

**Food and Nutrition Service**

**Electronic Benefits Transfer (EBT)  
Request for Proposal (RFP)  
Guidance**

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# 1 PREFACE

The purpose of this handbook is to help State agencies write procurement documents for Electronic Benefit Transfer (EBT) services.

The use of EBT systems for the delivery of Food Stamp Program (FSP) benefits is firmly and successfully established. Each State has an operating EBT system and has been through at least one procurement cycle. State EBT systems must be designed and must operate in accordance with the FNS FSP EBT Regulations found at 7 CFR 274.12. States contract for EBT services following their own procurement procedures provided they do not conflict with Food and Nutrition Service (FNS) or Department of Agriculture (USDA) procurement requirements. FNS procurement requirements are found at 7 CFR 277 and USDA procurement requirements are found at 7 CFR 3016, 3017, 3018, and 3021.

Since States are now experienced in EBT procurements and because most procurement procedures are State designed, extensive explanations in many areas are unnecessary. The revised guidance has been shortened in some areas as a result. New regulations, common waivers, and developing issues are addressed in relevant sections. Some recommendations based on the accumulated experience of over a decade of EBT procurements and system operations are included at relevant points. New appendices have been added to provide a timeline of procurement activities, a list of FNS standard and example language, and examples of typical RFP attachments. Appendices also include a chart showing documents that must be submitted to FNS for each EBT contract and system and a discussion of project management. The Glossary and Multi-State RFP appendices remain substantially the same.

## 2 GLOSSARY

The term “Request for Proposal” (RFP) is used throughout this guidance although not all States use this term. Since EBT is not always the responsibility of the FSP within a State, the term “State agency” in this guidance may not mean the FSP State agency, as it usually does in FSP materials. Generally, this guidance assumes that the RFP is for a “turnkey” EBT system, meaning that a single contractor is hired to provide all services, equipment, and support needed for EBT transaction processing, Point Of Sale (POS) equipment deployment, EBT cards, retailer management, financial settlement and accounting, customer service, FSP disaster issuance, etc. Some States divide these services among several contractors; also a few States provide some services themselves. References to these situations are explained where appropriate.

The State agency may incorporate the following terms into the EBT RFP and add to new terms as needed.

**ACF** - Administration for Children and Families. ACF is a Federal agency within the Department of Health and Human Services that is responsible for providing family assistance such as temporary assistance for needy families, child support, child care, Head Start, child welfare, and other programs relating to children and families.

**ACH** - Automated Clearinghouse. ACH is the central clearing facility that receives and transmits electronic entries between banks, and performs the settlement function for the Federal Reserve Bank.

**Active Case or Active Account** - Case or account to which a benefit has been issued and made available during the billing month.

**Administrative Terminal (or User Interface Terminal) System** - Software system used by State, Federal and Contractor staff to view data in the EBT system; and if authorized, to change data and/or perform specific functions such as card replacement requests and account setup for fraud investigators.

**ALERT** - Anti-Fraud Locator using EBT Retailer Transactions. ALERT is the USDA FNS subsystem that utilizes data provided daily by the EBT processors to identify and analyze suspected fraudulent retailer activity.

**AMA** - Account Management Agent. An automated application that supports the activities of the Federal Reserve Bank of Richmond in providing Automated Standard Application for Payments account management activities to the Food and Nutrition Service for the EBT Food Stamp Program.

**ANSI** - American National Standards Institute. This organization publishes standards for various aspects of the computer industry as well as other industries.

**ARU** - Automated Response Unit. An ARU is a computerized system that accepts calls from recipients or retailers, allowing the selection of voice menu options to grant access to EBT systems. Interactive Voice Response Unit (IVR) is another term used for the same type system.

**ASAP** - Automated Standard Application for Payment. An electronic payment and information system that was developed by the U.S. Treasury Department Financial Management Service (FMS) and the Federal Reserve Bank of Richmond. The Federal Reserve Bank of Richmond operates the system that acts as Treasury's fiscal agent. ASAP is a system through which grantee organizations receiving Federal funds can draw from accounts pre-authorized by Federal Agencies.

**Authorized Representative** - Representative appointed by the household to act on behalf of the household.

**Availability Date** - Date on which a benefit issued by the State for a FSP household is posted to the household's account and available for use by the recipient.

**Back-up System** - System capable of performing the same functions as primary system. Back-up systems are activated when primary systems are rendered inoperable.

**Balance Inquiry** - Non-financial transaction that permits a client to obtain the current status of his or her benefits. Balance inquiries can be made at a POS, via the ARU, or through the Internet if the State provides access for clients.

**Benefit Issuer** - Owner of the card BIN number. The State agency serves as the issuer with the EBT processor acting on behalf of the State.

**Bidder** - Any corporation, company, or organization that responds to a RFP with a Proposal.

**BIN** - Bank identification number.

**BRSB** - Benefit Redemptions Systems Branch. The FNS branch of the FSP that manages and monitors food retailers.

**Case** - One or more eligible individuals usually sharing family membership and eligibility classification, i.e., mother and child. While the number of persons per case varies, there are approximately three persons per case in the average AFDC/FS case. In the Food Stamp Program, a case and a household are equivalent terms.

**Case Month** - Evaluation concept that represents one food stamp case's participation in the Food Stamp Program for one month.

**Case Number** - Usually the unique identifier given to an EBT system case. States also have unique identifiers for each eligibility case on their systems. These numbers are not necessarily the same.

**Certification Period** - Within the FSP, this is the period of time determined by a county or local office for which a FSP household is to receive benefits. It is usually from 3 to 12 months. Once the benefits begin to be issued, they must continue unless proper notice is provided informing the household of the action.

**Client or Recipient** - Person who receives public assistance or food stamps in accordance with the eligibility regulations.

**Change Order** - Process used between the Contractor and the State agency to affect system upgrades or design changes to the operating system.

**Contractor** - Vendor to which a contract is awarded to perform a service or provide goods as specified in the RFP at the price(s) quoted.

**Day** - Unless otherwise noted, a calendar day.

**Deliverable** - Term used to describe a product that on delivery marks an event in a project schedule.

**DES** - Data Encryption Standard. The standard maintained by the American National Standards Institute (ANSI) for Data Encryption Algorithm specifications. Currently the FSP EBT regulations require DES but stronger encryption methods may be used.

**FFP** - Federal Financial Participation. A percentage of State expenditures to be reimbursed by the Federal Government for certain costs associated with providing assistance and the administration and development of automated data systems, including EBT systems.

**FNS** - Food and Nutrition Service. Federal agency within the United States Department of Agriculture that has responsibility for providing children and low-income people with access to food, a healthful diet, and nutrition. FNS administers the Food Stamp and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) programs among others.

**FSP** - Food Stamp Program. A Federally funded program that enables individuals and households to purchase food items to maintain nutritionally adequate diets.

**Grant** - Term for each individual benefit amount (whether the monthly amount provided for each month within the certification period or a supplemental amount provided outside of the regular issuances) issued to a case. Each grant is uniquely identified by the State and tracked as the recipient uses it up. Within an EBT account there may be several grants making up the balance. As each purchase is made, the transaction approved is deducted from the oldest grant first, then next oldest, etc. until the most recent grant is depleted. States reconcile on a grant level basis. The terms “warrant” and “authorization” are sometimes used for this concept.

**Household** - Food Stamp case unit that can be composed of one or more members. Individuals within the unit are referred to as clients or recipients.

**Incumbent Contractor** - Current contractor operating the State's EBT system during the procurement.

**Issuance Date or Benefit Issuance Date** - Date assigned by the State on which a monthly benefit is to be made available for use by the recipient. When the monthly benefits are transmitted to the EBT contractor for posting, each grant has an issuance date by which the EBT contractor is to take all actions so the benefits are posted to the account and available for use by the recipient.

**Invoice** - Bill for services rendered.

**ISO** - International Standards Organization is an international agency responsible for developing standards for information exchange.

**Key-entered Transaction** - EBT transaction in which the PAN is entered by using the keypad instead of by swiping the card. The cardholder must be present and enter the PIN and the card must also be present.

**Maintenance** - Functions (e.g., training, code enhancements, and repairs) performed for the continued successful operation of the EBT system.

**Manual Transaction or Manual Voucher Transaction** - EBT transaction using a signed paper voucher and a telephone authorization that allows access to benefits by recipients when the EBT system is not available or the POS cannot contact the host. A copy of the signed voucher must be given to the recipient and one retained by the retailer. In most cases, the voucher is cleared by using the POS and a copy of the paper voucher does not have to be mailed to the EBT Contractor. The decision to do manual transactions is optional to the retailer.

**OIG** - Office of Inspector General, U.S. Department of Agriculture. OIG is a division within the USDA responsible for monitoring benefit program integrity and investigating fraud.

**PAN** - Primary Account Number. The EBT card number assigned to a household that represents its benefits account.

**PIN** - Personal Identification Number. A four digit code selected by or assigned to the cardholder that uniquely identifies the cardholder at a point of service. The PIN must be encrypted when entered using DES or a stronger encryption method. The only exception is permitted if the State obtains a waiver for ARU PIN selection.

**POS** - Point-of-Sale. The equipment or system that is used to initiate electronic transactions from retailer locations.

**Project Manager** - The State agency contact person who is responsible for coordinating all activities and groups involved in a project.

**Quest Operating Rules** - Set of operating rules for EBT transaction processing developed by the EBT Council of the National Automated Clearinghouse Association for use by State agencies. These rules are not required by FNS but have been adopted by most States.

**Recipient** - Person who receives public assistance or food stamps in accordance with eligibility regulations. Same as client.

**REDE** - Retailer EBT Data Exchange. The automated exchange of retailer data between FNS and EBT processors for notification of additions, deletions, and changes affecting retailers participating in the Food Stamp Program.

**Regression Testing** - Testing performed on the EBT system after corrections or modifications have been made to ensure the system will run error-free and to ensure that fixes in one area have not introduced problems in other areas.

**Replacement/New Contractor** - Contractor that bids on the RFP and is awarded the new contract and who will take over from the Incumbent Contractor.

**Re-presentation** - Re-submission of an EBT transaction during a month subsequent to a manual voucher transaction when insufficient benefits were available in a household's account to cover the transaction. Re-presentation is not permitted for store-and-forward transactions and is an option to the State.

**Retailer Agreement** - Written agreement between the State Agency's EBT processor and an FNS-authorized, EBT-only food retailer. It describes the terms and conditions of participation in the Food Stamp EBT system.

**Reversal** - EBT transaction that is the opposite of a prior transaction, used to cancel out that prior transaction. It also voids a specific transaction that was interrupted during processing or message transmission. The main purpose is to prevent system imbalances.

**RFP** - Request for Proposal. The solicitation form generally used for negotiated acquisitions wherein the State reserves the right to conduct written or oral discussions with any or all bidders, and also reserves the right to award without such discussions under certain conditions.

**Retailer** - Merchant who has been authorized by FNS to redeem food stamp benefits.

**SAS 70 audits** - Annual audit required by FNS regulations for EBT systems. The audits follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70, Service Organizations. Contractors obtain one audit that covers all States for which they provide EBT services on the same operating platform.

**Staggered Issuance Cycle** - Benefit distribution period, spread over several days or the entire month (as opposed to a one-day issuance period), for issuance to eligible households. This cycle is used to reduce traffic volume during peak issuance periods.

**Store-and Forward Transaction** - FSP transaction that is electronically stored with an encrypted PIN by a POS when unable to communicate with the host.

**System Design** - Detailed and exact description of the working relationship among all components of a system.

**TANF** - Temporary Assistance for Needy Families. A program that provides cash assistance to eligible households with minor and dependent children. TANF was administered by ACF, DHHS, but is now funded by block grants to States.

**Terminal** - Electronic device for the receipt and transmission of data to and from a central processing unit. An EBT system uses Point-of-Sale terminals located at authorized retailers, balance inquiry terminals at retail and other designated points, and work-stations, often called administrative terminals, to handle the administrative parts of the system.

**TPP** - Third Party Processors. TPPs are financial institutions, cardholder authorization processors (other than the party with which a State agency has contracted for EBT services), and food retailers driving their own terminals that are capable of relaying electronic transactions to a central database computer for authorization.

**Transaction** - Specific set of input data that initiates a specific action in the EBT system such as debits, credits, reversals, or refunds.

**Transition Plan** - Plan containing all the actions and steps needed for the new/replacement contractor to take over EBT services and operations from the incumbent contractor. This may include new EBT-only contracts with retailer, new TPP agreements, POS replacement, card redesign and replacement, PIN selection device replacements, database conversion, and other actions. The plan must be approved by the State and FNS. This may sometimes be referred to as a “Conversion Plan.”

**UAT** - User Acceptance Testing. A State test conducted prior to formal acceptance of the system for use in production. The State is required to conduct the test by Federal regulations to verify that each of the system components complies with program requirements and system design specifications. FNS usually participates in these tests and always reserves the right to participate in them or to do separate testing.

**Update** - Process by which information is added to, changed, or deleted from a computer system.

**USDA** - United States Department of Agriculture. The Federal department that provides leadership on food, agriculture, natural resources, and related issues.



## 3 BACKGROUND

### 3.1 FSP EBT Background

#### **FSP and EBT administration**

The USDA establishes FSP regulations under the Food Stamp Act (FSA) of 1977, as amended. FNS administers the program nationally; state and local welfare agencies operate the program locally. Among State-administered benefit programs, only the FSP has required EBT as its benefit issuance system and only the FSP has promulgated EBT regulations. These are contained in 7 CFR 274.12. The State agency for the FSP is not always responsible for EBT procurement and management. EBT may be the responsibility of Information Technology, Financial Management, Food Stamps, or some other division within the State.

#### **EBT is like a debit card system**

EBT systems operate much like debit card systems. Recipients access their benefits to pay for eligible food items by running their EBT card through a point-of-sale (POS) device at the checkout counter and entering their Personal Identification Number (PIN). The household's account is immediately debited for the amount of the food purchase. The same amount is then credited to the food retailer's bank account each bank working day through the Automated Clearinghouse (ACH) process. EBT systems are typically developed by vendors and only the services are procured by the State, not the system itself. Some parameters or modifications may be made to customize the vendor's system for individual State needs.

#### **FNS authorized retailers**

Retailers must be authorized by FNS to accept FSP benefits. Once authorized, retailers are given the option of receiving free, State-supplied POS devices. These POS devices only accept EBT cards. Retailers may choose to integrate EBT transaction processing into their regular commercial credit and debit card processing equipment at their own expense. Some retailers, without electricity or telecommunications or (after FNS has approved a waiver requested by the State) those with very low benefit redemption amounts, use manual vouchers to accept food stamp benefits and are not provided a free POS device. Manual vouchers are also used as a back-up system for FSP transactions when EBT communications are disrupted.

#### **Other programs may use EBT issuance**

In addition to the FSP, EBT may also support Temporary Assistance to Needy Families (TANF), the Special Supplemental Nutrition Program for Women, Infants, and Children Program (WIC) and other Federal or State programs. Recipients, who are eligible for a cash benefit program, may use their EBT cards to access their cash benefits at Automated Teller Machines (ATMs) or at authorized retailer locations. EBT costs must be allocated among all the programs that are issued using the system.

## 3.2 Overview of FSP EBT Procurement

Throughout the procurement process, it is vital that the State agency involve their procurement or purchasing office, Information Technology (IT) Division, relevant managers, and staff of the FSP and other programs that are impacted by the EBT system.

### Procurement Regulations

State procurement regulations and standards are used to prepare procurement documents provided the State rules conform to Federal standards and ensure that the acquisition is conducted in an effective and economical manner. State systems for which FNS funds are requested must conform to the following standards identified in FNS regulations at 7 CFR 277 and/or in USDA regulations at 7 CFR 3016, 3017, 3018, and 3021. These include:

- Ensuring free and open competition;
- Maintaining a contract administration system that ensures contractors perform in accordance with the terms, conditions, and specifications;
- Maintaining a written code of standards of conduct for employees involved in the award and administration of contracts to avoid conflict of interest;
- Providing for a review of proposed procurements to avoid purchases of duplicative or unnecessary items and to obtain the most economical purchase;
- Entering into State and local intergovernmental agreements for procurement or use of common goods and services for greater economy and efficiency;
- Making awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement;
- Maintaining records (at least three years) sufficient to detail the significant history of the contract, including rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price;
- Being responsible for the resolution of all contractual and administrative issues arising out of procurements, including protests, disputes, and claims; and
- Establishing protest procedures to handle and resolve disputes.

A primary role for FNS is to ensure that State agencies prepare procurement documents that meet these standards. State procurement regulations and practices will take precedence for most aspects of the procurement. Procurement concepts and practices, such as bid opening, evaluation, best and final processes, and debriefing procedures, may be implemented differently among States.

### Free and Open Competition

Free and open competition is an overriding concern for EBT procurements. Regardless of the method or the dollar amount involved, State agencies must conduct all procurement activities in a manner that ensures free and open competition. [7 CFR 277.18(j)].

Examples of situations that inappropriately restrict competition include, but are not limited to, the following:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Identifying requirements, formats, and procedures skewed toward the incumbent vendor;
- Requiring unnecessary experience;
- Requiring excessive bonding;
- Specifying State or local geographical preferences;
- Using noncompetitive pricing practices;
- Allowing organizational conflicts of interest;
- Making noncompetitive awards to consultants on retainer contracts;
- Using a restricted mailing list;
- Imposing overly short procurement schedules; and
- Taking arbitrary actions in the procurement process.

### **3.3 Approval Process for FSP EBT Systems**

#### **Modified APD Process**

For approval of EBT systems, FNS has modified the Advanced Planning Document (APD) process used for FSP eligibility system approvals. Unlike in eligibility system procurements, EBT vendors do not create entirely new EBT systems for individual States. Instead, some parameters within the vendor's proprietary software may be changed or modifications to that software may be made to meet individual State needs. This difference allows for a more streamlined APD process for EBT. For example, some documents needed for eligibility system approvals, e.g., feasibility studies or alternatives analyses, are not required for EBT. A Planning APD also is not usually required for EBT. However, if a State were taking a new approach, such as dividing the procurement among several contractors or taking on some services themselves, then a Planning APD would be required. Even if not required by FNS, if a State submits a PAPD, FNS will review it for funding approval.

The streamlined process does not eliminate the need for an Implementation APD. An Implementation APD is always required for EBT and is the basis for obtaining Federal Financial Participation (FFP) funds. The IAPD must explain organizational structure, resource needs, cost allocation, and must contain annual and sometimes quarterly budget estimates for all system expenses. Regional EBT Coordinators and FNS-HQ EBT Branch staffs assist States through the modified APD process.

#### **Waivers from 7 CFR 274.12 Requirements**

States often ask for waivers from procedures or requirements in the EBT regulations (7 CFR 274.12) and these must be approved by FNS for inclusion in the RFP and for use in EBT operations. Waivers must be approved by FNS before the EBT contract is signed. Waivers are only approved for the length of each contract. States must re-evaluate their need for waivers as

they draft subsequent RFP documents and then obtain FNS approval for the waivers they want to continue to use or for any new waivers.

### **EBT RFP Prior Approval**

The EBT RFP must be approved by FNS before release. FNS is always available for technical assistance and advice in drafting the RFP. States must allow 60 days for formal review and approval by FNS.

### **EBT Contract Prior Approval**

The EBT Contract resulting from the procurement process must be approved by FNS before the State signs the document. The contract usually consists of the RFP, the winning proposal, final negotiations that modify either the RFP or the proposal, and other documents. States must allow 60 days for formal review and approval by FNS.

### **EBT Contract Amendments Approval**

Amendments to the contract must also be approved by FNS before they are signed if they will increase costs. Time extensions, negotiated as options at the time of the original contract and documented in that contract with their pricing, do not usually need separate approval. States should provide all amendments, options, change orders, and other modifications to FNS before they are signed and before they are to take effect regardless of whether prior approval is a requirement. FNS reviews such documents for compliance with regulations and needs to obtain a complete file for every State contract period.

### **Implementation APD for Federal Financial Participation (FFP)**

To obtain FFP for FSP EBT system costs, an EBT Implementation APD must be submitted for approval at least one month before costs are incurred. This allows time for any needed revisions or corrections. EBT IAPDs concentrate mainly on costs, cost allocations, and budgeting. If the IAPD budget covers the initial contract period, as well as possible time extension periods, then States do not need annual updates and would only need to provide Updates to the IAPD on an as-needed basis for operational or price changes. States should consult with their Regional EBT Coordinator while developing their IAPD.

### **Approval to Transition to Your New EBT System**

Regulations do not address specifically the needs for transitions from one contract or system to the next. However, the *FNS EBT Transition Guide*, Version 2.0, June 6, 2005 provides guidance for these actions. The documents FNS must approve before transition to a new EBT contract or system are contained in Appendix D. These include the EBT-only retailer agreement, Third Party Processor (TPP) agreement, and a detailed Transition/Conversion Plan. FNS participates in User Acceptance Testing (UAT) and, in order to do so, must obtain the detailed system design, the test plan and test scripts prior to test dates. A useful timeline for State EBT planning is contained in Appendix A. If the State's new contract is awarded to the incumbent contractor, the UAT may be abbreviated to test only changes. However, even if the incumbent is selected, all the usual documents must still be submitted for approval of new contract periods unless FNS advises they are not required.

### **3.4 Planning and Timing for EBT RFP**

Procurement planning must begin early.

- Release the RFP a full 2 years (or more) before the current contract ends.
- Allow 60-90 days for bids.
- Sign a new contract 1 year before the current contract ends.

#### **When to Release the RFP**

FNS has found that releasing the RFP 2 years before the end of the current contract is the minimal time needed for orderly transitions. Some States have not been able to get their contracts negotiated and approved internally by the end of their current contract period of performance even though they released the RFP on time. Therefore, States may have to release the RFP even earlier based on their experience in clearing documents within their own legal, procurement, or management structures. EBT project directors need to inform their upper management and all offices involved in clearing the RFP and contract of the importance of timely actions. Everyone should understand the necessity to have a signed EBT contract one full year before the end of the current contract period.

Releasing the RFP early gives time for non-incumbents to fully review and understand the State's needs, encourages all vendors to bid, allows time for the transition planning, and helps to maintain rigorous competition. Critical to the continued success of EBT is an environment that attracts and retains multiple vendors so that prices are kept low and improvements or innovations are encouraged. An incumbent contractor has an intrinsic advantage because they will have minimal start-up costs if they win the bid again. Other bidders need time for planning and execution of the transition work in order to be competitive.

#### **Writing the EBT RFP**

The State EBT staff may not be responsible for drafting the entire RFP. Their procurement offices may do this or the State may hire a contractor to draft the RFP. (Note that if a contractor is hired to write an EBT RFP, they must be prohibited from bidding on it.) EBT staff will contribute to the Statement of Work section and review the entire document. States need to put together a team that is experienced in EBT operations at the State and local level. Ideas for improvements or changes should be solicited from financial, data processing, and program staff. The State contracting or procurement divisions need to understand the time restrictions for obtaining a new EBT contract. Everyone involved must work on the assumption that a complete transition with database conversion will have to occur by the current contract end date.

#### **Open for Bids**

Once the RFP is finalized and approved by the state procurement office and FNS, it is released to the contracting community with 60 to 90 days for responses. States should attempt to avoid releasing their RFP when other State procurements are occurring. This may mean acting even earlier. FNS is aware of all the States' EBT procurement schedules and is able to provide

information on expected release dates so that other States may plan around those dates if possible.

## **4 RFP INTRODUCTION**

Information should be included in the RFP introduction sections to give a general orientation to bidders.

### **4.1 General Information**

General information should be given about the RFP issuing office, the RFP reference number, and the contact person for all inquiries regarding the RFP. The contact person's address, phone and email should be given, as well as a statement that no other person may be contacted regarding the procurement. The RFP should explain whether a bidders' library is provided and rules for using it. Many States are supplying reference materials on a State website instead of having a bidders' library. If that is done, the address for the site should be given.

The general information sections of the RFP should also explain any requirements in how the responses should be structured, whether separate technical and cost volumes must be submitted, and how to submit them. Also instructions should be provided about signatory pages, bid revisions, proposal bonds, alternative bids, withdrawal of bids, bidders' conferences, demonstrations of the system, protest procedures and other pertinent information.

### **4.2 Project Overview**

The overview should explain the purpose of the RFP, project scope, current operational and technical environments, and briefly outline the services wanted. Some States also explain performance requirements defined in Federal and State legislation, regulations, and policies in the introductory materials. Alternatively, these requirements may be placed in the Statement of Work or elsewhere.

The RFP should list EBT services that the State needs. These may include:

- EBT Account Establishment and Maintenance;
- Card Production, Issuance, Replacement;
- Administrative Terminal Processes and Staff Training;
- PIN selection devices;
- Transaction Processing;
- Customer Service for State Staff, Recipients and Retailers;
- Retailer Management;
- EBT-only POS Device Deployment, Maintenance, and Replacement;
- TPP Certification;

- Settlement and Reconciliation;
- Adjustments and Dispute Resolution;
- Retailer and Recipient Training;
- Reports;
- Testing;
- Disaster Issuance; and
- Transition and Database Conversion at the contract's end.

### **4.3 Programs and Operations**

The State agency should not assume or expect that the incumbent contractor will win the bid again. Also, the State shouldn't assume that all prospective bidders have specific experience with benefit programs or with EBT. These assumptions can limit free and open competition and the possibility of high-quality services from new vendors. Therefore, the State should provide information on the history of their current EBT system and the agencies and programs that use or plan to use the system. Statistical data should be included and should cover all programs. Additionally, the State can refer prospective bidders to the FNS website for further information on the FSP and its operations.

#### **Current Program Operations**

Give the bidders full information on the demographics of the State and historical statistics from the current EBT system operations. Examples include: description of benefit programs using EBT or programs which will definitely be added to the system, number of recipients and households, number of cases by program, replacement card data, number of Automated Response Unit calls, and expedited or supplemental issuances. This information is usually provided in attachments or appendices with a statement that the data is for information only and not to be construed as guaranteed minimums. (See Appendix C.)

Bidders also will need to know program service locations to have a full understanding of the program environment, including administrative terminal descriptions, network configurations and administrative functions. Give a general description of State and local offices in the RFP and provide details on addresses, telephone numbers, and local contact people in an appendix.

#### **Eligibility System Information**

Briefly outline the eligibility determination process and the data generated during this process that is essential to the authorization of benefits. This includes name, address, type of benefit (initial, supplemental, replacement, and restoration of lost benefits), benefit amount, availability date, etc.). Information should be included about emergency or supplemental issuances also. The State should provide details about the dates and times during the month the information will be available, how it is organized, type of software used, and size of the file that contains the information. The formats, details, and batch processing procedures are usually provided in appendices.

**Issuance Schedule**

Benefits are usually issued on a staggered schedule and the schedules for each program should be provided. FNS recommends that FSP benefits be staggered across the entire month, or, at a minimum, through the first 15 days of the month. Other program benefits may use staggered issuance also. This is helpful on the processing end and at retailer and ATM redemption locations as well. If a State changes their FSP benefit issuance schedules, they must ensure that no more than 40 days elapse between issuances to any recipient. [7 CFR 274.2(d)(3)].

**Food Retailer Participation**

A description of the participation of retailers in the food stamp process and the oversight mechanisms that are currently in place for retailer participation should be given. A table of FNS-authorized retailers by store type and location is available from FNS (308-L Report) and should be provided as an appendix. Information on the numbers of POS devices deployed, the number of manual voucher-only retailers, the Third Party Processors, and other retailer subjects should also be discussed.

**Reporting**

Describing current reporting requirements for all benefit programs served by the EBT system will give bidders an idea of the types of reports the State needs. The frequency of the reports (daily or monthly) should be included. A listing of current reports could be inserted as an appendix. Any additional reports that the State wants for the new system should be identified as well. States should explain terms or phrases used in their reports that might be unclear to vendors other than the incumbent.

**4.4. Procurement Schedule and Milestones**

This section focuses on the anticipated procurement schedule as it specifically affects the contractor—from when the State announces the release of the RFP to when it awards the contract.

Serious consideration should be given to how much time will be allowed for procurement events. As mentioned above, FNS recommends releasing the RFP at least 2 years before the end of the State's current EBT contract. The RFP should remain open long enough to allow bidders to review the RFP, plan their staffing, obtain commitments from their subcontractors, and take other steps necessary to complete their proposals. FNS recommends that an RFP be open for 90 days or more and requires that it be open for a minimum of 60 days. Time constraints could be considered as limiting open competition.

The following is a typical list of events:

- RFP Release (2 years before end of current contract);
- Pre-Proposal Conference (allow enough time for bidders to receive and review the RFP);
- Question and Answer Period (with a range of dates that includes a short period for follow-up questions after the Pre-Proposal Conference);

- Close of Question and Answers (with enough time between the close of questions and receipt of proposals for bidders to finalize their proposals);
- Receipt of Proposal (minimum of 60 to 90 days from RFP release);
- Initial Proposal Evaluation (full evaluation often takes 45-60 days);
- Demonstrations and/or site visits;
- Best and Final Offer (This is an optional process some States use. The State may make changes to their requirements or request clarifications to proposals, and bidders are given the opportunity to present a “best and final offer.”);
- Negotiation;
- Approvals (including necessary internal State budgetary and contracting approvals, as well as required FNS approval); and
- Award.

## 4.5 Contract Type

The RFP indicates what type of contract will be awarded as a result of the procurement. Options for types of contracts that can be considered include, but are not limited to, fixed fee per case month that includes all EBT services and components, fixed fee per transaction, or fixed fee for service. EBT procurements generally use fixed fee per case-month contracts. At this point, the RFP may briefly explain the type of pricing wanted by the State with detailed explanations placed in the Cost Proposal section of the RFP.

### **Firm-Fixed-Price Contracts**

Although there are several types of fixed-price contracts, the Federal Government, including USDA, advocates, when feasible, firm-fixed-price contracts. Prices are not subject to any adjustment on the basis of the contractor’s cost experience in performing the contract. Tiered pricing based on EBT issuance numbers for each program is common. The basis for counting the issuance numbers and the tiers used for increases or decreases must be clearly explained.

Firm-fixed pricing places maximum risk and full responsibility for all costs and resulting profit or loss on the contractor. This type of contract provides maximum incentives for the contractor to control costs and to perform effectively and impose a minimum administrative burden on the contracting parties.

### **Turnkey System Contract**

Most States procure a “turnkey” EBT system with a single contractor who provides or subcontracts for transaction processing, retailer management, and customer service and all other services, supplies, and functions. The single contractor is solely responsible to the State regardless of their use of subcontracts.

### **Multiple Contracts for EBT Services**

A State may divide its EBT system into separate functional components operated by distinct vendors to provide these services. A typical division would have three separate vendors. One

would provide the software and hardware for EBT data processing and support the EBT application software. Another would support retailers, including settlement and reconciliation for third party processors, maintenance for state-supplied POS terminals and transaction processing. A third would provide customer service to recipients and retailers. Some States may even take on some of the functions themselves, such as card production or POS deployment. FNS does not restrict the number of contracts or the division of functions.

### **Cost Per Case Month (CPCM)**

EBT services generally are priced in terms of CPCM, which represents the fixed cost to deliver the mandatory category of services to a single case for one month and to operate the EBT system. States should be clear in the definition of a “case” for the purposes of payment. Usually it is defined as an active case or an active account to which a benefit has been issued and made available for use in the month. As mentioned above, States may use tiers with incremental increases or decreases in the CPCM for variations in case numbers. States using this type of pricing sometimes ask for a specific number of hours of programmer work over the life of the contract to be included in CPCM pricing.

### **Start-up Costs**

Start-up work is extensive and includes design, development, testing for the EBT system, work on the interface with the State eligibility system, contracting with EBT-only retailers, POS deployment, card production, call center arrangements, training, database mapping, database trial-runs, administrative terminal development, and production of documentation. Some States require that prices are structured so they pay nothing until the new contractor begins to issue benefits. Other States pay for some deliverable costs before operations begin. These are usually payments for the design document, detailed work plans, database conversion plan, or testing plans and scripts.

### **Other EBT Services**

Fixed prices or fees for separate costs are sometimes used. These may include charges for client calls to the Help Desk over a minimum average number per case, charges for calls from payphones, charges per POS device, hourly rates for ad hoc reports, and programming costs. FNS recommends that States always ask for an hourly rate for programmers work even if the CPCM includes a specified number of programmer hours over the life of the contract.

## **5 TERMS AND CONDITIONS**

### **5.1 State Specific Contract Terms and Conditions**

The State procurement or legal division usually provides a set of Terms and Conditions that must be included in any contract signed by the State. A signed statement from the Contractor of agreement with these Terms and Conditions may be required. The RFP contains the Terms and Conditions as a separate section or as an appendix.

## 5.2 Mandatory Nature of Terms and Conditions

The extent to which bidders are allowed to object to, or negotiate, terms and conditions, is based on State agency procurement rules and practices. Exceptions that bidders wish to raise are best addressed in the Question and Answer process. Changes to the Terms and Conditions could then be made through an amendment to the RFP. Some States consider the failure of a bidder to agree to all terms and conditions as cause for the proposal to be considered non-responsive while other States allow for exceptions, making sure that the impact and desirability of such exceptions are evaluated.

## 5.3 Common Terms and Conditions

Terms and Conditions on general issues may include the following:

### Entire Agreement

The agreement resulting from an RFP and reduced to writing supersedes any other agreements, oral or written, between the contractor and State agency. It contains all of the covenants and agreements between the parties. The RFP typically states that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which is not embodied in the RFP, and that no other agreement, statement, or promise not contained in the agreement will be valid or binding. Modification of the agreement is generally effective only through a contract amendment signed by both parties.

### Order of Precedence

The RFP and the successful bidder's Proposal (referenced by their numbers and/or dates) are usually incorporated into the contract verbatim. Every document that is part of the contract must be clearly identified and listed. In the event of a contradiction between the provisions of the documents comprising the contract, the order of precedence for interpretation should be stated. Contradictions are resolved by giving the order of precedence. Usually this is:

- State Terms and Conditions;
- EBT RFP, including any amendments; and
- Winning Proposal.

### Assignment

The right to assign, with prior written consent, may or may not be precluded by State agency procurement rules and practices. Most States preclude their contractor from assigning the contract, in whole or in part, without the prior written consent of the State agency.

### Compliance with Laws

State Terms and Conditions typically contain statements that require the contractor to comply with all Federal and State laws and ordinances applicable to the work including business licenses as required. FNS requires an explicit reference to the EBT regulations, [7 CFR 274.12], somewhere within the RFP if not in the Terms and Conditions.

### **Governing Law**

A clause usually names the State under whose laws the validity of the contract, and any of its terms or provisions, will be interpreted and governed. The contractor, by submitting a proposal and accepting an award, agrees and submits to the jurisdiction of the courts of that State and agrees that legal proceedings will be filed in the State. Sometimes a specific State court is named as the venue for filing.

### **Effective Date**

Contracts usually take effect on the date they are signed by the person designated in the RFP as having such authority for the State. FNS approval for the contract should be obtained before the State signs. Failure to do so endangers Federal funding for the project.

### **Contract Amendments**

Formal contract amendments should be negotiated by the State agency with the contractor whenever necessary to address changes to the terms and conditions, the costs of, or the scope of work included under the contract. An approved contract amendment is defined as one approved by the State agency, the contractor, and FNS prior to the effective date of such change. Options negotiated at the time of the original contract and for which funding is obtained in the IAPD are not contract amendments and do not have to be separately approved by FNS. Additional years, for example, are often found as options to the State in EBT contracts and their costs are identified in the original IAPD.

Options generally require written notification to the contractor informing them in advance (usually 90 days) that the State intends to take their option. FNS should be informed at the same time of the State's plans to exercise an option.

### **Adding Other Programs**

If the State is considering EBT for other programs during the term of the contract (including any time extension options), they may include a term covering that possibility. A procurement specialist should determine the type of language and the minimum requirements needed to comply with State law so that the additional programs are within scope. Details on the other programs being considered and requirements for those programs would be explained elsewhere in the RFP.

### **Severable Provisions**

This term specifies that if any provision of the agreement is deemed by a court of competent jurisdiction to be invalid, then that provision will be considered stricken and the agreement will be enforced according to the valid and remaining provisions.

### **Disclaimer**

It is important to include a disclaimer statement asserting that the information in the RFP and appendices or attachments reflects the best information at the time the documents were prepared. A statement should be made that the accuracy of the documents is not warranted by the State and the State will not be liable for errors or the results of errors which may be discovered to exist in the information.

### **Omissions**

States usually specify that in the event that the State agency or the contractor discovers any material omission in the provisions of the contract that is believed to be essential to the successful performance of the contract, each must inform the other in writing. The State agency and the contractor shall promptly negotiate in good faith with respect to such matters for the purpose of making reasonable adjustments as may be necessary to perform the objective of the contract.

### **Saving Clause**

The State agency and the contractor should acknowledge the possibility that changes in Federal regulations applicable to the contract could occur and expressly agree to renegotiate in good faith as necessary to comply with such changes. FNS recommends this approach and has created standard language for negotiations to make modifications of this type. The language is available on the EBT Partnerweb. That language may be included in a Saving Clause or elsewhere in the RFP.

Some States have required that changes caused by new Federal regulations must be made without any price increases. This may result in higher bids generally since vendors will have to factor in unknown risks knowing they may not negotiate later. Other States have required that the costs due to such changes must be spread among all States with whom the vendor has contracted for EBT services. This tactic does not account for requirements those other States may have in their contracts. (In addition, it appears to assume a mainframe approach which is not used by all vendors.)

### **Headings Not Controlling**

There is usually a clause saying that the section headings under the contract are for convenience only and have no binding force or effect and shall not enter into the interpretation of the contract.

### **Length and Extensions**

Length of contracts and extension option decisions are State decisions. However, FNS recommends an initial contract period of 4-5 years with a two-year extension. States should avoid extremely lengthy contracts so that they may take advantage of lower prices or new technology. To encourage new bidders, the initial term should be long enough for a new contractor to know that they will be able to recover start-up costs.

States have used several one-year or two-year option periods most often. Two-year periods are recommended by FNS because they give the State time to complete the next round of procurement actions. Some States with many single year options have later negotiated lower prices with their vendor by committing to all their option years at one time.

## **5.4 Contract Relationships**

Terms and Conditions concerning contract relationships may include the following:

### **Independent Capacity of Contractor**

A statement that the parties to the contract agree that the contractor is an independent contractor, and the contractor, its agents, officers and employees, in the performance of the contract, shall act in an independent capacity and not as officers or employees of the State agency.

### **Responsibility of Contractor**

The contractor shall be responsible for the professional and technical accuracy of all work and materials furnished under the contract, and the contractor shall, without additional cost to the State agency, correct or revise all errors or deficiencies in his/her work identified during the term of the contract.

In most States, a single contract for all EBT services results from the procurement. In these instances, the contract should specify that the Prime Contractor is solely responsible for fulfillment of all services including those provided through subcontractors.

### **Subcontractors**

Subcontractors must be identified and a complete description of their role relative to the proposal must be included. Subcontractors must adhere to the same standards required of the prime contractor. The contractor shall not subsequently subcontract or assign all or any part of the services to be provided under the contract to any third party without the prior written consent of the State agency.

### **Related Contracts & Cooperation with Other Contractors**

The contractor must acknowledge that the State agency may contract with other vendors or individuals for services related to the EBT System that are not covered by the Statement of Work. The contractor is required to cooperate with the State's other vendors.

### **Conflicts of Interest**

The contractor must warrant that it has no interest and shall not acquire any interest, direct or indirect, that conflicts in any manner or degree with the performance of the contract. (This explicitly excludes a contractor that prepares the State agency's EBT RFP.)

### **No Third Party Beneficiaries**

The RFP should note that nothing contained in the agreement, expressed or implied, is intended to confer upon any person, corporation or other entity, other than the parties named and their legal successors, any rights or remedies under or by reason of the agreement.

### **Indemnity**

The RFP should indicate that the contractor agrees to hold harmless the State agency, its officers, agents, representatives, successors, and assignees and other governmental agencies from any and all suits or actions of every nature and kind, which may be brought for or on account of any injury, death, or damage arising or growing out of the acts or omissions of the contractor, or contractor's officers, agents, servants or employees under this agreement.

### **Liability for Employees**

This addresses the issue of the contractor's liability for its own employees. The contractor assumes responsibility for its personnel providing services under the contract and will make all deductions for social security and withholding taxes and for contributions for employment compensation funds, and shall maintain at the contractor's expense all necessary insurance for all its employees including, but not limited to, Workers' Compensation and liability insurance. These requirements apply to each subcontractor as well. There is no withholding of taxes by the State agency.

## **5.5. Contract Performance**

Terms and Conditions about contract performance may include the following:

### **Period of Performance**

States usually include the effective dates of the contract, the start date for work to begin after the effective date, and a statement that the State shall not be liable for any work performed prior to the approval of the contract or in anticipation of the contract.

### **Key Personnel**

Key personnel may be identified specifically and usually are management and supervisory personnel. The State agency must approve, in advance and in writing, any permanent or temporary changes to, or deletion from, the key personnel. Exceptions may be permitted in case of resignation, military obligations, death, or other circumstances.

### **Access to State Agency Staff**

The contractor's access to State agency personnel will be as needed. However, the competency and sufficiency of State agency staff will not be an acceptable reason for relieving the contractor of responsibility for failing to meet required deadlines, or for producing non-acceptable deliverables.

### **Review and Approval of Deliverables**

This clause explains expectations for the submittal, review and approval of deliverables, including the 60-day timeframe for Federal reviews where necessary. The process for notification if the deliverable is not acceptable, any penalties for failure to meet deliverable deadlines, and other pertinent information are covered also.

### **Suspension**

The clause should indicate that if, at any time during the term of the contract, the State's Project Manager determines that the best interests of the State agency would be served by temporarily suspending the development of the system, he/she shall do so by providing the contractor with a written notice of the suspension. The contractor, immediately upon receipt of the notice, must cease all affected operations for the period specified in the notice, and the notice should not be unreasonably invoked.

Circumstances that could cause a suspension may be listed. The intent of this clause is to provide the State agency with a right to suspend development of the system in the event that a significant deficiency is discovered. A suspension clause can also be used to delay the progress of system development efforts, pending a solution that is satisfactory to the State agency. All payments shall also be suspended until any deficiency is addressed to the satisfaction of the State agency.

### **Delays in Project Schedule**

This clause states that if any circumstances will result in a late delivery, it is the responsibility and obligation of the contractor to make details known immediately to the State Project Manager.

### **Force Majeure**

The term excuses the contractor or State agency from performance under the contract for any period that the contractor or State agency is prevented from performing any services in whole or in part as a result of an act of God, war, civil disturbance, epidemic, or court order, provided that they have prudently and promptly acted to take any and all corrective steps that are within the contractor's or State agency's control to ensure that they can promptly perform. This type of non-performance is not deemed breach of the contract. This clause does not apply to situations where operational backup and contingency plans and procedures should and can be initiated.

### **Availability of Federal and State Funds**

The term specifies that the State agency's obligation is contingent upon the availability of appropriated State and Federal funds from which payment can be made. It is important to address this to avoid legal liability on the part of the State agency for payment of any money unless and until funds are made available each year by the State Legislature. FNS requires such a statement be contained in the RFP, if not in the Terms and Conditions, concerning the appropriation of Federal Financial Participation (FFP) and benefit funding.

### **Notices**

This clause describes how any notice required or permitted by the contract must be in writing, and identifies to whom it should be addressed. Usually, notices by certified mail with a return receipt requested are sufficient. Notices delivered by ordinary mail or by hand are not sufficient unless acknowledged in writing by the addressee or the addressee's designee.

### **Payment Terms**

This provides general information about payment terms required by the State agency. It may discuss the submission of proper invoices or vouchers and whether payments will be made by check or otherwise. Some clauses explain that payment will not be made on partial deliveries or they include a discussion of interest penalties. There may also be a discussion of discounts for prompt payments from the State. Details on how the State requires the EBT costs to be calculated (e.g., CPCM, caseload tiers for increases/decreases) are contained in the Cost Proposal information

### **Prohibition Against Advance Payments**

Some States have a clause explaining that no payment will be made in advance of, or in anticipation of, services actually performed under the Contract.

### **Invoices**

This clause may specify to whom invoices are to be submitted and the information that must be in them. Failure by the contractor to provide proper invoices or monthly progress reports, if required, may result in the State agency withholding payment.

### **Disputes**

State procedures for dispute resolution usually are incorporated in the Terms and Conditions. Typically, in the event of any dispute concerning performance, either party will serve notice of such dispute to the other party, or the dispute will be decided by the State agency and a written decision is provided to the contractor. Pending final determination of any dispute, the contractor should be required to proceed diligently with the performance of the contract according to the Contract Officer's direction.

### **Incentives and Remedies**

States use incentives and remedies to promote better performance. These include performance bonds, liquidated damages, and holding back payments. Most contractors are willing, and expect, to abide by a combination of these methods. States may have separate clauses within the Terms and Conditions for each type of incentive or remedy that is used. Incentives and remedies should apply only to the most important aspects of the work, not to every task and they should correlate with results. Any experience with these methods from previous EBT contracts should be reviewed and the results reflected in the term.

### **Performance Bonds**

Performance bonds may be required under State procurement rules in which case the details concerning the bond must be described. In the event of problems or failures in the project, the bond should allow enough compensation to cover the cost of the failure. Performance bonds, in particular, are costly because a contractor must make a direct outlay of funds to acquire the bond, and the systems initiatives being bonded are costly, which affects the cost of the bond. Bonds may increase bid prices and deter potential bidders.

### **Liquidated Damages**

States may require liquidated damages for various failures of their contractor to meet the milestones, deliverable dates, and performance standards of the RFP. If used, these should be thoroughly explained including the causes, amounts, frequency (hourly, daily, monthly), and notices. Usually the State agency will require payment of liquidated damages after the contractor has been given reasonable opportunity to remedy the problem and fails to do so.

### **Waiver of Default, Breach, or Failure to Perform**

States should consider including a statement that a waiver of any default, breach, or failure of performance is not deemed a waiver of any subsequent default, breach, or failure of

performance. If used, the statement should also say that any waiver shall not be construed to modify terms and conditions unless put in writing.

### **Contract Termination**

Details regarding reasons for termination procedures may be specified in State procurement rules and regulations. FNS requires suitable clauses for termination be included in EBT and other contracts [7 CFR 277.14(j)(2)]. A list of common reasons for termination of the contract follows:

- By mutual written agreement of the State and contractor;
- By the State, in whole or in part, whenever the State determines that the contractor has failed to satisfactorily perform its contracted duties and responsibilities and is unable to correct the deficiencies after receipt of a notice specifying those conditions and after expiration of a specified period;
- By the State, in whole or in part, whenever, for any reason, the State shall determine that such termination is in the best interest of the State, with a minimum of thirty (30) days prior notice to the contractor;
- By the State, in whole or in part, whenever funding from State, Federal, or other sources is withdrawn, reduced, or limited; and
- By the State, in whole or in part, whenever the State determines that the instability of the contractor's financial condition threatens delivery of services and continued performance of contractor responsibilities.

### **Warranty**

This clause is to ensure the system meets State specifications in the RFP and that the system be free of errors causing material deviations from functional, technical, and performance specifications in the design documentation. The contractor must promptly correct, at no additional cost, any error which causes material deviations and that if errors result in problems, the contractor will reconstruct files or data affected by the error at no additional cost.

### **New or Enhanced Features**

Some States address the possibility that bidders may anticipate new or enhanced models of equipment or software or features that become available after the State's expected date of award. The State may ask bidders to indicate these potential offerings within their response. Then the State agency may consider it and decide whether to substitute the new feature for an RFP specification. Also, some States have required that new or enhanced features provided to other States must also be provided to them at no additional cost.

### **Final Payment**

States commonly require a release of claims against the State before final payment. Procedures defined in this section may be modified by State procurement rules or procedures.

## **5.6 Use and Ownership**

Terms and Conditions about use and ownership may include the following:

### **Retention of Records**

The contractor, including its subcontractors, must maintain all books, documents, papers, accounting records and other evidence pertaining to costs incurred and to make such materials available at their respective offices at all reasonable times during the contract period and for three (3) years from the date of the final payment under the contract, for inspection by the State agency or designated Federal officials. Each subcontract must include a provision containing the record retention conditions.

### **Ownership of Documents and Information**

The documentation produced and furnished to the State under the contract (system documentation, forms, training guides, and other materials) becomes the property of the State agency to the extent the materials are not proprietary and marked as such by the contractor.

### **Federal Government Access**

The resulting contract must include provisions to allow FNS or its contractor's access to project documentation and pertinent cost records of the contractor and its subcontractors as FNS deems necessary. In this regard, the documentation resulting from this project will be reviewed by the State agency and FNS, and corrections may be required as a result of their evaluations.

### **Copyrights**

The contractor must warrant that all materials and/or products produced under the contract will not infringe upon or violate any patent, copyright, trade secret, or other proprietary right of any third party. In the event of a claim by any third party against the State agency, the State agency will promptly notify the contractor who must defend the claim in the State agency's name, but at the contractor's expense. In addition, the contractor must indemnify and hold harmless the State agency against any loss, expense, or liability arising out of such claim, whether or not such claim is successful.

### **Licensing**

Acceptance of the bid requires that the contractor agree to license to the State agency the use of all software originated for the system and all documentation, and related materials supplied for the operation of the proposed application systems.

### **Right to Publish**

Throughout the term of the contract, the contractor must secure the State agency's written approval prior to the release of any information whatsoever which pertains to work or activities covered by the contract.

### **Confidentiality**

All material and information concerning recipients and retailers provided to the contractor by the State agency or acquired by the contractor in performance of the contract, whether verbal,

written, recorded magnetic media, or otherwise, must be regarded as confidential information, and all necessary steps should be taken by the contractor to safeguard the confidentiality of such material or information. The contractor must not release any information provided by the State agency or any information generated by the contractor unless the release is covered under specific sections of the contract. Express written consent of the State's Project Manager must be obtained for release and that consent will be given only for purposes that will enable the contractor to discharge its responsibilities.

### **Source and Object Code Ownership or License**

EBT system source code, object code, and documentation developed as a result of the contract become the property of the State agency. FNS reserves the right to royalty-free, non-exclusive and irrevocable license to provide, publish, or otherwise use and to authorize others to use for Federal purposes all custom EBT system source code, object code, and documentation that is modified and/or produced with FFP funding [7 CFR 277.18(l)].

## **5.7 Special USDA and FNS Provisions**

### **USDA Provisions**

Various provisions are required by USDA or by FNS regulations. These must be addressed in the RFP and may be included as part of the State Terms and Conditions.

USDA regulations require that contracts address:

- Suspension/debarment [7 CFR 3017];
- Anti-lobbying [7 CFR 3018];
- Drug-free workplaces [7 CFR 3021]; and
- Prohibit preferences for State and local geographic location of vendor facilities [7 CFR 3016].

### **FNS Provisions**

FNS contract regulations require that all contracts address:

- Remedies for violation or breach [7 CFR 277.14(j)(1)];
- Termination provisions [7 CFR 277.14(j)(2)];
- Compliance with Equal Employment Opportunity regulations [7 CFR 277.14(j)(3)];
- Access for audits [7 CFR 277.14(j)(7)]; and
- Compliance with Clean Air, Clean Water, and Environmental Protection laws [7 CFR 277.14(j)(8)].

FNS automated data processing regulations require that ADP contracts address:

- FNS access to all aspects of the system and records if FNS deems it necessary to ensure the conditions of approval are being met [7 CFR 277.18(k)]; and
- Software ownership rights [7 CFR 277.18(l)].

FNS issuance regulations hold States responsible and liable for:

- Losses due to errors in issuance of FSP benefits [7 CFR 274.1(b)];
- ACH tape creation errors [7 CFR 274.12(i)(3)]; and
- Manual voucher transactions that result in excess deductions from a household account [7 CFR 274.12(l)(5)].

States usually pass these responsibilities and liabilities to their vendor by placing them in the Terms and Conditions or another section of the RFP.

## **5.8 Other Provisions**

The following is a list of other clauses some States have included in their RFPs:

- Discount for Prompt Payment;
- Payment of Taxes agreement;
- Disclosure of Litigation;
- Most Favored Customer;
- Survival of Terms;
- No waiver of sovereign immunity;
- Cooperation with other vendors or prospective vendors;
- Attorney's fees; and
- Time of the essence.

## **6 PROPOSAL FORMAT**

States should explain the structure, format, and submission requirements for responding to their RFP. This material includes general procurement information (e.g., issuing agency, contact information, questions related to the proposal, oral presentations, etc.), prime and subcontractor qualifications and organizational requirements, and technical and cost proposal requirements.

It is important that potential bidders understand that only proposals written to meet the specific EBT needs of the State agency, as contained in the RFP, will be considered. Some bidders may submit boilerplate-type proposals that provide generic responses, reiterate the RFP's scope of

work or tasks, or include large volumes of pre-printed or “off-the-shelf” information. Therefore, the State agency should outline any discouraged practices and inform bidders that these practices are unacceptable.

## **6.1 Proposal Submission Requirements**

Instructions are intended to ensure that the vendor community can submit their technical and cost proposals according to the State agency’s procurement procedures and timetable. Contractors may include any additional information deemed pertinent, but such information should be directly referenced in the proposal. Emphasis should be on the bidder’s ability to satisfy the requirements of the RFP. The RFP should include a statement that misrepresentation of proposal data will be considered grounds for rejection of the proposal or cancellation of the contract, if one has been awarded, and appropriate legal remedies may be sought.

To facilitate the State’s ability to review and select the best proposal, the RFP should indicate that the Technical and Cost Proposals be submitted as two separate documents. If the State places restrictions on amending proposals, these should be explained.

### **Transmittal Letter**

The RFP should explain the State’s expectations for the transmittal letter.

### **Format and Submission Requirements**

The RFP should explain or provide specific format and submission requirements to help streamline the evaluation and selection process. Provide the bidders with contact information for the government representative(s) for proposal submission, the submission deadline, cover letter and the number of proposal copies (technical and cost) to submit. The RFP should specify the sections the bidders should include and the order the sections must follow. Also, the RFP should inform bidders how many copies of the proposal must be submitted, whether they are to be submitted on disc or paper, and by what date and time they must be submitted. FNS asks that States provide an electronic version of the winning proposal and all other documents constituting the EBT contract for review and approval. To speed the FNS review process, States should send a disc to both their Regional EBT Coordinator and the HQ-EBT staff assigned to their State.

Some States ask for a matrix that maps the RFP sections to corresponding Proposal sections and for another matrix mapping the Proposal response sections to the RFP. This is a helpful research aid during evaluation and over the life of the contract.

### **Question and Answer Period**

The RFP should identify the State contact for questions and specify the amount of time the bidders have to submit questions. The RFP should explain whether they will have a bidders’ conference and if it is mandatory.

## **6.2 Technical Proposal**

The RFP should require separate technical and cost proposals. In describing the Technical Proposal, the RFP should clearly express the State’s requirements and remind bidders that it

must not contain cost information. State agencies may choose to declare that proposals that do not cite other documentation will be considered complete and that evaluators must not be required to refer to additional documents during the evaluation process. The RFP should describe the specific sections that must be in the Technical Proposal such as:

- Title Page;
- Table of Contents;
- Executive Summary;
- Corporate Background;
- Corporate Experience in general, in EBT, in database conversions, in POS conversions, in disaster services, etc.;
- Financial Statements (preferably audited);
- Disclosure of litigation;
- Disclosure of termination or suspension of contracts;
- Technical Approach;
- EBT System Description and Capabilities;
- Security;
- Business continuity and recovery plans;
- Work Plans, by phase and task;
- Project Management Plan;
- Project Staffing Plan;
- Key Personnel;
- Bidder's assumptions;
- Bidder's objections; and
- Additional Information.

### **Confidential Information within Proposals**

Bidders should be required to clearly mark any sections of their proposal that they consider confidential and which they expect to be protected from disclosure.

## **6.3 Cost Proposal**

The Cost Proposal should be submitted separately from the Technical Proposal to ensure an objective evaluation that is not influenced by cost. A transmittal letter must be provided, signed by an individual authorized to commit the organization to the prices quoted. The period of validity of the Cost Proposal should be re-stated in the transmittal letter. The transmittal letter should include the name, address, and telephone number of the individual who will serve as the contractor's representative to be contacted for negotiations. General cost proposal information is

not expected to be protected from disclosure and States may include that information in the section.

### **Considerations in Structuring the Cost Proposal**

Clarity regarding premises and assumptions contained in the RFP are essential to obtain the most favorable bids. Lack of clarity generally results in an assessment of increased project risk by bidders, and as a result, there are higher prices to cover the potentialities represented by those risks. Since the State will need to review invoices for accuracy, pricing should be based on information that can be readily verified with State data and/or reports. For example, if cases that receive a benefit grant due to restoration of lost benefits are billable, the State must have a report that counts such cases even if they are not currently eligible for FSP benefits.

### **Contract Fee Types and Strategies**

The most common strategy seen to date has been the fixed fee per case month with tiers based on case numbers. In this situation, invoices are based on a fixed monthly fee for each “entity” identified as the fee basis. This basis is usually defined as an “active case” and usually means a case issued a monthly or a supplemental benefit that has become available for use. There are other possibilities, such as cases participating in a given month having at least one EBT transaction in the billing month. The standard for fees should be considered very carefully, since the accuracy with which the base can be determined and documented, as well as the predictability and variability of that base, will influence the bid prices received in the procurement process. Whatever the basis, it must be thoroughly and clearly explained.

Many States ask for separate fees by program type so that an active case receiving both FSP and TANF benefits in a month would result in a CPCM for each program. Some also ask for a CPCM price for combination cases. Some States include a requirement that the CPCM include a number of hours of programming for changes due to Federal regulations or Quest Operating Rules changes. Or States sometimes require that those changes be made without additional costs to the State which means the bidders will include that possibility in their CPCM fees.

For cash program cases, there may be fees charged to the State for recipient ATM transactions. However, many States have chosen not to pay these fees, passing them on to the recipient instead. Recently, States have been able to obtain services for cash recipients at no cost to the State by having vendors obtain payment for all operating costs from the fees which are charged to recipients.

In general, the level of specificity of service requirements, the ability to project the volume basis upon which fees will be structured, and the risks which bidders have identified all have bearing on the adoption of one model or another.

### **Fees for Deliverables or Separate Services**

States may ask for pricing based on some of the deliverables required in the RFP. States may also ask for pricing for services such as hands-on client training, help desk operations, POS leasing, PIN selection devices in local offices, ad hoc reporting, data warehousing, US based help desk operations, or hourly programming costs. FNS recommends that States always ask

separately for the hourly costs of programming work that may become necessary for minor changes the State finds desirable or necessary over the life of the contract.

### **Cost Proposal Presentation**

While State agency policies may vary regarding Cost Proposal requirements, at a minimum the Cost Proposal should present the bid amount for all deliverables and proposed services and describe the basis for such cost. Best and Final prices typically should be requested. This is not, however, meant to preclude States' requesting bidders to provide a Best and Final Offer, should the State determine that one or more aspects of the requested products or services are more expensive than had been anticipated, therefore warranting modification to the Statement of Work or specification of services.

States sometimes encourage bidders to identify means to reduce State costs or optional service offerings that would result in reduced costs or improved service (better than the minimum requirements) or both.

### **Cost Tables**

States usually provide specific Cost Tables, which the bidders must complete. The tables should reflect all elements of the cost strategy the State has decided on. Bidders should also be instructed with regard to the detail that must be provided in their Cost Proposal as background/cost build-up to the Cost Tables. Some States use tables with columns that have a base CPCM, the incremental cost for each CPCM with some additional service (such as translation services or unlimited Customer Service calls), and a final column that includes all increments. Frequently the level of detail required reflects the extent to which States wish evaluators to consider the reasonableness of a cost bid as part of their deliberations. The State agency should include any specific cost table(s) format that aids the evaluation.

### **Payment Provisions**

Depending on the costing strategy utilized by a State, bidders may be required to agree to a particular payment schedule (e.g., monthly, by deliverable, etc.), or they may be allowed to specify one as an assumption of their bid.

An important component of payment provisions is often the speed with which a contractor's invoice will be paid. Specificity of the payment turnaround time to which the State knows, with a degree of certainty, it will adhere, can be utilized as a means of saving carrying costs which might otherwise be factored into a bid.

## **7 STATEMENT OF WORK**

The Statement of Work conveys the State agency's objectives, specific accomplishments, and expectations to be met by the contractor who is awarded the work. The goal of a Statement of

Work is to be specific so that the responses may be made clearly, completely, and to fully address the State's needs.

## 7.1 System Phases

The sub-sections that follow provide detail concerning the design, development, transition to the winning bidders system, ongoing operations and the transition out at the end of the contract term when the State has completed a subsequent procurement for their next EBT contract.

### Design

The design phase should be the first element in the system development process and should describe the design components of the system. The following are typical responsibilities during design:

- Finalize State requirements and system definition;
- Draft and document the detailed system design;
- Develop Functional and Acceptance Test Plans;
- Finalize the system design and incorporate all revisions, modifications, and changes in the Final System Design documentation;
- Develop and submit draft Users' Manuals;
- Develop and submit drafts of training materials;
- Draft and submit retailer/third-party agreements for State and FNS approvals;
- Design the EBT/authorization system interface and third-party processor interface specifications and certification procedures; and
- Establish and implement a formal change control/problem management system.

### Development

The State agency should identify their needs and define the maximum time allowed for the development process. The development tasks may include:

- Develop the EBT system components according to the system design approved in the design phase;
- Finalize the Users' Manual and training materials;
- Perform a functional demonstration;
- Perform acceptance, stress, "What-if", and regression testing;
- Disaster FSP Issuance Plan development;
- Complete EBT Detail Design; and
- Complete all system documentation.

### **Transition/Conversion**

The RFP should list the tasks required during the transition and require a detailed plan as a deliverable. The transition/conversion plan must be approved by both the State and FNS. Possible tasks include:

- Obtaining new EBT-only retailer agreements;
- EBT-only POS replacement;
- Card re-design;
- Card replacement;
- PIN select device replacement;
- Acquisition of customer service numbers (recipient, retailer, and TTY numbers) from the incumbent if possible;
- Third-party certification and testing;
- Training and/or training materials provided for state and/or local staff, recipients, retailers;
- Map coding of data from current contractor's system;
- Trial runs for database conversion;
- Notices to retailers and TPPs of transition, expected downtime, etc.;
- Voucher procedures for downtime including the dollar amount covered;
- Database conversion; and
- Assignment of liability for any losses, discrepancies found after conversion.

### **Ongoing Operations and Maintenance**

The RFP should list the tasks required for ongoing operations and maintenance. These include:

- System changes, modifications, and upgrades;
- System documentation updates to address any system changes or enhancements;
- Software and hardware maintenance support;
- Retailer support;
- Reconciliation and settlement support;
- Hotline and customer support as proposed in the project management plan;
- Assistance, as required, for monitoring system and program activities;
- Assistance, as required, for Federal and State audits and/or investigations conducted by entities such as USDA's Office of the Inspector General or the General Accounting Office, FNS, and HHS;
- Training for State staff, recipients, or retailers, as needed;

- Disaster FSP if necessary; and
- Business Continuity and Recovery Systems.

### **Cooperation in Transition to Subsequent Contractor**

The new contractor becomes the Incumbent at database conversion and eventually may be replaced by another vendor. This would be the last, or transition, phase of the contract. Expectations and requirements for transition should be covered in the RFP. These include a commitment to cooperate with the next contractor for transition planning, cleaning up the database before conversion, participating in conference calls, providing data for trial runs, participating in a minimum of two trial runs, having sufficient staff and managers on call during database conversion, reconciliation of database values before and after database conversion, key exchange, final reporting, assessment of liability for errors/discrepancies found in database values after database conversion, payment of any errors or discrepancies for which the contractor is determined liable.

## **7.2 Functional Requirements**

The RFP should address all functional requirements and require that proposals for FSP EBT must conform to the regulations in 7 CFR 274.12. Key functional requirements include those discussed below.

### **Benefit Issuance**

Benefit issuance includes:

- Transferring eligibility system information needed to establish EBT accounts to the contractor;
- Setting up recipient accounts;
- Checking to detect duplicate files, benefits or other erroneous data;
- Card issuance and replacement;
- PIN assignment and/or selection;
- Posting of benefits to accounts;
- Maintaining account balances by program;
- Tracking account activity, and
- Expunging unused benefits.

FSP benefit use must be tracked at the “grant” (some States use the term “warrant”) and at the account level. Each grant, whether for monthly or supplemental benefits, must be tracked uniquely although the balances are shown as the total amount of all grants. After a year of account inactivity (or a shorter period if permitted through an FNS approved waiver), each grant that becomes a year old must be expunged, reported, and removed from the AMA unless the state has a waiver to expunge at 270 days.

### **POS Transaction Processing**

Processing for electronic (swiped card and key-entered) transactions and manual voucher transactions must be required in the RFP. Transaction processing of out-of-State EBT cards must be required along with the use of the X9.58 FSP message format. The RFP should state whether the Quest Operating Rules or other operating rules are to be used.

### **Administrative Terminal System**

The RFP must include the requirements supporting administrative transactions and inquiries from the State administrative terminals and secure inquiry-only access for FNS or USDA users through the Internet. The RFP should include information on software and communications protocols, VPN, firewall protection, Web-based Internet access, etc.

Transactions may include:

- Investigative account set-up and benefit authorizations;
- Emergency or supplemental issuances;
- Account maintenance;
- Card status changes;
- Pending card status updates;
- On-line card issuance and replacement;
- Recipient search by PAN, SSN or other identifiers;
- Account demographics inquiry;
- Card inquiry;
- Transaction history by PAN or FNS retailer numbers;
- Non-settling claims repayment transactions by recipients using their FSP benefits [7 CFR 273.18(f)(2)(i)];
- Adjustment actions;
- Retrieval of archived data;
- Administrative terminal security actions, and
- Card replacement fee transactions paid by recipients from their FSP benefits if the State imposes such fees.

With experience in using administrative terminals, States may be able to identify specific capabilities they would find useful such as being able to view benefits that are posted but which have not reached their availability dates. These could be identified as requirements in the RFP.

### **Web-based Access**

Requirements for Web-based Internet access for recipients, State offices and agencies, or FNS authorized retailers should be explained.

## **System Settlement and Reconciliation**

The RFP should describe and require reports that support complete system settlement and reconciliation activities. An interface with the Account Management Agent (AMA) for transmitting the daily Batch Issuance file is a requirement. Also, the Contractor must have access to Treasury's Automated Standard Application for Payment (ASAP) System if the State intends for the contractor to perform daily drawdown activity. The *FNS EBT Reconciliation: Guidance for State Agencies*, June 21, 2005, should be referenced in the RFP and the AMA format should be included in an appendix. The State agency should describe how benefits posted to household EBT accounts are to be reconciled against allotment information received from the State agency. The RFP should ask the bidders to specify how they would accomplish system settlement and reconciliation and report on these. The State agency cannot delegate the reconciliation of the Master Issuance Authorization file with the benefits posted to the EBT accounts. This is a State reconciliation responsibility; however, the State must require the contractor to provide reports needed to accomplish the reconciliation. This RFP section should address the following:

- How individual account balances will be reconciled against account activity on a daily basis;
- How retailer transaction information will be reconciled to retailers' daily credits;
- How retailers' daily transactions and net daily credits will be reconciled to recipients' total daily transactions and net daily debits;
- How retailers' daily credit information will be verified against daily deposit information;
- How total funds entered into, exiting from, and remaining in the system each day will be reconciled;
- How retailers using third party processors will be credited; and
- A description of State reports needed.

In a multi-program EBT system, settlement and reconciliation must be performed for each program, and the RFP should describe how this will be accomplished. If the State has a State-funded FSP, the settlement account for the program should be a State bank account and not the State EBT FSP account at Treasury managed by the AMA. Also, the RFP should ask bidders to describe the settlement process for transactions that fall outside normal on-line procedures (voucher transactions, adjustments, claims).

Benefits that are posted to accounts but have not yet reached their availability dates could be problematic in reconciliation. Benefits that are authorized by the State eligibility system and transferred to the EBT vendor but which are "unlinked" to a case for any reason must be accounted for in reports. The RFP should discuss any anomalies they have found to be difficult to track or reconcile and ask bidders to address them.

## **Retailer Management**

The RFP must address managing FNS-authorized retailers. The regulatory requirements are found at 7 CFR 274.12(g) and in other sections of 7 CFR 274.12. The RFP should cover:

- EBT-only retailer agreements and materials;
- FNS interfaces for STARS, REDE and ALERT;
- Timeframes for providing access to new retailers and prompt removal of retailers that have been disqualified by FNS;
- POS deployment requirements and the need for an annual review of POS deployment;
- POS maintenance;
- POS recovery when retailers leave or at the end of the contract;
- Adjustments;
- Settlement accounting, concentrator bank services, and funds movement;
- Voucher approvals;
- Farmers' market needs;
- Interoperability;
- Compliance with the X9.58 message standard (the current FSP version of ISO 8583);
- Retailer customer service;
- Reporting on retailer related matters;
- Protection of retailer information, and
- Retention of records.

The RFP must require the contractor to provide interface specifications for Third-party processors (TPP) and certify new TPPs to the system within 30 days. TPP agreements must require support for all transactions types (purchases, refunds, voids, key-entered transactions, balance inquiries, and settlement or close-out). The agreement must also require that transaction data allow identification of the POS terminal where each transaction occurs. Other requirements are that TPPs must be able to process transactions for EBT cards issued by all States, must handle reversals properly, must provide receipts to recipients displaying the remaining balance and they must only route EBT transactions from FNS authorized retailers. The contractor should be required to work with the State and FNS if necessary, when problems are found with TPPs or Independent Sales Organizations failing to comply with these or other FSP regulations. FNS needs each POS to be identifiable within the ALERT transaction data. This means that every POS device given to EBT-only retailers should have a separate identifier and that replacement EBT-only POS should have sequential or at least different identifiers from the POS that has been replaced. For TPPs, the requirement is to have POS identifiers that are unique within each store location. States should explain these needs in their RFP and ask for the approach the bidder will use to comply.

The RFP should explain requirements if the State has opted to allow store-and-forward transactions (7 CFR 274.12(m)) and/or representation (7 CFR 274.12(l)). Information on the numbers and types of retailers in the State should be provided in an appendix.

## **Customer Service**

The RFP should delineate responsibility for customer service and toll-free numbers, including TTY lines and whether the State requires call centers to be located in the U.S. Cost can become a significant factor due to the hours of operation involved. States should consider who will bear the implementation and ongoing costs, who will maintain the system, and who will operate the toll-free hotlines required for this project. Some States have taken on portions of this work or have separated the contracts for this work. Recipients must be able to report lost or stolen cards every day, 24 hours a day. If the State agency delegates these tasks to the contractor, the RFP should ask that the proposal include hours of operation, services provided to recipients, and services provided to retailers. The State call statistics (e.g., peak calls, average calls) for the customer service center should be provided in an appendix covering the latest 12 months.

## **Training**

The State agency should describe in detail the training that the State agency will expect the contractor to provide. This may include, but is not limited to, training-the-trainer, implementation training, ongoing training for State and local staff, recipient training, and retailer training. The RFP should detail training materials required such as administrative terminal manuals, brochures, card inserts, operations manuals, and user guides. A training plan should cover all aspects of training, including scheduling, types of training, and target audience (e.g., client, retailers, and financial institutions). The State agency should specify how often the contractor should update the training materials; identify who is responsible for on-going training, and any special requirements for non-English speaking persons and persons with disabilities.

## **7.3 Performance and Technical Requirements**

The FSP EBT regulations at 7 CFR 274.12(h) detail the standards for Performance and Technical requirements. They must be referenced in the RFP either generally or specifically for each requirement. The regulations require that an EBT system comply with POS technical standards established by ANSI or ISO, where applicable, and use the FSP version of ISO 8583, the X9.58 message format. They currently require PIN encryption using the Data Encryption Standard (DES) algorithm [7 CFR 274.12(h)(3)(i)(C)]. Since stronger encryption standards are recommended by the National Institute of Standards and Technology (NIST), they may be required by States for their EBT systems. A waiver is not required to implement the higher standards.

The *EBT System Security Guidelines Handbook*, Version 6.0, February 2004 provides further details on security and should be referenced in the RFP. The RFP must cover the areas listed below.

### **System Processing Speeds**

Regulations at 7 CFR 274.12(h)(1) cover POS transaction processing and must be referenced. The State may want to add specific performance requirements for their Administrative Terminal processing.

### **System Availability and Reliability**

Regulations at 7 CFR 274.12(h)(2) cover availability and reliability of the EBT host and must be referenced in the RFP.

### **System Security**

The regulations at 7 CFR 274.12(h)(3) cover storage and control of cards, PINs, and POS devices. Software controls, communications network security, secure manual voucher use, message validation, administrative and operational procedures, risk analysis, and contingency planning are also discussed. The *FSP EBT Security Guidelines Handbook*, Version 6.0, February 2004, should be referenced in the RFP.

OIG audits have found a number of system security issues that could be addressed specifically in the RFP. EBT contractors should have periodic security training for their staff. States should require reports from their EBT system that allow monitoring of State and local user access. Based on those reports, States should follow up to remove access for those who have left EBT, left the State, or who no longer require access for any reason.

### **Third Party Processors**

The regulations at 7 CFR 274.12(h)(5) require TPP interface specifications, discuss certification of TPPs, and require compliance with all applicable FSP requirements.

### **Minimum Card Requirements**

Regulatory requirements for cards are contained in 7 CFR 274.12(h)(6) and should be referenced. Cards must have the non-discrimination language on them or on the card sleeve. A common waiver is to eliminate the return address from the card and should be noted in the RFP if obtained by the State. FNS recommends that States consider requiring, or asking vendors to provide pricing for high-coercivity cards since they may mitigate the excessive key-entry problems found in many States.

### **POS Terminals**

The POS must not display the balance on the screen, except at balance-only inquiry POS [7 CFR 274.12(h)(7)]. The PIN must be encrypted upon entry and PINs must not be displayed. The State should ask for reporting on the number of key-entered transactions since this is a recurring problem and may indicate the need for POS maintenance. The State may ask for follow-up reports or actions to determine and help the State address the cause of excessive key-entry transactions.

### **Minimum Transaction Set**

Authorization or rejection of purchases, refunds, voids, key-entered transactions, balance inquiries, and settlement transactions are the minimum transaction set for all retailers [7 CFR 274.12(h)(9)]. Interoperable transactions [7 CFR 274.12(h)(9)] are also required.

### **Interoperability**

All State EBT cards must be accepted and processed for FSP transactions in all authorized retailers [7 CFR 274.12(h)(10)]. Most States have adopted the NACHA Quest Operating Rules for their EBT systems. FNS participated in the development of the rules to ensure there were no conflicts with EBT regulations. FNS does not require the use of these rules but has no objection to their use.

## **7.4 Testing Requirements**

### **User Acceptance Testing**

States do extensive testing before and after the formal User Acceptance Test required by FNS. All testing requirements must be explained in the RFP. FNS attends the UAT and bases their approval for the State to begin new system operations on the results. A scaled down UAT may be conducted if the incumbent wins the bid and few modifications are made to the existing system. FNS recommends that the contractor be required to provide the detailed system design, system test plan, and acceptance test scripts at least 4 weeks prior to UAT. The State must provide the materials to FNS so they are prepared for their participation. If the State wants some tests to be done at their facilities, they should make that clear in the RFP.

The RFP should ask bidders to explain system and equipment testing (with validation methodology) that will highlight the scope of the testing to be done including the various configurations to be tested. The testing methodology should specify the hardware or software performance monitors that will be used to demonstrate and predict performance of the proposed system. The test should be conducted using POS with production software loads and transactions should be routed through the EBT-only processor or switch that will be used in production.

### **Transition/Conversion Tests - Trial Runs**

Besides EBT system tests, trial runs of data conversion must be done before the actual database conversion. This is usually described in a Transition/Database Conversion Plan. The plan should describe the purpose and function of the trial runs and the expected outcome of each scenario. The test plan should also include specific testing processes and back-up solutions if needed.

The contractor should maintain a test database before production to validate transactions from the State eligibility system, POS terminals, and ATM networks. Initial testing of the new system will occur once the files are received from the incumbent host processor and the test database is populated. Network connectivity should be tested to ensure that all online and batch files are received and transmitted properly. The State should send the new processor a dummy file. A return file should be transmitted to ensure that the file was processed successfully.

The trial runs should be done the same way and in the same sequence as they will be done the night of conversion. Estimates and expectation based on the trial runs are only useful if everything is done exactly the same. The RFP should require at least two trial runs of the data conversion, and possibly three, prior to the actual database conversion. This requirement should be placed in two sections of the RFP. First, it must be a requirement for the new contractor when taking over from the current vendor. Second, it must be a requirement at the end of the new contract period for transition to the next vendor.

### **Interface testing**

The RFP should require that the new processor begin testing the eligibility interface at least two months before the functional demonstration. The tests should at a minimum ensure rejection of

duplicate files, rejection of duplicate records, detection and correction of transmission errors, rejection of incorrect headers or footers, and adequate return files.

### **Contingency Testing**

Contingency planning covers backup operations plans, procedures and responsibilities to ensure that essential (mission-critical) EBT operations will continue if normal activities are stopped for a period of time. States may require a “hot back-up” site for continued operations in case of failure at the primary operations site and specify the amount of time expected for fall-back. States may also require an escalation process that includes notification of State EBT managers. Post-incident recovery procedures and responsibilities should also be required to facilitate the rapid restoration of normal operations at the primary site or, if necessary, at an alternate facility, following destruction, major damage or other significant interruptions of the primary site. During the operations phase, contingency testing should be done annually to ensure that back-up operation plans are adequate.

## **7.5 System and Equipment Maintenance**

The RFP should address expectations for the contractor to maintain, upgrade or repair the communications and processing capacity and all equipment needed to meet performance standards and respond to problems promptly. The State should require that they be informed of changes the contractor may plan to make in order to meet the performance requirements if the changes would or could affect the State’s EBT operations. This could include changing subcontractors, upgrading equipment, rerouting communications, implementing technological innovations, or other changes. The changes must not have a negative impact on the schedule, functionality, or performance of the State’s EBT system, or affect client or retailer access, or cause additional charges to the State agency unless agreed to by the State.

## **7.6 Transition and Database Conversion**

The RFP must be written with the assumption that a new vendor may win the bid. State agencies should have a procurement schedule that would allow a new vendor to complete an orderly database conversion and transition of all other aspects of the work. FNS recommends that the new EBT contract should be negotiated and signed a full year before the end of the current contract. The *FNS EBT Transition Guide*, Version 2.0, June 6, 2005 may be referenced in the RFP. States should use the *Transition Guide* when writing this section of their RFP with appropriate additions or deletions for their situations.

### **Transition/Conversion Plan**

The RFP should require a detailed Transition/Conversion Plan as a deliverable. The plan must cover all activities needed for the migration from the State’s current EBT system. The plan should include a description of the overall approach, the order in which the transition activities will occur, tasks to be performed, the parties responsible for performing each task, and a back-up plan if any or all of the transition activities are delayed. The conversion should be timed to minimize disruption to recipients and retailers and State operations. If the State has dates they must meet or notices they wish to use they should be included in the RFP.

Typical subjects for Transition/Conversion plans include:

- Team members, roles and responsibilities;
- Contracts with EBT-only retailers;
- EBT-only POS migration;
- Card activation devices for local offices;
- TPP migration;
- Administrative terminal migration;
- EBT card redesign and replacement;
- Training and training materials;
- Notification to retailers, TPPs, recipients, others;
- Interfaces with FNS systems;
- Database clean-up;
- Data element transfers (recipient, case, card, benefit, voucher, and transaction elements);
- Transaction history transfer;
- Database conversion trial runs (a minimum of two);
- Customer Service migration;
- GO/NO GO points;
- Fallback procedures;
- Manual voucher procedures during downtime;
- Database conversion date and time;
  
- Validation of database values; and
- Assessment of errors and liabilities, if needed

## **7.7 Disaster FSP Issuance**

The RFP must include any State requirements for Disaster FSP Issuance. FNS does not have requirements for a particular approach to handle disaster issuance and recognizes that varying threats and dimensions of disaster situations require flexible planning. Many States have well developed plans for disasters ranging from the simple need for replacing benefits of participating households who have lost food purchased with benefits to the massive issuance of new cards for newly eligible recipients under a full-blown Disaster FSP. The *Disaster FSP Guidance*, April 2007 should be reviewed when creating or updating State disaster plans. It is available online at [www.fns.usda.gov/disaster/disaster.htm](http://www.fns.usda.gov/disaster/disaster.htm).

States often ask FNS for a waiver to allow 90 day expungement of unused disaster benefits. Although FNS does not grant disaster waivers in advance, the State should let bidders know if they expect to use a shorter expungement period and require it in the RFP.

## **7.8 Integrity Requirements**

### **Financial Liabilities in RFP**

The State agency may require the contractor to assume all liability on account overdrafts. The RFP should also delineate which party will assume liability on manual voucher transactions, unauthorized over issuances and transaction processing errors. Otherwise, if not contractually passed to the EBT contractor, its agents, or to retailers, such liabilities remain the responsibility of the State.

### **Audit Requirements**

The State and Federal governments must be permitted to inspect, review, investigate, and audit contractor records concerning EBT and facilities engaged in EBT work. These requirements are found in the FNS regulations at 7 CFR 277.17 and 7 CFR 277.18(k). This includes the records and facilities of any subcontractors. SAS No.70 audits must be done annually as required in 7 CFR 274.12 (j) (5) and a copy must be provided to FNS.

### **Investigative Access**

Investigative Access includes:

- Creation of cases and cards to be used by investigators;
- Posting benefit amounts to the investigative cases, possibly on an irregular basis as needed by the investigators;
- Training, card issuance, and PIN selection for investigators using the cases;
- Providing reports on the investigative cases showing the amounts funded to the cases and the transaction histories of the funds on a monthly basis;
- Providing information, as needed, for evidentiary purposes within 24 hours;
- Providing extract files, starting at database conversion, of transaction history;
- Retention of all records for a period of three (3) years or longer if notified; and
- Read-only access provided through administrative terminals for FNS and OIG compliance staff for investigative and reconciliation purposes. This access should be arranged using the procedures already developed between FNS and each of the vendors currently operating an EBT system for a State. The access must be ready for FNS use at the time of database conversion.

### **Federal System Interfaces**

The State must ensure that data provided by the contractor to FNS is in the format FNS requires for the following system interfaces:

- AMA, daily batch update;
- ASAP, daily draw;
- STARS, daily or weekly transmittal of FSP net total redemptions by food retailers for each day;
- ALERT, daily transaction activity (used for retailer compliance); and
- REDE, daily information on authorized, disqualified, or withdrawn food retailers.

Specifications for these should be provided in appendices.

### **Adjustments**

The RFP should require an adjustment process in compliance with the FNS regulations at 7 CFR 274.12(f)(4) as modified by any State waivers.

### **Key-entered transactions**

Key-entered transactions may indicate fraud, card stripe problems, or POS card reader problems. The RFP should require reporting on these transactions and may ask for an approach or plan to reduce them. At a minimum, States should ask for cooperation in addressing this issue during operations. FNS recommends a high-coercivity card to help address this problem. Some States require a limitation on the number of key-entered transactions before a card is placed on hold or automatically replaced. The RFP should describe any limitations or reports required on key-entered transactions.

### **Refund transactions**

Refund transactions used excessively may also indicate fraud. The RFP should require that refunds be matched to benefit grants in real time. FNS recommends that reasonable limitations be placed on the number and amount of refunds permitted per month, and that daily and monthly refund reports be provided to the State. The RFP should describe reports and limitations if the State has set them and/or ask for suggestions in approaching this issue during operations. FNS should be consulted regarding limitations and will review any limitations the State places in the RFP.

### **POS terminal ID**

FNS needs to be able to trace each transaction back to the POS from which it was transmitted. This applies whether the transaction comes from an EBT-only device provided by the State's EBT contractor or from TPP-supplied devices. States should ask for the approach bidders will use to meet this expectation.

**POS removal or movement**

Once installed, a POS device provided under the State's EBT contract must not be removed or moved by the retailer. Some retailers legitimately obtain a POS and then move it to another location for the purpose of trafficking FSP benefits. Also, some retailers have improperly moved a POS to another authorized store location they own. EBT-only retailer agreements or retailer training materials should explain that POS devices must not be moved. States may also ask for suggestions in detecting moved POS devices or for approaches that would deter or prevent moving them.

**International Standards Organization (ISO) and American National Standards Institution (ANSI) Standards**

The bidders must comply with ISO and ANSI standards related to EBT as required by FSP EBT regulations and Quest® Operating Rules, if the State elects to use Quest. These include EBT messaging standard X9.58 for FSP transactions (based upon the ISO 8583 financial interchange message specifications), as well as the ISO 7813 for physical card and magnetic stripe specifications.

**7.9 EBT Waivers Affecting Operations**

The RFP must require compliance with FSP EBT regulations at 7 CFR 274.12. The only exceptions permitted are those for which the State has an FNS-approved waiver for the contract period. Waivers are not approved for indefinite use, but only for each EBT contract period. Therefore, States must decide which waivers they wish to continue using in their new contract period and whether they require any new waivers. States must then obtain FNS approval and explain their impact on EBT operations in appropriate sections of their RFP. The State agency should obtain waiver approvals before the RFP is published, or at the latest, before the contract has been negotiated and signed.

Common waivers used by States are:

- **Adjustments-Holds** - 7 CFR 274.12(f)(4)(ii). A hold will not be placed on the debit adjustment amount in the household's EBT account while waiting for the fair hearing request period to end. The State must send a concurrent notice to the household upon receipt of the adjustment request.
- **Adjustments-Notices** - 7 CFR 274.12(f)(4)(ii). The State must act on all debit adjustment requests within 15 calendar days instead of 10 business days.
- **Stale account handling-Expungement** - 7 CFR 274.12(f)(7)(ii). Benefits will be expunged after 9 months (or 270 days) of inactivity instead of one year.
- **Retailer Fees** - 7 CFR 274.12(g)(2). Retailers will be charged a reasonable POS reinstallation fee if their government deployed POS device has to be reinstalled after having been removed because the retailer was disqualified by FNS and was then allowed to re-enter the program.
- **Retailer participation -POS equipage** - 7 CFR 274.12(g)(4)(ii). Authorized retailers

with less than \$100 per month in FSP benefit redemptions will participate in the program using manual vouchers instead of POS devices.

- **Performance and Technical Standards-System Security-PIN encryption - 7 CFR 274.12(h)(3)(ii)(C).** The PIN will not be encrypted when entered by the recipient into a telephone to reach the Automated Response Unit (ARU) for PIN selection.
- **Performance and Technical Standards-Minimum card requirements - 7 CFR 274.12(h)(6)(i)(A).** A return address will not be printed on the EBT card.

## **7.10 Transition to the Next Contract**

At the end of the contract term, another procurement will occur and another vendor may take over. The requirements for cooperation in that future transition and possible database conversion must be explained in the RFP. At a minimum, this includes cooperation in working with subsequent contractors and subcontractors, participating in conference calls, cleaning up the database before conversion, working with the State and next contractor on the transition planning, providing data or files for two trial runs, participating in two trial run planning, transferring the Customer Service numbers when possible, providing keys for encryption/decryption of PIN blocks, providing database values, final reporting, resolving any liability questions if errors are found, and payment for liabilities if responsible.

## **8 PROJECT MANAGEMENT**

States vary greatly in their requirements for Project Management and the components for such material. At a minimum, the RFP should require a project management plan that covers all phases, deliverables, and tasks. States should also specifically require that all actions that will or may affect EBT operations, recipients, retailers or the State staff must be communicated by the Project Manager to the State EBT Manager in advance of the action and must be agreed to by the State. See Appendix F, Project Management, for further discussion.

## **9 EVALUATION, SELECTION, & AWARD**

States are responsible for the settlement of all contractual and administrative issues arising out of procurements including the evaluation of proposals. [7 CFR 277.14(a)(1)]. Evaluation determines the relative merits of the bids and each bidder's ability to successfully accomplish the contract. FNS has no involvement with evaluation and selection but remains concerned with the number of protests and legal actions resulting from EBT procurements. The evaluation committee should strictly adhere to the State's evaluation procedure. The evaluations should be made using only the criteria contained in the RFP to avoid protests. We recommend that procurement and/or legal specialists train and advise the evaluation committee before the process begins to ensure the committee is thoroughly prepared. Following the evaluation of the

responses, each bidder must be provided with written notification indicating if they were selected or not selected.

## **9.1 Evaluation Process**

The RFP should clearly state the significant evaluation factors that will be considered in making the selection, and their relative weight or importance. These include cost or price, cost or price-related factors, past performance and other non-cost or non-price-related. A common method of evaluation is based on assigning points and/or percentages to the relevant sections although that is not the only method available. States are free to choose the method that best meets their needs. Whatever process is used, evaluators must be careful to follow that method and must be able to support their decisions. The RFP should provide a description of the evaluation process and specify mandatory and desirable criteria against which the proposals will be assessed. The evaluation should include an examination of the technical proposal based on a comparative assessment of proposals against all source selection criteria in the RFP. If allowed by the State agency's procurement laws and procedures, the RFP should specify if the evaluation of alternative proposals applies to the RFP.

### **Right to reject or cancel**

The State may reserve the right to reject any or all proposals received or to cancel the RFP, regardless of evaluation, if it is determined to be in the best interest of the State to do so. This should be stated in the RFP.

### **Evaluation Committee**

An evaluation committee evaluates all proposals received by the closing deadline, unless a proposal is determined to be non-responsive. The committee must have members that can commit time for a thorough review of the proposal and members who understand EBT. It is also important for committee members to know the FSP and any other programs that will be served by the EBT system. The committee also should include members from diverse stakeholder groups, such as the State programs, a procurement representative, IT Department representatives, local agency representatives, and the State's monitoring contractor (if applicable). The committee should be trained on the evaluation criteria, process, and timeline. Training should be provided for evaluators by State procurement or legal staff before the evaluators begin their work. The evaluation committee will judge the proposals in accordance with the evaluation factors specified in the RFP.

## **9.2 Criteria for Evaluating Proposals**

The State should consider all relevant factors, such as cost, performance, quality, and schedule, and consider potential tradeoffs between cost and non-cost factors, rather than just buying from the lowest cost, technically acceptable bidder. Relevant factors may include:

- Response format, as required by the RFP;
- Adequacy and completeness of proposal in responding to the RFP provisions;
- Proposal is signed by an individual authorized to bind the contractor;

- Contract Terms and Conditions are agreed to in their entirety;
- Bidder's understanding of project;
- Experience in providing similar services;
- Project personnel and availability relative to their other assignments;
- Management Plan to accomplish tasks and provide deliverables identified in the SOW;
- Proposed system documentation;
- Contractor has bid a total EBT System solution, including all required hardware, software, networks, facilities, and services (if that is State's requirement);
- Technical skills (contractors should map staff skills to the functional areas identified in the RFP.);
- Cost; and
- References.

### **Previous Program Experience**

States should not put previous EBT or program experience in their selection criteria as a pass/fail element. Instead, the RFP may require and assign evaluation points for relevant experience in projects of similar scale and with similar services, and may award more points for program-specific experience.

### **Geographic Preference Prohibition**

USDA regulations 7 CFR 3016.36 (2) state that grantees and sub-grantees will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preferences. Nothing in this section preempts state licensing laws.

### **Technical Proposals**

After a proposal meets the mandatory solicitation conditions, it is then subject to an evaluation based on its technical merits. This section of the RFP should describe the evaluation criteria and any weights assigned to them, as well as the maximum score possible for each. Most States do not disclose their scoring methodology templates within the RFP although some States do so, believing this may help to minimize subjectivity and protests.

The RFP should describe the approach that will be used for the technical evaluation of the proposals for the procurement. During the technical evaluation phase, the committee should reserve the right to hold discussions with contractors in order to obtain clarification of pertinent items in their proposal, consistent with State procurement regulations.

The technical evaluation of bidder's qualifications, experience, and expertise, and of their proposed methods of performance is somewhat subjective since each evaluator individually scores all criteria. Evaluators' scores for each criterion in every proposal should be submitted to the State's contracting officer. Submitted scores from all evaluators for each criterion would

then be averaged, and the averages for each scoring criterion in each part would be totaled. This process should help ensure a consistent and objective evaluation of each proposal.

### **Cost Proposals**

Cost Proposals will be distributed to the evaluation committee following the completion of the technical evaluation. The committee should determine total cost of the proposals in order to establish a financial ranking of the proposals, from lowest to highest total cost. Any cost proposal that is incomplete or contains inconsistencies or inaccuracies on pricing schedules may be rejected by the State. No deviations, qualifications, or counteroffers to RFP requirements and formats should be accepted, unless the RFP calls for alternative proposals.

The evaluation of a bidder's proposed pricing submitted within its Cost Proposal should be an objective, quantitative analysis and ranking of fixed unit and fee pricing. The cost ranking should encompass the original contract period plus renewal periods that will be optional to the State. The cost ranking would include all mandatory requirements (e.g., start-up costs, CPCM costs, responses to options). The points awarded for the cost ranking would then be added to the points awarded for technical evaluation to determine the final scores and the ranking for each of the proposals.

## **9.3 Proposal Ranking and Selection**

The proportionality assigned to the technical and the cost factors of an RFP evaluation is a serious decision that States must make. The lowest cost should not be the overriding factor when awarding a contract of such technical complexity as an EBT system. However, FNS recommends that cost represent at least 45% of the maximum points.

The RFP usually indicates that the committee will make recommendations for the award of the contract to the responsible bidder whose proposal is determined to be the most advantageous to the State, based on the highest combined Technical and Cost Scores. Contract award is contingent upon both State and Federal approvals.

### **Negotiations**

Once the source selection decision is made, good faith negotiations should follow. Award would be contingent upon full agreement of the terms and conditions to be included in the contract. Once the source selection decision is made and requirements are placed upon the contractor to provide additional information in preparation for negotiating a contract, the decision should not be withdrawn.

Normally, a Contracting Officer from the State's procurement office conducts negotiations in writing, or in person, with every bidder in the competitive range. Negotiations are designed to address ambiguities or uncertainties in a proposal, concerns about proposed costs, and other administrative issues. Bidders are requested to respond to questions, and ultimately, to submit a Final Proposal Revision. The Final Proposal Revision is the basis for the final contract award to the bidder deemed most advantageous to the State.

Limited negotiations, with the source selected for award, are conducted after internal ratification of the award decision. Such negotiations are necessary to finalize terms and conditions of the award, e.g., confirmation of each party's proposed performance obligation (e.g., sign-off and acceptance of the proposed contract statement of work, and any applicable special contract terms and conditions such as payment provisions, subcontracting plans, data rights, etc.). The extent of limited negotiations, however, is restricted only to factors which would not have any effect on the award selection decision or in no way would prejudice the competitive interests or rights of those not selected for award.

### **Award**

Upon receipt of confirmation of the limited negotiation issues from the bidder selected, the contract document is drafted and transmitted to them for signature. The Contracting Officer makes the award upon receipt and acceptance of the signed contract. Debriefings are then conducted with organizations not selected for award after the award is made. It is important that the State remember that all EBT contracts must be reviewed and approved by FNS before award.

**APPENDIX A—TIMELINE\***

| Item  | Months before database conversion | Comments   |
|---|-----------------------------------|--|
| <b>Waivers</b> from regulations for EBT standards in 7 CFR 274.12 | -25                               | <b>FNS approves for each new contract.</b> State submits to FNS through e-mail with original approval reference number, brief description, regulation citation, and whether renewal or new waiver request. |
| <b>RFP</b>  | <b>-24</b>                        | <b>FNS approves</b>  |
| <b>Contract</b>   | <b>-12</b>                        | <b>FNS approves</b>  |
| <b>Detailed Transition Plan</b>                                   | <b>-8</b>                         | <b>FNS approves</b>  |
| Layouts, data elements, etc.                                      | -6                                |  |
| Telecom hardware  | -6                                |  |
| Retailer Transition Plan  | -6                                |  |
| TPP contacts  | -5                                |  |
| ATM Network contacts  | -5                                |  |
| Acceptance Test plan  | -4 to -2                          |  |
| Acceptance Test scripts   | -4 to -1                          |  |
| <b>EBT-only Retailer Agreement</b>                                | <b>-4</b>                         | <b>FNS approves for each new contract</b>  |
| <b>TPP Agreement</b>  | <b>-4</b>                         | <b>FNS approves for each new contract</b>  |
| Trial run #1  | -3                                |  |
| AMA/ASAP Profile  | -3                                | FNS initiates by sending profile form to the State   |
| State Functional  | -3                                |  |
| Retailer Notice of outage   | -2                                | FNS can do mailing   |
| Trial run #2  | -2                                |  |
| <b>User Acceptance Test</b>                                       | <b>-2</b>                         | <b>FNS approves for 'GO' to new system</b>   |
| Trial Run #3  | -1                                |  |
| <b>IAPD to FNS</b>  | <b>-1</b>                         | <b>FNS approves</b>  |
| Database conversion   | 0                                 |  |

\*This timeline is a modified version of the Appendix B, Sample Timetable, contained in the *FNS EBT Transition Guide*, Version 2.0, June 6, 2005.

## **APPENDIX B—STANDARD AND EXAMPLE LANGUAGE**

A workgroup of State and FNS staff created several Standard Language Modules that may assist when States are drafting their EBT RFP. In addition, FNS EBT Regional Coordinators and EBT Branch at FNS-HQ have accumulated examples of language from State RFPs on various subjects. Some, but not all, of these modules or examples are currently available on the EBT Partnerweb. <http://www.fnspartner.usda.gov>

If not found there, contact your Regional EBT Coordinator or the EBT staff, FNS-HQ.

Account Set-up (unsuccessful batch transmissions issue)

Adjustments

Anti-lobbying

Audits

Change Management

Disasters

Drug-free Workplace

Federal Interfaces

Financial Liabilities

Interoperability

Key-entered transaction limitations

POS Relocation (as growing fraud issue)

Reconciliation

Suspension/Debarment

TPP Requirements

Transition/Conversion

## APPENDIX C- COMMON RFP ATTACHMENTS

Following is a compilation of EBT RFP appendices that have been used by various States.

Acronyms  
Adjustment numbers \*  
Administrative Terminal Users  
ALERT information  
AMA information  
Batch Cycle Processing  
Batch Interface  
Card design  
Card Production numbers \*  
Card Replacement numbers \*  
Caseload Numbers for FSP, TANF and other programs \*  
Claims activity file  
Customer Service call volumes \*  
Customer Service calls handled by ARU \*  
Customer Service calls handled by live representative \*  
Customer Service calls for PIN selection \*  
Direct Deposit numbers \*  
Eligibility System environment  
Farmers' Market locations  
Glossary  
Grant Expungement record  
Group home locations  
Issuance dollars by program \*  
Local Office addresses and phone numbers  
PIN selection device locations  
POS installation numbers \*  
POS repair numbers \*  
REDE information  
Retailers by county  
Retailers by type  
Retailers with POS EBT-only  
Retailers with TPPs  
Staggered Issuance information  
STARS information  
State Organization Chart  
Telecommunications environment  
Terms and Conditions  
Transaction Volumes  
TPPs

\*Numbers in these attachments are usually given for each of the previous 12 months.

## APPENDIX D—DOCUMENTS TO SUBMIT TO FNS

For each new contract and EBT system, the following documents must be submitted. Regional and HQ offices review and comment on all items. Allow 60 days for FNS review. States may speed approval process by sending electronic documents simultaneously to both offices. Documents printed in **Bold** are to be considered as most important items leading to “GO” decision.

| <i>Document</i>  | <i>Comments for States</i>  |
|--|---|
| <b>Waivers</b>   | get approval before RFP drafting so waivers can be included in the RFP  |
| Planning APD   | not required for EBT unless a new approach or technology is planned   |
| <b>RFP</b>   | complete and get FNS approval 2 years before the current contract ends, add even more lead time if internal State clearance processes are lengthy |
| <b>Contract</b>  | consists of terms and conditions, RFP, winning proposal (both technical and cost volumes), and any negotiated modifications to these items        |
| <b>Contract Amendments</b>                               | all amendments must be approved; this does not include extension options with pricing negotiated with original contract                           |
| <b>IAPD</b>  | get approval before incurring costs for the new system  |
| <b>IAPD Updates</b>                                      | on an as-needed basis; not required for extension options if covered in the IAPD  |
| <b>Transition/Conversion Plan</b>                        | FNS reviews drafts, approves as part of “GO” permission   |
| <b>EBT-only Retailer Agreement</b>                       | must be approved for each new EBT contract period   |
| <b>TPP Agreement</b>                                     | must be approved for each new EBT contract period   |
| Design Document  | FNS needs this to participate in testing  |
| Test Plan  | FNS needs this to participate in testing  |
| Test Scripts   | FNS needs these to participate in testing   |
| Conference calls up to testing and transition/conversion | FNS and their technical assistance contractor participate in these calls  |
| User Acceptance Test Plan, Scripts                       | FNS may choose not to participate in this testing under some circumstances  |
| <b>“GO” to new system</b>                                | approval is based on test results, database trial run results, sufficiency of Transition/Conversion Plan  |
| SAS No. 70 annual audit                                  | for each year of contract and any extension years   |
| FSP Disaster Plan  | Changes should be submitted by August 15 each year  |
| Interoperability grants                                  | each year, if necessary   |
| AMA Profile  | 3 months before database conversion   |

## **APPENDIX E—DEVELOPING A MULTI-STATE EBT RFP**

By participating in groups, States may obtain EBT services collaboratively. Admittedly, there are issues involved in developing a common set of EBT service requirements for a multi-state (EBT) RFP when working in groups, States must be prepared to address potential problems.

### **ISSUES**

The issues that could impact operation of a joint EBT system should be identified and discussed first.

#### **State-Level Issues**

State-level issues are those internal to each State that must be discussed and resolved at the State level.

#### **Consortium Participation**

The State must decide whether it is in its best interest to participate in a multi-state effort. Among the factors to be considered are the following:

- What are the differences in the individual business and technical functions?
- What are the advantages (i.e., new functionality) and disadvantages (change in business processes) of a joint EBT procurement?
- Could combining caseloads with other States result in lower bids?
- Are there demographic or geographic considerations that would support a joint effort with neighboring States?

From an economic standpoint, each State should also consider whether it is more economical to participate in a consortium versus developing its own RFP. The State should determine how long it can commit to participate in the contract based on its current State laws.

#### **Contractual Requirements**

Each State's representatives to the multi-state consortium should review their current laws, rules, and regulations concerning the procurement and contract process. Conflicting requirements among the States as to maximum period of performance that may be contracted, methods of awarding contracts (e.g., firm fixed price bid versus negotiated price after receipt of bids), and contractual terms and conditions may hinder or prevent a multi-state effort.

Contract start dates and length may be issues that prevent full participation by a State and affects vendor pricing. Only when the States involved at the beginning of the contract remain through the end of the contract can economies of scale be achieved. Each State should determine its own time frame requirements, and later in discussions with other participating States, determine whether compatibility and consistency can be achieved. For example, a consortium RFP might

state that the maximum contract that any state will enter into will be for a term of seven years, subject to termination provisions as negotiated in the contract. Two 1-year extensions may be required at the sole discretion of the Contracting State Agency (CSA). The terms and conditions of the contract would remain unchanged in the event of any such extension.

Similarly, each State should determine its current procurement laws (e.g., contractual terms and conditions) and be prepared to discuss its requirements at the consortium level.

### **Current EBT Systems**

The States involved must each discuss their current methods of benefit issuance (including settlement and reconciliation). An assessment of each State's current hardware and software should be conducted. After assessing the current hardware and software, each State should also analyze and discuss the differences between State programs and EBT systems (e.g., caseload, operating costs, issuance method, etc.). Ultimately, the functionality will have to be clearly defined before it can be implemented.

### **Border Partnerships**

Although geographic proximity may make a consortium RFP appear to be the best option, it may not be advantageous if a border State's current operating costs and laws make it difficult to achieve economies of scale.

### **State Points of Contact**

Each State should decide who represents the State at consortium discussions. The expertise of each representative should be considered. The appropriate resources (e.g., IT department, field office users, procurement, policy, etc.) from each State should participate in the consortium discussions. For example, it may be valuable to have a knowledgeable procurement representative present at the State- and consortium-level discussions to provide immediate response on procurement issues. Involving all the necessary stakeholders in the consortium meetings will help ensure the acceptance of the resulting decisions.

A number of future allowable personnel replacements should be specified once State team members are selected. Team members designated for meeting with the rest of the consortium should be available throughout the RFP's development to prevent confusion and to expedite the process.

### **Caseloads**

Current statistical reports depicting programs, caseloads, and other pertinent information should be examined to ensure key pieces of information are considered in the planning for the joint effort.

### **Needs and Objectives**

Each State should discuss its current needs and expectations (i.e., expected reduction in price over time in exchange for increased caseload volume across several States) in detail.

The States should calculate the individual costs associated with each State's current EBT system. If the minimum cost bid exceeds the current amount of administrative expenditure, the States may not wish to pursue a joint EBT solution or may wish to trim some of the proposed system costs.

### **Program Benefits**

Each State should discuss what types of benefits should be issued through the EBT system. A list of these benefits should be compiled and brought with the State to the consortium table discussions to expedite benefit discussions.

### **Consortium-Level Issues**

#### **Fees**

The States should have already determined the number and types of ATM and POS terminals available in their States. If bidders know the equipment and firms that are existent, they can build known access fees and other tangible fees directly into the proposal. If existing infrastructures cannot be determined with any degree of certainty, then that fact should be clarified in the RFP, as well as what each State will expect in terms of ATM coverage and third party processor participation. States should agree if the bidder can be allowed to charge fees for ATM access or other types of transactions and clearly specify those fee schedules in the RFP.

#### **Cards and Benefits**

The States should consider whether card replacement fees are appropriate for their joint EBT system, and if so, the States must discuss when these fees will be initiated against a recipient, the amount, and whether fees may be paid with benefits. The number of cards replaced may decrease when a fee is charged for its replacement. States should agree on the types of benefits that will be issued on the cards and how they will be processed by the EBT vendor. If different benefit programs are to be accessed with different types of equipment (ATM versus POS) then the multi-state consortium may not take full advantage of the economies of scale.

#### **State options-Card replacement fees, Representation, and Store-and-Forward**

States should decide whether they will charge card replacement fees and if so, recipients may pay for these fees with their FSP benefits.

The States should ensure that a manual voucher process is available and consider whether representation will be an option. Representation is an option to States that allows re-presentation of the voucher over subsequent months under certain circumstances.

Store-and-forward is an option to States that allows retailers, at their own choice and liability, to perform these transactions when the host cannot be accessed for any reason. Representation is not allowed for store-and-forward transactions. See 7 CFR 274.12(l) and (m).

#### **Quest Operating Rules**

The States should decide whether the Quest Operating Rules will be used.

### **Penalties and Liabilities**

The States should discuss any penalties and liabilities that they must enforce when the joint EBT system is operational. The States must decide whether system response time requirements and liabilities will carry over from State to State or whether each State will develop its own. They should also consider whether these will be enforced collectively or individually by each State.

### **Evaluation of the Bid**

The States should discuss how they will evaluate a prospective vendor's proposal. Bid evaluation should be similar across all of the States involved in the RFP. The following issues should be discussed:

- Who will evaluate the bid? How many evaluators will be chosen?
- What type of expertise should each person have? Should all evaluators have the same type and level of expertise?
- What events should occur in the evaluation process (i.e., oral discussion)?
- What is the format for the vendors' responses?
- What criteria must be met by the vendors? What mandatory requirements should vendors address?
- Is there a common evaluation system that will provide a scale for weighting each criterion defined?
- How will the evaluators be trained to uniformly evaluate the vendor responses?

### **PROCESS**

The recommended process for developing a multi-state RFP is based on the States collaboratively determining the following key factors before starting to develop technical requirements:

- Each State must determine its individual commitment to the process of developing, evaluating, and sponsoring the RFP and it should indicate this commitment in the form of a Memorandum of Understanding (MOU) or Letter of Intent between the participating States. The multi-state MOU is the foundation on which the States will operate, and it expresses to the vendors the credibility of the joint procurement process. The MOU should be included in the RFP to demonstrate that the States are serious about the joint project and intend to pursue it to completion.
- The States must agree on a lead procurement State that will be responsible for releasing the RFP and conducting the evaluation with the support of the others. The lead State should be selected based on its legislative constraints and procurement laws.
- The States must agree on a cost strategy. The information supporting the cost strategy should include individual State fiscal year time frames and the duration of system contracts. This information will provide the States with a road map for volume and indicate to the vendors the scope and time required for transition.

Upon completion and agreement on these three issues, the RFP working group can begin to develop common technical requirements. At this point, it is important to make available key individuals to identify and define each State's requirements.

### **Step 1: Resolve State-Level Issues**

The States that are considering participation in a consortium should resolve all State-level issues such as determining the compatibility of each State's procurement laws, reviewing contract timing specifications, reviewing current system costs, hardware, software, and procedures, designating team members, and involving State retailer associations prior to meeting for consortium level discussions.

### **Step 2: Develop an MOU**

Drafting an MOU is one of the first priorities. The MOU defines the framework within which the States will conduct the procurement, evaluation, award, and operation. At a minimum, the MOU should include the intended contract length, configuration management process, and vendor interface process, basis of cost, and procurement and evaluation agreements. Further, the MOU will delineate the roles and responsibilities for each of the States participating in the consortium, ensure the group's commitment to the development of an EBT RFP, and provide overall focus and direction to the process.

### **Step 3: Select a Lead State and Convene State Agency Leaders**

A lead State should be selected, and its role and responsibility should be incorporated into the MOU. The lead State must be committed to the process and to the EBT procurement action. If other participating States remove themselves from the multi-state effort, the lead State would provide the minimum caseload quantity available to the vendor if a contract is awarded.

At the beginning of their RFP development process, the participating States may wish to arrange a meeting with the heads of each of the States' Human Services Department present. This meeting would provide the States an opportunity to discuss their EBT plans. The department heads could voice their approval or concerns, in advance, and co-sign the MOU. This meeting may facilitate the development of the RFP.

### **Step 4: Develop a Schedule of Events**

The States should consider developing a schedule of events for the rest of the RFP development process to ensure efficient use of the team's time and effort. Each of the team participants should already have been determined. A schedule should list times when team members will meet and when (and what) deadlines need to be met. For example, during the consortium's RFP development, specific team members may be required to meet with representatives of other State teams away from the main hub of activity (i.e., procurement representatives meet with other procurement representatives during the system requirements discussion). These separate meetings should be strictly controlled by team leaders to ensure not only that the overall group continues to be productive, but also that any outstanding issues and RFP sections are discussed and developed according to the predefined schedule.

### **Step 5: Designate a Facilitator**

The States may wish to designate a “facilitator” role to an objective person or group to moderate meetings; if available, the FNS or Regional Office may support this function. The facilitator’s role would be to provide some guidance to the discussions, ensure that the discussions adhere to the topics at hand, and ensure that the group meets the defined time frames.

### **Step 6: Request Outside Assistance**

The States may also wish to have outside assistance during their development meetings. This assistance (FNS and/or others experienced with existing EBT systems and current EBT operating standards) may help to expedite the RFP development by providing expertise and guidance. If available, having FNS present would also streamline the review and approval of the RFP.

### **Step 7: Discuss Consortium-Level Issues**

As each consortium-level issue (management, policy, interstate, and system/technical) is considered by the group as a whole, each State should be prepared to discuss why specific policies, hardware and software, and system functionality should be applicable for a standard EBT system. The States should be made aware of any limitations (e.g., legal, physical, and financial) that a participating State may have and whether these limitations will have an effect on the operation of a common system.

During these discussions, the importance of an agenda and/or schedule of events will be realized. As each one of the management, policy, interstate, and system/technical issues is discussed, team members from the different States designated to address specific issues such as cost, policy; system requirements, procurement, and evaluation may need to convene their own side meetings concurrently with other meetings to expedite the development of the RFP. At the conclusion of their meeting, these team members can then report back to their team leaders with their results. During any of the meetings, however, the team leaders or designated facilitator should continually emphasize the need for the team members (regardless of their role or expertise) to develop the requirements necessary for a simple, standard EBT system to achieve economies of scale.

### **Step 8: Define the Base System**

The base system definition should encompass all of the common policies, capabilities, hardware, software, cost constraints, and evaluation criteria that the States should have previously addressed through their discussion of the consortium-level issues. Each State should have an addendum to allow the vendor to individually pinpoint the differences that each of the States may have with the base system, and to provide the vendor with a description of each State's current methods and mediums of operation, demographics, caseloads, retailers, and other State specific data.

### **Step 9: Determine Project Staffing Requirements**

The Consortium may want to require that the contractor provide Consortium- and State-level project staff. For example, the RFP could require that each State have a dedicated State Project Manager(s) during the transition/conversion period, and after successful conversion, the Operations Manager could be shared among the Consortium states or other projects.

### **Step 10: Draft the RFP**

After the issues have been discussed and the structure of the RFP agreed on, the States can then begin drafting the RFP. The RFP language should always reflect the consortium and should not describe or refer to any State. The content is similar to an individual State RFP, as described in the other chapters of this guidance. To expedite this process, the States may wish to approach drafting the RFP sections in a manner similar to the approach used for the discussion of the issues. The team members may again divide into their different issue groups (e.g., management, policy, and system/technical) to develop specific RFP sections based on their consortium-level issue resolutions.

The base system requirements should be approached first. These requirements should reflect not only the issues discussed, but also the base system definition. After the sections have been drafted and consolidated for the “base RFP,” each State can provide an addendum with their specific needs and differences.

### **Step 11: Review and Approve the RFP**

When the RFP is completed, each State team and the consortium advisors may review it again. After final modifications, the RFP can then be submitted for review by the heads of the State agencies and FNS. If representatives from all of the necessary departments were involved at the onset of the development process, the review and approval process should be expedient.

## APPENDIX F—PROJECT MANAGEMENT

### Project Management Approach and Tasks

The RFP should explain all expectations the State has regarding the project management approach. States should ask about existing commitments of the bidder and of the staff being proposed in relation to other State EBT projects for which they have contracts or commitments. The RFP may ask the bidders to provide their approach to this topic or States may have devised their own approach and require compliance with it. Generally, Project Management covers the following areas:

- Project Organization: addressing State expectations on how they would like the project to be organized and any suggestions that bidders may have to improve the process;
- Project Team: for all phases and with team member responsibilities;
- Project Meetings: possibly including frequency of meetings and subject matter;
- Status Reporting: outlined to address the State’s needs;
- Scheduled Maintenance;
- Correspondence Control: defining specific formats, font size, style, or standard naming convention, if required;
- Issue Control and Resolution: tracking requirements and time frames appropriate to address resolution; and
- Project Manager and Key Personnel: asking for project roles, responsibilities, existing time commitments, and qualifications for each position.

Bidders may be asked to describe their approach to project planning to ensure the successful design, development, transition, and operation of the EBT system. For example:

- Detail the project schedule, tasks and activities;
- Monitor project progress against project schedule for all tasks and activities;
- Identify “risks” and assign additional resources, as necessary, for timely completion of project milestones and deliverables; and
- Report project progress at a task level.

### Desired Project Schedule

The desired project schedule should include assessing progress, listing all project tasks, identifying deliverables, and maintaining tasks. It is important to remind bidders that both the State and FNS review periods must be built into their project schedules. One example of this is a project schedule in the form of a Gantt chart indicating the critical path of all project tasks, milestones, and deliverables.

## **Contract Deliverables**

The RFP should identify all of the contract deliverables, and the State agency may choose to list target dates. The bidders should provide a deliverable schedule which indicates the start and due dates of each deliverable. The RFP should advise them to include the government review periods in the schedule. The State agency may want to suggest the length of the review process for each deliverable and must ensure that a minimum of 60 days is allowed for FNS review where appropriate.

## **Reporting**

The main categories include project status reports, projected expense reports, monthly fiscal progress reports, support reports, administrative system reports, and statistical reports. The RFP should stipulate the kinds of reports expected, detail items that the reports must contain, and describe the frequency of the reports. The number of reports requested will impact overall cost; therefore, it is important to ask for only those reports that will be reviewed and used by the State. There is also an expectation by State and Federal auditors that all reports are reviewed and used, therefore States should consider this area carefully.

This section addresses a few key areas, particularly related to fraud and investigations, that States need to require for supporting the data requirements of FNS.

## **Food Stamp Redemption Reporting**

The bidder must provide detailed daily Food Stamp redemption data by retailer identification number to STARS, the USDA-FNS Food Stamp redemption database. The data elements, file format and other requirements for this file are specified by USDA-FNS and should be provided in an appendix. Should discrepancies in the data be discovered during operations, the contractor must be responsive to requests from FNS and must assist in prompt research and resolution of the discrepancies.

## **ALERT File**

The bidder must provide transaction data, beginning at database conversion, for retailer/merchant transaction history on a daily basis to FNS through the ALERT file. The data element requirements and file layout for the ALERT file should be provided in an appendix. Should discrepancies be discovered, the contractor must be responsive to requests from FNS and will assist in prompt research and resolution of the discrepancies.

## **Investigations Support**

The contractor must advise, assist and appropriately act to aid the State in detection and investigations of potential program abuses by retailers/merchants, recipients/cardholders or employees, including but not limited to, reporting unusual activity. This entails cooperation with various authorities of the State and Federal agencies that are responsible for compliance with laws and regulations surrounding the programs. Retailers/merchants authorized by FNS may become subject to monitoring and investigations by the State, FNS, USDA-OIG (Office of Inspector General), the Internal Revenue Service, the Secret Service, other Federal entities, or local law enforcement agencies. Recipients/cardholders are subject to investigation by State and

USDA authorities and occasionally others. The contractor must restrict access to information concerning these matters so that the investigations are not compromised. Restricted access should be addressed in the design phase, tested as necessary in acceptance testing, and must be available at database conversion.

### **Communications**

A communication section may be incorporated into reporting or may be separately addressed. It may include communications procedures, protocols, and feedback systems between dependent teams, the State agency and any other vendors. States should require their contractor to report all changes in hardware, software, data facilities, connectivity, subcontractors, or other aspects that could possibly impact recipients, retailers, or State workers.

### **Disaster Plan**

A disaster planning section should address all of the EBT processes, approaches, procedures, and roles and responsibilities in case of a disaster or disruption in service. Disaster planning will help ensure that the appropriate measures are established to handle the occurrence of artificially created or natural disasters. For guidance concerning disaster situations, the *Disaster FSP Guidance, April 2007*, should be referenced.

### **Contingency Plan**

Contingency planning allows for the continued operation of the EBT system during disruption in service. Proposals must contain a contingency plan for a back-up system that will be activated in the event of an emergency. The plan must ensure that a manual purchase system is available for use during times when the EBT system is inaccessible. The plan should outline the processes and the steps that need to occur in these situations. The RFP should describe any limits the State agency wishes to place on issuances of benefits through the backup system. It should indicate who is liable for any over-issuances of benefits. States may want to limit the amount of time a system may be down before the back-up site must be activated.

### **Security**

FSP EBT regulations at 7 CFR 274.12(h)(4) require that States incorporate EBT security provisions into their existing Automated Data Processing Security Program for their information systems required under 7 CFR 277.18(p). The RFP should address the State's security needs and expectations, including environmental security, physical site security, hardware and software security, data access and storage security, client and user security, and encryption standards. Although current FSP EBT regulations require the use of Data Encryption Standard (DES) for PIN encryption, stronger standards may be used. The National Institute of Security and Technology (NIST) have recommended Triple DES.

### **EBT System Security Plan**

The RFP should require a security plan detailing, at a minimum, the security provisions and proposed user profiles established within the EBT system. The RFP should specify when the Contractor must submit the final System Security Plan. The State agency may request bidders to suggest solutions to security problems in the area of prevention and detection of fraud. Problems

identified by USDA OIG should be addressed. These include failure to monitor State and local staff access to the EBT system so that login accounts are removed for those who leave EBT, retire from State service, or no longer have EBT duties. States should ensure that reports are provided for monitoring worker access and use. The RFP should reference the *FNS EBT Security Guidelines Handbook*, Version 6.0, February 2004.

### **Problem Management**

The RFP may require a formalized process to identify and report problems, define whether the State agency or the Contractor is responsible for problem resolution, estimating timeframes, monitoring the status of all problems, establishing escalation procedures, and maintaining a formal record of the final outcome. A problem management process is particularly important during a database conversion to ensure a successful system transition.

### **Risk Management**

The State may require formal tracking documentation to identify project risks, specify responsibilities of the State agency and the Contractor, and provide expected time frames to deal with each risk. Some States may also ask for probability of occurrence, system impacts, and ways to mitigate each known and potential risk. The risks may be discussed during team meetings and the Contractor may be asked to provide written reports on the project risks.

### **Change Management**

This process may address how the incoming contractor will apply the principles and practices of change management to the design, development, production, deployment, and operations support of EBT system technologies during all life cycle phases. The State should provide FNS with all contract change orders or amendments that are related to or impact the EBT system. Any significant change to the EBT system will require FNS approval and possibly testing. These changes may also require an IAPD Update before they are implemented.

### **Quality Assurance**

State minimum quality standards for the EBT system should be identified. The State agency may provide guidance on how to measure their quality standards, such as the number of acceptable errors or quality level percentage. The Contractor should provide a quality assurance plan on how to ensure an acceptable quality level, including the quality assurance process, and a tracking system to monitor the quality levels and produce quality assurance reports. The State agency should also inform the Contractor of how often to report this data.