

RFP Requirements – CHECKLIST

- √ **Interoperability**
- √ **Financial Liabilities**
- √ **Reconciliation Requirements**
- √ **Audit Requirements**
- √ **Investigative Access**
- √ **Federal Reporting Requirements—Federal System Interfaces**
- √ **Disasters**
- √ **Adjustments**
- √ **TPP Requirements**
- √ **Expungements**
- √ **Limitations on key-entered transactions**
- √ **Language related to system conversion**

Interoperability

1. RFP must include requirement that the State's EBT system be interoperable.
2. Interoperability regulations should be referenced in retailer and third party agreements. TPP agreements should specifically state that the TPP is required to load and update BIN numbers for all States.
3. The system must continue to support benefit conversions until nationwide interoperability is available.

While we agree that access to benefits across state lines is improving nationally, some States are not interoperable and some States such as Ohio and Wyoming will continue operating smart-card systems that are incompatible with the magnetic stripe on-line EBT systems. Although many supermarket chains and other commercially equipped retailers in these two States or in States not yet implemented may be able to accept EBT cards, it will still be necessary to convert benefits occasionally in a few areas. Thus, a State must continue to maintain the capability to convert EBT benefits and the RFP must include this functionality.

[A decision regarding approval of an extension to this waiver is pending.]

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 transactions, unauthorized over issuances and transaction processing errors. Otherwise, if not contractually passed to the EBT vendor, its agents, or to retailers, such liabilities become the responsibility of the State.

This language should also be present in the contract.

SAMPLE LANGUAGE

Federal Funds may not be drawn for over-issuances or transactions in excess of the authorized recipient benefit allotment. The Contractor will bear all liability for any losses resulting from errors or omissions including fraud and abuse on the part of the Contractor or its representatives or subcontractors. These liabilities shall include, but are not limited to:

- Any duplicate or erroneous postings to a client account.

- Any losses from funds drawn from an account after the client notified the Contractor that the card had been lost or stolen.
- Any losses from transactions performed with cards issued but not activated by the client and/or the Contractor.
- Any damages or losses suffered by a Federal or State Agency due to negligence on the part of the Contractor.
- Any loss of benefits caused by fraud or abuse by the Contractor or its representatives or subcontractors.

Reconciliation Requirements

The RFP should ensure that the vendor meets the reconciliation requirements outlined in the guidance.

1. Account Set-up. Ensure that the State is specific with regard to handling of unsuccessfully transmitted files. We suggest that a State ask specifically to receive a system report on all transmissions, with a record reject report for all unsuccessful transmissions. In addition, States have found that the posting of benefits to client cards is one of the most difficult areas of reconciliation. It is important for the State to establish procedures so that they know when (specific date) benefits are posted to client cards. It proves to be particularly difficult for States that have both batch and on-line update capabilities.
2. Settlement.

SAMPLE LANGUAGE

The EBT contractor shall meet Food Stamp Program reconciliation requirements of 7CFR274.12(j) and the FNS Reconciliation Guidance. The EBT Contractor shall also use the FSP reconciliation requirements to perform reconciliation for all EBT programs. At a minimum, Offerors shall propose procedures for reconciling:

- Client account daily beginning balance and net draws versus the ending balance;
- Client net redemptions versus acquirer settlement values;
- Total funds entering, exiting, and remaining in the system each day;
- Total net change in system wide obligations outstanding to the sum of the net change in obligations outstanding for all benefit programs;

- Total net change in system-wide obligations outstanding to the sum of the net change in obligations outstanding for all Government agencies;
- The net settlement value of all transactions to the sum of the net settlement value for the Food Stamp Program;
- The net settlement value of all transactions to the sum of the net settlement values for the State

Audit Requirements

SAMPLE LANGUAGE:

1. General Audit Access

The State and the Federal Government shall have the right to inspect, review, investigate, and audit all parts of the Contractor's or any subcontractor's (including third party processors) facilities engaged in performing EBT services, in such capacity, the State, or its representatives, shall have access to facilities, records, reports, personnel and other appropriate aspects of the EBT system.

Note: This language needs to be in third party agreements as well.

2. SAS 70:

The contractor will obtain an annual Statement of Auditing Standards No. 70 (SAS No. 70) Examination Requirements in accordance with Food Stamp Program regulations at 7 CFR 274.12 (j)(5) as amended February 29, 2000.

Investigative Access

1. Access to Administrative Terminals by federal staff

SAMPLE LANGUAGE:

In order to assist in ongoing investigations, FNS must have access to the State agency administrative terminals for selected field office, regional office, and investigative staff. The contractor must provide on-line inquiry-only administrative terminal software that is windows compatible or appropriate hardware and software to the locations identified by FNS. This includes a method to interface with the EBT host from multiple locations through dial-up or other means. This access enables us to inquire on specific card and/or retailer details.

2. Compliance Requirements

SAMPLE LANGUAGE:

The selected Vendor must advise, assist and appropriately act to aid the State in detection and investigations of abuses by stores, recipients or workers, including but not limited to, reporting unusual activity. This may entail cooperation with various authorities of the State and Federal agencies that are responsible for compliance with laws and regulations surrounding the programs. Stores authorized by the Food and Nutrition Service to accept Food Stamp Program benefits may become subject to monitoring and investigations by the State, FSP Compliance Branch, USDA OIG, IRS, Secret Service, or local police departments. Recipients are subject to investigation by the State program authorities and occasionally others. Because the State must cooperate with Federal agencies in creating cases, providing cards, and providing information, it will also impact the vendor. The State and the vendor will determine an orderly process for these responsibilities to be conveyed to the vendor. Access to information concerning these matters will be restricted both at the State and the vendor so that the investigations are not compromised. It should be assumed that these needs must be addressed in the design phase tested as necessary in acceptance testing, and available at implementation.

Minimally, the following are necessary:

- 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 from the system, as needed, for evidentiary purposes within 24 hours.
- Providing extract files, starting at implementation, of store transaction history on a regular basis to the Food and Nutrition Service. (See ALERT requirements for more information).
- Retention of all records for a period of three (3) years or longer if notified.

Federal System Interfaces

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

1. AMA, daily batch update
2. ASAP, daily draw
3. STARS, daily or weekly transmittal of Food Stamp redemption by food retailer for each day
4. ALERT, monthly transaction activity used for retailer compliance activity

In addition, the State must require the processor to access FNS's REDE system to obtain up-to-date information on FNS authorized retailers.

The REDE interface specifications should be included in the State's RFP library. Files must be provided in the format required by FNS, within established timeframes, and accurately. Failed or inaccurate transmissions must be resolved in a timely manner by the contractor, working in conjunction with the appropriate federal technical staff.

SAMPLE LANGUAGE:

The Federal Reserve Bank (FRB) of Richmond serves as Account Management Agent (AMA) for the Food and Nutrition Service Food Stamp EBT Benefit account and the AMA system interfaces with the Treasury Department's Automated Standard Application for Payment (ASAP), monitors ASAP funding limits, based on projected FSP activity established by FNS for each State, and performs reconciliations required by FNS. Consequently, it will be necessary for the Processor to interface with the with the AMA and provide data necessary for funds projection and FSP reconciliation..

The Contractor must provide summary information by availability (effective) date on: increases in benefit authorizations; on expungements; on decreases due to coupon conversion, and on other returned benefits. The transmission of issuance and returned benefit data elements shall be accomplished through automated batch processing in a file format specified by FRB. This method allows for the automated flow of the State's issuance data, through the Contractor's EBT system, to the AMA. Therefore, the Contractor must be able to accommodate batch processing. File specifications may be obtained by contacting the Federal Reserve Bank (FRB) of Richmond on (804) 697-8384. In addition, the Contractor must be responsive to requests from the State or FNS to research and resolve discrepancies discovered in reconciliations of State-reported issuance data and the data provided to AMA by the Contractor.

AMA also uses the summary level retailer credit data provided by the Contractor to the FNS Benefit Redemption Systems Branch in Minneapolis to reconcile funds drawn from the EBT benefit accounts in ASAP. Discrepancies will be brought to the attention of Contractor staff for prompt research and resolution.

Upon implementation of batch processing, States and their Contractors must be certified by FNS, to ensure the accuracy of data transmission. The on-line method of entering

AMA issuance should serve as a back-up to batch processing; any manual data entry will require State on-line certification before it will be allowed to update ASAP and requires special equipment and software provided by FRB. The technical requirements for the on-line data entry capability are available from FRB of Richmond as well.

ASAP Information for State agencies and EBT contractors

The Treasury website <http://www.fms.treas.gov/asap/> has two sections:
Payment Requestors and Recipient Organizations
Enrollment Handbook for Payment Requestor/Recipient Organization

Disasters

A State's approach to disasters will vary, based on the level of risk and the State's individual EBT design. At a minimum, the State should have a means to have cards drop shipped so that cards are available to the state for OTC issuance. This is of particular concern for States that rely exclusively on mail issuance for all ongoing operations. This requirement should be incorporated into the RFP to maximize competitive pricing for this option. The following language from recent RFPs offers different degrees of services:

SAMPLE LANGUAGE (AL)

Disaster preparation and contingency planning covers three areas. The first is the Contractor's system; the second is the State's eligibility systems; and the third is natural disasters impacting a large number of the State's population. This section of the RFP covers these three areas.

Contractor Systems

The Contractor shall provide an alternate means of authorization of EBT transactions during short-term outages, when switching over to the back-up site is not considered appropriate. The response to this requirement shall also include how the Contractor will notify both the State and the retailer community that an outage is occurring, and alternate means of authorizations are currently in place.

However, in the event of a disaster impacting the availability of the Contractor's primary data processing site, the Contractor shall have available a back-up site for host processing and telecommunications network services. The Contractor shall have the EBT hot back-up site begin processing transactions within one hour of a disaster declaration.

The Contractor's disaster recovery plan shall also include a State notification process as well as disaster declaration criteria and timeframes that are acceptable to the State. The Contractor shall notify the State immediately upon Contractor's decision to move to a disaster back-up site to provide EBT services. If the Contractor is providing EBT services to multiple States, the disaster recovery plan

shall address the timing and order of recovery of the State as compared to the other agencies being processed. The recovery of the State of Alabama's EBT system shall not be delayed because the Contractor is recovering other States' EBT systems.

The disaster back-up site shall be tested annually, and the Contractor shall provide the State with copies of such test results within thirty (30) days of receipt of the test results.

State Systems

The Contractor shall support the recovery of the State's eligibility and EBT interface systems at a back-up site in the event of a disaster at the State's primary data center. This support shall consist of providing connectivity to the State's back-up site to support the transmission of data files and reports between the State and the EBT Contractor. Initial support may consist of only dial-up access until a more robust solution can be implemented. The connectivity during the initial days of a disaster may also consist of passing tape cartridges between the Contractor and the State. In either case, the Contractor shall provide support to the State in ensuring that benefits are still being provided to clients through the EBT system during the recovery of the State's data processing systems. Following the declaration of a disaster by the State and movement to a back-up data center, the Contractor shall work with the State technical staff to provide EBT administrative terminal support.

Natural Disasters within State

The EBT contractor shall support providing benefits to State clients subsequent to the occurrence of a natural disaster within the State. The basic assumption in this scenario is that there is sufficient infrastructure available within the retailer community to support EBT as a means for benefit payments. This section provides the requirements to the EBT contractor for providing these benefits.

The State's plan in supporting natural disasters is to maintain an inventory of pre-embossed and pre-encoded EBT cards within the State that would be used in the event of a disaster. Following the declaration of a disaster supporting expedited issuance of food stamp benefits by USDA, the State would issue the disaster EBT cards to eligible clients within the disaster areas. Following the issuance of the card, the State would update the respective EBT account on the Contractor's EBT system through the batch interface with the associated demographic information, including the assigned case number and client name. Benefits would also be added to the EBT account through the batch interface.

To support the State's plan for EBT disaster services, the Contractor shall establish and maintain on the EBT database predefined disaster accounts and the related EBT card. The Contractor shall create 25,000 EBT accounts to be used

for disaster services, and the associated EBT cards and system assigned PINs. These EBT accounts shall remain on the Contractor's EBT system until utilized for a disaster. The EBT cards and PIN mailers shall be delivered to the State in EBT account number ascending sequence. The State will store the cards and related PIN mailers until they are needed for a disaster. The EBT account number shall be used as an identifier on both the Card and PIN mailer, so the two can be matched and provided to clients during a disaster. The Contractor shall work with the State during the design phase of the project to finalize and document these requirements.

For localized disasters impacting a small geographic area, such as an area hit by a tornado, the Contractor shall support the option of drop shipping all requested EBT cards to a specified address within the impacted area. The impacted area would be identified by zip code. Following written notification by the State, the State requires that all EBT cards that would normally be mailed to clients within the impacted zip codes instead be dropped shipped to the location specified by the State. The EBT cards would be dropped shipped until written notification is received from the State to discontinue drop shipping and begin mailing cards again. This is a Fee for Service option that should be priced separately in the Respondent's pricing proposal.

Adjustments

SAMPLE LANGUAGE (AL)

Adjustment Processing

The Contractor and/or retailer/TPP can initiate an adjustment to resolve errors and out-of-balances related to system problems. The Contractor, on behalf of a client complaint, can initiate an adjustment to resolve a transaction error. The adjustment will reference an original settled transaction, which is partially or completely erroneous. The Contractor shall have the capability to process the adjustment and have this reflected in the client's account. Federal regulations have recently been issued regarding the recording, tracking and processing of these types of adjustments. These regulations can be found at http://www.fns.usda.gov/fsp/MENU/ADMIN/EBT/ebt_regulations.htm. Adjustments made by the Contractor must be in compliance with these regulations. Adjustments made by the Contractor will cause money to be moved either to or from the client's EBT Account, and will impact the daily settlement. Notification must be provided to the State of pending debit adjustments so that notification can be provided to the client.

Third Party Processor Requirements

SAMPLE LANGUAGE:

Contractors must certify and assure that Third Party Processors (TPPs) connected to the EBT system comply with FNS regulations and other State requirements. All TPP agreements between the State's EBT contractor and TPPs or their retailers will be reviewed and approved by the State and FNS. At State request, the State EBT contractor must attempt to enforce the agreements if problems are discovered in TPP activities.

Requirements include, but are not limited to:

- * Terminal Ids – TPPs must give each terminal a unique ID and include those terminal IDs as part of their transaction messages. The contractor must include those IDs in the ALERT data submitted to FNS.
- * Transactions – TPPs must be able to support the entire transaction set included in the FNS regulations. The contractor must be able to process all of these transactions.
- * Interoperability – TPPs must be able to process transactions for cards issued by all States for all point-of-sale equipment they support.
- * Balance information – TPPs must be able to display remaining balance on the printed receipt for all point-of-sale equipment they support.
- * Serving only FNS-authorized retailers – TPPs must only route food stamp transactions for retailers authorized by FNS to redeem food stamp benefits.

Expungements

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Limitations on key-entered transactions

SAMPLE LANGUAGE (AL)

The Contractor shall accept and process EBT transactions where the card number (PAN) has been manually entered (key-entered) into the POS device. Transactions may be key-entered at times when a card presented by a client is damaged and/or the POS device is unable to accurately read the magnetic stripe. The validation of the client's PIN is still required on key-entered transactions. If a PIN pad is defective or for other reasons a PIN does not accompany the transaction to the EBT host for processing, the Contractor shall deny the transaction.

The Contractor shall adopt other security measures to prevent client and retailer abuse/misuse of the key-entry feature. The Contractor shall ensure that the PAN

printed on the transaction receipt is truncated, and the Contractor must be able to selectively disable or deny the capability of an EBT-only POS device from completing key-entered transactions. Finally, the Contractor shall track key-entered transactions by card number and by retailer site. The Contractor shall propose procedures for responding to client reports of malfunctioning or defective equipment at retailer sites, including both EBT-only POS devices and retailer-owned devices.

Language related to system conversion

States should include language in the event that the winning bidder is not currently operating the State's EBT system. The RFP should indicate that the winning bidder would be responsible for:

- migration of transaction acquirers
- POS device deployment and installation
- migration of the client database and
- EBT card replacement (if necessary)

The State should consider requiring a plan that lays out how this will occur.

SAMLE LANGUAGE FROM AL RFP:

Transition from the current Contractor to the new Contractor will consist of three phases as described below. This section also includes the conversion to a new Contractor, if required, following the conclusion of the contract awarded through this procurement.

EBT-only POS Terminals

During the conversion of EBT-only equipment it is critical that clients not be negatively impacted in their ability to redeem their benefits due to conversion and that business operations of stores using EBT-only terminals not be negatively impacted due to the conversion to new terminals and terminal drivers. Therefore, 95% of all existing EBT-only terminals shall be converted prior to the database conversion.

EBT Database

Database conversion (conversion from existing database to new database) shall take place overnight on the weekend. The Contractor shall analyze monthly transaction volumes and select a weekend when the least number of retailer and clients would be impacted. The entire conversion shall be completed in ten hours or less. During conversion no stand-in of clients' transactions will be required.

The Contractor shall:

- Perform significant testing of the conversion process, including performing test transactions against the converted database in the Test System. Testing shall also validate that PINs have been converted successfully.
- Accept three years of transaction history to be transferred from the current EBT Contractor.
- Provide for conversion of ninety days of online transaction history onto the new system.
- Have checkpoints and reconciliation procedures built into the conversion process to ensure that no benefits or records are dropped.
- Have a contingency fallback plan in case the conversion cannot be completed in a timely manner due to problems.

Card Re-issuance

The Contractor shall convert existing outstanding cards to new card stock following the conversion of the database. Conversion to the new card stock shall take place during a five to eight month window, depending on the ability of the Contractor to support. The PIN for the client shall be transferred from the old card to the new card. Once a new card is issued the old card will remain useable until the new card is activated. However, if the new card has not been activated within 30 calendar days the old card shall be deactivated.