

Department of Social Services
Response to Budget Proviso 38.18

H. 4813

General Appropriations Bill for Fiscal Year 2013-2014

PART IB

August, 2013

Budget Proviso Language

38.18. *(DSS: Child Support Enforcement System) From the funds appropriated in Part IA, Section 38(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 cost 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 thirty-first of the current fiscal year."*

In response to Proviso 13.27 in the FY 2007-2008 Appropriations Act, the Department of Social Services provided a detailed timeline of the events leading to the contract between the State and Saber Software Corporation to develop, implement and maintain the federally mandated statewide Child Support Enforcement System (CSES) and the Family Court Case Management System (FCCMS). Saber was then purchased by Electronic Data Systems (EDS), and is now a business unit of Hewlett-Packard's Enterprise Solutions Group, and will be referred to as HP in this and future updates.

In response to Proviso 26.25 in the FY 2008-2009 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 13.27.

In response to Proviso 26.23 in the FY 2009-2010 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.25.

In response to Proviso 26.20 in the FY 2010-2011 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.23.

In response to Proviso 26.20 in the FY 2011-2012 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the previous response to Proviso 26.20.

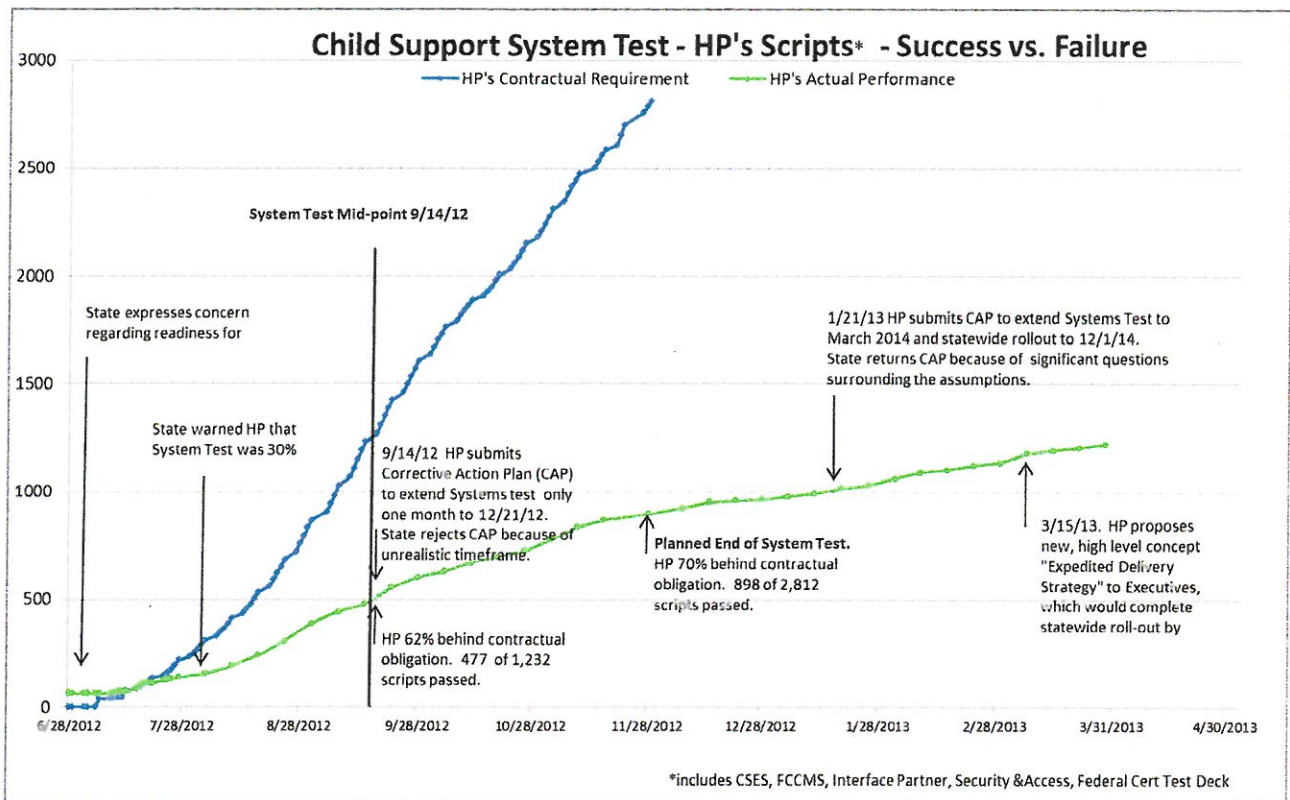
In response to Proviso 26.19 in the FY 2012-2013 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.20.

The following represents an update to the six previous submissions and is filed in response to Proviso 38.18 of the FY 2013-2014 Appropriations Act, updating the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.19.

The Department's previous reports are attached for reference purposes.

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

- The Department of Social Services entered into a contract with HP on August 1, 2007, for the development of the statewide CSES and the FCCMS. Beginning August 1, 2007, HP and the State worked toward development and delivery of a system that meets federal certification requirements and State business needs. On September 2, 2011, the State filed a contract controversy with the Chief Procurement Officer of the Information Technology Management Office pursuant to SC Code Section 11-35-4230 alleging material breach by HP. On March 7, 2012, the State and HP settled the contract controversy. HP agreed to pay federal penalties through Federal FY 2012-13. The system was scheduled to be in use in all 46 counties and in all DSS regions in FY 2013-14. That settlement (Record of Negotiations 6 (RON 6)) extended the contract schedule from 68 months to 73 months.
- After HP and the State signed RON 6 in early March 2012, HP failed to meet deadlines for testing the software designed to operate CSES and FCCMS ("the System"), resulting in two formal actions by the State.
 - (1) The State sent HP a Notice of Default on September 20, 2012 because HP failed to meet the criteria for System Test midpoint on September 14, 2012 (established in the contract) and because HP failed to provide a reasonable schedule showing how it would complete the rest of System Test on time, a requirement if it missed the midpoint benchmark. In the letter, the State demanded that HP present its plan to cure the default. HP declined. The State filed a Contract Controversy with the Chief Procurement Officer on October 15, 2012, alleging that HP breached its contract and asking for damages.
 - (2) When HP failed to complete System Test by November 30, 2012, as required by the Contract, the State sent HP another letter on December 10, 2012, notifying them of the default and demanding a cure plan within ten (10) business days. HP requested and the State granted an extension to January 21, 2013. On January 21, 2013, HP submitted a Corrective Action Plan (CAP) and a revised project schedule. The project schedule accompanying the CAP showed statewide implementation of CSES and FCCMS being completed in December 2014, which represented a 16month extension from the RON 6 schedule. The RON 6 schedule had completion of statewide implementation in August 2013. The State project team reviewed the schedule and told HP in a letter dated January 30, 2013, that the CAP was not approvable as submitted because it "contains gaps and inconsistencies and lacks the detail necessary for the State to approve this CAP." The letter added: "The State team will continue to meet with the HP team to discuss how HP would implement specific aspects of the proposal."
- The parties also engaged in discussions, protected by Rule 408 of the SC Rules of Evidence, to move the CFS Project to completion by means different than the means specified in RON 6. Those discussions were not fruitful.
- While the above actions were taking place, work continued in System Test under RON 6; however, HP's progress in delivering acceptable test results was extremely slow. From January 1, 2013 through June 30, 2013, HP's System Test scripts passed review at the rate of 21.58 per week for CSES and FCCMS. The critical path of the RON 6 project schedule continued to push further and further out. According to the June 2013 Monthly Status Report for the CFS Project, the critical path to complete statewide implementation of CSES and FCCMS was pushed by 236 business days because system testing was so far behind schedule.
- As of July 11, 2013, HP had passed only 1555 scripts out of a total of 2852 scripts, or 55%. Based on the average weekly rate of passage noted above, it would have taken HP until August 2014 to pass all System Test scripts, 21 months beyond the end date of November 30, 2012, for System Test under RON 6. The chart below shows the lack of progress in HP's System Test efforts through the end of June 2013.



- On July 10, 2013, the State sent a letter to HP notifying the company that the State was terminating the contract. The hearing in the Contract Controversy (originally scheduled for July 31, 2013) has been rescheduled for October 21, 2013 and is estimated to last through November 27, 2013. The Chief Procurement Officer will hear the State's case for breach of contract and damages and HP's claims against the State.
- The State team has moved forward to complete the CSES and FCCMS Systems in-house. The State is currently assessing the viability of the code produced by HP to determine the remediation effort needed to complete the project. The State is working with the federal Office of Child Support Enforcement (OCSE) to gain federal support and funding for the Project.
- The State attempted to work with HP to accomplish an orderly transfer of certain project materials and other assets from HP to the State team with limited success. HP disputes the State's right to certain materials and has been slow to produce others, so this issue has become part of the litigation.

2. What is the cost required to meet minimum federal guidelines:

Federal guidelines determine whether the State produces a certifiable CSES, but do not include a state's business practices nor appropriate business model.

The table below shows CFS Project costs actually incurred through June 30, 2013, the latest expenditure figures available at the writing of this document. Under the HP contract, the cost required to develop and deploy CSES is \$129,720,470 (\$44,104,960 in State General Funds), and the cost required to develop and deploy FCCMS is \$15,760,583 (all State General Funds). These costs cover procurement, project management and oversight, system development, and system implementation costs, including all hardware and software.

With the termination of HP on July 10, 2013, as noted in the section immediately above, the CFS Project is in a transition phase. The State must assess the viability of the code that HP produced, determine how much work remains before the Systems can successfully pass all testing phases and be delivered to the users. The State team is developing a new plan and schedule for completion, in coordination with OCSE, that will include a budget aligned with that plan. The State will not issue a large-scale RFP to contract for the

remaining work. The State will acquire the necessary resources through available State contracting mechanisms and will manage the work itself.

Cost Category	SFY	Amount	Federal	State
CSES expenditures for planning and procurement activities for current contract	2006-2007	\$6,889,523	\$4,547,085	\$2,342,438
CSES expenditures to date for current development activities	2008-2013	\$75,825,201	\$46,950,805	\$28,874,397
Total CSES		\$82,714,724	\$51,497,890	\$31,216,834
FCCMS expenditures for current planning and procurement activities for current contract	2006-2007	\$579,028	\$0	\$579,028
FCCMS expenditures to date for current development activities	2008-2013	\$9,304,024	\$0	\$9,304,024
Total FCCMS		\$9,883,052	\$0	\$9,883,052
Total for CSES and FCCMS		\$92,597,776	\$51,497,890	\$41,099,886

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 shown in the table below includes the previous development effort with Unisys Corporation.

Cost Category	SFY	Amount	Federal	State
Expenditures for prior Unisys development effort	1992-1999	\$34,696,802	\$28,917,718	\$5,779,084
Expenditures for planning and procurement activities	2000-2007	\$7,468,551	\$4,547,085	\$2,921,466
Expenditures to date for current development activities	2008-2012	\$85,129,225	\$46,950,805	\$38,178,421
Total Expenditures through SFY2012		\$127,294,578	\$80,415,608	\$46,878,970

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

For federal fiscal years (FFY) 1998-2013, the total amount of funding assessed in federal penalties is \$115,725,363, which has been incurred as follows.

Penalties Assessed	
FFY 1998	\$893,628
FFY 1999	\$1,714,073
FFY 2000	\$3,788,805
FFY 2001	\$5,317,626
FFY 2002	\$8,162,687
FFY 2003	\$7,880,498
FFY 2004	\$7,568,561
FFY 2005	\$6,911,858
FFY 2006	\$6,859,309
FFY 2007	\$6,756,475
FFY 2008	\$7,330,080
FFY 2009	\$9,180,717
FFY 2010	\$10,494,344
FFY 2011	\$10,699,976
FFY 2012	\$11,022,245
FFY 2013	\$11,144,481
Total	\$115,725,363

Under a 2001 settlement agreement with the State's first vendor for the Systems, Unisys Corporation, \$17,633,961 in settlement funds were used to offset penalties. Under the terms of contract amendments 3, 5, and 6 between HP and the State, HP will pay federal penalties incurred due to schedule extensions through FFY13. The total amount paid in penalties to date by HP is \$33,356,912. HP's obligation to pay federal penalties beyond FFY 2013 will be determined as part of the Contract Controversy.

Other than when paid with funds from Unisys and HP, these penalties were paid with 100% State General Funds. The OCSE will continue to require penalty payments until the year in which the State submits its CSES, implemented statewide, for federal certification review. Once the State submits its CSES for federal review, OCSE does not assess the penalty for any succeeding year during which federal officials review the State's CSES for certification requirements; however, if the State's CSES fails to meet certification requirements, OCSE will impose the penalty for the review years. After certification is granted, the State will receive a rebate of 90% of the penalty for the year that the State's CSES was submitted for federal certification review.

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

The answer to this question remains the same as the 8/31/2008 response to Proviso 26.25.

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.