1.0 INTRODUCTION

The Food and Nutrition Service (FNS) established August 8, 1969, administers the nutrition assistance programs of the United States Department of Agriculture (USDA).

FNS Handbook 901 describes FNS policies and procedures that State agencies must follow in order to receive Federal funding to develop, acquire, and/or implement information systems (IS) that support the operation of FNS programs. Systems development or acquisition, whether in the public or private sector, goes through a detailed process of planning, analysis, preparation, budgeting, and negotiation. The Advance Planning Document (APD) process described in FNS Handbook 901 employs common industry standards that are required for any well-planned and executed systems development life cycle (SDLC) project. The preparation, filing, review, approval, and use of the APD process and its related documents for project planning, management, and control purposes comprise the successive steps through which a State agency can meet Federal oversight requirements and subsequently receive Federal written prior approval and financial participation in information technology (IT) projects.

The APD process was established by regulation in 7 CFR 277.18 of the Supplemental Nutrition Assistance Program (SNAP) Regulations (http://www.gpo.gov/fdsys/pkg/CFR-2011-title7-vol4/pdf/CFR-2011-title7-vol4-sec277-18.pdf) and adapted by the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through subsequent policy memorandums.

1.1.1. Recurring Issues

FNS has identified several recurring issues associated with the APD process, such as missed requirements or the need for multiple document clarifications, which may delay the APD process. State agencies are often not familiar with the APD process or do not realize its relevance to a current effort until they are in the middle of a project. Examples of some recurring issues include the following:

- Insufficient understanding of the impact and resources involved in the anticipated data conversion strategy and schedule.
- Incomplete cost allocation methodology that excludes State-only cases or all participating Federal programs.
- Inadequate descriptions of the methodology, costs, and assignment of responsibilities for system maintenance and operations.
- Insufficient funding for user training and user support functions.
- Exclusion of State staff costs as part of the project's budget.
- Inadequate time in the project schedule to assess the full impact on business processes, change business rules where necessary, and prepare staff for the transition.
- Lack of familiarity with the dollar thresholds requiring FNS approval.
- Underestimation of the strain of new IS development on the entire organization.
- Mistaken perception that FNS can always absorb or compensate for cost overruns.
- Not involving State IT and procurement staff throughout the project. State program staff may be unaware of State standards, current procurements and contracts, and even conflicts with existing development efforts.
- A lack of understanding that a partnership exists between the States and the Federal Government which relies on good communication and collaboration.
- Lack of current technical knowledge and expertise within the State agency to write or review documents such as requests for proposals (RFP), contracts, system design, and functional requirements, which can render a State vulnerable to the contractors' idea of what would be best—and have costly consequences.

- Not performing adequate testing (including pilot testing) before and after implementation of a new system or major enhancement(s).

By adhering to the guidance in FNS Handbook 901, these recurring issues should diminish significantly and help ensure the efficient use of Federal funds to reach FNS' ultimate customers—those in need of nutritional assistance.

1.1.2. Purpose

The purpose of this handbook is to ensure compliance with Federal regulations, preserve the oversight of Federal funds, and enable State agencies to determine their information systems (IS) needs and manage these costly projects effectively and efficiently.

FNS Handbook 901 is the primary reference for the APD process. It is important to be familiar with the legislation, regulations, and policies (see Appendix C) that pertain to each FNS program before consulting this handbook; only a brief overview of the relevant legislation, regulations, and policy for each program is discussed in the chapters of this document.

FNS' primary focus in its oversight of State systems is to ensure the stewardship of Federal funds used to carry out the mission of increasing food security through its domestic nutrition assistance programs. FNS Handbook 901 is intended to serve as guidance for those State agencies and FNS staff that must prepare, review, and/or approve APDs for the development and acquisition of State IS that support the SNAP, WIC, and Electronic Benefits Transfer (EBT) for both programs.

Information technology is forever evolving, and so is the terminology used to describe the technology. For purposes of this handbook, the following terms are used interchangeably: information systems, management information systems, and automated data processing. Refer to the glossary in Appendix B for brief definitions of terms used in this handbook.

1.2. KEY STAKEHOLDERS IN THE APD PROCESS

1.2.1. State Agencies

The responsibility for administering FNS programs and ensuring compliance with Federal rules and regulations resides with State agency partners, including Indian tribal organizations. These agencies often use IS as a key mechanism to carry out their responsibility to provide efficient and effective program administration, such as generating reports to monitor and assess program activities, trends, and expenses. States determine most administrative details regarding distribution of food benefits and eligibility of participants and also provide technical support for IS.

State expertise typically should include program management, project management, financial management (FM), and IT staff. All these disciplines work as a team, providing general management and decision-making skills as well as subject matter areas of expertise:

- **Program management** staff has detailed knowledge of regulatory and reporting requirements, applicable program policy, functional design feature, and organizational, staffing, training, and program delivery considerations.
- **Project management** staff has professional knowledge and skills in project management principles and practices, procurement and contract management, and cost/benefit analysis.
- **FM** staff has detailed knowledge of State and Federal budgeting techniques, laws and regulatory requirements, cost allocation methodologies and plans, as well as financial and budgetary reporting requirements.

- **IT** staff has a broad technical skill set related to the entire SDLC and the underlying processes within each individual cycle (e.g., system design and analysis, programming, and maintenance and operations). They should be consulted for guidance and support, such as advice on any internal IT or State legislative requirements for system development, technical support that will be required, and other programs that may require coordination.

1.2.2. FNS

FNS establishes overall program policy and provides guidance and technical assistance to State agencies. FNS accesses data and State IS and uses reports generated by State IS to meet Federal reporting requirements. These reports assist FNS in allocating funds, developing national statistics for program evaluation, and ensuring that its programs meet intended objectives.

FNS specialist's expertise parallels and supports State expertise in program management, project management, FM, and IT. All these disciplines work as a team, providing general management and decision-making skills.

In addition, Federal specialists are available to answer questions and provide technical assistance to any State agency that requests additional help, such as the following:

- Providing guidance in developing APD documents
- Assisting with analysis to determine “best fit” hardware/software
- Providing most up-to-date policy, procedures, and requirements
- Knowing what systems, hardware, and software other States are using/developing
- Reviewing hardware/software requests with focus on costs and compatibility with existing system
- Clarifying technical terms found in documents
- Providing current information on technology products
- Interfacing with other Federal agencies
- Responding to official requests regarding the APD process or APDs (e.g., Freedom of Information Act (FOIA), General Accounting Office (GAO))
- Providing information on conferences and/or training opportunities
- Conducting meetings and/or conference calls to discuss items of concern to one or more States.

Multiple stakeholder groups are critical to the success of IS acquisition efforts. State agencies should invest in developing a comprehensive and strategic communications plan that engages stakeholders and obtains their commitment during all phases of the SDLC.

1.2.3. Other Federal and Private Stakeholders

FNS works closely with many Federal agencies outside of USDA that provide services to low-income families; have responsibility for health, nutrition, or education policy; and have a stake in State IS. Among these are a variety of agencies within the Department of Health and Human Services (HHS), including the Administration on Children and Families (ACF), Centers for Medicare and Medicaid Services (CMS), the Maternal and Child Health Bureau, and the Centers for Disease Control and Prevention (CDC), as well as the Social Security Administration (SSA) and the Department of Education.

HHS funds and oversees several programs that are complementary and important to FNS, following the same general rules and guidelines for Federal funding that are provided in FNS Handbook 901. These programs may be integrated within the same systems as the SNAP at the State level, and in many cases are combined into a single

eligibility process at the local/customer level. A single worker may take in a huge amount of eligibility data and then process the application to determine eligibility for many programs. These joint systems are completely integrated, and the process of oversight has to be coordinated between FNS and HHS. Each Federal agency is responsible for review and approval of its own costs and Federal funding participation in State IS projects.

WIC IS are used to assist WIC agencies in coordinating with other agencies to ensure that WIC participants who may be eligible for other programs are appropriately referred. In some cases, the system is used to enhance communication between WIC and other health and social service programs. Some of the programs WIC coordinates with are immunization programs, Medicaid, Temporary Assistance for Needy Families (TANF), Maternal and Child Health, and the SNAP. Participant nutrition surveillance information is shared with the CDC.

In addition, FNS works with a wide range of professional and academic organizations; private sector firms; and private non-profit organizations at the local, State, and national levels. Organizations representing program partners and cooperators, businesses such as the retail food and banking industries and various agriculture producer groups, and public interest advocates all play a critical role in sustaining the effectiveness of these programs.

1.2.4. Financial Institutions and Intermediaries

Financial institutions play an important role in the redemption and reconciliation of FNS-issued benefits. In the WIC program, redeemed food instruments or reports of redeemed food instruments, are provided to the IS by banks or other financial service organizations, from which they, in turn, generate food benefit reconciliation reports. Banks play an important role in screening the redeemed checks to support retailer compliance for a number of required fields, such as ensuring the food instrument was filled in correctly,
signed, dated, and redeemed within the allowable time period. In an EBT environment, the financial institution or third-party intermediary may function as the EBT Processor. The EBT Processor transmits food purchase data to FNS, performs settlement, generates electronic funds transfer payments to vendor financial institutions, and transmits food purchase information to the State agency. Additionally, the EBT Processor maintains account information, posts benefits, processes debit and credit transactions to the household account, and provides transaction reports to the State agency.

1.2.5. Retail Vendors

Retailers are key to program access and integrity by providing allowable foods and abiding by program policy and, in some cases, pricing guidelines. In an EBT environment, vendors are relieved of much of the in-lane food purchase screening and payment submissions are streamlined.

1.2.6. Food Manufacturers

For WIC, infant formula manufacturers are the main source of rebates to the State agencies. In some States, cereal and juice manufacturers provide rebates as well. The WIC IS produces reports that are provided to manufacturers to support rebate billings. With EBT, WIC IS receive more timely and accurate redemption data, which provides more reliable rebate estimates for food manufacturers and may ultimately accelerate the rebate process.

Refer to Exhibit 1 for a list of FNS Regional Offices. Please consult the FNS website (http://www.fns.usda.gov/apd/) for the most current information.

1.3. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The Supplemental Nutrition Assistance Program (SNAP), the cornerstone of Federal food assistance programs, began in its modern form in 1961, but its origins are in the Food Stamp Plan to help the needy in the 1930s. As of October 1, 2008, Supplemental Nutrition Assistance Program (SNAP) is the new name of the Food Stamp Program. The new name reflects the changes made to meet the needs of our clients and put healthy food within reach, focusing upon nutrition, increases in benefit amounts, and changes to make the Program more accessible. SNAP is the largest

of the domestic food and nutrition assistance programs administered by FNS and serves as the first line of defense against hunger by enabling low-income families to buy nutritious food with EBT cards in authorized retail food stores. The SNAP provides crucial support to needy households and to those making the transition from welfare to work. USDA establishes program regulations under the Food Stamp Act of 1977, as amended. FNS administers the SNAP nationally, and State and local human services agencies operate the program locally.

1.3.1. Electronic Benefits Transfer

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) welfare reform legislation required all States to issue food stamp benefits electronically via EBT systems. As a result, among State-administered benefit programs, only the Supplemental Nutrition Assistance Program (SNAP) has promulgated EBT regulations. SNAP EBT systems operate much like debit card systems. Recipients access their benefits to pay for eligible food items at FNS-authorized retailers by running their EBT cards through a point-of-sale device at the checkout counter and entering their personal identification number (PIN). The household's food stamp account is immediately debited for the amount of the purchase. The same amount is then credited to the food retailer's bank account during each bank working day through the Automated Clearinghouse (ACH) process.

In addition to the SNAP, EBT systems may also support WIC and other government programs. Recipients who are eligible for a cash program on the card may access those cash benefits at Automated Teller Machines (ATM) or at authorized retailer locations. Overall, EBT has increased security to recipients and increased efficiencies to retailers redeeming food stamp benefits. In addition, the availability of EBT data has greatly enhanced government oversight of the SNAP.

1.3.2. Accountability

SNAP rules (regulations) are published by the Federal Register (http://www.gpoaccess.gov/fr/index.html) in the Code of Federal Regulations (CFR), Title 7 CFR Parts 271 through 283. Refer to Figure 1-1 for a list of legislation, regulations, and policy that govern the program.

Figure 1-1. Legislation, Regulations, and Policy Governing the SNAP

Authority	Topic/Purpose
Legislation	
The Food Stamp Act (FSA) of 1977	Enacted to strengthen the agricultural economy, help achieve a fuller and more effective use of food abundances, and provide for improved levels of nutrition among low-income households, including: The Secretary's authority to issue regulations, define standards, and require corrective actions by States to achieve effective and efficient administration of the Food Stamp Program (now the Supplemental Nutrition Assistance Program (SNAP)) The requirement that States make the program and its records available for Federal inspection The Secretary's authority to seek injunctions and financial sanctions to secure State compliance with the FSA and its regulations Model Plan requirements for information systems General funding provisions.
The Food, Conservation, and Energy Act of 2008 (FCEA)	The Food and Nutrition Act of 2008, which contains provisions of FCEA, included a provision that requires adequate system testing before and after implementation of a new system, including the evaluation of data from pilot projects in limited areas for major system changes, before the Secretary approves the system to be implemented more broadly. Other program provisions were included.
Regulations	

Authority	Topic/Purpose
2 CFR 225 (OMB A-87)	Cost Principles for State, Local, and Indian Tribal Governments (Grants and Agreements)
7 CFR 271.1 to 271.8	General Information and Definitions
7 CFR 272.1 to 272.11	Requirements for Participating State Agencies, including the ADP/CIS Model Plan
7 CFR 274.1 to 274.12	Issuance and Use of Coupons
7 CFR 277.1 to 277.18	Payments of Certain Administrative Costs of State Agencies, including Establishment of an Automated Data Processing (ADP) and Information Retrieval System
7 CFR 3016	Departmental Regulation for Program Administration and Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
Amended Rules for EBT	
EBT Systems—Statement of Auditing Standards No. 70 (SAS No. 70)—Examination	States with EBT systems ensure an examination of their EBT transaction processing is conducted at least annually (Amends 7 CFR 272.1; 274.12) February 29, 2000

Authority	Topic/Purpose
EBT Adjustments Requirements	SNAP EBT system–State agency's ability to make adjustments to a household's account in an EBT system (Amends 7 CFR 272.1; 273.13; 273.15; 274.12) July 8, 2000
EBT Interoperability and Portability	Interoperability of SNAP EBT systems and portability of electronically issued benefits nationwide (Amends 7 CFR 274.12) June 25, 2003
EBT Provisions of PRWORA	EBT provisions of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) (Amends 7 CFR 272.1; 274.3; 272.12) October 4, 2000
EBT Retail Food Store Provisions of the Food Stamp Reauthorization Act of 2002	Revises SNAP regulations pertaining to the standards for approval of EBT systems, the participation of retail food stores and wholesale food concerns, and State agency liabilities and Federal sanctions (Amends 7 CFR 274.1; 274.12; 276.7; 278.1; 278.2; 278.6; 278.7; 279.1; 279.12; 280.1) May 6, 2003
Regulatory Review: Standards for Approval and Operation of Food Stamp EBT Systems	Revises food stamp regulations affecting the standards and administration of EBT systems for food stamp issuance (Amends 7 CFR 274.12) April 11, 2005
Policy	
OMB Circular A–133 Compliance Supplement 4-10.551	Audits of States, Local Governments, and Non-Profit Organizations for Food Stamp Program

Refer to Section 3.4 for more detailed information on implementing the APD process for the SNAP.

1.4. SUPPLEMENTAL FOOD PROGRAMS FOR WOMEN, INFANTS AND CHILDREN

The WIC program was established by Congress under Section 17 of the Child Nutrition Act of 1966. It is a Federally-funded grant program administered by State and local agencies for which Congress authorizes a specific amount of funds each year to safeguard the health of low-income women, infants, and children who are at nutritional risk. Specifically, WIC provides supplemental, nutritious foods; nutrition education and counseling at WIC clinics; and screening and referrals to other health, welfare, and social services to the following population:

- Pregnant women (through pregnancy and up to 6 months postpartum)
- Breastfeeding women (up to infant's 1st birthday)
- Non-breastfeeding postpartum women (up to 6 months after the birth of an infant or after pregnancy ends)
- Infants (up to 1st birthday)
- Children up to their 5th birthday.

1.4.1. Food Benefit Delivery

There are three methods used in the WIC program to deliver food benefits to participants—retail purchase, direct distribution, and home delivery. The retail purchase system is the predominant food delivery system used among State agencies. In the retail purchase system, participants use either a paper food instrument or an EBT card to purchase foods from authorized retail outlets, grocery stores, and pharmacies throughout each State. In the direct distribution system, foods are purchased by the State agency and stored at one or more distribution sites for pick up by participants. In the home delivery system, the State agency contracts with a vendor, often a dairy, to deliver foods directly to participants' homes.

1.4.2. WIC EBT

An alternative to the paper check or voucher system is the issuance of electronic benefits. 7 CFR 246.12 (http://www.gpo.gov/fdsys/pkg/CFR-2011-title7-vol4/pdf/CFR-2011-title7-vol4-sec246-12.pdf) of the WIC regulations outlines requirements for any delivery system, including EBT, and assigns FNS the oversight responsibility of ensuring that any EBT system provides adequate safeguards and adheres to all provisions. For example, like a paper system, an EBT system must be procedurally uniform throughout the jurisdiction, be compatible with the delivery of health and nutrition education services, and ensure adequate access to supplemental foods for participating women and children.

1.4.3. Accountability

Office of Management and Budget (OMB) Circular A-87 (http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf) established the authority to use Federal funds to support IS needs for the WIC program, as well as other FNS programs such as the School Lunch Program and the Nutrition Assistance Program in Puerto Rico. FNS incorporated this directive and the requirement for prior approval into the program's regulations and relies on the APD approval process established in WIC- or APD-specific FNS memorandums and regulations (see Figure 1-2). Other programs directly adopt the provisions of 7 CFR 3016.6 (http://www.gpo.gov/fdsys/pkg/CFR-2011-title7-vol15/pdf/CFR-2011-title7-vol15-sec3016-6.pdf) of the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments Regulations and OMB Circular A-87.

Figure 1-2. Authorities Governing the WIC Program

Citation	Topic
7 CFR 246	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
7 CFR 246.12	Food Delivery Systems (EBT)
7 CFR 3016 Departmental Regulations for Program Administration	Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
OMB Circular A-87	Cost Principles for State and Local Governments

Citation	Topic
OMB Circular A–133 Compliance Supplement 4-10.557	Audits of States, Local Governments, and Non-Profit Organizations for Supplemental Nutrition Program for Women, Infants, and Children

Refer to Chapter 4 for specific information on implementing the APD process for the WIC program.

1.5. SUMMARY

By using FNS Handbook 901 to properly implement the APD process and working in partnership with FNS, each stakeholder plays its part in implementing effective and efficient information systems to administer the SNAP and WIC programs.

The next chapter provides the definition of the APD Process and is useful for all stakeholders who seek a detailed understanding of the process. Chapters 3 and 4 provide specific information regarding the APD process and any deviation for the SNAP and WIC programs respectively.