize Costly System Problems." The comments represent the tentative position of the Department and are subject to re-evaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. Kusserow".

Richard P. Kusserow
Inspector General

Enclosure

**Appendix II
Comments From the Department of Health
and Human Services**

**COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
U.S. GENERAL ACCOUNTING OFFICE'S REPORT "Welfare Programs: More
Effective Federal Oversight Can Minimize Costly System Problems
(GAP/IMTEC-92-29)"**

General Comments

At the request of the Senate Committee on Finance, GAO examined the effectiveness of Federal oversight of States' efforts to automate eligibility determinations for the Food Stamp, Aid to Families with Dependent Children (AFDC) and Medicaid programs. GAO concluded that: 1) The U. S. Department of Agriculture (USDA) and the Department of Health and Human Services (HHS) are not effectively monitoring States' efforts to develop automated eligibility systems; 2) USDA and HHS inefficiently expend resources, independently reviewing State systems rather than coordinating their reviews; and 3) USDA and HHS have not determined whether expected improvements have been achieved through automation of eligibility systems.

We disagree that HHS is not effectively monitoring States' efforts to develop automated systems, and has allowed millions of dollars to be spent on systems that either do not work or do not meet requirements. The report does not address HHS' current monitoring efforts, which are coordinated, effective and appropriate to the program and organizational entities involved, nor does it consider recent initiatives introduced by HHS to evaluate the benefits of operational systems. While it is always possible to do more, there is no clear evidence that GAO's recommendations will achieve better results.

In particular, we question the unsupported conclusion that establishing a joint program office would improve the effectiveness of monitoring to any major degree, without introducing new organizational and operational problems. In making this recommendation, we believe that GAO has not given adequate consideration to the fundamental differences among the Federal agencies, including funding sources, program requirements, and internal and external organizational accountability for funding and program decisions.

The Department shares with GAO the common goal that Federal funds be used wisely. We are committed to vigorous Federal oversight of these expensive automated systems and view the fulfillment of our responsibilities in this area as essential to achieving our mutual goal. However, we recognize that monitoring must be consistent with the program responsibilities and statutory authorities of the Health Care Financing Administration (HCFA) and the Administration for Children and Families (ACF).

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We believe that GAO has a fundamentally different perspective regarding the role and authority of ACF and HCFA in this process. Under an open entitlement program, the Federal government shares in the cost of allowable and appropriate State expenditures through the provision of Federal financial participation at established matching rates. Additionally, the statutory authorities for funding these integrated systems for AFDC and Medicaid provide the Secretary with the authority to approve such systems as "... are likely to provide more efficient, economical, and effective administration ..." of the programs, and that "... will generally carry out the objectives..." set forth for Statewide management systems (emphasis added).

This authority is utilized prospectively by each Federal agency to provide funding for system development efforts, based on the review and approval of an initial advance planning document (APD), which provides the Federal agencies with necessary documentation to support the funding request (including justification of the need to acquire such systems, and an effective plan for accomplishing the project). The authorizing legislation provides that the initial APD approval be based on the State's description of the proposed statewide system, the documentation of its projected resource requirements, and the proposed improvements, in terms of both qualitative and quantitative benefits. While the Federal agencies maintain a critical oversight role in ensuring that the approved plan is executed as intended, the projects are managed by the entities directly responsible for program administration -- the States.

In summary, while we concur with many of the GAO's assertions regarding the importance of Federal monitoring and oversight, we question the viability of the report's recommendations and believe the expectations expressed in the report exceed our statutory authorities and budgetary resources. We believe the GAO could strengthen its report if it were amended to consider and include the following important factors.

1. Recognize the Federal/State relationship that exists under an open entitlement grant authority and acknowledge the statutory boundaries within which the Federal agencies oversee both the programs and these automation projects.
2. Acknowledge the Federal oversight and coordination processes that currently exist and the improvements made over the past two years.
3. Acknowledge the difficulty the agencies face in assessing benefits in a dynamic program environment (increasing welfare caseloads, constantly changing programmatic and legislative requirements).

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4. Consider, as an alternative to the proposed recommendations, the establishment of a joint USDA and HHS task force for the purpose of exploring options, assessing potential impacts and making recommendations.

Following is a more detailed response to the specific GAO recommendations and findings.

GAO Recommendation

The Secretaries of Agriculture and Health and Human Services should direct the administering agencies for Food Stamps, AFDC, and Medicaid to develop an interagency agreement that calls for effective, complete, and coordinated monitoring of each State's system under development for each phase of the system development process, including (1) progress assessments, (2) evaluations of key system development documents, (3) on-site inspections, and (4) determinations of whether continued Federal funding is warranted based on program and financial risk assessments.

Department Comment

While we agree that coordination among the affected agencies is essential when integrated, multi-program systems are involved, we do not concur with the need to establish an interagency agreement to accomplish the necessary coordination. The programs involved have some common as well as many program-specific requirements. As the report points out, States are increasingly developing integrated systems. As a result, the Federal agencies have already sought to coordinate their State system monitoring activities to a high degree, while maintaining program accountability within existing organizational structures.

In 1990, HHS and USDA published virtually identical regulations which focused on effective and coordinated Federal oversight. These regulations concentrated on better project management and Federal oversight. They emphasize the review and approval of project plans, relevant procurement documents, alternatives analyses (including system transfers), cost-benefit analyses, project budgets and cost allocation plans, rather than lower-level technical documentation (such as detailed design documents, capacity and benchmark tests results). Following this framework, the Federal agencies have been highly successful in ensuring that State systems meet program requirements, free and open competitions prevail, costs and benefits are equitably shared, and the use of technology transfers rather than new systems development is maximized.

While the revised regulations have not been in place long enough for GAO to assess the positive impact, the potential payoff should be acknowledged. The agencies expect the regulations to

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make a difference in the way a State manages its project, and are already beginning to realize the Federal benefit.

In addition to coordinating our regulations, the Federal agencies make every effort both centrally and regionally to deal jointly with State officials. These efforts have improved over the years to the point that the two Departments consult on a daily basis on State-by-State systems matters. Within HHS, ACF serves as the lead agency for coordination of cross-cutting systems. A separate staff is devoted exclusively to the coordination of inter-agency approvals and policy for State systems.

As the report points out, "occasionally" the Federal agencies take divergent views on a project. While this occurs infrequently, it is usually due to the initial failure of a State to adequately address the program-specific requirements of one of the administering agencies, rather than to a failure to communicate among the agencies. However, in every case, taking into consideration the program and organizational differences involved, the agencies have moved rapidly to a common position.

The report also fails to consider that these occasional discrepancies occur among thousands of decision points encountered by each Federal agency in its review of critical system documentation. Within HHS, in the period from Fiscal Year 1987 to the present, HHS responded to more than 2,500 individual State requests for Federal review and approval of documentation related to State automated systems acquisitions.

The report correctly recommends that the Federal agencies be involved in the review of key system development phases. However, it fails to note that the agencies are already significantly involved in the planning, development and implementation of systems through:

- o the issuance of detailed guidance establishing a common framework for State submittals of proposals and justifications for system acquisitions;
- o the review, monitoring and approval of key system documentation, including advance planning documents, Requests for Proposals, contracts, periodic updates, and required quarterly systems status reports;
- o on-site reviews at key system development points; and
- o State-wide certifications which ensure that developed systems meet program requirements and are fully operational.

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In fulfilling their responsibilities, the Federal agencies have chosen to concentrate their efforts on:

- o providing States with guidance on system requirements;
- o providing technical assistance and a clearinghouse service for State systems software;
- o ensuring a competitive environment;
- o encouraging system integration and information sharing;
- o facilitating a transfer user group;
- o promoting the transfer of proven technology and systems developments; and
- o ensuring that proposed systems will be cost beneficial, and that both costs and benefits are fairly allocated.

Apparently underlying the GAO recommendation is the belief that the Federal agencies should be more extensively involved in the technical aspects of State systems. We do not completely agree with the GAO's assumptions in this regard, nor do we believe that this is easily accomplished. The systems involved are highly complex and dynamic, contracting for these services on a continuing basis is expensive, and States are already acquiring (and paying for) this technical assistance in their systems development projects.

Project management and control of these complex, multi-million dollar projects rest with the State and require extensive interaction with the system users, most often county and local entities. Although technical assistance is provided to the States as needed, we do not believe that the Federal agencies can or should be the primary source of either technological expertise or direct project management for the administering State agencies. Federal funds are already contributing toward the maintenance of an extensive amount of technical and management experience that is being brought to these projects by the State (e.g., the State's own data processing personnel, its planning contractor, its implementation contractor and, in some cases, its monitoring or quality assurance consultant); these resources are present and available on-site throughout the duration of the lengthy system development effort. We question the extent to which periodic Federal monitoring can or should substitute for or intervene in the State's direct management of project resources, technical oversight or decision-making.

At the same time, we concur that an increased availability of resources would enhance the ability of the Federal agencies to monitor projects. Over the past year, ACF, as part of its

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commitment to better oversight, has increased its Central Office and Regional Office State computer systems staff by a total of 6 staff years. Within ACF, the regional offices have recently assigned computer systems staff exclusively to State systems functions (separately from their internal systems responsibilities) and increased staffing levels in order to strengthen the Department's capacity to ensure proper management of State systems at the regional level. However, existing staffing levels and restricted travel funds continue to present an impediment, particularly in the area of on-site monitoring.

The report implies that alternatives have not been adequately analyzed prior to making key decisions about system development efforts and therefore the lowest possible cost has not been assured. In providing justification for system acquisitions, States are required to consider both alternatives to automation and alternative automated solutions. However, we believe that by requiring States to incorporate specific and detailed functional requirements in every system, encouraging system integration whenever feasible, enforcing free and open competition, and mandating transfer to the maximum extent possible, we have, in fact, narrowed the range of possible alternatives and ensured lowered costs and reduced risks for State systems.

We do not agree with the GAO in citing the case of the State that expended approximately \$51 million "... before discovering that the system could not be implemented as planned... ". The report does not clearly state that this project is multi-phased and that the State has already implemented most of the system developed to date. It should be clarified that the specific problem in this case was a labor union legal action against the State, and that the cost associated with the phase in which the problem occurred was minimal, and not authorized as an enhanced funded activity. The final phase of this otherwise successful project has been delayed because State labor unions raised objections late in the development process which have necessitated system changes. This particular situation could not have been prevented with Federal monitoring.

The three cases cited in the report as having failed after the expenditure of almost \$30 million were not due to insufficient monitoring, but rather to poor project management. Two of these development efforts were terminated because the Federal agencies insisted, despite extensive State lobbying (including Congressional involvement), on independent project reviews that recommended termination of the projects. In the third case, the State terminated the project ostensibly for technical deficiencies which, with good project management, could have been overcome. In these cases, the Federal agencies used progress assessments, evaluation of key systems development documents, on-site inspections, and program, technical and financial risk assessments to determine that continued Federal funding and

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support for the projects were not warranted. This approach is fully consistent with the GAO recommendation.

It should also be noted that, while the report implies that these terminated projects are only some of the examples available, they are in fact the only instances in which an approved project failed to result in a completed, installed and operable system. While expenditures of Federal funds did occur prior to project termination, the report does not clarify that the intervention of the Federal agencies minimized this loss by discontinuing support for the projects long before total project funds had been expended.

While citing these problem cases, the GAO does not note the number of highly successful system implementations which have occurred in this period, in which the Federal agencies have played a key role. Since 1984, HHS has provided technical assistance and oversight for the implementation of 27 certified and fully-functional state-wide automated systems for the AFDC program, with four more to be completed in this fiscal year and another 18 systems in the development process; most of these systems are integrated with many other programs and, as a result, are highly complex. We concur with GAO's opinion of the importance of our responsibility to oversee an investment of this magnitude and ensure that Federal funds are spent wisely, and we believe that this success rate underlines our commitment to do so.

GAO Recommendation

The Secretaries of Agriculture and Health and Human Services should direct the administering agencies for Food Stamps, AFDC, and Medicaid to develop an interagency agreement that calls for evaluating whether predicted benefits have been realized for States' operational automated systems by conducting post-installation reviews. In those instances where the actual benefits achieved are significantly less than originally projected and lower than total project costs, further Federal funding of the State's operational system should be suspended until the State demonstrates how its system is cost-beneficial.

Department Comment

This recommendation does not take into consideration the fact that ACF and HCFA are already implementing a reasonable approach to assessing the benefits achieved when major new systems become operational.

We agree with the GAO's assertion that projected system benefits in the areas of improved productivity, reduced payment errors and reduced processing times have generally not been measured. However, it should be recognized that associating accrued

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benefits with new operational systems tends to be an elusive undertaking given the complexity of delivering program services, the lengthy time period between initial project approval and final system installation, concurrent implementation of ongoing program reforms, and concurrent extraneous changes (such as caseload increases). Thus, a simple post-installation review is not apt to provide adequate information for measuring cost-benefit ratios; a sophisticated and complex analysis of many factors would be required.

While some direct types of benefits may be readily attributable to system changes, it is difficult to establish the specific contribution of other changes. To do so with even a fair degree of certainty could require very complex and expensive evaluation designs. It is also extremely difficult to quantify the intangible or qualitative benefits introduced through automation, such as improved service to recipients, although such benefits are clearly a factor in virtually all automation decisions.

As an example of the difficulty of this task, our evaluation of the Electronic Benefit Transfer system in Maryland has involved extensive Federal effort and a \$2 million evaluation study. Assessments of automated system benefits could involve similar costs; thus, we must seek a practical approach to answering questions concerning system benefits.

In revised regulations published in February 1990, HHS instituted a requirement that States report actual cost-benefits achieved against original estimates within the existing reporting framework for State systems. In addition, we have supported an effort in the State of Florida to develop a methodology for reporting on its system's costs and benefits, which is also transferrable to other States. To accomplish this, the State has contracted for evaluation support services at a cost of over \$500,000.

We are currently developing a guide to assist States in preparing base-line cost-benefit data for comparison with actual results. We consider this a reasonable approach to a most difficult and complex area. To do more will certainly require additional dollars, at the risk of obtaining questionable results.

We neither agree that Federal funding of State systems should be terminated until a State proves its system's cost-effectiveness, nor do we have the statutory authority to take such an action. Cost-benefit analysis is highly complicated, and these systems are critical to State operations. We would therefore prefer to work with States to overcome any obstacles to the efficient and effective use of automation and to make their system operations more cost-beneficial.

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GAO Recommendation

The Secretaries should establish a joint program office to provide leadership and management of the oversight of State automated welfare systems. Such an office, to be jointly funded by USDA and HHS, would have the responsibility, authority, and accountability for overseeing the development and implementation of States' welfare systems and determining whether such systems are providing anticipated benefits. Further, to help ensure that these responsibilities are effectively accomplished, the joint office should be given the authority to hire or contract for the technical expertise necessary to monitor the development and operation of automated welfare systems. To finance necessary contractual support, the office should consider using a portion of the Federal funds provided to States for automated systems.

Department Comment

We do not agree with the recommendation. While pooling available resources is conceptually sound, in this case it is not consistent with existing program and organizational structures. Also, there is no clear evidence to indicate that it will have the intended results and not introduce new problems.

In 1977, the then Under Secretary of Health, Education and Welfare (HEW) considered the option, among others, of establishing a central authority within HEW for State systems activities, including the authority to make decisions on behalf of the HEW program agencies. This option was rejected in favor of establishing a central "coordinating" point within HEW for State systems activities. This decision left systems review, monitoring, funding and program decisions with the responsible and accountable program agencies. These were the Office of Family Assistance, the Office of Child Support Enforcement, the Office of Human Development Services and the Health Care Financing Administration.

The coordinating organization, the State Data Systems Division, created at the time, continues to exist today within HHS, and is exemplary among the affected public assistance programs. Its primary functions are to: provide a single focal point for States within HHS; manage the processing of State systems documents within HHS; provide a liaison with the Food and Nutrition Service (FNS); coordinate issue resolution within HHS, and with FNS and the States; and establish and maintain HHS policies and procedures which States must follow in order to obtain HHS approval and funding of their systems activities.

Pooling resources and transferring systems funding, monitoring and review activities to an organization independent of the responsible administering programs would affect the agencies' control over important elements of their programs -- information

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systems which are critical to program operations and service delivery, and the associated costs of these systems, which can be substantial. Giving an independent organization authority in this area will remove these activities from the normal controls exercised by the administering agencies. This change could have the effect of further complicating, rather than simplifying, the situation. For example, would State agencies follow the direction of the parent program agency or the independent office when State systems activities and funds are at issue?

In reviewing and monitoring State system developments, the Federal agencies share general concerns that systems projects are well-planned and structured, effectively managed, technically sound, and based on competitive procurement procedures, to ensure the lowest possible cost. However, the Federal agencies are individually concerned that their program requirements are met, costs are equitably allocated to them, and the system will prove beneficial to their programs.

While there is common ground among the agencies in their mutual concerns about overall system structure and project execution, their individual systems interests are inextricably tied to specific program goals and objectives, functional requirements, unique State program needs, and funding considerations. The areas in which overlapping review occurs (e.g., system architecture, project management) are high-level and more universal in nature. Duplication of effort is minimal and, in itself, insufficient to warrant a major change in the delegations of authority to individual program agencies in this significant area of program administration.

Further, in recommending the establishment of a joint program office, the report does not consider the relationship between the Federal agencies and the States, which in large measure determines the extent to which the Federal agencies can (or should) become directly involved in State systems activities and management. The establishment of a joint program office would do little to change this relationship, which is driven by program ownership, delegated authority, direct program management responsibilities and intergovernmental considerations. In addition, there is no statutory authority for HHS to use State program funding to finance necessary contractual support for State systems review activities, as GAO has recommended.

The report also does not consider that, in reviewing only the integrated certification and eligibility systems supported by ACF, HCFA and FNS, the GAO has overlooked the considerable number of independent, agency-specific systems that are also being reviewed and monitored by the program agencies. These include Medicaid Management Information Systems in HCFA; Job Opportunity and Basic Skills (JOBS), Child Care, Child Support Enforcement, Foster Care, Adoption Assistance and Child Protective Services

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systems in ACF; and systems to administer the Special Supplemental Food Program for Women, Infants and Children in FNS.

The GAO recommendation would have the effect of creating further inefficiencies in the system review process, by effectively fragmenting approval responsibilities within the program agencies. Allocating staff to a joint program office to oversee integrated system efforts would require either a duplication of staff in both the program agencies and joint office, or a reduction of existing staff in favor of the joint program office; neither would be an effective use of scarce resources.

In addition, the Federal agencies' internal delegation of responsibilities for these functions is closely tied to each agency's overall organizational structure. Within HHS, this area of program administration is managed centrally, with specific functions and responsibilities delegated to ten agency regional offices. In FNS, the seven regional offices have the primary responsibility in this area, with management oversight provided from the central office only at key points in large projects. In each agency, the regional office staff make an indispensable contribution to the agency's knowledge base and ability to perform effective reviews. Since the delegation of responsibility for these functions is so closely tied to the organizational structure of each individual agency, we believe the recommendation for centralization would have a far more significant organizational impact than GAO has contemplated or intended.

Therefore, in order to address our mutual concerns about continuing to improve the coordination among the Federal agencies in this vital program function without changing the fundamental organizational structures and authorities in this process, we would like to propose an alternative to GAO's recommendation to establish a separate joint program office. Instead, we would offer to establish an inter-agency task force to identify specific problems in the coordination process associated with these multi-program systems, and to propose procedural changes that would improve the agencies' performance in this area and maximize utilization of resources for review and monitoring. This group would make formal recommendations to the departmental Secretaries through the respective agency Assistant Secretaries. The task force's recommendations would clearly describe the scope of the proposed changes (i.e., procedural, regulatory, or legislative) and their organizational and resource impact, including, but not limited to, the Federal budgetary impact and State burden.

This process was very effectively used by HCFA, ACF and FNS in a similar inter-agency task force established in 1985 to streamline and coordinate the Advance Planning Document review and approval process. The resultant regulations that were simultaneously

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published by the Department of Agriculture and HHS have brought nearly all agency approval procedures and requirements into direct conformance and simplified the procedures which States must follow to obtain approval from multiple agencies for integrated systems. We believe a similar effort would be as effective in improving the oversight and monitoring functions.

Technical Comments

- o The second paragraph on page 11 needs correction. In FY 1990, 11.4 million people received benefits, not 11 million, and these totaled \$10.1 billion in Federal funds, not \$9.5 billion.
- o On page 12, the second paragraph should be revised to indicate that the 1980 legislation provided specific authority to reimburse States at the 90 percent rate for the AFDC program, not the Medicaid program.
- o On page 15, Figure 1.1: Amount of Federal Funds for Operation of State Food Stamp and AFDC Automated Systems is not accurate. Operational funding for AFDC systems is inordinately and comparatively low, especially in the earlier years depicted. While there were no Family Assistance Management Information Systems (FAMIS) receiving enhanced funding in the early 1980's, there were AFDC automated systems being operated, many of which were statewide systems.
- o On page 22, the report is not correct when it implies that Public Law 96-265 applies to the Medicaid program.
- o On page 37, Appendix I, States With Operational Statewide Automated Eligibility Systems needs revision. For example, several of the States shown under the AFDC column as not having statewide systems do, in fact, have such systems in place (such as Florida, Indiana, Kentucky, and other States). These systems are not currently receiving enhanced funding for system operations (since they do not meet the FAMIS criteria) and are often stand-alone, rather than integrated systems, as are many of those indicated as operational for the Food Stamp program. The chart should use comparable criteria for both programs, in order to accurately convey the extent to which both programs are automated.

Comments From the Department of Agriculture



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park Center Drive
Alexandria, VA 22302

MAR 31 1992

Mr. Ralph V. Carlone
Assistant Comptroller General
Information Management and Technology Division
General Accounting Office

Dear Mr. Carlone:

This is in response to your request for comments on the draft report entitled Welfare Programs: More Effective Federal Oversight Can Minimize Costly System Problems (GAO/IMTEC-92-29). Enclosed are detailed comments on the content and language of the draft report. This information was previously provided to and discussed with representatives of the General Accounting Office (GAO) and the Department of Health and Human Services (DHHS) by the Food and Nutrition Service (FNS) on March 23, 1992.

We would like to provide the following comments on the general conclusions and recommendations presented in the draft report. We share with GAO the common goal that Federal funding be used wisely. The Department of Agriculture (USDA) is committed to the development of Automated Data Processing (ADP) systems that are effective and of maximum benefit to States. To enhance our knowledge of the benefits of automation, including features most helpful to State agencies, we recently awarded a contract for a major study entitled "FNS State Automation Study". This important study will examine automated systems in all States and will identify the most effective and cost efficient approaches to automation.

The GAO draft report has concluded that neither the USDA nor the DHHS is effectively monitoring State ADP system development despite Federal statutory and regulatory requirements to perform such monitoring. USDA shares GAO's commitment to vigorous Federal oversight of these expensive automated welfare systems. Nevertheless, USDA recognizes that the associated cost of the monitoring must be commensurate with the available budgetary resources, and consistent with the program responsibilities and statutory authorities of the USDA.

Under OMB Circular A-87, Cost Principles for State and Local Governments, costs for the acquisition of ADP equipment and services must have the prior approval of the grantor agency in order to be considered allowable costs to a Federal grant program. The USDA and DHHS have implemented this requirement through the Advance Planning Document (APD) review and approval process. Both Departments have published virtually the same regulatory requirements to govern State ADP system acquisition

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and development through the APD process. The APD process requires the State submission and Federal approval of key documents involved in the acquisition and development of ADP systems. These documents include plans and budgets associated with all aspects of the ADP system acquisition and development.

The regulated APD process requirements also mandate the submission of periodic monitoring and testing reports to ensure that the development plans and budgets remain consistent with Federal approvals. Therefore, the APD process represents a joint USDA and DHHS regulated control system that:

- o requires the formal submission and Federal approval of State plans and budgets at key points in the ADP system development cycle;
- o requires the submission of periodic status reports on system development and management activities to Federal agencies for monitoring purposes; and
- o serves as a development structure for the activities necessary for proper State ADP system development and funding.

It should be emphasized that this structured process for cost approval and project development monitoring is by far the most extensive control system for any type of administrative cost to the Food Stamp Program. The Federal share for the administrative costs of the Food Stamp Program nationwide were approximately \$1.3 billion for Fiscal Year (FY) 1991. The total Federal share of costs (i.e., ADP system development and operation costs) for ADP in the administration of the Food Stamp Program nationwide in FY 1991 was \$100 million or approximately 7 percent of the total Federal share of all administrative costs. While we recognize the need for Federal oversight, we believe that the control system established through the APD process provides more than enough oversight and control for this area, especially considering the small portion of total Food Stamp Program administrative costs actually involved. We believe that the current monitoring efforts are coordinated, effective and appropriate to the program and organizational entities involved. We do not believe that the Federal agencies can or should be the primary source of either technological expertise or direct project management for the administering State agencies. Federal funds are already contributing toward the maintenance of an extensive amount of technical and management experience that is being brought to these projects by the State. As indicated by the GAO report, most States rely on contractors to develop these systems, and such contractual arrangements are with the State and must be managed by the State. Therefore, we cannot find justification for the GAO's conclusion that Federal agencies are not effectively monitoring State ADP development.

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The GAO has recommended that the Federal agencies establish an interagency agreement that provides effective and coordinated monitoring of State ADP system development projects which include:

- o progress assessments;
- o evaluations of key system development documents;
- o on-site inspections; and
- o determinations of whether continued Federal funding is warranted based on program and financial risk assessments.

To a large extent we believe that such system monitoring already exists through the APD process. As noted above, the APD process provides a structured system for the submission and monitoring of progress reports, the submission and Federal evaluation and approval of key system documents, and the ongoing determination to fund development project expenditures. Since both the USDA and DHHS regulatory requirements are the same, the Federal departments have already instituted extensive coordination through this process.

In regard to the recommendation for coordinated on-site inspections, we are not convinced by the discussion in the draft audit report that greater Federal presence on-site is necessary or advisable for these projects. While the Federal agencies clearly have an important oversight responsibility, the APD process is designed to provide controls and reports to support that responsibility without requiring such direct inspections, intervention, or management of projects. This approach is both realistic in terms of Federal funds and resources, and is also consistent with the principles of grant administration. The GAO draft report and this recommendation imply that these projects would be better developed and managed through greater direct, on-site intervention by the Federal agencies. We do not believe that the audit report substantiates this conclusion. The Federal responsibility for oversight assistance would appear to be more appropriately supported through the APD process currently in place rather than greater on-site inspection as recommended, especially when costs and resources for such direct oversight are considered. We suggest that the GAO reconsider this recommendation in its entirety.

The GAO has also concluded that USDA and DHHS should do more to coordinate the review and approval of State ADP system development proposals. The draft report recommended a joint program office for the oversight of State automated welfare systems. As noted in the enclosure, we do not believe that the GAO has considered the significant efforts that the two Departments have made to improve coordination and communications

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in the last several years. To this end, the two Departments have accomplished the following:

- o USDA and DHHS established an interdepartmental task force to improve coordination, streamline, improve and standardize the APD process and requirements. This task force resulted in the development and publication of common rules for the APD process and requirements. Representatives from the two Departments provided numerous joint training sessions on the rules to States and State organizations. Following these rules, the Federal agencies have been highly successful in ensuring that State systems meet program requirements, free and open competitions prevail, costs and benefits are equitably shared, and the use of technology transfers rather than new systems development is maximized.
- o DHHS and USDA have very effectively enhanced coordination in the review of State submissions. While program differences may exist when examining a specific issue, the Departments have devoted considerable time and effort to coordinated and, where feasible, consolidated positions.
- o The Federal agencies make every effort both centrally and regionally to deal jointly with State officials in formal meetings and in resolving common problems. These efforts have improved over the years to the point that the two Departments consult on a daily basis on State-by-State system matters.
- o USDA and DHHS have coordinated in training sessions and at conferences with States and State organizations to provide consistent direction.

We do not believe that the GAO has adequately considered these efforts in reaching their conclusion. Furthermore, we are not convinced that a joint program office would address the concern that GAO has presented. There are many logistical and programmatic concerns associated with this recommendation. The establishment of a joint program office would do little to change the relationship between the Federal agencies and the States, which is driven by program ownership, delegated authority, direct program management responsibilities and intergovernmental considerations. The report also does not consider that, in reviewing the integrated certification and eligibility systems supported by USDA and DHHS, the GAO has overlooked the considerable number of independent, agency-specific systems that are also being reviewed and monitored by the program agencies. In USDA, these systems include the Special Supplemental Food Program for Women, Infants, and Children (WIC), Food Distribution, and Child Nutrition. In addition, the Federal

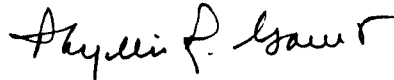
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agencies internal delegation of responsibilities for these functions is closely tied to each agency's overall organizational structure. Within DHHS, this area of program administration is managed centrally, with specific functions and responsibilities delegated to 10 agency regional offices. In USDA, the seven regional offices have the primary responsibility in this area, with management oversight provided from the central office at key points in large projects.

We would suggest that the GAO reconsider this recommendation in light of the efforts undertaken by the two Departments for greater coordination over the last several years. We believe that an appropriate recommendation would be for USDA and DHHS to convene an intergovernmental task force similar to the very successful one that resulted in the USDA and DHHS APD process. That task force would be charged with making recommendations for additional efforts to increase coordination between the two Departments.

We appreciate the opportunity to offer these comments.

Sincerely,



for Betty Jo Nelsen
Administrator

Enclosures

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