

Texas Health & Human Services Commission



Albert Hawkins, Executive Commissioner

***Request for Offers
for
Texas Electronic Benefits Transfer (EBT)
Retailer Management Services***

RFO No. #529-06-0095

Date of Release: February 16, 2006

Texas Health & Human Services Commission

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Notice of Intent to Offer

HHSC requests that vendors submit a notice of intent to propose to the HHSC Point of Contact identified below. This is an optional requirement.

Name of Respondent or Joint Respondents: _____

Contact Person: _____ Title: _____

Mailing Address: _____

Telephone: _____ Fax: _____

E-mail Address: _____

Please return no later than 5:00 P.M. (Central Time) March 8, 2006 to:

Debbie Arbuckle

Texas Health and Human Services Commission

Enterprise Contract and Procurement Services

909 West 45th Street, Mail Code: 2020

Austin, TX 78751

(512) 206-5468

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1 GENERAL INFORMATION

1.1 *Mission Statement*

The Texas Electronic Benefits Transfer (EBT) System delivers services to Food Stamp and Temporary Assistance for Needy Families (TANF) State of Texas clients. One of the components of the EBT System is to provide retailer management services to assist in the delivery of the Texas EBT services. The Health and Human Services Commission's (HHSC) mission in this procurement is to procure best quality and value retailer management services for the Texas Electronic Benefits Transfer (EBT) System.

1.2 *Mission Objectives*

HHSC's objectives in this procurement are to engage a vendor to provide the following:

- Point-of-Sale (POS) Devices Management
- Processor Support
- Settlement and Reconciliation Services
- Card and PIN Management Services

HHSC will select the Respondent whose solution represents the best value for the State of Texas.

1.3 *Background*

1.3.1 Overview of the Health and Human Services Commission

HHSC was created in 1991 to oversee and coordinate the planning and delivery of health and human services programs in Texas. It is established pursuant to [Chapter 531, Texas Government Code](#), and is responsible for oversight of Texas Health and Human Services agencies (HHS agencies). The chief executive officer of the Commission is Albert Hawkins, Executive Commissioner of Health and Human Services. House Bill 2292 of the 78th Legislature directed Texas Health and Human services agencies to consolidate organizational structures and functions, eliminate duplicative administrative systems, and streamline processes and procedures. Restructuring of Health and Human Services agencies was completed by September 1, 2004. This procurement continues the state's effort to deliver services to Texans effectively and in the most efficient means possible.

1.3.2 Overview of Texas Electronic Benefits Transfer (EBT)

The Texas Department of Human Services (DHS) received Federal approval to conduct department planning related to EBT in early 1992. Development of the Texas EBT program, known as Lone Star, began in February 1994 when the agency awarded a seven (7)-year contract to TRANSACTIVE Corporation. The full-service contract was for the design, development, implementation and operations of an EBT System. After successful testing and a shakedown period, statewide implementation began in February 1995 and was completed by November 1995. The contract with TRANSACTIVE expired on February 28, 2001.

The state purchased an upgraded version of the EBT application software and divided the EBT System into three separate functional components operated by distinct vendors to provide central processing, retailer management and call center services. The Central Processing vendor provides the software and hardware for EBT data processing and supports the EBT application software. The Retailer Management vendor provides support for retailers (including settlement and reconciliation) and card and Personal Identification Number (PIN) issuance services. The EBT Call Center vendor provides services to clients such as the handling of Lone Star card issues and disputes and providing manual voucher authorizations for retailers. The Lone Star Technology team, within the HHSC Office of Family Services, acts as the prime integrator of the contractor teams.

The new system was known as the Texas EBT-2 system and became operational on March 1, 2001. Refer to the chart below for Texas EBT Component Functions.

Table 1: Contract Functions

Central Processing	Retailer Management	Call Center
<ul style="list-style-type: none"> ▪ Data center operations ▪ 24x7 operator support ▪ Batch job processing ▪ Network management ▪ Support for Third Party Processors ▪ Database maintenance and administration ▪ Project management for system enhancements and new features ▪ Software design, development, implementation and maintenance 	<ul style="list-style-type: none"> ▪ EBT retailer management services ▪ Settlement and reconciliation ▪ Retailer training and help desk support ▪ Card and PIN management services (card manufacturing, vault card inventory, card issuance, card replacements) ▪ POS terminal management including: deployment for state-supported retailers, support, repair and replacement services ▪ Support and operation of the point-of-sale network processing transactions for the state-supported POS terminals 	<ul style="list-style-type: none"> ▪ 24 hour live operator phone support ▪ Automated support via the Interactive Voice Response Unit (IVR) ▪ Call Center software system - interface to the Texas EBT System ▪ Ad-hoc software development projects

This RFO is soliciting responses to provide retailer management services, which are described below. Refer to the Texas EBT Function Diagrams for a complete understanding of the EBT-2 processing environment (Appendix D).

1.3.3 Project Overview

Lone Star Technology, part of the Lone Star Business Services within the HHSC Office of Family Services, manages and operates the Texas Electronic Benefits Transfer (EBT) System. The EBT system uses the state's Lone Star Card to electronically distribute food stamp and Temporary Assistance for Needy Families (TANF) benefits to over 1,300,000 cardholders. Benefits are redeemed at approximately 11,000 Texas retailers of which 7,126 are state-supported retailers 24 hours a day, 7 days a week. Each month, more than 8,000,000, transactions, totaling over \$240,000,000 are processed through the Texas EBT system.

From early efforts to develop one of the nation's first EBT systems for the Food Stamp and Temporary Assistance for Needy Families (TANF) Programs, Texas has attempted to make the delivery of services more efficient and to make those services more accessible to the public that depends on them.

Current EBT Contract Expiration Dates

The existing EBT contracts are scheduled to expire as follows:

- Call Center contract expires September 30, 2006
- Retailer Management contract expires February 28, 2007
- Central Processing contract expires August 31, 2007

1.3.4 Texas Electronic Services Delivery (TESD) report

In January 2001, the Texas Electronic Services Delivery (TESD) report was developed to explore strategies and develop a road map for expanding the state's current Electronic Benefit Transfer (EBT) system leveraging the state's investment in the EBT infrastructure for supporting additional programs. The report made specific recommendations for supporting potential future programs and services including:

- Administrative and Operational Functions
- Women Infants and Children (WIC)
- Medicaid Identification
- Childcare Time and Attendance Tracking
- Child Support Payments

- TANF Access to ATMs
 - Foster Care
 - Campus Cards
 - Driver License
 - Inter/Intranet
 - Administrative and Operational Structure
 - Multiple Technology Cards
 - State Employee Card
 - Benefits Transfer Card
 - Texas Workforce Commission/Unemployment Insurance Direct Deposit
- See <http://www.window.state.tx.us/specialrpt/tesd/index.htm> for more details.

1.3.5 Related Projects

HHSC is currently planning and evaluating options for Medicaid Access Card (MAC) and the Integrated Benefits Card (IBC) projects and implementing the New Eligibility System (IEE) solution that have potential for merging technology, contracts and processes in the future.

The **Medicaid Access Card** replaces the current paper Medicaid identification card (Med ID) with a plastic smart card for eligibility verification and on-card biometric finger image matching, which will reduce costs for monthly production and mailing of the paper cards; as well as reducing client and provider fraud in the Medicaid program.

The **Integrated Benefits Card (IBC)** project will implement an integrated benefits card and system for client authentication and distribution of benefits and access to services for multiple programs. The project will involve integration of benefits and services programs and consolidated operations utilizing one card to obtain multiple benefits and/or services within the HHS enterprise.

The **New Eligibility System**, or Integrated Eligibility and Enrollment (IEE) project will transform the HHSC business processes from a local office processing model to a call center model for the purpose of improving client access to state services and reducing administrative costs. Clients will now be able to submit applications and related information required for eligibility determination by phone, fax, and email. IEE will build upon and enhance the existing Texas Integrated Eligibility Redesigned System (TIERS) infrastructure. The EBT system will continue to utilize the established TIERS interfaces for communicating benefit information.

Based on these developing projects, the vendor selected to provide Retailer Management services will be required to support any necessary changes to software, hardware, networks and/or processes to accommodate the needs of these parallel projects. If additional functional responsibilities need to be added to the selected vendor, the state will negotiate terms and possible pricing for added services. Additional programs may be added to the EBT System in the future.

1.3.6 Access to Benefits

Eligibility for food stamps and TANF is determined by HHSC. Clients deemed eligible are issued a Lone Star Card. Client accounts are established by the EBT Central Processing Vendor receiving the necessary client information from HHSC benefit systems (SAVERR/TIERS) or through the EBT Administrative Terminal (AT). Clients purchase goods and services or withdraw cash at authorized retailers. The Central Processing mainframe operates twenty-four (24) hours-per-day, seven (7) days per-week. At a designated cutoff time (2:30 p.m. Central Time) each day, the Central Processing Vendor, in cooperation with the Retailer Management Vendor, closes out the current processing day and starts the next processing day. At that time, the EBT System balances the daily transaction activity. The balancing process is an automated function controlled and maintained by the Central Processing Vendor.

The Lone Star Card is scanned for payment in the way that a commercial credit or debit card, such as Visa or MasterCard, is scanned. The client enters his or her Personal Identification Number (PIN), which protects the card from use by unauthorized people. The transaction is carried from the point-of-sale device through a third-party processor's network connection to the EBT host system, where the system locates that client's benefits and the purchase amount is immediately encumbered. A response authorizing the purchase is generated and returned in a matter of seconds.

The encumbered purchase amount is stored on the host, along with the amounts of other purchases made that business day, and is processed that night. A file is generated which requests funds from the federal and state funding sources and transfers them to the third-party processors. The processors then transmit payment for that day's purchases to the individual retailers.

EBT operates 24 hours a day, 7 days a week, with its primary goal remaining that of consistent, rapid issuance and safe, simple, continuous access to benefits for Texas citizens.

1.3.7 Scope of Procurement

This procurement is for the Texas EBT Retailer Management services. A Texas EBT Call Center Request for Offer (RFO) has been released. Respondents may bid on either or both RFOs. Each bid must clearly show additional cost savings and/or operational efficiencies. The EBT Central Processing contract expires on August 31, 2007. The awarded Retailer Management Vendor must cooperate with the transition of the new contract by testing interfaces with the other EBT vendors and interfaces with HHSC systems such as TIERS and IEE. The Retailer Management Vendor will also be required to participate in trial runs when a new Central Processing contract is awarded in 2007. The current EBT Retailer Management contract expires February 28, 2007.

The EBT Retailer Management Vendor must follow the Lone Star Operating Rules and USDA FNS Food Stamp Program regulations. Lone Star Operating Rules are located at:

<http://www.dhs.state.tx.us/providers/LoneStar/EBT/EBTdownloads.html#Lone>

The USDA FNS Food Stamp Program regulations are found in the Code of Federal Regulations at 7 C.F.R., Parts 271 through 283.

1.4 Strategic Elements

1.4.1 Contract Term

HHSC intends to award one contract for retailer management services for a five-year period. HHSC will have the option to renew or extend the term of the contract for a period up to five additional years in any combination of months or years as necessary to complete the mission of this procurement. The maximum term of this contract may total ten (10) years.

1.4.2 Contract Price/Type/Catalogue Information System Vendor (CISV)

HHSC will award one contract to the successful proposing corporation, firm, or entity. This is both a fixed and variable price contract.

To receive a contract award pursuant to this RFO, a Respondent must be on the Texas Building and Procurement Commission's (TBPC) Centralized Master Bidder List (CMBL) and an approved CISV prior to contract award.

Respondents that intend to propose on both the Call Center and Retailer Management RFOs, must provide two separate offers as required by each RFO. Respondents must clearly show additional

cost savings and operational benefits and efficiencies to HHSC for awarding two contracts to the same vendor.

HHSC will award a contract based on best value for the State of Texas.

1.4.3 HHSC's Uniform Contract Terms and Conditions

HHSC's Uniform Contract Terms and Conditions, Version 1.3.1 (EBT RFO) will apply to the contract awarded as a result of this procurement. See Attachment 1 for the Uniform Terms and Conditions. The "Special Terms" of the Uniform Contract Terms and Conditions that apply to the contract awarded as a result of this procurement have been designated in Article 16. HHSC reserves the right to negotiate additional contract terms and conditions.

1.5 ***Basic Philosophy: Contracting for Results***

HHSC's fundamental commitment is to contract for results. A successful result is defined as the generation of defined, measurable, and beneficial outcomes that support HHSC's Missions and Objectives and satisfy the contract requirements. This RFO describes what is required of the contractor in terms of performance measures and outcomes, and places the responsibility for how it is accomplished on the contractor.

1.6 ***External Factors***

Respondents should be aware that external factors may affect the project, including budgetary and resource constraints. HHSC's IEE, IBC, and MAC projects may impact this EBT Retailer Management contract. Any contract resulting from this procurement is subject to the availability of state and federal funds. As of the issuance of this RFO, budgeted funds are available to reasonably fulfill the requirements of this RFO. If, however, funds become unavailable, HHSC reserves the right to withdraw this RFO or terminate the resulting contract without penalty. In the event the contract is terminated for this reason HHSC will pay for approved work in progress.

1.7 ***Legal and Regulatory Constraints***

1.7.1 Delegation of Authority

Respondents should be aware that state and federal law generally limit HHSC's ability to delegate certain decisions to a contractor. Specifically, HHSC may not delegate certain functions to a contractor, including but not limited to:

- Policy-making authority; and
- Final decision-making authority regarding acceptance of contracted services.

1.7.2 Conflicts of Interest

Respondents shall not have personal or business interests that would present an actual, potential, or apparent conflict of interest with respect to this procurement and the performance of the resulting contract. For purposes of this RFO, a conflict of interest is any set of facts or circumstances that, in HHSC 's determination, compromises, appears to compromise, or may compromise the respondent's fairness, independence or objectivity.

Respondents must disclose any actual or potential conflicts of interests that exist with respect to this procurement and the resulting contract. If selected for contract award, the respondent will be under a continuing duty to notify HHSC of any actual or potential conflicts of interest that may develop during the course of the contract and may not engage in conduct that will create an appearance of impropriety.

HHSC is obligated by state and federal law to ensure a level playing field in the award of the contract. HHSC has implemented an aggressive policy concerning actual or potential conflicts of interest to ensure fair and open competition, and has included language concerning actual and potential conflicts of interest in Article 12 of its Uniform Terms and Conditions Version 1.3.1 (EBT RFO). (See Attachment 1) Respondents must carefully review and understand this language when developing offers.

1.7.3 Former Employees of a State Agency

Respondents must comply with state and federal laws and regulations relating to the hiring of former state employees (see e.g., Texas Government Code §572.054 and 45 C.F.R. §74.43). Such "revolving door" provisions generally restrict former agency heads from communicating with or appearing before the agency on certain matters for two years after leaving the agency. The revolving door provisions also restrict certain former employees from representing clients on matters that the employee participated in during state service or matters that were within the employees' official responsibility.

As a result of such laws and regulations, a Respondent must certify that it has complied with all applicable state and federal laws and regulations relating to the hiring of former state employees. Furthermore, the Respondent must disclose any relevant past employment of its employees and agents, or its subcontractors' employees and agents, by HHSC or another Texas health and human service agency, including a description of:

- the nature of the previous employment with HHSC or the other agency;
- the date the employment terminated; and
- the annual rate of compensation for the employment at the time of termination.

1.7.4 Interpretive Conventions

Whenever the terms “shall,” “must,” “or “is required” are used in this RFO in conjunction with a specification or performance requirement, the specification or requirement is mandatory on the potential vendor. A respondent’s failure to address or meet any mandatory requirement in its offer will be cause for rejection of the offer.

Whenever the terms “can,” “may,” or “should” are used in this RFO in conjunction with a specification or performance requirement, the specification or performance requirement is a desirable, but not mandatory, requirement. Accordingly, a respondent’s failure to address or provide any items so referred to will not be the cause for rejection of the offer, but will likely result in a less favorable evaluation of the offer.

Whenever the term “vendor” is used in this RFO in conjunction with a specification or performance requirement, the specification or performance is a requirement of the awarded vendor.

1.8 HHSC Point of Contact

The sole point of contact for inquiries concerning this RFO is:

HHSC Enterprise Contract and Procurement Services
Attn: Debbie Arbuckle
909 West 45th Street, Mail Code: 2020
Austin, TX 78751
(512) 206-5468
Fax (512) 206-5475
Debbie.arbuckle@hhsc.state.tx.us

The physical address for overnight, commercial and hand deliveries is:

HHSC Enterprise and Contract Procurement Services
Attn: Debbie Arbuckle
4405 North Lamar Boulevard, Room 107E
Austin, TX 78751
(512) 206-5468
(512) 206-5475

All communications relating to this RFO must be directed to HHSC contact person named above. All other communications between a respondent and HHSC staff concerning this RFO are prohibited. In no instance is a respondent to discuss cost information contained in an offer with the HHSC point of contact or any other staff prior to offer evaluation. Failure to comply with this section may result in HHSC's disqualification of the offer.

1.9 Procurement Timeline

Table 2: Procurement Schedule

RETAILER MANAGEMENT PROCUREMENT SCHEDULE			
Activity	Duration (Calendar Days)	Start Date	Date of Completion
RM Post RFO (RFO Release)	90 days	2/16/06	5/16/06
RM Vendor Conference	1 day	3/1/06	3/1/06
RM Notice of Intent to Propose Due	1 day	3/8/06	3/8/06
RM Vendor Questions Due	1 day	3/16/06	3/16/06
HHSC Responses to Vendor Questions Posted	1 day	3/23/06	3/23/06
RM Vendor Deadline for withdrawal of Proposals	1 day	5/12/06	5/12/06
RM Proposals Due	1 day	5/16/06	5/16/06
RM Evaluation of Bids	28 days	5/17/06	6/14/06
RM Vendor Demonstrations/Oral Presentations	28 days	5/17/06	6/14/06
RM Site visits (if necessary)	28 days	5/17/06	6/14/06
RM Tentative Award Announcement	1 day	6/15/06	6/15/06
RM Negotiations	15 days	6/16/06	6/30/06
RM Contract development and HHSC Approval	30 days	7/3/06	8/1/06
FNS Review and Approval	30 days	7/17/06	8/15/06
RM New contract signed (Anticipated Contract Start Date)	1 day	8/16/06	8/16/06

1.10 Communications Regarding This Procurement

HHSC will post all appropriate communications regarding this procurement on its website, including the notice of tentative award. In addition, HHSC reserves the right to amend this RFO at any time prior to the offer submission deadline. Any changes, amendments, or clarifications will be made in the form of responses to vendor questions, amendments, or addendum issued by HHSC.

Respondents should check HHSC's website frequently for notice of matters affecting the procurement. The URL is as follows:

http://www.hhsc.state.tx.us/about_hhsc/BusOpp/BO_home.html

1.11 RFO Cancellation/Non-Award

HHSC reserves the right to cancel this RFO, or to make no award of a contract pursuant to this RFO, if HHSC determines that such action is in the best interest of the State of Texas.

1.12 Right to Reject Offers or Portions of Offers

HHSC may, in its discretion, reject any and all offers, or portions of offers, submitted in response to this RFO.

1.13 Vendor Protest Procedures

Texas Administrative Code, Title 1, Chapter 392, Subchapter C outlines HHSC's vendor protest procedures. A respondent may protest HHSC's tentative award of a contract. Such protest must be in writing and signed by the protestant or the protestant's authorized representative.

The protest must state the protestant's name and the specific award that is being protested, the legal and factual basis for the protest with specific supporting information and when applicable, how the protestant alleges the award or tentative award violated HHSC's rules, state or federal laws, or regulations governing the procurement. The protest must state an explanation of the facts in disagreement and the subsequent action the protestant is requesting.

The protest must be submitted to the HHSC's official point of contact no later than seven (7) calendar days following the announcement of the tentative award of the contract on HHSC's website. The protest must be delivered by hand, certified mail return receipt requested, facsimile or other verifiable delivery service and be limited to matters relating to the protestant's qualifications, the suitability of the goods or services offered by the protestant, or alleged irregularities in the procurement process. Failure to comply with the foregoing timeframe will result in HHSC's dismissal of the protest.

The HHSC division that conducted the procurement will review the protest and the Division Director will make an initial recommendation to the Executive Commissioner. The Executive Commissioner will review the protest and Division Director's recommendations, and then issue a final determination regarding the protest. HHSC will provide the protestant with a written copy of the final determination within thirty days of receiving the protest, or as soon thereafter as practicable. The Executive Commissioner's final determination will be HHSC's final action on the protest, and the protestant will have no further administrative recourse.

2 MISSION RESULTS/SCOPE OF WORK

2.1 Project Scope

2.1.1 Overview of Services

The awarded Retailer Management Vendor must provide the following services:

Retailer (State-Supported) Management

- Develop, update and distribute the Lone Star Operating Rules
- Maintain retailer database based on the Retailer EBT Data Exchange (REDE) file
- Execute new Retailer Agreements for state-supported retailers
- Deploy and manage Point-of-Sale (POS) devices with appropriate software and PIN pads for state-supported retailers
- Retailer Training
- Help Desk for state-supported retailers
- Retailer (State-Supported) Databases/Documentation
- Manage Hardware
- Commercialization opportunities
- Security
- Liability
- Retailer support/reports

Processor Support

- Network Management for state-supported retailers
- Third Party Processor (TPP) Agreement Management

Settlement and Reconciliation

- Interfaces
- Client and retailer dispute resolution
- Client account maintenance
- Retailer and TPP reconciliation
- Daily draw-down and settlement of funds
- Establish bank accounts and transfer funds
- Manual Voucher processing, settlement, and storage

- Generation and distribution of required reports

Interoperability

- In conjunction with HHSC, develop switch agreement with Texas EBT interoperability switch vendor; execute and maintain agreement with switch vendor
- Draw-down and transfer interoperability funds

Card and PIN Management

- Secondary Cardholder Application Processing
- Production and distribution of Lone Star Cards
- Production and distribution of Lone Star PINs (Personal Identification Number)
- Distribution of client nonsecure materials
- Process returned cards and PINs

General

- All Retailer Management work products must be provided to HHSC in soft and hard copy
- The Retailer Management Project Manager must be located in the greater Austin area or present in Austin within 48 hours of HHSC's request
- Vendor must develop and maintain disaster recovery procedures for all of the functions listed in this subsection (2.1.1) and must be a primary participant in the Lone Star Disaster Recovery Plan
- The incoming Retailer Management Vendor will take the lead in transition activities from current vendor

2.1.2 Retailer Management

(A) Lone Star Operating Rules

The Retailer Management Vendor must develop, update, and distribute the Lone Star Operating Rules. HHSC must approve the initial rules and updates before distribution.

(B) REDE

The Retailer Management Vendor must access the state-specific FNS REDE System on a daily basis to update the Vendor's retailer database. This download of data to the retailer file will be automatic; no manual entry will be necessary. The REDE System communicates updates to EBT

Vendors from the FNS retailer database. The Retailer Management Vendor will contact HHSC and FNS Benefit Redemption System Branch (BRSB) as soon as any problem with the REDE download is discovered but no longer than twenty-four (24) hours following the discovery.

The Retailer Management Vendor must reconcile the REDE file changes daily. This reconciliation will be for adds, changes, and deletes from FNS. The REDE System provides a monthly data file for reconciliation on request.

(C) Retailer Agreements

The Retailer Management vendor must develop Retailer Agreements and execute them with all current state-supported retailers. HHSC and Food and Nutrition Service (FNS) must approve the Retailer Agreement prior to execution. For newly authorized retailers that do not contract with a TPP, the Retailer Management vendor must contact/send a retailer agreement within two (2) days of FNS notification. The vendor must review all Retailer Agreements for completeness, accuracy and signatures. Incomplete agreements are pended until the missing or inaccurate information is corrected by the retailer. Vendor must maintain all retailer agreements.

(D) Point-of-Sale Device and PIN Pad Management

(1) Supply and maintain Point of Sale (POS) devices and PIN Pads for state-supported retailers

An EBT state-supported retailer is defined as a retailer that uses state-supplied Point-of Sale (POS) devices and uses the EBT Retailer Management Vendor as its TPP. These retailers will be serviced by a TPP that provides the POS network connection and settlement and reconciliation for its participating retailers at no cost to the retailer. Other common terms for this group are “state-supplied retailers” and “EBT-only POS Equipment retailers.”

The Retailer Management Vendor must provide and support POS devices with appropriate POS terminal application software for the state-supported retailers. Retailers that act as their own processor (self-processing retailer) and retailers that have an agreement with a commercial TPP are excluded from the state-supported retailer infrastructure.

A growing concern exists that POS terminals are being relocated for fraudulent purposes. The Respondents are requested to identify ideas or proposals that could prevent the relocation and/or replicating of government supplied equipment for the propose of violating the program, and to monitor such abuses if they occur.

Traditional and non-traditional retailers are USDA Food and Nutrition Services (FNS) authorized for food stamp benefit transactions and/or state approved for cash transactions. EBT System requirements for retailer participation are described in FNS regulation 7 CFR §274.12 (h) and in the Texas Administrative Code §§2002.051-2002.056 Title 1, Part 15, Chapter 372, Subchapter G. TPPs must adhere to all Federal regulations regarding EBT processing. The Federal Regulations can be accessed on the U.S. Government's website at <http://www.gpoaccess.gov/cfr/retrieve.html>. Retrieve Title 7, CFR Part 274, Section 12, for the Electronic Benefit Transfer issuance system approval standards.

The EBT Retailer Management Vendor must maintain retailer agreements with approximately 400 retailers that use the Electronic Cash Register (ECR) and POS Terminals provided by the WIC Program. The equipment, POS software and services will be provided by WIC.

(2) POS and PIN Pad Deployment

The Retailer Management Vendor will be responsible for managing and supplying POS devices and PIN Pads to state-supported retailers. (See Appendix G) Currently, approximately 8,200 POS devices are deployed at approximately 7,200 state-supported retailer locations. In addition, the Retailer Management Vendor may be required to deploy POS devices for courtesy booths and other HHSC approved sites at the vendor's expense. The Retailer Management Vendor provides retailers the opportunity to lease (at retailer's expense) additional POS devices. Respondents shall define the strategy for transition of the state-supported retailer POS devices from the current vendor within the proposed project timeline. The Retailer Management Vendor will install POS software and verify operational readiness for all state-supported POS devices prior to cutover to new vendor.

The Retailer Management Vendor must provide for installation, testing, and maintenance of each newly deployed or replacement POS device supplied by the Vendor. Each POS deployment will include a POS terminal with appropriate POS terminal application software, a POS printer, a PIN

(Personal Identification Number) pad, a telephone splitter, signage, other retailer materials, contact phone information, unique terminal identification, and manual vouchers. If the PIN pad is integrated into the POS device, additional remote PIN pads must be provided, if needed, for the PIN pad to be easily accessible to clients. The Vendor will be responsible for working with retailers to accomplish needed testing of the deployed POS devices and software, and training of the retailer staff in usage of the POS devices. All key deployment activities must be recorded and tracked by the Retailer Management Vendor and reported to HHSC daily for monitoring purposes. POS equipment will be deployed to FNS authorized food stamp state-supported retailers and State of Texas approved sites only.

The Retailer Management Vendor must access the state-specific FNS REDE System on a daily basis to update the Vendor’s retailer database. This download of data to the retailer file will be automatic; no manual entry will be necessary. The REDE System communicates updates to EBT Vendors from the FNS retailer database. The Retailer Management Vendor will contact HHSC and FNS Benefit Redemption System Branch (BRSB) as soon as any problem with the REDE download is discovered but no longer than twenty-four (24) hours following the discovery.

The Retailer Management Vendor must reconcile the REDE file changes daily. This reconciliation will be for adds, changes, and deletes from FNS. The REDE System provides a monthly data file for reconciliation on request.

Table 3: Sample Volumes for REDE Data Files

FILE TYPE	SAMPLE MONTH (MAY 2005)
Add	123
Delete	67
Modify	115
Reinstatement	8

The Retailer Management Vendor must also accept information from HHSC regarding FNS-authorized retailers who have requested and are eligible for additional terminals. The Retailer Management Vendor must update the retailer database and install the equipment within fourteen (14) days of HHSC notification. In the past twelve (12) months, twelve (12) retailers requested and were eligible for additional EBT equipment.

Section 2 – Mission Results/Scope of Work

The Retailer Management Vendor must provide POS devices at sites designated by HHSC, including non-FNS locations that provide access to cash benefits (i.e. TANF).

Annually the Retailer Management Vendor will complete an annual sales review of state-supported retailers to determine if they have the number of terminals for which they are eligible.

The following table shows the Retailer Management Vendor’s responsibilities for retailers who are state-supported, nonstate-supported (supported by Third Party Processors, and TANF cash only sites) and TPP supported retailers who have state-supported devices in their courtesy booths.

Table 4: RETAILER MANAGEMENT VENDOR RESPONSIBILITIES

	FNS		HHSC
	State- Supported	Non State-Supported	Cash Only/Courtesy Booths
Add	Retailer Management Vendor must add to the retailer database, but not activate, new retailers and send agreements to the retailers within two (2) business days of FNS notification. Newly FNS authorized retailers shall have access to the EBT system within two (2) weeks after the receipt of the FNS authorization notice. Within fourteen (14) days of receipt of complete and signed contract, the Retailer Management Vendor must install the POS device and train the retailer. Information must be provided to Third Party Processors when necessary.	Retailer Management Vendor must add, but not activate, new retailers within two (2) business days of FNS notification.	Retailer Management Vendor must add, but not activate new retailers, and send agreements to the new retailers within two (2) business days of HHSC notification. Within fourteen (14) days of receipt of complete and signed contract, the Retailer Management Vendor must install the POS device and train the retailer. Information must be provided to Third Party Processors when necessary.
Delete	Retailer Management Vendor must withdraw retailers on the retailer database and must disable POS device within one (1) business day of FNS notification.	.	Retailer Management Vendor must withdraw retailers on the retailer database and must disable POS device within one (1) business day of HHSC notification.
Modify	Retailer Management Vendor must make changes to retailer information on retailer database within two (2) business days of notification of change.		Retailer Management Vendor must make changes to retailer information on retailer database within two (2) business days of notification.
Re-instated	The Retailer Management Vendor must reinstate retailers on the retailer database within one (1) business day following notification from FNS that the retailer has been reinstated.		The Retailer Management Vendor must reinstate retailers on the retailer database within one (1) business day following notification from HHSC that the retailer has been reinstated.

The number of POS devices to be deployed is determined by FNS and HHSC. The Retailer Management Vendor is responsible for completing the installation, testing, and training of retailer staff in use of the POS device and on the Lone Star Program. Delivery methods may include, but are not limited to, mailing, and/or hand delivering.

The Retailer Management Vendor must provide instructions for installation, testing, and training on the POS devices and the Lone Star Program. Instructions must be in a written form in both English and Spanish. Installation, testing, and training assistance may be on-site, via telephone, and/or via other appropriate means. Assistance must be streamlined and effective. A users guide for operating the POS, information on settlement and reconciliation and how to contact the appropriate Help Desk must be provided.

NOTE: The Retailer Management Vendor is not responsible for the cost of state-supported retailer phone lines or POS supplies. Retailers will be reimbursed for supplies as part of the monthly reconciliation process. This does not preclude the Retailer Management Vendor from making independent supply provisions with participating retailers.

(3) Maintenance and Enhancements of POS software

The Retailer Management Vendor must provide POS software. The POS devices and POS software must connect to the EBT processing environment by either ISO 8583 or the Texas EBT Visa-2 message formats based on the Texas EBT processor interface specifications. In the future POS devices may also be required to support smart card and finger-imaging functionality.

The Retailer Management Vendor must maintain the POS software as needed at no additional cost. The vendor must enhance the software as requested by HHSC with costs negotiated through the change management process. The POS software must be capable of being downloaded without the hands-on involvement of the state-supported retailer. The statewide downloads must occur automatically and the download must be completed within 7 business days.

Any changes to retailer management services will require HHSC approval through the LST Change Management process.

Software Maintenance:

Software maintenance is defined as maintenance of the EBT food stamp and TANF product including: correcting bugs or software defects; adapting software to handle changes in the environment such as in the operating system or database management system; and perfecting the products' functionality, usability, reliability, performance, or security. After an enhancement has been implemented and accepted by HHSC, it will become a maintenance item and maintained at no additional cost to HHSC. Software maintenance does not include major rewrites of the product that substantially change the product's functionality.

Software Enhancements:

Software enhancement is defined as a software development initiative that improves and/or adds functionality to a component of the Texas EBT System including, but not limited to, the EBT host, network, reconciliation, retailer management and call center components. The scope and responsibility for software enhancements are managed through the change approval process. The Awarded Vendor will provide software enhancements for work of less than a 100-hour effort at no cost to HHSC. Costs of POS software enhancements greater than a 100-hour effort per project will be reimbursed for the full effort at a cost of a maximum of \$125/hour.

(4) Equipment Recovery

Recovery of POS devices is the sole responsibility of the Retailer Management Vendor, once a notification of termination of eligibility of retailer is received. The Retailer Management Vendor may choose to abandon any device that is deployed, but will have no financial or other recourse against HHSC for the loss of that device or for ongoing deployment payments. If a retailer has received a replaced POS device or the retailer is no longer FNS authorized and does not return the POS device, the Retailer Management Vendor may debit the retailer's bank account for no more than the depreciated value or current book value of the device if the device is not returned after the vendor has made two calls and two mailings of shipping labels to the retailer.

(5) POS Device Repair/Replacement

Retailer Management Vendor must repair and/or replace the POS device(s) in a timely manner. State-supported POS devices which cannot operate for EBT will be replaced (arriving at the retailer site via U.S. mail or commercial delivery service) with working equipment within forty-eight (48)

hours for stores with one POS device or seventy-two (72) hours for stores with multiple POS terminals after the Retailer Management Help Desk receives the call. Some equipment may need to be shipped on Saturday morning. Natural disasters may cause some alteration or variation in replacement times.

(E) Training

(1) Retailer Training

Retailer Management Vendor must train state-supported retailers on the Lone Star Program including use of POS equipment.

This training must include:

- Use of the POS terminal and training mode functionality if included
- Use of the PIN pads (Emphasis must be on protection of client PINS; retailers must never request the client's PIN)
- Use of the printer (if applicable)
- Settlement and reconciliation procedures
- Manual Voucher approval method (emphasis on Manual Voucher procedures)
- Electronic settlement as the primary settlement method of approved manual vouchers
- Interoperability
- Card present on all transactions
- Hard copy of Operations Manual

Training must be provided in a variety of ways:

- Written hard copy "how to" guides, including Quick Reference Guide, produced in both English and Spanish
- Quick Reference Guide on the use of the devices and processing manual vouchers
- Interactive Voice Response (IVR) training help in both English and Spanish
- Help Desk for equipment problems
- Help Desk for Settlement and Reconciliation problems
- Other efficient and effective means proposed by the Vendor
- On-site if necessary or requested by the retailer and authorized by the state

Respondents must describe their proposed methods of training.

(2) Quick Reference Guide

The Retailer Management Vendor must provide a Quick Reference Guide on the use of the POS device, manual vouchers, and settlement and reconciliation procedures. The cost of providing the Quick Reference Guide must be included in the offer.

(3) HHSC Approval of Training Materials

Retailer Management Vendor must submit all retailer training material and curriculum to HHSC for approval in soft and hard copies before distribution.

(4) Revisions and Updates to Retailer Material

The Vendor must update training materials and other materials as required by HHSC and USDA FNS. In-scope training materials and other retailer material must be updated at the request of HHSC. In-scope is defined as pertaining to Food Stamp and TANF programs. Ongoing revision of retailer materials is at the cost of Retailer Management Vendor. All Retailer Management work products must be provided in soft copy and hard copy to HHSC.

(F) Help Desk for State-Supported Retailers

The Retailer Management Vendor must provide toll-free assistance to retailers via a Help Desk Call Center available twenty-four (24) hours per day. The Help Desk Call Center provides initial troubleshooting and other retailer assistance as required with immediate referral to a second level help desk which offers technical assistance as required to meet the prescribed equipment repair and replacement time periods.

(1) General Assistance

- Toll-free retailer assistance
- English and Spanish help capability

(2) Reporting Requirements

- (a) The Retailer Management Vendor will maintain retailer call logs and other audit trails that include, but are not limited to:
- Retailer name
 - Vendor assigned Merchant Identification Number
 - Name of caller
 - Phone number of caller
 - Date/time of call
 - Reason for call
 - Call resolution
 - Daily reporting of outstanding “open” tickets and
 - Monthly reporting of service issues
- (b) The Retailer Management Vendor will provide Retailer Help Desk Activity Reports in a daily, weekly, or monthly format as requested by HHSC that will include:
- Date of activity
 - Number of calls received
 - Number of calls answered
 - Percentage of calls received and answered
 - Number and percentage of calls abandoned
 - Number of calls by reason type

(3) Help Desk Performance Standards and Reporting

- (a) Eighty-five percent (85%) of all calls received will be answered within 60 (sixty) seconds. The remaining fifteen percent of calls will be answered within three minutes. All calls must be logged.
- (b) Respondents must explain in their offers how this performance standard will be measured and monitored.
- (c) Complete and accurate call reports will be submitted to HHSC on a weekly basis.

(G) Retailer Database

The Retailer Management Vendor must have a database of all EBT state-supported retailers. An electronic copy of the retailer database must be provided to HHSC monthly and/or upon request. In addition, HHSC must be allowed “at will” access to the Retailer Management Vendor’s EBT Retailer database to evaluate Contract compliance.

The database must include, at a minimum, the following items:

- Retailer name
- Addresses, City, State, Zip Code (physical address and mailing address if different)
- Phone number
- Facsimile number
- E-mail address
- Vendor Assigned Merchant Identification Number
- Card Acceptor Code (CA code)
- FNS authorization number
- Bank ID/ABA number
- Bank Account number
- Type of retailer
- Number of checkout lanes
- Number of terminals installed
- Terminal ID number(s) for each EBT POS terminal in the store
- Terminal status
- FNS notification of authorization or change date
- Date Retailer Agreement mailed
- Receipt of retailer contract date
- Initial equipment installation date
- Equipment replacement date(s)
- Equipment testing date(s)
- Equipment activation date(s)
- Training date(s)
- FNS notification of withdrawal date
- Equipment deactivation date

(H) Hardware

The Retailer Management Vendor must supply POS devices with dialup network functionality to state-supported retailers at Vendor's expense. Additional POS devices are supplied to TPP/self processing retailers with courtesy booths at state expense or at a leased price. (Approximately 430 POS devices are currently deployed in courtesy booths.) In the future HHSC may require POS devices at other sites at state expense. The Retailer Management Vendor must offer retailers opportunity to lease additional POS equipment at the retailer's expense. Leased POS devices include dialup function. Respondents must include lease pricing with dialup network functionality in their offer.

The EBT Retailer Management vendor must also support FNS Authorized Retailers that use Electronic Cash Register (ECR) and POS terminals provided by WIC and owned by retailers, and possibly other government programs in the future, to support the EBT program.

(1) POS Terminal Requirements

The state-supported POS hardware and security devices must meet the following specifications:

- An integrated or cable connected magnetic stripe reader for reading the EBT card and initiating the transaction. The equipment must be able to support smart card and finger imaging functionality (pricing for magnetic stripe reader, magnetic stripe/smartcard reader, and finger image add-on must be included in cost proposal as options; see Costing Table H Optional Price Items)
- An integrated or cable connected printer device for supplying receipts for all EBT transactions (See CFR § 274.12 (g)(3) for receipt layout and specifications. See Appendix I for Food Stamp/TANF receipt layout); and
- An integrated or cable connected PIN Pad used for PIN entry. The alphanumeric keyboard layout must be in accordance with ISO standards, and must have alphanumeric keyboards in the following standard format:

1 – QZ	2 – ABC	3 – DEF
4 – GHI	5 – JKL	6 – MNO
7 – PRS	8 – TUV	9 – WXY
	0 – None	

If the PIN Pad is integrated into the POS device, alternative remote PIN Pads must be available to retailers whose set-up does not allow secure and easy access to clients.

(2) PIN Security

The Client' s PIN must be protected by conformance to the FNS regulations 7 CFR § 274.12, including the following rules:

- PINs must never be displayed, transmitted, or stored in non-encrypted form within or between POS terminals, equipment, processors' systems, and/or the EBT Central Processing System.
- All PINs must be encrypted in hardware security modules following the PIN management standards located in ANSI X9.8. The PIN will never be logged or recorded in other media by a component or portion of the acquiring system.
- If the account number is read through the PIN pad, it must be encrypted in the PIN Pad. Otherwise, it can be encrypted in the terminal. Remote PIN Pads will only be used to enter the PIN.
- Triple Data Encryption Standard (TDES), which uses the Data Encryption Algorithm (DEA), is the required encryption technique.
- All networking support must meet the Texas EBT processor interface specifications (HHSC will provide the specifications to the awarded vendor).

(3) POS Interface to EBT Processor

EBT Processor Interface Communication must meet specific requirements.

- The Texas EBT System is designed to accept transmissions from authorized connected terminals, switches, and processors. (HHSC will provide the EBT Processor Specifications that are fully compliant with the ISO 8583 specifications to the awarded vendor prior to contract initiation). The EBT environment will utilize the Transmission Control Protocol/Internet Protocol (TCP/IP) packet-switching protocol. The circuit between the EBT System and the retailer terminal, or TPP will be a point to-point or a packet digital network configuration. Various network alternatives and communication protocol options, which may be integrated with the EBT System, will be considered.

(4) Interface Communications

The Retailer Management Vendor provides the data circuit to the EBT host and to the disaster recovery site as backup. The current EBT host location is in Austin, Texas with the disaster recovery site in San Angelo, Texas.

(I) Commercialization

The Retailer Management Vendor shall include a POS commercialization option for state-supported retailers. The Vendor must transition the current commercialized POS devices at a price equal to or less than the EBT-2 price. The state wishes to retain a single POS terminal, make and model for the state-deployed equipment used in the execution of Food Stamp Program transactions. The current program offers retailers the option to commercialize their terminals for \$25 monthly. The state receives \$12, reducing the state cost per terminal. Currently 87 retailers participate in the commercialization program. The Vendor shall either take the state-supported POS devices and open them up to sharing commercial transaction traffic or replace the state-supported POS devices with commercial POS devices that will also process EBT transactions. Commercialization must reduce costs to the state. It is highly desirable that the Vendor proposes a commercialization approach with the following components:

- Commercialization strategy
- Anticipated conversion volume
- Time expectations for conversions
- Conversion costs/cost reductions
- Payment models – device sharing/cost sharing
- Retailer marketing approach
- Critical success factors
- Any other appropriate items

(J) Security

The Retailer Management Vendor must meet all applicable EBT security standards. The EBT System requires transaction security using the Triple Data Encryption Standard (TDES) documented in ANSI X3.92. These security standards apply throughout the EBT network. All PINs must be encrypted in hardware security modules, following the PIN management standards, documented in

ANSI X9.8. PIN Block Encryption will be utilized at the POS Terminal. PIN Block translation must be done any time the transaction moves from one encryption zone to another.

The PIN must be encrypted in a physically secure device, which is highly resistant to any form of penetration such as:

- Forced entry
- Software interrogation
- Modification of device
- Diagnostic or maintenance procedures
- Tapping of the device, or
- Device examination after theft (security information must self-destruct).

The hardware device must perform PIN translation in a physically secure environment. The device will be used to store the encryption keys in such a manner that they are not accessible through unauthorized access. Key Exchange Keys (KEK), and PIN Encryption Keys (PEK) will be utilized within the EBT System. Vendor offers must include their key management plan.

The Retailer Management Vendor must immediately notify HHSC whenever any retailer or client fraudulent activity is identified or suspected. All security provisions set forth in the FNS regulations must be strictly adhered to. The Code of Federal Regulations can be accessed on the U.S. Government's website at <http://www.gpoaccess.gov/cfr/retrieve.html>. Retrieve Title 7, CFR Part 274, Section 12, for the Electronic Benefit Transfer issuance system approval standards.

(K) Liability

The Retailer Management Vendor will be liable for transaction errors caused by failure of hardware or software provided by the vendor.

(L) Retailer Support/Reports

(1) Retailer Materials

The Retailer Management Vendor must make revisions, print, and distribute the retailer materials, including but not limited to the Retailer Agreement and Lone Star Operating Rules, TPP manual voucher guide, Quick Reference Guide, window decals, and posters. All items will be subject to

state and federal approval and at the expense of the Retailer Management Vendor. All retailer materials must be produced in English and Spanish. Hard and soft copies of materials will be submitted to HHSC prior to distribution to retailers and TPPs.

(2) State-supported Retailer Annual Sales Review

The Retailer Management Vendor will perform an annual sales review of state-supported retailer food stamp redemption levels following the guidelines as established by HHSC and FNS for validating that sale volume matches the number of terminals supplied. Once the review is complete, the Retailer Management Vendor shall take the necessary action to ensure that retailers have the equipment for which they are eligible. Refer to FNS Regulation 7 CFR § 274.12 (h)(4)(ii)(B).

Results of each annual sales review will be forwarded to HHSC within ten (10) business days of completion.

(3) On-Site Retailer Visits

The Retailer Management vendor will make 15 (fifteen) retailer onsite visits each quarter to survey the retailers and to ensure that retailers are following the Lone Star Operating Rules, especially with regard to not asking clients for the PINs. A different section of the state will be visited each quarter – north, east, south and west. HHSC will approve the annual retailer visitation plan, which will also include the retailer survey developed by the Vendor and HHSC.

(4) Reports

The Retailer Management vendor will provide periodic status reports in paper and electronic copies to include at a minimum the following information:

- Number of Active Retailers with respect to the retailer type (Direct Connect, Courtesy booth, Voucher, Cash Only)
- Number of state supplied terminals with respect to the retailer type (Direct Connect, Courtesy booth, Voucher, Cash Only)
- Number of PIN Pads (installed at courtesy booth and in lane)
- Number of total “in-stock” leased terminals and PIN Pads
- Number of Commercialized terminals
- Reconciliation data for manual vouchers, floor limits, liabilities, adjustments, dispute tickets,

- Weekly Card and PIN data including: number of cards issued, number of PINS issued, returns, and office orders
- Retailer terminal requests
- Retailer Help Desk statistics

2.1.3 Processor Support

(A) Network Management (State-Supported Retailers)

(1) Data Circuit and Acquirer Processing Requirements

- (a) Provide for and manage a third party processor network and acquirer processing capability for state-supported retailers.
- (b) Provide primary and redundant data circuit to Texas EBT primary host similar to frame with Integrated Services Digital Network (ISDN) dial back-up utilized by current third party processors to include all hardware, band-width and electronic communication flow (TCP/IP) requirements with the following minimums.
 - Operational Availability: 99.9%.
 - Transaction Delay (POS to EBT Host): Maximum 5 seconds.
 - Transactions Per Minute (TPM's): 500 TPM's.
- (c) Provide backup data circuit network to Texas EBT disaster recovery host. Note: This solution may provide for a back-up data circuit network similar to a dial-up feature.
- (d) Function as Acquirer for all Texas EBT originated financial transaction activity in accordance with the Texas EBT Processor Interface Specifications to include POS software and Triple Data Encryption Standard (TDES) requirements.
- (e) Function as Acquirer for all out-of-state EBT originated financial transaction activity in accordance with the Texas EBT Processor Interface Specifications and out-of-state 'BIN's' (EBT Institution Identification Numbers).
- (f) Conduct daily access to Texas EBT Report File Server via Virtual Private Network (VPN) to acquire retailer settlement and transaction fee reporting data files and reports.
- (g) Monitor systematic transaction activity (24 X 7) to alert and troubleshoot potential network outages and other EBT processing issues to include timely (within 15 minutes of perceived outage) coordination with the Texas EBT Central Processor Operations Center.

- (h) Participate in certification testing as required to meet modifications and enhancements to the Texas EBT Processor Interface Specifications, Interoperability Processing and individual retailer Store and Forward Certification.
- (i) Support approximately four hundred (400) WIC retailers as follows:
 - Function as Acquirer for WIC authorized retailers that use privately owned POS terminals with smart card acceptor devices to process both WIC and EBT transactions. These devices have partitioned memory, which enables them to support multiple POS terminal applications. The Retailer Management vendor is not responsible for hardware or software support related to these privately owned POS terminals
 - Provide Retailer Help Desk support for online EBT transaction connection, initiation and receipt, involving multiple manufacturer brands of POS/card acceptor devices. WIC retailers will contact the commercial ECR system and POS terminal provider for ECR and POS hardware, offline ECR and POS software, and WIC transaction and claim file processing issues.
 - Manage EBT retailer agreements for online EBT transactions initiated by WIC authorized retailers' POS devices, which will establish the Lone Star Operating Rules as governing online EBT transactions, settlement, reconciliation, and overall operating procedures within the Lone Star EBT System.

(2) Multiple Levels of Protection

Network statistical and accounting data must always be protected through remote PC-based Computer systems equipped with software that collects the information. If a catastrophe occurs at the Network Vendor's primary Network Control Center, these remote collection processors must still record the EBT transaction data.

(3) Network Maintenance

The Retailer Management Vendor must provide immediate troubleshooting for any network difficulties. This troubleshooting must be available twenty-four (24)-hours per day, seven (7)-days per week. The Vendor is required to provide a working network solution within five (5) minutes of notification that any part of their network has been compromised. This must include any network re-routing as necessary.

In addition, the Retailer Management Vendor will be expected from time to time, to help troubleshoot any network difficulties that may originate outside of the Network Vendor's framework.

(4) Software Enhancement

HHSC may require or the Vendor may recommend enhancements to the product. Software enhancement is defined as a software development initiative that improves and/or adds functionality to a component of the Texas EBT System including, but not limited to, the EBT host, network, reconciliation, retailer management and call center components. The scope and responsibility for software enhancements are managed through the change approval process. The Awarded Vendor will provide software enhancements for work of less than a 100-hour effort at no cost to HHSC. HHSC must approve enhancements. Costs of software enhancements greater than a 100-hour effort will be reimbursed for the full effort by HHSC at a cost of \$125 per hour.

(5) Disaster Recovery for State-Supported Terminals

Vendors must maintain back-up operations to allow for the continued operation of transaction processing for the state-supported retailers. At a minimum, the processor for the state-supported retailers must maintain the ability to process transactions. In their responses, Vendors shall address their backup and disaster recovery capabilities. The backup facility shall be operational and processing transactions in a maximum of sixty (60) minutes of the loss of any segment or function of transaction processing. Retailer Management Vendor must notify HHSC by phone or electronically as soon as the disaster has been determined. The Retailer Management Vendor must submit an initial incident report within one business day with the summary report due within 7 calendar days.

(B) Third Party Processor Support

(1) Third Party Processor Agreement Management

The Retailer Management Vendor shall maintain TPP contracts, banking information, and certifications for the state-supported retailer TPP, self-processing retailer TPPs, and commercial TPPs. The Retailer Management Vendor must receive and review all Processor Agreements for completeness, accuracy and signatures. Incomplete agreements are pended until the Third Party Processor corrects the missing or inaccurate information. The Retailer Management Vendor will be

responsible for executing and maintaining new third-party processor agreements. FNS must approve the Third Party Processor Agreement.

(2) The Retailer Management Vendor must maintain a filing system on each TPP. The file must include, but is not limited to, the following:

- Contact Person, Address, City, State, and Telephone Number
- Processor Contracts
- Key Exchange Procedures
- Vendor/Third Party Escalation Procedures
- EBT Technical Questionnaire
- TPP EBT Card Acceptance Certification Test Workbook
- List of Participating Retailers, Phone Numbers, FNS Authorization Numbers, Addresses, and Contact Information
- Copy of Bond Required by the Third Party Processor Agreements

2.1.4 Settlement and Reconciliation

The Retailer Management Vendor must perform Settlement and Reconciliation activities to settle, balance, and reconcile the EBT accounts. The Settlement and Reconciliation's hours of operation will be, at a minimum, from 8:00 a.m. to 6:00 p.m. (Central Time). To ensure that government benefits are distributed and settled correctly, the Vendor must comply with the United States Department of Agriculture – Food and Nutrition Service (FNS) Regulations (7 CFR Parts 272, 274, 276, 277, and 278).

The Settlement and Reconciliation facility must be located in the continental United States.

(A) Primary Functions

The primary settlement and reconciliation responsibilities of the Retailer Management Vendor include, but are not limited to:

- (1) Maintenance and reconciliation of client financial accounts in accordance with federal regulations (7 CFR § 274.12)
- (2) Coordination of Retailers and Third Party Processors (TPP) requirements
- (3) Development of in-house settlement and reconciliation policies and procedures that meet current HHSC and FNS regulations (See Appendix C.)

- (4) Verification and validation of the daily benefit deposits and redemptions, including interoperability funds and retailer fees, TANF cash-back fees, and floor limits.
- (5) Federal Funds Management that meets the current HHSC and federal guidelines for:
 - Draw down of federal Food Stamp Program benefit funds
 - Establishment of a daily, electronic financial settlement schedule
 - AMA
 - ASAP
- (6) Perform draw down and Automated Clearing House (ACH) transfer of interoperability funds
- (7) Provision of electronic transfer of funds to retailers/processors
- (8) Obtain and maintain a surety bond in the amount of three and one-half (3 ½) times the best estimate of the retailers' daily settlement amounts, (currently \$25,000,000 bond based upon estimated daily settlement of \$8,000,000). This requirement may be waived by HHSC.
- (9) Reconciliation of client and retailer disputes according to current HHSC and federal guidelines
- (10) Provision of timely and accurate daily settlement and reconciliation reports and information
- (11) Production of management reports as defined in 7 CFR § 274.12 and by HHSC
- (12) Printing, distributing, processing and storing Manual Vouchers
- (13) Notifications to USDA Food and Nutrition Service (FNS) and HHSC for change of bank accounts and return of unsettled funds

(B) Interfaces

The Settlement and Reconciliation Unit will interface with the following areas:

- Central Processing
- Call Center
- AMA/ASAP interface
- Interoperability interface

The Retailer Management Vendor interfaces with the Central Processing Host System using Administrative Terminal application (AT). This interface is necessary to perform the following functions:

- Dispute resolutions
- Verification/validation/investigation
- Adjustments
- Draw down and transfer of funds between bank accounts
- Retailer and client inquiries

- Manual voucher processing and settlement

After contract execution, HHSC will provide to the awarded Retailer Management Vendor the AT software required for the Settlement and Reconciliation interface to the EBT Central Processing Host System.

Communication between Settlement and Reconciliation and the EBT Call Center is accomplished through the EBT Central Processing Host System via the AT. The communication must be sent electronically to the Retailer Management Vendor with a backup alternative.

The Retailer Management Vendor is liable for settlement errors that are result of its settlement and reconciliation process.

(C) Client Dispute Resolution

The Retailer Management Vendor shall investigate and resolve disputes and complaints in accordance with federal regulations and HHSC requirements.

Texas EBT clients have the right to dispute any EBT transaction that occurred within the previous ninety (90) calendar days. The Retailer Management Vendor must receive and investigate these disputes within fifteen (15) calendar days of receipt of dispute. Clients may initiate a dispute via written or oral notification to the Retailer Management Vendor, the EBT Call Center, or HHSC. The Retailer Management Vendor shall investigate the claim using the AT to perform an inquiry on the Host System and/or may contact the client and/or retailer as needed. The client must receive a written notification of the outcome of the investigation and appropriate actions must be taken to rectify positive outcomes as required by federal and state regulations. The written notification must be in both English and Spanish. If the client is not satisfied with the outcome, the client may appeal the decision to HHSC, Office of Family Services Business Services, Lone Star Technology. Lone Star Technology will review the case and render a decision within fifteen (15) calendar days. Clients may request a fair hearing after the Lone Star Technology's decision. HHSC's decision is the final authority.

Currently, on average more than 400 client disputes are received each month.

(D) Retailer and TPP Dispute Resolution

State-supported retailers disputes and inquiries are initially reported to the Retailer Management Vendor's Help Desk. If the Help Desk is not able to resolve the issue, a "problem ticket" is opened, and the issue is referred to Settlement and Reconciliation personnel. For retailers supported by a TPP, the TPP will be the primary point of contact for settling disputes.

All inquiries must be resolved within fifteen (15) calendar days of receipt of dispute. Once the issue is investigated, Settlement and Reconciliation informs the retailer of the findings verbally and in writing. The written notification must be in both English and Spanish. If the retailer is not satisfied with the outcome, the retailer may appeal the decision to HHSC, Office of Family Services Business Services, Lone Star Technology. Lone Star Technology will review the case and render a decision within fifteen (15) calendar days. HHSC's decision is the final authority.

(E) Verification/Validation/Investigations

(1) Client Financial Account Maintenance

The Retailer Management Vendor must ensure that a client receives a printed copy of account activity, upon the client's request. The Retailer Management Vendor must print account statements and mail copies to clients, upon request, within one (1) business day. Transaction history shall be made available on line by the Central Processor for the previous ninety (90) days. The Retailer Management Vendor must retrieve the transactions that have occurred within the last three (3) months when producing client account statements. Currently, approximately sixty (60) client statement requests are mailed per month.

(2) Retailer and Third Party Processor Reconciliation

The Retailer Management Vendor will have primary responsibility for ensuring that the Texas EBT System is accurately balanced on a daily basis and settlement is completed as scheduled. Settlement will be made to all state-supported retailers, manual voucher only retailers, self-processing retailers, and TPPs, but not to retailers served by a TPP. TPPs will settle with their participating retailers. For retailers supported by a TPP, the TPP will be the primary point of contact for addressing reconciliation issues.

(3) Settlement Procedures

Once each banking business day, the Central Processing System “cuts off” (currently at 2:30 p.m. Central Time), and settlement and reconciliation of funds begins. At cutoff, the system calculates the net amounts due to each participating retailer, and money is moved from the EBT System settlement account to the bank accounts of all retailers and/or TPPs that have disbursed EBT benefits that day. Money is transferred through the Automated Clearing House (ACH) system. The transfer of funds occurs the next banking business day. Transactions that have not completed prior to 2:30, may not be settled until the subsequent business day. At the same time that money is moved, offsetting funds are requested from HHSC and the Food and Nutrition Service (FNS) account maintained in the U.S. Treasury’s ASAP system. The result is that all debits and credits to the settlement account occur, which creates an interest-free, zero-balance account. Refer to Appendix F for the EBT Settlement and Reconciliation Process flow diagram.

Settlement and reconciliation includes monitoring the system on a daily basis and reporting the day’s debits and credits to HHSC. The Retailer Management Vendor must ensure the system balances prior to the release of the ACH file. The Retailer Management Vendor must monitor, validate, and reconcile settlement data processed by the EBT System. Substantial anomalies must be resolved prior to settlement. The Retailer Management Vendor shall work closely with HHSC and the Central Processor if problems with system balancing, settlement, or reconciliation occur.

System balancing occurs automatically using system-generated reports and direct inquiries against the database to ensure accurate fiscal management of the system. The system also provides an accurate accounting of all outstanding authorized benefit liabilities remaining.

Interoperability settlement requires additional monitoring, investigation and exception processing. Retailer Management Vendor will maintain a separate bank account for interoperability funds.

(4) Retailer Management Vendor’s Role in Reconciliation Procedure

The EBT reconciliation process is defined under the federal regulations at 7 CFR § 274.12. The Retailer Management Vendor must reconcile benefits as defined in the above-mentioned regulations. The primary areas of reconciliation to be addressed are as follows:

- (a) The Retailer Management Vendor monitors benefits posted to front-end and back-end Texas EBT reporting system and reports variances to HHSC.

(The Front-End Processor system is responsible for handling all on-line transaction processing. All system transactions that originate from terminals, and most transactions initiated by users, are processed by the Host system. The Host system is configured with Triplex architecture so that if a system fails, transactions are automatically switched to one of two backup systems. The main component of this system is the Master Journal File (MJF), which contains a log of all transactions performed during the day.)

(The Back-End Processor system produces nightly reports and stores historic information about retailers and recipients. It contains a Gateway that allows responsible users access to its information database. The BEP is updated in real time with the same transactions that the Front-End Processor (FEP) is processing.)

The state issuance authorization file value must equal the Central Processor value on a daily and monthly basis. HHSC has procedures to ensure that the state eligibility system (SAVERR/TIERS) and the EBT System are in sync. HHSC monitors the issuance authorization file sent to the Central Processor and acts on rejected or problem records. The Central Processor ensures that all benefits are activated on the availability date.

The EBT System generates reports that enable HHSC to determine the total number and value of benefits that will become available on each given day. The system reports detail daily authorizations/deposits and rejected and/or pending records.

- (b) The Retailer Management Vendor will make necessary corrections and adjustments to client accounts.

The EBT System identifies the debit or credit transactions that occurred on the client account for the processing period. To correct reported discrepancies, the Retailer Management Vendor obtains client account activity from the Central Processing Vendor for the business day. The client account activity consists of purchases, refunds, voids, vouchers, adjustments, etc. This data is available on an individual client basis through the AT and through client account activity reports.

The Retailer Management Vendor must make the necessary adjustments needed to correct any variance identified in the client's account. The account adjustment process serves to correct discrepancies in financial transactions between retailer and client accounts.

Any adjustments to client accounts must be done in accordance with FNS regulations at 7 CFR § 247.12 and the Lone Star Operating Rules.

The EBT System reports each individual processor's Food Stamp and TANF transactions to total deposits on a daily basis. To correct reported discrepancies, the Settlement and Reconciliation Unit obtains retailer account activity and settlement data from the Central Processor for the business day. The retailer account activity consists of purchases, refunds, voids, vouchers, adjustments, etc. This data is available on an individual retailer basis through the AT, through retailer and client activity reports, and via automated job extraction. Once the retailer data is obtained, the Retailer Management Vendor determines if the retailer's settlement amount equals the net of retailer credit and debit activity for the ACH day being reconciled.

The Retailer Management Vendor makes the necessary adjustments needed to correct any variance identified in the retailer reconciliation process.

The adjustment process serves the following purposes:

- To correct discrepancies in financial transactions between retailer and client accounts; and
- Used as a tool to make payments to and collect monies from retailers.

The total weekly processor net food stamp credits that are reported by the EBT Central Processor to the FNS Benefit Redemption Systems Branch (BRSB) are reconciled with the Automated Standard Application for Payments (ASAP) system draw. The Federal Reserve Bank (FRB) of Richmond acts as FNS's agent and performs this reconciliation. If problems with the data are encountered in the reconciliation process, FRB and/or FNS will supply information to the Retailer Management Vendor and HHSC. The Retailer Management Vendor must assist HHSC in researching and correcting the variances to determine the cause and must make necessary corrections to the ASAP and Store Tracking and Redemptions Subsystem (STARS) databases. HHSC notifies FNS of the corrective action.

If there is a problem with TANF settlement, the Retailer Management Vendor must assist HHSC in researching the variance to determine the cause, and must take corrective action. All variances will be corrected and adjustments entered as needed.

All food stamp and TANF variances must be resolved within thirty (30) calendar days of written notice of a problem. The Retailer Management Vendor will be held liable for any unsupported draw down of federal and/or state funds.

The Retailer Management and Central Processing Vendors must perform internal monitoring and balance the EBT System. The Retailer Management Vendor reconciles the daily EBT System activities to AMA and ASAP for food stamps, including verification that the end-of-day balance on ASAP reconciles to the net liability carried on the EBT System. The Retailer Management Vendor will reconcile TANF settlement on a daily basis.

Internal balancing and reconciliation activity reports, produced by the Retailer Management and Central Processing Vendors, must be made available to HHSC upon request within five (5) business days.

(F) Bank Account Responsibility

The Retailer Management Vendor may be required to establish multiple bank accounts that will be used in the Settlement and Reconciliation process. The Vendor will not use these accounts for corporate business.

(1) Settlement Account

This account is used for the settlement process. The ACH file is sent to the Concentrator Bank. A Food Stamp funds settlement draw down request is sent to the U.S. Treasury. HHSC draws the federal TANF funds and processes a purchase voucher, which authorizes the TANF payment to an account. The U.S. Treasury and the State of Texas transfer funds to the settlement account for the amount of the ACH liability. The “net” process results in a “\$0.00” balance.

(2) Floor Limit Account

The Retailer Management Vendor will be responsible for settlement of floor limits. Retailers shall adhere to the Lone Star Operating Rules <http://www.hhsc.state.tx.us/providers/LoneStar/EBT/EBTdownloads.html> for invoking the use of floor limit vouchers. HHSC will analyze the reasons for invocation of floor limits and determine which EBT vendor is responsible for the offline condition. The responsible EBT Vendor will reimburse the Retailer Management Vendor for payments needed to indemnify any retailer for properly executed floor limit vouchers within five (5) business days. The floor limit amount is \$25 maximum per day. The current Retailer Management Vendor has not had an incident where it was liable for floor limits funds. Since January 2003 only one incident of a floor limit situation occurred in Texas EBT.

(3) Miscellaneous Fees

The Texas EBT System is responsible for settling pass-through fees (for example, credit by transaction for supplies, cash back fees, etc.), cash refunds, and settlements to the retailers and TPPs in a timely and accurate manner, as defined by FNS and HHSC. The Retailer Management Vendor is responsible for monitoring these activities and releasing the funds.

(4) Interoperability

Settlement of food stamp and TANF transactions.

(G) Manual Vouchers – Processing and Storing

A Manual Voucher is a paper document used to execute an offline EBT transaction. If the retailer is experiencing difficulties or the retailer is a non-traditional retailer (farmers market, route vendor, drug treatment centers, etc.) they may require the use of Manual Vouchers. The retailer contacts the EBT Call Center Vendor for Manual Voucher authorization.

The most common form of Manual Voucher is the authorized Manual Voucher (authorization received via a phone call to the EBT Call Center Vendor). The other type of Manual Voucher is the Floor Limit voucher (see Glossary for specifications).

The Retailer Management Vendor is responsible for settlement of both Manual Vouchers and Floor Limit vouchers. If the retailer does not enter the Manual Voucher through the POS device for settlement, the Manual Voucher is mailed to the Retailer Management Vendor for electronic entry, validation, and storage. The Retailer Management Vendor shall store manual vouchers for a period of three years from date of transaction. The retailer has fifteen (15) calendar days from the date of the transaction in which to present the Manual Voucher to the Retailer Management Vendor for settlement. If the Manual Voucher is not presented in the time limit specified, then the Manual Voucher is void.

The current Retailer Management Vendor receives through the mail and settles approximately 200 Manual Vouchers each month.

2.1.5 Interoperability

(A) Purpose

Interoperability ensures that food stamp recipients can use their electronic food stamp benefits across state borders.

(B) Rules and Regulations

The Electronic Benefit Transfer Interoperability and Portability Act of 2000, Public Law 106-171, mandated nationwide interoperability of Food Stamp Program EBT systems and portability of electronically issued benefits.

In accordance with the regulations promulgated by FNS, the federal government will pay one hundred percent of the costs incurred by a state agency for switching and settling food stamp transactions up to a national annual limit of \$500,000 nationwide. Texas is allocated up to \$40,000.00 of this amount in the current federal fiscal year.

The Retailer Management Vendor acts as the State's designated fiscal agent for interoperability and performs federal funds draw and settlement on behalf of HHSC. The Retailer Management Vendor must submit the quarterly Interoperability Report to HHSC accurately and in a timely manner. See Appendix E.

The Texas EBT system will not support the use of Manual Vouchers for interoperable transactions.

The Texas EBT system supports interoperable TANF transactions for Texas clients shopping out of state and for out-of-state clients shopping in Texas. The costs of switching and settling interoperable TANF transactions are not reimbursed by the HHSC or by the federal government.

In conjunction with HHSC, the Retailer Management Vendor must develop a Third Party Processor switch agreement between the Retailer Management Vendor and the switch processor.

(C) Bid Response

Respondent must describe in detail its solution for exchanging electronic transactions among different government entities, jurisdictions, and states. The solution must include the mechanism for switching and settling interstate transactions. Transactions originating outside of Texas for Texas EBT clients must be processed in accordance with and are subject to the guidelines of the Lone Star Operating Rules and the Texas EBT Third Party Processor Agreement. Transactions originating in Texas for out-of-state EBT clients will be switched from the Texas EBT Central Processor using message protocols specified in the document entitled “Texas EBT Processor Interface Specifications” (HHSC will provide the EBT Processor Specifications that are fully compliant with the ISO 8583 specifications to the awarded vendor prior to contract initiation). The interoperability solution must meet performance standards set forth in 7 CFR 274.12.

Respondent must describe reconciliation, reporting, resolution of settlement discrepancies, online and offline telecommunications solution, training Texas EBT retailers, and other relevant functions of the proposed solution.

2.1.6 Card and PIN Management

The Retailer Management Vendor must:

- process secondary cardholder applications
- produce EBT cards and PINs
- distribute EBT cards and PINs
- print, inventory, store, and distribute non-secure client materials
- process returned EBT cards and PINs

(A) Secondary Cardholder Processing

Under the Texas EBT program, clients have the ability to authorize a second person to have access to their account(s) by completing a Secondary Cardholder Application and submitting that application to the Retailer Management Vendor. Typically, the primary cardholder requests an application from the EBT Call Center Vendor and the request is forwarded to the Retailer Management Vendor. The Retailer Management Vendor must mail the application to the primary cardholder within one (1) business day of receipt of request. The primary cardholder completes the application and mails it back to the Retailer Management Vendor. The Retailer Management Vendor must process all secondary applications within two (2) business days of receipt. The Retailer Management Vendor must keep all applications on file for three (3) years. Applications will be kept in date-received order.

The current Vendor mails approximately sixty (60) applications per month. Clients can also obtain an application from an HBO. Approximately eighty-five (85) applications are received by the current Vendor for processing each month.

(B) Card Production

(1) Overview

The Lone Star Electronic Benefit Transfer (EBT) System provides on-line access to client accounts via a plastic card with a magnetic stripe. The current EBT System provides service for approximately 1,300,000 primary cardholders and approximately 23,000 secondary cardholders.

The Retailer Management Vendor shall provide for card production and personalization services for the EBT program. Cards shall be produced according to the specifications presented in this section. The abbreviated USDA non-discrimination statement must appear on all new or replacement cards. The selected vendor shall modify specifications as necessary in response to developments in the commercial infrastructure (including banking, credit, and retail sales industries). In the future, the EBT Texas environment may also include hybrid cards, a Smart Card with a magnetic stripe and a finger-imaging component.

Respondents must clearly specify their approach for meeting the requirements detailed in this section for production, personalization, security, and distribution. In addition, respondents must discuss their approach to the following:

- Quality control
- Security tracking through the entire process

- Duplicate detection
- Inspection and testing
- Handling, storage, packaging, and delivery
- Inventory control procedures

The respondent shall supply card specifications that meet or exceed the specifications in this subsection.

(2) Card Standards

The Vendor shall ensure that all cards produced for the Lone Star EBT program comply with the specifications prescribed by the International Standards Organization (ISO) 7810-1995, Identification Cards - Physical Characteristics; ISO 7811-1987 Identification Cards – Recording Techniques; ISO 7813-1995 Identification Cards – Financial Transaction Cards; and specifications relating to card production and personalization in 7 CFR § 274.12.

(3) Card Stock

The vendor shall maintain a level of card stock inventory sufficient for three (3) months of projected needs. The Retailer Management Vendor will notify HHSC when card stock needs to be replenished. HHSC will purchase bulk orders of card stock as needed. This inventory will be stored by the Retailer Management Vendor but will be the property of HHSC.

(4) Magnetic Stripe Encoding

Track 2 of the EBT Card shall be encoded in accordance with ISO standards. The maximum character count in Track 2 shall not exceed thirty-eight (38) characters, including all control characters. The layout of Track 2 on each card shall be as follows:

Table 5: Magnetic Stripe Encoding for EBT

EBT Card: Track 2 Layout		
Field Number	Field Name	Length
1	Start Sentinel	1
2	Primary Account Number (PAN)	19
3	Field Separator	1

4	Expiration Date	4
5	Service Code	3
6	Personal Identification Number (PIN) Verification Field*	5
7	Card Verification Value**	3
8	End Sentinel	1
9	Longitudinal Redundancy Check	1

*The PIN shall be verified at the host; the PIN offset will not be carried on the magnetic stripe. The field must be left blank; it may not be zero-filled.

**The Vendor shall encode the Card Verification Value (CVV) Field on Track 2. The CVV is calculated from the last sixteen (16) digits of the PAN, the expiration date (4912), and the service code (120) using the standard VISA methods as described in the VISANET Standards Manual.

(5) Personal Identification Number (PIN)

The PIN is comprised of four (4) numeric characters. All recipients are able to select their PIN via an IVR (Interactive Voice Response) System through the EBT Call Center. The PIN will not be encoded within the magnetic stripe.

(6) Primary Account Number (PAN)

For the EBT program, the Primary Account Number (PAN) is a nineteen (19)-digit numeric field, which provides the means of identifying the issuing state and the participant to whom the card was issued. The PAN is embossed on the front of the card and includes two (2) extra digits under the heading “code.” These extra digits are not included in Track 2; their value is determined algorithmically. These digits are called the Card-in-Hand Code (CIHC). The value of these digits shall be passed, along with the PAN, to the Retailer Management Vendor for production.

Table 6: EBT PAN Layout

EBT System PAN Layout		
Format: BBBB-BBXN-YNNN-ZNNN-SNC		
Position	Length	Description
B	6	Bank Identification Number/Issuer Identification

EBT System PAN Layout		
Format: BBBB-BBXN-YNNN-ZNNN-SNC		
Position	Length	Description
		Number (BIN/IIN)
N	8	A number assigned by the EBT System
X	1	Normal cards have a '0' and test cards have a '9'.
Y, Z	2	The last 2 digits of the CDC (continuous day count) on which the PAN was assigned
S	1	Identifies which host system was primary when the card number was algorithmically determined
C	1	Mod-10 check digit of all previous 18 digits

Each EBT Card produced by the Vendor shall include the Texas Lone Star BIN/IIN '610098'. Ownership of the BIN/IIN shall remain with the State of Texas.

(7) Card Design

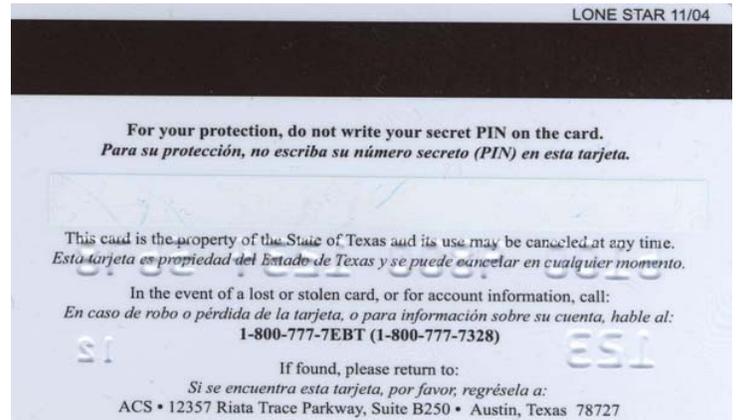
Texas EBT Cards are printed with two (2) colors on the obverse (red and blue) and black on the card reverse. The EBT Call Center toll-free number for clients shall be listed on the reverse of the card. In addition, instructions for returning lost/discarded cards shall appear on the reverse of the card. The FNS non-discrimination statement “*The USDA is an equal opportunity provider and employer.*” must be included on the Lone Star card. In the future additional programs may require additional language on the card.

Respondents are requested to suggest ways to have all 19 numbers on one line and be easily readable.

Front of Current Card



Back of Current Card



Texas EBT Card	
Core Color	Laminated White PVC
Size	CR80
Thickness	.030"
Finish	Polish/Polish
2-Color Front	300 Blue, 200 Red
1-Color Back	Black
Bleed	N/A
Magnetic Stripe	3-Track Hi-Co Standard
Signature Panel	3" x 0.25" – White
Hologram	N/A

(8) Card Personalization

Cards shall be personalized in accordance with ISO standards and Federal regulations at 7 CFR § 274.12. The Retailer Management Vendor must have the capability of embossing the Primary Account Number (PAN) embossed on the front of the card. In the future embossing may not be required if an alternative card printing is approved. The front of the card shall be tipped with a contrasting color for readability. The client's name shall not be embossed on the card. The Respondents shall make recommendations regarding font size and tipping that might improve the current card. HHSC will provide the card and sleeve designs.

A signature panel shall be provided on the back of the card.

(9) Card Sleeve

The Retailer Management Vendor shall be required to produce a card sleeve to accompany the card. The card sleeve shall be produced out of a rugged material, such as Tyvek or Mylar, to endure normal wear and tear and shall be produced according to HHSC specifications as indicated on the following pages. Exact wording to be put on the sleeve will be provided at a later date. A sleeve pocket is not required.

Current Card Sleeve Front



Current Card Sleeve Back



Texas EBT Card Sleeve	
Length	3.5 inches
Width	2.25 inches
Color (Background)	White
Lone Star (Script)	Red
Star (Cutout)	Blue
1-800 Number	Red
Front Side Text (English)	Black
Back Side Text (Spanish)	Black

(10) High Coercivity Cards

Currently, EBT Cards are produced using high coercivity in an effort to reduce the number of replacement cards.

(11) Card Security Specifications

Card security features are designed to deter counterfeiting and lifting data from the magnetic stripe.

The reverse of the card shall contain the following security measures:

- Signature panel: The card shall contain a tamper resistant signature panel.
- Liability language and instructions: The card must clearly state in English and in Spanish, “Do not write PIN on Card.”
- The toll-free Help Desk number for reporting lost or stolen cards and for customer service must be printed on the card.
- The address of the office where a card can be returned if found or no longer in use.

(C) Hybrid Card Option

A hybrid card will be used in the future, which has both a magnetic stripe and an integrated chip. Respondents must include the cost (See costing Table H Optional Price Items) for the following specifications for a hybrid card:

- Magstripe card with integrated circuit chip (i.e. Smart Card)
- Java-based Smart Card
- Chip with a minimum of 64k storage
 - The card surface shall be suitable for printing using readily available desktop card issuance equipment. Industry standard printing options must be supported.
 - Embossing and tipping are not required.
 - The chip communications must conform to industry standards in ISO 7816-3
 - The card must support the ISO 7816-4 standard.
 - The card should adhere to the Global Platform Card Specification 2.1.1. This is an industry recognized standard for interoperability.
 - The card must be compatible with applications that are compliant with Government Smart Card – Interoperability Specification (GSC–IS).

- The card must be compatible with applications that are compliant with WIC Smart Card – Interoperability Specification (WSC-IS).

(D) PIN Production

Custom Personal Identification Number (PIN) mailers will be generated from encrypted codes according to ISO (9564) and HHSC specifications. The PIN envelope mailer is an industry-standard secure delivery method. The envelope must be designed to resist tampering and to show damage in the event tampering is attempted. The PIN must appear inside the envelope in clear text. The return address on the envelope must be the address of the Retailer Management Vendor.

PIN packets issued to HHSC Human Services Benefit Offices (HBOs) (vault PINs) – The outside contains only the PIN Control Number (PCN) which must be prominently printed but must not interfere when entering the client's address (in the event the envelope needs to be mailed).

PIN packets requested via the Call Center (replacement PINs) – The outside will contain the client's name and address in the space provided. THE PCN will also be present, but cannot interfere with the address area.

(E) Card and PIN Packet Distribution

HHSC provides clients the following two ways to receive cards:

- New clients receive a card in the HBOs at application;
- When a client's card is lost, stolen or damaged, the client calls the Call Center and requests a replacement.

HHSC provides clients the following three ways to receive PINs:

- New clients may receive a PIN packet in the HHSC HBO's at application
- Clients may use the IVR for PIN self-select
- Clients may receive a mailed PIN packet

Approximately 99 % of PINs are self-selected through the EBT Call Center. The remaining 1% are PIN packets issued by the HBOs or EBT Call Center.

The Retailer Management Vendor must provide cards and PINs for clients and HBOs.

For replacement cards and PIN packets processed at the Call Center, the Central Processing System batches the requests at the end of the calendar day (12:00 midnight, Central Time). The batch files are compiled and sent to the card and PIN packet processing and distribution centers designated by the Retailer Management Vendor. Replacement card and PIN packet must be mailed to clients no later than two (2) calendar days after the batch files are generated. If a client requests both a card and PIN at the same time, the card and PIN must be mailed on separate days. In those cases one of the items could be sent on the third (3rd) day. The client must receive a replacement card and PIN packet within five (5) calendar days of the client's initial call to the Call Center. The card and PIN packet distribution centers must maintain a sufficient inventory of cards and PIN packets to process requests on a daily basis. Adequate controls must be maintained to ensure the security of the card and PIN packet stock and data.

Cards and PIN packets will be distributed to HBOs in accordance with HHSC procedures. Currently, there are approximately 340 HBOs throughout the state. For HBO listings and locations and Integrated Eligibility and Enrollment (IEE) rollout information, refer to the following URL:

<http://www.hhs.state.tx.us/consolidation/IE/IE.shtml>

The number of HBOs may change as IEE is implemented. The Retailer Management Vendor will be responsible for the security and liability of the cards/PINs until a HHSC staff member properly signs for them.

Approximately 35,000 vault cards are issued each month to HBOs, and approximately 25,000 replacements are requested and mailed to clients in a month. Approximately 1100 PIN packets are issued in a month.

(F) Non-secure Client Materials

Non-secure client materials accompany the Lone Star Cards that are issued and mailed to HHSC clients. At the present time, these materials include: card sleeve, card mailer, #10 envelope, secondary cardholder form, registration sticker, and materials order form. HHSC reserves the right to request additional non-secure materials if in-scope program requirements change. The Retailer Management Vendor must develop, print and distribute non-secure client materials at Vendor's expense. HHSC must approve material before distribution.

The Retailer Management Vendor must maintain an inventory of non-secure client materials, process orders and ship material to HHSC HBOs located throughout the state. Currently, there are

approximately 340 HBOs throughout the state. For HBO listings and locations and Integrated Eligibility and Enrollment (IEE) rollout information, refer to the following URL: <http://www.hhs.state.tx.us/consolidation/IE/IE.shtml>. The number of HBOs may change as IEE is implemented. Currently approximately 125 local office non-secure material orders are processed each month.

(G) Returned Cards and PINs

The Retailer Management Vendor is responsible for receiving and processing cards and PINs mailed to clients that are returned. The Retailer Management Vendor must establish a secure process for receipt, deactivation and destruction of EBT cards returned by the U.S. Post Office or “lost and found” cards returned to the Vendor. Returned envelopes and the contents (excluding the card) must be forwarded to HHSC Lone Star Business Services on a weekly basis.

2.2 Performance Measures and Associated Remedies

2.2.1 Performance Measures

(A) Retailer (State-Supported) Management

- (1) Produce and distribute Lone Star Operating Rules
- (2) Maintain retailer database based on the REDE file
- (3) Maintain retailer agreements for state-supported retailers
- (4) Mail new retailer agreement within two (2) business days of REDE notification
- (5) Provide new state-supported retailers with POS equipment within fourteen (14) days of receipt of FNS notification.
- (6) Provide retailers with the number of terminals as specified by FNS
- (7) The POS devices and POS software must be able to connect to the EBT processing environment in accordance with the Texas EBT Processor Interface Specifications
- (8) Ensure reinstatement, addition, and deletion of retailers in the EBT System within times required by this RFO (Table 4: Retailer Management Vendor Responsibilities)
- (9) Installation and operations instructions written in English and Spanish for installation, testing and training must be included with the POS devices. Installation and training must be completed in person if requested by the retailer and approved by the state.
- (10) Ensure proper POS device software coding and testing
- (11) Replacement of POS devices must occur within 48/72 hours depending upon the number of working POS devices at the retailer site
- (12) Perform annual sales review of state-supported retailers in accordance with state and federal guidelines.
- (13) Meet all applicable EBT security standards
- (14) Provide for retailer training
- (15) Provide and distribute state-supported retailer and processor materials
- (16) Conduct quarterly retailer on-site visits

(B) Retailer Help Desk standards

- (1) Eighty-five percent (85%) of all calls received will be answered within sixty seconds. All remaining calls will be answered within 3 minutes.

- (2) A call immediately placed or automatically placed on hold is not counted as an answered call
- (3) All calls received will be logged
- (4) Call reporting will include:
 - date
 - calls received
 - calls answered
 - percentage of calls received and answered
 - number and percentage of calls abandoned
 - reason for call
- (5) Call reports will be submitted to HHSC weekly
- (6) Maintain a database for all EBT retailers as specified by HHSC and provide electronic copy to HHSC monthly and/or upon request

(C) Network Performance Standards for State-Supported Retailers

- (1) The Retailer Management Vendor must meet the following requirements for state-supported retailers:
 - System processing speeds. For leased line systems, 98% of EBT transactions shall be processed within ten (10) seconds or less and all EBT transactions will be processed within 15 seconds. Leased line systems rent telecommunications carriers specifically to connect to the central authorizing computer. For dial-up systems, 95% of the EBT transactions shall be processed within 15 seconds or less and all transactions processed within 20 seconds. Dial-up systems utilize existing telecommunications lines to dial up and connect to the central computer at the time of the transaction. Processing response time shall be measured at the POS terminal from the time the 'enter' or 'send' key is pressed to the receipt and display of authorization or disapproval information.
 - Respondents must show in offer how this requirement will be measured.

- (2) Provide reporting as required by HHSC
- (3) Annual test of back-up system

(D) Third Party Processor Standards

- (1) Third Party Processor (TPP) agreements shall require TPPs to comply with the processing response times required by federal regulations at 7 CFR 274.12.

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- (2) Maintain up to date current Third Party Processor records. Updates must never be beyond seven (7) days of currency
- (3) Maintain files of required TPP materials including bond as required in processor agreement

(E) Settlement and Reconciliation Performance Standards

- (1) All settlements must be accurate and be processed daily (Monday through Friday).
- (2) Weekend settlement is processed on the next business day
- (3) Provide clients with transaction history statements within seven (7) days of request
- (4) Provide dispute resolution and notification of resolution to clients, retailers and TPP within fifteen (15) calendar days of notification of a dispute (unless otherwise agreed upon by HHSC)
- (5) Perform AMA, ASAP, ACH, manual vouchers and associated settlement procedures accurately and in a timely manner
- (6) Distribute daily fax settlement report to HHSC and CPA (Comptroller of Public Accounts)
- (7) Return unsettled funds to the state and federal governments in a timely manner

(F) Interoperability

- (1) Develop with HHSC and maintain switch agreement with Texas EBT interoperability switch vendor
- (2) Draw-down and transfer Interoperability funds

(G) Card and PIN Performance Standards

- (1) The PIN must be encrypted in a physically-secure POS device, which is highly resistant to any form of penetration
- (2) Cards and PINs must be mailed in a timely manner
- (3) Cards and PINs must meet HHSC specifications
- (4) Distribute cards and PINs to clients and HHSC HBOs
- (5) Maintain a level of card stock inventory sufficient for three (3) months of projected needs

2.2.2 Management Plans

Management Plans are operating tools for the life of the contract. The awarded Vendor must have strong management practices. The Vendor must submit, implement and maintain management plans as specified by HHSC. The initial drafts of the plans are due to HHSC with the Respondent's offer. The final drafts of the management plans are to be submitted to HHSC for approval within the timeframes specified below. The awarded Vendor will submit the plans to HHSC in hard copy and in soft copy. The awarded Vendor will review and update the plans as needed, but at least on an annual basis. Final plans and updates to the plans must be completed, submitted, and approved by HHSC prior to being implemented.

The complete set of management plans include:

- Project Management Plan
- Implementation Plan
- Acceptance Testing Plan
- Quality Management Plan
- Change Management Plan
- Risk Management
- Problem Management
- Integration Management
- Security Management
- Configuration Management Plan
- Training and Communication Plan
- Disaster Recovery/Business Continuity Plan
- Disaster Response Plan
- Transition Plan

(A) Project Management Plan

The Vendor must establish a comprehensive Project Management Plan to track the project team's progress regarding project tasks, deliverables, milestones and the management of risks.

The Project Management Plan shall include defined expectations for the content and format of the contract deliverables and a schedule for key activities and milestones associated with all management plans required by HHSC and total staffing and resource allocation by skill set.

The initial draft of the Project Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within thirty (30) calendar days after contract execution.

(B) Implementation Plan

The Implementation Plan must describe the Respondent's plan for implementing their solution, and describe how the transition of functions, facilities, and processes will transition from the current EBT Retailer Management vendor to the awarded vendor. The Awarded Vendor will be the lead during transition.

The Implementation Plan must include but is not limited to the following:

- Project schedule with key milestones
- Outline of procedures to be followed during the implementation period
- Identification of key issues that need to be addressed during the implementation period
- Roles and responsibilities as they relate to Texas EBT Retailer Management functions for the incoming vendor, the outgoing vendor, HHSC and additional stakeholders
- Method of documenting and transferring assets developed by the outgoing vendor during the course of the old contract (nature, type, stage of delivery, location, etc.)
- Point of contact and procedures for managing problems or issues during the changeover period
- Implementation test plan
- Contingency plan for failed transition of services to new vendor
- Two (2) transition test exercises must be completed before the actual transition

The initial draft of the Implementation Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within thirty (30) calendar days after contract execution.

(C) Acceptance Testing Plan

The Acceptance Testing Plan shall define the responsibilities of the Vendor, HHSC, as well as all other parties involved with EBT Retailer Management functions. FNS may elect to participate in testing. Acceptance testing shall be conducted on-site at the Retailer Management Vendor's facility. The Acceptance Testing plan shall include, but not be limited to the following:

- The Acceptance Test Work plan: Define the activities associated with the acceptance test, when they will begin and end, responsible parties.

- Stakeholder Responsibilities: Describe the activities for which the various stakeholder groups are responsible. (i.e., creating test scenarios, performing the tests, and validating the results)
- Acceptance Criteria: Define Acceptance testing criteria (metrics).

The initial draft of the Acceptance Testing Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for HHSC and FNS approval within thirty (30) calendar days after contract execution.

(D) Quality Management Plan

The Quality Management plan provides the framework for a comprehensive, continuous, and measurable quality assurance program. The plan must embody the Respondent's endorsement of the fundamental importance of quality by promoting, reinforcing, and acknowledging quality management activities. The plan must include strategies and processes to promote quality and procedures to periodically measure and report quality performance to the state throughout the contract period. The plan must specify how often the Vendor conducts internal audits and engages external auditing firms to conduct audits of its operations, and must include a requirement that the Vendor shall supply to HHSC, as and when received by the Vendor, copies of all internal and external quality assurance audit reports.

The initial draft of the Quality Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within thirty (30) calendar days after contract execution.

(E) Change Management Plan

This plan must provide a comprehensive strategy to manage change and control scope of the operation. The plan must provide a formalized methodology including how changes will be proposed, reviewed, tracked, and approved. The methodology must also address how change requests will be analyzed and presented, identifying the impact of the change to the schedule, quality, and cost structure.

The Retailer Management Change Management Plan must be consistent with the LST Change Management Plan (Appendix J) and include specifics regarding training and communication procedures, protocols, and feedback systems to facilitate coordination of daily operational activities between the state, other Vendors, subcontractors, stakeholders, and trading partners.

The initial draft of the Change Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within sixty (60) calendar days after contract execution.

(F) Risk Management

This plan must include a comprehensive strategy and methodology for identifying, assessing, reporting, managing, and mitigating risk.

The initial draft of the Risk Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within sixty (60) calendar days after contract execution.

(G) Problem Management

The Problem Management Plan must include a comprehensive strategy and methodology for identifying, assessing, reporting, managing, and resolving problems.

The initial draft of the Problem Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within sixty (60) calendar days after contract execution.

(H) Integration Management

The Integration Management Plan must document the planned approach for how business activities will be coordinated and managed with the state, other Vendors, subcontractors, stakeholders and/or trading partners.

This plan must also include system integration coordination activities to ensure technological compatibilities among hardware, software, system interfaces, and telecommunications infrastructures.

The initial draft of the Integration Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval sixty (60) calendar days after contract execution.

(I) Security Management

The Security Management Plan must include methods for resolving the following major security concerns for each component of the system: environmental security, physical site security, computer hardware security, computer software security, data access and storage, client/user security, telecommunications security, and network security.

The Security Plan must meet the FNS EBT System Security Guidelines of February 2004, as a basis for the Security Management Plan. The Security Management Plan must also comply with the current USDA Automated Data Processing (ADP) security regulations found at 7 CFR 277.18(p) and the Computer Security Act of 1987.

- FNS EBT System Security Guidelines of February 2004 can be retrieved online at http://www.hhsc.state.tx.us/Contract/529060096/FNS_Handbook.pdf.
- USDA Automated Data Processing (ADP) security regulations can be retrieved online at <http://www.gpoaccess.gov/cfr/retrieve.html>
- Computer Security Act of 1987 can be retrieved online at <http://www.epic.org/crypto/csa/csa.html>

The initial draft of the Security Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval sixty (60) calendar days after contract execution.

(J) Configuration Management Plan

This plan must include processes and procedures to track the hardware and software inventories installed and the combination of hardware and software residing on each component of equipment. The approach should use an automated system.

The initial draft of the Configuration Management Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within thirty (30) calendar days after contract execution.

(K) Training and Communication Plan

The Training and Communication Plan must provide a comprehensive strategy to train and communicate to internal and external stakeholders. HHSC must approve all training and communication materials.

The plan must include but is not limited to the following:

- audiences to be trained (internal as well as external).
- description of the types of training and communications that will be developed and delivered.
- description of the methods of delivery that will be used.
- specifics regarding communication procedures, protocols, and feedback systems to facilitate coordination of daily operational activities between HHSC, other vendors, subcontractors, stakeholders, and trading partners.
- methods for training course evaluation and feedback and how that feedback will be used.
- methods for identifying ongoing training and communication needs.
- tasks, deliverables and milestones.

The initial draft is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval sixty (60) calendar days after contract execution.

(L) Disaster Recovery/Business Continuity Plan

This plan must include processes and procedures to provide for uninterrupted service delivery. Additionally, the plan must include courses of action to address potential and probable issues or problems that could occur during operations. The location of all Disaster Recovery operations must also be identified and approved by HHSC.

The initial draft of the Disaster Recovery Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within thirty (30) calendar days after contract execution.

(M) Disaster Response Plan

This plan must include the business processes and methodology for responding to a disaster or emergency that indirectly affects HHSC and its client base. The Respondent must describe its ability to respond to an unforeseen need to increase relevant resources (increase staffing, increased card and PIN volumes, public information and message control procedures, etc.) in support of the HHSC mission as identified in this RFO. Additionally, the plan must include procedures and preparedness for implementing emergency changes in coordination with HHSC disaster assistance efforts.

The initial draft of the Disaster Response Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for approval within sixty (60) calendar days after contract execution.

(N) Transition Plan

The Transition Plan must describe the Vendor's role and responsibilities during an EBT Transition period to a new vendor; such as the end of the contract or contract default. The incoming Retailer Management vendor will be the lead in coordinating and facilitating all transition activities and the outgoing vendor must be responsive and cooperative.

The Transition Plan must include but is not limited to the following:

- issues that need to be addressed during a transition period
- vendors' roles and responsibilities as they relate to Texas EBT Retailer Management functions
- HHSC's roles and responsibilities as they relate to Texas EBT Retailer Management functions
- additional stakeholders' roles and responsibilities as they relate to the transition of Texas EBT Retailer Management functions
- an outline of key milestones during the transition period
- an outline of procedures to be followed during the transition period
- the Vendor's method of identifying, documenting and transferring assets developed (nature, type, stage of delivery, location, etc.) during the course of the contract that are subject to the transition plan
- a contact point and procedures for managing problems or issues during the changeover period.
- require support for at least 2 test cycles prior to transition to new vendor
- contingency for failed transition of services to new vendor. Components of this requirement must include the vendor's decision making process and a plan for continuation of services.

The initial draft of the Transition Plan is to be submitted with the Respondent's offer. The final draft is to be submitted to HHSC for HHSC and FNS approval within sixty (60) calendar days after contract execution.

2.2.3 Monitoring

HHSC will monitor the contract performance requirements on a regular basis. HHSC will perform on-site and desk reviews to monitor contract requirements on a regular basis. Monitoring will be based upon RFO contract deliverables/requirements and performance measures as defined in the contract. HHSC may use Independent Validation and Verification techniques in addition to monitoring.

2.2.4 Liquidated Damages

The State of Texas expects the Retailer Management Vendor to perform its responsibilities and tasks as specified in the contract. This expectation is reasonable, within normally acceptable business practices, and in the best interests of the state, its electronic payment beneficiaries, and its citizens. To emphasize this approach, the critical dates for major project milestones and project deliverables specified within the awarded contract will be negotiated with the Retailer Management Vendor.

The state has chosen to address the majority of the project “risks” related to Retailer Management Vendor performance through the assignment of liquidated damages. The “liquidated damages” provisions described below represent the projected financial loss and expenditures that may occur as a result of the Retailer Management Vendor non-performance, including financial loss (reduced cost savings) as a result of project delays.

- If the Retailer Management Vendor does not fulfill its obligations under the Contract, HHSC will be damaged;
- Establishing the precise amount or value of such damage would be difficult to quantify;
- The liquidated damages provided for in these Terms and Conditions represent a good faith effort to establish a reasonable estimate of the damages that will be incurred by HHSC in the circumstances or situations described;
- Liquidated damages will start to accumulate immediately following the end of the cure period; and cure periods begin upon the Retailer Management Vendor’s discovery or receipt of notification that a deficiency has occurred.

The time set forth in the Contract for the completion of work is an essential element of the Contract. The EBT Retailer Management Vendor’s failure to complete work within the timeframes prescribed by the Contract will cause damage to the state and possibly to the other vendors. If the Retailer Vendor is responsible for impacting the timelines of the other vendors, the Retailer Management Vendor will be held accountable as determined by the representative designated by HHSC.

Therefore, should the Retailer Management Vendor fail to complete the work within the agreed upon times, the state will assess and/or collect liquidated damages in the amounts set below. The state's failure to assess liquidated damages in one or more of the particular instances described below shall in no event waive the right of the state to assess additional liquidated or actual damages. HHSC also reserves the right to pursue recovery of actual losses resulting from the failure of the Retailer Management Vendor to perform, in addition to the specific liquidated damages noted below.

Should any of the following listed landmark events occur during the Contract, HHSC will assess liquidated damages against the Retailer Management Vendor in the amounts specified below. HHSC shall notify the Retailer Management Vendor in writing, for any default specified herein, and such liquidated damages shall be paid by the Retailer Management Vendor within thirty (30) calendar days of the HHSC notice. HHSC shall have the right to deduct the amount of any liquidated damages assessed by HHSC against the Retailer Management Vendor from amounts otherwise payable to the Retailer Management Vendor under the Contract.

Except where noted otherwise, expectations and activities described within this document will be evaluated as having the general impact criteria described below for the purposes of liquidated damages. HHSC will evaluate both the accuracy and timeliness of expectations and activities in order to determine potential liquidated damages. HHSC will provide written notice ten (10) days prior to the assessment of any potential liquidated damages. This notice will allow the opportunity for a written response to HHSC within the ten (10)-day period regarding any considerations that may be applicable to the potential liquidated damages being considered. Except as noted otherwise:

- calendar day versus business day rules apply; and
- during the specified “cure period” which is intended to allow corrections of the accuracy and/or timelines deficiency, liquidated damages will not be assessed

(A) Project Delays

If the project is delayed through action or inaction by the Retailer Management Vendor such that the project implementation deadline, outlined in the Contract, cannot be achieved by the EBT Retailer Management Vendor, the Retailer Management Vendor will be in material breach of the Contract.

Should a project delay event occur and not be remedied by the EBT Retailer Management Vendor, HHSC shall notify the Vendor in writing of the occurrence of a project delay event. After written notice from HHSC of the occurrence or existence of such project delay event, HHSC shall have the right to assess liquidated damages in the amounts specified below for each day that such unremedied project delay event exists.

- Failure to have a settlement and reconciliation process operational, due to the Retailer Management Vendor fault, in the amount of \$5,000 (five thousand) per day.

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- Failure to have 100% state-supported Point of Sale devices deployed and operational, due to Retailer Management Vendor fault, in the amount of \$2,500 (two thousand five hundred) per day.
- Failure to have the ability to process state-supported retailer transactions, in the amount of \$5,000 (five thousand) per day.

(B) Management Plans

Failure of the Retailer Management Vendor to submit any of the following required Management Plans in a final version to HHSC will result in liquidated damages in the amount of \$500 (five hundred) per day after a five (5)-day cure period. Liquidated damages also apply to Management Plans that are changed due to any future updates that may be required by HHSC.

Table 7: Due Dates for Management Plans

Management Plan	Initial Draft Due	Final Draft Due Days from contract execution
Project Management	Submitted with offer	Thirty (30) calendar days
Implementation	Submitted with offer	Thirty (30) calendar days
Acceptance Test	Submitted with offer	Thirty (30) calendar days
Quality Management	Submitted with offer	Thirty (30) calendar days
Change Management	Submitted with offer	Sixty (60) calendar days
Risk Management	Submitted with offer	Sixty (60) calendar days
Problem Management	Submitted with offer	Sixty (60) calendar days
Integration Management	Submitted with offer	Sixty (60) calendar days
Security Management	Submitted with offer	Sixty (60) calendar days
Configuration Management	Submitted with offer	Thirty (30) calendar days
Training and Communication	Submitted with offer	Sixty (60) calendar days
Disaster Recovery/Business Continuity	Submitted with offer	Thirty (30) calendar days
Disaster Response Plan	Submitted with Offer	Sixty (60) calendar days
Transition	Submitted with offer	Sixty (60) calendar days

The state has identified certain instances of default or non-performance that, should they continue to occur over extended periods of time, will cause extreme financial losses to and hardship for the state. Should such conditions of default continue, however, the state intends to pursue recovery of actual losses resulting from the EBT Retailer Management Vendor's failure to perform, and expressly reserves this right. The state's failure to assess liquidated or actual damages in one or more of the particular instances described below shall in no way modify or waive the right of the state to assess additional liquidated or actual damages relating to other similar occurrences.

(C) Performance

Liquidated damages will be assessed if the Retailer Management Vendor fails to meet Contract performance standards. The Retailer Management Vendor must report all instances of non-performance to the state as soon as the non-performance issue is detected. The initial incident report must be submitted to HHSC within 24 hours of the incident. A detailed summary incident report must be submitted to HHSC within seven (7) calendar days of the incident.

If the Retailer Management negatively impacts performance within the EBT system and is the fault of the Retailer Management Vendor, HHSC shall have the right to assess liquidated damages in the amount of \$5000 (five thousand) per day.

(D) Reports

Liquidated damages will be assessed if the Retailer Management Vendor fails to produce all required reports. Calendar days are applicable unless otherwise noted. (See list of reports in Appendix E). These reports are considered High Impacts. Additional reporting may be required at the Retailer Management Vendor's expense.

- High Impact Reports – in the amount of \$500 (five hundred) per day after a three (3)-day cure period.
- Medium Impact Reports – in the amount of \$200 (two hundred) per day after a seven (7)-day cure period.
- Low Impact Reports – in the amount of \$100 (one hundred) per day after a fourteen (14)-day cure period.

(E) Activity

- Liquidated Damages criteria per incident:
- High Impact Activity– in the amount of \$500 per day after a one (1)-day cure period
- Medium Impact Activity - in the amount of \$200 per day after a seven (7) day cure period unless otherwise indicated below
- Low Impact Activity - in the amount of \$100 per day after a fourteen (14) day cure period

The following table of activities and expectations provides additional specific criteria regarding liquidated damages.

“Retailers” in the table below refer to state-supported retailers.

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Table 8: Liquidated Damages for Activities

NUMBER	ACTIVITY	FREQUENCY	IMPACT	CURE PERIOD
1	POS Repair/Replacement. Repair and/or replace POS at a specific retailer location within time expectation 48/72 hours RFO Section 2.1.2 D 5	Daily	High	1 day
2	Ship/Install POS at state-supported retailers according to state and federal expectations. Ensure proper POS device software coding and testing RFO Section 2.1.2 D 2	Within 14 calendar days from receipt of signed agreement	High	1 day
3	Provide for retailer training RFO Section 2.1.2 E	As Required	Medium	7days
4	Retailer Database. Maintain and provide copy to HHSC RFO Section 2.1.2 G	Monthly	High	1 day
5	Activate, add, and/or delete retailers on the database RFO Section 2.1.2 B and G	Daily	High	1 day
6	Provide Help Desk Services 2.1.2 F	Daily	High	1 day
7	Provide and distribute retailer and Third Party Processor materials. RFO Section 2.1.2 L	As required	Low	14 days
8	Perform annual sales review in accordance with state and federal guidelines RFO Section 2.1.2 L 2	Annually	Medium	7 days
9	Maintain Third Party Processor records RFO Section 2.1.3 B	As required	Medium	7 days
10	Ensure accurate and timely settlement RFO Section 2.1.4 A	Daily	High	1 day
11	Client Dispute Resolution. Provide dispute resolution and notification within fifteen (15) calendar days RFO Section 2.1.4 C	As required	Medium	7 days
12	Provide retailer dispute resolution and notification within fifteen (15) days, or as otherwise determined RFO Section 2.1.4 D	As required	Medium	7 days
13	Perform AMA, ASAP, ACH, manual vouchers and associated settlement procedures RFO Section 2.1.4	Daily	High \$1,000 maximum per day	1 day
14	Distribute daily fax settlement report to HHSC and CPA RFO Section 2.1.4	Daily	High	1 day
15	Return unsettled funds to the state RFO	As required	High	1 day

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NUMBER	ACTIVITY	FREQUENCY	IMPACT	CURE PERIOD
	Section 2.1.4			
16	Manage Interoperability Funds RFO Section 2.1.5	As required	High	1 day
16	Distribute cards and PINs to clients and HHSC offices RFO Section 2.1.6 E	Daily	High	1 day
17	Provide incident report for all significant operational interruptions in a timely manner RFO Section 2.2.4	As required	High	1 day
18	Perform quarterly on-site retailer visit	Quarterly	Medium	1 week

2.3 Project Schedule

The Retailer Management Project Schedule is listed in three (3) phases as follows. Note that all dates are calendar days unless otherwise noted. The current Retailer Management contract expires on February 28,2007.

2.3.1 Phase I: Retailer Management Procurement

Activity	Duration (Calendar Days)	Start Date	Date of Completion
Retailer Management Procurement	393 days	2/16/06	3/14/07
RM Post RFO (RFO Release)	90 days	2/16/06	5/16/06
RM Vendor Conference	1 day	3/1/06	3/1/06
RM Notice of Intent to Propose Due	1 day	3/8/06	3/8/06
RM Vendor Questions Due	1 day	3/16/06	3/16/06
HHSC Post Response to Questions	1 day	3/23/06	3/23/06
RM Vendor Deadline for withdrawal of Proposals	1 day	5/12/06	5/12/06
RM Proposals Due	1 day	5/16/06	5/16/06
RM Evaluation of Bids	28 days	5/17/06	6/14/06
RM Vendor Demonstrations/Oral Presentations	28 days	5/17/06	6/14/06
RM Site visits	28 days	5/17/06	6/14/06
RM Tentative Award Announcement	1 day	6/15/06	6/15/06
RM Negotiations	15 days	6/16/06	6/30/06
RM Contract development and HHSC Approval	30 days	7/3/06	8/1/06
FNS Review and Approval	30 days	7/17/06	8/15/06
RM New contract signed (Anticipated Contract Start Date)	1 day	8/16/06	8/16/06

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2.3.2 Phase II: Outgoing Retailer Management Vendor Transition

Phase III: Outgoing Vendor Transition	Duration	Start	Finish
Outgoing Vendor Transition	197 days	8/16/06	2/28/07
Transition /Shutdown Plan	30 days	8/16/06	9/14/06
POS/Retailer Function Transfer	135 days	8/16/06	12/28/06
Transition of Contracts	92 days	8/16/06	11/15/06
Interfaces Transfers	135 days	8/16/06	12/28/06
FNS Retailer EBT Data Exchange (REDE)	35 days	8/16/06	9/19/06
EBT Central Processor Interface	135 days	8/16/06	12/28/06
EBT Call Center Interface	135 days	8/16/06	12/28/06
AMA/ASAP Interface	75 days	8/16/06	10/29/06
Bank Connections (ACH/Chase)	45 days	8/16/06	9/29/06
POS Distribution Subcontractor (TASQ)	75 days	8/16/06	10/29/06
POS Processor (Pay by Touch)	135 days	8/16/06	12/28/06
Knowledge and Documentation Transfer	185 days	8/25/06	2/25/07
Security Transition	35 days	1/8/07	2/11/07
Data and Source Transfer	55 days	11/13/06	1/6/07
Concurrent Operations	7 days	2/21/07	2/27/07
Cutover Task	7 days	2/21/07	2/27/07
Termination of EBT Contract	1 day	2/28/07	2/28/07

2.3.3 Phase III: Incoming Retailer Management Vendor Transition

New Vendor Implementation	Duration	Start	Finish
Activity	212 days	7/31/06	2/27/07
Transition Plan for Cut Over from previous Retail Management Vendor	30 days	8/16/06	9/14/06
EBT knowledge transfers with outgoing vendor	185 days	8/25/06	2/25/07
Establish new operational processes/procedures with Central Processing and Call Center vendors	45 days	8/16/06	9/29/06
Re-certification of current Third Party Processors (TPP's) and self processing retailers	45 days	8/16/06	9/29/06
Develop and Test POS software download function	75 days	8/16/06	10/29/06
Retailer Operating Rules modification and approval	60 days	8/16/06	10/14/06
Point of Sale Transition – staged conversion of 7,500 direct connect retailers and POS Network cutover	135 days	8/16/06	12/28/06
Retailer Agreement conversion (approximately 7,500)	135 days	8/16/06	12/28/06
Retailer and Service history data transfers	45 days	12/27/06	2/9/07
Develop settlement and reconciliation process/procedures	45 days	8/16/06	9/29/06

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New Vendor Implementation	Duration	Start	Finish
Secure Concentrator Bank	45 days	8/16/06	9/29/06
Establish letter of credit with USDA FNS	45 days	8/16/06	9/29/06
Acquire and test ACH transmission software	45 days	8/16/06	9/29/06
Set up Card and PIN management procedures	45 days	8/16/06	9/29/06
Obtain client and retailer training material	45 days	8/16/06	9/29/06
Develop and test interfaces with Call Center vendor	135 days	8/16/06	12/28/06
Develop and test interfaces with Central Processing	135 days	8/16/06	12/28/06
Develop and test AMA/ASAP Interface	80 days	8/16/06	11/3/06
Develop and test REDE Interface	80 days	8/16/06	11/3/06
Data and Source Transfer	55 days	11/13/06	1/6/07
Two Trial Runs	15 days	1/5/07	1/19/07
FNS Acceptance Testing	30 days	1/22/07	2/20/07
Concurrent Operations	7 days	2/21/07	2/27/07
Cutover	7 days	2/21/07	2/27/07

3 GENERAL INSTRUCTIONS AND RESPONSE REQUIREMENTS

3.1 Notice of Intent to Offer

HHSC requests that vendors submit a notice of intent to propose to the HHSC Point of Contact identified in section 1.1 no later than March 8, 2006. This is an optional requirement. A vendor that does not submit a notice of intent to propose may still submit a proposal.

3.2 Vendor Conference

HHSC will hold a vendor conference on March 1, 2006 from 1:30 P.M. to 5:00 P.M. in the Public Hearing Room #164 at the HHSC Building #2 located at 909 W 45th Street in Austin, TX.

Attendance at the conference is required of all offerors.

Vendors may e-mail questions regarding the Retailer Management RFO to the HHSC Point of Contact (see Section 1.8) by 5:00 P.M. (central time) March 16, 2006. HHSC will also provide vendors the opportunity to submit written questions at the conference. All questions submitted by email or at the conference must reference the appropriate RFO page and section number. Although HHSC may provide tentative responses to questions at the conference, responses are not official until they are posted on the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

3.3 Vendor Questions and Comments

All questions and comments regarding this RFO must be submitted electronically to the e-mail address contained in Section 1.8 (HHSC Point of Contact). All questions must reference the appropriate RFO page and section number. In order to receive a response, vendor questions and comments must be received no later than the deadline set forth in Section 1.9 (Project Timeline). Inquiries received after the due date may be reviewed by HHSC but will not receive a response. Any clarifications, addenda, or amendments, whether made as a result of a potential vendor's written question or otherwise, will be posted on the HHSC website.

A Respondent must inquire in writing as to any ambiguity, conflict, discrepancy, exclusionary specification, omission or other error in this RFO prior to submitting an offer. If a Respondent fails to notify HHSC of any error, ambiguity, conflict, discrepancy, exclusionary specification or omission, the Respondent shall submit an offer at its own risk and, if awarded the contract, shall have waived any claim that the RFO and contract were ambiguous and shall not contest HHSC's interpretation. If no error or ambiguity is reported by the deadline for submitting written questions, the Respondent

shall not be entitled to additional compensation, relief or time by reason of the error or its later correction. The costs for bid response preparation is the responsibility of the Respondent.

HHSC will post answers on its website to all written questions received by the deadline for submitting written questions. HHSC reserves the right to amend answers prior to the offer submission deadline.

3.4 Modification or Withdrawal of Offer

Offers may be withdrawn from consideration at any time prior to the offer submission deadline. A written request for withdrawal must be made to the HHSC Point of Contact (Section 1.8).

A Respondent has the right to amend its offer at any time and to any degree by written amendment to the HHSC Point of Contact prior to the offer submission deadline. HHSC reserves the right to request an amendment to any part of the offer during negotiations.

HHSC reserves the right to waive minor informalities in an offer and award a contract that is in the best interests of the State of Texas. A minor informality may include, but is not limited to, a minor irregularity or error such as a clerical error in the production of copies of the offer. When HHSC determines that an offer contains a minor informality, HHSC shall notify the Respondent of the irregularity or error and shall provide the Respondent the opportunity to correct.

3.5 News Releases

A Respondent may not issue press releases or provide any information for public consumption regarding its participation in this procurement without specific, prior written approval of HHSC.

3.6 Incomplete Offers

HHSC will reject without further consideration an offer that does not include a complete, comprehensive, and total solution as requested by this RFO.

3.7 State Use of Vendor Ideas

HHSC reserves the right to use any and all ideas presented in any offer unless the Respondent presents a legal case citing ownership of the Respondent's intellectual property. A Respondent may not object to the use of ideas that are not the Respondent's proprietary information and so designated in the offer that:

- were known to the state before submission of the offer;

- were in the public domain through no fault of the state; or
- became properly known to the state after submission of the offer through other sources or through acceptance of the offer.

3.8 Property of HHSC and FNS

All products produced by a Respondent as a result of this RFO or a resulting contract, including without limitation, plans, designs, software and other deliverables, will become the property of HHSC and USDA Food and Nutrition Service.

3.9 Additional Information

By submitting an offer, the Respondent grants HHSC the right to obtain information from any lawful source regarding: (i) the past business history, practices, conduct and ability of a Respondent to supply goods, services and requirements; and (ii) the past business history, practices, conduct and ability of the Respondent's directors, officers and employees. By submitting an offer, the Respondent generally releases from liability and waives all claims against any party providing information about the Respondent at HHSC's request. HHSC may take such information into consideration in evaluating offers.

3.10 Instructions for Submitting Offers

3.10.1 Number of Copies

Submit one (1) original and fifteen (15) copies of the offer. The original must be signed in ink by an authorized representative of the Respondent. In addition, submit one electronic copy of the offer on a floppy disk or compact disk compatible with Microsoft Office 2000. If there are any disparities between the contents of the printed RFO and the electronic RFO, the contents of the printed RFO will take precedence.

3.10.2 Submission

Submit all copies of the RFO to the HHSC Point of Contact (Section 1.8) no later than 5:00 p.m. (central time) on May 16, 2006.

3.10.3 Additional Requirements

All offers must be:

- Clearly legible;
- Sequentially page-numbered;

Section 3 – General Instructions and Response Requirements

- Organized in the sequence outlined in Section 3.11;
- Bound in a notebook or cover;
- Responsive to the requirements of this RFO;
- Typed, double-spaced on 8½" x 11" paper;
- In Arial or Times New Roman font, size 12 for normal text, no less than size 10 for tables, graphs and appendices;
- Offers should include the Respondent's name at the top of each page, and should not include unrequested materials or pamphlets.

3.11 Format and Content

In responding, the Respondent shall provide all information it believes would be helpful to HHSC in establishing its ability to perform the requirements. The Respondent must clearly explain how it will fulfill all needs and requirements contained in the specific section to which it is responding. Mere recitation of state and vendor requirements will not be considered as an adequate response. Responses that only represent, acknowledge, or reiterate the requirements of the RFO will be considered non-responsive.

The offer must consist of three parts:

- Part 1 – Business Proposal;
- Part 2 – Cost Proposal; and
- Part 3 – Identification of Proprietary Information

A table of contents must be included in the RFO with respective page numbers for each section of the RFO.

3.11.1 Part 1 -- Business Proposal

Part 1, Business Proposal, must include:

- Section I – Transmittal Letter;
- Section II – Executive Summary;
- Section III – Corporate Background and Experience;
- Section IV – Project Scope and Requirements;
- Section V – Assumptions;
- Section VI – Appendices;

Section 3 – General Instructions and Response Requirements

- Section VII – HUB Subcontracting Plan;
- Section VIII – Certifications, Requested Forms and Attachments;
- Section IX – Financial Capacity and Bonding.

The Respondent must not address any of the requirements from one section in another section of their offer. All offers must correspond to and numerically reference the appropriate section.

The offer must contain a chart of cross-reference identifying where in the offer HHSC may locate the response to RFO Sections 1 through 3. Inclusion of the specific page number is mandatory.

A commitment made to comply with a specific section of the RFO must not be amended in a later section of the RFO response. Failure to comply with these requirements may result in disqualification of an offer. Conciseness and clarity of content must be emphasized.

Section I -- Transmittal Letter

Respondents must include a transmittal letter printed on official company letterhead. The letter must be signed in ink by an individual authorized to legally bind the respondent.

The transmittal letter must include:

- Disclosure of all pending, resolved, or completed litigation, mediation, arbitration, or other alternate dispute resolution procedure involving the Respondent (including subcontractors, subsidiaries, or affiliates) within the past 24 months.
- A description of any personal or business interest that may present an actual, potential or apparent conflict of interest with the performance of the contract (see Section 1.7.2), and an explanation of how the respondent can assure HHSC that these relationships will not create a conflict of interest.
- A description of the past employment by HHSC or another Texas State agency in accordance with the requirements of Section 1.7.3.
- A complete list of all exceptions, reservations and limitations to the terms and conditions of the RFO, including HHSC's Uniform Contract Terms and Conditions.

Section II -- Executive Summary

In this section, the Respondent should condense and highlight the content of the Business Proposal to provide HHSC with a broad understanding of the Respondent's approach to meeting the RFO's business requirements. The summary must demonstrate an understanding of HHSC's goals and objectives for this procurement. The Executive Summary must be no longer than eight (8) pages.

Section III -- Corporate Background and Experience

This section details the Respondent's corporate background and experience. If the Respondent proposes to use subcontractor(s), it must describe any existing or ongoing relationships with such subcontractor(s), including project descriptions. The section should include the following information.

Contact Information.

- Respondent's full organization, company or corporate name;
- Headquarter address;
- Type of ownership (e.g. partnership, corporation);
- If Respondent is a subsidiary or affiliate, the name of parent organization;
- State where the Respondent is incorporated or otherwise organized to do business;
- Federal taxpayer identification;
- Name and title of person who will sign the contract; and
- Name and title of person responsible for responding to questions regarding the RFO, with telephone number, facsimile number and email address (including subcontractors).

Corporate Background and Experience.

Describe the Respondent's corporate background as it relates to projects similar in scope and complexity to the project described in this RFO. If the offer includes the use of subcontractors, include a similar description of the subcontractor's corporate background.

Section 3 – General Instructions and Response Requirements

Include a description and at least three (3) references from projects performed within the last five (5) years that demonstrate the Respondent's ability to perform the required RFO services. Include contract dates and customer points of contact, address, telephone number and e-mail, if available, from whom HHSC can obtain confirmation of Respondent's performance. The Respondent must explain whether work was performed as a prime contractor or subcontractor. If the work was performed as a subcontractor, the Respondent must describe the scope of subcontracting activities.

Resumes.

Identify and describe the Respondent's proposed labor skill set and provide resumes of all proposed Key Personnel (as defined by the Respondent). Resumes must demonstrate experience germane to the position proposed. Resumes should include work on projects cited under the respondent's corporate experience, and the specific functions performed on such projects. Each resume should include at least three (3) references from recent projects. References may not be Respondent's employees.

Section IV – Project Scope and Requirements

Describe the respondent's proposed processes and methodologies for providing the Mission Results/Scope of Work, including the respondent's approach to meeting the Project Schedule (as fully described in Section 2 of this RFO). A summary of Section 2 is listed below:

2.1.2 Retailer (State-Supported) Management

- A. Lone Star Operating Rules
- B. Database and REDE file
- C. Retailer agreements for state-supported retailers
- D. Point of Sale (POS) device and PIN Pad Management

Point of Sale Device Management

Supply and maintain Point of Sale (POS) devices for state supported retailers

POS and PIN Pad Deployment

Maintenance and Enhancements of POS Software

Equipment Recovery

POS Device Repair/Replacement

- E. Training
 - Retailer Training
 - Quick Reference Guide
 - Revisions to Retailer Material
- F. Help Desk
 - General toll-free assistance
 - Reporting requirements
 - Help Desk Performance Standards and Reporting
- G. Retailer Database
- H. Hardware
 - POS Terminal Requirements
 - PIN Security
 - POS Interface to EBT Processor
 - Interface Communications
- I. Commercialization
- J. Security
- K. Liability
- L. Retailer Support/Reports
 - Retailer Materials
 - State Supplied Retailer Annual Sales Review
 - On-Site Visits

2.1.3 Processor Support

- A. Network Management for State-supported Retailers
 - Data Circuit and Acquirer Processing Requirements
 - Multiple Levels of Protection
 - Network Maintenance
 - Software Enhancement
 - Disaster Recovery for State Supported Retailers
- B. Third Party Processor Support

2.1.4 Settlement and Reconciliation

- A. Primary Functions
- B. Interfaces

- C. Client Dispute Resolution
- D. Retailer and TPP Dispute Resolution
- E. Verification/Validation/Investigation
 - Client Financial Account Maintenance
 - Retailer and Third Party Processor Reconciliation
 - Settlement Procedures
 - Retail Management Vendor's Role in Reconciliation Procedure
- F. Bank Account Responsibility
 - Settlement Account
 - Floor Limit Account
 - Miscellaneous Fees
 - Interoperability

G. Manual Voucher – Processing and Storing

2.1.5 Interoperability

- A. Purpose
- B. Rules and Regulations
- C. Bid Response

2.1.6 Card and PIN Management

- A. Secondary Cardholder Application Processing
- B. Card Production
 - Overview
 - Card Standards
 - Card Stock
 - Magnetic Strip Encoding
 - Personal Identification Number (PIN)
 - Card Design
 - Card Personalization
 - Card Sleeve
 - High Coercivity Cards
 - Card Security Specifications
- C. Hybrid Card Option

- D. PIN Production
- E. Card and Pin Packet Distribution
- F. Non-Secure Client Materials
- G. Returned Cards and PINs

2.2.2 Management Plans

- A. Project Management Plan
- B. Implementation Plan
- C. Acceptance Testing Plan
- D. Quality Management Plan
- E. Change Management Plan
- F. Risk Management Plan
- G. Problem Management Plan
- H. Integration Plan
- I. Security Management Plan
- J. Configuration Management Plan
- K. Training and Communication Plan
- L. Disaster Recovery/Business Continuity Plan
- M. Disaster Response Plan
- N. Transition Plan

2.2.3 Monitoring

2.2.4 Liquidated Damages

2.3 Project Schedule

Section V -- Assumptions

State any business, economic, legal, programmatic, or practical assumptions that underlie the Respondent's response to the Business Proposal.

Section VI -- Appendices

Include any appendices to the Respondent's Business Proposal.

Section VII -- HUB Subcontracting Plan

Attach the Respondent's HUB Subcontracting Plan. Instructions for completing this requirement are included in Section 4.

Section VIII – Certifications and Other Required Forms

In addition to the HUB Subcontracting Plan, Respondents must complete the following required forms:

- Child Support Certification;
- Debarment, Suspension, Ineligibility, and Voluntary Exclusion for Covered Contracts;
- Federal Lobbying Certification;
- Nondisclosure Statement; and
- Certification Letter.

The required forms are located on HHSC's website, under the "Business Opportunities" link. HHSC will not evaluate offers that do not contain completed copies of the required forms. HHSC encourages Respondents to carefully review all of these forms and submit questions concerning their completion prior to the deadline for submitting questions relating to this RFO (see Section 1.9).

Respondents must certify compliance with the following FNS required provisions:

- Compliance with Executive Order 11246 related to "Equal Employment Opportunity"
- Compliance with Copeland "Anti-Kickback Act" (18 U.S.C. 874)
- Compliance with Section 306 of the Clean Air Act
- Compliance with Section 508 of the Clean Water Act
- Compliance with the Anti-Lobbying Act
- Compliance with debarment (suspension) requirements
- Compliance with the Drug-free Workplace Act
- FNS has royalty-free rights to use software and documentation developed

Section IX – Financial Capacity and Bonding

Section 3 – General Instructions and Response Requirements

Respondents must submit evidence of adequate financial stability. If the Respondent is a subsidiary, affiliate, or creation of one or more entities, and the proposing entity presents or relies upon the experience, financial stability or other qualifications of the parent or other entity(ies), the Respondent must also include the most recent detailed financial report of the parent or other entity(ies) and a statement that the parent or other entity(ies) will unconditionally guarantee performance by the Respondent in each and every term, covenant, and condition of any contract as executed by the parties.

The Respondent must submit a current financial statement plus two years of audited financial reports, including the United States Securities and Exchange Commission, Form 10K, Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, if applicable. If any change of ownership of the company is anticipated during the 12 months following the offer due date, the vendor must describe the circumstances of such change and indicate when the change is likely to occur.

Evidence of Financial Solvency - The Vendor must provide a certified public accountant's statement of tangible net worth statements during the term of the Contract between September 1 and September 30 of each State Fiscal Year. Included in the statement must be a description of any uncertainties and the potential impact of such uncertainties on tangible net worth. Tangible net worth is defined as net worth less intangible assets. Net worth can include a parent company's assets if these assets have been pledged under the conditions below if a subsidiary is the Vendor.

A contract awarded under this RFO will not be executed until after the Awarded Vendor has submitted, in a timely manner, appropriate assurances acceptable to HHSC that the Awarded Vendor will be able to perform, and that the state will be able to continue to operate and maintain the subject matter of this procurement in the event of a failure to perform. Such assurances may consist of a performance bond or other financial instrument or mechanism to protect the state against losses in the event of the Awarded Vendor's failure to perform. Notwithstanding any other provision of this RFO, failure to timely provide the appropriate assurances may result in HHSC's election to revoke the award.

3.11.2 Part 2 – Cost Proposal

The Cost Proposal must be placed in a separate, sealed package, clearly marked with the Respondent's name, the RFO number, and the RFO submission date. The Cost Proposal must be signed in ink by an individual authorized to legally bind the respondent.

Respondents must base their Cost Proposals on the Mission Results and Scope of Work described in Section 2, as well as any other functional requirement within the RFO. This section should include any business, economic, legal, programmatic, or practical assumptions that underlie the Cost Proposal.

Respondents may separately identify cost saving and cost-avoidance methods and measures and the effect of such methods and measures on the Cost Proposal and Scope of Work. The Retailer Management pricing tables include specific baseline work volumes for specific pricing categories. Respondents are encouraged to separately identify cost savings by identifying the parameters by which a higher or lower work volume may cause a price to shift lower. For the purpose of evaluating cost proposals, only the HHSC provided baseline work volumes will be used.

Respondents shall propose cost as required by HHSC in the cost table formats presented below. The pricing and cost tables provide the framework for Respondents to input pricing and cost elements within the appropriate Retailer Management function. A response to each of the following pricing and cost tables is required in order to propose:

- a. Table A – Implementation and Start-up
- b. Table B – Retailer Management Operations
- c. Table C – Point of Sale (POS) Terminal Management Operations
- d. Table D – Processor Support Operations
- e. Table E – Settlement and Reconciliation Operations
- f. Table F – Card and PIN Management Operations
- g. Table G – General Pricing
- h. Table H – Optional Pricing
- i. Table I – Operations Summary Pricing
- j. Table J - Operating Cost Information

Table A. Implementation and Start-up Pricing Instructions:

The Implementation and Start-up phase is defined as the contract effective date through the cutover date, at which time the operations phase begins. Refer to the Project Schedule (Section 2.3) for Target Milestones and associated dates.

Implementation and Start-up costs to meet the RFO requirements will be paid on a fixed fee basis. Implementation and Start-up costs in excess of the final fixed price amount(s) included in the contract resulting from this RFO will not be paid by the State. All expenses incurred by the Vendor after the commencement of the operational phase of the contract resulting from this RFO to complete any start-up, implementation, transition activities, to correct any defects from the Implementation and Start-up Phase must not be recorded as an operational expense and will not be considered an allowable expense for the Operational Phase of the contract.

Respondents must propose Implementation and Start-up costs to allow the successful Vendor to assume the responsibilities of each applicable component included in the RFO from the contract execution date through the cutover to operations date. Start-up costs, implementation costs, and any transition costs must be proposed using Table A and will not be paid as an element of operational costs. An evaluation and written acceptance by HHSC of successful performance as required by this RFO and identified during contract negotiation is required for payment.

Table A provides the framework for Respondents to input all cost factors within the appropriate pricing category. If a relevant price factor is not included in the table, Respondents must fully describe and add the item to the appropriate category and subtotal if necessary. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other.” The addition of any price items must be aggregated and subtotaled by price category, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table.

The functions and/or sub-functions of Implementation and Start-up, which the Respondent chooses to sub-contract, must be identified by including the pricing for such function(s) in the sub-contractor pricing column.

Upon completion by the Respondent, this table must be a comprehensive pricing list of all the Respondent’s Implementation and Start-up costs for supporting the Texas EBT Retailer

Section 3 – General Instructions and Response Requirements

Management services only. Proposed Implementation and Start-up costs will be included in the pricing evaluation by HHSC and must be submitted using the Table A pricing format. Respondents shall not deviate from the format provided in the pricing tables.

The following baseline work volume information and/or quantities are for the purpose of providing Respondents with the Implementation and Start-up quantities related to the completion of Table A. Respondents must refer to the RFO for all details relating to Table A service requirements:

Description	RFO Section	Implementation Quantity	Additional Information
Retailer Agreements	2.1.2 (C)	7200	New agreements for Implementation and Start-up
Retailer Training	2.1.2 (E)	7200	See RFO
Retailer Quick Reference Guide	2.1.2 (E)	7200	See RFO
POS Terminals	2.1.2 (D)	8200	Terminals require installation as well. Note that this number may be decreased by approximately 400 WIC terminals.
PIN Pads	2.1.2 (D)	3100	If PIN pad is separate from Terminal then 8200 are needed (see POS Terminals – Additional Information)
Third Party Processor Agreements	2.1.3 (B)	8	See RFO
Bank Account Mgt.	2.1.4 (F)	4	4 bank accounts
Card Production	2.1.6	1,000,000	500,000 cards are vault cards and 500,000 cards are blank plastics for dailies.
PIN Packet Production	2.1.6	15,000	See RFO

Instructions for Pass-Through Items

Actual expenditures for pass-through items made on the state’s behalf will be paid without allocation of any indirect charges (general & administrative expenses, overhead, etc.) or profit. The Respondent must utilize Table A to depict the amount of pass-through expenses that will be paid without indirect charges or profit. Items designated as pass-through items include the following:

- Capital expenditures including lease and/or rental payments, depreciation and capital equipment
- Sales taxes on capital expenditures including lease and/or rental payments on capital equipment
- All postage expenses and/or delivery expenses directly related to the operation of the contract resulting from this RFO
- Software license fees and software maintenance fees
- Office rent (including leasehold improvements and lease pass-through expenses)
- All printing costs including client communications, client handouts, provider manuals, handbooks, bulletins, and similar print materials
- All telecommunication lines, including local lines, toll-free lines, electronic communications lines, fiber optic lines, cell phones, internet connections for external staff, etc.

Upon completion by the Respondent, Table A will be a comprehensive price list of all the implementation and start-up costs for Texas EBT Retailer Management only.

Table A: Implementation and Start-up Pricing

REQUIRED FORMAT:

					Fixed Pricing	
					Primary Contractor	Sub-Contractor
1	Staff Pricing					
1.1	Salaries					
1.2	Fringe Benefits					
1.3	Subtotal:					
2	Retailer Management Pricing					
2.1	Retailer Help Desk					
2.2	Retailer Agreements (Development and Distribution)					
2.3	Retailer Training (Development and Initial Training)					
2.4	Retailer Training Quick Reference Guide (Development)					
2.5	Retailer Database					
2.6	Other Retailer Item 1					
2.7	Other Retailer Item 2					
2.8	Subtotal:					
3	Point of Sale (POS) Terminal Management Pricing					
3.1	POS Terminals	Unit Pricing:	Qty:	Total POS Pricing:		
3.2	POS Terminal Installation	Unit Pricing:	Qty:	Total Install Pricing:		
3.3	POS PIN Pads	Unit Pricing:	Qty:	Total PIN Pad Pricing:		
3.4	Other POS Item 1					
3.5	Other POS Item 2					
3.6	Subtotal:					
4	Processor Support Pricing					
4.1	Network Management for State-Supported Retailers					
4.2	Third Party Processor Agreements for non State-Supported Retailers					
4.3	Other Item					
4.4	Subtotal:					
5	Settlement and Reconciliation Pricing					
5.1	Bank Account Management					
5.2	Subtotal:					
6	Card and PIN Management Pricing					
6.1	Card Production					
6.2	Card Sleeve Production					
6.3	PIN Packet Production					
6.4	Subtotal:					
7	General Pricing					
7.1	Back-up Operations					
7.2	Surety Bond					

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		Fixed Pricing	
		Primary Contractor	Sub-Contractor
7.3	Subtotal:		
8	Additional Expenses		
8.1	Additional Expense 1		
8.2	Additional Expense 2		
8.3	Additional Expense 3		
8.4	Subtotal:		
9	Pass-Through Expenses Subtotal:		
9.1	Capital expenditures (including lease payments, depreciation, and hardware)		
9.2	Facilities		
9.3	Office Rent (including leasehold improvements & lease pass-through expense)		
9.4	Postage / Delivery expenses		
9.5	Printing expenses		
9.6	Other Pass-through Item 1		
9.7	Subtotal:		
10	GRAND TOTAL (Sum of all Subtotals):		

Table B: Retailer Management Operations Pricing Instructions

Table B provides the framework for Respondents to input all pricing factors within the appropriate predetermined price category. The type of cost has been predetermined by HHSC, as “F” for fixed cost. Respondents must refer to the corresponding RFO Section as listed within the table for specific details regarding the required services for each price category.

The price categories listed in Table B are intended to be a comprehensive list of all relevant price factors associated with the Retailer Management function. However, should a Respondent identify the requirement of additional price items, the Respondent must fully describe and add the item to the appropriate price category and subtotal the price category. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other.” The addition of any price items must be aggregated and subtotaled by price category, and identified as either “F” for fixed cost or “V” for variable cost, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table. Predetermined pricing categories requested in Table B are fixed monthly prices for one-year periods. Monthly cost will vary due to volume, and Respondents must use the baseline information listed below for the purpose of calculating monthly cost.

The following EBT-2 baseline information is for the purpose of providing Respondents with a general idea of current monthly operation volumes related to Table B. **HHSC makes no representation of actual or anticipated monthly volumes.** Respondents must refer to the RFO for all details relating to Table B service requirements:

Description	Monthly Average	Additional Information
Retailer Help Desk	3000 Calls	These are retailer support calls and initial troubleshooting calls, of which 1400 calls are escalated
Length of Help Desk Call	3 minutes (initial) 7 minutes (escalated)	Length of call may vary
Executed Retailer Agreements	72 New Agreements	Average of 94 new retailer agreements are mailed out monthly and approximately 72 are executed
Retailer Training	72 New Retailers	New retailers require training

Upon completion by the Respondent, Table B will be a comprehensive price list of all the costs for Texas EBT Retailer Management operations only.

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Table B: Retailer Management Operations Pricing

REQUIRED FORMAT:

		RFO Section	Fixed Price ("F")	Year-1 Monthly Price	Year-2 Monthly Price	Year-3 Monthly Price	Year-4 Monthly Price	Year-5 Monthly Price	YR 6-10 Monthly Price
1	Retailer Help Desk	2.1.2(F) 2.2.1(B)	F						
2	Retailer Agreements	2.1.2 (C)	F						
3	Retailer Training	2.1.2.(E)	F						
4	Retailer Database	2.1.2 (B and G)	F						
5	Corporate General & Administration	N/A	F						
6	Other								
Total Monthly Pricing:									
Multiplied by 12 Months:				* 12	* 12	* 12	* 12	* 12	* 12
Total Yearly Pricing:									

Table C: Point of Sale (POS) Terminal Management Operations Pricing Instructions

Table C provides the framework for Respondents to input all pricing factors within the appropriate predetermined price category. The type of cost has been predetermined by HHSC, as “F” for fixed cost. Respondents must refer to the corresponding RFO Section as listed within the table for specific details regarding the required services for each price category.

The price categories listed in Table C are intended to be a comprehensive list of all relevant price factors associated with the Texas EBT operations of the Point of Sale (POS) Management function. However, should a Respondent identify the requirement of additional price items, the Respondents must fully describe and add the item to the appropriate price category and subtotal the price category. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other”. The addition of any price items must be aggregated and subtotaled by price category, and identified as either “F” for fixed cost or “V” for variable cost, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table. Predetermined pricing categories requested in Table C are fixed unit prices for one-year periods. Respondents must not enter any pricing within the shaded columns of the pricing tables. The monthly price for fixed unit price items may vary due to volume, and Respondents must use the baseline information listed below for the purpose of calculating monthly pricing.

The following EBT-2 baseline information is for the purpose of providing Respondents with a general idea of current monthly operation volumes related to Table C. HHSC makes no representation of actual or anticipated monthly volumes. Respondents must refer to the RFO for all details relating to Table C service requirements:

Description	Monthly Average	Additional Information
POS Terminal Installations	72	See RFO
POS Terminal Replacements	450	See RFO
POS Terminals Returned	130	Retailers who left the program and terminals needing repair
PIN Pads	11	See RFO

Upon completion by the Respondent, Table C will be a comprehensive price list of all the costs for Texas EBT POS Management operations only.

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Table C: Point of Sale (POS) Management Operations Pricing

REQUIRED FORMAT:

		RFO Section	Unit Price	Monthly Price	V or F Price	Year-1 Monthly Price	Year -2 Monthly Price	Year-3 Monthly Price	Year-4 Monthly Price	Year-5 Monthly Price	YR 6-10 Monthly Price
1	POS Terminal (Make/Model & Configuration)	2.1.2 (H) (1)			F						
2	POS Terminal Deployment	2.1.2 (C) (2)			F						
3	POS Terminal Replacement	2.1.2 (D) (5)			F						
4	POS Terminal Maintenance	2.1.2 (D)			F						
5	POS Software (Food Stamp and TANF terminals)	2.1.2 (D) (3)			F						
6	PIN Pads	2.1.2 (D) (1) and (2), 2.1.2 (H) (2)			F						
7	Other										
Total Monthly Pricing:											
Multiplied by 12 Months:						* 12	* 12	* 12	* 12	* 12	* 12
Total Yearly Pricing:											

Table D: Processor Support Operations Pricing Instructions

Table D provides the framework for Respondents to input all pricing factors within the appropriate predetermined price category. The type of cost has been predetermined by HHSC, as “F” for fixed cost. Respondents must refer to the corresponding RFO Section as listed within the table for specific details regarding the required services for each price category.

The price categories listed in Table D are intended to be a comprehensive list of all relevant price factors associated with the Texas EBT operations of the Processor Support function. However, should a Respondent identify the requirement of additional price items, the Respondents must fully describe and add the item to the appropriate price category and subtotal the price category. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other”. The addition of any price items must be aggregated and subtotaled by price category, and identified as either “F” for fixed cost or “V” for variable cost, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table. Predetermined pricing categories requested in Table D are fixed monthly prices for one-year periods.

The following EBT-2 baseline information is for the purpose of providing Respondents with a general idea of current monthly operation volumes related to Table D. **HHSC makes no representation of actual or anticipated monthly volumes.** Respondents must refer to the RFO for all details relating to Table D service requirements:

Description	Monthly Average	Additional Information
Transaction Processing	2.2 Million	State-supported retailer transactions

Upon completion by the Respondent, Table D will be a comprehensive price list of all the costs for Texas EBT Processor Support operations only.

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Table D: Processor Support Operations Pricing

REQUIRED FORMAT:

		RFO Section	Fixed Price ("F")	Year-1 Monthly Price	Year-2 Monthly Price	Year-3 Monthly Price	Year-4 Monthly Price	Year-5 Monthly Price	YR 6-10 Monthly Price
1	Network Management for State-Supported Retailers	2.1.3 (A)	F						
2	Third Party Processor Agreement Management for non State-Supported Retailers	2.1.3 (B)	F						
3	Other								
Total Monthly Pricing:									
Multiplied by 12 Months:				* 12	* 12	* 12	* 12	* 12	* 12
Total Yearly Pricing:									

Table E: Settlement and Reconciliation Operations Pricing Instructions

Table E provides the framework for Respondents to input all pricing factors within the appropriate predetermined price category. The type of cost has been predetermined by HHSC, as “F” for fixed cost. Respondents must refer to the corresponding RFO Section as listed within the table for specific details regarding the required services for each price category.

The price categories listed in Table E are intended to be a comprehensive list of all relevant price factors associated with the Texas EBT Settlement and Reconciliation Operations function. However, should a Respondent identify the requirement of additional price items, the Respondents must fully describe and add the item to the appropriate price category and subtotal the price category. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other.” The addition of any price items must be aggregated and subtotaled by price category, and identified as either “F” for fixed cost or “V” for variable cost, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table. Predetermined pricing categories requested in Table E are fixed monthly prices for one-year periods.

The following EBT-2 baseline information is for the purpose of providing Respondents with a general idea of monthly current operation volumes related to Table E. **HHSC makes no representation of actual or anticipated monthly volumes.** Respondents must refer to the RFO for all details relating to Table E service requirements:

Description	Monthly Average	Additional Information
Dispute Resolution Services	1100	Approximately 680 disputes are client disputes and 420 are retailer disputes
Manual Vouchers	212	Of the 212 manual vouchers, 199 are settled
Bank Accounts	4	See RFO

Upon completion by the Respondent, Table E will be a comprehensive price list of all the costs for Texas EBT Settlement and Reconciliation operations only

Section 3 – General Instructions and Response Requirements

Table E: Settlement and Reconciliation Operations Pricing

REQUIRED FORMAT:

		RFO Section	V or F Price	Year-1 Monthly Price	Year-2 Monthly Price	Year-3 Monthly Price	Year-4 Monthly Price	Year-5 Monthly Price	YR 6-10 Monthly Price
1	Dispute Resolution Services	2.1.4 (C) and (D)	F						
2	Daily Settlement Function/Services	2.1.4 (A)	F						
3	Retailer and TPP Reconciliation	2.1.4(E)	F						
4	Client Financial Account Maintenance	2.1.4 (E) (1)	F						
5	Bank Account Management	2.1.4 (F)	F						
6	Manual Vouchers	2.1.4 (G)	F						
7	Surety Bond	2.1.4 (A)(8)	F						
8	Other								
Total Monthly Pricing:									
Multiplied by 12 Months:				* 12	* 12	* 12	* 12	* 12	* 12
Total Yearly Pricing:									

Table F: Card and PIN Management Operations Pricing Instructions

Table F provides the framework for Respondents to input all pricing factors within the appropriate predetermined price category. The type of cost has been predetermined by HHSC, as “F” for fixed cost. Respondents must refer to the corresponding RFO Section as listed within the table for specific details regarding the required services for each price category.

The price categories listed in Table F are intended to be a comprehensive list of all relevant price factors associated with the Texas EBT Card and PIN Management operations. However, should a Respondent identify the requirement of additional price items, the Respondents must fully describe and add the item to the appropriate price category and subtotal the price category. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other.” The addition of any price items must be aggregated and subtotaled by price category, and identified as either “F” for fixed cost or “V” for variable cost, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table. Predetermined pricing categories requested in Table F are fixed unit prices for one-year periods. Respondents must not enter any pricing within the shaded columns of the pricing tables. The monthly cost for fixed unit cost items will vary due to volume, and Respondents must use the baseline information listed below for the purpose of calculating monthly cost.

The following EBT-2 baseline information is for the purpose of providing Respondent’s with a general idea of monthly current operation volumes related to Table F. **HHSC makes no representation of actual or anticipated monthly volumes.** Respondents must refer to the RFO for all details relating to Table F service requirements:

Description	Monthly Average	Additional Information
Cards Replaced	26,702	Cards replaced because they are lost, stolen, or require replacement. These cards are mailed directly to clients. All cards distributed to clients require a card sleeve.
Cards returned to vendor	352	Cards are undeliverable, or lost and/or stolen
Cards Distributed to HHSC offices	41,033	These cards are delivered to HHSC eligibility offices in bulk for the purpose of distribution to clients by HHSC, and must include sleeves
PIN Packet Replacements	1295	PIN Packets sent to clients

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Description	Monthly Average	Additional Information
Secondary Card Applications Processed	85	See RFO

Upon completion by the Respondent, Table F will be a comprehensive price list of all the costs for Texas EBT Card and PIN Management operations only.

Table F: Card and PIN Management Operations Pricing

REQUIRED FORMAT:

		RFO Section	Unit Price	Monthly Price	Fixed Price ("F")	Year-1 Monthly Price	Year -2 Monthly Price	Year-3 Monthly Price	Year-4 Monthly Price	Year-5 Monthly Price	YR 6-10 Monthly Price
1	Card Production	2.1.6 (B)			F						
2	Card Sleeve Production	2.1.6 (B)			F						
3	Distribution of Cards to Clients	2.1.6 (E)			F						
4	Distribution of Cards to HHSC BICs	2.1.6 (E)			F						
5	PIN Packet Production and Distribution	2.1.6 (E) 2.1.6 (D)			F						
6	Secondary Card Holder Application Processing	2.1.6 (A)			F						
7	Non-secure Client Materials	2.1.6 (F)			F						
8	Processing Returned Cards and PINS	2.1.6 (G)			F						
9	Other										
Total Monthly Pricing:											
Multiplied by 12 Months:						* 12	* 12	* 12	* 12	* 12	* 12
Total Yearly Pricing:											

Table G: General Operations Pricing Instructions

Table G provides the framework for Respondents to input all pricing factors within the appropriate predetermined price category. The type of cost has been predetermined by HHSC, as “F” for fixed cost. Respondents must refer to the corresponding RFO Section as listed within the table for specific details regarding the required services for each price category.

The price categories listed in Table G are intended to be a comprehensive list of all other relevant price factors associated with the Retailer Management General operations. However, should a Respondent identify the requirement of additional price items, the Respondent must fully describe and add the item to the appropriate price category and subtotal the price category. If the price item is outside the scope of the predetermined price categories, the Respondent shall add the price item to the price category listed as “other.” The addition of any price items must be aggregated and subtotaled by price category, and identified as either “F” for fixed cost or “V” for variable cost, and all additions must be accompanied by a narrative section, describing in detail the justification and need for adding items to the pricing table. Predetermined pricing categories requested in Table G are fixed monthly prices for one-year periods.

Upon completion by the Respondent, Table G will be a comprehensive price list of all the costs for Texas EBT Retailer Management General operations only.

Table G: General Pricing

REQUIRED FORMAT:

		RFO Section	Fixed Price (“F”)	Year-1 Monthly Price	Year-2 Monthly Price	Year-3 Monthly Price	Year-4 Monthly Price	Year-5 Monthly Price	YR 6-10 Monthly Price
1	Disaster Recovery	2.1.3 (A) 2.2.2 (L)	F						
2	Program Management	Section 2	F						
3	Other								
Total Monthly Pricing:									
Multiplied by 12 Months:				* 12	* 12	* 12	* 12	* 12	* 12
Total Yearly Pricing:									

Table H. Optional Price Item Instructions:

Respondent may provide a Price for the following optional items/services. HHSC reserves the right to select some, all, or no options. Should an option or options be selected, HHSC will pay a fixed unit price per item based on the state’s selection of the option or options provided by the vendor. Respondents must not enter any pricing within the shaded columns of the pricing tables

Table H: Optional Items

REQUIRED FORMAT:

		RFO Section	Unit Price	Monthly Price	V or F Price	Year -1 Unit Price	Year- 2 Unit Price	Year-3 Unit Price	Year-4 Unit Price	Year-5 Unit Price	YR 6-10 Unit Price
1	POS Terminal for Hybrid Smart Card	2.1.2 (H) 1									
2	POS Terminal w/ Biometric Reader	2.1.2 (H) 1									
3	Card Production (Hybrid Smart Card)	2.1.6 (C)									

Table I: Operations Summary Table Instructions

Table I is a summary of the Total Yearly Pricing of the operation pricing tables. Respondents must identify the summary pricing below for Table B through Table G.

Table I: Operations Summary Table

REQUIRED FORMAT:

		Year-1 Price	Year-2 Price	Year-3 Price	Year-4 Price	Year-5 Price	YR 6-10 Price
1	Table B - Operations Retailer Management Pricing						
2	Table C- Operations Point of Sale Terminal Management Pricing						
3	Table D- Operations Processor Support Pricing						
4	Table E- Operations Settlement and Reconciliation Pricing						
5	Table F- Operations Card and PIN Management Pricing						
6	Table G- Operations General Pricing						
	Total Yearly Pricing:						

Table J. Operating Cost Information Instructions:

Respondent must identify all relevant operating costs in support of all operations pricing (Tables B through G) for performing the Texas EBT Retailer Management functions as required by this RFO. Costs must be averaged over the five-year initial term of the contract and identified in Table J as the yearly average cost. **HHSC makes no representation that it will directly pay for such costs.** Table J provides the framework for Respondents to input all cost factors within the appropriate cost category. Respondents may add items to the table but must not deviate from the format of the table. If a relevant cost factor is not included in the table, Respondents must fully describe and add the item to the appropriate category and subtotal if necessary. The expenses in each component must be aggregated by type. Expenses listed in Table J are for one-year periods. Respondents must base their Table J operating expenses on the RFO requirements and the baseline monthly operation volumes provided within the narrative of the operations pricing Tables B through G. Upon completion by the Respondent, this table will be a comprehensive cost list of all the Respondents operating costs for supporting Texas EBT Retailer Management operation services only.

Instructions for Non Pass-Through Items

Non Pass-Through is the sum of pricing categories 1 through 8 in Table J, for which the Respondent is applying an indirect rate for general administration and overhead. This rate should also include expected profit. If the Respondent does not have this indirect rate, then simply leave this line blank. If Respondent uses a percentage rate, include the percentage in the box on line 9.2.

Instructions for Pass-Through Items

Only actual expenditures for pass-through items made on the state's behalf will be considered without allocation of any indirect charges (general & administrative expenses, overhead, etc.) or profit. The Respondent must utilize Table J to depict the amount of pass-through expenses that will be paid without indirect charges or profit. Items designated as pass-through items include the following:

- Capital expenditures including lease and/or rental payments, depreciation and capital equipment
- Sales taxes on capital expenditures including lease and/or rental payments on capital equipment

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- All postage expenses and/or delivery expenses directly related to the operation of the contract resulting from this RFO
- Software license fees and software maintenance fees
- Office rent (including leasehold improvements and lease pass-through expenses)
- All printing costs including client communications, client handouts, retailer manuals and training materials, handbooks, bulletins, and similar print materials
- All telecommunication lines, including local lines, toll-free lines, electronic communications lines, fiber optic lines, cell phones, internet connections for external staff, etc.

Instructions for use of Indirect Rate

Respondent must use the indirect rate (line item 9.2) if general and administrative overhead (G&A) costs (i.e., costs which cannot be allocated to individual cost line items), are included in the cost proposal. G&A costs cannot be included more than once. If the cost does not include G&A, then this line is left blank.

Upon completion by the Respondent, Table J will be a comprehensive cost list of all the relevant operating cost in support of all operations pricing (Tables B through G) for performing the Texas EBT Retailer Management functions as required by the RFO.

Table J: Operating Costs

REQUIRED FORMAT:

		Yearly Average Cost
1	Staff Costs	
1.1	Salaries	
1.2	Fringe Benefits	
1.3	Subtotal:	
2	Retailer Management Costs	
2.1	Retailer Help Desk	
2.2	Retailer Agreements	
2.3	Retailer Training	
2.4	Retailer Database	
2.5	Other Retailer Management Cost Item 1	
2.6	Other Retailer Management Cost Item 2	
2.7	Subtotal:	
3	Point of Sale (POS) Terminal Management Costs	
3.1	POS Terminals	
3.2	POS Terminal Deployment	
3.3	POS Terminal Replacement	
3.4	POS Terminal Maintenance	
3.5	POS PIN Pads	
3.6	Other POS Item 1	
3.7	Other POS Item 2	
3.8	Subtotal:	
4	Processor Support Costs	
4.1	Network Management for State-Supported Retailers	
4.2	Third Party Processor Agreements for non State-Supported Retailers	
4.3	Other Item 1	
4.4	Other Item 2	
4.5	Subtotal:	
5	Settlement and Reconciliation Costs	
5.1	Dispute Resolution Services	
5.2	Daily Settlement and Reconciliation Function/Services	
5.3	Client Financial Account Maintenance	
5.4	Bank Account Management	
5.5	Manual Vouchers	
5.6	Other Item 1	
5.7	Other Item 2	
5.7	Subtotal:	
6	Card and PIN Management Costs	

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		Yearly Average Cost
6.1	Card Production	
6.2	Card Sleeve Production	
6.3	Distribution of Cards to Clients	
6.4	Distribution of Cards to HHSC offices	
6.5	PIN Packet Production and Distribution	
6.6	Secondary Card Holder Application Processing	
6.7	Non-secure Client Materials	
6.8	Processing Returned Cards and PINS	
6.9	Other Item 1	
6.10	Other Item 2	
6.11	Subtotal:	
7	General Costs	
7.1	Back-up Operations	
7.2	Program Management	
7.3	Other Item 1	
7.4	Other Item 2	
7.5	Subtotal:	
8	Additional Expenses	
8.1	Additional Expense 1	
8.2	Additional Expense 2	
8.3	Additional Expense 3	
8.4	Subtotal:	
9	Non Pass-Through Total Expenses + Indirect Rate	
9.1	Non Pass-Through Subtotal (Sum of 1.3+2.8+3.8+4.5+5.7+6.11+7.5+8.4)	
9.2	Indirect Rate	% Cost:
9.3	Total Non Pass-Through Subtotal (Sum of 9.1+9.2)	
10	Pass-Through Expenses Subtotal:	
10.1	Capital expenditures (including lease payments, depreciation, and hardware)	
10.2	Facilities	
10.3	Office Rent (including leasehold improvements & lease pass-through expense)	
10.4	Postage / Delivery expenses	
10.5	Printing expenses	
10.6	Other Pass-through Item 1	
10.7	Subtotal:	
11	TOTAL ALL COSTS (Sum of 9.3+10.7):	

Billing

For ongoing operations, vendor shall bill HHSC for services rendered during a one (1) calendar month period. Vendor shall have up to thirty days (30) from the end of the calendar month to submit invoice to HHSC. Upon receipt of an acceptable invoice, HHSC shall pay the vendor in accordance with the Prompt Payment Act, Section 2252.025 of the Texas Government Code.

3.11.3 Part 3 – Identification of Proprietary Information

Respondents shall separate information deemed proprietary in a separate section of the RFO. The proprietary information shall be referenced in the body of the offer but physically kept separate to facilitate Public Information Act requests and web posting of contracts. See 7 CRF 278.1(q).

3.12 Multiple Responses

A Respondent may submit only one offer for the EBT Retailer Management contract although it is permissible for one Respondent to propose on both the EBT Retailer Management and the EBT Call Center RFOs. If a Respondent intends to propose on both the EBT Retailer Management and EBT Call Center RFOs, two (2) separate offers must be submitted in accordance with the requirements of each RFO. A Respondent may submit an RFO on its own behalf or submit an RFO with one or more Respondents as a joint offer. If a Respondent submits more than one offer for the Retailer Management, all the Retailer Management offers from that Respondent may be rejected.

This requirement does not limit a subcontractor's ability to collaborate with more than one respondent.

3.13 Joint Proposals

Two or more companies may join together and submit a joint proposal in response to this RFO. A joint proposal must completely define the responsibilities each company proposes to undertake. Also, the joint proposal must designate a primary respondent who will be responsible for the delivery of all goods, services and requirements as specified in the RFO, and a single authorized official from the primary respondent to serve as the sole point of contact between HHSC and the joint proposers. Any contract resulting from a joint proposal must be signed by an authorized agent or officer of each company. Each company included in the submission of a joint proposal will be jointly and severally liable during the term of the contract.

3.14 Texas Public Information Act

A offer submitted to HHSC in response to this RFO is subject to public disclosure under the Texas Public Information Act (the Act), Texas Government Code, Chapter 552, unless the offer, or any part of the offer, can be shown to fall within one or more of the exceptions to required public disclosure listed in the Act. If a respondent believes that parts of an offer are excepted from required public disclosure under the Act, the respondent must specify those parts and the exception(s) that it believes apply, with specific detailed reasons. HHSC will process any request for information comprising all or part of the respondent's offer in accordance with the procedures prescribed by the Act. A respondent should consult the Attorney General's website (www.oag.state.tx.us) for information concerning the application of the Act's provisions to proposals and potential proprietary information.

4 Historically Underutilized Business Participation

Note to All Respondents: Texas law provides that a proposal filed in response to this RFO that does not contain a historically underutilized business (HUB) subcontracting plan is non-responsive, in accordance with [Texas Government Code § 2161.252](#).

4.1 Introduction

4.1.1 This section sets forth requirements that every proposal must meet in order to comply with state laws and HHSC's rules regarding HUBs. Respondents should read HHSC's [Policy on the Utilization of Historically Underutilized Businesses \(HUBs\)](#) and this article carefully before preparing a proposal. HHSC is committed to promoting full and equal business opportunities for all businesses in State contracting in accordance with the goals specified in the State of Texas Disparity Study. HHSC has adopted administrative rules and policies relating to HUBs and encourages the use of HUBs through race, ethnic, and gender-neutral means. Pursuant to HHSC's HUB rules, [Texas Administrative Code Title 1, Chapter 392, Subchapter J](#), and pursuant to [§§2161.181-182, Texas Government Code](#), HHSC is required to make a good faith effort to increase HUB participation in contracts for construction, service (including professional and consulting services), and commodity contracts. HHSC may accomplish the goal of increased HUB participation by contracting directly with HUBs or indirectly through subcontracting opportunities.

4.1.2 In accordance with Texas Government Code, Chapter 2161, Subchapter F, each state agency that considers entering into a contract with an expected value of \$100,000 or more shall, before the agency solicits bids, proposals, offers, or other applicable expressions of interest, determine whether subcontracting opportunities are probable under the contract.

(A) State agencies shall use the following steps to determine if subcontracting opportunities are probable under the contract:

Use the HUB participation goals in §111.13 of this title (relating to Annual Procurement Utilization Goals); and

Research the Centralized Master Bidders List, the HUB Directory, the Internet, and other directories, identified by the commission, for HUBs that may be available to perform the contract work.

(B) In addition, determination of subcontracting opportunities may include, but is not limited to, the following:

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- (i) contacting other state and local agencies and institutions of higher education to obtain information regarding similar contracting and subcontracting opportunities; and
- (ii) reviewing the history of similar agency purchasing transactions.

4.1.3 The statewide HUB participation goals, set by the Texas Building and Procurement Commission (TBPC) as a result of the State of Texas Disparity Study are classified under the following categories:

- (c) Heavy construction other than building contracts 11.9%;
- (d) Building construction 26.1%;
- (e) Special trade construction contracts 57.2%;
- (f) Professional services contracts 20%;
- (g) All other services contracts 33%; and
- (h) Commodities contracts 12.6%.

HHSC and its contractors shall make a good faith effort to meet or exceed the HUB participation goals listed above for each fiscal year by maximizing the inclusion of certified HUBs in the procurement process.

The goods and/or services requested under this RFO are classified under **“Other Services Contract” and the HUB participation goal is 33.0%.**

4.1.4 HHSC’s policy on the utilization of HUBs businesses is related to all **“Other Services”** contracts with an expected value of \$100,000 or more. HHSC may, at its discretion, require contractors to report HUB utilization in contracts with an expected value of less than \$100,000.

4.2 HUB Subcontracting Plan (HSP) Procedures

4.2.1 The following procedures are specified by HHSC’s administrative rules relating to HUBs, which adopt the TBPC’s HUB rules. If there are any discrepancies between HHSC’s administrative rules and this RFO, the rules shall take priority.

4.2.2 HHSC has determined that subcontracting opportunities are probable under this RFO. Therefore, HHSC requires the submission of a HUB Subcontracting Plan (HSP), at the same time as the RFO response, as a part of each proposal. The HSP, if accepted by HHSC, will become a provision of any contract awarded as a result of this RFO. Proposals that do not include a HSP, or proposals that contain a HSP that HHSC determines was not developed in good faith, shall be rejected as a material failure to comply with the specifications set forth in this [RFO \(as related to the Texas Administrative Code, Title 1, Part 5, Chapter 111, Subchapter B, Rule 111.14, \(a\) \(2\)\(B\)](#).

4.2.3 To search for potential HUB vendors who may perform subcontracting opportunities, Respondents may refer to the TBPC Centralized Master Bidders List (CMBL) HUB Directory, which is found at www.tbpc.tx.us/cmb/cmbhub.html. Class and item codes for potential subcontracting opportunities under this RFO, include, but are not limited to:

Class:

915 Communications and Media Related Services

Item Number and Commodity Description:

49 High Volume, Telephone Call Answering Services

Class:

920 Data Processing, Computer, Programming, and Software Services

Item Number and Commodity Description:

28 Emergency Back-Up Services

40 Programming Services

91 Training, Computer Based (Software Supported)

Class:

962 Miscellaneous Services

Item Number and Commodity Description:

69 Personnel Services, Temporary

4.2.4 In order for HHSC to determine that a good faith effort was made, each Respondent shall send notices to three (3) or more HUBs for each area that the Respondent plans to subcontract. Respondents are not limited to the list of subcontracting opportunities identified above, and may identify additional areas of subcontracting.

4.2.5 Upon request, HHSC will provide Respondents with a list of HUB vendors from the TBPC's CMBL or other related listings that may perform the subcontracting opportunities. The listing of potential subcontractors is for informational purposes only. HHSC does not endorse, recommend nor attest to the capabilities of any company or individual listed. This listing of certified HUBs is subject to change, therefore Respondents are encouraged to use the TBPC's website to find the most current listing of certified HUBs. A complete and more updated list of all TBPC certified HUBs or registered bidders

may be electronically accessed through the Internet at <http://www.tbpc.state.tx.us>. HHSC may provide additional information concerning HUB certified vendors at the vendor conference. .

4.2.6 As part of the HSP, HHSC requires each Respondent to state in writing whether the Respondent itself is a Texas certified HUB. This information is collected for the purpose of reporting HHSC's HUB utilization. However, being certified as a HUB does not exempt any Respondent from complying with the required HSP.

4.3 *If the Respondent Intends to Subcontract Portions of the "Other Services" Contract*

4.3.1 Because HHSC has determined that subcontracting opportunities are probable, a Respondent who intends to subcontract any part of the work must include a HSP with its response. For each area identified, the Respondent should provide documentation of the notices sent to three or more HUBs in each of the areas the Respondent plans to subcontract.

4.3.2 HHSC's review of a Respondent's HSP will include evidence of good faith effort in developing a HSP for "Other Services" Contracts, which includes, but is not limited to the following procedures:

- (A) Divide the contract work into reasonable lots or portions to the extent consistent with prudent industry practices. The Respondent should identify each area of the contract work the Respondent plans to subcontract.
- (B) Notify HUBs of the subcontracting opportunities that the Respondent intends to subcontract. The method of notification shall be in writing. The notice shall, in all instances, include 1) the scope of the work; 2) specifications; and, 3) identify a contact person. The notice shall be provided to potential HUB subcontractors prior to submission of the Respondent's response.
 - (i) The Respondent shall provide potential HUB subcontractors reasonable time to respond to the Respondent's notice. "Reasonable time to respond" in this context is no less than five working days from receipt of notice, unless circumstances require a different time period, which is determined by the HHSC and documented in the contract file.
 - (ii) The Respondent shall use the commission's Centralized Master Bidders List, the HUB Directory, Internet resources, and/or other directories as identified by the commission or HHSC when searching for HUB subcontractors. Respondents rely on the services of minority, women, and community organizations, contractor groups, local, state, and federal business assistance offices, and other organizations that provide assistance in identifying qualified

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applicants for the HUB program who are able to provide all or select elements of the HUB subcontracting plan.

The Respondent shall provide the notice described in this section to three or more HUBs per each subcontracting opportunity that provide the type of work required for each subcontracting opportunity identified in the contract specifications or any other subcontracting opportunity the Respondent cannot complete with its own equipment, supplies, materials, and/or employees. The Respondent must document the HUBs contacted on the forms provided by the TBPC which is part of this RFO (See Attachment “D”)

(C) Provide written justification of the selection process if a non-HUB subcontractor is selected.

(D) Provide notice to a minority or women trade organization or development center to assist in identifying HUBs by disseminating subcontracting opportunities to their membership/participants. Examples of minority or women trade organization websites are, but not limited to:

(i) Texas Women’s Chamber of Commerce - www.womenschambertexas.com;

(ii) Texas Asian Chamber of Commerce - www.txasianchamber.org;

(iii) Texas Association of Mexican American Chamber of Commerce

<http://www.tamacc.org/chambers/index.html>; and

Texas Association of African American Chamber of Commerce <http://www.taaacc.org>

(E) The Respondent must Notify HUBs of the subcontracting opportunities that the respondent intends to subcontract. The preferable method of notification shall be in writing. The notice shall, in all instances, include the scope of the work, information regarding the location to review plans and specifications, information about bonding and insurance requirements, and identify a contact person. The notice shall be provided to potential HUB subcontractors prior to submission of the respondent's response.

4.3.3 In making a determination if a good faith effort has been made in the development of the required HUB subcontracting plan, **HHSC requires the Respondent to submit supporting documentation explaining how the Respondent has made a good faith effort. The documentation shall include the following:**

(A) Evidence that, for each area the Respondent plans to subcontract, the Respondent provided the notice described above to three or more HUBs that perform the type of work. Evidence of notice should include official written documentation, (i.e. phone logs, fax transmittals confirmations, e-

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mail correspondence confirmation, certified mail receipts, etc) to demonstrate compliance with the notice required in this subsection.

- (B) how the Respondent provided notice to a minority or women trade organization or development center to assist in identifying HUBs by disseminating subcontracting opportunities to their membership/participants; and
- (C) how the Respondent's notices contain adequate information about bonding, insurance, the availability of plans, the specifications, scope of work, required qualifications and other requirements of the contract allowing reasonable time for HUBs to participate effectively;

When requested, additional documentation shall include at least the following:

- (A) how the Respondent divided the contract work into reasonable lots or portions consistent with prudent industry practices identifying each area the Respondent plans to subcontract.
- (B) how the Respondent negotiated in good faith with qualified HUBs, not rejecting qualified HUBs who were also the best value responsive bidder;

4.3.4 A Respondent's participation in a Mentor Protégé Program under the Texas Government Code §2161.065, and the submission of a protégé as a subcontractor in the HSP constitutes a good faith effort for the particular area to be subcontracted with the protégé. When submitted, state agencies may accept a Mentor Protégé Agreement that has been entered into by the Respondent (mentor) and a certified HUB (protégé). The HHSC shall consider the following in determining the Respondent's good faith effort:

- (A) if the Respondent has entered into a fully executed Mentor Protégé Agreement that has been registered with the commission prior to submitting the plan, and
- (B) if the Respondent's HUB subcontracting plan identifies the areas of subcontracting that will be performed by the protégé.

4.3.5 In developing the HSP, Respondents are encouraged to identify, as part of the HSP, multiple subcontractors who are able to perform the work in each area that the Respondent is planning to subcontract. Selecting additional subcontractors for each area may assist the awarded contractor in making changes to its original HSP, when needed, and will allow HHSC to approve any necessary changes expeditiously.

4.3.6 The HSP shall include the responses to Section 4.3 and **Attachment "D" which includes the following:**

- (i) certification that respondent has made a good faith effort to meet the requirements of this section;

- (ii) identification of the subcontractors that will be used during the course of the contract;
- (iii) the expected percentage of work to be subcontracted; and
- (iv) and the approximate dollar value of that percentage of work. The plan shall include goals established pursuant to §111.13 of this title (relating to Annual Procurement Utilization Goals).

4.3.7 A Respondent's participation in a Mentor Protégé Program under the Texas Government Code §2161.065, and the submission of a protégé as a subcontractor in the Respondent's HSP constitutes a good faith effort for the particular area(s) to be subcontracted with the protégé. **When applicable, the Respondent must attach a copy of its Mentor Protégé Agreement that has been approved by a sponsoring state agency and identify each protégé on Attachment "D". (See Sections 4, 8, and 10 on Attachment "D")**

4.4 If the Respondent Does Not Intend to Subcontract

4.4.1 If the Respondent is able to fulfill any of the potential subcontracting opportunities identified with its own equipment, supplies, materials and/or employees, Respondent must sign an affirmation and provide a statement explaining how the Respondent intends to fulfill each subcontracting opportunity. The Respondent must include a HSP with its response. The Respondent's HSP shall include responses to section 4.4 and **Sections 9 and 10 on Attachment D** attesting that the Respondent does not intend to subcontract any of the services identified by HHSC in this RFO. The Respondent shall provide supporting documentation to substantiate the statement. The Respondent must agree to provide the following if requested by HHSC:

- (A) agree to produce evidence of existing staffing to meet contract objectives'
- (B) agree to supply monthly payroll records showing company staff fully engaged in the contract;
- (C) agree to periodic on site reviews of company headquarters or work site where services are to be performed; and
- (D) agree to produce documentation proving employment of qualified personnel holding the necessary licenses and certificates required to perform the work.

4.5 Evaluation of the HSP

4.5.1 The HUB subcontracting plan shall be reviewed and evaluated prior to contract award and, if accepted, shall become a provision of HHSC's contract. Revisions necessary to clarify and enhance information submitted in the original HUB subcontracting plan may be made in an effort to determine good faith effort. HHSC shall review the documentation submitted by the Respondent to determine if

a good faith effort has been made in accordance with this section. If HHSC determines that a submitted HUB subcontracting plan was not developed in good faith, HHSC shall treat the lack of good faith as a material failure to comply with advertised specifications, and the RFO shall be rejected as a material failure to comply with the advertised specification. The reasons for rejection shall be recorded in the procurement file.

4.6 Changes to the HSP After a Contract Has Commenced

- 4.6.1 If the Respondent is selected and decides to subcontract any part of the contract after the award, as a provision of the contract, the Contractor must comply with provisions of this section relating to developing and submitting a subcontracting plan before any modifications or performance in the awarded contract involving subcontracting can be authorized by HHSC. If the selected Contractor subcontracts any of the work without prior authorization and without complying with this section, the Contractor would be deemed to have breached the contract and be subject to any remedial actions provided by Texas Government Code, Chapter 2161, state law and this section. HHSC may report nonperformance relative to its contracts to the commission in accordance with Chapter 113, Subchapter F of the TAC Code (relating to the Vendor Performance and Debarment Program).
- 4.6.2 If at any time during the term of the contract, a Contractor desires to make changes to the approved subcontracting plan, proposed changes must be received for prior review and approval by HHSC before changes will be effective under the contract. The HHSC shall approve changes by amending the contract or by another form of written HHSC approval. The reasons for amendments or other written approval shall be recorded in the procurement file.
- 4.6.3 If HHSC expands the original scope of work through a change order or contract amendment, including a contract renewal that expands the scope of work, the HHSC shall determine if the additional scope of work contains additional probable subcontracting opportunities not identified in the initial solicitation. If the HHSC determines additional probable subcontracting opportunities exist, the HHSC will require the Contractor to submit a HSP/revised HSP for the additional probable subcontracting opportunities.
- 4.6.4 The HSP/revised HSP shall comply with the provisions of this section relating to development and submission of a subcontracting plan before any modifications or performance in the awarded contract involving the additional scope of work can be authorized by the HHSC. If the Contractor subcontracts any of the additional subcontracting opportunities identified by the HHSC without prior authorization and without complying with this section, the Contractor would be deemed to have breached the contract and be subject to any remedial actions provided by Texas Government Code, Chapter 2161,

state law and this section. HHSC may report nonperformance relative to its contracts to the commission in accordance with Chapter 113, Subchapter F of the TAC Code (relating to the Vendor Performance and Debarment Program.)

4.7 Reporting and Compliance with the HSP

- 4.7.1 After a contract between HHSC and the awarded prime vendor has been executed, HHSC will coordinate a post award meeting with the awarded vendor to discuss the HSP reporting requirements.
- 4.7.2 The contractor/vendor shall maintain business records documenting its compliance with the HUB subcontracting plan and shall submit a compliance report to the HHSC monthly and in the format required by the Texas Building and Procurement Commission and HHSC. **The compliance report submission shall be required as a condition for payment.** During the term of the contract, the HHSC shall monitor the HUB subcontracting plan monthly to determine if the value of the subcontracts to HUBs meets or exceeds the HUB subcontracting provisions specified in the contract.
- 4.7.3 HHSC staff will monitor the Contractor for compliance from the date of award to the completion of the contract. The Contractor shall report HUB subcontracting information to HHSC on a monthly basis (5th day of each month), or as requested. Accordingly, HHSC shall audit and require a Contractor to whom a contract has been awarded to report to the HHSC the identity and the amount paid to its subcontractors in accordance with 111.16 of this title related to State Agency reporting requirements.
- 4.7.4 HHSC shall maintain documentation of the Contractor's efforts in HHSC's contract compliance file. The Contractor shall provide Attachment "E" HSP Prime Contractor Progress Assessment Report". Attachment "E" is the Contractor's Progress Assessment Report (HUB-PAR) Documentation of Work Subcontracted during the reporting period. This attachment is used to report to the Contractor's identification of its subcontractors and the amount paid to certified HUB subcontractors, in accordance with the HSP. Include a copy of the Texas Building and Procurement Commission (TBPC) HUB Certificate. **(This form is for reporting purposes only after award of the contract. Do not submit this document with the HSP.)**
- 4.7.5 If the Contractor is meeting or exceeding the provisions, HHSC shall maintain documentation of the contractor's/vendor's efforts in the contract file. If the contractor/vendor fails to meet the HUB subcontracting provisions specified in the contract, HHSC contracting division shall notify the Contractor of any deficiencies. The HHSC shall give the Contractor an opportunity to submit

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documentation and explain to the HHSC why the failure to fulfill the HUB subcontracting plan should not be attributed to a lack of good faith effort by the Contractor.

4.7.6 In determining whether the Contractor made the required good faith effort, HHSC may not consider the success or failure of the Contractor to subcontract with HUBs in any specific quantity. HHSC's determination is restricted to considering factors indicating good faith including, but not limited to, the following:

- (A) Whether the Contractor gave timely notice to its subcontractors regarding the time and place of the subcontracted work.
- (B) Whether the Contractor facilitated access to the work-site, provided electrical power and other necessary utilities.
- (C) Whether documentation or information was provided that included potential changes in the scope of contract work.

4.7.7 If a determination is made that the Contractor failed to implement the HSP in good faith, HHSC, in addition to any other available remedies, may report nonperformance to the Texas Building and Procurement Commission in accordance with 1 Texas Administrative Code, Chapter 113, Subchapter F (relating to "Vendor Performance and Debarment Program"). In addition, if the contractor/vendor failed to implement the subcontracting plan in good faith, the agency may revoke the contract for breach of contract and make a claim against the contractor/vendor.

4.7.8 If the Contractor is a HUB, it must perform at least 25% of the total value of the contract with its own or leased employees, as defined by the United States Internal Revenue Service, in order for HHSC to receive 100% HUB credit for the entire contract. The HUB Contractor may subcontract up to 75% of the contract with HUB or non-HUB subcontractors.

4.7.9 If a HUB Contractor's HSP identifies that it is planning to perform less than 25% of the total value of contract with its employees, the HUB Contractor must report, to HHSC, the value of the contract that was actually performed by the Contractor and its HUB subcontractors.

4.7.10 The Contractor must rectify any deficiencies of the HSP prior to the next reporting period.

4.7.11 HHSC shall review their procurement procedures to ensure compliance with this section. In accordance with Texas Administrative Code 111.26 (relating to HUB coordinator responsibilities) HHSC's HUB coordinator and contract administrators should facilitate institutional compliance with this section.

5 Evaluation

5.1 Evaluation of Offers

HHSC will select the successful vendor through a formal evaluation process. HHSC will consider capabilities or advantages that are clearly described in the offer, which may be confirmed by oral presentations, site visits or demonstrations if required, and verified by information from reference sources contacted by HHSC. HHSC reserves the right to contact individuals, entities, or organizations that have had dealings with the Respondent or staff proposed for this effort, whether or not identified in the offer.

HHSC will more favorably evaluate proposals that offer no or few exceptions, reservations, or limitations to the terms and conditions of the RFO, including HHSC's Uniform Contract Terms and Conditions.

5.2 Evaluation Criteria

Retailer Management offers will be evaluated by the following criteria:

- Meeting RFO requirements
- Cost
- Experience
- Best value to the State of Texas

5.3 Initial Compliance Screening

HHSC will perform an initial screening of all offers received. Offers that do not include all required forms and sections are subject to rejection. This is a pass/fail evaluation.

Additionally, offers that do not demonstrate a good faith effort to comply with the HUB Subcontracting requirements, if applicable, will be rejected without further consideration.

In accordance with Section 3.4, HHSC reserves the right to waive minor informalities in an offer and award a contract that is in the best interests of the State of Texas.

5.4 Oral Presentations and Site Visits

HHSC may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents admitted to the field of competition. HHSC will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. HHSC reserves the right to ask additional questions during oral presentations, site

visits, and/or demonstrations to clarify the scope and content of the written offer, oral presentation, site visit, or demonstration.

The Respondent's oral presentation, site visit, and/or demonstration must substantially represent material included in the written offer, and should not introduce new concepts or offers.

5.5 *Competitive Field Determinations*

HHSC may determine that certain offers are within the field of competition for admission to discussions. The field of competition consists of the offers that receive the highest or most satisfactory ratings. HHSC may, in the interest of administrative efficiency, place reasonable limits on the number of offers admitted to the field of competition.

5.6 *Discussions with Respondents*

HHSC may, but is not required to, conduct discussions with all, some, or none of the Respondents admitted to the field of competition for the purpose of obtaining the best value for HHSC. HHSC may conduct discussions for the purpose of:

- Obtaining clarification of ambiguities in an offer;
- Requesting modifications to a offer; or
- Obtaining a best and final offer.

HHSC may make an award prior to the completion of discussions with all Respondents admitted to the field of competition if HHSC reasonably determines that the award represents best value.

5.7 *Best and Final Offers*

HHSC may, but is not required to, permit Respondents admitted to the field of competition to prepare best and final offers. For this reason, Respondents are encouraged to submit original offers as best and final offers.

APPENDICES

APPENDIX A: GLOSSARY OF TERMS

Term	Definition
Acceptance Testing	The process of testing system components and system functionality to determine whether the system is ready for implementation. This includes: functional requirements testing; error condition testing; destructive, stress, and capacity testing; and regression testing to ensure testing deficiencies are resolved without new deficiencies.
Access Month	The month when benefits are available for clients to use.
Accounts	Financial balances and transaction records that are maintained through the EBT system. Currently, the Lone Star system includes two (2) types of accounts: food stamps and Temporary Assistance to Needy Families (TANF) cash.
ACF (Administration for Children and Families)	A Federal agency within the Department of Health and Human Services (HHS) responsible for the supervision of the Temporary Assistance to Needy Families (TANF) Program.
ACH (Automated Clearing House)	Electronic clearing and settlement system for exchanging electronic transactions among participating depository institutions; such electronic transactions are substitutes for paper checks and are typically used to make recurring payments such as payroll or loan payments. The Federal Reserve Banks operate an automated clearinghouse, as do some private-sector firms.
Acquirer	An acquirer is the financial institution that establishes an account with a merchant and processes payment card authorizations and payments. In the context of this RFO, it also refers to the TPP that accepts transactions from the retailer and routes them to the EBT host processor.
Active Account	An account that has had client debit activity recorded within the last three (3) months.
Adjustment	A financial transaction that corrects the amount of a previous financial transaction and results in a debit or credit to the client/retailer's account. Adjustments are manually initiated to correct a problem and are subject to audit and special controls.

Term	Definition
AG (Office of the Attorney General)	The legal representative and counsel of all boards and agencies of Texas state government as provided by Texas statutes. It also sits as an ex-officio member of the state committees and commissions, and defends challenges to state laws and suits against both state agencies and individual employees of the State. It is also the child support enforcement agency in the state.
ALERT (Anti-Fraud Locator of EBT Retailer Transactions)	The USDA FNS subsystem that utilizes data provided by the EBT processors to identify and analyze suspected fraudulent retailer activity.
AMA (Account Management Agency)	An automated application that supports the activities of the Federal Reserve Bank of Richmond's operations in providing Automated Standard Application for Payments (ASAP) account management activities to the Food and Nutrition Service (FNS) for the EBT Food Stamp program.
ANSI (American National Standards Institute)	The organization responsible for approving U.S. standards in many areas, including computers and communications. ANSI is a member of ISO. ANSI sells ANSI and International Standards Organization (ISO) standards.
APD (Advanced Planning Document)	The State's request to the federal government for written approval of and Federal Financial Participation (FFP) in automation projects.
Applicant	A person who has completed an application for food stamps or TANF benefits.
AR (Authorized Representative)	Any person or agent authorized by a food stamp household or client to receive and expend food stamp benefits on behalf of the household or client.
ASAP (Automated Application for Payments System)	An electronic payment and information system developed jointly by the U.S. Treasury Department Financial Management Service (FMS) and the Federal Reserve Bank of Richmond. The latter, in its capacity as Treasury's fiscal agent, operates the system. ASAP is a system through which grantee organizations receiving Federal funds can draw from accounts pre-authorized by Federal Agencies.
AT (Administrative Terminal)	A personal computer authorized to interface with the EBT system, providing access for field offices or users granted access by HHSC.

Term	Definition
ATA (Administrative Terminal Application)	The ATA allows authorized staff to issue and replace Lone Star cards and PIN packets, issue priority benefits, update client biographical data, perform client and processor transaction inquiry functions, and perform client and processor account adjustments.
ATM (Automated Teller Machine)	A device used by bank customers to process account transactions. Typically, a user inserts into the ATM a special plastic card that is encoded with information on a magnetic strip. The strip contains an identification code that is transmitted to the bank's central computer by modem. To prevent unauthorized transactions, a personal identification number (PIN) must also be entered by the user using a keypad. The computer then permits the ATM to complete the transaction. Most machines can dispense cash, accept deposits, and provide information on account balances. Banks have formed cooperative, nationwide networks so that a customer of one bank can use an ATM of another for cash access. Some ATMs will also accept credit cards for cash advances.
Authorization	An affirmative response by, or on behalf of, the Host to a request to permit an EBT Card to be used in a transaction.
Authorized Retailer	Any merchant who has been approved by the FNS to accept food stamps as payment for eligible food items and has completed a Retailer Agreement. Authorized retailers include, but are not limited to, retail grocery stores, food chains, farmers markets, roadside vendors, delivery services, and cooperatives.
Availability Date	The date the benefit can be accessed by the household to withdraw cash or purchase goods.
AVR (Automated Voice Response system)	A dial-in inquiry system, which provides access to account information via a digital telephone with voice response. Also referred to as an Automated Response Unit (ARU), Voice Response Unite (VRU) or Interactive Voice Response (IVR) system or application.
Balance Inquiry	A non-financial transaction that permits a Client to obtain available balance information.
Banking Holiday	A holiday observed by the Federal Reserve Board and its members.

Term	Definition
BIN (Bank Identification Number)	A set of numbers, which identify the Issuer of a Card. These numbers are carefully controlled and appear on the card and in every transaction involving the card.
Benefit Month	The month that benefits placed in a client account becomes accessible to that client. Same as Issuance Month.
Business Day	Any day of the week except Saturday, Sunday, or a Banking Holiday.
Cancel	The termination of a Transaction prior to Authorization of the Transaction Request.
Card	A system entry device, usually made of plastic and meeting carefully defined standards for size, magnetic coding, etc.
Cardholder	An individual who is authorized to access benefits in the EBT system.
Case	One or more eligible individuals usually sharing family membership and eligibility classification. For the TANF and Food Stamp eligibility category, it includes the eligible parent(s) and child.
Case Month	One TANF or Food Stamp case's participation in the respective program for one month.
Case Number	The unique nine-digit number assigned by the HHSC eligibility system to each TANF and Food Stamp case.
Cash Back	The disbursement of funds from a Cash Benefit Account transacted through a POS or ATM terminal.
Cash Benefits	Annuity and public assistance benefits to a household or individuals. This includes, but is not limited to, TANF, child support payments, and unemployment benefits.
Check Digit	The final digit of a series of numbers that may be used to test the validity of the series.
Client	Any person who receives TANF or Food Stamp benefits in accordance with the program eligibility requirements.

Term	Definition
CMIA (Cash Management Improvement Act)	The CMIA of 1990 calls for efficiency, effectiveness, and equity in the transfer of funds between the Federal and State governments. Under CMIA, federal funds drawn before they are required to meet obligations will be subject to interest liabilities. Should states utilize their funds to meet Federal obligations, the Federal government may be held liable for interest.
Concentrator Bank	A financial institution, or other entity approved by the Federal Reserve Board, designated by the EBT Vendor for settlement via the ACH network.
Contract Execution	The performance of all acts necessary to render a contract complete and legally binding between two or more parties.
Contract Management	Contract management is a core function that involves the continual monitoring of a contractor's performance to ensure its compliance with terms and conditions of a contract.
Conversion	The process where the state's EBT system is transitioned from one vendor to one or more vendors.
Contract	A promise, or a set of promises, for breach of which the law gives a remedy, or the performances of which the law in some way recognized as a duty. It is an agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law. The term also encompasses the written document that describes the terms of the agreement. For the state contracting purposes, it generally describes the terms of a purchase of goods or services from a vendor or service provider; however, the term also encompasses grant arrangements.
Contractor	The firm selected, and awarded a contract, to provide the services contained in this RFO and as contracted.
Correction	A credit or debit transaction intended to rectify an error in connection with a prior transaction that covers all or part of the amount of such prior transaction.

Term	Definition
CPA (Comptroller of Public Accounts)	The Texas Comptroller of Public Accounts (CPA) is the state's chief fiscal officer who collects the state's revenue and monitors and accounts for all state spending. The CPA maintains the State's central fiscal accounts for requesting payment into and out of the funds held by the Texas State Treasury.
Credit Transaction	A transaction that places funds into an account.
CSA (Customer Service Associate)	A live person who provides assistance to an EBT client or retailer, via a dial-up to a Call Center. Examples of assistance include access to account information, action on reports of lost and stolen cards, and PIN packet requests, as well as voice authorization of manual vouchers.
Cutoff	The time of day established by the EBT Central Processor in which a Business Day is established for Settlement and Reconciliation.
DEA (Data Encryption Algorithm)	See Data Encryption Standard (DES).
Debit Transaction	A transaction that removes funds from an account..
DES (Data Encryption Standard)	An ANSI-approved algorithm promulgated by the National Bureau of Standards, for encryption of data to allow secure transmission of information between points. The standard employs a 56-bit key, PIN, and Primary Account Number (PAN).
Debit Card	A card that resembles a Credit Card but which debits an account, usually a checking account, with transfer occurring simultaneously with the cardholder's purchase. A debit card may be machine readable, allowing for the activation of an ATM, POS, or other automated payments equipment. The card may be proprietary (issued solely by an entity such as a financial institution), or it can be a regionally or nationally accepted card.
Decline	The denial of a transaction by the Host.
DIR (Department of Information Resources)	The state agency responsible for the procurement of all data processing equipment and services in Texas.
Dormant Account	An account that has had no client debit activity recorded within the last ninety (90) days.

Term	Definition
Downtime	The interval during which a functional unit is inoperable. A period of time during which a system is not operational, due to a malfunction or maintenance.
EBT (Electronic Benefit Transfer)	An electronic payments system that uses electronic funds transfer, automated teller machines, and point-of-sale technology for the delivery and control of public assistance benefits.
EBT Card	A plastic debit card issued to Clients, Secondary Cardholders, and Authorized Representatives, which allows them access to benefits in the EBT system.
EBT Contract Management	The process by which the covenants and agreements contained in the EBT vendor contract(s) are monitored and evaluated to ensure that they are met.
EBT Contract Manager	The HHSC staff person assigned to manage the EBT contracts.
EBT Re-Procurement Project Manager	The person assigned by HHSC with overall responsibility for managing the EBT re-procurement.
EBT Project Team	HHSC staff charged with developing and implementing the EBT system including defining functional requirements and developing relevant policies, standards, and operational guidelines.
EFT (Electronic Funds Transfer)	The use of techniques and terminals, such as the ACH, ATM, POS terminals, and Fedwire to transfer funds electronically.
EFT Act	The 1978 law that spells out the rights and responsibilities of users and providers of EFT services (except Fedwires).
EFT Network	An interactive combination of Issuers, Acquirers, and a network facility developed for the purpose of completing EFT transactions. Networks have defined participation, liabilities, operations, and operating standards.
EFT Network Bylaws	The document that defines the legal aspects of an EFT Network and sets out requirements for participation, access, and direction of the network.
EFT Network Operating Rules	The guidelines and requirements that describe the day-to-day functions of an EFT Network and the placement of liabilities and responsibilities among the participants.

Term	Definition
EFT System	The system designated to facilitate the exchange of monetary value via electronic means. Objectives include expansion of time and location availability of basic financial services, and reduction of paper transactions.
Electronic Voucher Clear	The electronic submission of a Manual Voucher. Voice Authorization must be obtained with respect to each Manual Voucher.
Emergency and Supplemental Issuances	Any payment to a household that is made outside the routine benefit issuance schedule.
Emergency AR	Any person or agent, who is authorized temporarily on a one-time basis by the Client to receive and expend Food Stamp benefits on behalf of the household.
Encryption	A data security technique used to protect information from unauthorized inspection or alteration. Information is encoded so that data appears as a meaningless string of letters and symbols during delivery or transmission. Upon receipt, the information is decoded using an encryption key.
Encumbrance	An event when a telephone authorization puts a designated amount of the benefits in an EBT account on hold for future payment.
Expungement	Texas EBT food stamp and TANF accounts are closed after one year of inactivity according to federal regulations and state statutes. Remaining balances (if any) are no longer accessible to EBT cardholders.
Fair Hearing	A meeting conducted by HHSC staff with any applicant or Client who disagrees with and wishes to appeal some action taken on his or her case; or a retailer who wishes to appeal a vendor action.
FAMIS (Family Assistance Management Information System)	The automated state system, also known as SAVERR, meeting federal requirements for automated TANF systems, that contains TANF, Food Stamp, and Medicaid Client eligibility, financial, and demographic information.

Term	Definition
Federal Reserve System	The system in which the Federal Reserve Board operates. The central bank of the United States, created by Congress and made up of a seven (7) member Board of Governors in Washington, DC, twelve (12) regional Federal Reserve Banks, and their twenty-five (25) Branches.
Fedwire	Electronic funds transfer network operated by the Federal Reserve. Fedwire is usually used to transfer large amounts of funds and U.S. government securities from one institution's account at the Federal Reserve to another institution's account. It is also used by the U.S. Department of the Treasury and other federal agencies to collect and disburse funds.
FFP (Federal Financial Participation)	The federal share of matching funds for a particular benefit program. The FFP matching rate varies depending on which Federal Title applies. The HHSC has an approved cost allocation plan, which allocates expenses to the appropriate Federal Title and the matching rate applicable for the type of service being performed. These rates change periodically.
Field Testing	The process of testing system components and system functionality in order to validate the installation and implementation of a system.
Financial Management System (FMS)	The disbursement division of the U.S. Treasury.
Float	The dollar gain, or loss, an entity incurs when funds are received early or late.
Floor Limit	A monetary limit placed on a manual voucher that is processed during a period in which the system is offline and the help desk is not accessible for voice authorization. Limit amount is set by the State and is in effect for the term of contract.
FNS Authorization Number	The number assigned by FNS to a retailer who is certified to participate in the Food Stamp Program.
FNS (Food and Nutrition Service)	An agency of the United States Department of Agriculture, which is responsible for administering the Food Stamp Program.
FNS Regulations	The final rules and regulations as published by the FNS.

Term	Definition
Food Stamp Coupons	Federal government printed substitutes for currency with limited use for the purchase of eligible food-related products.
Food Stamp Program	A federal assistance program that issues food stamp benefits to eligible households. Benefits shall be used solely for eligible food items. Eligibility is determined and benefits are issued by the state.
Formal Qualification Test	A process, which allows HHSC to determine whether a software item complies with the requirements of that item.
Functional Testing	The process of testing system components and system functionality in order to validate the separate areas within a given system.
FRB (Federal Reserve Bank)	The central bank of the United States, created by Congress and made up of a seven (7) member Board of Governors In Washington, D.C., twelve (12) regional Federal Reserve Banks, and their twenty-five (25) branches. The Richmond, VA branch of FRB has been delegated by FNS to perform as an Account Management Agent for the federal Food Stamp Program funding accounts.
GWS (Generic Work Sheet)	An automated eligibility certification system within HHSC.
HBO (Human Services Benefit Office)	State office where clients apply for benefits in person.
HHSS (Health and Human Services System)	<p>The Health and Human Services System is composed of five agencies.</p> <p>Texas Health and Human Services Commission (HHSC) Texas Department of Aging and Disability Services (DADS) Texas Department of State Health Services (DSHS) Texas Department of Family and Protective Services (DFPS) Texas Department of Assistive and Rehabilitative Services (DARS)</p>
HHSC (Texas Health & Human Services Commission)	The state agency with statutory authority for administering public assistance programs authorized by state and federal laws and regulations.
HHSC Staff	Employees of the HHSC, including central office and regional offices.

Term	Definition
HHSCN (Health and Human Services Consolidated Network)	A statewide telecommunications cooperative between state agencies and private enterprise that connects and manages networks from the data center to the desktop, driven by the requirements of high service levels and the entities' need to share data, network costs, and services. The Department of Information Resources (DIR) is the managing partner of HHSCN.
Hold	A temporary restriction placed on all or part of the funds in an account as a result of a manual voucher authorization or adjustment. The amount of funds on hold becomes unavailable to the client.
Host	The central EBT processing system (hardware, software, and data) that processes transactions and maintains client and retailer accounts.
Hot Carding	The process of deactivating an EBT card that a client or authorized cardholder has reported lost or stolen.
Household	An entity in the Food Stamp benefit system for whom eligibility is determined. A Household may consist of one or more Clients.
IBC (Integrated Benefits Card)	HHSC's effort to establish a method for integrating benefits issuance and recipient identification for Health and Human Services programs into a single integrated benefits issuance card.
IEE (Integrated Eligibility and Enrollment)	New Eligibility System --HHSC eligibility system that allows Texans to apply for state services in person, through the Internet, over the phone and by fax or mail. Four call centers have been established to receive and process applications, and consumers will be able to track the progress of their applications through an automated phone system.
IIN (Issuer Identification Number)	The number assigned by the American Bankers Association that identifies a specific Issuer for the purpose of interchange of transactions.
Inactive Account	An account that has had no client debit activity recorded within the last three (3) months.
Inquiry	A request for information pertaining to an Account.

Term	Definition
Interchange	The passage of authorization requests, transaction records, or information between an Issuer and an Acquirer through an Intermediate Network Facility (INF).
Interchange Fee	The money paid to an Intermediate Network Facility/Switch for its services. Services include passage of authorization requests, transaction records, or information between an Issuer and an Acquirer through the Intermediate Network Facility. The term is also used for the Acquirer Fee (money paid to the Acquirer for use of its terminals and services).
Interface	The data transfer between two or more System Components.
Interface Testing	The process of testing system components and system functionality in order to validate the data transfer between 2 or more system components.
Intermediate Network Facility (INF)	See Switch.
Interoperability	A system that enables a Food Stamp benefit, other public assistance benefit (e.g., TANF) or payment issued through an Electronic Benefit Transfer Card to be redeemed in any of the fifty states.
ISO (International Standards Organization)	The organization responsible for coordinating international standards, including those used for financial processing.
Issuance Month	The month when benefits placed in an EBT Client Account are accessible to the client.
Issuer	A depository institution that has entered into an agreement with a government entity or prime contractor to undertake the responsibilities of an Issuer under the Quest Operating Rules.

Term	Definition
IVR (Interactive Voice Response)	Interactive Voice Response (IVR) is a software application that accepts a combination of voice telephone input and touch-tone keypad selection and provides appropriate responses in the form of voice, fax, callback, e-mail and perhaps other media. IVR is usually part of a larger application that includes database access. An IVR application provides pre-recorded voice responses for appropriate situations, keypad signal logic, access to relevant data, and potentially the ability to record voice input for later handling. Using computer telephony integration (CTI), IVR applications can hand off a call to a human being who can view data related to the caller at a display.
Key Entry	The manual entry of data via a data entry device.
LAN (Local Area Network)	A LAN is a network of interconnected workstations sharing the resources of a single processor or server within a relatively small geographic area. Usually, the server has applications and data storage that are shared in common by multiple workstation users.
LAR (Legislative Appropriation Request)	The HHSC formal request for funding for a biennium. The document is submitted to the Legislative Budget Board (LBB) and the Governor's Budget and Planning Office.
Leased Line System	Leased lines are telecommunications network links between two or more points that are leased by an organization, from a telecommunication service provider. Leased lines are permanently open connections, unlike conventional telephone connections, which are not open unless a call is manually initiated.
LBB (Legislative Budget Board)	A ten-member board composed of the Lieutenant Governor as the chairperson, the speaker of the House as the vice-chairperson and four members each of the Texas Senate and House of Representatives.
Live Demonstration	A system presentation utilizing production data, to demonstrate the accuracy and completeness of a system.

Term	Definition
Magnetic Stripe	A stripe of magnetic material affixed to the back of a Credit or Debit Card at the time of its manufacture. When encoded, it contains cardholder and account information to facilitate completion of financial transactions.
Manual Voucher	A paper document used to execute an off-line EBT transaction. The document contains client and retailer information and client signature.
Manual Voucher Transaction	An off-line EBT program transaction affected manually (i.e., not via a POS Terminal), completed by use of a paper Manual Voucher.
Medicaid	A program of medical care authorized by Title XIX of the Social Security Act and the Texas Human Resources Code. Medicaid is a state-administered program utilizing a combination of state and federal dollars to purchase medical care of categorically needy and medically indigent individuals.
Medicaid Access Card (MAC)	Pilot program to test fraud reduction in addressing provider fraud, abuse and waste, as well as appropriate cases of third party and recipient fraud or abuse.
NACHA (National Automated Clearing House Association)	The national association that establishes the standards, rules, and procedures that enable depository financial institutions to exchange ACH payments on a national basis.
Non Traditional Retailers	A person, company or organization authorized by FNS to accept food stamp benefits in exchange for eligible food items that does not operate like a normal retail enterprise. Usually this means that the retailer does not have access to a phone line or electricity at the point of sale and therefore is unable to use a standard POS device to authorize the transaction (e.g., farmers' markets and route vendors). Others, such as group homes, treatment centers, food cooperatives and communal dining facilities have special circumstances that require a variety of unique accommodations in order to continue FSP participation in the EBT environment.
NPA (Non-Public Assistance) Household	A food stamp household in which no one receives TANF or only some of the members receive TANF.

Term	Definition
NSF (Non-Sufficient Funds)	A condition that indicates insufficient funds in the Client's account for the Host to approve a transaction, which results in a denial.
ODFI (Originating Depository Financial Institution)	A participating financial institution that originates ACH credit and debit entries, at the request of, and by agreement with, its customers. These institutions must abide by the provisions of the NACHA Operating Rules and Guidelines.
On-Line	An EBT transaction in which authorization of individual purchases requires telecommunication between the POS/ATM and a central database in which data on account balances is maintained. Interactive as opposed to batch. Accessible via a computer (or terminal), rather than on paper or other medium.
OIG (Office of Investigator General)	The division within the HHSC responsible for monitoring benefit program integrity and investigating fraud.
Originator	An entity that has authorized an ODFI to initiate ACH credit or debit entries to the account of a receiver with an RDFI. In EBT, an Originator refers to the EBT Vendor when authorizing the Concentrator Bank (ODFI) to initiate credits to the Authorized Retailer Banks (RDFIs) or the Texas State Treasury when authorizing the state bank (ODFI) to initiate credits to the Concentrator Bank (RDFI).
PA (Public Assistance) Household	A Food Stamp household in which all members receive TANF or SSI and TANF.
PAN (Primary Account Number)	A number that identifies the Issuer and the cardholder, which is fully embossed and encoded on a card.
PMS (Payment Management System)	The grant payment system, operated by the HHS and utilized by the ACF and various federal agencies ordinarily through the ACH system, which provides funds the next business day following the day of funds request.
PIN (Personal Identification Number)	A four (4)-digit alphanumeric code selected by or assigned to the Client and used to verify identity of a cardholder when performing an on-line transaction at ATMs or POS terminals.

Term	Definition
PIN Pad	A device that enables the Client to enter a PIN at a POS or ATM terminal to initiate an EBT transaction.
Plucker	An electronic queuing system used by HHSC in which eligibility and case transactions are placed in a queue and processed in the order in which they were received.
Point-Of-Sale (POS) Terminal	A range of devices deployed at Authorized Retailers and used to initiate the electronic debit of Client accounts and credit to retailer accounts as a purchase is being made or credit to the client account and debit to the retailer account for a return.
Positive File	A file containing, at a minimum, the current balance for each active Client account. Depending on the specific system, it may also contain Client privileges, PINs, etc.
Posting Date	The date that a transaction in "posted," or reflected on an account.
Pre-notification (Prenote)	A zero-dollar entry sent through the ACH network by the ODFI to the Receiving Depository Financial Institution (RDFI). It contains the same information, with the exception of the dollar amount and transaction code, that will be carried on "live" entry and it allows the RDFI to verify the accuracy of the account data.
Presentment	Approval by Issuer of authorization requests and Settlement of that transaction.
Proposal	Binding offer submitted by a respondent in response to a Request for Offers (RFO).
Protective Payee	A person appointed by the HHSC to receive TANF benefits on behalf of the household or client.
Quality	The degree to which a system, component, process, or service meets a user's specified requirements and user's needs or expectations.
QUEST	Operating rules for interoperable EBT transactions, as developed by NACHA, the National Automated Clearing House Association.
QUEST Operating Rules	Set of rules developed by the NACHA Electronic Benefits and Services (EBS) Council that set forth the requirements for the distribution of government benefits under the Quest service mark.

Term	Definition
Quest Mark	The Quest design mark and such other service marks as may be adopted from time to time in accordance with the Quest Operating Rules.
RDFI (Receiving Depository Financial Institution)	Any financial institution qualified to receive ACH debit and credit entries through its regional ACH. All RDFIs agree to abide by the NACHA Operating Rules and Regulations.
Receipt	A hard copy description of an EBT transaction that took place at an ATM or POS terminal.
Receiver	An entity that has authorized an Originator/ODFI to initiate ACH credit or debit entries to the Receiver's account with an RDFI. In EBT, a Receiver refers to the Authorized Retailers, via the Retailers' banks, when receiving credits initiated by the Concentrator Bank (ODFI) or the EBT Vendor, via the Concentrator Bank, when receiving credits initiated by the state bank (RDFI).
Reconciliation	Activities in the EBT system for the: accountability for the movement of funds; complete balancing of all credits and debits in the system; reporting of transaction data; presence, proof and verification of audit trail(s); and validation of internal HHSC control.
REDE (Retailer EBT Data Exchange)	The automated exchange of retailer data between FNS and EBT processors for notification of additions, deletions, and changes affecting retailers participating in the Food Stamp Program.
Refund	The return of the value of a transaction to a customer.
Regulation E	The regulation, all amendments thereto and official interpretations thereof (12 CFR Part 205) promulgated by the Federal Reserve Board implementing Title IX (EFT Act enacted in 1978 by the Congress) of the Consumer Credit Protection Act. It establishes the basic rights, liabilities, and responsibilities of the consumers who use EFT services and financial institutions that offer these services. The regulation is intended to carry out the purposes of the Act, including, primarily, the protection of individuals engaging in EFT transactions. The Act dictates such requirements as mandated disclosures, receipt requirements, and dispute resolution time frames, etc.
Respondent	A Vendor responding to an RFO. See RFO.

Term	Definition
Retailer Agreement	A written agreement between a retailer and the entity designated by HHSC (e.g., an EBT Vendor) to participate in the EBT program. The agreement defines operational and legal relationships between the parties.
Retailer Bank	A financial institution designated by the Authorized Retailer for the purpose of EBT Settlement.
Return	A refund for the value of merchandise, originally purchased with EBT benefits, brought back by a customer for a credit from the retailer.
Reversal	A transaction, which revokes the full amount of a previously authorized transaction and contains data elements referencing the original transaction.
RFO (Request for Offer)	A solicitation for catalog information systems requesting the submittal of an offer in response to the required scope of services, including a cost proposal. Negotiations are allowed between Respondents and the issuing agency.
RPC (Remote Procedure Call)	Database query integrated with the main processing system.
SAVERR (System for Application, Verification, Eligibility, Referral and Reporting)	The computer system operated by the HHSC that maintains all Client- and Case-related data; records and maintains case actions and information; and produces Client notices. The system includes the Client database used by all other sub systems operated by the HHSC.
Settlement	The exchange of information that results in the transfer of funds from one entity to another to complete a financial transaction. In EBT, these include the flow of funds, via ACH, between the EBT Vendor/Concentrator Bank and Authorized Retailers/Retailer Banks; the U.S. Treasury/Federal Reserve and the Texas State Comptroller Treasury/State Bank; and the Texas State Comptroller Treasury/State Bank and the EBT Vendor/Concentrator Bank.
Settlement Day	The day on which Settlement occurs.

Term	Definition
SIMS (Systems Integration and Management Services)	HHSC staff responsible for planning, organizing, directing, and controlling all activities that are required to implement EBT-2. The SIMS unit is responsible for ensuring that the functional areas are integrated.
Smartlink	The front-end communication linkage to the Payment Management System (PMS).
SSI (Supplemental Security Income)	A needs-tested program administered by the Social Security Administration providing monthly income to aged, blind, and disabled individuals.
Staggered Issuance	The formula by which the HHSC issues Food Stamp benefits across each calendar month.
Stakeholders	Parties who have an interest in EBT programs.
STARS (Store Tracking and Redemptions Subsystem)	The FNS database of retailers participating in the Food Stamp Program. STARS supports FNS field offices, regional offices, and the national office to assure conformance to regulations by store.
State Auditor's Office	The agency responsible for monitoring compliance and accountability for the State of Texas under the Federal Single Audit Act.
State Bank	The financial institution that the Texas State Comptroller designates for the purpose of Settlement.
Store and Forward	Texas EBT Retailers may be certified for Store and Forward (Back-Up System) approvals an alternative to manual vouchers. Also known as 'standin' processing, retailers provide approvals during temporary outages and then submit these transactions electronically when online service is restored. Retailers assume the liability for denied and/or rejected Store and Forward transactions.
Subcontractor	Any person not in the employ of the contractor or any organization not owned by the contractor, performing work that is the responsibility of the contractor under a contract resulting from this RFO.

Term	Definition
Switch	A computer and associated software that allows completion of interchange transactions in an EFT Network. It keeps track of all transaction activity, the flow of funds among participants, and access to the network. It keeps track of all Issuers and sends their transactions to the proper Processor of each Issuer.
Switch Fee	The money paid to the Switch for its services. The term Interchange Fee is also used. The Switch Fee is a portion of the Interchange Fee.
System Certification	The point at which a system receives approval to move from the development to implementation phase.
TANF (Temporary Assistance for Needy Families)	A State-Federal public assistance program that issues cash benefits to eligible households with minor and dependent children. Eligibility is determined and benefits are issued by the state.
TBPC (Texas Building and Procurement Commission)	Agency commissioned to procure services and issue purchase orders for the State of Texas.
TCP/IP (Transmission Control Protocol / Internet Protocol)	TCP/IP (Transmission Control Protocol/Internet Protocol) is the basic communication language or protocol of the Internet. It can also be used as a communications protocol in a private network (either an intranet or an extranet). TCP/IP is a two-layer program. The higher layer, Transmission Control Protocol, manages the assembling of a message or file into smaller packets that are transmitted over the Internet and received by a TCP layer that reassembles the packets into the original message. The lower layer, Internet Protocol, handles the address part of each packet so that it gets to the right destination.
Texas Workforce Commission (TWC)	The state employment security agency that provides employers with assistance in locating employees, provides the public with assistance in locating employment, handling unemployment insurance and provides various special programs for target populations.

Term	Definition
Third Party Processor (TPP)	An entity, other than the EBT Vendor, that drives and maintains Authorized Retailer POS terminals, routes EBT transactions to the Host EBT System, and settles Authorized Retailer accounts.
TIERS (Texas Integrated Eligibility Redesign System)	The Texas Integrated Eligibility Redesign System (TIERS) is a multiyear project designed to create a state-of-the-art, web-based eligibility determination system for HHS programs. TIERS will provide HHS eligibility workers with a single, integrated system that will be used in delivering food, cash assistance, medical, and community care services to Texans in need. It also will support data sharing with 20 state agencies.
TPP Certification	A determination made through a series of tests concerning a Third Party Processor's (TPP's) fitness to participate in the Texas EBT Project and interface with the Host.
Triple DES Encryption (TDES)	The triple Data Encryption Standard (DES) algorithm is used with two or three randomly generated keys to protect the personal identification number (PIN) utilized by cardholders. The National Institute of Standards and Technology (NIST) recommends the Triple Data Encryption Algorithm (TDEA) at a minimum for the protection of Federal information.
Transaction	The set of input data that initiates a specific action, such as a debit or inquiry, in the EBT system. A type of computer processing in which the computer responds to user requests. Each request is considered to be a <i>transaction</i> . Automatic teller machines for banks are an example of transaction processing.
Transaction Audit Trail	Detailed record of a Transaction from origin to Settlement.
Transit/Routing (ABA) Number	A set of numbers, consisting of eight digits and a check number that identifies a specific financial institution.
UCC (Uniform Commercial Code)	A set of laws governing financial contracts adopted, with or without modification, by individual states. It is designed to provide some consistency among the states' commercial laws.
U.S. Treasury	The federal government's fiscal agent for establishing and managing federal accounts.

Appendix

Term	Definition
USDA (United States Department of Agriculture)	The cabinet level department, which oversees the Food Stamp Program.
Vendor	An entity that may be selected through state's procurement and solicitation process to perform EBT-related services.
Voice Authorization	An affirmative response to a Retailer request for approval of a Manual Voucher Transaction. This request is made via the EBT Help Desk.
Void	The cancellation of an erroneous transaction.
WIC (Women, Infants, and Children)	A federally funded program administered in Texas by the Department of State Health Services (DSHS) designed to provide food supplements for women, infants, and children.
Wire Transfer	The term that generally refers to large dollar, instantaneous, electronic funds transfers.

APPENDIX B: CASELOAD DATA*

HHSC Caseload Data Monthly State Totals

MONTH	FOOD STAMPS	TANF	MONTHLY TOTALS
November-05	1,185,726	76,926	1,262,652
October-05	1,154,742	76,536	1,231,278
September-05	1,078,848	75,666	1,154,514
August-05	957,090	75,570	1,032,660
July-05	943,696	75,403	1,019,099
June-05	934,101	79,129	1,013,230
May-05	930,988	79,639	1,010,627
April-05	935,335	81,861	1,017,196
March-05	940,879	84,177	1,025,056
February-05	945,355	87,278	1,032,633
January-05	954,349	92,851	1,047,200
December-04	954,591	95,131	1,049,722
November-04	950,349	96,933	1,047,282
October-04	942,432	98,863	1,041,295
September-04	934,712	98,736	1,033,448
August-04	924,304	99,736	1,024,040
July-04	907,643	97,744	1,005,387
June-04	893,344	96,841	990,185
May-04	881,053	99,204	980,257
April-04	877,616	99,756	977,372
March-04	876,348	103,453	979,801
February-04	868,285	106,047	974,332
January-04	865,045	112,306	977,351
December-03	852,905	115,192	968,097
November-03	850,416	117,703	968,119
October-03	851,300	122,937	974,237
September-03	839,949	119,761	959,710

Appendix

MONTH	FOOD STAMPS	TANF	MONTHLY TOTALS
August-03	817,168	140,100	957,268
July-03	792,704	137,725	930,429
June-03	761,083	136,840	897,923
May-03	737,432	136,336	873,768
April-03	723,404	134,776	858,180
March-03	714,571	135,387	849,958
February-03	708,424	136,876	845,300
January-03	712,511	139,203	851,714
December-02	702,108	138,946	841,054
November-02	693,071	138,002	831,073
October-02	656,324	138,263	794,587
September-02	627,717	134,206	761,923
August-02	613,924	131,964	745,888
July-02	602,974	130,323	733,297
June-02	595,040	129,405	724,445
May-02	591,415	129,794	721,209
April-02	584,395	130,960	715,355
March-02	581,561	132,436	713,997
February-02	578,638	134,028	712,666
January-02	580,705	136,035	716,740
December-01	571,718	134,434	706,152
November-01	570,718	133,286	704,004
October-01	557,704	133,180	690,884
September-01	540,559	128,481	669,040
August-01	537,045	127,338	664,383
July-01	525,886	125,234	651,120
June-01	518,702	123,874	642,576
May-01	513,339	124,075	637,414
April-01	508,247	124,324	632,571
March-01	507,730	126,071	633,801
February-01	505,994	128,379	634,373

MONTH	FOOD STAMPS	TANF	MONTHLY TOTALS
January-01	508,788	130,333	639,121

- Source: HHSC Center for Strategic Decision Support (Food Stamp and TANF Focus Reports)

HHSC Food Stamp households that are also receiving TANF:

MONTH	FOODSTAMP HOUSEHOLDS ALSO RECEIVING TANF
Jun-05	68,937
May-05	69,997
Apr-05	71,518
Mar-05	73,767
Feb-05	76,993
Jan-05	80,854
Dec-04	82,961
Nov-04	86,121
Oct-04	85,361
Sep-04	85,795

Source: HHSC Decision Support & Forecasting

APPENDIX C: FNS REGULATIONS

**United States Department of Agriculture
Food and Nutrition Service
7 CFR PARTS 272, 274, 276, 277 and 278**

**Information on the Food and Nutrition Service program is available on the Internet.
Refer to the following web sites for more details:**

<http://www.fns.usda.gov>

1. On the **Food, Nutrition, and Consumer Services** web page, click “Food and Nutrition Services.”
2. On the **Food and Nutrition Service** web page, click the following hypertext links to learn more about each FNS initiative:
 - Women Infants and Children Program/Farmers’ Market
 - Food Stamp Program
 - Electronic Benefits Transfer (EBT)

Full text of the FNS Regulations is available at the following web site:

<http://www.gpoaccess.gov/cfr/retrieve.html>

Lobbying

The vendor certifies, to the best of his or her knowledge and belief that;

1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the awarded vendor, to any person for influencing or attempting to influence an officer or employee of an agency, a member of Congress, an officer or employee of Congress, or an employee or 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.

2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing an officer or employee of any agency, a 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.

3) The vendor 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.

Suspension/Debarment

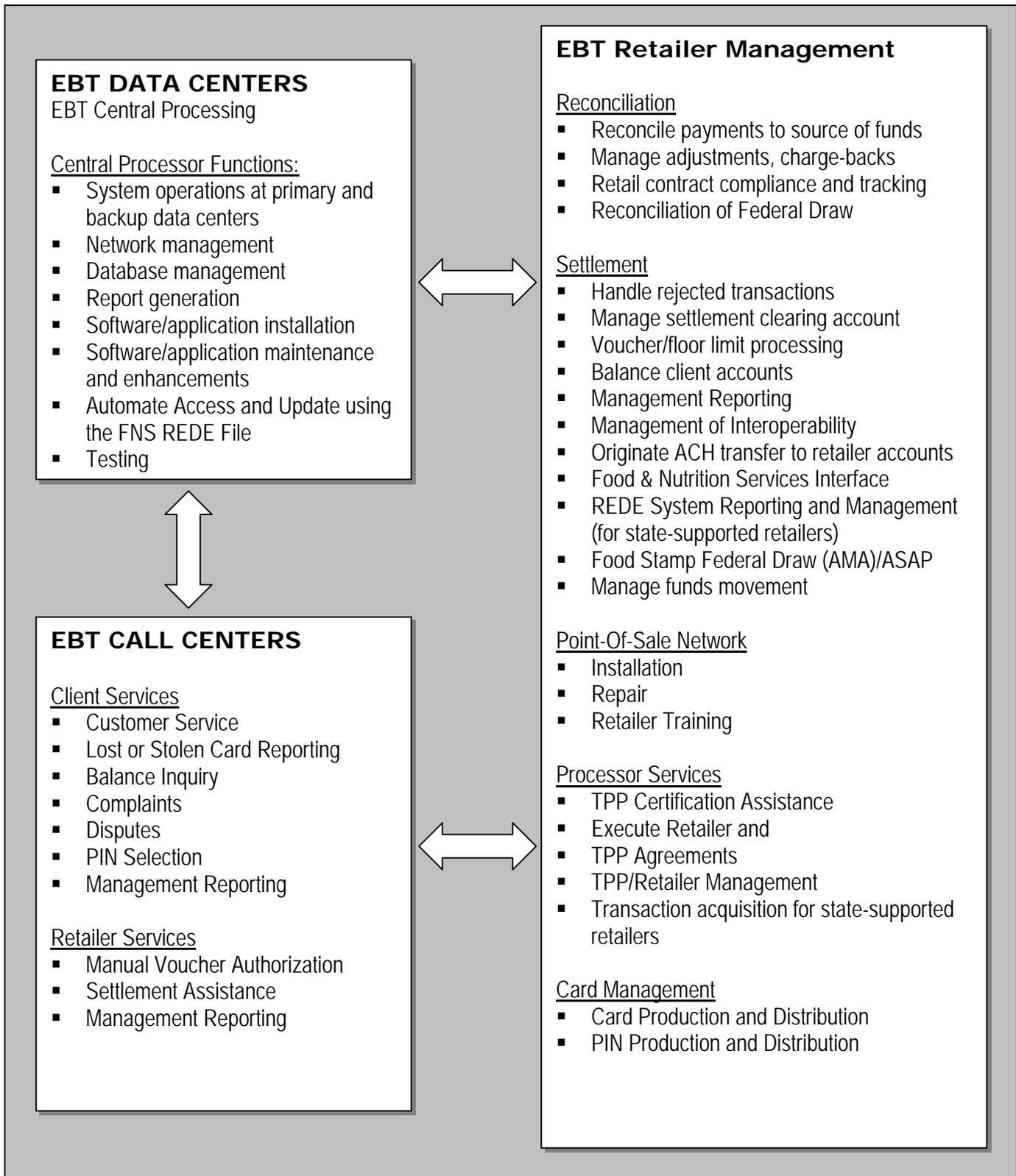
The grantee agrees to ensure that all contractors and/or subcontractors are neither excluded nor disqualified under the suspension and debarment rules found at 7 CFR Part 3017.300 by doing any of the following:
Checking the Excluded Parties List System (EPLS) at www.epls.gov.
Collecting a certification that the entity is neither excluded nor disqualified. Since a Federal certification form is no longer available, the contractor or subcontractor electing this method must devise its own form.
Including a clause to this effect in the sub-grant agreement; and in any procurement contract expected to equal or exceed \$25,000.

Drug Free Workplace (DFW) Rule

The vendor agrees to make (A) make a good faith effort, on a continuing basis to maintain a DFW (including taking specific actions described at 7 CFR Part 3021.200 through 3021.230); and (B) identify all workplace locations where work under the Federal award will be performed. Since Federal entities will no longer collect a paper certificate, this may include the following:

- Notifying all subcontractors and contractors of the Drug Free Workplace rules
- Making conforming changes to internal procedures, directives, training materials, etc
- Incorporating the new rules into subcontractors monitoring practices

APPENDIX D: TEXAS EBT FUNCTION DIAGRAMS



APPENDIX E: REPORTS

Required reports:

Monthly Reports:

Active Statewide Totals (Retailers and POS equipment);

Reconciliation Report (Manual vouchers, Floor Limits, Disputes and Adjustments by week;

Card and PIN issuance and Secondary Card Applications by week and

Call center performance statistics by day.

Daily Shipped Report (POS equipment shipments to State-supported retailers).

Incident Reports – Provide information on the cause, remediation and future risk avoidance plans for each instance of an outage or other adverse incident that affects Retailer Management operations.

Other Reports Provided by Respondent– Provide descriptions and frequency of other reports that will be provided to the State if the respondent is contracted to provide Retailer Manager Services to the State.

Cards & PINs -December 2005

Dailies		
Week of:	Cards	PINs
12/5/2005	6,312	203
12/12/2005	5,578	167
12/19/2005	4,453	406
12/26/2005	4,994	314
Total	21,337	1,090

Returns		
Week of:	Cards	PINs
12/5/2005	121	3
12/12/2005	311	4
12/19/2005	239	7
12/26/2005	278	36
Total	671	14

Office Orders			
Week of:	Cards	PINs	Non-Secure Orders
12/5/2005	0	0	0
12/12/2005	40,500	0	114
12/19/2005	0	0	0
12/26/2005	12,000	0	35
Total	52,500	0	149

Secondary Applications					
Week of:	Apps Received	Apps Processed	Ltrs Processed	Returned to DHS	App Requests
12/5/2005	16	13	3	0	9
12/12/2005	18	17	1	0	6
12/19/2005	10	8	2	0	11
12/26/2005	17	13	4	0	5
Total	61	51	10	0	31

Daily Shipped
2/3/2006

<u>State</u>	<u>FNS #</u>	<u>Retailer Name</u>	<u>City</u>	<u>Order Type</u>	<u>ProcessorID</u>	<u>Model</u>	<u>SerialNumber</u>	<u>Date Shipped</u>
<u>TX</u>	4707257		ODESSA	ERS	300720014048	ICE5500 ®	100001438115	2/2/06 2:15 pm
	6951805		HOUSTON	ERS	300720010785	ICE5500 ®	100001314148	2/2/06 2:22 pm
	5928826		DALLAS	ERS	300720017438	ICE5500 ®	100001438029	2/2/06 2:02 pm
	81531		ZAPATA	ERS	300720001743	ICE5500 ®	100001285246	2/2/06 2:11 pm
	8776938		HOUSTON	ERS	300720012104	ICE5500 ®	100001470419	2/2/06 4:33 pm
	9998322		ROBSTOWN	ERS	300720013023	ICE5500 ®	100001314690	2/2/06 2:28 pm
	55125		HOUSTON	ERS	300720020570	ICE5500 ®	100001631846	2/2/06 4:50 pm
	55125		HOUSTON	INITIAL INSTALL	300720020570	ICE5500 ®	100001631846	2/2/06 4:50 pm
	30767		HOUSTON	ADD	300720019989	ICE5500 ®	100004039959	2/2/06 2:04 pm
	30767		HOUSTON	ERS	300720019989	ICE5500 ®	100004039959	2/2/06 2:04 pm
	30767		HOUSTON	INITIAL INSTALL	300720019989	ICE5500 ®	100004039959	2/2/06 2:04 pm
	6116426		HOUSTON	ERS	300720018315	ICE5500 ®	100001667387	2/2/06 2:25 pm
	4613082		CLEVELAND	ERS	300720008988	ICE5500 ®	100001412653	2/2/06 2:09 pm
	2973162		WACO	ERS	300720005092	ICE5500 ®	100001835442	2/2/06 2:19 pm
	37943		HOUSTON	ADD	300720020040	S8 PIN PAD	100001611077	2/2/06 3:13 pm
	37943		HOUSTON	INITIAL INSTALL	300720020040	S8 PIN PAD	100001611077	2/2/06 3:13 pm
	2393808		EAGLE PASS	ERS	300720004177	ICE5500 ®	100001312152	2/2/06 4:30 pm
TX	Equipment Shipped:							<u>17</u>
	Total Equipment Shipped:							<u>17</u>

Appendix

Retailer Help Desk

Date	ACD Calls Recd	Total Calls Answered	Calls Answered (Target: > 85%)	Difference (+/-)	ACD Calls Answered (by Rep)	Total Calls Logged	Calls Logged (Target: > 90%)	Difference (+/-)	ACD Calls Abandoned (> 45 seconds)	Calls Abandoned (Target: < 15%)	Difference (+/-)
1/1/2006	44	43	97.73%	12.73%	38	36	94.74%	4.74%	0	0.00%	-15.00%
1/2/2006	142	136	95.77%	10.77%	126	95	75.40%	-14.60%	2	1.41%	-13.59%
1/3/2006	153	144	94.12%	9.12%	134	129	96.27%	6.27%	1	0.65%	-14.35%
1/4/2006	155	142	91.61%	6.61%	122	126	103.28%	13.28%	3	1.94%	-13.06%
1/5/2006	135	128	94.81%	9.81%	112	107	95.54%	5.54%	0	0.00%	-15.00%
1/6/2006	144	130	90.28%	5.28%	123	114	92.68%	2.68%	8	5.56%	-9.44%
1/7/2006	133	126	94.74%	9.74%	114	108	94.74%	4.74%	1	0.75%	-14.25%
1/8/2006	116	108	93.10%	8.10%	97	74	76.29%	-13.71%	2	1.72%	-13.28%
1/9/2006	233	209	89.70%	4.70%	184	177	96.20%	6.20%	9	3.86%	-11.14%
1/10/2006	188	172	91.49%	6.49%	162	143	88.27%	-1.73%	1	0.53%	-14.47%
1/11/2006	229	220	96.07%	11.07%	205	189	92.20%	2.20%	0	0.00%	-15.00%
1/12/2006	178	162	91.01%	6.01%	149	140	93.96%	3.96%	5	2.81%	-12.19%
1/13/2006	169	153	90.53%	5.53%	138	129	93.48%	3.48%	5	2.96%	-12.04%
1/14/2006	138	132	95.65%	10.65%	106	94	88.68%	-1.32%	0	0.00%	-15.00%
1/15/2006	107	104	97.20%	12.20%	93	82	88.17%	-1.83%	1	0.93%	-14.07%
1/16/2006	178	162	91.01%	6.01%	143	142	99.30%	9.30%	1	0.56%	-14.44%
1/17/2006	314	258	82.17%	-2.83%	252	196	77.78%	-12.22%	42	13.38%	-1.62%
1/18/2006	184	167	90.76%	5.76%	151	151	100.00%	10.00%	2	1.09%	-13.91%
1/19/2006	156	145	92.95%	7.95%	130	119	91.54%	1.54%	6	3.85%	-11.15%
1/20/2006	168	151	89.88%	4.88%	133	129	96.99%	6.99%	7	4.17%	-10.83%
1/21/2006	92	80	86.96%	1.96%	74	61	82.43%	-7.57%	1	1.09%	-13.91%
1/22/2006	59	55	93.22%	8.22%	40	34	85.00%	-5.00%	1	1.69%	-13.31%
1/23/2006	174	161	92.53%	7.53%	151	145	96.03%	6.03%	1	0.57%	-14.43%
1/24/2006	106	96	90.57%	5.57%	88	84	95.45%	5.45%	1	0.94%	-14.06%
1/25/2006	101	94	93.07%	8.07%	86	83	96.51%	6.51%	0	0.00%	-15.00%
1/26/2006	58	54	93.10%	8.10%	51	48	94.12%	4.12%	0	0.00%	-15.00%
1/27/2006	73	68	93.15%	8.15%	64	53	82.81%	-7.19%	2	2.74%	-12.26%
1/28/2006	44	40	90.91%	5.91%	37	32	86.49%	-3.51%	1	2.27%	-12.73%
1/29/2006	17	17	100.00%	15.00%	17	14	82.35%	-7.65%	0	0.00%	-15.00%
1/30/2006											
1/31/2006											
Monthly Totals	3988	3657	91.70%	6.70%	3320	3034	91.39%	1.39%	103	2.58%	-12.42%

Active Statewide Totals

ACS Retailers as of 1/31/2006

<i>Retailer Type</i>	<i># of Active ACS Retailers</i>	<i># of State Supplied Terminals</i>
Direct Connect	7,021	7,725
Courtesy	373	435
Voucher	149	3
Cash Only	5	8
Total:	7,548	8,171

Database Totals as of 1/31/2006

Direct Connect	7,021
New Retailer	229
Third Party	3,839
Voucher	149
Total FNS	11,238

PIN Pad Totals as of 1/31/2006

	Active	Total
Pin Pads -	276	329
Pin Pads - Direct	2,820	4,133
Total PIN	3,096	4,462

Leased Equipment as of 1/31/2006

Total Retailers	370
Total Terminals	446
Total PIN	365

Commercial Terminals as of

Commercial 75

Reconciliation - January 2006 TEXAS

Manual Vouchers					
Week of:	# Received	# Settled	# Settled	# Returned	
		Manual	Electronically	Vouchers	Letters
1/2/06-1/6/06	0	0	0	0	0
1/9/06-1/13/06	35	33	0	2	2
1/16/06-1/20/06	53	40	8	3	5
1/23/06-1/27/06	113	104	5	4	2
1/30/06-1/31/06					
Total January 2006	201	177	13	9	9

Floor Limits / Liabilities		
Week of:	# of Adjustments	\$ Amount
1/2/06-1/6/06	0	\$ -
1/9/06-1/13/06	0	\$ -
1/16/06-1/20/06	0	\$ -
1/23/06-1/27/06	0	\$ -
1/30/06-1/31/06	0	\$ -
Total January 2006	0	\$ -

Dispute Tickets		
Week of:	Client	Retailer
1/2/06-1/6/06	144	105
1/9/06-1/13/06	132	124
1/16/06-1/20/06	116	165
1/23/06-1/27/06	100	57
1/30/06-1/31/06		
Total January 2006	492	451

Adjustments		
Week of:	#	Amount
1/2/06-1/6/06	87	\$ 7,353.08
1/9/06-1/13/06	731	\$ 20,610.35
1/16/06-1/20/06	201	\$ 12,362.63
1/23/06-1/27/06	126	\$ 6,995.40
1/30/06-1/31/06		
Total January 2006	1,145	\$ 47,321.46

Interoperability

REQUEST FOR ADVANCE OR REIMBURSEMENT <i>(See instructions on back)</i>		OMB APPROVAL NO. <p style="text-align: center; font-weight: bold;">0348-0004</p>		PAGE <u>1</u> OF <u>1</u> PAGES	
		1. TYPE OF PAYMENT REQUESTED a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT b. "X" the applicable box <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL		2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST	
6. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST			
		FROM (month day year)		TO (month day year)	
9. RECIPIENT ORGANIZATION Name: Number and Street: City, State and ZIP Code:		10. PAYEE (Where check is to be sent if different than item 9) Name: Number and Street: City, State and ZIP Code:			
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED					
PROGRAMS/FUNCTIONS/ACTIVITIES ▶		(a)	(b)	(c)	TOTAL
a. Total program outlays to date <i>(As of date)</i>		\$	\$	\$	\$
b. Less: Cumulative program income					
c. Net program outlays (Line a minus line b)					
d. Estimated net cash outlays for advance period					
e. Total (Sum of lines c & d)					
f. Non-Federal share of amount on line e					
g. Federal share of amount on line e					
h. Federal payments previously requested					
i. Federal share now requested (Line g minus line h)					
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances		1st month			
		2nd month			
		3rd month			
12. ALTERNATE COMPUTATION FOR ADVANCES ONLY					
a. Estimated Federal cash outlays that will be made during period covered by the advance				\$	
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period					
c. Amount requested (Line a minus line b)				\$	
AUTHORIZED FOR LOCAL REPRODUCTION		(Continued on Reverse)		STANDARD FORM 270 (Rev. 7-97) Prescribed by OMB Circulars A-102 and A-110	

APPENDIX F: EBT SETTLEMENT AND RECONCILIATION PROCESS

Day 1:

Note: All times listed are for the Central Time Zone.

No later than:

- 2:30 p.m.: Vendor performs EBT System cutoff of daily transaction totals.
- 3:30 pm.: Vendor faxes Food Stamp and TANF transaction totals to HHSC Fiscal Division and to the Treasury Division of the State Comptroller. Current vendor initiates the request for Food Stamp funds via the Federal Reserve's ASAP system and faxes a copy of the fund request to HHSC Fiscal.
- These settlement figures include those transaction from 2:30 p.m. the previous day to 2:30 p.m. this day except on Monday. Monday's settlement figures include the period from 2:30 p.m. on Friday to 2:30 p.m. on Monday. When Monday is a federal holiday, the following Tuesday's settlement figures include the period from 2:30 p.m. on Friday to 2:30 p.m. on Tuesday.
- HHSC-Fiscal-General Ledger Accounting verifies that the ASAP funds draw equals the Settlement Statement for the total amount of food stamps and distributes copies of the Settlement Statement and ASAP draw print screen to the appropriate personnel (Cash Control for preparation of the purchase voucher and Cash Management for preparation of the TANF draw request, deposit slip and journal entries).
- 4:00 p.m.: Treasury Division of the State Comptroller initiates PMS request to draw down the federal share of TANF (if requested by HHSC Fiscal Cash Management) to be sent to the state's designated financial institution.
- If the 4:00 p.m. attempt is unsuccessful for any unforeseen reason, the Treasury Division will initiate the request by 10:30 a.m. the next morning. This delay could very possibly cause serious settlement problems if a sufficient cash balance is not already in that appropriation.
- 4:00 p.m.: HHSC-Fiscal-Cash Control faxes a copy of the preliminary purchase voucher for TANF only to the Treasury Division and the Payments Processing Division of the State Comptroller.
- Same day vendor sends an ACH credit file to the Concentrator Bank to originate ACH credits.

DAY 2:

No later than:

- 8:30 a.m.; HHSC-Fiscal-Cash Management creates the deposit slip for federal TANF money and faxes the deposit slip and request for funds if HHSC requires a draw of federal funds, to the Treasury Division. HHSC-Fiscal-Cash Management enters the deposit voucher into USAS (State Comptroller's Uniform Statewide Accounting System) sometime on this day, along with the journal voucher transferring the funds from the unappropriated appropriation into the paying appropriation.
- 7:45 a.m.: HHSC-Fiscal-General Ledger Accounting accesses the vendor's system via the Administrative Terminal (AT) and prints the following reports:
 1. EBT Account Activity Report (FIN002)
 2. Money Movement Activity Report (FIN006)
 3. Money Movement Summary Report (FIN021)
 4. Daily Benefits Rejection Report (OPR003)
 5. Error Adjustments Reports (if no blank – FIN008)

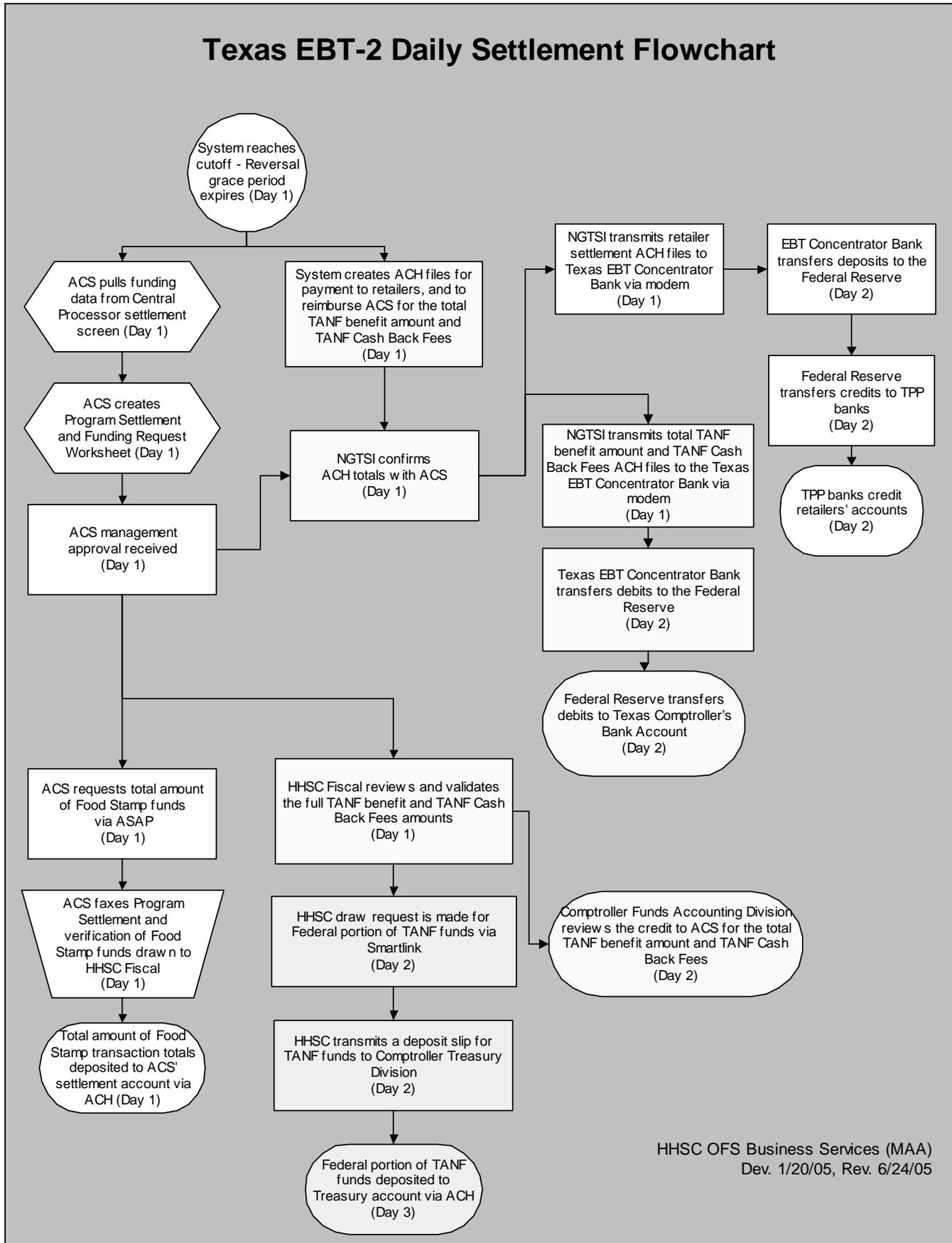
Some of these reports are used in the reconciliation process as detailed below and for the preparation of the complete TANF purchase voucher.

- First, HHSC-Fiscal-General Ledger Accounting reconciles the Money Movement Activity Report (FIN006) and the Money Movement Summary Report (FIN021) to the Settlement Statement received on Day 1.
- On the FIN006 report:
 1. Verify that the grand total on the last page of the Food Stamp section equals the total food stamps on the Settlement Statement.
 2. Verify that the grand total on the last page of the TANF section equals the total for TANF on the Settlement Statement.
- On the FIN021 report:
 1. Add all the state Fiscal Year Totals (STFY Total) on the last page of the food stamps section and verify that this equals the total food stamps on the Settlement Statement.
 2. Add all the state Fiscal Year Totals (STFY Total) on the last page of the TANF section and verify that this equals the total TANF on the Settlement Statement.
- After completing reconciliation, HHSC-Fiscal General Ledger Accounting gives a copy of the FIN006 and FIN021 reports to HHSC-Fiscal-Cash Control so they can complete the TANF purchase voucher.
- By 8:30 a.m.: Treasury Division receives Bank of America electronic report that the ACH credit is received in the state's account for the federal share of the TANF money requested from the prior business day.
- By 8:30 and 10:00 a.m.: Treasury Division submits the deposit voucher for the TANF funds received and verifies with the Payments.
- 9:00 a.m.: HHSC draw request if made for Federal Portion of TANF funds via Smartlink.
- HHSC transmits a deposit slip for TANF funds to Comptroller Treasury Division.

Day 3:

- Federal portion of TANF funds deposited to Treasury accounts via ACH.

Texas EBT-2 Daily Settlement Flowchart



HHSC OFS Business Services (MAA)
Dev. 1/20/05, Rev. 6/24/05

APPENDIX G: CURRENT POINT-OF-SALE ENVIRONMENT

I. POS Terminal Hardware

- All supplied POS terminals are Hypercom devices. These terminals handle all Texas EBT benefit programs.
- Hypercom model ICE 5500 (includes modem; thermal printer; swipe reader)
- Hypercom PinPad Model S-8

II. POS Terminal Communication Functions

- POS terminal communication functions for direct connect POS support:
- Establishment of the communication link via a specialized communications number
- Error-free and in-sequence exchange of messages between terminal and the Host
- Operation of POS terminals connected to a remote controller
- Full or partial downloading of POS configuration and control programs
- The Hypercom operating system uses standard protocol required by the Texas EBT system. Additional support options include ISO 7816 for future smart card use.

III. Implementation and Performance Issues – All Supplied Terminals

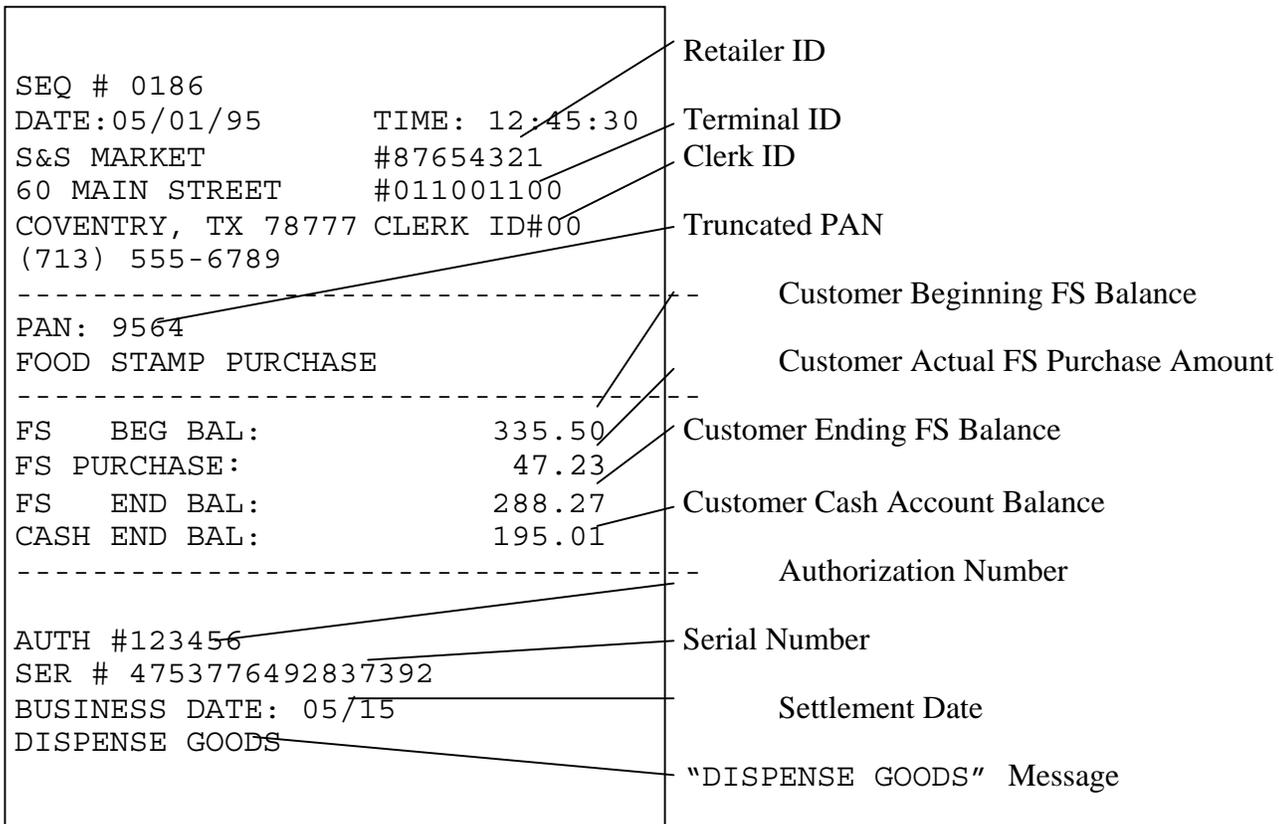
- The ICE 5500 FastPOS modem; 9600 bps, 2400, 1200, 300 bps – V.29, V.22bis, V.22, V.21, synchronous (SDLC) and asynchronous.
- LCD display – 160 x 80 pixel graphics with backlight.
- Keypad – membrane – 12 keys, water-resistant.
- Memory – RAM 1 MB standard, 1.5. MB optional with RAM backup 5 year battery.
- Printer – Thermal, 576 dots per line; 2.28 in/58 mm wide, 1.97 in/50 mm diameter paper roll.
- Card reader – Magnetic stripe, Track 1,2,3; Tracks 1,2 or Tracks 2,3 standards; JIS tracks optional.
- Small footprint – Dimensions 10.0 in x 5.18 in x 2.5 in/25.4 cm x 13.2 cm x 6.35 cm
- Security – Physical – Intrusion detector & secure CPU

APPENDIX H: EBT THIRD PARTY PROCESSORS

PROCESSOR	LOCATION	PHONE NUMBER	MAJOR RETAILER(S)
PayPoint	221 South Figueroa Street Los Angeles, CA 90012	(800) 557-2978	Albertsons, Wal-Mart
BuyPass Corporation	360 Interstate North Parkway, Suite 400 Atlanta, GA 30339	(800) 352-3429	Gulf Coast Grocers Supply Members, Wal-Mart
Concord Computing	1713 Carmen Drive Elk Grove, IL 60007	(847) 593-2044	Tom Thumb, Randals, Super S
Fifth Third	38 Fountain Squire Plaza Cincinnati, Ohio 45263	(513) 579-5300	Kroger, Walgreens
Pay By Touch	San Francisco, CA	(415) 281-2200	State supported POS
eFunds	16363 Ryerson New Berlin, WI 53151	(800) 634-7435 ext. 3800	Interoperability – Texas card shopping out of state, non-Texas card shopping in Texas
Brookshire's Grocery (Self Processor)	1600 SW Loop 323 Tyler, TX 75701	(903) 534-3156	Brookshire's Grocery
HEB (Self Processor)	464 South Main Street San Antonio, TX 78204	(210) 246-7175	HEB Grocery

APPENDIX I: EBT-2 TRANSACTION RECEIPT LAYOUTS

Authorized Purchase Receipt



Unauthorized Purchase Receipt

SEQ # 0186			Retailer ID
DATE: 05/01/95	TIME: 12:45:30		
S&S MARKET	#87654321		Terminal ID
60 MAIN STREET	#011001100		Clerk ID
COVENTRY, TX 78777	CLERK ID#00		
(713) 555-6789			
-----			Customer Beginning FS Balance
PAN: 9564			
FOOD STAMP PURCHASE			Customer Actual FS Purchase Amount (\$0)

FS BEG BAL:	23.22		Customer Ending FS Balance
FS PURCHASE:	00.00		
FS END BAL:	23.22		Customer Cash Account Balance
CASH END BAL:	195.01		

SER # 4753776492837392			Serial Number
REASON FOR DENIAL: INSUFFICIENT FUNDS			Reason for Denial
DO NOT DISPENSE GOODS			"DO NOT DISPENSE GOODS"Msg

APPENDIX J: LONE STAR TECHNOLOGY CHANGE MANAGEMENT PLAN

I. INTRODUCTION

This Change Management Plan describes the process that the Lone Star Technology (LST) follows for managing changes associated with the EBT-2 system.

A. Purpose

The purpose of this plan is to provide a description of the formal change process that LST uses with its EBT-2 vendors. This plan allows proposed changes to be evaluated, facilitates the efficient implementation of changes, provides a history of proposed and accepted changes, improves communication regarding changes, and minimizes disruptions to the project and environment.

B. Scope

All changes will be tracked through the change management process described in this plan. This process addresses all types of changes, which are defined as corrections, enhancements, modifications, additions, and replacements to software, hardware, network, infrastructure, policies, procedures, training, management, facilities, or vendors, whether or not the change directly impacts (positively or negatively) EBT stakeholders, including retailers, clients, state or HBOs, or any EBT-2 vendor. In addition, this process may also be used to address any activity that requires additional costs, contract modifications, or amendments to the way TDHS does business, as well as changes to state or federal policies, regulations, or statutes.

This plan defines the LST change management process, which includes the following steps:

- proposing changes
- communicating changes to impacted parties
- assessing/testing changes, including estimating the associated costs
- planning for the implementation of changes
- prioritizing and scheduling changes
- documenting changes
- approving changes

The change management procedures in this plan are designed to address all changes that materialize during current operations as well as during the implementation of new programs under the EBT-2 contracts. New program integrations and other high-impact changes will also require preliminary and final approval from the LST Change Management Board. Any changes to the EBT-2 system, hardware, software, data, operational procedures or processes must be approved by LST. LST also evaluates and establishes priorities for all changes.

In the event of emergency situations, the EBT-2 Vendor may not be able to follow the change management process in its entirety. In these cases, the EBT-2 Vendor will act as deemed necessary to support essential EBT-2 operations with appropriate efforts to contact LST personnel; however, notification and review of the emergency change will be conducted as soon as possible and comprehensive documentation will follow.

The change management process at times intersects the problem management process, which is documented in the Problem Management Plan.

II. ROLES AND RESPONSIBILITIES

A. EBT-2 Vendor Responsibilities

The EBT-2 Vendor Change Manager manages the vendor change management team. As the vendor Change Manager, this person is responsible for monitoring the progress of each change through the entire process. The vendor Change Manager is responsible for the following specific tasks:

- Assigning a vendor tracking number to change requests and matching to LST change request number
- Coordinating assessment/testing of the change, including estimation of the associated costs, and documenting the results
- Communicating the potential change to all impacted parties
- Documenting the implementation methods and requirements
- Coordinating and documenting the proposed implementation date/window
- Completing appropriate change management forms

- Coordinating approval of the change from LST and all impacted parties
- Maintaining a change management history
- Reviewing the Change Management Plan annually and providing assistance in updating the plan as needed throughout the life of the EBT-2 project

Other EBT-2 Vendor Change Management Team members share responsibilities in the change management process, including the Project Manager, the section leads, subcontractors, other EBT-2 vendors, and the TDHS SIMS Unit. These team members assist as appropriate in documenting, assessing, testing, scheduling, approving, and implementing changes.

B. LST Responsibilities

The LST Change Manager (SIMS Manager) leads the LST Change Management Team. As the LST Change Manager, this person is responsible for monitoring the progress of each change through the entire LST process. The LST Change Manager is responsible for ensuring the completion of the following specific tasks:

- Assigning an LST change number to change requests
- Assigning an LST project lead to the change request
- Routing change request through the LST Change Advisory Board and to the LST Change Board
- Providing written request for estimate/proposal for change
- Communicating the potential change to all impacted parties via a Project Alert
- Documenting requirements for change
- Coordinating and documenting the proposed implementation date/window
- Completing appropriate change management forms
- Coordinating approval of the change from LST Change Board
- Acknowledging completion of a change and authorization for payment, if billable
- Maintaining a change management history
- Reviewing the EBT-2 Vendor Change Management Plan annually and updating the plan as needed throughout the life of the EBT-2 project

Other LST Change Management Team members share responsibilities in the change management process, including Project Leads, SIMS Leads, operations, business development, contracts and budget. These team members assist as appropriate in documenting, assessing, prioritizing, testing, scheduling, approving, and implementing changes.

III. CHANGE MANAGEMENT PROCESS

A. Overview

The change process begins with an EBT stakeholder making a request for a change or enhancement to the Texas EBT-2 system, processes or procedures. The process ends with implementation and evaluation of the change to the system, processes or procedures. If a change request is denied, then the process ends with the documented decision not to implement the change.

The following is a high-level description of the LST change process:

Change Initiation

- Change Request Submitted
- LST Change Board Initial Review
- Internal LST Stakeholder Meetings
- Vendor consultation (optional)
- External Stakeholder Meeting
- Posting and notification of Project Plan
- Project notification broadcasts
- HHSC Project Filter Board Review (if necessary)
- Project Alert
- Project Requirements (PRD)
- Vendor Proposal/Quote
- Change Request Authorization (LST Change Board authorization to start development)

Change Development

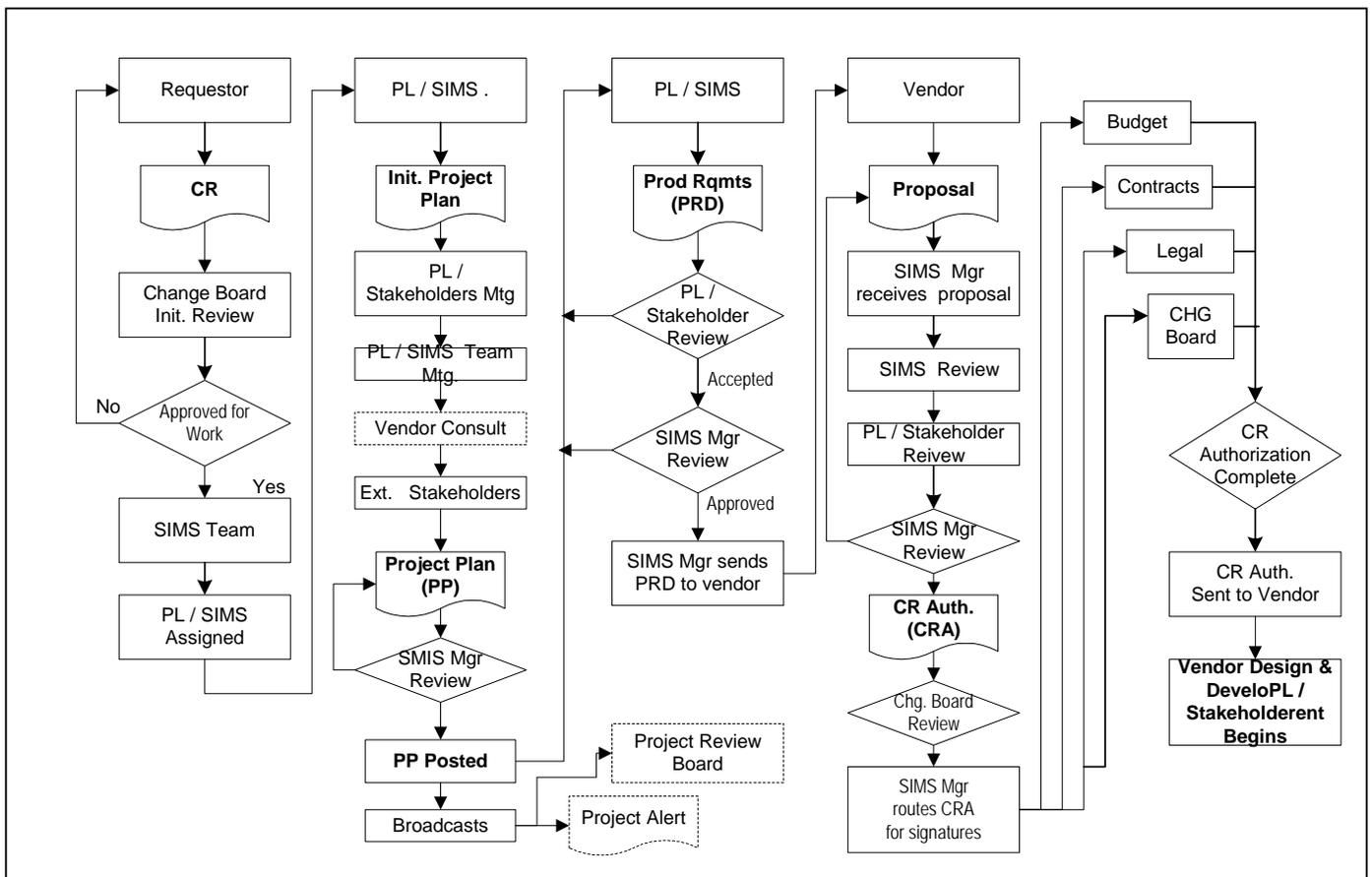
- Vendor Develops Design Document
- LST SIMS and Project Lead approve the vendor Design Document
- Vendor begins development/work
- Vendor Unit Testing
- Joint Testing (Vendor & LST SIMS)
- Federal Acceptance Testing if required

- Implementation Approval
- Implementation
- Acknowledgement of completion

Change Evaluation

- Evaluation Criteria is analyzed by LST Project Lead (PL)
- PL gathers feedback from stakeholders
- PL documents project evaluation results

B. Change Initiation Process



1. Change Request Submitted

The formal change process begins when a Change Request (CR) is submitted to LST in paper or electronic form capturing the basic description of the change. Some proposed changes enter the change management process through the problem management process. The TDHS SIMS

Manager may initiate other changes, particularly high-impact changes such as new program integration. The LST Change Manager assigns a change management number to the change and inserts the CR number into the change management form. (See the Appendix for the established change management form.)

2. Change Board Initial Review

The Change Manager will present changes to the Change Board for initial review and request approval to initiate project. Once approval is received, a project manager is assigned and an initial project plan is developed.

3. Internal Stakeholders Meeting

The Project Lead (PL) will setup an Internal Stakeholders meeting to review change requests and request input on change requests being reviewed. This meeting provides an opportunity to gather input from internal stakeholder on proposed changes. From this meeting the following should be identified for each change request being reviewed:

- Identification of impacted external stakeholders
- Goals, purpose and benefits of implementing change
- Possible policy, rules and handbook issues and strategies for overcoming issues
- Potential risks and risk mitigation strategies
- Integration considerations and strategies for external interfaces and processes

The PL may call these meeting on an ad-hoc basis or establish a regular schedule. The PL will invite appropriate staff including systems integration, policy, budget, contracts, operations, and other key stakeholders to participate in the internal stakeholders meeting. Other LST resources may be included as appropriate.

4. SIMS / PL Meeting

The Project Lead will have a meeting with the appropriate SIMS Lead to discuss project plan, stakeholder requirements, technical solution options and identification of any technical limitations. The PL and the SIMS lead will determine if there is need to schedule a vendor conference.

5. Vendor Consultation Meeting

The Project Lead and the SIMS Lead may determine that a consultation meeting with a vendor and/or vendor subcontractor to discuss the technical and functional aspects of a particular project. The purpose of this meeting is to provide an opportunity for the vendor to provide early input into the development of the project by providing solution options and identifying technical considerations. This is an optional meeting that the SIMS Manager will request and setup between the PL, SIMS Lead, SIMS manager and vendor team members.

6. External Stakeholders Meeting

The Project Lead will setup and lead a meeting to present the proposed project and gather input from external stakeholders. This is the official meeting with external stakeholders prior to finalizing the project plan. Note that the external stakeholders may be contacted on an individual as needed basis in developing the preliminary project plan.

7. Project Plan

The LST project lead will finalize and post the project plan to the LST Intranet server and then send a broadcast to internal stakeholders that the Project Plan has been posted. The primary purpose of the project plan is to describe the goals, purpose and timelines for the project. Based upon the complexity of the project, the project plan may also include business level requirements, interfaces, timelines, potential contracts or agreements that may be necessary, related regulations, mandates, standards, potential risks and risk mitigation strategies.

8. Project Alert

The LST project lead will issue a project alert to all project stakeholders. The timing for this notification is up to the discretion of the project lead based on the requirements of the project.

9. Agency Project Filter Board Review (if necessary)

For projects that may have a TIERS/SAVERR impact or impact to other agency areas, projects may require submittal to the HHSC project filter board. The HHSC filter board will assist in coordinating the project across various areas and/or departments of HHSC. If a project requires agency filter

board approval, then the LST project will follow appropriate protocols and processes for communication and approvals.

10. Project Requirements

The SIMS Lead is responsible for developing the Project Requirements Document (PRD), which will clarify the project by defining functional, procedural, interface and technical requirements for the project. The PRD will also identify any implementation constraints or considerations that must be considered. The SIMS Lead is responsible for working with the PL, SIMS Manager, and stakeholders in considering solution options. The SIMS lead may consult with vendor resources for preliminary feedback on the project. The PRD is the official primary document by which the goals, purpose and expected outcomes are communicated to the vendor for the project. Note that the PRD's level of detail may vary based on the nature of each project.

The SIMS Lead must meet with the PL to get consensus on the proposed PRD. If there are unresolved issues with the PRD, the SIMS Manager will be contacted to resolve the issues.

The SIMS Manager is responsible for sending the vendor the official PRD and requesting the corresponding vendor proposal.

11. Vendor Proposal

The vendor assesses the PRD and develops a vendor Proposal/Quote for the change. The EBT-2 Vendor may coordinate the development of the proposal with appropriate approved subcontractors.

12. LST Review of Vendor Proposal/Quote

After a vendor Proposal/Quote is received by the SIMS Manager, the SIMS Manager will request feedback on the proposal from the SIMS Lead, the PL, budget and contracts and other stakeholders as appropriate.

13. LST Change Board Approval

The LST internal change board will review the change request, consider stakeholder (e.g. TDH, OIG, OAG, other states, etc.) input and then make the decision to approve or reject the CR for

further evaluation. The change board may also choose to place the request on hold until a later specified time. If a CR is approved, then a LST project lead is assigned and will manage the project throughout the change management process.

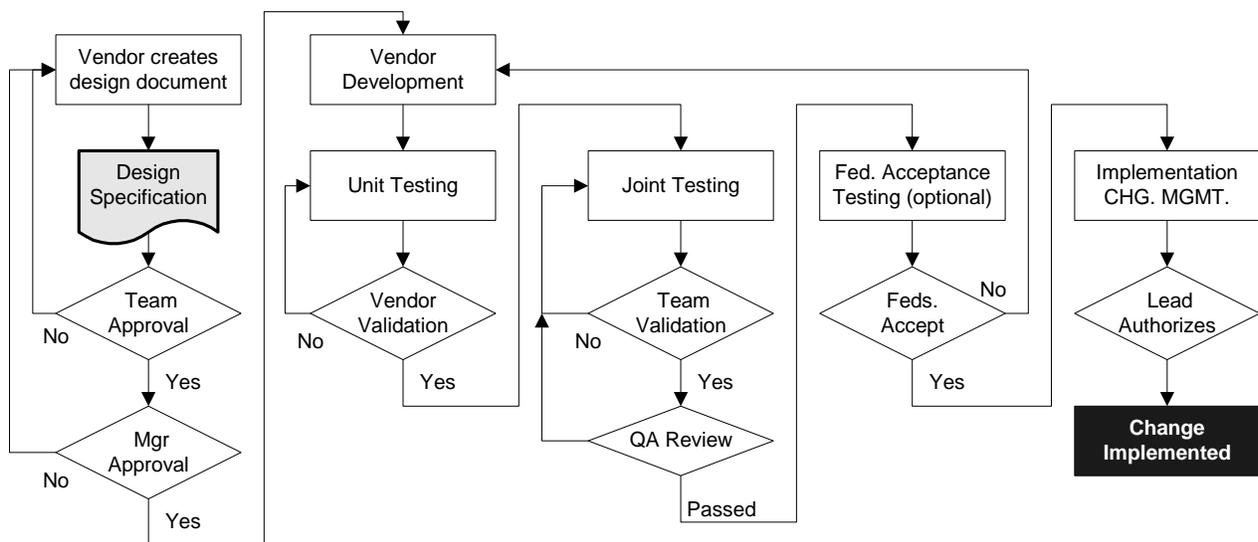
The Change Board will also be responsible for assessing and setting priorities for changes requests.

The membership of the LST Change Board is dynamic based on the needs of the department as accessed by the LST Director. The LST Change Board is composed of the LST Director and any other members appointed by the LST Director. Note that the board may consist of only the LST Director.

14. Change Request Authorization

If LST Change Board approves the Proposal, the Change Manager will route a Change Request Authorization (CRA) form for signatures within LST. The Change Manager will then provide a signed Change Request Authorization to the EBT-2 Vendor which grants the vendor authorization to start development.

C. Change Design & Development



1. Vendor Develops Design Document

A designed document is required for all major development projects unless the LST SIMS Manager waives this requirement in writing.

2. Design Document Approval

The LST SIMS Lead, the LST Project Lead and the LST SIMS Manager must approve and accept the design document in writing. If the design document is not approved, the Vendor will make the necessary changes and resubmit the design document for approval.

3. Vendor begins development/work

Vendor begins development after the LST SIMS Manager approves the design document. If there is a needed variance in the design, then the change must be approved by LST SIMS Manager prior to the development of the change.

4. Vendor Unit Testing

The EBT-2 Vendor is responsible for unit testing of all development changes prior to Joint Testing.

5. Joint Testing

Joint Testing will be coordinated by the vendor Project Manager and the SIMS Lead. The LST Quality Manager will validate all changes. The SIMS Lead is responsible for notifying LST Project Lead of the status and results of joint testing. Depending on the project the LST Project Lead may request to be involved in Joint Testing if appropriate.

6. Quality Review

After successful joint testing, but before implementation, the vendor will facilitate a quality review of software, hardware, interfaces and processes associated with a change. An independent evaluator should complete the quality review. The quality review methodology and results must be presented to and accepted by the SIMS Lead and SIMS Manager.

7. Federal Acceptance Testing if required

For major changes to the EBT-2 system, federal acceptance testing may be required. The appropriate LST SIMS Lead(s) will be responsible for coordination of vendor resources via the vendor project manager, LST resources and federal partner resources.

8. Implementation Approval

When a change is ready for implementation, the vendor Change Manager will provide completed change management form to the SIMS Lead. This form authorizes the vendor to implement the change. This form will include at least the following: a description of the change being implemented, the date and time for implementation and back-out procedures. The SIMS Lead will notify the Project Lead that a change is ready for implementation. The SIMS Lead and the Project Lead will agree upon and set the implementation date based upon implementation considerations identified in the PRD.

9. Implementation

After the appropriate LST Lead has signed the change management form (CIA form, see section IV.H), then the vendor is authorized to implement the change at the time designated. The vendor will coordinate the implementation date with the SIMS Lead. If problems arise which prevent implementation from occurring at the designated time, the vendor will notify the SIMS lead. Written notification (i.e. email) should also be provided to the SIMS lead for successful implementation as well. The SIMS Lead will then notify the Change Manager and the Project Lead of the success or failure of implementation of the change.

10. Acknowledgement of Completion

Upon validation of completion of a change, the SIMS Manager will sign the bottom of the Change Request Authorization form acknowledging that the change has been completed and is accepted. This signature indicates that the change is complete and is eligible for payment, if billable.

D. Project Evaluation

1. Evaluation Criteria is analyzed by LST Project Lead (PL)

After a change has been implemented, the LST Project Lead will evaluate the success/effectiveness of the change based upon the evaluation criteria identified in the Business Requirements Document for the project.

2. PM gathers feedback from stakeholders

The LST PL is responsible for gathering feedback from stakeholders as to the success of meeting the previously identified needs and requirements.

3. PL documents project evaluation results

The LST PL will document evaluation of a change based upon the evaluation criteria and feedback from affected stakeholders. Based upon this evaluation, the LST PL may submit a new Change Request to made further improvements to the implemented change.

IV. Key Documents

A. Change Request (CR)

The Change Request is the initial request for a change, enhancement or identification of a problem. LST has a standard change request form that captures the basic details of the request. However, a change request may be submitted to LST by email, phone, executive mandate, etc. When a new change request is received, the LST Change Manager assigns a CR number and adds the item to the CR Log. The LST Change Manager files the Change Request and the CR log in a central repository that is available to all LST staff. A copy of a change request form is included in the Appendix section A.

B. Project Plan (PP)

The project lead is responsible for developing the Project Plan, which captures the high-level functional requirements and goals for the change requestor and affected stakeholders. The project manager will work closely with the Business Development team to develop the functional

requirements for new business projects. This document should identify the primary purpose and goals, stakeholders, specific high-level functional requirements, identify interfaces with other systems, user interface requirements, risks, regulations, assumptions and any scheduling requirements. This document will provide the foundation for information used to develop the Project Requirements Document.

The Project Lead will gather the needed resources from all areas of the department to develop the Project Plan. The Project Plan will be reviewed and accepted by the project the SIMS team and the SIMS Manager. Upon completion, the project plan will be posted and a notification will be sent to internal stakeholders.

C. Project Alert

The Project Alert is primarily a tool for communicating to all stakeholders about a new project that is starting. The Project Lead is responsible for filling out the Project Alert and requesting approval from the Change Manager to distribute the Project Alert. If a project affects SAVERR or TIERS, it must be sent to the DHS Project Filter Board via the LST liaison to the board. The Project alert should include: the goals and objectives of a project, schedule requirements/deadlines, regulations, and general business requirements for the project.

D. Project Requirements Document (PRD)

The PRD defines the goals and objectives of a change, stating the interests of the stakeholders/customers, and clearly defining any specific business requirements for the project. The PRD will also identify the desired implementation date and any related milestones that are required for the change. The PRD is the vehicle for LST to request a proposal/quote from a vendor or vendors for a potential change.

E. Vendor Proposal

The vendor will evaluate and assess the change based upon the PRD. The vendor may develop the proposal with its approved subcontractors. The proposal must include: the solution proposal, pricing details by function for each vendor and/or subcontractor, hardware costs and proposed timelines for design, development, testing and implementation of the change. The vendor will submit the proposal to the LST Change Manager for approval. LST may request further details as necessary.

F. Change Request Authorization (CRA) Form

When the LST team (SIMS Lead, Project Lead and Change Manager) accepts a proposal, then the LST Change Manager will route a Change Request Authorization (CRA) form for signatures. Note: prior to routing the CRA, LST contracts will provide contract citation for inclusion on the form. The CRA is routed for signature from the Budget, Contracts, Project Lead, SIMS Lead and the SIMS Manager/Change Manager. Final signature is required from the LST Change Board (LST Director). The signed CRA form will be provided by LST to the vendor stating the approved pricing, schedule and any other special considerations for development, testing and implementation.

After a change is completed, has been validated by SIMS, the SIMS Manager will sign the acknowledgement of completion on the bottom of the CRA form. This signature indicates that the change is complete and is eligible for payment, if billable.

G. Design Document

A design document describes the vendor implementation plan for the approved vendor proposal. The design document should include detailed descriptions of creation or modification of user interfaces, database scripts (SQRs, SQT's, etc.), stored procedures, remote procedure calls, database tables, reports, data files, processes and/or procedures. The design document must be delivered to the LST SIMS Lead prior to commencement of development. For small or simple projects, the Change Manager may waive the requirement for a design document.

H. Change Implementation Authorization (CIA) Form

The Change Implementation Authorization (CIA) form authorizes the implementation of a change to software, hardware, data or operational procedures to the production environment. (See Section III.C.7-8 for procedural details)

V. Change Management Plan - Appendix

Example forms only. These forms will be updated periodically by LST as needed.

A. LST Change Request Form

EBT-2 CHANGE REQUEST AUTHORIZATION					
GENERAL INFORMATION					
CR#: 03-000025	ITS#: 2003-00447	Requestor: Name	Priority: High	Date Submitted: 06/11/2003	Due Date: 7/25/2003
Change Title:	Title				
Change Description:	Description...				
Reason for Change:					
Affected Areas:	<input type="checkbox"/> Engines <input type="checkbox"/> Database <input type="checkbox"/> GTMS <input type="checkbox"/> Operations <input type="checkbox"/> NCRPM <input type="checkbox"/> ATA <input type="checkbox"/> Other				
Special Requirements:					
Comments:					
Contract References:					
APPROVAL					
Approval Date: 6/19/2003	Hours Maximum: 0	Expense Maximum: \$0			
Signatures					
<i>All signatures must be dated.</i>					
LSTD Change Board:	LSTD SIMS Manager:	LSTD SIMS:			
LSTD Project Manager:	LSTD Contract:	LSTD Budget:			
Vendor Rep: NGTSI		TDHS Legal:			
COMPLETION					
<i>Signature acknowledges the completion and acceptance of change. Signature required for payment.</i>		SIMS Integration Manager			
Lone Star Technology Department 06.11.2003		Change Request Authorization		Form Date:	

B. Change Request Authorization (CRA) Form

EBT-2 CHANGE REQUEST AUTHORIZATION					
GENERAL INFORMATION					
CR#: 03-000025	ITS#: 2003-00447	Requestor: Name	Priority: High	Date Submitted: 06/11/2003	Due Date: 7/25/2003
Change Title:		Title			
Change Description:		Description...			
Reason for Change:					
Affected Areas:		<input type="checkbox"/> Engines <input type="checkbox"/> Database <input type="checkbox"/> GTMS <input type="checkbox"/> Operations <input type="checkbox"/> NCRPM <input type="checkbox"/> ATA <input type="checkbox"/> Other			
Special Requirements:					
Comments:					
Contract References:					
APPROVAL					
Approval Date: 6/19/2003		Hours Maximum: 0		Expense Maximum: \$0	
Signatures					
<i>All signatures must be dated.</i>					
LSTD Change Board:		LSTD SIMS Manager:		LSTD SIMS:	
LSTD Project Manager:		LSTD Contract:		LSTD Budget:	
Vendor Rep: NGTSI				TDHS Legal:	
COMPLETION					
<i>Signature acknowledges the completion and acceptance of change. Signature required for payment.</i>		SIMS Integration Manager			
Lone Star Technology Department 06.11.2003		Change Request Authorization		Form Date:	