

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
PROFESSIONAL SERVICES AGREEMENT**

This Agreement, hereinafter referred to as the "Agreement," between the New Mexico Human Services Department, hereinafter referred to as the "Department," and acting through Pamela S. Hyde, J.D., its Cabinet Secretary, hereinafter referred to as the "Secretary," and J.P. Morgan EFS, hereinafter referred to as the "Contractor," specifies the terms and conditions under which the Contractor will provide for the operation and maintenance of the Electronic Benefit Transfer (EBT) system of the Department's Income Support Division (ISD).

**ARTICLE 1 – RECITALS**

- 1.1 WHEREAS, the system must conform to state and federal, laws, rules and regulations governing the affected benefit programs. The system must also be flexible and capable of expansion, compatible with existing bank systems and be capable of being used through standard POS and ATM systems nationwide.
- 1.2 WHEREAS, all services purchased under this Agreement will be subject to the following guidelines for administration of the Food Stamp, Temporary Assistance for Needy Families (TANF), General Assistance (GA), Refugee Resettlement, Residential Shelter Care, and Support Services programs. A list of definitions and acronyms is attached hereto as Attachment A, and incorporated herein by this reference. The following documents are incorporated herein by reference:
  - 1.2.1 The General Provisions, Food Stamp, the Financial Assistance, and the Medical Assistance Program policy manuals that govern the administration of these programs in New Mexico;
  - 1.2.2 The Code of Federal Regulations (Title 7, Parts 210 to 299; Title 45, Parts 200 to 499 and Title 42, Parts 430 to end, respectively);
  - 1.2.3 RFP Amendments, Questions and Answers, and Clarifications;
  - 1.2.4 The Contractor's Best and Final Offer; and any amendments, and
  - 1.2.5 The Contractor's Proposal.
- 1.3 WHEREAS, the Electronic Benefit Transfer (EBT) system is an automated system, which delivers benefits to eligible clients for the Food Stamp, TANF, GA, Refugee Resettlement, Residential Shelter Care, and Support Services programs in a timely manner.

- 1.4 WHEREAS, operation of the EBT system requires certain unique and specialized professional expertise, which the Contractor possesses and which is not available within HSD.
- 1.5 WHEREAS, HSD needs to retain the services offered by a Contractor with expertise(s) in the areas described above. The Contractor possesses the required expertise in the areas described in the Agreement and is fully capable of, and will devote the necessary resources to provide a fully functional system by the date provided herein.

NOW THEREFORE, it is mutually agreed between the parties:

## **ARTICLE 2 - TERM**

This Agreement, as applicable to all items included in the Scope of Work, shall begin July 1, 2006 and shall expire June 30, 2010, unless amended or terminated pursuant to its terms. The Department reserves the option of renewing the initial contract for up to an additional four year period. In no case will the contract(s), including all renewals thereof, exceed a total of eight (8) years. The contract, subsequent to the year ending June 30, 2007, is subject to availability of funds pursuant to Paragraph 13, Appropriations and negotiation, between the parties, of any contract revision, pursuant to Paragraph 37, Amendment.

THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL APPROVED IN WRITING BY THE NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION, THE NEW MEXICO CHIEF INFORMATION OFFICER, AND THE UNITED STATES DEPARTMENT OF AGRICULTURE'S FOOD AND NUTRITION SERVICES (USDA-FNS).

## **ARTICLE 3 -SCOPE OF WORK**

### **3.1 TECHNICAL AND FUNCTIONAL REQUIREMENTS**

This section is intended to provide details on the specific functional and technical requirements to develop, test, implement, and operate an EBT system in conformance with Federal regulations and applicable national standards. Within this section are the specifications and requirements for equipment, software functionality, telecommunications, EBT card production and issuance, retailer management, reporting, training and on-going operational support.

The Department intends for this EBT system to be an industry standard application, which primarily uses the existing commercial networks and the installed base of automated teller machines (ATMs) and retailers' point-of-sale (POS) devices. However, in certain circumstances, as more fully described herein, the Contractor is required to install and maintain POS equipment on the Department's behalf.

THIS SCOPE OF WORK DESCRIBES IN DETAIL THE CURRENT PROCESSING OF THE EBT SYSTEM IN NEW MEXICO. IT IS NOT ANTICIPATED THAT THESE FUNCTIONS/EQUIPMENT MUST BE COMPLETELY DUPLICATED, EXCEPT AS OTHERWISE SPECIFICALLY MENTIONED HEREIN. THE CONTRACTOR SHALL ACHIEVE THESE FUNCTIONS IN THE MANNER CHOSEN BY THE CONTRACTOR, AND AGREED UPON BY THE DEPARTMENT. THE INTENT IS A TRANSITION, WHICH HAS A TRANSPARENT APPEARANCE, MEANING THAT THE FUNCTIONALITY WILL REMAIN AND THERE WILL BE MINIMAL INTERRUPTION IN SERVICE TO DEPARTMENT CLIENTS AND RETAILERS. THE MEANS TO ACHIEVE THE FUNCTIONALITY MAY BE DIFFERENT. THE USE OF THE EXISTING SYSTEM IS NOT REQUIRED OR EXPECTED.

## **3.2 CONTRACT TRANSITION**

### **3.2.1 Transitioning from Current Contract**

As the incumbent, the Contractor will continue to provide services and meet all responsibilities under the current EBT contract until expiration, termination or cancellation of the current EBT contract.

### **3.2.2 Transitioning to Subsequent Contract**

Upon expiration, termination, or cancellation of the contract(s), the EBT Contractor shall be the lead party, with the assistance of the Department, to ensure an orderly transfer of responsibility and/or the continuity of those services required under the terms of the contract to an organization designated by the Department, as requested in writing. The EBT Contractor shall work in a businesslike manner with any future Contractor for a smooth transition between systems.

The Contractor shall cooperate fully with the transition for the provision of EBT services by a different Contractor prior to current contract expiration and up to one hundred eighty (180) calendar days after the expiration of the contract at the terms and conditions to be negotiated between the EBT Contractor and the Department. The Department shall give the Contractor a 90-day written notice of its intent to make use of any or all of this extension period.

The Contractor shall provide the subsequent Contractor test and production data in a timely manner in accordance with established conversion timelines provided by the Department to support the transition of EBT services. Data shall be provided in a manner and format that supports the conversion effort. The EBT Contractor shall support the conversion effort of the subsequent Contractor.

The Contractor shall deliver, FOB destination, all records, documentation, reports, data, recommendations, etc., which were required to be produced under the terms of the

contract to the Department and/or to the Department's designee within twenty (20) business days after receipt of the written request.

The Contractor shall discontinue providing service or accepting new assignments under the terms of the contract, on the date specified by the Department, in order to insure the completion of such service prior to the expiration of the contract.

Failure of the Contractor to cooperate with the Department, its designees, or a different Contractor or if the Contractor withholds any information or records requested by the Department, its designees or a different Contractor, that impairs in any way the transition of the provision of EBT-related services to a different party shall constitute a material breach of this contract and subject to remedies as defined in this contract.

### **3.2.3 Conversion/Transition Plan**

Not applicable.

### **3.2.4 EBT-Only POS Terminal Conversion**

The EBT Contractor must establish or show evidence of the existence of agreements with all EBT-only food and non-food retailers, third party processors, self-processing retailers, and ATM networks and provide copies of these agreements to the Department. The Contractor will provide all New Mexico EBT- only retailers with state-of-the-art VeriFone Omni 3750 or VeriFone Vx570 POS devices, including training on the care and operation of this equipment as requested by the Department. The execution of any conversion plan will not negatively impact retailers, the Department or its' benefit recipients. It is critical that benefit recipients not be negatively impacted in their ability to access their benefits during the conversion of POS terminals for EBT-only retailers.

The Contractor shall ensure that there are no geographical gaps in the replacement. Should the Contractor be required to replace the EBT-only POS terminals, the replacement may be performed via mail, with retailer training materials included with the terminal. The Contractor's retailer help desk must provide installation and training assistance, if requested by the retailer. In addition, if a retailer requests on-site installation or training support, the Contractor will provide such support. Finally, if a retailer returns a POS terminal for a second time due to malfunctioning equipment, the Contractor will provide on-site installation and training support to the retailer

The POS terminal shall meet or exceed the current levels of service and must be adaptable or upgradeable for future needs such as the use of smart cards. If requested by the retailer, the POS terminal configuration shall include a separate PIN pad.

### **3.2.5 EBT Database Conversion**

Not applicable

### **3.2.6 EBT Card Conversion**

Not applicable.

### **3.2.7 Administrative Terminal/Eligibility System Interface Conversion**

Not applicable

### **3.2.8 State Conversion Training**

Not applicable

## **3.3 EBT ACCOUNT STRUCTURE**

Clients may be certified to receive Food Stamp Program (FSP) benefits and/or cash benefits from one or more cash benefit or provider programs. The EBT account structure must support FSP, cash and other existing programs including day of draw and pre-funded cash programs, such as child support. The Department reserves the right to add other State or Federally administered programs to the EBT system. Therefore, the EBT account structure must have the flexibility to support additional benefit programs that may be added during the contract period.

### **3.3.1 Benefit Types**

The Contractor shall establish an EBT account structure that supports Food Stamp, cash and potentially other benefit types. Given the restrictive nature of Food Stamp benefits, balances for Food Stamp benefits shall not be commingled with cash benefit balances. Although cash benefits may be used to purchase food items at POS terminals, Food Stamp benefits shall not be accessed at an ATM nor used for the purchase of non-food or ineligible items. The Contractor shall design the EBT Account Structure to ensure that: 1) benefit balances are accurately maintained; 2) benefits accessed by clients are drawn from the appropriate benefit account (i.e., Food Stamp and cash benefits are not commingled); and 3) benefit accounts are not overdrawn. The Contractor shall be liable for any funds drawn from an incorrect account or program, for overdrafts against EBT benefit accounts including allowing access to program benefits prior to the availability date, and for EBT host transaction processing errors.

### **3.3.2 Cash Benefits**

Currently, all cash benefit programs are administered by the Department. With the exception of Child Support payments, cash benefits are "Day of Draw" benefits that are funded subsequent to the client accessing benefits. Day of Draw benefits credited to the Cash Account represent credit balances only. The EBT Contractor subsequent to benefit access by clients initiates fund transfers. Child Support payments are "Prefunded" payments that are funded upon benefit authorization. The EBT Contractor shall be required to maintain an interest bearing bank account to hold and maintain Child Support

payment funds. Interest earned on this account may be retained by the EBT Contractor to offset the cost of maintaining the account or Regulation E. The EBT Contractor shall be liable for all funds deposited into the Child Support bank account. Child Support benefits are subject to Regulation E compliance.

Day of Draw and pre-funded cash benefit amounts for which the client is eligible will be authorized by a benefit authorization file or record transmitted by the Departments administering agency to the Contractor's EBT host system. The EBT Contractor shall maintain a pooled Cash Account for each eligible family or person, with the exception of Child Support payments. For audit and control purposes, the EBT Contractor shall be required to track cash benefit transactions and balances by benefit type and must ensure that cash benefits are not co-mingled with Food Stamp benefits.

Debiting of cash benefits to satisfy client transactions will be drawn on a "first-in, first-out" (FIFO) basis; that is, benefits should be deducted from the oldest available cash benefit in order of availability date subject to the Primary Program Designation described below. The balance available to clients for cash withdrawal or balance inquiry shall be the sum of all cash benefits in the Cash Account. When the EBT system reports a cash balance during a balance inquiry or printed on a cash receipt, the balance will reflect the sum total of all cash benefits available. Cash benefits may be disbursed to clients through ATMs and POS terminals. Transactions should be settled on the next banking day following the day of access to the cash account.

### **3.3.3 Food Stamp Benefits**

Federal Food Stamp benefits are Federally funded, State-administered, Day of Draw benefits that are funded subsequent to the cardholder accessing benefits. Benefit amounts for which the client is eligible will be authorized by a benefit authorization file or record transmitted by the Department to the Contractor's EBT host system. Food Stamp benefits credited to the Food Stamp Account represent credit balances only. The EBT Contractor subsequent to benefit access by cardholders initiates fund transfers. For audit and control purposes, the EBT Contractor shall be required to track Food Stamp benefit transactions and balances by Food Stamp benefit type. The balance available to cardholders for Food Stamp purchases or balance inquiries shall be the sum of all Federal Food Stamp benefits in the Food Stamp account.

Food Stamp benefits will be disbursed to cardholders for the purchase of eligible food items. Benefits will be disbursed through POS terminals at FNS authorized food retail locations. The Contractor is required to have a written agreement or contract with each retailer. The contract must be in place prior to processing EBT transactions at a retail location. In addition, the EBT Contractor shall maintain a database of FNS authorized retailers. The EBT Contractor must verify that the retailer is an FNS authorized retailer prior to approving Food Stamp transactions at that retail location. Transactions should be settled on the next banking day following the day of access to the Food Stamp account.

### **3.3.4 Primary Program Designation**

When a cardholder has benefits from multiple cash or Food Stamp benefit types, the EBT Contractor shall use a Primary Program Designation (PPD) to determine the benefit type from which funds will be drawn for disbursement to the client and for settlement. The PPD is based on a benefit type hierarchy, which represents the order in which funds will be disbursed and drawn for settlement. Within this hierarchy, funds within a benefit type shall be drawn on a FIFO basis. The Department will provide the EBT Contractor with their PPD hierarchy.

### **3.4 ACCOUNT SET-UP AND BENEFIT AUTHORIZATION**

To set-up an EBT account, the Department generates account set-up records, containing specific client and provider demographic data necessary for the establishment of an EBT account, and transmits these records to the Contractor's EBT host system. To authorize benefits, the Department generates benefit authorization records, containing benefit type, amount and availability date information. The Department generates the account set-up and benefit authorization files by benefit type based upon activity occurring within the Department's eligibility systems. The Department transmits on-line or batch account set-up records to the EBT Contractor to establish an EBT account and the associated client record(s). The EBT Contractor shall be required to check the benefit availability date of each benefit file to ensure that it is not older than the Department's specified date. In addition, the EBT Contractor shall be required to develop a file edit procedure to detect duplicate files and/or records. The EBT account is the record kept and maintained by the Contractor for each benefit type (cash and/or Food Stamp) that the client receives.

For ongoing cases, the Department generates benefit authorization batch files once per month. In addition, the Department generates daily overnight batch files for transmission to the EBT Contractor to set up accounts and authorize benefits for new clients. Account set-up and benefit authorization records received by monthly, daily or overnight batch must be processed and benefits made available to clients on the benefit availability date by the time specified by the Department and agreed upon with the EBT Contractor.

#### **3.4.1 EBT Account Number Assignment**

The Contractor is required to establish a unique EBT Account Number for use in identifying the EBT account on the Contractor's system. The Contractor must specify the approach for validating the EBT Account Numbers provided by the Department in batch maintenance records.

#### **3.4.2 EBT Account Maintenance**

The Contractor shall maintain an account for each household or case. The primary purpose of client account maintenance is to ensure that clients have access to their authorized benefits and that accurate and timely information is maintained regarding client transactions, account balances and client demographic information. The Contractor

must not allow a transfer of unlike benefits between clients' accounts (i.e., TANF benefits cannot be moved into a food stamp benefit account.).

### **3.4.3 Maintain Account Balances**

Authorized clients may be eligible for benefits under Food Stamp, cash benefit programs, and payments for services, and may also receive child support. As described under Account Structure, benefit balances for cash benefit programs shall be maintained in a pooled cash account. Cash benefits shall not be commingled with Food Stamp benefits. Child support is transmitted via ACH as a separate benefit type to the Contractor's EBT host. The Contractor must ensure that benefits are available on the benefit availability date designated by the Department and any unused balance(s) are carried over from month-to-month.

### **3.4.4 Maintain Transaction History**

Current account balances and a rolling three (3) year transaction history for each account shall be maintained for on-line access through administrative functionality. After three (3) years, transaction history data may be maintained on-line or off-line. However, transaction history must be maintained for five (5) years or longer as required by State, FNS, the Federal Reserve Board, Quest Rules or Federal legislation. The Contractor shall specify the most economical approach to the five (5) year maintenance of transaction history beyond the three (3) year on-line requirements.

Access to data greater than three (3) years must be made readily accessible to authorized entities as required for investigative and auditing purposes. At the termination of the contract, the Contractor shall transfer the five (5) year account history data to an entity specified by the Department and ensure accuracy and readability of such information at the new location, or maintain the history data and permit timely access to that data by authorized State and federal staff. At a minimum, data within the transaction history inquiries shall include:

- PAN (card number)
- EBT account number
- Recipient case identification numbers
- Benefit program identifier
- Retailer identification numbers (both USDA-FNS and acquirer)
- Terminal identification number
- Transaction type
- Transaction amount
- Transaction date
- Transaction Time
- Transaction results (approval code or denial reason)
- Store name and address
- Account balance



### **3.4.5 Benefit Aging**

On a daily basis the EBT Contractor shall send the Department an extract file of all benefits falling into the aging periods as specified by the Department. The Department prefers a minimum of four (4) aging flags or periods for each account (Food Stamp and cash) to report on benefits not being used by clients shall be made available to the Department. Parameters or flags can differ by account type (Food Stamp/cash). The file will include a header record, a detail record for each benefit being reported on, and a trailer record. The detail record shall contain sufficient data, as determined by the Department, to identify the client, benefit type, aging period, and the balance that is being aged.

### **3.4.6 Stale Accounts**

Federal regulations, at 7 CFR § 274.12, address the subject of “stale” accounts – i.e., those benefit accounts that have not been accessed for three (3) months or longer. The regulations allow the Department to move either the Food Stamp or the cash benefits “offline” at that time but require that offline benefits remain available to clients upon re-application or re-contact by the household for a period up to one (1) year. The Department prefers to keep stale accounts active until they are expunged. (refer to section 3.3.7). Stale accounts will be flagged as inactive and reported on the Benefit Aging Report. The Department may elect to set the flag for stale account reporting at a period greater than 90 days.

A client’s EBT Food Stamp account is considered stale if there has been no financial withdrawal transaction posted for a ninety (90) day period against the Food Stamp account, although there may be a balance in the account and benefits may have been deposited into the account within that same time frame. If there has been withdrawal activity in the Food Stamp Account, the Food Stamp account is considered active.

Similarly, a client’s EBT cash account is considered stale if there has been no financial withdrawal or refund transaction posted for a ninety (90) day period against the cash account although there may be a balance in the account and benefits may have been deposited into the account within that same time frame. If there has been withdrawal activity in Cash Account, the Cash account is considered active.

Any non-financial transactions by the client, such as balance inquiries, do not affect the aging of the account.

### **3.4.7 Expungements**

Food Stamp and Cash Accounts shall be expunged at the grant level on a daily basis. Expungement can only occur in an inactive account. The Contractor shall be required to produce an Expungement Report. (Refer to Section 3.12.1.) Food Stamp and Cash benefits shall be expunged after a period of inactivity as defined by the Department at the grant level, leaving all benefits in the account that have not met the defined threshold.

Any grants that are erroneously expunged by the Contractor shall be re-instated. Child Support Payments will not be expunged and returned to the Department. Child Support payments follow established escheatment processes.

#### **3.4.8 Open and Closed Accounts**

EBT accounts shall remain open unless the EBT Contractor is directed to close an account by the Department.

#### **3.4.9 Hold Funds**

Under certain conditions, a retail merchant may perform a Food Stamp transaction using the Department's alternate purchase processing system (Refer to Section 3.5.5). When these types of Food Stamp transactions are performed, the merchant will obtain a voice authorization. The EBT Contractor shall hold funds authorized by voice authorization for up to 30 calendar days. (The acquirer will be required to convert the alternate Food Stamp transaction to electronic transaction for transmission to the EBT Contractor.) If the alternate transaction is presented for settlement within 30 calendar days from the date of authorization, the EBT Contractor shall debit the cardholder account and settle the transaction. If the alternate transaction is not presented within 30 calendar days from the authorization date, the EBT Contractor shall release the hold on funds and make them available for cardholder access.

A hold may also be placed on a cardholder account in anticipation of a potential debit adjustment to the account to correct a system error. The Department will determine whether or not to implement a hold for a potential debit adjustment.

#### **3.4.10 Use of Existing File Formats**

The Department has defined formats established for the exchange of Case/Client Maintenance (demographic data) records and Benefit Issuance records. The EBT Contractor will utilize the existing record formats for the exchange of this data, unless otherwise stipulated by the Department.

#### **3.4.11 Use of CONNECT:Direct Communications Software**

The Department has invested in CONNECT:Direct communications software to establish connectivity with the EBT Contractor for batch file transfers. The EBT contractor shall be required to support connectivity with the Department using their CONNECT:Direct software. The EBT Contractor shall be required to maintain and upgrade their CONNECT:Direct software as necessary at no cost to the Department. If necessary, the EBT Contractor shall be required to obtain a software license for CONNECT:Direct.

#### **3.4.12 Authorized Representatives**

The Department provides clients with the option of selecting one or more Authorized Representatives (AR). In addition to the client, the AR shall have a unique identifier and be provided with access to benefits. A client can restrict the AR's access to either their Food Stamp or cash account and may designate different AR for Food Stamp and cash. The EBT Contractor shall provide a card for the AR that has a unique card number and PIN. The client shall have the option of canceling or changing their AR. The Contractor shall propose a method for identifying and providing the Department with reports on AR benefit transaction activity.

#### **3.4.13 Protective Payees**

For some clients, the Department may assign a Protective Payee. The Protective Payee, rather than the client, will have access to client benefits as designated by the Department and should have a unique identifier. The EBT Contractor shall provide a card for the Protective Payee that has a unique card number and PIN. In some instances, the Department may require that a single Protective Payee have access to multiple client accounts. The client shall not have the capability of canceling or changing the Protective Payee. Only the Department or the designated Protective Payee shall have the option of canceling or changing a Protective Payee's access to the EBT account.

#### **3.4.14 Fraud Investigation Accounts**

The EBT Contractor shall fully cooperate with the Department in fraud investigations and provide the capability to create and maintain EBT accounts and issue EBT cards for use in Food Stamp fraud investigations. Fraud accounts and benefit authorizations may be set up through either the batch or administrative terminal interface to the Contractor's EBT system. Fraud accounts will only contain a primary client.

### **3.5 EBT CARD MANAGEMENT**

The Contractor shall produce and supply magnetic stripe cards for use by the Department's EBT cardholders. The responsibility of the Contractor shall include processes and functions to distribute/deliver cards to the Department and its clients, to issue, replace and distribute/deliver cards to cardholders by mail; and maintain a centralized card issuance management database on behalf of the Department.

The Contractor shall ensure that the Department's EBT cards are designed and produced according to the specifications prescribed in the Quest Operating Rules, and the International Standards Organization (ISO) and American National Standards Institute (ANSI) standards relating to cards used for financial transactions. The card must also be in accordance with the EBT Quest Operating Rules and carry the Quest service mark.

#### **3.5.1 Card Security Features**

The Department's existing card design does not include any security features.

### 3.5.2 Card Obverse

The obverse of the card must have the following features:

- Graphics approved by the Department using a four-color printing process
- The PAN must be embossed on the front of the card with contrasting color for readability

### 3.5.3 Card Reverse

The reverse of the card must have the following features:

Tamper-evident signature panel

The card must clearly state, "Do not write secret PIN on card."

A toll free number for reporting lost or stolen cards and for customer service must be printed on the card

Address to return card

High-coercive magnetic stripe

Client Web Site address (Refer to section 3.8.1.1)

Quest Logo

### 3.5.4 Track 1 Format

Track one contains the clients name and card number and is not currently used by the Department.

### 3.5.5 Track 2 Format

Track 2 of the EBT card shall be encoded in accordance with ISO 7813. The maximum character count in Track 2 shall not exceed 40 characters, including all control characters. The layout of Track 2 for the current EBT card is as follows:

<b>EBT Card: Track 2 Layout</b>		
<b>Field No.</b>	<b>Field Name</b>	<b>Length</b>
1	Start Sentinel	1
2	Primary Account Number	16
3	Field Separator	1

4	Expiration Date	4
5	Service Code	3
6	Card Authorization Value	3
7	Discretionary Data	2
8	Longitudinal Redundancy Check	1

The Service Code field is encoded with a value of 120. Cards have a Card Authentication Value (CAV) encoded. The Contractor shall continue to encode the CAV field on Track 2 with a cryptographic value to validate the Track 2 data contents.

### 3.5.6 Primary Account Number (PAN)

The PAN is a 16 digit numeric field that provides the means of identifying the client to whom the card was issued. The Contractor shall issue EBT cards containing a 16 digit PAN that utilizes the States' current BIN/IIN. The process by which the new EBT Contractor calculates the PAN for new cards shall not duplicate card numbers in use in the Department's existing card base. The Contractor must describe the process by which it will generate the PANs for new EBT cards. The layout of the PAN shall be as follows:

PAN Layout		
Position	Length	Description
1-6	6	BIN
7-9	3	Discretionary
10-15	6	Client Identification
16	1	Check Digit

The BIN/IIN is a six-digit number encoded on the magnetic stripe that begins immediately after the start sentinel. The Department has its own designated BIN/IIN that will be used by the EBT Contractor only to provide access to the specified government benefits. At the end of the contract period, the BIN/IIN will revert back to the Department. The BIN/IIN will comply with ISO 7813.

New Mexico's BIN number is 586616.

The discretionary field is a three-digit number that may be used by the EBT Contractor or the Department to designate different programs.

The customer identification number is a six-digit number that uniquely identifies the client to the card that is issued.

### **3.5.7 Card Sleeve (if applicable)**

The EBT Contractor is required to produce/provide a card sleeve to accompany EBT cards. The card sleeve (envelope) must be produced from a rugged material, such as Tyvek or Mylar, to endure normal wear and tear in the use of the EBT card. The card sleeve shall remain similar to the current sleeve and contain the statement "The USDA is an equal opportunity provider and employer".

### **3.5.8 Personal Identification Number (PIN)**

The PIN is made up of four (4) numeric characters or digits. PIN verification will be conducted at the EBT host. The PIN offset shall not be encoded on the magnetic stripe of the card. The EBT Contractor shall be required to follow the FNS Regulations regarding PIN entry, encryption, transmission and key management processes and procedures.

### **3.5.9 Card and PIN Issuance Support**

The EBT Contractor shall be required to provide card activation through a central card mail out and PIN selection through the ARU. All cards mailed by the EBT Contractor will include a separate mailer with instructions for PIN changes.

### **3.5.10 Timeframes for Mailed Cards**

Requests for mail card issuance must be processed promptly. Card issuance requests received by the Contractor by 12:00 p.m. (noon) Mountain Time shall be placed in the mail that day. All card issuance requests received after 12:00 p.m. (noon) Mountain Time but before 11:00 p.m. Mountain Time shall be placed in the mail by the Contractor no later than the next business day.

### **3.5.11 Card Replacement**

The EBT Contractor shall be required to provide cardholders with 24 hour capability to report lost, stolen or malfunctioning cards and shall be required to provide or support the card replacement function as described above. Cards reported lost, stolen or malfunctioning must be deactivated immediately. Card replacement will occur through the Contractor mailing a card.

### **3.5.12 Card Deactivation**

The EBT Contractor shall be required to immediately deactivate a card that is reported lost, stolen or malfunctioning. The EBT Contractor shall also provide the capability for designated State locations to initiate card deactivation transactions through administrative terminal or administrative system functionality. Upon receipt of the administrative card deactivation transaction, the card shall be immediately deactivated.

### **3.5.13 ARU PIN Issuance or PIN Change**

The EBT Contractor shall be required to provide cardholders with the capability to securely select or change a PIN through a single ARU call or via a secure website. This capability shall be limited to the ARU and secure website and shall not be provided through live customer service. The Contractor shall describe the approach and security procedures for ARU PIN issuance or PIN change.

### **3.5.14 Card Distribution and Inventory Management**

The EBT Contractor shall provide central card distribution and card inventory management services. The Department will require that the method of EBT card issuance be through U.S. Mail. The Department maintains the option to change designated locations for receipt of card shipments over the life of the contract.

### **3.5.15 Other Card Technologies**

There has been some interest from programs and agencies that would require alternate card technologies including, but not limited to, integrated circuit chip (smart card), hybrid (combined chip and magnetic stripe) and proximity technologies. At the discretion of the Department, the EBT Contractor, as a contract amendment, shall be required to support the deployment and integration of alternative card technologies with the EBT system. If required, alternative card technologies will be deployed and integrated through normal Change Order processes.

## **3.6 TRANSACTION PROCESSING**

The EBT Contractor will be responsible for the authorization of cardholder initiated Food Stamp and cash transactions. The Contractor shall comply with ISO 8583 and shall comply with all updates to ISO 8583 at no additional cost. The Contractor shall have the capability to receive and process client transactions from both ATM and POS devices. The Contractor shall ensure that cardholders access their Food Stamp benefits only at POS terminals in authorized food retailer locations. Cash benefits may be accessed through participating ATMs or POS terminals.

Cardholders may be entitled to benefits under a number of programs. Each transaction must be allocated to either the cash or Food Stamp account. Benefits within the EBT account should be distributed on a first in, first out basis, subject to the Primary Program Designation.

Transaction processing will require:

- Accepting transactions coming from an authorized transaction acquirer;
- Authorizing or denying transactions;
- Sending response messages back to the transaction acquirer authorizing or rejecting client transactions;

- Printing a receipt (the card number shall be truncated on the receipt); and
- Logging the authorized/denied transactions for subsequent settlement and reconciliation processing, transaction reporting, and for viewing through transaction history.

The EBT system will go through a series of checks and processes to determine whether a transaction being initiated by a cardholder should be approved. These checks should include determining whether:

- The merchant has a valid FNS authorization number, if the transaction is a Food Stamp transaction;
- The card number (PAN) is verified and the card is active;
- The number of consecutive failed PIN tries has not been exceeded;
- The PIN is verified as being entered correctly;
- The account is active; and
- The EBT account holds a sufficient balance in order to satisfy the transaction request.

If any one of the above conditions is not met, the Contractor shall deny the transaction. The Contractor shall ensure that client benefit accounts are not overdrawn and shall assume all liability if an account overdraft does occur. If the transaction is denied, the system must return a message to the retailer/provider indicating the reason for denial (e.g., invalid PAN, invalid PIN, insufficient funds [NSF], etc.). The Department requests that all denied messages be in a different color in order to attract attention.

The EBT Contractor shall comply with the software and automated data processing equipment ownership rights prescribed in Federal regulations and as further clarified or negotiated with the Department and the Federal government. The Contractor is responsible for ensuring that the EBT system meets the processing requirements and criteria established by FNS.

It is the responsibility of the Contractor to ensure that the EBT system meets performance and technical standards and regulations in the areas of:

- System processing speeds
- Availability and reliability
- Security
- Ease-of-use
- Third party processors
- Minimum card requirements
- POS terminals
- Performance bonding
- Minimum transaction set
- Interoperability
- Waivers



- Transaction Receipts

In order of precedence, the Contractor and the Department will use:

- Federal regulations;
- State regulations;
- Quest® EBT Operating Rules; or
- Prevailing industry performance standards.

If there is a conflict within the governing regulations and guidelines regarding a specific standard, the Department will determine the appropriate standard to which the EBT Contractor must adhere. In determining the appropriate standard, the Department will allow consultation and input from the EBT Contractor, however the final decision will remain with the Department.

The EBT Contractor shall comply with all relevant processing speed requirements as stated in 7 CFR §274.12 and as specified in Article 7, Section 7.9 Performance Standards. The EBT host computer shall process and respond to all on-line transaction requests within two (2) seconds. The Contractor shall provide back-up purchase procedures for FNS authorized retailers when the EBT system is unavailable, both for unscheduled and planned outages. The Contractor shall define both the back-up procedures to be used and the method by which the Department and retailers will be notified that the back-up procedures are being utilized.

The Contractor's EBT host system shall be available 99.9% of scheduled uptime, 24 hours a day, seven days per week. Scheduled uptime shall mean the time the database is available and accessible for transaction processing, and excludes scheduled downtime for routine maintenance.

The total system, including the system's central computer, any network or intermediate processing facilities under the control of the Contractor (either service provider or subcontractor to the Contractor), shall be available 98% of scheduled uptime, 24 hours per day, 7 days per week.

The Department shall be notified in advance of scheduled downtime for routine maintenance, which shall occur during off-peak transaction periods. In addition, the EBT Contractor must provide the Department with advance notification of any scheduled downtime outside of the time required for routine maintenance. Such downtime must be pre-arranged with and approved by the Department. The Department should have a minimum of 15 calendar days advance notice for scheduled downtime beyond the routine maintenance schedule but is willing to negotiate a lesser time period depending on the urgency of the situation.

As defined in the Federal regulations, the EBT system central computer shall permit no more than two (2) inaccurate EBT transactions for every 10,000 EBT transactions processed. The transactions to be included in measuring system accuracy shall include:

- All Food Stamp and cash transactions occurring at ATM and/or POS terminals and processed through the host computer;
- Transactions using the alternate purchase processing system and
- Credits to EBT accounts exclusive of Benefit Issuance Files

The EBT Contractor shall resolve all errors in a prompt manner and in accordance with FNS Adjustment Rules and in accordance with State waivers.

### **3.7 POS and ATM Transaction Sets/Transaction Fees**

The EBT system must be able to accept EBT transactions from POS devices for both Food Stamp and cash benefits and from ATMs for cash benefits.

#### **3.7.1 POS Food Stamp Transactions**

The Contractor must be able to process, at a minimum, the following Food Stamp transaction types:

- Food Stamp Purchase
- Food Stamp Merchandise Return
- Alternate purchase processing system
- Voucher Clear
- Balance Inquiry
- Voids or Cancellations
- Reversals
- Key-entered transactions

FNS regulations prohibit the charging of a fee for any Food Stamp transactions. Therefore, cardholders may not be charged for any Food Stamp POS transaction. After conducting a Food Stamp purchase, merchandise return or balance inquiry, a printed receipt showing the account balance shall be provided to the cardholder. The card number shall be truncated on the receipt.

#### **3.7.2 POS Cash Transactions**

The Contractor must be able to process, at a minimum, the following cash transaction types:

- Cash Purchase
- Purchase with Cash Back
- Cash Withdrawal
- Balance Inquiry
- Voids or Cancellations
- Reversals

Current program provisions within the Department prohibit the charging of ANY fee for POS transactions, including cash benefit access transactions. Therefore, cardholders may not be charged for any POS Food Stamp or cash transaction. After conducting a cash POS transaction or balance inquiry, a printed receipt showing the account balance shall be provided to the cardholder. The card number should be truncated on the receipt.

### **3.7.3 ATM Transactions**

The Contractor must maintain an EBT system that will process and authorize cash withdrawal transactions originating from ATMs. The Contractor must have the capability to process the following ATM transaction types:

- Withdrawal from Cash Account
- Balance Inquiry from Cash Account
- Adjustments
- Reversals
- Cancellations

The Contractor must ensure that the EBT system will deny transactions if the balance of the Cash Account will not support both the requested withdrawal/transaction and all allowable charges or fees. ATM transactions will be conducted at client expense. The Contractor shall specify the amount of the fee that the Contractor will charge to clients for ATM transactions. This fee shall be no greater than the fee charged to the Contractor. After conducting an ATM transaction, including a balance inquiry, a printed receipt showing the account balance shall be provided to the cardholder. The card number shall be truncated on the receipt.

### **3.7.4 Interoperability**

The EBT Contractor shall support the Federal national interoperability requirement of processing interoperable Food Stamp transactions, including Food Stamp transactions acquired at a State retailer where the client has benefits issued by a State other than New Mexico. The EBT Contractor shall also support national interoperability for cash transactions. In addition, the Contractor will process New Mexico card transactions originating or acquired in other States.

### **3.7.5 Restrictive Interchange**

To protect the integrity of their benefit programs, the Department reserves the right to prohibit EBT transactions in certain merchant locations that may include, but is not limited to, casinos, liquor stores, and gun stores. The EBT Contractor shall be required to work with the Department to identify locations in the State where EBT transactions will be prohibited.

### **3.7.6 Invalid PIN Attempts**

The EBT Contractor system must deny transactions if the PIN is input incorrectly. After three consecutive invalid PIN attempts the card shall be temporarily blocked until cutover on the processing day the last PIN attempt occurred.

### **3.7.7 Alternate Transaction Processing (Back-up purchase procedures)**

Alternate Transaction Processing shall be conducted under three circumstances: 1.) for FNS authorized Food Stamp retailers without POS equipment; 2.) in instances of system failure that prevent processing of on-line Food Stamp authorizations; and 3.) in instances of disaster (refer to Section 3.14.2.1). The EBT card must be present for a retailer to conduct an alternate transaction. Under no circumstances is alternate transaction processing allowed for cash transactions. Retailers may utilize the Store and Forward transaction processing option as its alternate transaction processing system (Refer to section 3.5.7). The Department will consider other options presented by the contractor and/or retailers to facilitate alternate transaction processing provided that state and federal regulations are followed.

### **3.7.8 Food Stamp Voice Authorizations**

Retailers without POS equipment are required to call the EBT Contractor's retailer customer service to obtain a voice authorization prior to completing an alternate Food Stamp sale. The EBT Contractor shall provide these retailers with a toll-free telephone number to obtain voice authorizations for the alternate Food Stamp sale. The authorization process should be automated as part of the help desk ARU functionality. Purchases submitted for payment without prior telephone authorization will not be accepted by the EBT Contractor. A voice authorization is required for all alternate Food Stamp sales. The retailer shall be liable for declined transactions in instances when the retailer fails to obtain prior authorization and when the EBT account has insufficient funds to cover the purchase.

### **3.7.9 Hold For Alternate Transactions**

Upon providing a telephone authorization for a alternate Food Stamp transaction, the EBT Contractor shall place a "hold" on the amount of benefits necessary to fund the transaction. The EBT Contractor shall maintain the hold on Food Stamp benefits until the alternate transaction is "cleared", up to a maximum of 30 calendar days. A retailer has 30 calendar days to submit and/or clear the alternate transaction. Alternate transactions will be submitted electronically through a POS clear transaction. If the retailer fails to submit the alternate transaction for clearance within the 30 calendar-day periods, the hold shall be released and the use of these funds shall revert back to the cardholder. The retailer or acquirer bears the liability for the transaction if the alternative transaction is not cleared within 30 calendar days.

### **3.7.10 Emergency Stand-in Processing Alternate Transactions**

If an FNS authorized retailer cannot access the EBT host system because the system is unavailable, the EBT Contractor shall allow retailers to conduct emergency "stand-in" processing of Food Stamp purchases of up to \$25 per cardholder per retailer per day. The EBT Contractor shall be liable for up to \$25 per transaction for insufficient funds resulting from stand-in alternate transactions. If the retailer processes an emergency stand-in transaction for more than \$25, the EBT Contractor shall process the transaction if there are sufficient funds in the cardholder's account to cover the transaction. If there are not sufficient funds in the cardholder's account, the retailer shall be liable for any amount over \$25. When the system becomes available, the retailer shall electronically clear the alternate transaction through a POS clear transaction.

Contractors shall define in their proposal under what circumstances they would consider their EBT system unavailable. The Contractor should specify the process by which retailers would be notified that "stand-in" processing is currently in effect, for both scheduled and unscheduled system outages and shall specify how the processing and settlement of these transactions will be conducted.

### **3.7.11 Exception Transactions**

The EBT Contractor shall be required to support the following exception transactions.

### **3.7.12 Voids or Cancellations**

A transaction may be voided/cancelled by a retailer at a POS device or by a cardholder at an ATM. The void/cancellation message will include the trace number, the exact dollar amount, and other identifying information from the original transaction. The EBT Contractor shall have the capability to accurately process the void or cancellation transaction and have the effect of the void/cancelled transaction immediately and appropriately reflected in the cardholder's EBT account. There shall be no ATM fees or surcharges to cardholder accounts for a canceled ATM transaction.

### **3.7.13 Reversals**

A POS or ATM transaction may be reversed if for some reason the completion of the transaction cannot take place at the originating ATM/POS device (e.g., communication failure with the device and/or a device malfunction, or a late response from the Contractor). The entity (specifically the third party processor [TPP], authorized retailer/benefit acquirer, or the ATM/POS device) within the response chain where the transaction error is recognized will generate a reversal message back to the Contractor. As defined within the EBT ISO message specifications, the reversal message will include the trace number, the exact dollar amount, and other identifying information from the original transaction. The Contractor shall have the capability to accurately process the reversal transaction and have the results reflected immediately and appropriately in the client's account.

### **3.7.14 Food Stamp Refunds**

The EBT Contractor shall provide FNS authorized retailers with the capability to process Food Stamp refund transactions. A ceiling may be placed on the value of the Food Stamp refund transactions by the Department. The ceiling value shall be parameter driven and shall be specified by the Department.

### **3.7.15 Account Adjustments**

Two possible types of adjustments may be made to a client's EBT account. The Department may make adjustments to a client's account to pay a claim or void a benefit. These adjustments are non-settling adjustments (e.g., money is not moved) that only impact the liability maintained on the EBT system. The EBT Contractor must be able to accept and process these adjustment transactions initiated by the Department through the administrative terminal application (online, real-time) without impacting the daily settlement. These account adjustments are included in the "Return Other" field of the daily AMA.

The second type are adjustments that may be executed by the EBT Contractor to resolve system errors and out-of-balances. These adjustments may be initiated by the Department, Retailer or client. Federal regulations have recently been issued regarding the recording, tracking and processing of these types of adjustments. Adjustments made by the EBT Contractor must be in compliance with Federal regulations and Quest rules. Adjustments to correct system errors may result in debits (adverse action) or credits to cardholder accounts and will impact the daily settlement. Retailer initiated adjustments must be acted upon no later than 10 business days from the original date of error. The time apportionment is allotted as six (6) business days for the retailer/acquirer and four (4) business days for the EBT Contractor to report, approve and/or deny and process a correction request.

After investigation of system error incidents, the EBT Contractor may conduct adjustments that result in a credit to a cardholder account without prior notice to the Department or the cardholder. The EBT Contractor's system must support an automated credit solution for EBT system, TPP or retailer-initiated adjustments that result in a credit to the client account.

However, the EBT Contractor shall be required to conduct an investigation and to provide the Department with 15 calendar days advance notice, via the report specified below, prior to posting a debit transaction (adverse action) to a cardholder account to correct a system error. At the discretion of the Department, a hold may be placed on funds in a cardholder account, up to the amount needed to correct the system error. To support debit adjustment notification and fair hearing processes, the EBT Contractor shall be required to send a daily file to the Department with sufficient data to support the debit adjustment transaction that will be posted to the cardholder account. This data includes:

- Date of error;
- Retailer name and store location;
- Retailer FNS authorization number;
- Date of claim and claim number;
- Type of transaction;
- Sequence of transaction;
- Full amount of claim;
- Card number;
- Cardholder name and address;
- Cardholder State ID or case number; and
- County or local office code number.

For tracking purposes, a transaction code should be established to designate debit adjustments in the daily activity file or, alternatively, a stand-alone electronic file for adjustments could be provided.

The EBT Contractor shall be required to work with the Department to develop appropriate adjustment system solutions and procedures. The Contractor must demonstrate capability to provide the necessary systems and administrative capability to support both settling and non-settling adjustments.

The Department is interested in minimizing fees to third party processors for processing adjustments. The Contractors shall present the fee it proposes to assess against third party processors for processing an adjustment. The EBT Contractor shall publish this fee in their third party processor agreement.

### **3.7.16 Store and Forward Transactions**

At its option, a retailer may store EBT transactions for forwarding to the EBT Contractor at a future time, provided the retailer's equipment is capable of storing a client's encrypted PIN. EBT store and forward transactions shall be processed at the retailer's risk. The retailer shall be permitted to forward the transactions to the EBT host one time within 24 hours of the time the transaction occurred. If the EBT host is inoperable, the retailer has 24 hours from the time the host becomes operable. The EBT Contractor's system shall prevent the use of store and forward as a way of accessing the client's future months benefits. Store and forward requirements are based on the proposed FNS regulations of July 12, 2001 (reference 7 CFR §274.12(m)) and are therefore subject to change. The Contractor shall meet the requirements as finalized by FNS.

### **3.7.17 Key-entered Transactions**

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 EBT card must be present for a retailer to conduct a key-entered transaction. 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, at the direction of the Department, must be able to 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.

### **3.8 ADMINISTRATIVE FUNCTIONALITY**

In addition to ATM and retail POS transaction functionality, the Contractor shall also support administrative transactions that originate from an EBT Administrative Terminal or the Department's eligibility system through an on-line host-to-host linkage. Administrative transactions will be sent to the Contractor in on-line processing mode. These transactions are subject to the requirements for two (2) second response.

#### **3.8.1 Overview**

The Contractor must ensure that administrative terminal access for FNS will be up and running at the time of contract signing. FNS also requires administrative software access and support as necessary for field and regional offices and other designated federal agencies. The Contractor must detail its planned approach to supporting the requirement to supply the Department and FNS offices with administrative terminal functionality.

The Contractor shall provide EBT administrative terminal or host-to-host software and communication protocols to Department staff and local field offices. Administrative access shall include multi-level access controls to ensure that only authorized individuals can process administrative transactions or access client account information through EBT administrative terminals.

To support administrative access, the EBT Contractor shall provide a browser based administrative application utilizing TCP/IP as the communications protocol. This interface shall provide authorized users with a window/GUI environment that includes pull down screens and point and click capabilities. The Contractor must clearly explain the approach to provide the specified administrative access functionality, including the window/GUI user interface, access controls, and must specify the hardware and software that is necessary to support the Administrative function.

#### **3.8.2 User Profile**



The Contractor shall provide a security system for the EBT administrative access whereby user profiles can be established based upon the specific administrative functions required by the user to perform his/her respective job. Each administrative user, as he/she is granted access, shall be assigned a specific user profile based upon the requirements for his/her job. The Department will define the user profiles with the assistance of the Contractor. The number of required Department user profiles shall be parameter driven and will be specified by the Department. The Department's designated Security Officer and/or a Department's designated security personnel, shall have the capability to change user passwords.

The Contractor shall set-up newly authorized Department employees and change user profiles within three (3) business days of receipt of a request by the Department. In limited cases, such as emergency situations, the Contractor will provide for the immediate set-up of newly authorized Department employees.

### **3.8.3 Administrative Functionality Transaction Set**

Contractors shall describe their administrative functionality in terms of navigation and data presentation. At a minimum, the transaction set that shall be supported through the EBT administrative functionality includes:

- **EBT Account Set-up:** The Contractor shall provide the Department with the capability to create Food Stamp and cash EBT accounts through Administrative functionality.
- **EBT Account Maintenance:** Appropriate Department staff shall have the capability to update or correct EBT account information.
- **Benefit Authorization:** Appropriate Department staff through the Administrative Terminal shall add Benefit authorizations. These accounts will be used primarily for emergency benefits or fraud investigations.
- **Benefit Cancellation:** Appropriate Department staff shall have the capability to cancel benefits prior to availability date.
- **Card Status Change:** Appropriate Department staff shall have the capability to deactivate, issue or replace client, provider authorized representative, protective payee and group home cards.
- **Search:** Appropriate Department staff shall have the capability to search by name, Department ID or case number, PAN, SSN, EBT account number or FNS number to access account, benefit and retailer information or the on-line 180-day transaction history.

- **Claims Repayment Functionality:** Appropriate Department staff shall have the capability to expunge benefits from cardholder accounts in repayments for over payment claims against the account.
- **Adjustment Functionality:** Refer to Section 3.5.6.4 for adjustment functionality.
- **Retrieval of On-line and Archived Data:** The EBT Contractor shall be required to provide administrative access to on-line and archived data via administrative terminals or systems.
- **Automated Clearing House (ACH) Payment Set-up and Update Capability:** The EBT Contractor shall provide authorized Department users with the capability to use Administrative functionality to set-up and update ACH payment information to support direct deposits to client and provider specified bank accounts.

#### **3.8.4 Use of Current File Formats**

The Department prefers to use their existing file formats for transmission of these ACH payment records. The EBT Contractor shall accommodate these formats.

#### **3.8.5 Pre-note Process**

The EBT Contractor's designated ODFI will initiate a zero dollar pre-note entry through the ACH to the Receiving Depository Financial Institution (RDFI) for the purpose of validating account information provided by clients. The ODFI should process the pre-note transactions in compliance with ACH rules. The EBT Contractor and/or the ODFI shall provide an automated capability for the Department to correct returned pre-note transactions.

#### **3.8.6 NOC**

Notifications of Change (NOCs) are zero dollar ACH transactions sent by an RDFI to the ODFI to correct information contained in a pre-note or live ACH transaction. The EBT Contractor and/or the ODFI shall develop an automated capability for the Department to correct NOCs.

#### **3.8.7 Returns**

Returns are live dollar payments that are not accepted by the RDFI. The ODFI will receive returns on behalf of the Department and return Food Stamp benefits to the Federal government and cash benefits to the Department. The EBT Contractor and/or the ODFI shall develop an automated capability for the Department to accept and/or correct returns and shall provide sufficient detail on returns to allow the Department to reconcile returns, to include client/retailer identification number, name, social security number, bank account number and routing number, and process re-sends. The EBT Contractor

shall also provide the capability, at the option of the Department, to post ACH returns to a client or provider's pre-existing EBT card.

### **3.8.8 CUSTOMER SERVICE**

The Contractor is required to support customer service help desks for both the EBT cardholders and the retailers accepting the Department's EBT cards. At a minimum, all ARU and Customer Service Representative (CSR) assistance shall be offered in English and Spanish. The Department prefers to keep their existing toll free numbers, some of which are printed on the existing EBT cards. In addition, the Department will retain ownership of any toll free numbers at the end of the contract. The Customer Service and Retailer Help Desk must be located within the continental United States.

### **3.8.9 Cardholder Help Desk**

The Department operates a customer service help desk (CSHD) between 8:00 am and 5:00 pm MST Monday through Friday. The Contractor shall provide cardholder customer service support via a toll free number from 24 hours per day Monday through Friday, on weekends and Department observed holidays. The Contractor will inform the Department if Help Desk staff will be dedicated to the New Mexico EBT project or if Help Desk staff will serve other States as well.

### **3.8.10 Service Requirements**

The Contractor shall provide a cardholder help desk that meets or exceeds the service requirements specified in Article 7, section 7.9 Performance Standards. For reporting purposes, the Contractor shall provide ARU and Customer Service Center activity data. Additionally, Teletypewriter (TTY) capability must be provided to cardholders with hearing disabilities, and help desk support for clients using rotary phones. The Contractor shall provide clients with a secure website that allows access to their account to view balance information and transaction history. The web site should also allow clients the ability to change their PIN.

### **3.8.11 Functional Requirements**

The ARU and/or Customer Service Representatives shall support the following functions:

- **Report a Lost/Stolen/Damaged Card, Unauthorized Use of a Card or the Non-Receipt of a Card:** The caller's identity must be confirmed prior to disabling the card. Prior to replacing a card, the client's address must be confirmed. Refer to Section 3.4.11 for the Department's card replacement procedures. Procedures for statusing the card of a Protective Payee may differ.
- **Current Balance Inquiry:** shall provide "real-time" account balance information.

- **Transaction History:** shall provide information about the last ten (10) transactions by benefit program, i.e., transaction number, amount, and date. If requested by the client, the deposit history of a minimum of the last 10 transactions will also be provided by benefit program. This information shall also be available via the web.
- **Account History:** shall enable a caller to request a two (2) month statement of account history by program to be mailed to the last known client address within two (2) business days of the request.
- **PIN Change:** callers shall have the option of changing their PIN via a single call to the ARU or client website.
- **Benefit Access/Service Points:** Callers shall be given information about POS/ATM site locations where benefits may be accessed.
- **Benefit Availability Date:** Callers selecting this option shall be given the date benefits will become available based on the issuance schedule supplied by the Department.
- **Disaster Plan:** Provide callers with necessary information in the event of a disaster.

### **3.8.12 Customer Service Representative (CSR)**

The Department operates a customer service help desk (CSHD) between 8:00 am and 5:00 pm MST Monday through Friday. Department CSRs provide the full range of cardholder customer service to program participants and administrative assistance to Department field staff. The Contractors ARU will operate in parallel with the Department's CSHD Monday through Friday. Inquiries received after the Department's CSHD hours of operation are fielded by the Contractor's ARU only.

The Contractor shall provide CSRs to resolve cardholder issues that cannot be resolved by the ARU, including requests for adjustments. The Contractor shall provide sufficient CSR capacity to meet the contractual service standards for cardholder calls referred to a CSR. CSRs providing the full range of cardholder customer service functions shall be available 24 hours per day, on weekends and Department observed holidays.

### **3.8.13 Automated Response Unit**

The Department shall review and approve the transaction flow and content of all ARU messages, prompts, and customer service scripts. The EBT Contractor shall provide documentation and scripts to the Department a minimum of 30 calendar days prior to their implementation. The EBT Contractor shall not change ARU messages, scripts or menu functions without prior written approval of the Department.

The Contractor is encouraged to recommend for consideration any other transactions and/or uses of the ARU which would represent an effective and economical application

of this technology. The Contractor is also requested to describe the access control to assure the security of clients' account information.

**3.8.14 Internet Access**

The EBT Contractor shall provide an EBT web site that will provide clients, with access to a transaction history, current account balances and allow clients the ability to change their PIN. The Contractor is required to describe the site's functionality and access controls to assure the security of client information. The Department shall review and approve the web site before the EBT Contractor allows public access. The EBT web site shall be linked to the State's Human Services Department web sites and will also provide general EBT information, such as location of local and State offices, and the location of ATMs.

The Contractor is encouraged to recommend for consideration any other transactions and/or uses of the EBT web site which would represent an effective and economical application of this technology.

**3.8.15 Retailer Help Desk**

The Contractor shall provide Retailer Customer Service, providing retailer EBT support and program information via a toll-free number. Help desk Services and hours that services are available to retailers through the retailer AVR or CSA are presented below: The Retailer Help Desk must be located within the continental United States.

<b>Services</b>	<b>AVR</b>	<b>CSA 7x24</b>	<b>CSA 6 am-8 pm (Mountain Time)</b>
Alternate Purchase System Authorization	X	X	
Equipment Problems/Troubleshooting		X	
Communication Problems/Troubleshooting		X	
Settlement Assistance			X
Training			X
Complaints			X
General Assistance			X

**3.8.16 Service Requirements**

The Contractor shall ensure through technical design, resource allocation, and staffing that each retailer call is answered in accordance with Performance Standards. For reporting purposes, the Contractor shall provide ARU and Retailer Customer Service

activity data. Additionally, TTY capability must be provided to retailers with hearing disabilities.

### **3.8.17 Functional Requirements**

The Contractor shall provide a retailer customer service help desk that is:

- Toll-free and without charge or fee to the retailers
- Accessible to all retailers
- Used exclusively for retailer support
- Operated and staffed in a financial industry standard manner.

The Contractor's retailer customer service help desk shall support the following functions:

- **Voice Authorizations:** The Contractor shall equip and program the ARU to provide voice authorization for Food Stamp transactions. CSRs shall also support voice authorizations.
- **EBT-only Retailer Support:** The Contractor shall provide via the Retailer Help Desk, the following services for EBT-only retailers:
  - Support, training and problem resolution on EBT-only POS equipment;
  - Settlement information and reconciliation procedures;
  - Support on system adjustments and resolution of out-of-balance conditions;
  - General information regarding EBT policies and procedures;
  - Requests for POS tapes and other POS supplies or reimbursement for these supplies.

The Contractor is encouraged to recommend for consideration any other transactions and/or uses of the ARU/help desk which would represent an effective and economical application of this technology. The Contractor is also requested to describe the access control to ensure the security of both retailers' and clients' account information.

### **3.8.18 State and Local Office Assistance**

The Contractor shall provide State and local office staff with assistance via a toll-free number. If the Contractor provides access through its client number, State and local office personnel will be provided with a password so that the client ARU can be bypassed and staff will be provided with immediate and appropriate assistance from a live CSR. Technical assistance for State and local staff shall be available 8 AM through 5 PM local time, Monday through Friday, excluding State and Federal holidays.

### **3.8.19 RETAILER MANAGEMENT**

The Contractor shall be responsible for managing retailer participation in the Department's EBT programs. The Contractor's primary roles and responsibilities include:

- Providing every FNS-authorized retailer with the opportunity to participate in the EBT system.
- Ensuring the Department's EBT systems are interoperable with other States' EBT systems as defined in 7 CFR § 274.12.
- Signing either an EBT-only retailer agreement or a third party processor agreement for commercial retailers for all participating retailers. The Contractor shall enter into an agreement with the retailer in accordance with 7 CFR § 274.12(h)(6). The Department and FNS must approve the agreements prior to being sent to retailers and third party processors.
- Certifying and de-certifying third party processors and ATM providers/networks with Department approval.
- Provide an operations manual to each retailer receiving an EBT-only terminal.
- Assuring that the participating retailers understand their responsibilities in regards to the policy, operating rules, and operations of the EBT system. This includes ongoing training for retailers.
- Maximizing the use of existing commercial POS terminals.
- Installing, maintaining and otherwise supporting Contractor provided EBT-only POS equipment as necessary in accordance with FNS policy for retailer participation as defined in 7 CFR § 274.12.
- Providing help desk services to retailers for authorizing transactions using the alternate purchase processing system, resolving issues/problems on Contractor supplied EBT-only POS equipment and helping to resolve settlement and dispute questions and issues.
- Utilize REDE file on a daily basis.

### **3.8.20 Retailer Recruitment and Participation**

The EBT Contractor must take the necessary steps to provide access to the EBT system for those retailers who choose to acquire their own terminals. Alternatively, the Contractor must supply POS devices to all USDA-FNS authorized retailers who do not choose to purchase their own equipment, and whose Food Stamp redemptions are \$100 or greater per month.

In addition to providing adequate access to Food Stamp benefits, the EBT Contractor shall also be required to recruit retailers and ATM networks to ensure that clients have adequate access to cash benefits as provided in Section 3.9.8. The Department may require that clients must be able to obtain cash benefits through a single transaction in sufficient amounts to pay rent. The Department will determine if access to cash benefits is adequate.

The EBT Contractor shall ensure that specific information, such as retailer/benefit provider contracts and retailer locations, is available upon the Department's request to provide verification of adequate access. During conversion, the EBT Contractor shall provide weekly reports, as part of the weekly status report, to the Department detailing the number of retailers for which the Contractor has signed agreements, the number of retailers providing full/partial cash access, and the percent of retailers with signed agreements in relationship to the total number of retailers. Following conversion, these reports must be provided on a quarterly basis.

### **3.8.21 Service Requirements**

The EBT Contractor shall comply with Federal regulation at 7 CFR § 274.12(h)(1)(ii) concerning retailer management and support.

### **3.8.22 Retailer and Third Party Acquirer Agreements**

The EBT Contractor shall enter into agreements to deploy and drive EBT-only POS terminals pursuant to this contract and to act as third party processors to all retailers who accept the EBT Contractor-deployed POS terminal services.

For those retailers who choose to use or modify their existing equipment and either acquire the services of a third party processor or serve as their own third party processor, the agreement shall be to provide access to the EBT system by third party processors and those retailers that self process, or any other acquirer.

Such agreements will be between the EBT Contractor and the retailer directly; the Department will not be a party to retailer agreements. The agreements will describe the terms and conditions regarding the arrangements for use of the POS equipment and the operating procedures and rules. At a minimum, the agreements must include language that requires:

- Compliance with Food Stamp Program regulations
- Compliance with Quest Operating Rules
- Compliance ISO Technical Standards 8583 and 9510
- That there will be no charging for authorization and settlement processing by the Contractor for EBT transactions
- That only FNS-authorized retailers may perform Food Stamp transactions
- That third party processors must provide a list of retailers under contract to them that accept the EBT card within the state including any entity under



contract with the authorized third party processor, and said entity is providing services to retailers not under contract to the certified third-party processor. This list must be updated on a periodic basis

- That TPP(s) will be required to load and update BIN numbers for all states to support FNS' Interoperability regulations and the States' requirements for nationwide cash interoperability.
- A New Mexico retailer should not utilize the alternate system when an out-of-state card is presented for a transaction.
- The New Mexico EBT system must capture and report the unique terminal ID with each food stamp transaction. The same terminal ID cannot be used on more than one lane.

Retailer and third party processor agreement language shall be reviewed and approved by the Department and FNS.

### **3.8.23 Retailer Database Management**

The Contractor shall develop a State FNS Retailer database management system that meets, at a minimum, the functional requirements listed below and FNS regulations. The Contractor shall be responsible for maintaining the database.

The U.S. Department of Agriculture, Food and Nutrition Service's (FNS') Anti-fraud Locator of EBT Retailer Transactions (ALERT) Subsystem utilizes data provided by the Department's contracted EBT processors. This file should be submitted by secure delivery once a month to USDA, FNS so that it is received by the fifteenth day of the calendar month. The monthly file should contain all of the retailer Food Stamp Program EBT transactions for the prior calendar month. The Contractor shall be able to accommodate standard FNS Anti-fraud Locator of EBT Retailer Transactions (ALERT) Subsystem file formats and apply ALERT files per the FNS schedule.

- The Contractor shall be able to accommodate standard FNS Retailer EBT Data Exchange (REDE) file formats and apply REDE files per the FNS schedule. REDE processing includes standard (regularly scheduled) nightly and monthly operations and ad hoc operations. Both types of REDE operations are performed at the Benefit Redemption Systems Branch (BRSB) in Minneapolis, MN using the IBM 9221 central processing facility. The standard nightly operations are performed Monday through Friday, and create the state and national retailer data update files. The standard monthly operations are performed (on the first Saturday of the calendar month) and create the full state and national retailer data files. The state retailer data update files are used to update the Retailer EBT Data Exchange (REDE) database. Ad hoc operations are performed as requested when a State Agency and/or EBT processor requests a start-up copy of a state or national retailer update file.
- The Contractor is responsible for ensuring that only authorized Food Stamp retailers are redeeming Food Stamp benefits. At least once per week, the Contractor shall transmit information on retailer Food Stamp redemptions to the FNS Benefit Redemption System Branch (BRSB).

- The database shall ensure accurate EBT transaction detail data pertaining to each retailer is captured and shall contain “up to date” information about retailer bank accounts and store cutover times for ACH purposes.

The EBT Contractor shall cooperate with State or Federal personnel conducting investigations or audits and provide requested information within a mutually agreed upon time not to exceed 30 calendar days.

### **3.8.24 EBT-Only Retailers**

EBT-only retailers are those retailers authorized by FNS to process Food Stamp benefit transactions and who choose not to self process Food Stamp transactions. EBT-Only retailers are not required to pay costs associated with EBT operations as long as the equipment is used solely for the Food Stamp Program. In addition, if Food Stamp Program equipment is deployed under contract to the State agency, the State agency may, with USDA approval, share appropriate costs with retailers if the equipment is also utilized for commercial purposes as defined in 7CFR §274.12 (h)(2). This section defines Contractor responsibilities as they pertain to EBT-only retailers.

### **3.8.25 EBT-Only POS Terminal Deployment**

In accordance with regulations and FNS-approved State waivers, the Contractor shall deploy POS devices to FNS authorized retailers who do not arrange for commercial service and who transact \$100 or more in Food Stamp benefit redemptions per month.

According to Federal regulation at 7 CFR §274.12(h)(4)(ii), POS terminals shall be deployed as follows:

- For an authorized food retail store with Food Stamp benefit redemption amounting to 15 percent or more of total food sales, all checkout lanes shall be equipped;
- For an authorized food retail store with Food Stamp benefit redemption representing less than 15 percent of total food sales, supermarkets shall, at a minimum, receive one terminal for every \$11,000 in monthly redemption activity up to the number of lanes per store. All other food retailers shall receive one terminal for every \$8,000 in monthly redemption activity up to the number of lanes per store.

For newly authorized food retailers, the Contractor and the food retailer shall negotiate a mutually agreed level of terminal deployment up to the number of lanes per store. If the Contractor and the food retailer are unable to reach a mutual agreement, the Department will make the decision.

In addition to fully functioning POS equipment, at Department option, the EBT Contractor shall provide specified retailers with EBT balance inquiry terminals.

The EBT Contractor must ensure that the EBT-only equipment and supplies deployed by the Contractor are maintained in good working order. The Department's minimum standard for responding to a retailer's report of a malfunctioning or inoperative POS device will be that the device is either repaired or replaced within 48 hours from the time of receipt of the report. This standard allows for overnight delivery of a replacement POS device and peripheral equipment. The Contractor is responsible for providing supplies to retailers with EBT-only POS terminals. The Contractor shall describe its method for meeting federal regulations, for ensuring POS terminal deployment standards and for providing supplies directly to the retailers or for reimbursing the retailers for their supply costs related to the EBT system.

### **3.8.26 POS Terminal Technical Standards**

Terminals deployed through the EBT Contractor shall meet the operational requirements of the EBT system and support the full EBT transaction set. All terminals deployed by the EBT Contractor must comply with ISO 8583 message formats and the Quest Operating Rules. All terminals deployed by the Contractor must display visual verification of:

- The transaction message before positive action is taken by the cardholder to release the message for authorization and settlement.
- The error message rejecting the transaction, such as but not limited to:
  - Insufficient funds
  - Incorrect PIN
  - Inactive card
  - In bold type or red color

Regardless of whether current terminals are kept or replaced during conversion to the new Contractor, when replacing terminals through attrition, the Contractor shall provide a POS terminal that is equal or superior to the VeriFone 3750 terminal and provides enhanced service to the customer/retailer population such as (1) store-and-forward capability; (2) segregated memory for the addition of other programs; (3) capability of being retrofitted to accommodate a smart chip card.. If requested by the retailer, the POS terminal configuration shall include a separate PIN pad. The POS terminal shall meet/exceed the current levels of service and must be adaptable or upgradeable for future needs such as the use of smart cards or Internet access. The EBT Contractor shall also be required to provide EBT-only POS utilization reports.

### **3.8.27 EBT-only Equipment Support Services**

The Contractor shall provide the following services for all Contractor-deployed POS terminals for EBT-only retailers:

- Training on POS terminals and utilization
- Routine maintenance

- Repair or replacement services on faulty POS terminal equipment within 48 hours of service calls
- Supplies or supply reimbursement
- Retailer training materials for all deployed terminals including operations manuals.

The Contractor shall make available a toll free telephone number for reporting terminal malfunctions and to receive training on equipment and utilization. The Contractor shall use reasonable efforts to replace problem terminals by delivery or through express mail. If a replacement terminal is shipped to the retailer, the Contractor must be available through Retailer Customer Service to assist the retailer with the replacement process.

### **3.8.28 Retailer Transactions**

The Contractor shall have controls in place to ensure that POS Food Stamp transactions from the Contractor-provided EBT-only POS terminals occur only at entities that have valid agreements with the Contractor and are authorized by FNS.

### **3.8.29 Retailer Lease/Purchase Equipment**

The EBT Contractor is encouraged to provide additional POS equipment to retailers that wish to obtain additional equipment from the Contractor, and to provide POS equipment to those retailers that express an interest in accepting the Quest card for cash transactions. The Contractor is free to charge the retailer for providing and supporting this additional equipment. However any agreement covering such an arrangement shall be between the Contractor and the retailer; the Department will not be party to any such agreements. The Contractor will be responsible for downloading the software to the terminals that will enable the terminals to accept the Quest card.

### **3.8.30 Alternative to Electronic System**

For those FNS-authorized retailers that do not arrange for commercial service and that have less than \$100 per month in Food Stamp benefit redemptions, and under certain other conditions, the EBT Contractor will be responsible for ensuring adequate recipient access to Food Stamp benefits in accordance with USDA FNS regulations by providing an alternate purchase processing system. The Contractor shall support the alternate purchase processing system by providing a toll free retailer customer service number so that retailers will have the ability to obtain a voice authorization.

### **3.8.31 Third Party Processors (TPP)**

To support retailers that deploy their own terminals, within 30 calendar days of the start of the contract, the Contractor shall provide retailers with interface specifications that would enable these retailers and third party terminal drivers to interface directly with the Contractor to perform Food Stamp EBT transactions. The Contractor shall provide these specifications to retailers and third party terminal drivers as well. The Contractor shall

not unduly withhold certification for retailers and third parties that enter into direct connect arrangements with the Contractor.

The Contractor shall be responsible for certifying and decertifying third party processors, including developing and implementing certification requirements and procedures. The Department may review the Contractor's certification requirements and procedures at any time, and may require the Contractor to modify such requirements and procedures whenever the Department deems it necessary. If a TPP engages in clear violation of federal or State programs rules, the EBT Contractor shall be required to obtain concurrence with the State in which the TPP operates prior to decertifying or taking adverse action against the TPP.

Retailers using third party processors shall report transactions on unique terminal IDs for each terminal installed in the store under one FNS number. The Contractor shall be responsible for ensuring that each terminal is listed under its unique ID number and Food Stamp and EBT cash transactions completed on that terminal are reported under that ID number.

### **3.8.32 Cash Access**

The Department's intentions are to make access to cash benefits as convenient as possible. The Contractor shall provide adequate cash access through retail POS and ATM terminals. It is the intention of the Department to continue to maintain or improve service levels. The Department will work with the EBT Contractor to ensure these service levels are maintained. The Department shall review the Contractor's plan to provide adequate access and, if necessary, shall require additional sites if the proposed access is determined to be less than what is needed.

The Contractor shall propose a method for maintaining a database and tracking retailers providing cash back. In addition, the Contractor shall propose a method for identifying the POS terminal and location and ATM identification number and location associated with any EBT cash transaction. The Quest Operating Rules will govern the processing of all retail merchant cash transactions. Depending upon the Contractor's arrangement with the prevailing ATM networks, either the Operating Rules or the ATM network's Operating Rules may govern ATM cash transactions. The Contractor shall support national interoperability for cash access, to include loading all State BINs into the EBT host system.

The Contractor shall provide cash access through ATMs, commercially deployed POS equipment and through Contractor-deployed EBT-only POS terminals. The Contractor shall have controls in place to ensure that POS cash-back transactions from Contractor-provided EBT-only terminals for cash households occurs only at entities that have valid agreements with the Contractor. The Department also reserves the right to require installation of EBT-only equipment at locations such as banks, utility companies and housing authorities to provide cash access. To preserve the integrity of the EBT program,

the Department reserves the right to disallow EBT transactions in certain types of retail establishments.

The Department will not pay for ATM or POS cash transactions. All cash transactions will be conducted at client expense. The Contractor shall provide cash transaction fees based on the lowest interchange rate. See Section 4, pricing, for additional information.

The Contractor shall have controls in place to ensure that the location of terminals allowing cash access to EBT cash accounts, including ATMs, Contractor-deployed EBT-only POS terminals, and commercially deployed POS equipment are in compliance with the Department's policy concerning EBT cash access.

### **3.9 TRAINING**

The Contractor shall be responsible for providing training materials on EBT for Department and local field workers. The Contractor has the sole responsibility for retailer training, to include the production and distribution of retailer training materials. The Contractor will not be responsible for direct client training. The Contractor is responsible for and will produce and distribute cardholder-training materials, which includes pamphlets, wallet cards, posters, and videos. All Department and local field staff, retailer and cardholder training materials are subject to approval by the Department. The Department will retain ownership of all training materials produced by the Contractor. Training materials must be updated throughout the life of the contract to reflect changes to the system design, State or Federal policies and procedures, and programs that may be added to the EBT system.

The Contractor will be expected to provide initial training for Department administrative staff. In order to effectively train all participants and stakeholders in the EBT program, the Department may need to perform translations of the training material provided by the Contractor, or prepare materials in addition to the Contractor-provided training materials. Therefore, the Department requires a third party materials license for written and video materials received from the Contractor, which will allow the Department to reproduce, publish, prepare derivative work based on, distribute and use the Contractor training materials.

#### **3.9.1 Client Training**

The Contractor shall not be responsible for direct client training. The Department will be responsible for client training. All new clients will be provided with training materials. The Contractor shall develop, produce and distribute client training materials. Client card mailers and sleeve requirements are separate from client training material requirements and are discussed in Section 3.4.7.

#### **3.9.2 Printed Material**

The EBT Contractor shall develop, produce and distribute printed client training materials. The training materials must be written in easy to understand language – at a sixth grade reading level and be approved by the Department. Printed training materials must be provided in pamphlet format. Training material must be prepared in both English and Spanish. The Department must approve all client training material before production and distribution. At a minimum, the training pamphlet shall include the following topics:

- Interoperability
- Expungements, i.e., include the number of days benefits are not used before expungement.
- Dispute Resolution Process
- Use of the EBT card at the point-of-sale, including the type of benefit transactions that can be processed at POS terminals and a statement that the card must be present for all transactions including key-entered transactions.
- Use of the EBT card at ATMs, including the type of benefit transactions that can be processed on ATMs and ATM transaction fees.
- Use and safeguarding of the card and PIN.
- Card replacement and PIN change methods and procedures.
- Back-up Food Stamp transaction procedures.
- Guidance on reporting problems with the card or its use and on reporting a lost or stolen EBT card.
- Use of the transaction receipt to track balances.
- Use of the ARU.
- Customer service functions, including a prominent display of the toll-free Customer Service Help Desk Number.
- Internet access to and use of the Client Web Page, including the web page URL address.
- Non-discrimination statement per 7 CFR §274 Amendment 392 dated June 30, 2004 which shall read as follows:

The U.S. Department of Agriculture (USDA), prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases

apply to all programs.) Persons with disabilities who require alternative means of communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202)720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer. Updated Wednesday, June 30, 2004.

The Contractor shall accept orders from the Department and/or local field offices for client training materials. The client training materials are to be distributed to the Department on a quarterly basis, or upon the Department's request, to locations designated by the Department.

### **3.9.3 Video**

The Contractor shall also develop an EBT training video for the purposes of local agency training of cardholders. The EBT training video shall be distributed to the State and to every local agency office. Local agency offices and addresses will be provided at the appropriate time. The training video shall be in VHS format, should be no more than 15 minutes in length and must cover the same topics listed above for the written training materials. The EBT Contractor shall also provide a copy of the beta master and a copy of the video in CD format. The training video should be directed to a sixth grade education level, and must be provided in both English and Spanish with at least one open-captioned version of each.

### **3.9.4 Retailer Training**

The Contractor shall provide training and training material to retailers participating in the EBT program. The training material will be updated at least once during the life of the contract. Training shall cover both the cash and Food Stamp programs. For EBT only terminals provided to retailers, if the POS terminal is supplied to the retailer via mail or overnight delivery, the EBT Contractor may provide training through written training materials accompanying the terminal. However, if on receipt of EBT-only POS equipment, a retailer requests additional training or assistance, the EBT Contractor shall be required to provide such assistance through the Retailer Customer Service help desk. The Contractor must provide onsite training and installation if the retailer is unable to install the POS equipment after using the printed materials received in the mail and after seeking assistance from the Retailer Help Desk.

### **3.9.5 Retailer Printed Material**

FNS Regulations 7 CFR §274.12(f)(4)(vi) requires that retail store employees be trained in system operations prior to implementation. Such training shall include the provision of appropriate written and program specific materials and on-site training as needed. These materials shall be provided in hard copy and at the request of the retailer in electronic



format in Microsoft Word on disk or CD. The Contractor shall propose training deliverables in order to meet FNS requirements. Training material should include:

- Retailer Help Desk toll-free number
- Use of ARU
- Alternate Purchase Processing system Procedures
- POS Terminal Operations/Procedures Manual
- Interoperability
- Adjustment Rule
- Dispute Process
- Card present for key-entered transactions
- No out-of-state cards can transact business when alternate system is operating
- Receipts for customer must print a truncated PAN

### **3.9.6 State Training Materials**

The Contractor shall provide written, user training materials about the new EBT system to be used by Department and local field workers. The materials shall be provided to the Department, submitted in four camera-ready hard copies and one electronic copy in Microsoft Word on CD ROM. In addition, updates and revisions of the training materials shall be provided in a timely manner to the Department whenever the Contractor or the State modifies the functionality of the EBT system. The Contractor is encouraged to recommend for consideration any approach that may provide on-line training and/or on-line access to training materials and updates. Where applicable, Department and local staff training materials shall incorporate the information provided in the System Operations/Interface Procedures Manual and the Administrative Functionality Manual.

### **3.10 SETTLEMENT AND RECONCILIATION**

The EBT Contractor shall be responsible for the execution of EBT settlement and reconciliation activities. EBT settlement and reconciliation shall be conducted in accordance with current federal regulations and federal regulations as updated throughout the life of the contract, and FNS Reconciliation and Settlement Guidance. The EBT Contractor's host system shall operate on a 24 hour processing cycle. At a designated cutoff time each day, the EBT Contractor shall close out the current processing day and commence the next processing day. To support the settlement function, the EBT Contractor or its designated financial agent must have an originating and receiving membership in the national ACH network. In order to promote the acceptance of EBT transactions, the EBT Contractor shall be required to provide evidence of its, or its designated financial agent's, ability to fulfill the settlement obligations specified in this contract and shall comply with the Quest Operating Rules concerning an Issuer's ability to meet its settlement obligations. Evidence may be in the form of financial statements, bonds, guarantees or other assurances.

The EBT Contractor shall be required to develop procedures and reports that will enable the Department to consolidate the Department's reconciliation and settlement verification

processes. A comprehensive daily electronic report that reconciles all benefit transactions back to their original authorization and allows the Department to easily ascertain the daily change in their outstanding obligations is required. This report, which is segmented by benefit type, would include: benefit authorizations, net benefit redemptions, repayments, expungements, adjustments, non applied transactions, non-federal or non-State liabilities (i.e., Contractor liabilities), non-settling transactions, any other transactions that affect settlement, and the resulting settlement amounts.

The Contractor must indicate processes and methods for meeting the EBT reconciliation and settlement functions specified in this contract. The Contractor must indicate how they will support the streamlining and simplification of Department reconciliation and settlement verification processes.

### **3.10.1 Reconciliation**

The EBT Contractor shall designate a standard daily cutoff time for EBT transaction processing. The 24-hour period between the cutoff time on Day1 and Day2 constitutes the EBT transaction day. The specified cutoff time must allow the EBT Contractor sufficient time to originate ACH payments for next day settlement. The EBT Contractor shall maintain ledger accounts at the client, program, State and County Office levels. Subsequent to cutoff, the EBT system must be balanced and reconciled. The EBT Contractor shall compute the end of day net position or balance for each general ledger account. For each account, the end of day net position is equal to:

Opening balance + credits — debits = End of day balance

The EBT Contractor shall also balance the EBT system as a whole to insure that the change in the net position in the sum of client accounts balances to the change in the net position of program accounts and that the change in the net position in the sum of the program accounts balances to the change in the net position (obligations outstanding) for State and Federal government funding agencies.

The EBT Contractor shall meet Food Stamp Program reconciliation requirements of 7CFR §274.12(k) and FNS EBT Reconciliation and Settlement Guidance. The EBT Contractor shall also use the Food Stamp Program reconciliation requirements to perform reconciliation for all EBT programs. At a minimum, respondents 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 State and Federal government funding agencies;
- The net settlement value of all transactions to the sum of the net settlement values for all benefit programs;
- The net settlement value of cardholder account adjustments to the sum of the net settlement value of adjustments settled to retailer and ATM acquirers;
- The net settlement value of all transactions to the sum of the net settlement values for all local offices; and
- Net redemptions of each program versus the daily suspense transactions that overlap daily ACH cut-off times plus the current daily activity.

As part of system balancing and reconciliation, the EBT Contractor shall determine the total amount of Federal funds by program and the total amount of State funds by program necessary to reimburse its accounts for the total credits due to EBT acquirers. The information generated during system cutoff and balance processing shall be used by the EBT Contractor to prepare the daily settlement files. The EBT Contractor shall specify procedures for maintaining audit trails throughout the reconciliation and settlement processes.

### **3.10.2 Settlement**

The EBT Contractor shall be responsible for initiating next business day settlement, except weekends, of funds to EBT acquirers including retailers, TTPs, and financial institutions either, directly or through financial networks, financial institutions or other payment intermediaries. Transactions executed on Friday, Saturday and Sunday will be settled on Monday. The EBT Contractor shall own and reconcile a clearing account used for daily settlement. The food stamp account is a daily net zero balance account.

### **3.10.3 Federal Food Stamp Benefit Settlement**

The Contractor shall plan to make Account Management Agent (AMA) updates through a daily batch file transmitted to the Richmond FRB, which serves as the account management agent on behalf of FNS. Richmond FRB has developed the AMA automated application on behalf of FNS to establish Letter of Credit controls for State EBT accounts and to monitor funding limits for the State's EBT account. Although the Contractor through a manual process on an administrative terminal application can make corrections and emergency updates, these manual entries must be approved by the Department before AMA is updated.

The Contractor on behalf of the Department completes the draw of Federal funds to settle Food Stamp benefit transactions directly via U.S. Treasury's Automated Standard Application (ASAP) system. If funds are being requested from ASAP through the ACH for next business day payment, the request will be made on the same business day in which the client performed the transaction. If funds are received from ASAP through fed wire for same day payment, then the funds request and draw down will occur on the next business day following the transaction. Federal Food Stamp funds should be deposited into a zero balance clearing account maintained by the Contractor for the settlement of EBT transactions. The EBT Contractor shall be required to work with the Department to develop appropriate procedures and time frames for the next business day settlement of Federal Food Stamp transactions.

#### **3.10.4 State Settlement for Day of Draw and Direct Deposit Cash Benefits**

The EBT Contractor shall interface with designated State Agencies to draw funds for the settlement of State administered day of draw cash benefit programs, including those payments which are made by direct deposit. The Department will designate their own procedures, time frames and fiscal agents for settlement purposes. At a minimum, the EBT Contractor must provide the Department with the capability to verify and approve or initiate the draw of State funds for settlement. Depending on the procedures and time frames developed between the Department and the EBT Contractor, State payments to the EBT Contractor will be made either through the ACH for next business day payment or wire transfer for same day payment.

#### **3.11 EBT REPORTING**

The EBT Contractor shall accommodate the informational needs of the Department and USDA-FNS in its reporting package. Reports shall be provided electronically via Administrative Functionality, standard reports, electronic data files and through a data warehouse or data mart. The reporting system shall produce information at the State, benefit program and local office, county and/or geo-admin levels. Settlement and reconciliation reports shall be consolidated at the State level by program.

To support the information and reporting requirements of the Department, The Contractor is required to propose a comprehensive reporting package. The Department is interested in a cost effective combination of electronic data files, standard reports, data warehouse and ad hoc reporting capabilities to meet their needs.

At a minimum, the Contractor must provide the following Reporting and Data Access Capability:

- **Daily Activity Data Files:** The EBT Contractor shall provide a comprehensive set of daily activity files to the Department reflecting all transactions or account actions that impact EBT account balances or account status. These daily activity files are further described below.

- **Standard Reports:** The EBT Contractor shall be responsible for producing periodic (daily, weekly, and monthly, as appropriate) standard reports for transmission to the Department and USDA-FNS. Standard reports provided to the Department and USDA-FNS electronically shall use standard ANSI carriage controls for controlling the formatting of reports being printed. Standard reports are further described below.
- **Data Warehouse Functionality:** The EBT Contractor shall be required to provide, at the option of the Department, a data mart or data warehouse capability that will allow appropriate Department staff to access both on-line and archived data (three [3] year history) through their administrative terminals, screens and or systems or through an Internet browser application. The 180-day on-line transaction history must be available in real time. Archived data must be available the next day or within 24 hours. The Department must have the capability to sort and manipulate this data as necessary to meet their needs. At a minimum, sort capability shall be provided at the State, benefit program, and local office, county and/or geo-admin levels. In addition, the Department should be able to access data sorted by Department selected parameters including but not limited to transaction type, transaction time period, out-of-state transactions, card status, key entered transactions, etc. Access to the data warehouse shall be limited to authorized Department users and should be secured through standard access control measures.
- **Access to Archive Information:** In the absence of the Data Warehouse option, the EBT Contractor shall be required to provide a mechanism for the Department to access archived transaction history data. Data shall be made available to the Department within five (5) business days of the request. Contractors shall describe their proposed mechanism for providing access to archived data including the timeframes in which this data will be available to the Department.
- **Ad-hoc Reporting Capability:** To make use of the Data Warehouse functionality, the EBT Contractor shall be required to provide the Department with a robust ad-hoc reporting capability. The Department also requires the cost of Ad-hoc reports prior to processing. The Contractor may propose either a web based reporting application or an on-line reporting application and may propose a Commercial off-the-shelf (COTS) reporting package such as Crystal Reports.

At a minimum, the proposed reporting package must provide real time access to the 3 year on-line transaction history; 24-hour or next day access to transaction history data moved to the warehouse; or five (5) business day access to archived information if a data warehouse is not implemented. Access parameters must be specified in the Contractor's proposal. Due to changing and evolving business needs, the report formats and data requirements of the Department and the Federal Program agencies are also subject to change.

The Department believes that a comprehensive EBT Data Warehouse and Ad-hoc Reporting Tool will go a long way in accommodating their changing reporting requirements. Nevertheless, the EBT Contractor shall be required to support these changing reporting needs. The Contractor must fully describe the approach for providing reporting functionality including the data warehousing and robust ad-hoc reporting capability, as well as the Contractor's approach to supporting changes in reporting requirements.

Daily activity files and standard reports currently being received or required by the Department have been identified and are described below. Although it is not expected that the formatting of these reports be duplicated, the new EBT Contractor shall duplicate the data being presented. The Department shall have approval rights over all standard reports and data files being provided by the EBT Contractor.

### **3.11.1 Financial Reports**

The Contractor shall provide financial reports, which are those reports needed by the Department in order to account, reconcile and balance, and audit the EBT system processing and operations for the Food Stamp and cash benefit programs.

#### **Daily Activity Files:**

The Contractor shall provide a comprehensive set of daily account activity data files reflecting all transactions or account actions initiated by the Department via batch and/or on-line during an EBT processing day, initiated on behalf of the Department by the EBT Contractor (i.e., account expungements) or initiated by cardholders. The reports shall provide detail on every transaction that impacts an EBT account balance or account status. The reports shall show the amount of the transaction (i.e., account action), type of transaction (including but not limited to authorizations, benefit redemptions, repayments, expungements, adjustments, transfers, benefit conversions, voids, reversals, ATM fees, Food Stamp restore benefit, Food Stamp Refunds, unapplied transactions, and any other transaction types), date and time of transaction, and who originated the transaction (batch or online).

#### **Daily Activity – Benefit Redemption Reports:**

The EBT Contractor shall provide a Daily Activity Benefit Redemption Report. This report shall identify all benefit redemption activity for each processing day. The reports shall provide information by benefit type, program, and State totals. The report shall indicate total number of redemptions, number of debits, number of credits, number of non-settling transactions, value of debits, value of credits, value of non-settling transactions and net benefit redemption amount.

#### **Daily Activity – Benefit Authorization Reports:**

The EBT Contractor shall provide a Daily Activity Benefit Authorization Report. This report shall identify all authorization activity for each processing day. This includes all activity to authorize, cancel, repayments, and aging, whether the transaction was initiated

at an Administrative Terminal, through the Batch Files, or the aging process. This report shall reflect all transactions that affect the value of the database.

**Daily Activity - Terminal Report:**

The Contractor shall provide a Daily Activity, Terminal Report. This report shall identify all benefit authorization, withdrawals and refunds by case for each business day. This includes all activity at ATM and POS terminals, and balance inquires through an Audio Response Unit. This report shall be broken down by county or local office and then by case number. This report is from the Department's point of view.

**Daily Activity - Terminal Activity Summary Reports:**

The Contractor shall provide daily terminal activity reports that show all transactions that shall result in funds being moved (i.e., settled) to a retailer, third party processor, or ATM network. The report shall list at a minimum the transaction type, amount, transaction date and type, settlement date, merchant and terminal identifier, and benefits impacted. The report shall provide settlement totals for each entity for which funds shall be moved, as well as suspense totals, if any, for transactions that will not be settled until the next processing day. Suspense totals for transactions not being settled in the current business day shall be reported by individual benefit types, and rolled up into the program types.

**Daily Activity - Summary Report:**

The Contractor shall provide a Daily Activity, Summary Report. This report shall summarize all the activity reported on the Daily Activity Authorization and Daily Activity-Terminal reports. The totals are used for part of the settlement process.

**Settlement Reports:**

The Contractor shall provide a daily Settlement and Clearing Report. This report shall provide at a summary level the total funds that are being settled for the processing day by program type, and requiring funding. This report shall balance to the totals from the terminal activity reports.

**Non-Settling Report**

The Contractor shall provide a daily Non-settling report of funds that could not be settled to the retailer.

In addition, the EBT Contractor shall also be required to develop procedures and reports that will enable the Department to streamline reconciliation and settlement verification processes. A comprehensive daily electronic report that reconciles all benefit transactions back to the original authorization and allows the Department to easily ascertain their daily change in their outstanding obligations is preferred. This report, which is segmented by benefit type, would include: benefit authorizations, benefits pending, net benefit redemptions, benefits in suspense, repayments, expungements, adjustments, benefit conversions, transfers, voids, reversals, ATM fees, Food Stamp restore benefits, unapplied transactions, any other transactions that affect settlement, and the resulting settlement amounts.

The Contractor must indicate how the EBT Contractor will support the streamlining and simplification of the Department reconciliation and settlement verification processes.

**Database Value Reports:**

The Contractor shall provide a daily Database Value Report. This report shall provide the value of the outstanding liability for unused benefits residing on the EBT system at the end of the processing day. Totals shall be maintained by benefit type, and roll-up to program type. State totals shall be reported by program type. The ending balance for the previous day shall become the beginning balance for the current processing day. The ending balance for the current processing day shall be reconciled by taking into account the beginning balance for the processing day (which is the ending balance from the previous day) and adding or subtracting as appropriate the account activity as detailed from both the Terminal Activity and Account Activity Reports and as summarized on the Database Value Report. Account activity shall include, but is not limited to, opening balances, purchases, voids, cancellations, expungements, credits, transfers, holds, repayments, and closing balances.

**Non-Applied Transactions Report:**

The EBT Contractor shall provide a daily report detailing transactions that could not be applied to specific EBT accounts. The report shall include transaction number, transaction type, transaction amount, date, time, terminal ID and pending action code.

**Terminal Activity Summary Report (State):**

The Contractor shall provide a daily Terminal Activity Summary Report. This report provides a summary of all transaction activity for the EBT Gateway and all EBT-only merchants as a grand total for the State. This report shall provide the Department with the total settlement amount for all merchant and EBT Gateway activity on a business day. The total settlement by program minus previous suspense plus current suspense results in the Daily Activity. This report shall present the Database activity for applicable areas such as adjustments, fees, refunds, voids, voucher clears, withdrawals and reversals, which shall total and agree to the Daily Activity. This report shall include totals broken out by program type and also statewide totals.

**Agency Reconciliation Report:**

The Contractor shall provide an Agency Reconciliation Report. This report shall provide a proof of reconciliation by program. This report shall reflect program totals beginning with the current settlement, reduced by the previous suspense, increased by the current suspense to arrive at the daily activity.

**AMA Batch Issuance Report:**

The Contractor shall provide a daily AMA Batch Issuance Report. This report shall reflect the daily Food Stamp transactions by type (i.e. issuance, cancellation, repayment, non-settlement, and expungements); effective date; and summary totals which have been posted to the daily data base and have been transmitted by the Contractor to the ASAP/AMA system at the Federal Reserve Bank.



**Adjustment Audit Transaction Detail Report:**

The Contractor shall provide a daily Adjustment Transaction Detail Report. This report shall reflect all adjustment transactions to a cardholder's cash or Food Stamp benefits within each reporting day. An adjustment can be due to ATM misdispenses, system adjustments, or fee reversals. This report is broken down by merchant/TPP/network within the State.

**ACH Activity - Merchant Report:**

The Contractor shall provide a daily ACH Activity by Merchant Report. This report shall identify all EBT-only merchant deposits for each merchant business day. This report can be used by the Department to review or research deposit amounts made to each merchant. This report shall reflect the merchant deposits showing financial institution and bank account number.

**ACH Activity - Merchant Overdrafts Report:**

The EBT Contractor shall provide a daily ACH Activity, Merchant Overdrafts Report. This report shall list the EBT-only merchants that have an overdraft condition for that business day (An overdraft occurs when a merchant's return transactions exceed the amount of their sales). The debit is included in the ACH file and is posted to the merchant's bank account.

**ACH Activity - Clients and Providers:**

The EBT Contractor shall provide a daily ACH Activity Report for Clients and Providers. This report shall identify all direct deposit activity, including payments, returns, pre-notes and Notice of Change (NOC). The report shall identify the name of the client or provider, their State ID or case number, their financial institution, their bank account number, the value of the deposit or the return and any NOC data.

**ACH Activity Summary Report:**

The Contractor shall provide a daily ACH Activity Summary Report. This report shall summarize all EBT-only merchant, client and provider ACH activity. This report shall reflect the merchant, client and provider entries by amount and count.

**Repayment Report:**

The Contractor shall provide a daily Repayment Report. This daily report shall provide a listing of the benefits that have been retrieved by the Department. This report shall list the case number or State ID number, transaction date, source, user ID, county, local office or geo admin code, benefit type, authorization number, requested amount, and repayment amount. These are non-settling transactions.

**Expungement Report:**

The Contractor shall provide a daily Expungement Report. This daily report shall provide the Geo/Admin, card number, client name, client SSN, expungement amount, and program code for each expungement. The information is used to produce a detail of expungements at the benefit and grant levels.

**Billing Reports:**

The Contractor shall provide to the Department in an electronic format detail reports substantiating the monthly billing for EBT services. The billing reports shall include detail information to allow the Department to validate the bill for EBT services, as well as pass through expenses being charged to the Department, such as payphone calls to the Cardholder Call Center.

**3.11.2 Program Reports**

The Contractor shall provide program reports, which are those reports used by the Department to control and account for activity taking place on the EBT system, such as card issuance, and provides for reports to be delivered by State, county, and local offices, geo admin, and worker, but are not specifically used in the financial settlement and reconciliation process.

**Administrative Activity Report:**

The Contractor shall provide a daily Administrative Action Report that lists all administrative actions attempted and completed either by the system or users logged onto the EBT system. The report shall identify the transaction type and the EBT account affected. Administrative actions include but are not limited to account set-up, benefit authorization, update to recipient, case, or account data (e.g., recipient name or address), account closure, card or PIN issuance, benefit transfers, benefit conversions, adjustments, and benefit expungements.

**Authorized Representative Report:**

The Contractor shall provide a daily report that lists all benefit transactions initiated by an Authorized Representative cardholder. The report shall identify the Authorized Representative name and card number, the client name, address, State ID number, the amount of the transaction and the transaction type.

**Protective Payee Report:**

The Contractor shall provide a daily report that lists all benefit transactions initiated by a Protective Payee cardholder. The report shall identify the Protective Payee name and card number, the client name, address, State ID number, the amount of the transaction and the transaction type.

**Invalid Card Attempts:**

The EBT Contractor shall provide a monthly report that list all transaction attempts using an invalid card. The report shall include cardholder name, State ID or case number, retailer ID, retailer name and location, terminal ID, date and time.

**Pending Reports:**

The Department may issue a card, set up client demographics or set up benefits data prior to completion of the client certification process. In some cases, the client will not become certified. The EBT contractor shall be required to provide daily reports detailing pending benefits and quarterly reports on pending cards and demographics. The pending card

report shall include card number or PAN, date card issued, and client ID or social security number. The demographics pending report shall include client name, client ID or social security number, and client address. The benefits pending report shall include card number or PAN, benefit amount, benefit type and benefit availability date.

**Card Mailer Date Report:**

The Contractor shall provide to the Department a daily report showing when new and replacement cards mailers prepared by the card manufacturer were delivered to the U. S. Postal Service.

**Administrative Benefit Authorization Report:**

The EBT Contractor shall provide a report of all benefit authorizations that are added to the EBT system through the Administrative functionality. This audit report shall include at a minimum the benefit amount, benefit type, and the User ID of the staff member using the Administrative functionality to issue the benefit.

**Alternative Transaction processing (Back-Up) Activity Report:**

The Contractor shall provide a daily report of all alternate transaction processing for the merchant during the business day. The report shall contain at a minimum the merchant name and FNS number, the transaction amount and type, the date and time, the recipient performing the transactions, and whether the merchant is a traditional or non-traditional merchant and totals, if any, for transactions that will not be settled until the next processing day. Suspense totals for transactions not being settled in the current business day shall be reported by individual benefit types, and rolled up into the program types.

**Alternative Transaction processing( Back-Up) Tracking Report:**

The Contractor shall provide a weekly report that includes the alternate transaction activity and total amounts of alternate transaction activity. The report shall compare the alternate transaction activity for traditional and non-traditional merchants, listing the totals of alternate transactions closed during the period and the total of open transactions.

**Monthly Out-of-State Activity Report:**

The Contractor shall provide a monthly report of all in-State cardholders transactions occurring outside of the home State. This report shall include the name of the state the transaction occurred, the name of the store and physical address.

**Benefit Aging Reports:**

The Contractor shall provide a report of recipients who have not accessed their benefits during the Department specified intervals. The Contractor shall clearly identify the aging category the EBT account falls under and the amount of benefits being aged.

**Card Issuance/Re-Issuance Reports:**

The Contractor shall provide audit and statistical reports of cards being issued and/or reissued to recipients. The Contractor shall provide an historical report of card issuance for recipients. Audit reports shall provide detail data by card issued, such as reason for issuance (i.e., initial issuance or replacement for lost/stolen card). Statistical reports shall

provide data needed to manage the EBT program, such as the card reissue rate, the reasons for re-issuance, etc. The Contractor shall provide a monthly audit report, by county and case number, of all clients issued replacement cards in excess of one per quarter (3 months) over a one-year period. The Contractor shall suggest the statistical reports that will best help the Department manage the card issuance process.

**Card Status Report:**

The EBT Contractor shall provide daily reports detailing all cards statused as well as a summary of cards statused for each status reason.

**Lost, Stolen or Damaged Card Report:**

The EBT Contractor shall provide a daily report detailing all cards reported as lost, stolen or damaged. The report shall include card number or PAN, cardholder name, date card reported, reason (lost, stolen or damaged), and total number of cards that have been issued to the cardholder.

**Transaction Denial Summary Reports:**

The EBT Contractor shall provide a monthly statistical report that provides the number and percentage of recipient transactions denied and the reason for the denials (i.e., non-sufficient funds, invalid PIN, etc.).

**Invalid PIN Attempts:**

The EBT Contractor shall provide a monthly report of cardholders that have conducted three (3) invalid PIN transactions with a 24-hour processing day during the month. The report shall provide cardholder name, card number, retailer name, retailer location, retailer ID, terminal ID, date and time.

**Fraud Reports:**

The EBT Contractor shall recommend a set of fraud reports that shall help the Department manage and detect fraud within the Food Stamp Program. Examples of such reports the Department is anticipating are Even Dollar Transactions, Excessive Large Dollar Transactions, Multiple Withdrawals/Same Day, Large Amount or Re-occurring Refund and Credit Transactions, and Manual Card Entry Reports. The EBT Contractor shall also recommend other fraud reports that they anticipate the Department would find valuable.

**Retailer Contract Status Report:**

During the operations phase, the EBT Contractor shall provide a quarterly report that provides information on the status of contracts with retailers. The EBT Contractor shall be required to work with the Department to define this report which includes, but is not limited to, information on new retailers, new contracts sent, contracts active and contracts expired or closed.

**Manual PAN Entry Report - Terminal:**

The Contractor shall provide a monthly report by terminal, listing the card PAN(s) that were manually entered rather than swiped. The report shall list the card number, case

number, merchant ID, terminal ID, clerk ID, transaction date and time, transaction type, rejection code, and the transaction amount.

**Reports Required by FNS:**

If requested by the Department, the Contractor shall provide additional reports to meet FNS requirements. These requirements may include, but are not limited to, reporting changes in retailers' financial institutions, a report on POS inventory, which would include terminal identification, and a report of "commercial" retailers by TPPs.

**3.11.3 Batch File Reports**

**Batch Processing Reports:**

The Contractor shall propose a standard set of batch processing reports to be used by the Contractor and the Department to ensure the complete and accurate transfer of data during nightly batch processing. The reports shall include a summary report by file transmission that provides a confirmation for the processing of the batch file(s). The summary report shall contain summary verification data, including the total number of records received in the batch and the number of records by record type (e.g., number of adds, change, and delete records). The report shall contain a summary of the processing of the transmission (i.e., number of records accepted and number of records rejected). The EBT Contractor shall submit batch confirmation reports to the Department within one (1) hour of processing the file.

**Batch Exception Reports:**

The EBT Contractor shall provide a batch exception report for all batch files received by the Department. Batch exception reports shall contain a listing of all records received within a batch, which were not processed by the Contractor, and verification of the comparison of reports to prevent duplicate files and records. Each record included on the exception report shall have a corresponding reason code indicating the cause of the rejection. In particular, duplicate case exceptions shall be clearly identified. The EBT Contractor shall submit batch exception reports and/or records to the Department within 30 minutes of processing the file.

**3.11.4 System Performance Reports**

**Host Response Time Reports:**

The EBT Contractor shall provide monthly reports summarizing EBT Host response times within pre-established tiers for both recipient transactions (POS and ATM transactions) and for Administrative Terminal transactions. The reports shall include: 1.) average daily response indicating the number of transactions for the day, the average transaction response time for the day and the number of transactions completed within 1, 2, 3 and greater than 3 seconds for the day; 2.) by hour of the day, the number of transactions completed in 1, 2, 3 and over 3 seconds. The reports shall be used to monitor the Contractor's compliance with Contractor Host response times.

**Scheduled System Maintenance:**

The EBT Contractor shall issue a monthly report providing the system maintenance schedule for a rolling six (6) month period.

**Host System Availability Report:**

The EBT Contractor shall provide a monthly report summarizing EBT Host system availability. The report shall detail all instances of host system down time, including the reason, duration of down time and whether the down time was scheduled or unscheduled. The report shall be used to monitor the Contractor's compliance with host system availability requirements.

**EBT System Availability Report:**

The EBT Contractor shall provide a monthly report summarizing availability of the entire EBT system, to include any services provided by the Contractor or any subcontractors, including but not limited to, the central computer, network, intermediate processing facilities and gateway. The report shall detail all instances of down time, including the reason, duration of down time and whether the down time was scheduled or unscheduled. The report shall be used to monitor the Contractor's compliance with EBT system availability requirements.

**3.11.5 Statistical Reports**

The EBT Contractor shall provide statistical reports, which are those reports that assist with the management of the EBT system. The Contractor shall also suggest, in addition to the reports detailed below, other statistical reports that will help with the management of the EBT system.

**EBT Only Retailer Terminal Monthly Utilization Reports:**

The Contractor shall provide a report detailing the number, type and value of transactions performed from the State-provided EBT-only terminal.

**Transaction Statistics Report:**

The Contractor shall provide a monthly report providing a summary of transactions by time of day and day of month. The purpose of the report is to show the peak processing time for the EBT system.

**Management Statistics Report:**

The Contractor shall provide a monthly summary report of transaction activity on the EBT system at a county and State level. Statistics provided should include, at a minimum, benefits authorized for the previous month, transactions performed by transaction type (i.e., Food Stamp purchases, cash purchases, cash withdrawals), the number of active cases on the system, number of active cards on the system, and the number of cards issued and the number of cards replaced during the month.

**Monthly ATM Transaction Fee Report:**

The EBT Contractor shall provide a monthly summary report of ATM transaction fees charged to recipient accounts.

**Case Activity Summary:**

The Contractor shall provide monthly reports containing a statistical summary of case activity.

**Food Stamp Extract Report - FNS:**

The Contractor shall provide monthly reports containing the statistical summary of Food Stamp activity reported to FNS.

### **3.11.6 Administrative Function Security Reports**

The Contractor shall provide Administrative Function Security Reports. Administrative Function Security Reports are those reports that identify the users of the EBT Administrative Function application; the access provided these users, and an audit trail of the transactions performed by the users.

**Access Definition Report:**

The Contractor shall provide a monthly report detailing each authorized Administrative Terminal or System user with the ability to access State, county or local office EBT data or conduct administrative transactions. The report must include the status of the individual (active, inactive, new user, revoked due to failed attempts, etc.). The report shall also detail the level of access afforded the user through the EBT Administrative and data warehouse functions. The report shall include the State and local office profiles and the valid functions within each profile.

**Failed Logon Report:**

The Contractor shall provide by State, county or local office, and by user ID, a daily report of users failing in their attempt to logon to the EBT system.

**User Session Activity Report:**

The Contractor shall provide a daily audit report by User ID of all actions taken by the user on the EBT System through the EBT Administrative functionality.

**Card Mail Issuance Report:**

The Contractor shall provide a monthly report of the number of cards mailed to recipients to include date, card number and internal ID.

**Security Access Issuance Report:**

The Contractor shall provide a monthly report detailing the date of receipt of a security access request from the Department and the date the Contractor issues the user password.

### **3.11.7 Customer Service Statistics Reports**

The Contractor shall provide on a monthly basis reports containing statistics and the effectiveness of the customer service functions for the client, provider and retailer customer service help lines. Statistics for the ARU, EBT Web Site and CSRs shall be reported. The Contractor shall deliver the following reports:

#### **Monthly Cardholder Call Center Statistics Reports:**

The EBT Contractor shall provide a Cardholder Call Center Statistics Report. This monthly report shall provide a summary of the number of calls received by the Cardholder Call Center by reason (hot card, balance inquiry, transaction history, etc.) for both ARU and CSR. Daily statistics regarding the call center performance (i.e., number of calls, number of rings before answered, number of abandoned calls, number of busy signals received) shall be collected and reported. (Calls placed on hold are not considered answered.)

#### **Monthly Retailer Help Desk Statistics Reports:**

The EBT Contractor shall provide a Retailer Help Desk Statistics Report. This monthly report shall provide a summary of the number of calls received on the Retailer Help Desk by reason (Food Stamp voice authorization, terminal problems, settlement questions, etc.) for both ARU and CSR. Statistics regarding retailer help tickets, including number of tickets opened, tickets closed, and reason for ticket, shall be provided. Daily statistics regarding the help desk performance (i.e., number of calls, number of rings before answered, number of abandoned calls, number of busy signals received) shall be collected and reported.

#### **Monthly EBT Web Site Statistics Reports:**

The EBT Contractor shall provide a monthly report summarizing the number of inquiries by clients, providers and group homes at EBT web site.

### **3.12 USDA DATA FILES**

The Contractor is required to support the data requirements of the federal government, and specifically USDA-FNS, for the Food Stamp EBT program. The three data files described below shall be provided to the federal government on a periodic basis as defined by FNS. The Contractor shall accommodate any changes to these files and/or file formats.

#### **3.12.1 AMA File**

On a daily basis, the Contractor must provide data necessary to support increases/decreases to the project's ASAP account balance at the Federal Reserve Bank, which serves as the Account Management Agent (AMA) for the FNS Food Stamp Program EBT benefit account. The AMA will interface with the Treasury Department's



Automated Standard Application for Payments (ASAP), and will establish ASAP account funding limits for the Department for Food Stamp EBT activity. The Contractor shall interface with the AMA and provide the necessary data. This data must be provided in a formatted file.

### **3.12.2 (STARS) Store Tracking and Redemption Subsystem Reporting File**

The Contractor shall provide detailed net daily Food Stamp redemption data by retailer identification numbers to STARS, the FNS Food Stamp redemption database, through the Benefit Redemption Systems Branch (BRSB) in Minneapolis. The data format and requirements of this file are specified by FNS.

### **3.12.3 (ALERT) Anti-Fraud Locator of EBT Retailer Transactions File**

The Contractor shall provide transaction data, starting at implementation, of store transaction history on a monthly basis to FNS through the ALERT File. In addition, a CD will be prepared with this same data and forwarded to the SW Regional FNS office.

## **3.13 BACK-UP AND CONTINGENCY PLANNING**

The EBT Contractor shall provide for backup procedures to ensure the continuation of operations in the event of a disruption in operations. Backup procedures will allow benefit access when the EBT Contractor's computer, system terminals, EBT gateway, or communications are not operational. Backup procedures shall include alternate purchase processing for the Food Stamp Program. The EBT Contractor shall also provide contingency plans for benefit issuance in the event of catastrophic disruption of benefit delivery services. Contractors shall describe the intended approach to meet both backup system operations and contingency plans for benefit delivery.

The EBT Contractor shall establish policies and assign responsibilities to ensure that appropriate contingency and disaster recovery plans are developed and maintained, and that procedures are followed during outages and localized disasters. As part of these policies, and included in the Contractor's formal Backup and Contingency Plan, the Contractor shall detail the names, phone numbers, and e-mail addresses of Contractor personnel that will serve as contact points for the Department, as well as emergency contact escalation procedures.

Contingency planning consists of the advance plans and arrangements, which are necessary to ensure continuity of the critical functions of the EBT service. The contingency plan shall describe the actions to be taken, the resources to be used and the procedures to be followed before, during and after any unlikely event occurs that would render inoperative a function supportive to the EBT service. The contingency plan shall cover all events of total or partial cessation of operations or destruction of the database or physical facility. Such planning shall include procedures and availability of equipment for both automated and manual procedures.

The Contractor shall describe their approach to contingency operations. The Contractor's contingency planning shall describe the actions to be taken before, during and after a disaster (or contingency), along with documented and tested procedures, which, if followed, shall ensure the availability of critical resources and facilities maintaining the continuity of operations. The Contractor shall describe how proposed architecture, technical capabilities and organization should protect the system during emergency operations and continue to provide access to State system and to the State's back-up system.

The Department will work with the Contractor to utilize the Contractor's existing design for providing disaster services to the extent possible. However, the Contractor will be required to meet the back-up and contingency requirements of the State. The Contractor's back-up and contingency plans may be subject to FNS approval.

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

### **3.13.1 Contractor's EBT System and Gateway**

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 site" back-up site begin processing transactions within one hour of a disaster declaration.

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 Contractor shall also include the method by which they will notify both the Department and the retailer community that an outage is occurring and that alternate means of obtaining authorizations are in place. The Contractor's plan must include a description of the retailer help desk phone line capacity and its plans for increasing call acceptance capacity to meet retailer demands for emergency alternate purchase processing system authorizations.

The Contractor or its gateway subcontractor shall provide an alternative EBT gateway (back-up) if the central gateway experiences a disruption in services.

The Contractor's Backup and Contingency Plan shall include a State notification process as well as disaster declaration criteria and timeframes that are acceptable to the Department. The Contractor shall immediately notify the Department when a disruption in services provided by the Contractor or any of its subcontractors occurs, including, but not limited to, the EBT host system and the EBT gateway. The Contractor shall notify the Department immediately upon the Contractor's decision to move to a disaster back-up site to provide EBT services. The Contractor must furnish the Department with a follow up report that delineates the date of the outage, the start and end times of the outage, the

reason for the outage, and steps the Contractor will take to ensure that outage does not reoccur. If the Contractor is providing EBT services to multiple States, the disaster recovery plan shall address the timing and order of recovery of the Department as compared to the other entities being processed. The recovery of the Department's EBT systems shall not be delayed because the Contractor is recovering other States' EBT systems.

The EBT Contractor's back-up site, communications between the back-up site and the Department system, and communications between the back-up site and the Department's hot-site, shall be tested annually, and the Contractor shall provide the Department with copies of such test results within 30 calendar days of receipt of the test results. In addition, the Contractor or its gateway subcontractor shall annually test the back-up EBT gateway and provide the Department with copies of such test results within 30 calendar days of receipt of the test results.

### **3.13.2 State System Disaster**

The EBT Contractor shall provide for backup procedures to ensure the continuation of operations in the event of a halt in operations at the Department's mainframe site due to a disaster. In the event the Department activates its disaster "hot site" the EBT Contractor shall interface with the site for continuation of benefit services to clients. Communications between the Department hot site and the Contractor's EBT system and the Contractor's back-up site shall be tested annually. Contractors shall describe the intended approach to meet contingency plans for continuation of benefit service delivery.

### **3.13.3 Level I Services**

Level I disaster criteria include:

- Large, but well-defined areas affected;
- Moderate number of clients affected;
- Power and telecommunications outages, restoration in three to seven days; and
- Benefit redemption points are available.

### **3.13.4 Cardholder Support Services**

- **Lift Staggered Issuance:** In the event of a disaster, the Department requires the ability to post all benefits in a designated county(s) or region(s) immediately, regardless of actual availability date.
- **Benefit Reissuance:** During a disaster, the Department may re-issue benefits to cardholder accounts.
- **Increased Customer Service Support:** In the event of a disaster, the Contractor shall provide the same scope of services to cardholders for the

ARU and Customer Service Center. The ARU shall have a specific disaster script that has been approved by the Department. Because call volumes will likely increase, the Contractor shall increase the number of customer service representatives available to support cardholders. Customer service representatives should be alerted when accessing the cardholder's record that the cardholder resides in the disaster area.

- **Manual Back-Up(s):** In a disaster scenario, if POS devices and phone lines are inoperable, retailers will use an alternate purchase processing system to document the disbursement of goods under the Food Stamp Program. When phone lines are operational, retailers will request authorization for the alternate purchase through either the ARU or customer service. Retailers are fully liable for the amount of the alternate transaction. However, the Department and/or FNS may establish a government stand-in per client, per store, per day, at the time of the disaster.
- **Drop Ship Delivery:** New cardholders receiving their first EBT card during a disaster may have their card issued over-the-counter at local offices or mailed from the Department central offices, or have the card mailed to their residence via normal mail delivery by the Contractor. The Department shall have the option of requiring the Contractor to drop ship active cards via overnight express mail to a specific local or State office(s). PINs will not be mailed with drop shipped cards; cardholders shall call the ARU to select their PIN.

### 3.13.5 Retailer Support Services

- **Retailer/ATM Site Survey:** Upon notification by the Department of a disaster, the Contractor shall survey selected retailer locations and financial institution/ATM networks to determine the level of service that can be provided to cardholders because of equipment outage or other factors. After disaster services have been completed and the State resumes normal operations, the Contractor shall contact these benefit redemption points again to determine the status of ongoing operations. The Contractor shall ensure that CSRs are aware of which benefit redemption points are not operational during and after the disaster in order to direct cardholders to appropriate locations.
- **Alternate Purchase Processing System Documentation:** The Contractor shall propose a method of documenting the disbursement of goods under the Food Stamp Program using the alternate purchase processing system.
- **Increased Retailer Customer Service:** In the event of a disaster, the Contractor shall provide the same scope of services to retailers for the ARU and Customer Service operations. The ARU shall have a specific disaster script that has been approved by the Department. Because call volumes will likely increase, the Contractor shall increase the number of CSRs to support retailers.

### 3.13.6 Technical Support

- **Accelerated Expungement of Benefits:** Disaster benefits may be issued as a specific benefit type for use during disaster situations only. These benefits shall be expunged within 90 days after issuance or as specified by the Department.
- **Eligibility System and Interface Support:** The Contractor shall support the recovery of the Department's eligibility and EBT interface systems at a back-up site in the event of a disaster at the Department's primary data center. This support shall consist of providing connectivity to the Department's back-up site to support the transmission of data files and reports between the Department and the Contractor. Initial support may consist of only dial-up access until a more robust solution can be implemented. The Contractor shall provide support to the Department in ensuring that benefits are still being provided to cardholders through the EBT system during the recovery of the Department's data processing systems. Following the declaration of a disaster by the Department and movement to a back-up data center, the Contractor shall work with the Department technical staff to provide EBT administrative terminal support.
- **Administrative System Access:** In the event the Department's eligibility system or the traditional interface is not accessible, the Department shall have access to the Contractor's system using a direct dial process. The Contractor shall provide the appropriate passwords, access and software components, and training prior to the disaster situation.

### 3.13.7 Level II Services

Level II disaster criteria include:

- Catastrophic;
- Widespread commercial and residential impact;
- Limited power and telecommunications service, outages expected to last longer than a week; and
- Benefit redemption points not available.

Level II services may include the services provided for a Level I disaster in addition to the services described below.

### 3.13.8 Disaster Card and PIN Inventory

At the Department's option, the Contractor shall be required to maintain a stock of disaster vault cards with pres-assigned PINs to be available during a disaster. The number of vault cards and pre-assigned PINs required by the Department shall be determined

upon contract signing. The corresponding supply of PIN stock shall also be available for disaster declaration. The cards shall be embossed with a designated disaster PAN only. Cards and PINs shall be in normal mailers, with English and Spanish language enclosures. Vault stock cards shall be readily distinguishable from regular mail-issued cards. Card/PIN matching pairs shall be readily identifiable, and batches of cards and PINs shall be produced in a fashion that facilitates the matching logistics. If compromised in any way, vault stock cards shall be able to be stasured by customer service.

### **3.13.9 Provision of Training Materials**

Training materials provided to cardholders during disasters shall be available in English and Spanish. The Contractor shall maintain sufficient stock of these materials in the required languages for use during disaster situations.

### **3.13.10 On-line Cardholder Account Set-up and Benefit Issuance**

In the event of a disaster, eligibility requirements for specific types of emergency assistance may be more liberal than those used for determining "normal" eligibility for benefits. The Department requires the ability to set up accounts for this new population quickly, and provide them with emergency benefits. These benefits are specifically targeted for disaster assistance, and must be used within a certain number of days.

Once a cardholder has been determined eligible, received a card and PIN, and been assigned a unique State ID, the Department shall have the ability to add the cardholder to the EBT host, issue benefits, and link the EBT account to a vault card with a pre-assigned PAN and PIN. This shall be accomplished through online entry through the administrative system using screens designated for disaster purposes only. Administrative system data entry must be completed in real-time, such that the cardholder may immediately access their benefits.

### **3.13.11 On Site Card Issuance**

Emergency vault cards with pre-assigned PINs shall be shipped via overnight express on the same day of the Department's request to issuance sites if a disaster has been declared. The Department will determine the number of cards required for same day shipment. The remaining cards shall be available to the Department within five days of the request.

### **3.13.12 Batch File Processing**

At the end of the day, the Department shall send the Contractor account set-up records via batch containing the actual cardholder demographics. These records will be used to update cardholder records that had been added to the system through the administrative terminal. This file shall not generate cards; regardless of how the card issuance flag is set. If the State unique ID is not found, an error will occur causing the record to reject. Rejects shall be reported in the confirmation return file and must be viewable online via

an administrative system screen or report. The Department shall send the remainder of the cardholder's benefit via a batch benefit authorization file.

### **3.13.13 Customer Service Support**

In the event of a disaster, the Contractor shall provide the same scope of services to retailers for the ARU and Customer Service Center. The ARU shall provide retailers with a disaster message. Because call volumes will likely increase, the Contractor shall increase the number of customer service representatives available to support retailers.

### **3.13.14 Specialized Reporting**

The Department requires the ability to view issuance, expungement, drawdown, and other information for disaster benefits separately. The Department requires disaster reports to be available upon request.

### **3.13.15 Disaster User Profiles**

The Contractor shall maintain user profiles that include workers authorized to perform disaster-related functions. These workers shall have access to administrative system screens required for disaster services, as well as standard inquiry access.

## **3.14 SECURITY POLICY**

The EBT Contractor and all subcontractors shall ensure that an appropriate level of security is established and maintained in connection with the EBT services provided pursuant to the contract.

The EBT Contractor shall process information that has been designated sensitive but unclassified. Sensitive but unclassified information is any information, the loss, misuse or unauthorized access to or modification of which could adversely affect the national interest of the conduct of Federal programs, or the privacy to which individuals are entitled under Section 552a of Title 5, United States Code (the Privacy Act), but which has not been specifically authorized under criteria established by an Executive Order or an act of Congress to be kept secret in the interest of national defense or foreign policy.

### **3.14.1 Control and Security Requirements**

The security controls used by the EBT Contractor and/or any subcontractor(s) in the performance of services required under this contract shall be specified in this contract. It is the expectation of the Department that the EBT Contractor will rely on Electronic Funds Transfer (EFT) industry standards and convention in ensuring a secure EBT environment.

### **3.14.2 Facilities Physical Security**

The EBT Contractor shall utilize physical security and access control systems to limit access to any facilities used to process cards, process data or house any sensitive data to those authorized personnel and authorized visitors. The control systems shall have the capability to detect and report attempted unauthorized entries into the facility.

The EBT Contractor shall regulate access to primary and backup data center in such a way that the flow of all persons can be monitored and controlled.

The following minimum physical security protection measures shall be implemented to deny unauthorized access to, manipulation, and/or sabotage of the EBT data processing and telecommunications facilities. Contractors shall describe the physical controls to operational facilities in these areas. Additional measures should be described as appropriate.

- **Entrance security** – The EBT data processing and telecommunications facilities shall be secured 24x7. The entrance(s) to the facilities shall provide for controlled entry and be secure against forced entry.
- **Locks** – The facilities shall be locked at all times when authorized personnel are not present.
- **Cipher or proximity/swipe card type devices** – may be used during duty hours to control entry into a facility. During non-duty hours, the cipher lock shall not be used as a sole locking device.
- **Personnel Access Controls** – Access to operational sites shall be controlled and limited to authorized personnel. Employee access to controlled areas within the operational site shall be controlled by electronic access or other comparable procedures.
- **Data Storage Security** – All data on portable media, including but not limited to, magnetic tapes, diskettes, CDs, removable disk packs, paper listings and microfiche shall be in secure access controlled storage areas with access limited to authorized personnel, when not being used by computer operations.
- **Fire Protection and Suppression** – The primary and backup processing sites as well as the tape storage areas shall be equipped with fire detection and suppression systems that detect and suppress fire in the incipient stage.

### 3.14.3 EBT Systems Security

This section, EBT Systems Security, addresses security and control requirements pertaining to the development and overall operational characteristics of the EBT information and processing systems. Contractors shall describe the systematic and procedural controls for the following areas and other pertaining controls for the EBT system operations.



- **Control of Card Stock** – The EBT Contractor shall describe the system and procedural controls to ensure that unissued card stock is properly safeguarded against loss, theft and/or abuse. The EBT Contractor shall be responsible and bear liability for all unissued card stock until such stock is mailed to clients.
- **Control of PIN(s)** – The EBT Contractor shall describe the system and procedural controls to ensure that access to all PIN(s), whether assigned or selected are strictly controlled. The EBT Contractor is responsible for ensuring the confidentiality of the PIN during generation, issuance, storage and verification. The Data Encryption Standard (DES) algorithm shall be used to control all PIN(s). The EBT Contractor shall ensure that clear text representation of the PIN will never be displayed on PIN entry devices. The EBT Contractor shall provide for authentication of data encoded on the card's magnetic stripe and PIN offset, and the PIN controls listed in Chapter IX, Security, of the EBT Operating Rules.
- **Communications Access Controls** – The EBT Contractor shall provide for communications software to control access to the EBT system. Such communications software controls shall ensure that all State and local staff, Federal and EBT Contractor personnel access to the EBT system is strictly controlled. Communications access control software shall provide for the following capabilities.
  - **User Identification and Authentication** – All personnel requiring access to the system must be established within the system. The system shall require unique identification from each user to access the system. The system must not allow the display of the PIN on an administrative terminal or PC monitor. Access to the databases, transactions and programs shall be restricted to those personnel needing access to such data to meet professional responsibilities. The security system shall protect authentication data to make it unavailable by any unauthorized user. The security system shall provide the capability to identify authorizations of individual users and unauthorized users. The security system shall support a lock out threshold for excessive invalid access attempts. The security system shall support the immediate deletion of users no longer authorized by the Department. In addition, the system shall send the Department notice of any State or local user that has been inactive for eight months. Unless a request is received from the Department to maintain an inactive user's authorization, the system shall support the automatic deletion of a user that has been inactive for nine months.
  - **Discretionary Access Controls** - The security system shall use identification and authorization data to determine user access to information and level of information accessed. The security system shall provide the users the capability to specify who (by user or type of user) may have access to system data. The security system or network shall assure that users without proper authorization are not allowed access to EBT data.

- **System Access and Audit Controls** – The security system shall be able to provide an audit trail of access to the system and maintain and protect such records from modification, unauthorized access and destruction. At a minimum, the security system shall be able to record the following types of events: log on, log off, change of password, program initiation and all actions by system operators, administrators and security officers. The security system will provide the capability to automatically delete, upon Department parameters, inactive users and provide that data electronically to the Department's security administrator. The security system will provide the capability to allow the Department's security administrator to change passwords in an on-line environment. The Department's security administrator shall be able to selectively audit the actions of one or more EBT system users based on individual identity.
- **Transaction Communications** – The EBT Contractor shall provide controls to ensure that EBT transaction communications are safeguarded and only processed from authorized terminals or PIN selection devices. Communications message validation shall provide for control edits for message completeness, file and field formats and control and authentication measures. The EBT Contractor shall describe controls to secure communication lines and links. The EBT Contractor shall have the ability to perform error checking of transmitted data. The EBT Contractor shall provide a configuration layout showing complete end-to-end details of the telecommunications and automated information system(s) as part of the Detailed System Design required as a System Development Deliverable. This should include hardware components, including but not limited to modems, encryption devices, etc. that the Department would be required to use in support of communication access controls.

#### 3.14.4 System Data Security

System data shall be protected to ensure that system and confidential information shall not be disclosed for unauthorized purposes. Such data security controls shall include the following at a minimum:

- **State Access** – The EBT Contractor will ensure that designated users from the Department may only access the system in relation to system data and the operations.
- **Disclosure of Information and Data** – Any sensitive information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Disclosure to anyone other than an authorized officer or employee of the Department or a local office is prohibited without prior written approval. Sensitive information shall be accounted for upon receipt and properly stored before, during and after processing. In addition, all related output should be given the same level of protection as required for the source material.

- **Data Destruction** – The EBT Contractor shall provide for the destruction of magnetic media, or deletion of information from magnetic media when no longer required. The Department shall approve the methodology for data or media destruction.
- **Separation of Duties** – The EBT Contractor shall provide for adequate internal controls through separation of duties and/or dual control for the functions of card and PIN issuance, system administration and security administration (this includes the separation of operations from control functions (such as reconciliation controls), account set up, benefit authorization and settlement authorization.
- **Backup and Contingency Operations** – The EBT Contractor shall provide for backup procedures to ensure the continuation of operations in the event of a temporary disruption or disaster. Backup and Contingency requirements are in Section 3.13 of the contract.
- **System and Procedural Documentation** – an integral component of the EBT Contractor's internal control structure is the provision and maintenance of adequate documentation of system and software applications and operating procedures and requirements.
- **System Modification and Tampering Controls** – the mechanisms within the application that enforce access controls shall be continuously protected against tampering and/or unauthorized changes.

### **3.14.5 Inspections, Audits and Investigations**

The Department and USDA-FNS shall have the right to inspect, review, investigate or audit all parts of the EBT Contractor's or any subcontractor's facilities engaged in performing EBT services. In such capacity, the Department, or its representative(s), shall have access to facilities, records, reports, personnel and other appropriate aspects of the EBT system.

### **3.14.6 Comprehensive Security Program**

The EBT Contractor shall be responsible for the implementation and maintenance of a comprehensive security program for the EBT system and operations. This program shall include the administrative, physical, technical and systems controls that will be implemented to meet the security requirements of the EBT system and this section. It is the expectation of the Department that the system of internal controls used to manage risks to the EBT system and operations will be based on EFT industry standards.

### **3.14.7 EBT Security Plan**

The EBT Contractor will submit documentation of the comprehensive security program, a Security Plan, which is one of the system development deliverables described in this

contract. The Security Plan shall describe the administrative, physical, technical and systems controls to be implemented for the EBT system and how the Contractor will address deficiencies or security breaches if they are identified during the course of the contract. The security plan should reflect the guidance of FNS Handbook 901 and FNS EBT Security Manual (see <http://www.fns.usda.gov/fns/menu/foia/inst%5Fhand%5Fsupp.htm>). In addition to describing the planned controls to meet the security requirements of this section, the EBT Security Program and Plan shall provide for the ongoing certification and examination of the EBT Contractor's operations and control system. The EBT Contractor may use OMB Circular A-130 and 90-08 (see <http://www.whitehouse.gov/omb/circulars/index.html>) as references and templates in preparing the EBT Security Plan.

### 3.14.8 Certification and Examination

As an integral component of the EBT Contractor's EBT Security Program, the EBT Contractor shall provide the Department with an annual certification of compliance with banking, EFT, EBT and other regulations and requirements relating to the EBT application. The annual requirement should be considered a normal cost of doing business for the EBT Contractor.

The annual self-certification and examination requirements shall be applicable to the EBT Contractor and any organization(s) to which the EBT Contractor has contracted for the performance of EBT related services (subcontractors). It shall be the responsibility of the EBT Contractor to provide annual certification or compliance with EBT program specific and related banking requirements of any contracted entities. Such certification of contracted entities will also be subject to independent examination and validation. The certification by the EBT Contractor to the Department shall include certification for the EBT Contractor entity and any contracted entities compliance with EBT program specific requirements and banking regulatory requirements related to the EBT application.

The EBT Contractor shall provide an annual written certification stating that it is in compliance with applicable banking regulatory requirements and EBT program specific requirements. The following lists the EBT program specific requirements that shall be addressed in the EBT Contractor self-certification of compliance.

- **Banking and Financial Service Rules** – The EBT Contractor must comply with banking, EFT and other financial services industry rules that relate to the EBT application. The EBT Contractor certification of compliance shall include banking, EFT and financial service industry rules to the extent that such rules govern aspects of EBT system operations.
- **Benefit Program Rules** – The EBT Contractor and any subcontractors shall comply with the specific benefit program level requirements. For benefit programs that do not have specific written requirements for participation in the EBT program, the EBT Contractor shall comply, as applicable, with the existing program level requirements and with benefit level requirements as promulgated by the administering agency. Two

benefit programs have written requirements specifically for participation in the EBT program:

- USDA Food and Nutrition Service Final Rule 7 CFR Parts 272, 274, 276, 277, and 278
- Temporary Aid to Needy Families Action Transmittal Number ACF-AT-91-28
- **Internal Control and Physical/Personnel Security Requirements** – The EBT Contractor is subject to the control and security requirements of this contract and the components of its individual EBT Security Plan.

Self-certification requirements include:

- **Evaluation of Compliance** – The EBT Contractor shall accept responsibility for and provide an evaluation of its compliance with the EBT program and specific requirements, compliance with the applicable regulatory requirements and of the effectiveness of the internal control structure in ensuring proper safeguards for the administration of public funds.
- **Certification of Compliance** – The EBT Contractor shall provide to the Department a written certification of compliance with the EBT program specific requirements and applicable bank, EFT and financial services industry requirements related to the EBT application. The EBT Contractor shall explain how such determination of compliance was made, including bank examination, audit and internal review.
- **Internal Control** – The EBT Contractor shall certify that it has properly administered all components of the EBT Security Plan and that such controls provide reasonable assurance that public funds administered through the EBT system are properly safeguarded and protected. The EBT Contractor shall describe how such certification was made.

Annual Attestation Engagement requirements include:

- The EBT Contractor and any subcontractor(s) shall arrange for the performance of an annual attestation engagement of the Department's system by an independent auditor acceptable to the Department. The purpose of this engagement is to ensure that the certifications of compliance and internal control provide reasonable assurance and any disclosure of exceptions or qualifications made by the EBT Contractor are proper and complete. A written report of this engagement is required and must be sent to the Department together with the self-certification statements. The engagement shall be performed in accordance with the guidance in Government Auditing Standards issued by the Comptroller General of the United States, for a financial audit, specifically, Statement of Standards for Attestation Engagements No. 4 (SSAE No. 4). SSAE No. 4 is applicable to the EBT annual engagement in that it addresses the attestation

requirements to examine management's assertions of compliance and internal controls.

- Additionally, an engagement in conformance with AICPA SAS No. 70, Processing of Transactions by Service Organizations, is required. Conformance with updates to the SAS 70 or possible future comparable SAS requirements is also required. The engagement should culminate in a report on the policies and procedures placed in operation and tests of the operating effectiveness of the Department's EBT system. Each report shall be addressed to the Department and submitted within 30 calendar days of the State's fiscal year end.
- The EBT Contractor shall authorize the Department or its representatives to perform audits and /or inspections of its records at any reasonable time during the term of the contract and for a period of three (3) years following the date of final payment under the contract to assure compliance with its terms and/or to evaluate the EBT Contractor's performance.
- Any amounts that have been paid by the Department, which are found to be improper in accordance with the terms of the contract, shall be returned to the Department or may, at the discretion of the Department, be returned in accordance with other remedies.
- The EBT Contractor shall permit the Department and any other governmental agency authorized by law, or their authorized designee to monitor all activities conducted by the contractor pursuant to the terms of the contract. Such monitoring may consist of internal evaluation procedures, special analysis, on site verification, and any other reasonable procedure that does not unduly interfere with contract work.

#### **3.14.9 Incident Reporting**

In addition to the self-certification and evaluation requirements, the EBT Contractor shall notify the Department of any instances of non-compliance promptly upon their discovery, but within a period of no more than five (5) business days. Notification shall include a description of the non-compliance and corrective action planned and/or taken.

#### **3.15 CHANGE MANAGEMENT**

A formal change management approach is critical to the Department and to the EBT Contractor. The Department requires that the Contractor develop a Change Management Plan. The Change Management Plan must define roles and responsibilities and assure the Department that no changes to the EBT system will be undertaken without the Department's prior knowledge and approval. This section contains the Department's requirements for change management.

If benefits, such as system enhancements or other system changes determined to be advantageous to the Department, are developed by the Contractor for any other

Department or political subdivision being provided with similar services as the Department, the same benefits must be extended to the Department at no additional cost. The Contractor shall describe its approach to providing the Department with information concerning EBT system changes and enhancements implemented by other States, both within and outside of the State.

### **3.15.1 Design Issues**

Design issues are questions or concerns that arise before the program/system design baseline is frozen and are a part of the development process. Specifically, design issues are issues addressed and resolved prior to finalizing the system design.

Design issues are specific in nature and should be identified and raised throughout the development of program specifications and procedures for EBT participants (e.g., authorized retailers, providers, financial institutions, local and State offices), and general and detailed system specifications. Design issues will be recorded and tracked on an issue log.

From the Department, only those issues presented by the Department's EBT Program Manager, or designee, are to be addressed by the Contractor. If the Contractor has issues for Department consideration, such issues are to be presented to the Department's EBT Program Manager or designee for consideration and action. Only those modifications approved by the Department's EBT Program Manager, or designee, are to be acted upon by the Contractor.

### **3.15.2 Program Baseline**

The baseline for the Department's EBT programs will initially be established through the Contract and any amendments, the RFP and the Contractor's response to the RFP, and any other documented commitments, statements or memorandums of understanding and all addenda's, documented questions and answers and federal waivers.

After the initial baseline is established, any modifications to the system design or functionality will be defined as a change and will be documented and tracked. As the program proceeds, the baseline will expand to include: the finalized work plan, general and detail design documents, training and disaster plans, and other approved/accepted Contractor deliverables. The baseline will continue to expand to include system testing, reports, implementation plans, transition plans and documentation from the actual transition. The baseline will be established upon acceptance of the conversion and approval of all design, development and transition phase deliverables.

### **3.15.3 Changes to the Program Baseline**

Change requests seek to modify or enhance the baseline system, procedures, documentation or application programs. Such requests alter the initial scope of the program or add/modify functionality after the system design has been base lined.

Changes are categorized as remedial, enhancing, or conforming. The definition for each type of change is provided below. Remedial changes are not changes to the baseline and shall not result in additional costs to the Department. Other changes requested by the Department and mutually agreed upon between the Department and the Contractor, including terms, conditions, the use of State-allocated hours, and fee structure(s) if any, may result in additional costs to the Department if so negotiated and agreed.

**Remedial Changes:** Changes needed to make the system perform/function in the way it was designed; such changes will be done immediately. Either the Department or the Contractor may identify the need for a remedial change. If the Contractor identifies the problem, the Contractor must immediately notify the Department of the problem and of the Contractor's intent to initiate a remedial change. The Contractor will work with the Department, to include testing, to ensure that a remedial change will not impact Department EBT system functionalities.

**Enhancing Changes:** Changes that are not Remedial or Conforming changes, including changes that will enhance performance, provide new functionality, improve cost-effectiveness or improve efficiency and ongoing operation or program maintenance. Enhancing changes may be Department or Contractor-initiated.

**Conforming Changes:** Changes needed to adapt the system to changes in requirements that result from federal regulation, federally mandated changes and changes to the Quest Operating Rules.

The Contractor shall maintain and update as required the key design and operational manuals delivered during the Design, Development, and Conversion Phases, to reflect any and all changes from the established baseline. These manuals include:

- Detailed Design Document
- Back-up and Contingency Plans
- System Security Plan
- System Operations/Interface Procedures Manual
- Reports Manual
- Settlement/Reconciliation Manual
- Administrative Functionality Manual

As part of this requirement, the Contractor shall provide four camera-ready copies and an electronic copy in Microsoft Word of the updated Administrative Functionality Manual. The Contractor is encouraged to recommend for consideration any approach that may provide on-line access to updates to the Administrative Functionality Manual.

If requested by the Department, the Contractor shall provide some or all of the updated manuals to the Department *prior* to implementing system and operational modifications into production.



All changes shall be fully tested before being put into production.

#### **3.15.4 Change Request Control Process**

Department-initiated change orders to the system/program baseline and conforming changes will be initiated through use of a Change Request Form. The Department's EBT Program Manager will forward a signed Change Request Form to the Contractor's designee for analysis of the request for analysis of potential impacts on schedule (during development or transition), resources, hours and/or costs.

The Contractor will return the Change Request Form and the results of the analysis to the Department's EBT Program Manager within two weeks of receipt. If the Department chooses to formally request the change, the approved Change Request Form will be signed and dated, by the Department's EBT Program Manager, and forwarded to the Contractor. The Contractor shall not begin work on a Change Request until written approval is received from the Department.

The Department will monitor implementation of the approved changes through routine program management including scheduled status reports, request modifications, etc. Upon authorization of the change, the Contractor will include the change in work plans, allocate resources as appropriate, and will provide ongoing status reports, as part of the regular status report, with hour and cost accounting (if any) to the Department until such time as the change has been completed and accepted by the Department.

#### **3.15.5 Change Requests from the Department**

The Contractor shall provide 300 hours of combined design, development and testing time to the Department for each year of the contract at no cost to the Department, to be applied to any Change Requests issued by the Department, to include requests for conforming changes. The Contractor shall not apply personnel time toward the 300 hours for self-initiated system changes/ enhancements or for any work necessary, including remedial changes, to maintain system functionality under the terms of the contract. Any personnel time applied toward the 300 hours must have prior approval by the Department. For Department-requested changes that exceed the allocated 300 hours, a cost estimate shall be provided, by hour, utilizing the hourly rate for the labor grades provided in the Contractor's pricing proposal.

Upon completion of a project, the Contractor shall provide the Department with a statement that details the number of hours used toward the change/enhancement effort; how those hours were used; and the hours available to the Department for the remainder of the year. In addition, the Contractor shall provide the Department with the number of hours available to the Department for changes/enhancements, for the remainder of the year, as part of the regular status report.

The Department will designate Change Requests as medium or high priority. It is expected that the Contractor will execute work on medium priority changes within 60

calendar days of written approval by the Department and that work on high priority changes within 30 calendar days of written approval by the Department.

### **3.15.6 Federal and Quest Operating Rules Conformance Requirements**

As Federal and State regulations, and/or the Quest Operating Rules are changed, the EBT system must be modified to meet the new requirements. The Contractor may implement these conforming changes through two approaches. The first is through a Department-initiated request and the established change management approach, described within Sections 3.15. The second is to provide the Department with a proposal to implement conforming changes to the system. The proposal must include a price proposal, detailing the fixed labor categories and hours per category. The Department may use some or all of their allotted annual design, development and testing time to implement a conforming change. Proposals for conforming changes must utilize the pricing schedule found in Article 4 of this contract and submitted as part of the Contractor's price proposal. In either approach, the Contractor may not implement conforming changes unless it receives signed authorization from the Department EBT Program Manager or designee.

### **3.15.7 Changes Initiated by the Contractor**

The Contractor must provide the Department with advance notice of all self-initiated changes to the EBT system, including gateway services. The Contractor must coordinate all non-remedial changes to the system with the Department. Non-remedial changes must be implemented at a time agreed upon with the Department, so that the availability and participation of Department Program and IT staff can be assured. The Department must be notified, in advance, of any known impacts the changes will have to the Department's functionality, file formats, screens, reporting, performance, etc. The Contractor will work with the Department, to include testing, to ensure that Contractor-initiated changes do not unintentionally impact Department functionalities, file formats, screens, reporting, performance, etc.

### **3.15.8 Test Environment**

The Contractor shall provide access to their test platforms in the following manners:

1. Department shall be provided the ability to transmit test files to the Contractor in order to validate software and system changes.
2. The Contractor shall, in turn, implement the ability to return test files to the Department. These files shall be identical in format to the files that would be returned to the Department in the production environment. In addition, from time to time, the Contractor will respond to requests to provide specialty test files as needed for developmental projects.
3. The Contractor shall provide the Department the ability to monitor, in real time if needed, the activities.
4. The online access will be provided 24hours/7days.

5. The Contractor shall inform key personnel in the Department when the test platforms will be, or are down for whatever reason.

## **ARTICLE 4- PRICING**

Pricing for core EBT services shall be expressed in terms of a Cost Per Case Month (CPCM). The core CPCM represents the fixed cost to deliver mandatory core services to a single case for one month. Core services will include account set-up, benefit authorization, account maintenance, card management, transaction processing, customer service, administrative functionality, retailer management, training, settlement and reconciliation, reporting, system back-up, contingency, maintenance and security processes, certification and management of third-party processors and all project documentation.

Interoperability fees will be paid by FNS at the 100 percent rate based on New Mexico's pro rata share of the total funds available.

### **4.1 Definition of Active Case**

For invoicing purposes, active cases shall be those for which a benefit authorization has been posted to the account during the month. A "case" shall be defined as a single beneficiary unit receiving benefits through a single EBT account for one or more benefit programs. For example, a beneficiary unit receiving both Food Stamps and cash benefits through a single card would represent a single, combined Food Stamp/cash account. Similarly, a beneficiary unit receiving two or more cash benefits through a single card would represent a cash-only account. The Contractor shall apply the quoted CPCM to all active cases. Cases that receive more than one deposit, for the same program, in a given month will only represent one billable account. For example, if a food stamp case receives (benefits are made available) a regular monthly issuance and a supplemental issuance in the same month the Department will be billed for one case.

The Department shall not be charged for cases that have no benefit authorizations posted to the account during the billing month. Monthly benefits posted prior to the end of the month shall not constitute a billable case until the benefit has been made available to the recipient (e.g., availability date of the benefit has been reached).

### **4.2 Start-Up Pricing**

4.2.1 The Contractor will not charge the Department for any Start-Up Costs related to system design, development or transition.

4.2.2 The Contractor assumptions related to start-up costs:

- EBT System Design and Development - The Contractor will not charge for any costs related to the design, development, and testing of the system and interfaces to the Department's eligibility system.
- EBT-only Terminal Conversion Costs - The Contractor will not charge for EBT-only terminal conversion including the costs to deploy new Point-of-Sale (POS) terminals, the cost to train retailers and costs to produce and execute retailer agreements. POS terminal lease pricing is described in section 4.9 POS Terminal and PIN Selection Terminal Pricing.
- EBT Database Conversion Costs - Database conversion is not required. However, any conversion activity or provision of enhancements as set out in the Contractors response will be preformed as required and no cost to the Department will be incurred.

### 4.3 Cost Per Case Month Pricing

4.3.1 Pricing under this contract for the period beginning July 1, 2006 through June 30, 2010 will be as follows:

4.3.1.1 Beginning July 1, 2006 and continuing through December 31, 2006 the price for EBT services will be as follows:

- Food Stamps cost per case month will be \$2.396
- Cash Only cost per case month will be \$1.416
- Combination Food Stamp and Cash cost per case month will be \$3.492

4.3.1.2 Beginning January 1, 2007 and continuing through the end of the contract term excluding any extensions, the inclusive price for each case month will be as follows:

- Food Stamps: \$0.93
- Cash: \$0.00
- Combination: \$0.93

### 4.4 Fee for Service Pricing

4.4.1 Fee for Service Pricing, is for services that the Department, or third party processor will pay based upon the utilization of the respective service.

**4.4.1.1 Charges for cardholder calls to the client Customer Service Center from payphones.** The Department will pay the actual cost billed by the service provider of \$.32 per call or the lower of the FCC default rate. Payphone surcharges shall be itemized on the monthly billing. The Department will not pay for mark-ups or administrative fees.

- 4.4.1.2 **Charges to the client account for ATM cash withdrawal transactions.** The Department program clients will pay the blended fee of \$.42 per completed cash withdrawal.

## 4.5 Optional Services Pricing

4.5.1 The Contractor is encouraged to identify means to reduce the costs of EBT services to the Department or provide increased service to the Department and/or its EBT recipients. The Contractor is encouraged to identify cost reduction factors and optional services that would produce cost savings and/or improve service. All cost savings shall be expressed in terms of an *incremental decrease* to the core CPCM price, while service improvements shall be reflected in terms of an *incremental increase* to the CPCM.

4.5.1.1 **ACH fees.** The ACH fee for direct deposit to client owned accounts is \$.10 for each direct deposit case per month. This fee is a replacement to the Cash CPCM fee because if this fee is charged, the cash CPCM fee is not.

4.5.1.2 **Disaster services.** There is no incremental CPCM cost for these services. If a Level II disaster is declared, additional disaster food stamp cases placed on the system will be billed at the regular food stamp CPCM fee.

4.5.1.3 **Monthly CD to Regional FNS Office.** In addition to providing store transaction history data to FNS through the ALERT File the Contractor will provide this same data to the SW Regional FNS office in CD form. The CD will be provided to the SW Regional FNS office at no additional cost to the Department.

4.5.1.4 **Interpretive service.** The Department may request interpretive services for languages in addition to English and Spanish. Interpretive services will be provided at no additional cost to the Department.

4.5.1.5 **Data Mart/Data Warehousing.** Data Mart/Data Warehousing functionality will be provided for an additional \$.0425 to the CPCM.

4.5.1.6 **New Card Design and Development.** If requested, new card design and development will be provided at no additional cost to the Department.

## 4.6 Professional Services Pricing

Professional Services Pricing, contains the single hourly rate that will be charged to the Department for professional services outside of the scope of the contract, including, but not limited to system enhancement requests to support new functionality. This pricing shall be effective once the base of 300 allowed hours allotted annually for State-initiated design, development and testing has been used by the State (see Section 3.15.4.1).

Professional Services Pricing	
Description	Hourly Rate
Retail Manager	\$0
Project Director	\$0
Technical Project Manager	\$125.00
Database Specialist	\$110.00
Senior Programmer/Analyst	\$90.00
Programmer/Analyst	\$85.00
Software Test Specialist	\$70.00
Technical Writer	\$70.00

#### 4.7 Renewal Options

As indicated in Article 2, the Department shall have the sole option to renew the contract for the additional optional extension period(s), or any portion thereof, at the same terms and conditions, requirements and specifications of the Department's contract, including pricing.

#### 4.8 EBT Services Invoicing

4.8.1 The Department shall make monthly payments to the Contractor for services rendered during the previous calendar month. The EBT Contractor shall prepare an invoice for services rendered to the Department following the last working day of each calendar month being billed and submit the invoice to the Department. The invoice must be accompanied by supporting documentation that substantiates each individual line item on the bill. Invoices must be validated/substantiated, including pass-through expenses to the State, in order for payment to be approved. The Department shall determine invoicing requirements but at a minimum, the monthly bill shall contain the following:

- 4.8.1.1 Report period (month/year)
- 4.8.1.2 Previous amount due/payments received
- 4.8.1.3 As applicable, billable startup costs
- 4.8.1.4 Core CPCM Pricing
  - Number of active EBT accounts by benefit type (Food Stamp only, cash only, and Food Stamp and cash combined)
  - Number of active EBT accounts within each benefit type

- Applicable CPCM for active EBT accounts within each category, to include pre-negotiated incremental increases or decreases for optional services or service enhancements, as applicable
  - Total (core plus optional) CPCM pricing (total of active EBT accounts
  - multiplied by the CPCM)
- 4.8.1.5 EBT-only POS Terminal With Integrated PIN Pad Pricing
- Number of EBT-only POS terminals
  - Monthly maintenance or monthly lease/maintenance fee for EBT-only POS terminals
  - Total EBT-only POS terminal pricing
- 4.8.1.6 EBT-only POS Terminal With Hand-held PIN Pad Pricing
- Number of EBT-only POS terminals with hand-held PIN pads
  - Monthly maintenance or monthly lease/maintenance fee for EBT-only POS terminals with hand-held PIN pads
  - Total EBT-only POS terminal with hand-held PIN pads pricing
- 4.8.1.7 ACH Pricing (Direct Deposit)
- Number of ACH transactions
  - Unit price per ACH transaction
  - Total ACH (direct deposit) pricing
- 4.8.1.8 Pay Phone Pricing
- Number of pay phone calls to client Customer Service toll-free number
  - Unit price per pay phone call
  - Total pay phone pricing
- 4.8.1.9 A list of other, additional fee(s) for service(s) provided and total cost
- 4.8.1.10 New Mexico Gross Receipts Tax
- 4.8.1.11 Total amount due
- 4.8.1.12 Applicable adjustments
- 4.8.1.13 Level I Disaster Services

#### 4.9 POS Terminal and PIN Selection Terminal Pricing

Per-unit terminal pricing for both purchase and lease options are as follows:

POS Terminal and PIN Selection Terminal Pricing	
POS Terminal With Hand-Held PIN Pad Purchase Option	
Purchase price per EBT-only POS terminal with hand-held PIN pad	\$454.00
Monthly maintenance fee, including supplies per EBT-only POS terminal with hand-held PIN pad	\$0
Wireless POS Terminal Purchase Option	

Purchase price per wireless EBT-only POS terminal	\$1,313.00
Monthly maintenance fee, including supplies per wireless EBT-only POS terminal	\$55.00
PIN Selection Purchase Option	
Purchase price per PIN selection terminal	\$0
Monthly maintenance fee per PIN selection terminal, including supplies	\$0
POS Terminal with Hand-Held PIN Pad Lease Option	
Monthly lease price, including maintenance and supplies, per POS terminal with hand-held PIN pad	\$8.00
Wireless POS Terminal Lease Option	
Monthly lease price, including maintenance and supplies, per wireless POS terminal	\$75.00
PIN Selection Terminal Lease Option	
Monthly lease price, including maintenance and supplies, per PIN selection terminal	\$0

### ARTICLE 5 - LIMITATION OF COST

- 5.1 The total amount payable by the Department to the Contractor under this Agreement, through June 30, 2010 shall not exceed \$ 6,840,050 dollars.
- 5.2 The annual amount payable by the Department to the Contractor for each fiscal year shall not exceed the following amounts:

FY 07	July 1, 2006	through	June 30, 2007	\$2,404,930
FY 08	July 1, 2007	through	June 30, 2008	\$1,393,509
FY 09	July 1, 2008	through	June 30, 2009	\$1,478,373
FY 10	July 1, 2009	through	June 30, 2010	\$1,563,238

These amounts may be increased by the Department, through written amendment, if the total number of cases increases and funds become available.

- 5.3 The contract budget for the renewal period of the contract will be negotiated by both parties prior to June 30, 2010.
- 5.4 The carryover of unspent funds between fiscal years is prohibited.
- 5.5 For the period beginning July 1, 2006 through December 31, 2006 the cost for each food stamp account shall not exceed \$2.396. The cost for each cash account shall not exceed \$1.416. The cost for each combination account shall not exceed \$3.492 per month for this period.



- 5.6 For the period beginning January 1, 2007 through the end of the contract term, excluding any extensions, the cost for food stamp, cash and combination accounts shall not exceed \$0.93 per month.
- 5.7 These amounts are inclusive of New Mexico gross receipts tax, which must be paid by the Contractor to the New Mexico Taxation and Revenue Department. Billings shall be provided no later than the 15th day of each month. Gross receipt taxes shall be separately stated on the billing.

## **ARTICLE 6 - COMPENSATION AND PAYMENT**

### **6.1 Compensation for Services**

In accordance with Section 13-1-158 NMSA 1978, the Department shall determine if the services provided meet the specifications. No payment shall be made for any service until the services and/or deliverables have been accepted in writing by the Department's Program Manager and payment authorized by the Department Chief Information Officer. The Department shall compensate the Contractor for work performed under this Agreement at the rate described in section 4.5.2 Cost Per Case Month Pricing, which includes Gross Receipts Tax.

Should the Department renew the Agreement, the Department shall be entitled to favored customer status and shall receive the lowest rates offered to institutional clients, including the federal government, other state governments, and other large business institutions. The Contractor will document rates currently being paid by other institutional purchasers. The Department reserves the right to use any other information at its disposal to determine current market hourly rates.

### **6.2 Payment Schedule**

A monthly invoice and an invoice transmittal form shall be delivered to the Department's Program Manager for first level validation, no later than 15 days following the end of each service month, with the exception of June services, for which invoices must be received no later than 10 days following the end of the month. Failure to adhere to these requirements may result in a reduction of available funds and non-payment of invoices. Department's Program Manager shall notify the Contractor within fifteen (15) business days of receipt of the invoice of full or partial acceptance of services included in the invoice. The Department will then submit a voucher for payment of all accepted items included in the invoice.

The Contractor agrees to provide the Department with a detailed allocation of the services furnished under the Agreement on a monthly basis as part of the Contractor's monthly report. This allocation must identify the type of service provided, the program, project, or task to which that service applies, and the cost associated with the service. The

total costs allocated must correspond with the amount billed on the Contractor's monthly statement and must conform to the requirements of the statewide cost allocation plan (OMB Circular A-87).

### **6.3 Payment of Invoice**

The Department shall pay the Contractor monthly upon receipt and acceptance of a detailed, certified Statement of Account. Payment will be made to the Contractor's designated mailing address.

### **6.4 Gross Receipts Tax**

The Contractor shall be solely responsible for the payment of Gross Receipts Tax to the New Mexico Taxation and Revenue Department.

### **6.5 Host Computer Usage (If necessary)**

**6.5.1** The Contractor shall pay any and all mainframe computer charges incurred for application system modification development and any initial testing activities up to the User Acceptance Testing conducted by the Department, as may be required to fulfill the scope of work of this Agreement.

**6.5.2** The Contractor shall be solely responsible for obtaining the accurate fee structure from GSD/ISD for use in estimating Contractor mainframe fees.

**6.5.3** GSD/ISD mainframe fees incurred by the Contractor will be those in effect at the time of billing and will be billed to the Contractor via a pass-through billing mechanism. Department account codes will be used to charge work for all mainframe computer charges incurred by the Contractor.

**6.5.4** The Contractor will be compensated at the rates listed in Article 4.

## **ARTICLE 7 - CONTRACT ADMINISTRATION**

**7.1** The Department will designate a person to serve as the Department Program Manager during the term of this Agreement. The designated Department Program Manager shall be responsible for coordinating all communication with the Contractor. The Department Program Manager shall also be responsible for tasking the Contractor and for review, approval, and final acceptance of deliverables. The Department Program Manager will be responsible for monitoring compliance and material changes to the Agreement.

**7.2** The Contractor agrees to maintain day-to-day contact with the Department's designated Program Manager. The Contractor shall promptly report to the

Department's Program Manager all events, problems, concerns, or requests affecting the Agreement or changes in the status of the Contractor regarding any requirement of the Agreement.

- 7.3 The Department's Program Manager, in conjunction with the Division Bureau Chief, will review all change requests from the Department for system modifications and determine acceptability.
- 7.4 The Department's Program Manager will monitor the Contractor's budget plans for the Agreement to ensure that the management plan and the staffing decisions do not exceed the fiscal and contractual budget.
- 7.5 Amendments to the Agreement must be negotiated with the Department's Program Manager. While the Department Program Manager does not have the sole authority to amend the Agreement, the Program Manager will formally request and coordinate any amendments made to the Agreement with the Department.

#### **7.6 Task Assignments**

- 7.6.1 All work undertaken by the Contractor must be tasked in writing by the Department's Program Manager. Task assignments will be considered valid only when signed by the Department's Program Manager.
- 7.6.2 Written task assignment descriptions will be reviewed and approved by the Department's Program Manager and delivered to the Contractor. Such descriptions will include the Department's requested completion date and other applicable specifications.
- 7.6.3 The Contractor will accomplish tasks in order of priority as assigned in writing by the Department's Program Manager and Division Bureau Chief. The Contractor must identify to the Department's Program Manager additional task requirements and possible reordering of priorities. Changes impacting priorities must be approved prior to any action being taken by the Contractor.
- 7.6.4 The Contractor must provide a level of effort and scheduled completion date for each task assignment within three (3) working days. The Department is aware that the evaluation time required for a large project could take longer than three (3) days and as such, these evaluation time frames will be mutually determined between the Contractor and the Department's Program Manager.
- 7.6.5 The Contractor and the Department's Program Manager shall discuss situations where there is disagreement concerning the level of effort and/or the scheduled completion date. In cases where the Contractor and the Department's Program Manager cannot agree on the estimated level of

effort and/or scheduled completion date, the Article 14 provision for handling disputes shall be employed.

## **7.7 Quality Assurance Process**

- 7.7.1** The Contractor shall be responsible for assuring the quality of the deliverables/tasks and that the deliverables/tasks are ready for acceptance tests by the Department. The Contractor will conduct a regularly scheduled system testing status meeting(s) to include the Department's Program Manager, prior to delivery of the deliverables/tasks that are ready for acceptance test by the Department. The Department's Program Manager shall be responsible for review and approval of the Contractor's quality assurance process and for implementing the Department's quality assurance process for acceptance testing of deliverables/tasks.
- 7.7.2** Upon completion of the Contractor's quality assurance process, the Contractor shall conduct a formal transition meeting to include the Department's Program Manager. The Contractor shall certify in writing that the deliverable/task is operating in compliance with the submitted task assignment and is ready for final User Acceptance Testing. This certification shall also be signed by the Department's Program Manager. The Contractor will provide a list of resources recommended for conducting the final User Acceptance Testing.
- 7.7.3** Within five (5) working days from the date of receipt of a deliverable or completed task, the Contractor shall contact the Department's Program Manager to schedule a date that the quality assurance review will be accomplished. The length of time for the review will be determined by the complexity of the task. In the event of a dispute on appropriate time periods, the Department's Program Manager, and the Contractor shall follow the dispute procedures in Article 14 provision for handling disputes.
- 7.7.4** Quality assurance begins with delivery and receipt of the deliverable from the Contractor to the Department's Program Manager.
- 7.7.5** The Department's User Acceptance Testing activities will be determined by the complexity of the deliverable/task and will include one or more of the following:
- 7.7.6** User Acceptance Testing of the system conducted by or at the direction of the Department's Program Manager or his designee;
- 7.7.7** A complete monthly cycle of the EBT System for online and batch programs; and,
- 7.7.8** Special tests may be required to validate requirements.

- 7.7.9 Quality assurance shall be a process whereby the Contractor, in conjunction with the Department's Program Manager determine that the deliverable:
- Is correct and functional;
  - Meets the tasking provided by the Department's Program Manager; and,
  - Complies with Agreement requirements, including all relevant standards and procedures.
- 7.7.10 If the deliverable provided by the Contractor is deemed acceptable under quality assurance, by the Department's Program Manager, the Contractor will be notified of acceptance in writing by the Department's Program Manager.
- 7.7.11 If the deliverable or any portion(s) thereof is unacceptable under Quality Assurance, the Department's Program Manager shall notify the Contractor in writing at the end of the Quality Assurance review period.
- The Contractor and the Department's Program Manager will then follow the formal procedures for task assignment, and a level of effort and completion date will be submitted and reviewed for the additional required work on the deliverable.
  - The Contractor will resubmit the deliverable to the Department's Program Manager when the appropriate corrections or modifications have been made.
  - The Quality Assurance process begins again when the deliverable is resubmitted, with the Department again providing a Quality Assurance review date within five (5) working days of receipt of the resubmitted deliverable.
- 7.7.12 After a Quality Assurance review is repeated, and if the deliverable or any portion thereof is found unacceptable, the Contractor will be required to provide a remedial plan, which must include a timeline for corrective action, that is acceptable to the Department.
- 7.7.13 In the event that a deliverable must be resubmitted more than twice for Quality Assurance review, the Contractor's applicable supervising partner or senior vice president shall be notified that if resolution is not forthcoming during the timeframe established by the Department the Department may seek penalties and/or terminate for cause.

**7.8 Penalties and Assessments (Liquidated Damages)**

- 7.8.1 In the event of contractor error resulting in interruption of EBT online service, delays in benefit issuance or loss of State and/or federal funds, the following penalty procedures will apply.
- 7.8.2 In the event of a Contractor error that causes erroneous issuance of program benefits and subsequent loss of federal and/or State funds, the Contractor shall reimburse the Department the amount of the loss within thirty (30) days of final written notice of such error and determination of Contractor responsibility as described in paragraph 7.8.3, below.
- 7.8.3 Should an action or failure to act on the part of the Contractor result in a loss of EBT online system availability between the hours of 7:00 A.M. to 6:00 P.M. on regular State of New Mexico working days, the Contractor will be assessed the following penalty for online system downtime as follows:

<u>Hours of Downtime</u>	<u>Penalty Assessment</u>
0-2 hours	No penalty
2-4 hours	One-half penalty
Greater than 4 hours, but less than 3 days	Full penalty for each day
3 days	Department may exercise the right to terminate in accordance with Article 9 of Agreement. Alternatively, the Department may collect damages at the full daily rate.

- 7.8.4 Damages may include: timeliness penalties to the federal government, if any, and all associated costs of Contractor's failure of performance, including litigation and litigation-related costs.
- 7.8.5 The penalty amount is \$10,000.00 per day.
- 7.8.6 The determination of penalty will be made by a penalty review committee appointed by the Department. Information as needed will be obtained from the Contractor.

7.8.7 The Department’s Program Manager will notify the Contractor as soon as the penalty review team knows that a penalty is being considered. The penalty review team will review all information available and provide a written notice of proposed penalty assessment to the Contractor within five (5) working days of the incident. The notice shall include specific documentation of the problem, the impact, and shall document the determination of Contractor responsibility for the incident. The Contractor will have five (5) working days to provide a written response to the Department. The Program Manager will provide the Contractor with a written determination of the penalty review team’s decision within five (5) working days of receipt of the Contractor’s response.

7.8.8 Should an action or failure to act by the Contractor result in a delay of issuance of Food Stamp, TANF, Medicaid or other benefits, as applicable, the Contractor shall be assessed the following penalty based upon the date and time of posting to the client account:

1 day late = one-half penalty (\$5,000.00);  
2 days late = full penalty (\$10,000.00).

7.8.9 Any delay beyond three (3) days may result in termination for cause in accordance with Article 9, of this Agreement.

7.8.10 The procedures for review and assessment of these penalties shall be the same as for loss of online availability as described in paragraph 7.8.3, above.

**7.9 Performance Standards**

The following table defines the Department’s requirements for performance standards for the delivery of EBT services, and the performance deficiencies that may trigger the invocation of hold-back remedies.

Requirement	Performance Deficiency
<p>EBT Central Computer Uptime The EBT Central Computer shall be “up” 99.9% of the scheduled uptime measured on a monthly basis, in accordance with specifications. Scheduled uptime shall mean the time the database is available and accessible for transaction processing and excludes scheduled downtime for routine maintenance. The EBT Central Computer consists of all system functions over which the Contractor has direct control, either</p>	<p>Failure of EBT Central Computer to be “up” 99.9% of the scheduled uptime measured on a monthly basis</p>

directly or through a subcontractor relationship.	
<b>EBT System Uptime</b> The total EBT system, including the host computer, any network, intermediate processing facilities or gateway, shall be available 98% of scheduled uptime, in accordance with specifications.	Failure of the total EBT system to be "up" 98% of the scheduled uptime measured on a monthly basis.
<b>EBT Switching Services</b> The Debit Switch service shall be available 99.9% in any calendar month after deducting for scheduled downtime or failure of communication lines or telecommunications equipment out of the reasonable control of the Contractor, in accordance with contract requirements.	Failure to provide Debit Switch Availability 99.9% of the time in any calendar month.

Requirement	Performance Deficiency
<b>Settlement and ACH Processes</b> 1. The timeframe for ACH settlement window will be met 99% of the time measured on a monthly basis. 2. AMA Entries will be made with 100% accuracy. 3. STARS daily redemption totals will be provided to the Benefit Redemption System Branch (BRSB) at least weekly with 100% accuracy.	Failure to meet timeframe for ACH settlement window 99% of the time measured on a monthly basis. Two or more errors in providing AMA data to the FRB of Richmond over a two-month period. Two or more errors in the daily redemption totals provided to the BRSB over a two-month period.
<b>Benefit Availability</b> The benefit availability time will be 2:00 A.M. MST.	Failure to have benefits available by 2:00 A.M. MST. More than two calendar days measured on a monthly basis.
<b>Processing of Batch Records Received During the Day</b> The Contractor must process batch records received during the day and make benefits available to clients/providers within one hour of receipt.	Failure to make benefits available to clients/providers within one hour of receipt of a batch record received during the day.
<b>Food Stamp Benefits</b> The Contractor must post Food Stamp Benefits to clients accounts with 100 percent accuracy.	Failure to post client Food Stamp benefits with 100 percent accuracy.
REDE access	



The Contractor must access the Federal REDE system on a daily basis.	Failure to access the REDE system on a daily basis.
Transaction Response Time For leased line communications, 98% of EBT transactions shall be processed within 10 seconds or less, and 100% of EBT transactions will be processed within 15 seconds. For dial-up systems, 95% of EBT transactions shall be processed within 15 seconds or less, and 100% of EBT transactions shall be processed within 20 seconds.	Failure to complete 99% of client EBT only POS transactions within 20 seconds during a calendar month
Inaccurate Transactions No more that 2 inaccurate transactions per every 10,000 Food Stamp and other financial transactions shall occur measured on a monthly basis.	Failure to maintain an accuracy standard of no more than 2 errors per every 10,000 Food Stamp and other financial transactions during a calendar month.

Requirement	Performance Deficiency
Customer and Retailer Service Help Desks 1. 85% of all calls answered within 4 rings measured over a 2- consecutive month period. (4 rings are defined as 25 seconds.) The remaining 15 percent of all calls answered within 8 rings measured over the same period. 2. 97% of all calls for Customer Service Representatives (CSR) answered within 2 minutes measured over a 2- consecutive month period. The remaining 3 percent of all calls for CSR's answered within 4 minutes measured over the same period	Failure to answer 85% of calls within 4 rings measured over a 2-consecutive month period. Failure to answer the remaining 15% of calls within 8rings measured over a 2-month period Failure to answer 97% of all calls for CSR within 2 minutes measured over a 2-consecutive month period. Failure to answer the remaining 3% of all calls for CSR within 4 minutes measured over a 2- consecutive month period.
Host Response Time for Administrative Terminal Transactions Host response time for administrative terminal transactions for on-line data shall not exceed 2 seconds 98% of the time measured on a monthly basis.	Failure to respond to administrative terminal transactions within 2 seconds 98% of the time measured on a monthly basis
Equipment Installation for EBT-only Retailers 95% of POS terminals shall be installed and operational within 14 calendar days from when FNS authorizes the retailer and adds them to the REDE file. Retailer-initiated delays are not included as long as the vendor mails the agreement within 1-2 days of the	Failure to install 95% of the terminals within 14 calendar days from when FNS authorizes the retailer and adds them to the REDE file.

retailer getting authorized.	
Access to System by Retailers Using a Third Party Processor or Driving their Own Terminals When a retailer chooses to employ a third party processor to drive its terminals or elects to drive its own terminals, access to the system shall be accomplished within a 30-day period or a mutually agreed upon time, to enable any required functional certification to be performed by the Contractor.	Failure to provide access to the system within a 30-day period, or within the mutually agreed upon time period, to 100% of the retailers using third party processors or driving their own terminals.
Card Issuance The Contractor shall mail cards the same day if a card issuance request is received by 12:00 pm (noon) Mountain Time. The Contractor shall mail cards no later than the next business day if a card issuance request is received after 12:00 pm (noon) Mountain Time.	Failure to mail cards in accordance with contractual requirements 99% of the time measured on a monthly basis.
Project Status Reporting 1. The Status Report required for the Design, Development and Conversion phases will be provided to the Department on Friday of each week. 2. The regular Operations Status reports shall be provided twice a month to the Department on the dates established between the Contractor and the Department.	Failure to deliver status reports to the Department within the required timeframe, unless, advance approval is granted by the Department.

Requirement	Performance Deficiency
User Profiles The Contractor shall set-up newly authorized Department employees and change a user profile within three (3) business days of receipt of a request by the Department.	Failure to set-up newly authorized Department employees and change a user profile within three business days, 98% of the time measured on a monthly basis.
Response to Enhancement/Change Requests The Contractor shall respond to Enhancement and Change requests within two weeks of receiving the request with the estimated hours and time frame to complete the Enhancement and/or Change Request. Medium priority Enhancements/Changes will be initiated by the Contractor within 60 calendar days of written approval by the Department and high priority Enhancements/Changes will be initiated by the Contractor within 30 calendar	Failure to provide a response to any Enhancement and/or Change request within the promised timeframe on a monthly basis.  Failure to initiate a medium priority request within 60 calendar days of written approval by the Department.  Failure to initiate a high priority request within 30 calendar days of written

days of written approval by the Department.	approval by the Department.
<p>Conversion to a Subsequent EBT Contractor After Completion of the Contract Established Through This Acquisition</p> <p>The Contractor shall cooperate with the Department, its designees, or a different Contractor during conversion to a different party.</p>	<p>Failure to provide information requested by the Department, its designees or a different Contractor, that impairs in any way the transition of the provision of EBT-related services to a different party.</p>
<p>ALERT</p> <p>The Contractor shall provide the ALERT monthly file by the 15th of the subsequent month.</p> <p>The Contractor shall correct data, as required, within one month of the Department request to correct data in the ALERT file.</p>	<p>Failure to provide the ALERT monthly file by the 15th of the subsequent month.</p> <p>Failure to correct data within one month of receipt of a request by the Department.</p>

**ARTICLE 8 - CONTRACTOR PERSONNEL**

- 8.1 Personnel commitments identified in the Contractor’s proposal shall be considered material to the work performed. Staffing must include those individuals as proposed. The Contractor shall make no changes of personnel without prior written consent of the Department’s Program Manager, whose consent shall not be unreasonably withheld.
- 8.2 The Department has the absolute right to approve or disapprove any proposed Contractor changes in project staff from those listed in the proposal. The Department in each case will be provided with a resume of the proposed substitution and the opportunity to interview that person prior to giving approval.
- 8.3 Replacement of any Contractor personnel shall be with personnel of equal ability, experience, and qualifications. Failure to obtain the Department’s prior written approval for changes in project staff shall be considered material to the Contractor’s performance, and may be grounds for the Department’s finding of breach.
- 8.4 The Department reserves the right to require a change in the Contractor staff if the assigned staff is/are not, in the opinion of the Department, meeting its needs.
- 8.5 The Department reserves the right to negotiate a change in the Contractor’s management team if the assigned representative(s) is (are) not, in the opinion of the Department, meeting its needs.
- 8.6 The Contractor agrees to designate a Project Director for the work to be performed under the Agreement beginning with Day 1 of the Design Phase. The Project Director must be accessible to the Department at all times. In addition, the Contractor must provide the Department access to executive management and

corporate officers, or their designated representatives, on twenty-four (24) hours per day, seven (7) days per week basis for resolution of urgent problems. Department access to executive management and corporate officers will follow the chain of command agreed to in writing by the Contractor and the Department's Program Manager prior to the effective date of the Agreement.

- 8.7 The Contractor agrees to designate on-call staff on a twenty-four (24) hours per day, seven (7) days per week basis that is sufficient to handle any production problems or other emergency situations.
- 8.8 To the extent that such dedicated performance is required by task orders issued by the Project Director , staff assigned to EBT system support must be dedicated to the technical support, modification and maintenance of the EBT system. The Contractor may request approval from the Department's Program Manager to reassign temporarily any Contractor personnel to other projects, provided that the New Mexico EBT project remains the priority assignment for all staff. When the Department's Program Manager assigns tasks or an emergency arises requiring that expertise, the temporary reassignment will expire and the person(s) will immediately resume work on the New Mexico project.
- 8.9 Performance by the Contractor will not be contingent upon time availability of Department personnel or resources with the exception of specific responsibilities stated in the RFP and this Agreement. Contractor should coordinate access to /contact with Department personnel through the Department's Program Manager who is the primary point of contact for the Department. The Contractor's access to Department personnel will be granted as freely as possible. However, the competency/sufficiency of Department staff will not be reason for relieving the Contractor of any responsibility for failing to meet required deadlines or producing unacceptable deliverables.

## **ARTICLE 9 - TERMINATION**

- 9.1 This Agreement may be terminated as follows:
  - 9.1.1 By mutual written agreement of the Department and Contractor upon such terms and conditions as they may agree.
  - 9.1.2 By the Department for convenience, upon not less than a thirty-day (30-day) written notice to the Contractor.
  - 9.1.3 The Agreement will terminate on the work stoppage date. The Quality Assurance process will apply to all complete and uncompleted tasks submitted to the Department's Program Manager prior to the work stoppage date. The Contractor will be paid solely for tasks assigned in writing by the Department's Program Manager prior to the termination date and approved pursuant to the Quality Assurance process.

9.1.4 By the Department for cause upon failure of the Contractor to materially comply with the terms and conditions of this Agreement. The Department shall give the Contractor written notice specifying the Contractor's failure to comply. The Contractor shall correct the failure within thirty (30) days or begin in good faith to correct the failure and thereafter proceed diligently to complete or cure the failure. If within thirty (30) days the Contractor has not initiated or completed corrective action, the Department may serve written notice stating the date of termination and work stoppage arrangements.

9.1.5 By the Department, if required by changes in State or federal law, because of court order, or because of insufficient appropriations made available by the United States Congress and/or the New Mexico State Legislature for the performance of this Agreement. The Department's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. If the Department terminates this Agreement pursuant to this subsection, the Department shall provide the Contractor written notice of such termination at least thirty (30) days prior to the effective date of the termination. If the Department determines a reduction in the scope of work is necessary, the Department shall notify the Contractor and proceed to amend this Agreement pursuant to its provisions.

9.1.6 By termination pursuant to this article, neither party may nullify obligations already incurred for performance of services prior to the date of notice.

#### **ARTICLE 10 - TERMINATION AGREEMENT**

10.1 When the Department has reduced to writing and delivered to the Contractor notice of termination, the effective date, and reasons therefore (if any), the Department, in addition to other rights provided in this Article, may require the Contractor to deliver, and/or make readily available to the Department, property in which the Department has a financial interest and any and all data, inventions, or property specifically produced or acquired under this Agreement.

10.2 In the event this Agreement is terminated by the Department, immediately as of the termination date, the Contractor shall:

10.2.1 Incur no further financial obligations for materials, services, or facilities under this Agreement without prior written approval of the Department.

10.2.2 Terminate all purchase (procurement) orders and subcontracts and stop all work to the extent specified in the notice of termination, except as the Department may direct for orderly completion of termination.

10.2.3 Agree that the Department is not liable for any costs arising out of termination. The Department is liable only for tasks assigned in writing

prior to the Agreement termination date and approved pursuant to the Quality Assurance process.

10.2.4 Take such action as the Department may direct, for protection and preservation of all property and all records related to and required by this Agreement.

10.2.5 cooperate fully with any transition required for continued functioning of the New Mexico EBT System and Department services.

10.2.6 Contractor shall provide turnover plan pursuant to Article 3.1.2. Said plan must be reviewed and accepted by Department prior to final termination date of Agreement.

10.3 In the event that federal approval is withdrawn in writing for this Agreement, the Department's Program Manager will issue an immediate work stoppage notice to the Contractor that will be effective immediately upon Contractor receipt. The Agreement will terminate on the work stoppage date. The Quality Assurance process will apply to all tasks submitted to the Department's Program Manager prior to the work stoppage date. The Contractor will be paid solely for tasks assigned in writing by the Department's Program Manager prior to the Agreement termination date and approved pursuant to the Quality Assurance process.

#### **ARTICLE 11 - RIGHTS UPON TERMINATION OR EXPIRATION**

11.1 In the event this Agreement is terminated for any reason, or upon expiration, and in addition to all other rights to property set forth in this Agreement, the Department shall retain ownership of all work products and documentation created pursuant to this Agreement.

11.2 In the event the Agreement expires or is terminated, the Department shall pay the Contractor all amounts due for services completed prior to the effective date of such termination or expiration and approved pursuant to the Quality Assurance process. The Department shall not pay any costs arising out of termination or expiration. The Department may deduct from amounts otherwise payable to the Contractor monies determined to be due the Department from the Contractor.

11.3 In the event the Contractor's course of performance results in reductions in the Department's receipt of program funds from any governmental agency, the Contractor shall remit to the Department, as liquidated damages, such funds as are necessary to make the Department whole.

11.4 Should the Contractor terminate the Agreement, the Contractor shall reimburse the Department for all costs arising from delays, from hiring new contractor/subcontractors at potentially higher rates and for other costs incurred.

11.5 In the event this Agreement is terminated for any reason, or upon expiration, the Contractor shall assist and cooperate with the Department in the orderly and timely transfer of files, computer software, documentation, system turnover plan, and other materials, whether provided by the Department or created by the Contractor under this Agreement, to the Department, a follow-on vendor, or the State's host data center as directed by the Department, including but not limited to, user manuals with complete documentation, functional and technical descriptions of each program, and data flow diagrams. At the request of the Department's Program Manager, the Contractor shall provide to the Department a copy of the most recent versions of all files, software and documentation, whether provided by the Department or created by the Contractor under this Agreement, in a machine-readable format acceptable to the Department.

## ARTICLE 12 - INTELLECTUAL PROPERTY

12.1 The Department and the Contractor acknowledge that the performance of this Agreement may result in the development of new proprietary and secret concepts, methods, techniques, processes, adaptations, and ideas. The parties agree that the same shall belong solely and exclusively to the Department, without regard to the origin thereof and that the Contractor will not, other than in the performance of this Agreement, make use of or disclose the same to anyone without the written consent and participation of the Department.

12.2 The Contractor warrants that all materials produced hereunder will be of original development by Contractor, and will be specifically developed for the fulfillment of this Agreement and will not infringe upon or violate any patent, copyright, trade secret, or other property right of any third party, and the Contractor will indemnify and hold the Department harmless from and against any loss, cost, liability, or expense arising out of breach or claimed breach of this warranty.

12.3 In the event the Contractor shall elect to use or incorporate in the materials to be produced any components of a system already existing, the Contractor shall first notify the Department, who after investigation may direct the Contractor not to incorporate such components. If the Department shall not object, and after the Contractor obtains written consent of the party owning the same, and furnishing a copy to the Department, the Contractor may incorporate such components.

12.4 The Contractor warrants that such incorporation will not infringe upon or violate any patent, copyright, trade secret, or other property right of any third party, and the Contractor will indemnify and hold the Department harmless from and against any loss, cost, liability, or expense arising out of breach or claimed breach of this warranty.

12.5 All materials, work papers, meeting notes, design documents produced by the Contractor shall be the property of the Department. The original and one electronic

copy of all such documents shall be indexed and bound, and delivered to the Department's Program Manager at the conclusion or termination of the Agreement.

12.6 All materials developed or acquired by the Contractor under this Agreement shall become the property of the State of New Mexico and shall be delivered to the Department no later than the termination date of this Agreement. The United States Department of Health and Human Services and the United States Department of Agriculture reserve a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, such software, modifications, and documentation.

12.7 Nothing produced, in whole or in part, by the Contractor under this Agreement shall be the subject of an application for copyright by or on behalf of the Contractor. The Contractor shall otherwise be free to use any ideas, concepts, or techniques related to data processing learned during the course of providing services under this Agreement.

### **ARTICLE 13 - APPROPRIATIONS**

The terms of this Agreement are contingent upon sufficient appropriations or authorizations being made by either the New Mexico State Legislature or the United States Congress for the performance of this Agreement. If sufficient appropriations and authorizations are not made by either the Legislature or the Congress, this Agreement may be terminated or the scope of work modified in accordance with the reduction or the denied authorization. Such election will be effected by the Department sending written notice to the Contractor pursuant to Article 9 or, if modification of scope of work is required, setting forth necessary amendment terms and process. The Department's decision as to whether sufficient appropriations or authorizations exist shall be accepted by the Contractor and shall be final and binding.

### **ARTICLE 14 - DISPUTES**

14.1 This Agreement is derived from: (1) the Request for Proposals, written clarifications to the Request for Proposals, and Department responses to questions; (2) the Contractor's Best and Final Offer, and (3) the Contractor's Response to the Request for Proposal.

14.2 In the event of a dispute under the Contract, applicable documents will be referred to for the purpose of clarification or for additional detail in the following order of precedence:

14.2.1 The Contract, including the attachments to the Contract, and any amendments to the Contract.



- 14.2.2 Request for Proposals No.60-630-90-00255, including attachments thereto.
- 14.2.3 The Contractor's proposal submitted in response to RFP No.60-630-90-00255.
- 14.2.4 The Contractor's proposal submitted in response to RFP No. 60-630-90-00255, as modified by the Contractor's best and final offer.

### 14.3 Dispute Procedure

- 14.3.1 This Agreement is not subject to arbitration.
  - 14.3.2 Any dispute unresolved by the Contractor or Department EBT Program Manager shall be reported in writing to the ISD Director within thirty (30) days of the discovery of activity or incident giving rise to the dispute. The decision of the ISD Director shall be delivered to the parties in writing within fifteen (15) days of receipt of the written dispute and shall be final and conclusive unless, within fifteen (15) days from the date of the decision, either party files with the Secretary or designee a written appeal of the decision of the Director.
  - 14.3.3 Failure to file a timely appeal shall be deemed acceptance of the ISD Director's decision and waiver of any further claim.
  - 14.3.4 In any appeal under this Article, the Contractor and the Department shall be afforded an opportunity to be heard and to offer evidence and argument in support of their position to the Secretary or designee. The Secretary or designee may seek information from other sources, if appropriate. The appeal may include an informal hearing that shall not be recorded or transcribed, and is not subject to formal rules of evidence or procedure.
- 14.4 The Secretary or designee will review the issues and evidence presented and will issue a determination in writing which will conclude the administrative process available to the parties. The Secretary or designee will notify the parties of the decision within thirty (30) days of notice of the appeal, unless otherwise agreed to by the parties in writing.
- 14.4.1 Pending decision by the Secretary or designee, both parties shall proceed diligently with performance of the Agreement, in accordance with its terms.
  - 14.4.2 Failure to initiate or participate in any part of this process shall be deemed waiver of any claim that the Contractor may have had.

## ARTICLE 15 - APPLICABLE LAW

- 15.1 Each party agrees that they shall perform their obligations hereunder in accordance with all applicable laws, rules, and regulations now or hereafter in effect.
- 15.2 This Agreement shall be governed by the laws of the State of New Mexico. All legal proceedings arising from unresolved disputes under this Agreement shall be brought before the First Judicial District Court of the State of New Mexico.
- 15.3 If any provision of this Agreement is determined to be invalid, unenforceable, illegal, or void, the remaining provisions of this Agreement shall not be affected thereby, providing the remainder of the Agreement is capable of performance, and the remaining provisions shall be binding upon the parties hereto, and shall be enforceable, as though said invalid, unenforceable, illegal, or void provision were not contained herein.

#### **ARTICLE 16 - STATUS OF CONTRACTOR**

- 16.1 The Contractor is an independent Contractor performing professional services for the Human Services Department and is not an employee of the State of New Mexico. The Contractor shall not accrue leave, retirement, insurance, bonding, use of State vehicles, or any other benefits afforded to employees of the State of New Mexico as a result of this Agreement. The Contractor is solely responsible for providing any travel, temporary lodging, and relocation expenses for Contractor personnel.
- 16.2 The Contractor shall be solely responsible to pay all applicable taxes, including New Mexico Gross Receipts Tax, insurance, licensing, and other costs of doing business. Should the Contractor default in these or other responsibilities, jeopardizing the Contractor's ability to perform services, at the Department's sole discretion, this Agreement may be terminated pursuant to Article 9.
- 16.3 The Contractor shall not purport to bind Department, its officers or employees, nor the State of New Mexico, to any obligation not expressly authorized herein unless Department has expressly given the Contractor the authority to so do in writing.

#### **ARTICLE 17 – WORKER'S COMPENSATION**

The Contractor agrees to comply with State laws and rules pertaining to workers' compensation insurance coverage for its employees. If the Contractor fails to comply with the Workers' Compensation Act and applicable rules when required to do so, this Agreement may be canceled effective immediately.

#### **ARTICLE 18 - ASSIGNMENT**

The Contractor shall not assign or transfer any rights, obligations, duties, or other interest in this Agreement, or assign any claim for money due or to become due under this Agreement without the prior written approval of the Department.

## ARTICLE 19 - SUBCONTRACTING

19.1 The Contractor is solely responsible for fulfillment of the Agreement with the Department. The Department will make Agreement payments only to the Contractor. The Contractor may not assign Agreement work without the prior written approval of the Department.

19.2 The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the Department. Approval of any subcontract(s) by the Department shall not obligate the State as a party to that Subcontract nor create any right, claim, or interest for the Subcontractor as to the State.

19.2.1 Subcontractor(s) approved as submitted in the Contractor's proposal include:

19.2.1.1 E-Funds-EBT Only Terminal Driving

19.2.1.2 FISERV-EBT Transaction Switching Services

19.2.1.3 Oberthur Card Systems, Inc.-EBT Card Vendor

19.2.1.4 The Quest Group, Inc.- Training Related Functions

19.3 The Department may undertake or award other agreements or contracts for work related to the tasks described in this document or any portion therein if the Contractor's time available and/or priorities do not allow for such work to be provided timely by the Contractor. The Contractor shall fully cooperate with such other Contractor and the Department in all such cases.

## ARTICLE 20 - CHANGE ORDERS

20.1 The Department may make changes or revisions in the Scope of Work by written change order signed and dated by both parties. No change order will affect the fixed hourly rates of the Agreement.

20.2 The Department reserves the right to change the level of effort for any category of service with a thirty-day (30-day) written notice to the Contractor.

20.3 In the event that circumstances warrant a significant shift in the resources required to accomplish the Department's specified Scope of Work, the following will occur:

20.3.1 The Contractor will draft a written project plan for Department review and approval to include: summary of required change, impact of change,

staffing plan associated with the change, impact schedule for implementing the change on remaining work, cost impact, and a recommended approach to the change.

**20.3.2** The plan will be submitted to the EBT Program Manager and the Department for review. The Department and the Contractor will negotiate the contents of the plan in good faith. The Department will provide a written decision on the change order to the Contractor within twenty (20) working days of receipt of the plan.

**20.3.3** Any dispute between the Department and the Contractor with respect to the written project plan shall be subject to the Dispute Procedure set forth in Article 14.

#### **ARTICLE 21 - RELEASE**

**21.1** Upon final payment of the amounts due under this Agreement, the Contractor shall release the Department, its officers and employees from all liabilities and obligations whatsoever under, or arising from, this Agreement.

**21.2** Payment to the Contractor by the Department shall not constitute final release of the Contractor. Should audit or inspection of the Contractor's records or client complaint subsequently reveal outstanding Contractor liabilities or obligations, the Contractor will remain liable to the Department for such obligations. Any payments by the Department to the Contractor will be subject to any appropriate recoupment by the Department.

#### **ARTICLE 22 - RECORDS AND AUDIT**

**22.1** The Contractor shall maintain books, records, documents, and other evidence pertaining to performance under this Agreement to the extent necessary to properly reflect all costs, direct and indirect, of labor, materials, equipment, supplies and services, and other costs and expenses of whatever nature for which payment is made under this Agreement. These records shall be maintained in accordance with generally accepted accounting principles and shall be easily separable from any other records.

**22.2** Contractor agrees to preserve all records created or obtained in the course of this Agreement for a period of not less than five years from the date of payment. Records involving matters of litigation, audit, or audit resolution shall be kept not less than five (5) years following the termination of litigation or resolution of audit.

**22.3** During the term of this Agreement and for a period of five (5) years after expiration or termination of this Agreement, State and federal government

representatives shall be given full access during normal business hours to the Contractor's financial and business records. Such access may include both announced and unannounced inspections, on-site audits, and other evaluation or monitoring activities. Such access shall be extended upon the understanding that all information obtained will be afforded confidentiality as permitted under applicable law.

#### **ARTICLE 23 - INDEMNIFICATION**

- 23.1 The Contractor agrees to indemnify, defend, and hold harmless the State of New Mexico, its officers, agents, and employees from any and all claims and losses accruing or resulting to any and all contractors, employees, or agents, subcontractors, laborers, and any other person, association, partnership, entity, or corporation furnishing or supplying work, services, materials, or supplies in connection with the performance of this Agreement, and from any and all claims and losses accruing or resulting to any person, association, partnership, entity, or corporation who may be injured, damaged, or suffer any loss by the Contractor in the performance of the Agreement.
- 23.2 The Contractor shall indemnify and hold harmless the Department against any and all liability, loss, damage, costs, or expenses which the Department may sustain, incur, or be required to pay: (1) by reason of any person suffering personal injury, death, or property loss or damage of any kind either while participating with or receiving care or services from the Contractor under this Agreement, or while on premises owned, leased, or operated by the Contractor, or while being transported to or from said premises in any vehicle owned, operated, leased, chartered, or otherwise contracted for or in the control of the Contractor or any officer, agent, subcontractor or employee thereof; or (2) by reason of any Contractor employee, agent, subcontractor, or person within its scope of authority causing injury to, or damage to the person or property of another person including but not limited to the Department or Contractor, their employees or agents, during any time when the Contractor or any officer, agent, employee, or subcontractor thereof has undertaken or is furnishing services called for under this Agreement.

#### **ARTICLE 24 - EQUAL OPPORTUNITY COMPLIANCE**

- 24.1 The Contractor agrees to abide by all federal and State laws, rules, regulations, and executive orders of the Governor of the State of New Mexico and the President of the United States pertaining to equal opportunity.
- 24.2 The U.S. Department of Agriculture (USDA), prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means of communication of program information (Braille, large print,

audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

24.3 To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue SW, Washington, DC 20250-9410 or call (292) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer. Updated Wednesday, June 30, 2004.

#### **ARTICLE 25 - RIGHTS TO PROPERTY**

All equipment and other property provided or reimbursed to the Contractor by the Department is the property of the Department and will be turned over to the Department at the time of termination or expiration of this Agreement. The Contractor will reimburse the Department the cost of repair or replacement of any property damaged by actions or negligence of the Contractor.

#### **ARTICLE 26 - ERRONEOUS ISSUANCE OF FUNDS**

In the event of an error that causes compensation to the Contractor to be issued in error, the Contractor shall reimburse the State within thirty (30) days of written notice of such error for the full amount of the loss. Interest shall accrue at the statutory rate upon any amounts not paid and determined to be due after the thirtieth (30th) day following the notice.

#### **ARTICLE 27 - TRANSITION**

Upon termination of this Agreement, the Contractor shall, upon request of the Department, make available immediately to the Department, or to a person authorized by the Department, all records and equipment, which are the property of the Department.

#### **ARTICLE 28 - EXCUSABLE DELAYS**

Contractor and the Department shall be excused from performance hereunder for any period that they are prevented from performing any services hereunder in whole or in part as a result of an act of God, war, civil disturbance, epidemic, court order, government act or omission, or other cause beyond their reasonable control, and such nonperformance shall not be a default hereunder or ground for termination of the Agreement.

#### **ARTICLE 29 - PUBLICITY**

The Contractor shall not use the Department's name or refer to the New Mexico EBT System directly or indirectly in any advertisement, news release, professional trade or business presentation without prior written approval from the Department. Nothing in this article shall prevent the Contractor from using the Department as a reference.

## **ARTICLE 30 - BRIBES, GRATUITIES, AND KICKBACKS PROHIBITED**

- 30.1 Pursuant to Sections 13-19-191, 30-24-2, 30-41-1 through 3-41-3 NMSA 1978, the receipt or solicitation of bribes, gratuities and kickbacks is strictly prohibited.
- 30.2 No elected or appointed officer or other employee of the State of New Mexico shall benefit financially or materially from this Agreement. No individual employed by the State of New Mexico shall be admitted to any share or part of the Agreement or to any benefit that may arise therefrom. The Procurement Code (Sections 13-1-28 through 13-1-199 NMSA 1978) imposes substantial civil and criminal penalties for its violation.
- 30.3 The Department may, by written notice to the Contractor, immediately terminate the right of the Contractor to proceed under the Agreement if it is found, after notice and hearing by the Secretary or designee, that gratuities in the form of entertainment, gifts, or otherwise were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the State of New Mexico with a view toward securing the Agreement or securing favorable treatment with respect to the award or amending or making of any determinations with respect to the performing of such Agreement. In the event the Agreement is terminated as provided in this article, the State of New Mexico shall be entitled to pursue the same remedies against the Contractor as it would pursue in the event of a breach of contract by the Contractor in addition to any other civil or criminal action to which it may be entitled by law.

## **ARTICLE 31 - LOBBYING**

- 31.1 The Contractor certifies, to the best of their knowledge and belief, that:
- 31.1.1 No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- 31.1.2 If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, member of Congress, an officer or employee of Congress or an employee of a member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL "Disclosure Form to Report Lobbying," in accordance with its instructions.

31.1.3 The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed under section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for such failure.

### **ARTICLE 32 - CONFLICT OF INTEREST**

- 32.1 The Contractor warrants that it currently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Agreement, and further warrants that signing of this Agreement will not be creating a violation of the Conflict of Interest Act, Section 10-16-1 et seq., N.M.S.A. 1978 (1993 Supp.).
- 32.2 If during the term of the Agreement and any extension thereof, the Contractor becomes aware of an actual or potential relationship that may be considered a conflict of interest, the Contractor shall notify the Contract Manager in writing immediately. In addition, should the Contractor engage any current or former New Mexico employee as its own employee or as an independent Contractor, the Contractor shall notify the Department in writing, immediately; should the Department thereafter determine that such employment is inconsistent with State or federal law, the Department shall so advise the Contractor, in writing, specifying its basis for so determining, and may request that the contractual or employment relationship be terminated.

### **ARTICLE 33 – CONFIDENTIALITY AND HIPAA COMPLIANCE**

- 33.1 Any confidential information, as defined in State or federal law, code, rules, or regulations regarding the Department's recipients or providers provided to or developed by the Contractor shall not be made available to any individual or organization by the Contractor without the prior written approval of the Department.
- 33.2 The Contractor warrants that it will maintain the confidentiality of all information derived from the Department and will neither use or disclose it to any person or entity without the explicit written permission of the Department, and that each and every employee, agent or assign of the Contractor has executed the binding agreement of the Statement of Confidentiality attached hereto and fully incorporated herein by this reference as Attachment A to the same effect. The



Contractor recognizes that irreparable harm can be occasioned to the Department and their clients by disclosure of confidential information and accordingly, the Contractor will be solely responsible for any violations.

- 33.2.1** The Department shall retain the right to perform a background check of all Contractor's personnel, including any Subcontractor(s) assigned to this project. The Contractor must advise its employees and/or Subcontractors in writing of this possibility prior to their employment on this project.
- 33.3** The Contractor shall treat all information and, in particular, information relating to recipients of the Department's services, which is obtained through its performance under this Agreement as confidential information in accordance with the provisions of 45 C.F.R. 205.50, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), 7 CFR § 272.1 (c)(1) regulations regarding use or disclosure of information obtained from food stamp applicants or recipients, 7CFR § 278 (1)(q) Use and disclosure of information provided by firms and all other applicable federal and State laws and regulations, and shall not use any information so obtained in any manner except as otherwise permitted by this Agreement and as necessary for the proper discharge of its obligations and securing of its rights hereunder. Subject to the provisions of Article 23 of this Agreement, the Contractor assumes responsibility for all liability caused by any breach of this Article and shall indemnify the Department against all such liability accordingly.
- 33.4** The Contractor shall: (1) notify the Department promptly of any unauthorized possession, use, knowledge, or attempt thereof, of the Department's data files or other confidential information; and, (2) promptly furnish the Department full details of the unauthorized possession, use of knowledge or attempt thereof, and assist investigating or preventing the recurrence thereof.
- 33.5** Under the Privacy Act and the Internal Revenue Code, Contractor personnel can be held personally liable (civil and criminal) for disclosure or abuse of confidential data. The Contractor must advise in writing its employees and/or Subcontractors of the liability prior to their employment on activities related to this Agreement.
- 33.6** The Contractor acknowledges that performance of their obligations under this Agreement makes it a Business Associate of the Department as defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and regulations promulgated thereunder. The Contractor agrees to the terms of the Business Associate Agreement attached hereto as Attachment B and fully incorporated herein by this reference.

#### **ARTICLE 34 – PERFORMANCE BOND**

The Contractor shall execute and deliver to the Department, contemporaneously with the signing of the Agreement, a performance bond in the amount of one hundred percent

(100%) of the total cost of this Agreement in the name of the Department. The bond shall be in effect for the duration of this Agreement and any renewals thereof. The required bond shall be conditioned upon, and for the full performance and actual fulfillment of, each and every term, condition, provision, and obligation of the Contractor and its officers and employees arising under this Agreement. The Department's right to recover from the bond shall include all costs and damages associated with transferring the services provided under this Agreement to another contractor or to the State as a result of the Contractor's failure to perform.

### ARTICLE 35 - WAIVERS

35.1 No terms or provision hereof shall be deemed waived and no breach excused, unless such waiver or consent shall be in writing by the party claimed to have waived or consented.

35.2 No delay or omission by either party hereto to exercise any right or power occurring upon noncompliance or default by the other party with respect to any of the terms of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either of the parties hereto of a breach of any of the covenants, conditions, or agreements to be performed by the other shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant, condition, or agreement herein contained.

35.3 No provision of this Article is applicable to Article 14, Disputes.

### ARTICLE 36 - NOTICE

36.1 All notices required to be given to the Department under this Agreement shall be sent to:

John Garcia, EBT Program Manager  
Income Support Division  
New Mexico Human Services  
Department  
4501 Indian School Rd. NE  
Albuquerque, NM 87110

Michael Rogers, Bureau Chief  
Income Support Division  
New Mexico Human Services  
Department  
Pollon Plaza Building  
P.O. Box 2348  
Santa Fe, NM 87504-2348

36.2 All notices required to be given to the Contractor under this Agreement shall be sent to:

Name: Rod Cullison  
Title: Vice President J.P. Morgan EFS  
Address: 2953 Aberdeen Dr. SE  
City, State Zip: Rio Rancho, NM 87124

36.3 A notice shall be deemed duly given upon delivery, if delivered by hand, or three (3) days after posting, if sent by first class mail, with proper postage affixed. Notice may also be tendered by facsimile transmission, with original to follow by first class mail.

#### **ARTICLE 37 - AMENDMENTS**

37.1 This Agreement shall not be altered, changed or amended other than by an instrument in writing executed by the parties hereto. Amendments shall become effective and binding when signed by the New Mexico Department of Finance and Administration., and the necessary written approvals have been obtained from the United States Department of Health and Human Services and the United States Department of Agriculture.

If either party discovers any material omission in the provisions of this Agreement, which it believes is essential to the successful performance of this Agreement, the parties shall promptly negotiate in good faith to amend so as to meet the objectives of this Agreement.

#### **ARTICLE 38 - HEADINGS NOT CONTROLLING**

Headings used in this Agreement are for reference purposes only and shall not be deemed a part of the Agreement.

#### **ARTICLE 39 – DEBARMENT & SUSPENSION**

Pursuant to 7 C.F.R. Part 3017, the Contractor certifies by signing this Agreement, that it and its principals, to the best of its knowledge and belief: (1) are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal department or agency; (2) have not, within a three-year period preceding the effective date of this Agreement, been convicted of or had a civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state, or local) contract or subcontract; violation of Federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, or receiving stolen property; (3) have not been indicted for, or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with, commission of any of the offenses enumerated above in this Article 40.1; and (4) have not, within a three-year period preceding the effective date of this Agreement, had one or more public agreements or transactions (Federal, State or local) terminated for cause or default.

**39.2** The CONTRACTOR'S certification in Article 40.1 is a material representation of fact upon which the Department relied when this Agreement was entered into by the parties. The Contractor shall provide immediate written notice to the Department's Contract Administrator if, at any time during the term of this Agreement, the Contractor learns that its certification in Article 40.1 was erroneous on the effective date of this Agreement or has become erroneous by reason of new or changed circumstances. If it is later determined that the Contractor's certification in Article 40.1 was erroneous on the effective date of this Agreement or has become erroneous by reason of new or changed circumstances, in addition to other remedies available to HSD, HSD may terminate the Agreement.

**39.3** As required by 7 C.F.R. Part 3017, the Contractor shall require each proposed first-tier subcontractor whose subcontract will equal or exceed \$25,000, to disclose to the Contractor, in writing, whether as of the time of award of the subcontract, the subcontractor, or its principals, is or is not debarred, suspended, or proposed for debarment by any Federal department or agency. The Contractor shall make such disclosures available to the Department when it requests subcontractor approval from the Department pursuant to Article 19. If the subcontractor, or its principals, is debarred, suspended, or proposed for debarment by any Federal department or agency, the Department may refuse to approve the use of the subcontractor.

#### **ARTICLE 40 - INTERNAL CONTROLS**

**40.1** If the Contractor is a company subject to the requirements of Section 404 (15 U.S.C. § 7262, Management Assessment of Internal Controls) of the Sarbanes-Oxley Act of 2002, the Contractor shall submit to the Department's Contract Administrator a copy of the internal control report that the Contractor is required to file under 15 U.S.C. § 7262(a), including the management attestation, and a copy of the internal control evaluation and report required under 15 U.S.C. § 7262(b), including the auditor attestation. The reports and attestations submitted to the Department shall comply with rules, requirements and standards adopted by the Securities and Exchange Commission and the Securities Exchange Commission Oversight Board pursuant to 15 U.S.C. § 7262. The reports and attestations submitted to the Department shall be the most current filed reports available and shall be submitted to the Department by no later than August 30th following each state fiscal year, or each partial state fiscal year, that the Agreement is in effect. If the Agreement expires or is terminated prior to the August 30th deadline in a year in which a submission of reports and attestations is due to the Department, the Contractor's obligation to submit the reports and attestations to the Department shall survive the expiration or termination of the Agreement.

**40.2** The Contractor shall submit to the Department's Contract Administrator a Type II Service Audit Report prepared and issued in accordance with the Statement on Accounting Standards No. 70. The Contractor shall include with the Service Audit Report a correction plan detailing any deficiencies identified in the report and target dates for correction. The Department will assess and respond to the acceptability of the correction plan. The Service Audit Report and correction plan, if any, shall be

submitted to the Department no later than August 30th following each state fiscal year, or each partial state fiscal year, that the Agreement is in effect and shall cover the previous twelve-month period ending June 30th. If the Agreement expires or is terminated prior to the August 30th deadline in a year in which a submission of a Service Audit Report and correction plan is due to the Department, the Contractor's obligation to submit such report and plan to the Department shall survive the expiration or termination of the Agreement. Although it is preferred, the Department acknowledges that the Statement on Accounting Standards No. 70 may, or may not, coincide with the state fiscal year.

#### **ARTICLE 41 PRECEDENCE OF CLAUSES**

41.1 The entire agreement between the parties shall consist of the Contract, including the attachments to the Contract, and the Contractor's proposal submitted in response to RFP No.60-630-90-00255.

41.2 In the event of a dispute under the Contract, applicable documents will be referred to for the purpose of clarification or for additional detail in the following order of precedence:

41.2.1 The Contract, including the attachments to the Contract, and any amendments to the Contract.

41.2.2 Request for Proposals No. 60-630-90-00255, including attachments thereto.

41.2.3 The Contractor'S proposal submitted in response to RFP No.60-630-90-00255 .

41.2.4 The Contractor's proposal submitted in response to RFP No. 60-630-90-00255, as modified by the Contractor's best and final offer.

#### **ARTICLE 42 INVESTIGATIVE ACCESS**

##### **1. Access to Administrative Terminals by federal staff**

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 FNS to inquire on specific card and/or retailer details.

##### **2. Compliance Requirements**

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, the vendors will also be impacted. The State and the vendor will determine an orderly process for complying with the Federal agencies. Access to information concerning these matters will be restricted to key State and vendor staff so that the investigations are not compromised. It should be assumed that these needs will be addressed in the design phase and 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.

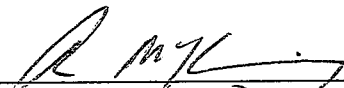
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**ARTICLE 43 - ENTIRE AGREEMENT**

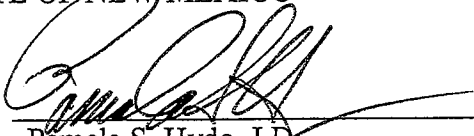
This Agreement incorporates all the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, agreements and understandings have been merged into this written Agreement. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

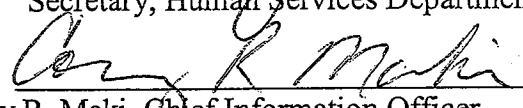
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of execution by the State Contracts Officer below.

Contractor

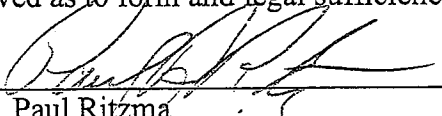
By:  Date: 5/31/06  
Title: Sr. Vice President

STATE OF NEW MEXICO

By:  Date: 7/7/06  
Pamela S. Hyde, J.D.  
Secretary, Human Services Department

By:  Date: 7/5/06  
Conny R. Maki, Chief Information Officer  
Human Services Department

Approved as to form and legal sufficiency:

By:  6/29/06  
Paul Ritzma  
General Counsel, Human Services  
Department

OFFICE OF THE ATTORNEY GENERAL

By: N/A Date: \_\_\_\_\_

Approved as to compliance with the Information and Communication Management Act, and applicable procurement regulations:

By: Michael R. A. No FOR Date: 7/11/06  
State Purchasing Agent

By: Key Sw Date: 7/21/06  
New Mexico Chief Information Officer

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and compensating taxes.

TAXATION AND REVENUE Department

ID  
Number: 02-378643-004 Date: 7/5/06  
By: Cecilia A. King

Department OF FINANCE AND ADMINISTRATION

By: Angie yarden Date: 08/28/06  
State Contracts Officer

CONTRACT APPROVED  
EFFECTIVE DATE 07/01/06



## ATTACHMENT A

### DEFINITION OF TERMINOLOGY

This section contains abbreviations and definitions that are used throughout this procurement document.

**ABBREVIATIONS/ACRONYMS** used in this RFP include the following:

**ABA** - American Banking Association.

**ACH** - Automated Clearing House Association. The central clearing facility that receives and transmits electronic entries between banks, and performs the settlement functions on the books of the Federal Reserve Bank.

**ALERT**- Anti-Fraud Locator of EBT Retailer Transactions.

**AMA** -Account Management Agent for the Federal Reserve Bank.

**ANSI** - American National Standard Institute.

**ASAP** - Automated Standard Application for Payment.

**ATM** – Automated Teller Machine.

**ARU** – Automated Response Unit. Computer peripheral that accepts data from touch-tone telephones and responds with synthesized voice commands and information. Used in an EBT system to provide balance information or to authorize manual transactions and can respond to dial telephones and provide human response.

**BRSB**- Benefit Redemption System Branch

**CIO** – HSD Chief Information Officer

**CR** – Change Request, the form used by the department to request system changes.

**CRB** – HSD IT Change Request Board

**DES** - Data Encryption Standard.

**DHHS** - The United States Department of Health and Human Services.

**DFA** - The State of New Mexico's Department of Finance and Administration.

**DoIT** – HSD Division of Information Technology

**DOH** – The State of New Mexico's Department of Health.

**DOL** – The State of New Mexico's Department of Labor.

**DRS** – Disqualified Recipient Subsystem, USDA/FNS's national database of disqualified Food Stamp recipients.

**EBT** -Electronic Benefits Transfer, a benefit issuance system that deposits Food Stamp, TANF, General Assistance, and Work Program benefits directly to a recipient's established EBT account for the sole purpose of issuing such benefits.

**EBTS** - Electronic Benefit Transfer Specialist. An employee position classification within the Department. Client training, card issuance, account maintenance, and all client assistance is accomplished by the EBTS.

**EDC** - Electronic Draft Capture.

**EFT** - Electronic Fund Transfer.

**E&T** – The Department's Employment and Training Program for Food Stamp recipients.

**FAA** -Family Assistance Analyst, field office worker who determines eligibility for public assistance programs.

**FAMIS** - Family Assistance Management Information System. The automated State system, meeting federal requirements for automated cash systems, that contains Cash Benefits Program, FS and Medicaid client eligibility, financial and demographic information. HSD uses an automated benefit determination software system called the Income Support Division Integrated Services Delivery (ISD2).

**FFY** – Federal Fiscal Year, running October 1 through September 30.

**FNS** -The Food and Nutrition Services within the United States Department of Agriculture (USDA), the federal agency that oversees the Food Stamp Program.

**FRB**-Federal Reserve Bank of Richmond

**FSP** – The Food Stamp Program

**FS**- Food Stamp(s)

**GA** - General Assistance.

**GSD** - The State of New Mexico's General Services Department.

**GSD/ISD** – The State of New Mexico's General Services Department's Information Systems Division.

**HIPAA** – Health Insurance Portability and Accountability Act of 1996.

**HSD** - The State of New Mexico's Human Services Department.

**HSD/CSED** – The State of New Mexico's Human Services Department's Child Support Enforcement Division, the IV-D agency for New Mexico.

**HSD/DoIT** – The State of New Mexico's Human Services Department's Division of Information Technology.

**HSD/ISD** - The State of New Mexico's Human Services Department's Income Support Division, the IV-A and Food Stamp Program agency for New Mexico.

**HSD/MAD** – The State of New Mexico's Human Services Department's Medical Assistance Division.

**IIN** - Issuer Identification Number.

**IBM** – IBM Global Services.

**IR** – Incident Report, the documentation the Department uses to report system problems.

**IT**-Information Technology.

**IV-A** –Title IV - Part A of the Social Security Act – Grants to States for Aid and Services to Needy Families with Children and for Child Welfare Services. The TANF Program is under Title IV-A.

**IV- D** –Title IV - Part D of the Social Security Act - Grants to States for Aid and Services to Needy Families with Children and for Child Welfare Services. Child Support Enforcement is under Title IV-D.

**ISD2** -Income Support Division Integrated Services Delivery, HSD/ISD's automated eligibility determination and benefits issuance system for Food Stamps, TANF, General Assistance, Medicaid, and Work Programs.

**LIHEAP** - Low Income Housing Energy Assistance Payments.

**MMIS** – Medicaid Management Information System, HSD/MAD’s Medicaid payment and reporting system.

**NMW** – New Mexico Works, the State of New Mexico’s TANF Program and support services under the New Mexico Works Act.

**NMW Contractors** – Term referring to the current provider of Work Programs support services for HSD.

**NOC**- Notice of change

**OASDI** - Old Age Survivors and Disability Insurance payment made by the Social Security Administration.

**OLTP** - Online Transaction Processor. This is the on-line computer which operates the ATM and POS networks.

**OOS**-Office of the Secretary (HSD).

**PAN** - Primary Account Number, a 16 digit number which is embossed on the EBT card and which is used by the EBT system to identify the cardholder.

**PIN** - Personal Identification Number uniquely allowing access to benefits with an individual card.

**POS** – Point of Sale machine.

**PRWORA** – Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the welfare reform legislation that eliminated the AFDC Program, created the TANF Program, and made changes to child support enforcement and the Food Stamp Program.

**REDE**- FNS Retailer EBT Data Exchange

**SDLC** – Systems Development Life Cycle

**SFY** – State Fiscal Year, running July 1 through June 30.

**SSA** – Social Security Administration.

**SSI** - Supplemental Security Income. A federal program that provides money payments to eligible aged, blind or disabled individuals.

**SSN** - Social Security Number - also the ISD2 client number. Social Security numbers are confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited.

**STARS**- Store Tracking and Redemption Subsystem operated by the Food Nutrition Service.

**TANF** – Temporary Assistance for Needy Families, the welfare reform cash assistance program under PRWORA that replaced the AFDC Program.

**TPP**-Third Party Processor

**USDA** - The United State Department of Agriculture. The Federal department, which oversees the Food Stamp Program.

**WIC** – Women, Infants, and Children Program administered by DOH providing nutrition services to women, infants, and children.

## **DEFINITIONS**

**Administrative Operations Manager:** Responsible for the administration of the EBT program

**“Agency”**- means the Income Support Division.

**Agreement** - Contract resulting from the RFP.

**Alternative Purchase Processing Procedure:** Alternative Transaction Processing conducted under three circumstances: 1.) for FNS authorized Food Stamp retailers without POS equipment; 2.) in instances of system failure that prevent processing of on-line Food Stamp authorizations; and 3.) in instances of disaster.

**Authorization Agreement** - An agreement between the EBT vendor and an EFT network to allow transaction switching through the network.

**Balance Inquiry** - Non-financial transaction that permits the recipient to obtain the current status of his/her benefits.

**Batch Process** - Off-line processing by the host computer, which includes update of permanent files and production of reports.

**Benefit Card** - A plastic card issued to benefit recipients will allow them access to the EBT system to make purchases using their benefits.

**CASE** - One or more eligible individuals usually sharing family membership and eligibility classification, i.e., mother and child. For the Cash and FS eligibility category, it

includes the eligible parent(s) and children. While the number of persons per case varies, there are approximately 2.3 persons per case in the average Cash/FS case.

**Case Month** - A month in which a Cash and/or Food Stamp account has received an issuance.

**Client** - A person who receives public assistance or food stamp benefits in accordance with current eligibility regulations.

**Close of Business (NM)** - 5:00 PM Mountain Standard or Mountain Daylight Time, whichever is in effect on the date given.

**Chief Information Officer** – HSD Chief Information Officer

**Contract Manager** - The individual selected by the Department to monitor all aspects of the contract resulting from this RFP.

**Contractor** – The successful offeror.

**Department** - The New Mexico Human Services Department.

**Determination** - The written documentation of a decision by the Procurement Manager including findings of facts required to support a decision. A determination becomes part of the procurement file to which it pertains.

**Desirable** - The terms “may,” “can,” “preferably,” or “prefers” identify a desirable or discretionary item or factor.

**Direct Deposit** - The process that results in the electronic depositing of funds into a checking or savings account.

**Dormant Account** - An account in which there has been no debit activity in at least 90 days.

**EBT Transaction** - A collection of electronic messages processed through a POS terminal or ATM terminal to the EBT Contractor's OLTP initiated by: (a) an inquiry by a recipient as to his or her account balance (b) a purchase of authorized food and/or commodities by a recipient resulting in the reduction in said recipient's account balance (c) the return of any authorized commodity to the authorized retailer for credit to the recipient's account balance (d) a cash withdrawal from an ATM or POS terminal.

**Expunge** - This is a process where benefits at the grant level are debited from the client's account after a period of inactivity as defined by the Department.

**Evaluation Committee** – A body appointed by the Department's management to perform the evaluation of offeror proposals.

**Evaluation Committee Report** - A report prepared by the Procurement Manager and the Evaluation Committee, submitted to the State Purchasing Agent for contract award, containing all written determinations resulting from the procurement process evaluation of competitive sealed proposals.

**Federal Financial Participation** - (also referred to as FFP) is the percent of State expenditures to be reimbursed by the Federal Government for certain costs associated with providing assistance and the administration and development of automated systems.

**Finalist** – An offeror meeting all the mandatory specifications of the Request for Proposal, and whose score on evaluation factors is sufficiently high to qualify that offeror for further consideration by the Evaluation Committee.

**Fiscal Agent** - The financial institution which provides financial service to the State of New Mexico.

**FNS Field Office** - The office responsible for certification, decertification and compliance enforcement of retailers participating in the Food Stamp Program. New Mexico is served by the Dallas Field Office.

**Host** - The EBT Contractor system and database currently in operation.

**Hot Card** - This is a process where the card is statused to prevent any use of the card.

**Inquiry** – A transaction which requests that certain information from the database be shown on a terminal screen and/or involving hard copy printout.

**Internal Identification** - This is a nine-digit identification number, which is assigned by the soundex system of ISD2 to identify a client.

**Interoperability**- The ability of the EBT system to process interstate food stamp and cash transactions, including transactions occurring at a New Mexico retailer/merchant or ATM acquirer when the cardholder has benefits and payments issued by another state and a New Mexico cardholder's transactions occurring at a retailer/merchant or ATM acquirer in another state. The EBT system must accept these transactions and route to the appropriate state's EBT system for authorization and settlement.

**Invoice** - A billing form supplied by vendors.

**ISD Customer Service Help Desk** - This is the "help desk" within the Department, which deals with disputes, problems and/or questions.

**Maintenance** - Refers to all functions involved in operating and supporting the data processing and communications facets of the RFP. These functions include, but are not limited to, repairing telephone/telecommunication devices, training financial institution

and retailer staff on the use of the system, correcting programming errors, and answering system inquiries.

**Mandatory** - The terms “must,” “shall,” “will,” “is required,” or “are required” identify a mandatory item or factor. Failure to meet a mandatory item or factor may result in the rejection of the offeror’s proposal.

**Manual Transaction** - A back-up system used for accessing Food Stamp benefits when the Automated EBT processing is not possible.

**Medicaid** - The Federal Medical Assistance Program as described in Title XIX of the Social Security Act.

**Memo Post** - To update an on-line file available to the on-line transaction processor. Memo posted allocations are immediately available for debit.

**Offeror** - Any person, corporation, or partnership choosing to submit a proposal.

**Participant** - A person who receives public assistance or Food Stamp benefits in accordance with current eligibility regulations.

**Pending File**- A file located on the processors system to store post dated benefits and benefits that are awaiting account activation.

**PIN PAD** - A keyboard configuration, which is connected to a POS and allows for entry by participants of PIN. May also be the same keyboard used to enter purchase amount on POS.

**PIN Offset** - A number based on the recipient's EBT card number and PIN. For security reasons, the offset, rather than the PIN itself, is encoded on the card.

**POS Terminal** - Point of Sale terminal, a device, which can read a magnetically encoded card and communicate with the EBT system to authorize and document purchase transactions.

**Procurement Manager or PM** - The person or designee authorized by the Department to manage or administer the procurement process evaluating competitive sealed proposals.

**Program Manager** – The individual selected by the Department to establish the project requirements, scope, and level of effort, and to monitor the progress of this project. Also referenced as DEPARTMENT’s Primary Point of Contact or as the DEPARTMENT’s Program Manager in this document.

**Recipient** - (client) is the person who receives public assistance or food stamp benefits in accordance with current eligibility regulations.



**Request for Proposals or RFP** - All documents, including those attached or incorporated by reference, used by offerors to submit proposals.

**Responsive Offeror** - An offeror submitting a responsive proposal and furnishing, when required, information and data proving that its financial resources, production or service facilities, personnel, service reputation, and experience are adequate to make satisfactory delivery of the services or items of tangible personal property described in the proposal.

**Responsive Offer or Responsive Proposal** - An offer or proposal that conforms in all material respects to the requirements set forth in the request for proposals. Material respects of a request for proposals include, but are not limited to, price, quality, quantity or delivery requirements.

**Retailer** - The merchant who has been authorized by FNS to participate in the redemption of food stamp benefits.

**Staggered Issuance** - Also referred to as "Issuance Cycle" means the formula by which HSD releases food stamp benefits across each calendar month.

**Stale Accounts**- An account in which there has been no debit activity in at least 45 days.

**State Purchasing Agent** - The purchasing agent for the State of New Mexico or his/her designated representative.

**Third Party Processor** – An unrelated organization or business, which, installs, operates and maintains an online point of sale network in authorized retailer locations to perform EBT transactions. This network must be certified to the HSD-EBT system.

**Transaction** - The specific set of input data that initiates a specific action in the EBT system.

**Update** - The process by which information is added, changed or deleted from the host computer.

**Vendor** - An offeror to which a contract is awarded to perform services or provide goods as specified in the RFP at the prices quoted.

