

**Department of Social Services**  
**Response to Budget Proviso 13.27**  
**August 31, 2007**

**Budget Proviso Language**

*"13.27 (DSS: Child Support Enforcement System) From the funds appropriated in Part 1A, Section 13(F), the Department of Social Services shall prepare a detailed report on the status of the Child Support Enforcement System. The report shall include, but not be limited to, actions currently being undertaken to become compliant with federal government requirements; the costs required to meet minimum federal guidelines; total funds spent so far on the system; the amount of fines assessed by the federal government associated with non-compliance; how much has been spent to satisfy actions taken by the state judicial system; and how much has been spent related to actions taken by any other entity which may have altered the amount required for meeting minimum federal guidelines. The report shall be submitted to the General Assembly by August 31<sup>st</sup> of the current fiscal year."*

**1. What actions are currently being undertaken to become compliant with federal government requirements?**

South Carolina is unique in its strong interdependence between the state Child Support Enforcement program and the state's Family Court System. Both organizations collect child support and enforce child support orders and complement each other in this work. As much as one day per week of the Family Court docket time statewide is devoted to child support enforcement.

Because of this interdependence, the State signed a contract with Saber Corporation on July 23, 2007, with an effective date of August 1, 2007, for development and implementation of a statewide automated Child Support Enforcement System (CSES) that will meet both the federal system certification requirements (CSES) and the state business model for the Child Support Enforcement program. While CSES is required for minimal compliance with federal system certification, the state business model includes the CSES component and the Family Court Case Management System (FCCMS) component, both of which are critical to managing child support enforcement as it is organized in South Carolina.

The timeline leading to the signing of the contract is outlined below.

**CSES Timeline**

**1988** - The Family Support Act of 1988 required all states to develop and implement a statewide, automated child support enforcement system by the deadlines set, originally October 1, 1995, and later extended to October 1, 1997.

**January 1994** - The State entered into a contract with Unisys Corporation ("Unisys") for the development and statewide implementation of CSES before the October 1, 1995 federal deadline.

**November 1997 – February 1998** - After five unsatisfactory field tests, Unisys stopped work in November 1997 and physically left the project site in February 1998. Litigation ensued between the State and Unisys.

**October 1999 - September 2000** – The Department of Social Services (DSS) completed a federally mandated Feasibility Study and Corrective Action Plan.

**January 2001- October 2001** - At the urging of the U. S. Department of Health and Human Services, Unisys and the State entered into a mediation process in January 2001. On November 1, 2001, the mediation ended in a settlement that provided the State with cash payments from Unisys, with all of the latest versions of the system's development documentation, and with the latest version of the application software.

**2002** - DSS issued two Requests for Qualifications (RFQ) to solicit qualifications from companies who were interested in responding to a Request for Proposals (RFP) to complete and implement CSES. The first of these RFQs was withdrawn because DSS management decided the State's best interest would be served by replacing the component-based acquisition approach in the RFQ with a prime contractor approach. By the end of 2002, the second RFQ resulted in eight vendors being qualified to receive the RFP.

**2003** - DSS began developing the RFP. DSS coordinated this effort with the Judicial Department and with the Clerks of Court.

**2004** - The scope of work in the RFP expanded to include a separate Family Court Case Management System (FCCMS).

**September 2004** - The federal Office of Child Support Enforcement (OCSE) recommended that DSS issue another RFQ because of the amount of time that had passed since the eight vendors qualified in 2002. In September 2004, the S.C. State Chief Information Officer's Information Technology Management Office (CIO-ITMO) issued a new RFQ. The intent of this RFQ was to qualify vendors to receive the RFP, which solicited a prime contractor for CSES and FCCMS. Five vendors were qualified.

**November 2004** - DSS submitted the RFP to OCSE for approval.

**December 30, 2004** - In a letter dated December 30, 2004, OCSE told DSS they would not approve the RFP because the RFP stated that allocation of child support collections for all case types must be based on state law. OCSE said state law conflicted with the federally mandated allocation hierarchy. To address the allocation issue, the State first sought to negotiate the issue with federal authorities. When this did not provide relief, the General Assembly amended state statute to conform with federal law during the 2004-2005 legislative session. This allowed DSS to amend the RFP and gain federal approval.

**August 2005** - The State made the first of three attempts to complete the procurement and contract negotiation process. CIO-ITMO issued the RFP to the five qualifying vendors; however, none of the five qualified vendors submitted proposals in response to the RFP.

**December 22, 2005** - The CIO-ITMO issued a revised version of the RFP and any vendor that met the requirements of the RFP was eligible to respond.

**March 7, 2006** - Two vendors responded to the RFP on March 7, 2006. Negotiations began with the highest scoring qualified vendor in late May 2006, and were completed in late June 2006, resulting in a contract signed by the offeror. The contract was submitted to the OCSE for approval on July 7, 2006. On July 10, 2006, CIO-ITMO learned of a problem in the procurement process, and CIO-ITMO cancelled the solicitation on July 14, 2006.

**July 18, 2006** - The CIO-ITMO re-released the CSES/FCCMS RFP to vendors.

**September 27, 2006** - Two vendors responded to the RFP on September 27, 2006. The State elected to proceed with contract negotiations with the highest scoring vendor, Affiliated Computer Services, Inc. (ACS).

**December 2006** - The contract negotiations with ACS in December 2006 were unsuccessful, and the State began negotiations with Saber Corporation.

**February 23, 2007** - The contract negotiations with Saber Corporation were successfully completed, and the Letter of Intent to Award was issued.

**February 26, 2007** - A copy of the contract was forwarded to OCSE to begin the sixty day federal review and approval period.

**March 5, 2007** - The unsuccessful vendor and one of its subcontractors filed a joint protest against the award of the contract to Saber Corporation.

**March 29, 2007** - The CIO-ITMO Procurement Officer held the protest hearing on March 29, 2007. The outcome of this hearing was to deny the ACS protest.

**April 9, 2007** - The Chief Procurement Officer issued his decision which denied the protest by the unsuccessful vendor. The unsuccessful vendor then had ten calendar days to file a protest with the full Procurement Panel.

**April 18, 2007** - ACS requested a hearing before the full Procurement Review Panel to appeal the decision of the CIO-ITMO's Chief Procurement Officer.

**June 8, 2007** - The hearing was held, at which time the Procurement Panel verbally dismissed the protest in its entirety.

**July 10, 2007** - The State received conditional approval from OCSE of the contract between the State and Saber Corporation. This approval was contingent on the receipt by OCSE of final modifications required by OCSE's review of the contract, and on written resolution of the contract protest.

**July 12, 2007** - In response to a request from ACS and its subcontractor to withdraw the appeal, the Procurement Panel issued a written Order of Dismissal (with Prejudice).

**July 12, 2007** - Upon termination of the ACS protest, the State submitted the amended Record of Negotiations to the OCSE for final approval.

**July 20, 2007** - OCSE issued the letter of final approval of the contract with Saber.

**July 23, 2007** - The State signed the contract with Saber Corporation.

**August 1, 2007** - Effective start date of the Saber contract.

## **2. What is the cost required to meet minimum federal guidelines?**

Federal guidelines determine only whether the state produces a certifiable CSES, but do not include the individual state's business practices nor appropriate business model. The product of this contract will be designed to meet all state business requirements as well as requirements for certification.

The cost required to develop and deploy CSES is \$102,004,946. The cost required to develop and deploy FCCMS is \$11,751,647. These costs cover project management, oversight, system development, and system implementation costs, which include all hardware and software.

<b>Cost Category</b>	<b>SFY</b>	<b>Amount</b>	<b>Federal</b>	<b>State</b>
CSES expenditures to date for current planning and procurement activities*	2006-2007	\$6,617,663	\$4,367,658	\$2,250,005
CSES estimated future development and deployment cost**	2008-2011	\$95,387,283	\$62,955,607	\$32,431,676
<b>Total CSES</b>		\$102,004,946	\$67,323,265	\$34,681,681
FCCMS expenditures to date for current planning and procurement activities*	2006-2007	\$543,935	\$0	\$543,935
FCCMS estimated future development and deployment cost	2008-2011	\$11,207,712	\$0	\$11,207,712
<b>Total FCCMS</b>		\$11,751,647	\$0	\$11,751,647
<b>Total for CSES and FCCMS</b>		\$113,756,593	\$67,323,265	\$46,433,328
*Expenditures to date are estimated pending receipt of final SFY2007 GAFRS Report				
**Costs for federal certification and final deliverables occur in SFY2011				

**3. What are the total funds spent so far on the system?**

The total funds spent so far on the South Carolina automated systems project for CSES and FCCMS, are as follows:

<b>Cost Category</b>	<b>SFY</b>	<b>Amount</b>	<b>Federal</b>	<b>State</b>
Cost of prior Unisys development effort	1992-1999	\$33,687,340	\$24,705,023	\$13,211,018
Cost of planning and procurement activities for current development effort	2000-2005	\$9,695,038	\$6,428,101	\$3,266,937
Expenditures to date for current development activities*	2006-2007	\$7,161,598	\$4,367,658	\$2,793,940
Total Expenditures through SFY2007		\$50,543,976	\$35,500,782	\$19,271,895
* Expenditures to date are estimated pending receipt of final SFY2007 GAFRS Report				

**4. What is the amount of fines assessed by the federal government associated with non-compliance?**

Because of the State's failure to have a certified statewide CSES operational by October 1, 1997, South Carolina became subject to federal penalties. The full federal penalties are severe. OCSE can disapprove the State's Child Support Enforcement (Title IV-D) State Plan because of the lack of the system. Disapproval would result in the OCSE's withdrawal of all federal funding, about \$22.8 million annually, for the State's Child Support Enforcement program. The second level of penalty would be the potential disapproval of federal funding for the Temporary Assistance for Needy Families (TANF) program, potentially \$99 million annually.

Congress made a less severe alternative penalty available to states that lacked a statewide system if the state was willing to work under federal oversight and under a corrective compliance plan designed to implement a system within a reasonable time.

In January 2001, OCSE notified the State that the alternative penalty was retroactive to federal fiscal year (FFY) 1998, and that continued availability of the alternative penalty to South Carolina is dependent on the State's good faith efforts to develop and implement a federally certified statewide CSES. In January 2001, South Carolina elected to be subject to the alternative penalty and OCSE approved the corrective compliance plan.

The federal penalty is calculated by OCSE for each federal fiscal year based largely on South Carolina's Child Support Enforcement program's actual expenditures, including system development expenditures, reported quarterly to OCSE by DSS.

The alternative penalties will be assessed until lifted by the federal authorities. When the State submits a letter to OCSE requesting certification of CSES, federal system penalties will be placed in abeyance while OCSE certifies CSES. Ninety percent (90%) of any system penalties actually paid for the federal fiscal year in which the letter was submitted are rebated by OCSE back to DSS once the CSES is certified.

For federal fiscal years 1998-2007, the amount of funding lost to penalties was \$55,200,000. These penalties are paid with 100% state dollars.

Penalties will continue to be assessed until CSES is deployed and operational, currently projected for June 1, 2010. The amount of these projected penalties is \$20,740,046, which includes a 90% reduction of penalties paid in the federal fiscal year in which statewide implementation is intended to occur.

**5. How much has been spent to satisfy actions taken by the state judicial system?**

The state judicial system has not imposed costs on this project. The state's executive management for the project includes representation from the Budget and Control Board, the Governor's Office, the Chief Justice of the Supreme Court, a representative of the Clerks of Court, and the director of DSS. This broad-based management group determined that it was best for the state and appropriate for this project to address not only federal certification requirements, but also the FCCMS, because of the unique and strong dependencies between DSS and the Family Courts in child support proceedings, and in order to completely support the business practices of South Carolina's Child Support Enforcement program and the Family Courts. As a result, the FCCMS was added to the RFP developed in 2004.

**6. How much has been spent related to actions taken by any other entity which may have altered the amount required for meeting minimum federal guidelines?**

There are no costs beyond those listed in items 2 through 5.