

**CONTRACT #12**  
**RFS # 345.30.980-06**  
**FA # 06-16773**

**Human Services**

**VENDOR:**  
**J.P. Morgan Electronic**  
**Financial Services, Inc.**



**STATE OF TENNESSEE  
DEPARTMENT OF HUMAN SERVICES**

CITIZENS PLAZA BUILDING  
400 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1403

TELEPHONE: 615-313-4700 FAX: 615-741-4165  
TTY: 1-800-270-1349  
[www.state.tn.us/humanserv/](http://www.state.tn.us/humanserv/)

**PHIL BREDESEN**  
GOVERNOR

**VIRGINIA T. LODGE**  
COMMISSIONER

April 29, 2009

Mr. Larry Scroggs, Chief Administrative Officer  
Memphis and Shelby County Juvenile Court  
616 Adams Ave.  
Memphis, TN 38105

**RECEIVED**

APR 30 2009

**FISCAL REVIEW**

Dear Mr. Scroggs:

Accompanying this letter is your Contract between the Department of Human Services and Memphis and Shelby County Juvenile Court. Your efforts to expedite the signature process will ensure continued services by the Court. Please print six (6) copies and return the signed documents as quickly as possible to the address listed below:

Tennessee Department of Human Services  
Attn: Charles Bryson  
400 Deaderick St.  
Citizens Plaza Building, 12<sup>th</sup> Floor  
Nashville, TN 37243

Once the documents are signed and approved by all appropriate state officials, an original copy of each will be returned to you for your records. Please feel free to contact Assistant Commissioner Mike Adams at (615) 313-4712 or via e-mail at [Mike.Adams@tn.gov](mailto:Mike.Adams@tn.gov) for any additional information necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Virginia T. Lodge".

Virginia T. Lodge  
Commissioner

Attachment

c: Mike Adams, Assistant Commissioner, Child Support Services  
Jeff Roberts, Assistant Commissioner, Finance and Administration

Supplemental Documentation Required for  
Fiscal Review Committee

*Contact Name:	Jeff Roberts	*Contact Phone:	313-4705		
*Contract Number:	FA 06-16773	*RFS Number:	345.30-980-06		
*Original Contract Begin Date:	May 15, 2006	*Current End Date:	February 29, 2012		
Current Request Amendment Number: <i>(if applicable)</i>	01				
Proposed Amendment Effective Date: <i>(if applicable)</i>	July 1, 2009				
*Department Submitting:	Human Services				
*Division:	Adult and Family Services				
*Date Submitted:	April 30, 2009				
*Submitted Within Sixty (60) days: <i>If not, explain:</i>	Yes N/A				
*Contract Vendor Name:	J.P. Morgan Electronic Financial Services, Inc.				
*Current Maximum Liability:	\$45,269,438				
<b>*Current Contract Allocation by Fiscal Year:</b> <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>					
<b>FY: 2006</b>	<b>FY: 2007</b>	<b>FY: 2008</b>	<b>FY: 2009</b>	<b>FY: 2010</b>	<b>FY: 2011</b>
\$1,039,857	\$8,193,737	\$7,998,342	\$7,932,632	\$7,726,520	\$7,431,027
<b>FY: 2012</b>					
\$4,947,323					
<b>*Current Total Expenditures by Fiscal Year of Contract:</b> <i>(attach backup documentation from STARS or FDAS report)</i> STARS Documentation attached.					
<b>FY: 2006</b>	<b>FY: 2007</b>	<b>FY: 2008</b>	<b>FY: 2009</b> <small>(amt. pd. to date)</small>	<b>FY</b>	<b>FY</b>
\$921,896	\$6,944,670	\$6,123,379	\$4,911,957	\$	\$
<b>IF</b> Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:			The allocation for this contract is greater than expenditures because caseload growth was lower than initial estimates. Surplus State funds reverted to the general fund to meet over appropriation requirements.		
<b>IF</b> surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:			N/A		
<b>IF</b> Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:			N/A		

Supplemental Documentation Required for  
Fiscal Review Committee

<p><b>*Contract Funding Source/Amount:</b> (amounts indicated reflect new amounts to be effected by this amendment)</p>	<p>State:</p>	<p>\$36,151,144.58</p>	<p>Federal:</p>	<p>\$29,460,970.42</p>
<p>Interdepartmental:</p>		<p>\$0.00</p>	<p>Other:</p>	<p>\$0.00</p>
<p>If "other" please define:</p>				
<p>Dates of All Previous Amendments or Revisions: <i>(if applicable)</i></p>		<p>Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i></p>		
<p>Not Applicable</p>				
<p>Method of Original Award: <i>(if applicable)</i></p>		<p>Request for Proposals</p>		
<p>Include a detailed breakdown of the actual expenditures anticipated in each year of the contract. Include specific line items, source of funding, and disposition of any excess fund. <i>(if applicable)</i></p>		<p>This contract is paid off a single line item in our budget, object code 08.</p>		
<p>Include a detailed breakdown, in dollars, of any savings that the department anticipates will result from this contract. Include, at a minimum, reduction in positions, reduction in equipment costs, reduction in travel. <i>(if applicable)</i></p>		<p>The Department anticipates annual savings of \$300,000, \$150,000 of which will be state dollars.</p>		
<p>Include a detailed analysis, in dollars, of the cost of obtaining this service through the proposed contract as compared to other options. <i>(if applicable)</i></p>		<p>N/A</p>		

**CURRENT TOTAL EXPENDITURES  
BY FISCAL YEAR**

CONTRACT NUMBER	VENDOR NAME	05-06 AMOUNT PAID	06-07 AMOUNT PAID	07-08 AMOUNT PAID	08-09 AMOUNT PAID TO DATE
FA0616773	J P MORGAN ELECTRONIC FINANCIAL SERVICES	\$921,895.58	\$6,944,670.20	\$6,123,379.19	\$4,911,956.69

**NON-COMPETITIVE AMENDMENT REQUEST:**

APPROVED

Commissioner of Finance &amp; Administration

1) RFS #	34530-00410	
2) Procuring Agency :	Department of Human Services	
<b>EXISTING CONTRACT INFORMATION</b>		
3) Service Caption :	Electronic Benefit Transfer Services	
4) Contractor :	J.P. Morgan Electronic Financial Services, Inc.	
5) Contract #	FA 06-16773	
6) Contract Start Date :	May 15, 2006	
7) CURRENT Contract End Date : (if ALL options to extend the contract are exercised)	February 29, 2012	
8) CURRENT Maximum Cost : (if ALL options to extend the contract are exercised)	\$ 45,269,438	
<b>PROPOSED AMENDMENT INFORMATION</b>		
9) Amendment #	01	
10) Amendment Effective Date : (attached explanation required if < 60 days after F&A receipt)	July 1, 2009	
11) PROPOSED Contract End Date : (if ALL options to extend the contract are exercised)	February 28, 2015	
12) PROPOSED Maximum Cost : (if ALL options to extend the contract are exercised)	\$ 65,612,115	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
The purpose of the subject amendment is to secure rate reductions that will save the State approximately \$300,000 per year. These reductions are identified on page 167 of the State Budget document supplement.		
15) Explanation of Need for the Proposed Amendment :		
In consideration of the State extending the contract for three years, the Vendor will reduce the current rate structure. This reduction in rates will save the State approximately \$300,000 per year.		
16) Name & Address of Contractor's Current Principal Owner(s) : (not required for a TN state education institution)		
J.P. Morgan Electronic Financial Services, Inc. 300 South Riverside Plaza, 18 <sup>th</sup> Floor Chicago, IL 60606		
17) Office for Information Resources Endorsement : (required for information technology service; n/a to THDA) <b>[NEEDED?]</b>		
Documentation is ... <input checked="" type="checkbox"/> Not Applicable to this Request <input type="checkbox"/> Attached to this Request		

**18) eHealth Initiative Endorsement :** (required for health-related professional, pharmaceutical, laboratory, or imaging service)Documentation is ...  **Not Applicable to this Request**  **Attached to this Request****19) Department of Human Resources Endorsement :** (required for state employees training service)Documentation is ...  **Not Applicable to this Request**  **Attached to this Request****20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :**

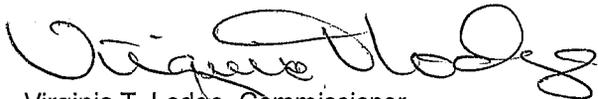
The Department of Human Services has examined recent bids for these services from other Southeastern states and concluded that the reduced prices being offered by the Vendor are very competitive to the bids received by other states. With the newly revised rates, those offered to Tennessee by the Vendor will be the lowest in the Southeastern states. Therefore, the Department desires to effect the subject contract amendment.

**21) Justification for the Proposed Non-Competitive Amendment :**

Refer to # 15 above.

**AGENCY HEAD SIGNATURE & DATE :**

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

  
Virginia T. Lodge, Commissioner

4/30/09

# CONTRACT SUMMARY SHEET

121107

RFS #		Contract #	
345.30-980-06		FA-06-16773-01	
State Agency		State Agency Division	
DEPARTMENT OF HUMAN SERVICES		FAMILY ASSISTANCE SERVICES	
Contractor Name		Contractor ID # (FEIN or SSN)	
J.P. MORGAN ELECTRONIC FINANCIAL SERVICES, INC.		<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- V136190676-00	
Service Description			
ELECTRONIC BENEFITS TRANSFER			
Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
May 15, 2006	February 28, 2015	VENDOR	N/A
Mark Each TRUE Statement			
<input checked="" type="checkbox"/> Contractor is on STARS		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts	
Allotment Code	Cost Center	Object Code	Fund
345.30	138 & 139	083	11
Funding Grant Code		Funding Subgrant Code	
N/A		N/A	
FY	State	Federal	Interdepartmental
2006	\$675,907.05	\$363,949.95	\$0.00
2007	\$5,033,429.05	\$3,160,307.95	\$0.00
2008	\$4,321,422.30	\$3,676,919.70	\$0.00
2009	\$4,278,710.80	\$3,653,921.20	\$0.00
2010	\$3,929,320.80	\$3,347,199.20	\$0.00
2011	\$3,850,754.58	\$3,280,272.42	\$0.00
2012	\$3,834,000.00	\$3,266,000.00	\$0.00
2013	\$3,834,000.00	\$3,266,000.00	\$0.00
2014	\$3,834,000.00	\$3,266,000.00	\$0.00
2015	\$2,559,600.00	\$2,180,400.00	\$0.00
<b>TOTAL:</b>	<b>\$36,151,144.58</b>	<b>\$29,460,970.42</b>	<b>\$0.00</b>
State Agency Fiscal Contact & Telephone #		Funding Grant Code	
Rick Brown 400 Deaderick Street, Citizens Plaza Building - 11th Floor, Nashville, TN 37248 (615)313-5382		N/A	
State Agency Budget Officer Approval		Funding Subgrant Code	
Jeffrey W. Roberts April 30, 2009		N/A	
Funding Certification (certification required by T.C.A. § 9-2-5113 that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)			
[REDACTED]			
COMPLETE FOR AMENDMENTS ONLY		State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	State Agency Fiscal Contact & Telephone #
2006	\$1,039,857.00	\$0.00	Rick Brown 400 Deaderick Street, Citizens Plaza Building - 11th Floor, Nashville, TN 37248 (615)313-5382
2007	\$8,193,737.00	\$0.00	
2008	\$7,998,342.00	\$0.00	
2009	\$7,932,632.00	\$0.00	
2010	\$7,726,520.00	(\$450,000.00)	
2011	\$7,431,027.00	(\$300,000.00)	
2012	\$4,947,323.00	\$2,152,677.00	
2013	\$0.00	\$7,100,000.00	
2014	\$0.00	\$7,100,000.00	
2015	\$0.00	\$4,740,000.00	
<b>TOTAL:</b>	<b>\$45,269,438.00</b>	<b>\$20,342,677.00</b>	
End Date	February 29, 2012	February 28, 2015	
Contractor Ownership (complete for ALL base contracts - N/A to amendments or delegated authorities)			
<input type="checkbox"/> African American <input type="checkbox"/> Person w/ Disability <input type="checkbox"/> Hispanic <input type="checkbox"/> Small Business <input checked="" type="checkbox"/> NOT minority/disadvantaged <input type="checkbox"/> Asian <input type="checkbox"/> Female <input type="checkbox"/> Native American			
Contractor Selection Method (complete for ALL base contracts - N/A to amendments or delegated authorities)			
<input checked="" type="checkbox"/> RFP <input type="checkbox"/> Competitive Negotiation * <input type="checkbox"/> Alternative Competitive Method * <input type="checkbox"/> Non-Competitive Negotiation * <input type="checkbox"/> Negotiation w/ Government (e.g., ID, GG, GU)			
Procurement Process Summary (complete for selection by Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)			

**AMENDMENT ONE  
TO FA 06-16773**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Human Services, hereinafter referred to as the "State" and J.P. Morgan Electronic Financial Services, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The following provision is added as Contract Section A.74.f.:

A.74.f. The Contractor shall provide Info Manager to support the State's anti-fraud efforts through historical data mining. This functionality shall allow specific State users to create reports and gather detailed information from EBT Food Stamp and Cash accounts up to five (5) years in the past, limited by the actual data converted from the previous processor.

2. The text of Contract Section B.1. is deleted in its entirety and replaced with the following:

B.1. Contract Term. This Contract shall be effective for the period commencing on May 15, 2006 and ending on February 28, 2015.

3. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Sixty-five Million Six Hundred Twelve Thousand One Hundred Fifteen Dollars and No Cents (\$65,612,115.00). The Service Rates in Section C.3. shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

4. The text of Contract Section C.3. is deleted in its entirety and replaced with the following:

C.3. Payment Methodology. The Contractor shall be compensated based on the Service Rates authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A. The Contractor shall be compensated based upon the following Service Rates after the "Transition of Services" date:

**Cost Per Case Month—Food Stamp Only**

<b>Volume</b>	<b>3/1/07- 2/29/08</b>	<b>3/1/08- 12/31/08</b>	<b>1/1/09- 12/31/09</b>	<b>1/1/10- 12/31/10</b>	<b>1/1/11- 12/31/11</b>	<b>1/1/12- 12/31/12</b>	<b>1/1/13- 12/31/13</b>	<b>1/1/14- 12/31/14</b>	<b>1/1/15- 2/28/15</b>
≤280,000	\$1.31	\$1.27	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
280,001- 290,000	\$1.29	\$1.25	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
290,001- 300,000	\$1.27	\$1.23	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
300,001- 310,000	\$1.25	\$1.21	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
310,001- 320,000	\$1.23	\$1.19	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
320,001- 330,000	\$1.21	\$1.17	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
330,001- 340,000	\$1.19	\$1.15	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
340,001- 350,000	\$1.17	\$1.13	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
350,001- 360,000	\$1.16	\$1.12	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
360,001- 370,000	\$1.15	\$1.11	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89
≥370,001	\$1.15	\$1.11	\$0.95	\$0.93	\$0.91	\$0.89	\$0.89	\$0.89	\$0.89

**Cost Per Case Month—TANF Only**

<b>Volume</b>	<b>3/1/07- 2/29/08</b>	<b>3/1/08- 12/31/08</b>	<b>1/1/09- 12/31/09</b>	<b>1/1/10- 12/31/10</b>	<b>1/1/11- 12/31/11</b>	<b>1/1/12- 12/31/12</b>	<b>1/1/13- 12/31/13</b>	<b>1/1/14- 12/31/14</b>	<b>1/1/15- 2/28/15</b>
≤4,000	\$0.85	\$0.85	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
4,001- 5,000	\$0.83	\$0.83	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
5,001- 7,000	\$0.81	\$0.81	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
7,001- 8,000	\$0.79	\$0.79	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
8,001- 9,000	\$0.77	\$0.77	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
9,001- 10,000	\$0.75	\$0.75	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
10,001- 12,000	\$0.73	\$0.73	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
12,001- 14,000	\$0.71	\$0.71	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
14,001- 16,000	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
≥16,001	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69

Item	3/1/07- 2/29/08	3/1/08- 12/31/08	1/1/09- 12/31/09	1/1/10- 12/31/10	1/1/11- 12/31/11	1/1/12- 12/31/12	1/1/13- 12/31/13	1/1/14- 12/31/14	1/15/15- 2/28/15
<b>Ad Hoc Reports (any possible service)—Hourly Rate</b>	\$125 Per Hour	\$125 Per Hour	---	---	---	---	---	---	---
<b>Monthly Info Manager Rate for Each Active Food Stamp or Food Stamp &amp; TANF Combined Case</b>	---	---	\$0.022	\$0.022	\$0.022	\$0.022	\$0.022	\$0.022	\$0.022

**Cost Per Case Month—Food Stamp and TANF Combined**

Volume	3/1/07- 2/29/08	3/1/08- 12/31/08	1/1/09- 12/31/09	1/1/10- 12/31/10	1/1/11- 12/31/11	1/1/12- 12/31/12	1/1/13- 12/31/13	1/1/14- 12/31/14	1/1/15- 2/28/15
≤20,000	\$1.80	\$1.64	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
20,001-30,000	\$1.78	\$1.62	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
30,001-40,000	\$1.76	\$1.60	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
40,001-50,000	\$1.74	\$1.58	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
50,001-60,000	\$1.72	\$1.56	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
60,001-70,000	\$1.70	\$1.54	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
70,001-80,000	\$1.68	\$1.52	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
80,001-90,000	\$1.66	\$1.50	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
90,001-100,000	\$1.64	\$1.48	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
≥100,001	\$1.64	\$1.48	\$1.39	\$1.37	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35

The Contractor shall apply any credits associated with the reduced rates reflected in the above payment tables to the July 2009 invoice.

**Cost Per Case Month—Child Care Time and Attendance**

<b>Volume</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
≤18,000	\$2.60	\$2.60	\$2.60	\$2.60	\$2.60
18,001-19,000	\$2.58	\$2.58	\$2.58	\$2.58	\$2.58
19,001-20,000	\$2.56	\$2.56	\$2.56	\$2.56	\$2.56
20,001-30,000	\$2.54	\$2.54	\$2.54	\$2.54	\$2.54
30,001-40,000	\$2.52	\$2.52	\$2.52	\$2.52	\$2.52
40,001-50,000	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
50,001-60,000	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48
60,001-70,000	\$2.46	\$2.46	\$2.46	\$2.46	\$2.46
70,001-80,000	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44
≥80,001	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44

**Monthly Cost of Additional Contractor Provided POS Devices(s)—  
Child Care Time and Attendance Tracking**

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
\$22.50 per device				

**One Time Cost of Moving Call Center from Overseas Operation to Stateside Operation**  
(Reference Section A.93)  
\$50,000.00

The Contractor's compensation shall be contingent upon the satisfactory completion of services as defined in the Scope of Services section of this contract. The State shall make monthly payments to the Contractor for services rendered during the previous calendar month. The Contractor shall prepare an invoice for services rendered following the last business day of each calendar month being billed. The invoice must be provided to the state within Thirty (30) calendar days and must be accompanied by supporting documentation that substantiates each individual line item on the bill. At minimum, the monthly billing should contain the following:

- Report period. (month/year)
- Previous amount due/payments received.
- As applicable, billable start-up costs.
- Number of active EBT accounts within each category.
- Applicable CPCM for active EBT accounts within each category.
- Total CPCM pricing. (total of active EBT accounts times the CPCM)
- A total of the fees paid to retailers performing cash withdrawals on commercial POS terminals.
- A list of the fee for services provided and total cost.
- Payphone surcharges.
- Total amount due.

In the event that the State terminates this Contract for convenience pursuant to Section D.3. prior to February 28, 2015, the State will pay the Contractor a termination fee. Said termination fee shall be paid to the Contractor in an amount equal to the difference between the payment table, as amended in C.3. above, and the higher payment table that was in effect prior to the Effective Date of this amendment retroactive from the date of termination to that Effective Date.

5. The text of Contract Section E.2. is deleted in its entirety and replaced with the following:

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Richard Dobbs  
Department of Human Services  
400 Deaderick Street  
Citizens Plaza Building-12<sup>th</sup> Floor  
Nashville, TN 37243-1403  
Telephone Number: (615) 313-5652  
Fax Number: (615) 313-6639

The Contractor:

John R. Simeone, Vice President  
J.P. Morgan Electronic Financial Services, Inc.  
10430 Highland Manor Dr.-5<sup>th</sup> Floor  
Tampa, FL 33610  
Telephone Number: (813) 432-4710  
Fax Number: (813) 432-4798

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

The revisions set forth herein shall be effective July 1, 2009. All other terms and conditions not expressly amended herein shall remain in full force and effect.

**IN WITNESS WHEREOF,**

**J.P. MORGAN ELECTRONIC FINANCIAL SERVICES, INC.:**

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**JOHN R. SIMEONE, VICE PRESIDENT**

**DATE**

**DEPARTMENT OF HUMAN SERVICES:**

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**VIRGINIA T. LODGE, COMMISSIONER**

**DATE**



CONTRACT  
BETWEEN THE STATE OF TENNESSEE,  
Department of Human Services  
AND  
J.P. MORGAN ELECTRONIC FINANCIAL SERVICES INC.

This Contract, by and between the State of Tennessee, Department of Human Services (DHS), hereinafter referred to as the "State" and J.P. MORGAN ELECTRONIC FINANCIAL SERVICES, INC., hereinafter referred to as the "Contractor," is for the provision of Electronic Benefit Transfer (EBT) services for the State's Food Stamp and Public Assistance (TANF) programs, as further defined in the "SCOPE OF SERVICES."

The Contractor is A FOR-PROFIT CORPORATION. The Contractor's address is:

300 SOUTH RIVERSIDE PLAZA; 18<sup>TH</sup> FLOOR  
CHICAGO, IL 60606

The Contractor's place of incorporation or organization is NEW YORK.

A. Scope of Services.

- A.1 For the period beginning May 15, 2006 and ending February 28, 2007, the Contractor shall provide EBT services in accordance with the terms and conditions governing the provision of services and compensation for same in the previous contract between the Parties. The Contract, numbered FA 97-12461, Appendices and Amendments to the Contract are incorporated herein by reference, and attached hereto as Attachment A. Beginning March 1, 2007, the Contractor shall provide Electronic Benefit Transfer (EBT) services for Food Stamp and TANF (Temporary Assistance for Needy Families) cash benefits, also referred to as Core Services, as well as services for Child Care Time and Attendance, utilizing the same magnetic stripe EBT card, and in accordance with the succeeding paragraphs in this Contract.
- A.2. Project Work Plan. The Contractor shall provide a preliminary Project Work Plan that shall address, at a minimum, a schedule of all tasks and deliverables required through the project as agreed upon by the Contractor and State. The plan shall identify the individual tasks and deliverables by project phase (e.g., Design Phase, Development Phase, and Transition Phase). This Project Work Plan shall identify all critical path and dependency tasks and delineate the responsibilities of the Contractor, the State, and Federal agencies. The sub-plans listed below in this Section will be required for the project and shall be addressed in the preliminary Project Work Plan, in accordance with the timelines agreed upon by the Contractor and State (See also Section A.16, Penalties for Conversion Delays). The Contractor shall submit the preliminary Project Work Plan no later than fifteen (15) workdays after signing the Contract. The State shall review and comment on the plan within ten (10) working days. The final Project Work Plan shall be provided ten (10) working days following the receipt of the comments from the State. Refer to Attachment B, Change Management Guidelines, for additional information.
- a. Design Plan (including functional and detailed design)
  - b. Transition Plan
  - c. Test Plan(s), each level of testing (Unit, Integration, System, Acceptance, Performance, Regression)  
(Reference Section A.3. and A.4)
  - d. System Security Plan
  - e. Training Plan
  - f. Documentation Plan
  - g. Quality Management Plan

- h. Configuration Management Plan (Change and Version Control)
- i. Communication Plan
- j. Documentation Control and Review Plan
- k. Infrastructure Implementation Plan
- l. Disaster Recovery Plan (to include Business Contingency Plan)
- m. Back-up and Recovery Plan
- n. Staffing Plan

A.3. Design Phase. The Contractor shall provide the following during the Design Phase, which shall commence with the signing of the Contract and shall continue for the timeframe identified within the Contractor's response and proposed Project Work Plan mutually agreed upon by the State and the Contractor (Reference Sections A.2 and A.17). All deliverables identified within the Project Work Plan are subject to State review and approval. The Contractor shall allow a minimum of ten (10) workdays for the State to review and comment on the following deliverables.

- a. Functional Design Document—This document shall, at a minimum, provide a functional overview and a description of the operating environment, procedures, and workflow of the EBT system.
- b. Detailed Design Document—This document shall describe the total system configuration including system hardware, functionality, file layouts, message and file flows, Automated Response Unit Scripts, data elements, system interfaces, settlement and reconciliation functions, and the system security plan.
- c. Updates to Detail Design—The Contractor shall revise the Detailed Design Document(s) to reflect any system modifications identified and made as a result of systems testing. If revisions are required, the Contractor shall submit the updated Detailed Design Document no later than one month following the completion of the EBT system testing process.

The Contractor shall develop system test plans during the Design Phase. Test plans shall, at a minimum, outline the test purpose, methodology, environment, and approval rating system. Test plans shall be developed for the Functional Demonstration, System Acceptance Test, System and Network Capability Test, and System Interface Test. The Contractor shall submit its EBT system to demonstrations and tests indicated in Section A.4, testing all components and functional areas of the EBT application system before delivery. Upon completion and approval of the design documents, the Contractor shall update the System Test Plan as appropriate. The Contractor shall provide system test scripts detailing step-by-step instructions on the actual test and system functions to be demonstrated. Test scripts shall also describe the desired system outcomes and test results. The Contractor shall develop and control test data.

A.4. Development Phase. During the Development Phase, which shall commence following the completion of the Design Phase, the Contractor shall configure and test the Tennessee EBT system according to the system specifications defined and agreed upon during the Design Phase. All deliverables for the Development Phase identified within the Project Work Plan are subject to State review and approval. The Contractor shall allow an appropriate time for the State to review and comment upon the deliverables. Required system tests and demonstrations, which shall be conducted by the Contractor during the Development Phase, include:

- a. A functional demonstration that shall provide State and Federal representatives the opportunity to review and observe planned EBT system operations. The Contractor shall perform a live test, accessing the system and demonstrating the functionality for State and/or Federal representatives. The Contractor shall prepare a report of the demonstration results including any system modifications that were identified. The Functional Demonstration should occur as early as possible but no later than six (6) weeks prior to the System Acceptance Test to ensure the design is proceeding according to the expectations of the State and Contractor.

b. Interface Testing shall be conducted between the State EBT Interface System and the Contractor's EBT system to ensure that all files sent between the two systems are properly received, accepted, and processed. The interface test should be completed six (6) weeks prior to System Acceptance Test. The results of the Interface Testing shall be made available by the Contractor as part of the Systems Acceptance Test.

c. The System Acceptance Test shall provide both State and Federal representatives the opportunity to test the EBT system functionality and ensure compliance with the system design requirements. This test shall consist minimally of functional requirements, security, recovery, system controls, and scenario testing. In addition, as part of the system acceptance testing the Contractor must demonstrate the methods and processes for performing daily reconciliation between the State and Contractor interface and processing activities including financial settlement. During the formal test script portion of the acceptance test, testing representatives will follow detailed test scripts developed by the Contractor. The test scripts should cover all facets of the system's operations and test all of the system processing options and environmental conditions (e.g., Point of Sale (POS) hardware and communications failure and entry of erroneous data).

The ad hoc or scenario portion of the acceptance test provides the State and Federal representatives the opportunity to include various transaction sets and sequences that have not been included in the test scripts and to challenge the system's operations and design.

d. The Performance (Stress) Test shall ensure that there is sufficient capacity within the EBT system being provided to the State to handle the expected transaction volume. Test results from the stress test shall be used to formulate a system capacity model to determine the appropriate hardware and software requirements and configuration so that the Tennessee EBT system can accommodate the anticipated transaction volumes.

The Contractor may, as an option, choose to use current production data in order to develop a system capacity model for modeling the anticipated transaction volumes. If the Contractor anticipates utilizing this option, the Contractor should provide a description on how the modeling will be performed, and how the results of the modeling exercise will be reported to the State.

e. The Automated Response Unit (ARU) system shall be tested to ensure the system properly accepts, processes, and transfers both retailer and client calls per the system requirements and within the specifications defined in Section A.52. The ARU system shall be tested in both English and Spanish.

f. Transition Testing will be conducted by the Contractor in order to demonstrate to the State the conversion process of the EBT system presently in use to the Contractor's EBT system. Part of the conversion test is a validation of conversion results, and the ability to perform test transactions against the converted database. Test transactions performed against the converted database shall include both client transactions (e.g., food stamp and cash transactions) and administrative transactions (e.g., benefit adds and card replacement transactions).

g. The Contractor will not be required to perform a live demonstration of its EBT system prior to conversion, since the State of Tennessee EBT Interface System is currently running in a production environment for existing Tennessee benefit clients, and the State does not believe it will be possible to perform a live demonstration of the Contractor's EBT system prior to conversion.

h. Regression Testing shall be conducted on all units of the Contractor's EBT system that are affected by any change in the system. The results of any regression testing shall be documented and identified for State review. (Reference Section A.2.)

A.5. Test Reports. The Contractor shall be required to provide reports describing the results of each test that is performed, as well as any additional retesting that is required to satisfy the test objectives. The test reports shall also describe the intended scope and results from the tests, and any system modifications that are identified as necessary to resolve system errors and deficiencies found during the testing. The Contractor shall submit interim test reports

no later than two weeks following the completion of the respective test being performed. Final System Test Reports shall be provided in accordance with the final Project Work Plan.

- A.6. Disaster Recovery Plan and Back-up & Recovery Plans. The Contractor shall provide an evaluation of the types of service interruptions that may impact the EBT system's operations and therefore require the use of a backup and recovery process. For each potential interruption type, the Contractor shall, at a minimum, detail the steps to be taken to survive and recover from the interruption. The plan shall include provisions to ensure that benefits continue to be accessible to cardholders. In addition, the Contractor shall outline the resources committed to each proposed contingency plan (i.e., people, systems, telephone lines, and operation sites) and indicate whether the contingency plan has been tested under real or simulated conditions. (Reference Section A.75 for requirements.)
- A.7. System Security Plan. The Contractor shall prepare a security plan for State review and approval, detailing the Contractor's network/security architecture, and describing the methodology to assure security for items such as personnel, hardware, software and procedures. This documentation shall ensure that the Contractor's system will accomplish the following:
- a. Provide the ability to execute secure, authenticated, two-way transactions;
  - b. Prohibit access to State data unless such access is expressly approved by the State;
  - c. Maintain and ensure data integrity and user's confidentiality and privacy;
  - d. Ensure transaction validation and security;
  - e. Address issues such as misuse, fraud, including resolution options;
  - f. Ensure implementation and maintenance of industry standard security guidelines, protocols, and procedures;
  - g. Provide an audit trail for identifying all network security breaches and attempted breaches;
  - h. Report to the State any compromise of network security such as intrusion, denial of service, and spoofing;
  - i. Accommodate scheduled and unscheduled inspections by State personnel or designees including auditors or law enforcement personnel for risk assessment of network security;
  - j. Ensure full cooperation with law enforcement agencies in case of security breaches involving criminal and/or non-criminal activities;
- A.8. Training Plan. The Contractor shall prepare and submit a Comprehensive Training Plan that identifies the proposed deadlines and supportive tasks for the planning, design, development, production and distribution of all training materials which will be provided to clients, retailers, and State and United States Department of Agriculture (USDA) staff. The training plan should address the timeline for creating and providing the deliverables as noted in Section A.69, A.70, and A.71, and the timeframe for training the State and local office staff, clients, and retailers. The plan should outline deliverable dates of both written and video training products with a minimum of ten (10) working days allowed for State review and approval.
- A.9. Retailer and Third Party Processor (TPP) Agreements. The Contractor shall provide copies of the retailer and TPP agreements that will be utilized within the State for review and approval by FNS and the State.
- A.10. System Operations/Interface Procedures Manual. The Contractor shall provide a manual on Systems Operations/Interface Procedures that shall include an introduction giving the purpose, audience, organization, related documents and feedback. This manual should include:
- a. Batch Files and the times of transmission;
  - b. Administrative Terminal configuration;
  - c. Problem Resolution and Escalation Procedures; and
  - d. Batch Maintenance Record Formats.

The Problem Resolution and Escalation Procedures shall define the process by which the State would report System and Operational problems to the Contractor, and the process by which these problems would be resolved and the resolution reported back to the State. The procedures should include a priority scheme for identifying the relevant

severity of the problem as well as the expected timeframes for the resolution of the problem based upon the relative severity of the problem.

- A.11. Reports Manual. A Reports Manual shall be provided describing all standard reports to be generated by the Contractor. The Reports Manual shall also provide a brief description of the data files provided to the State for internal report generation.
- A.12. Settlement/Reconciliation Manual. The Contractor shall provide a Settlement/Reconciliation Manual that provides guidance and procedures to the State on performing a daily reconciliation of the Contractor's EBT System as defined within 7 CFR 274.12(k) and consistent with EBT Reconciliation Guidance of November 1999 (see Attachment C). The manual should identify the specific EBT reports from the Contractor's system that are required for settlement and reconciliation of the Contractor's EBT system. As a part of the Settlement/Reconciliation Manual, the Contractor shall clearly define the processes it will use to perform various reporting submission required for settlement and reconciliation (i.e., Account Management Agent (AMA) reporting, Automated Standard Application for Payments (ASAP) request, Anti-fraud Locator of EBT Retailer Transactions (ALERT) reporting, State of Tennessee Accounting and Reporting System (STARS) reporting).
- A.13. Administrative Terminal Manual. The Contractor shall provide an Administrative Terminal Manual which provides guidance and procedures for State and County staff on the functionality of the Administrative Terminal. The State requires 5 copies of the Manual on CD-ROM, as well as 30 hard copies of the Manual. For Administrative Terminal functionality, see Section A.74.
- A.14. Transition Phase. The Contractor shall prepare a conversion plan, including specific dates, that covers each of the following activities in detail:
- a. EBT-Only Retailer Conversion
  - b. Retailer Management Plan
    1. Conversion of transaction acquirers
    2. POS device installation
  - c. Cash Access Plan
  - d. Cardholder Database Conversion, which includes:
    1. Transaction history
    2. Client card and demographic data
    3. Benefit data
  - e. EBT Card re-issuance

The Transition Phase consists of the activities required to convert the EBT processing for the State from the system in place presently to the Contractor's system. Some of the Transition Phase activities, specifically the EBT-only retailer conversion, may begin prior to the end of the Development Phase. Notwithstanding, none of the database conversion activities shall occur until the development activities have been completed, and specifically the Transition Testing has been completed and a sign-off has been received from the State.

The Contractor shall ensure that the value of FS benefits transferred from the present EBT system is equal to the amount of funds that will be in the TN ASAP account. If not equal, the Contractor shall resolve any variance, and if the ASAP account is short, direct the State to make the ASAP account whole.

The activities taking place during the Transition Phase shall follow the process defined within the State approved Transition Plan submitted during the Design Phase.

The Transition Plan shall address the processes to be used for conversion, how the processes shall be tested, and contingency plans for problems and issues that may occur during conversion. The Transition Plan shall also address

the verification and validation of the conversion process, in particular the validation of the clients' account balances that are converted to the Contractor's EBT system.

Final training materials will be provided by the Contractor during the Development Phase.

A.15. Transition and Conversion. Transition from the present EBT system to the new EBT system will consist of three phases: 1) EBT-only POS Terminal Conversion; 2) EBT Database Conversion; and 3) EBT Card Conversion. The first two phases are described below. EBT Card Conversion is described later in Section A.24. This section also includes the transition and conversion at the conclusion of this Contract to a new Contractor, if required.

- a. During the conversion of EBT-only equipment it is critical that clients not be negatively impacted in their ability to redeem their benefits due to conversion and that business operations of stores using EBT-only terminals not be negatively impacted due to the conversion to new terminals and terminal drivers. Therefore, 95% of all existing EBT-only terminals shall be converted by the Contractor prior to the database conversion.
- b. Database conversion (conversion from existing database to new database) shall take place overnight on the weekend. The Contractor shall analyze monthly transaction volumes and select a weekend when the least number of retailer and clients would be impacted. The entire conversion shall be completed by the Contractor in ten hours or less. During conversion stand-in of clients' transactions will be required. The Contractor shall:
  1. Perform significant testing of the conversion process, including performing test transactions against the converted database in the Test System. Testing shall also validate that PINs have been converted successfully.
  2. Accept three (3) years of transaction history to be transferred from the current EBT Contractor.
  3. Provide for conversion of ninety (90) days of online transaction history onto the new system.
  4. Provide a transition plan for dispute resolution that would maintain a one hundred eighty (180) day transaction history for client-initiated disputes and a fifteen (15) day transaction history for acquirer-initiated disputes.
  5. Have checkpoints and reconciliation procedures built into the conversion process to ensure that no benefits or records are dropped.
  6. Have a contingency fallback plan in case the conversion cannot be completed in a timely manner due to problems.

A.16. Penalties for Conversion Delays. The Contractor shall ensure a timely, successful, and problem-free transition from the present EBT Contractor to its program. Because of the importance of the conversion, two deliverables are considered critical: 1) the Project Work Plan and 2) the conversion of the EBT database to the Contractor's EBT system. For those delays directly attributed to the fault of the Contractor, as determined by the State, liquidated damages of ten thousand dollars (\$10,000) per day will be imposed for each day of delay beyond the required timeframe specified in the Contractor's State-approved Project Work Plan and the agreed upon date for the database conversion. (Reference Section E.4.) Any additional costs incurred by the State as a result of the failure by the new Contractor to convert the database on the scheduled conversion date, including, but not limited to, additional costs for the continuation of EBT services, shall also be borne by the Contractor.

A.17. Operations Phase. During the Operations Phase the Contractor shall maintain ongoing communication with the State on EBT operations and immediate notification to the State of any issues or system problems. The Contractor assigned Project Manager shall be the point person for ongoing communications to the State for all EBT system, EBT clients, and operational issues. The ongoing communications required from the Contractor include a monthly status report containing open and closed issues, monthly status meeting between Contractor and State, and other state reports/meetings at the State's request. The Contractor shall attach particular importance to the advance State notification requirement of scheduled system downtime. This notification must be at least thirty (30) calendar days

prior to scheduled system downtime and must be provided in writing (paper or e-mail will be accepted). The Contractor shall also provide the State a minimum of thirty (30) calendar days notice in advance of changes in policy or other material issues affecting EBT clients or the Department.

The Operations Phase begins after the Cardholder Database has been converted from the previous EBT service provider to the Contractor. The Contractor must provide a comprehensive Project Management Plan, captioned "Project Management Operations Phase" that illustrates how the Contractor will manage the operations phase of this project, ensure the continuation of the scope of services, manage the Life Cycle of the System, and accomplish the required objectives.

During the Operations Phase, the Contractor shall maintain and update as required all system design documents, plans, and operational manuals delivered during the Design and Development Phase (Reference Section A.2.). The Contractor shall also provide updated manuals (Reference Sections A.10 through A. 13.) and documentation (Reference Section A.3.) to the State prior to implementing system and operational modifications into production. These include:

- a. Detailed Design Document
- b. Updates to Detail Design
- c. Functional Design Document
- d. System Operation/Interface Procedures Manual
- e. Reports Manual
- f. Settlement/Reconciliation Manual
- g. Administrative Terminal Manual

A.18. Life Cycle Testing Approach. The Contractor shall provide a System Life Cycle Testing Plan. The basic premise of the life cycle testing approach is that any changes made, whether they be by the Contractor's system or the State's system, should be properly tested prior to being introduced into a production environment. The plan shall include, at a minimum, the tests identified in Section A.3. Test Plan, as appropriate, for each of the project's four phases. The plan shall address the extent of integration testing that is to occur to ensure that all systems properly interface and operate as designed. Refer to Attachment B, Change Management Guidelines, for additional information.

A.19. Electronic Benefit Transfer (EBT) Service Components. The Contractor will provide the following components related to Electronic Benefit Transfer (EBT). Each component applies to Food Stamp and TANF benefits (Core), and options [Child Care Time and Attendance, unless otherwise indicated.

- a. Account Establishment
- b. Card Issuance and Replacement
- c. Client Account Maintenance
- d. Transaction Processing
- e. Customer Service
- f. Retailer Management (Only--Core)
- g. Provider Management (Only--Child Care)
- h. Federal and State Reconciliation/Settlement
- i. Reporting
- j. Training and Marketing
- k. Terminal Acquisition and Installment
- l. Administrative Terminal
- m. Disaster Services
- n. Food Stamp Adjustment Services (Only--Core)

A.20. Account Establishment. The Contractor shall create and maintain EBT accounts for the delivery of any or all services provided under this Contract.

A.21. EBT Card/Personal Identification Number (PIN). The Contractor shall produce and supply magnetic stripe cards to the State's EBT clients. The Contractor shall develop processes and functions to issue, replace and distribute/deliver cards to clients; and maintain a centralized card issuance management database on behalf of the State. The EBT system shall provide online, real time access to clients' EBT accounts via a benefit access card containing a magnetic stripe that supports electronic transactions.

- a. The Contractor shall ensure that the EBT card produced for the Tennessee EBT system complies with the specifications prescribed in the QUEST® Operating Rules, and the International Standards Organization (ISO) and American National Standards Institution (ANSI) standards relating to cards used for financial transactions.
- b. The Contractor shall utilize the current flag image for which the State has obtained a reproduction license from Getty Images, for use on the Tennessee EBT cards.
- c. The Contractor shall provide the State with a revised EBT card design based on the information contained in this section. In addition to meeting the requirements detailed in Sections A.21.a and A.21.b, the EBT card must include the following design features:

1. The face of the card must include the following:

- a) The cardholder's name and the Primary Account Number (PAN) must be embossed with silver tipping;
- b) A four color printing process must be used;
- c) A hologram must appear on the card face; and
- d) The card must contain fine line printing.

2. The back of the card must include the following features:

- a) A high-coercivity magnetic stripe (for specifications see Track 2 format below);
- b) A tamper evident signature panel;
- c) The statement, "Do Not Write PIN on Card";
- d) The toll-free numbers for Cardholder and Retailer/Merchant Assistance;
- e) An address where the card is returned if found;
- f) The QUEST® logo, and
- g) The following non-discrimination statement: "The USDA is an equal opportunity provider and employer".

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

Field Nbr.	Field Name	Length
1	Start Sentinel	1
2	Primary Account Number	16
3	Field Separator	1
4	Expiration Date	4
5	Service Code	3
6	Card Authentication Value	3

7	Generation Number	2
9	Longitudinal Redundancy Check	1

The Contractor shall provide EBT cards with an expiration date of "4912" encoded on Track 2, and the Service Code field shall be encoded with a value of "120". The Contractor shall use the encryption keys currently in use. The Contractor shall encode the CAV field on Track 2 with a cryptographic value to validate the Track 2 data contents.

- e. The State of Tennessee's Bank Identification Number (BIN) for EBT cards is 507702. The Contractor shall issue EBT cards containing a 16 digit PAN that utilize the State's current BIN. The process by which the Contractor calculates the PAN for issued cards shall not interfere with the existing card base being utilized by the State of Tennessee clients.

A.22. Issuance of EBT Cards. The Contractor shall be required to issue a Tennessee EBT card when indicated by the respective flag within each Case/Client Maintenance Detail record. (See Attachment D of the Pro Forma Contract.) All cards shall be issued through the mail. PINs selection shall be via one-call ARU PIN select procedures as described in Section A.54.

Each card shall be issued and mailed to the client in an inactive status. A sticker shall be placed on the front of the card explaining how to activate the card. The client shall be required to call the customer service Help Desk and provide adequate verification of identity prior to card activation.

Card issuance requests within the batch Case/Client Maintenance file received by the Contractor by 12:00 p.m. (noon) Central Time shall be placed in the mail that day. All card issuance requests received in the batch file after 12:00 p.m. (noon) Central Time but before 11:00 p.m. Central Time shall be placed in the mail by the Contractor no later than the next business day.

A.23. Replacement Card Issuance. Replacement EBT card issuance will be provided by the Contractor in the following manner: Clients are required to call the Customer Service Help Desk to report a lost, stolen or non-functioning card and have a new card issued. The old card shall be deactivated immediately. Cards returned by the Postal Service as undeliverable should be statused as such and a report provided to the State by the Contractor.

- a. All Tennessee replacement EBT cards shall be delivered directly by first-class, postage prepaid, mail through the U.S. Postal System. In rare circumstances where the replacement card is not delivered by the Postal Service, the card shall be delivered via Federal Express overnight courier. A replacement card shall be issued and mailed no later than the following business day after the old card was reported lost, stolen, or damaged. Only State EBT staff may authorize delivery via overnight courier.
- b. When a client requests a new EBT card the existing PIN shall be transferred to the new card. The system shall not generate a new PIN unless specifically requested by the client.
- c. Each client shall be able to report a compromised PIN by calling the Customer Service Help Desk. The system shall allow a client to request a system generated PIN or allow the client to select his or her own PIN by using the single call Automated Response Unit PIN Select procedure.

A.24. Conversion to New EBT Card. The Contractor shall replace the existing EBT cards with new cards which reflect changes identified in Sections A.21(c)(1) and A.21(c)(2). Replacement shall be done through attrition; however, all cards must be replaced by a date determined jointly by the Contractor and the State during the design phase of the project. The old EBT card shall remain functional until the new card is activated, but no later than 30 days after the new card has been issued. Existing PINs must function with either the old card or the new card in order that issuance of new PINs is not necessary.

A.25. Contractor Responsibilities and Liabilities. The Contractor shall bear responsibility for any errors in the areas indicated below:

- a. Disbursement or authorization of funds. Liability with regard to authorization of State administered programs into a client account as described in OMB Circular A-87, 45 CFR 200, 45 CFR 74, and 7 CFR 276, are hereby incorporated by reference. The State is responsible for losses resulting from the provision of erroneous information by the State to the Contractor.
- b. Transaction Processing and Settlement. The Contractor will bear all liability for any losses resulting from any acts, errors or omissions including fraud and abuse on the part of the Contractor or its representatives or subcontractors. These liabilities shall include, but are not limited to:
  1. Any duplicate or erroneous postings to a client account.
  2. Any losses from funds drawn from an account after the client notified the Contractor that the card had been lost or stolen.
  3. Any losses from transactions performed with cards issued but not activated by the client and/or the Contractor.
  4. Any damages or losses suffered by a Federal or State Agency due to negligence or fraud on the part of the Contractor.
  5. Any loss of benefits to any recipient of services caused by negligence, fraud or abuse by the Contractor or its representatives or subcontractors.
- c. No Federal funds may be drawn to cover payments for food stamp transactions in excess of State-authorized issuance amounts.

A.26. Benefit Authorization. The Contractor shall receive and process Benefit Authorization records transmitted by the State. Benefit only records shall be transmitted by batch with the exception of benefits added through the Administrative Terminal. The Contractor shall process Benefit Authorizations and post the authorized benefit amounts to the appropriate EBT accounts, based on the unique EBT Account Number, benefit type, case number, and unique authorization number generated by the State for each benefit authorization. The Contractor's EBT system shall be programmed to accept Food Stamp or cash benefit types at no additional cost to the State.

A.27. Benefit Availability. The Contractor shall post monthly ongoing cash benefits to be accessible to the respective clients no later than 5:00 a.m. Central Time on the day of availability (the 1st day of each month). Any other benefit record is considered a daily batch update and the benefit should be made available to the client no later than 5:00 a.m. Central Time on the day following the day the Contractor receives the batch update file.

The Contractor shall post monthly ongoing food stamp benefits as available on a staggered schedule. The State shall provide an availability date, which is included in the benefit detail record passed to the Contractor in the monthly batch file. The staggered schedule begins on the 1st day of each month and ends on the 10th. On the specified availability date, benefits shall be accessible no later than 5:00 a.m. Central Time. Any other benefit record is considered a daily batch update and should be made available to the client no later than 5:00 a.m. Central Time on the day following the day the Contractor receives the batch update file.

A.28. Benefit Aging. The Contractor shall, on a monthly basis, send to the State an extract file of all benefits falling into the aging periods in accordance with federal regulations 7CFR274.12(g)(7) and as agreed to by the State. The Contractor shall support three aging periods for reporting on benefits not utilized by a client. The periods used in the aging process are inclusive of the aging period start date to the next period start date minus one (1). Therefore, if the calendar month for aging purposes is set to the 18<sup>th</sup> of the month, the inclusive period for the aging run will be the 18<sup>th</sup> of the previous month and the thirty (30) days before that date.

To facilitate any action required by the State for stale benefits, the Contractor will send to the State a Benefit Aging File. The file will include a header record, a detail record for each benefit being reported, and a trailer record. The detail record will include an aging indicator that identifies the aging period for the benefit (i.e., period 1, 2, 3 for 1, 2 or 3 months respectively) as well as the remaining balance that is being aged.

During the monthly benefit-aging run, benefits on a case will be retrieved in order of the benefit Last Used Date and will be reported if the Last Used Date is within one of the three Aging Periods.

The Contractor shall ensure that when benefits are added to the database for a case, the Benefit Last Used Date will be set to the Benefit Available Date. Benefit aging shall be performed at the benefit level by benefit type and all benefits within a benefit type on a case shall be utilized first in, first out (FIFO) within the Benefit Available Date.

Whenever a benefit on the case reaches the third aging period, based on the Last Used Date, with no activity and

with a remaining balance available, that benefit will be aged off the Contractor's system and the aged unused balance will be returned to the State. The benefit being aged off will be reported on the benefit aging report and files, as well as on the transaction history file. In situations where FS benefits are involved, the Contractor shall also complete a "Return Expungement" entry in AMA.

A.29. Technical Requirements. The Contractor shall ensure that the components of the EBT file process comply with the following standards:

- a. Ability for the State to receive from the Contractor, as well as for the State to transmit to the Contractor, a daily electronic file to establish and maintain accounts;
- b. Work within the framework of the State's Technical Architecture as well as the Department of Human Services' current eligibility system configurations (or replacement system, if such is implemented during the term of this Contract).

A.30. Transaction Processing. The Contractor shall be responsible for the authorization of client initiated food stamp and cash transactions. The Contractor shall have the capability to receive and process client transactions from both ATM and POS devices. The Contractor shall ensure that clients access their food stamp benefits only at POS terminals in authorized food retailer locations. Cash benefits may be accessed through participating ATMs or POS terminals (excluding government-deployed EBT-only POS devices) without restriction. Clients may be entitled to benefits under a number of programs. Each transaction must be allocated to either the cash or food stamp account. Benefits within the EBT account shall be distributed on a first in, first out basis.

- a. The Contractor's process for transaction authorization will require:
  1. Accepting transactions coming from an authorized transaction acquirer.
  2. Authorizing or denying transactions.
  3. Sending response messages back to the transaction acquirer authorizing or rejecting client transactions.
  4. Logging the authorized/denied transactions for subsequent settlement and reconciliation processing, transaction reporting, and for viewing through transaction history.
- b. The EBT system will go through a series of checks and processes to determine whether a transaction being initiated by a client should be approved. These checks shall include determining whether:
  1. The merchant has a valid FNS authorization number (if it is a Food Stamp transaction);
  2. The card number (Primary Account Number or PAN) is verified and the card is active;
  3. The number of consecutive failed Personal Identification Number (PIN) entry attempts has not been exceeded;
  4. The PIN is verified as being entered correctly;
  5. The account is active; and
  6. The EBT account holds a sufficient balance in order to satisfy the transaction request.

If any one of the above conditions is not met, the Contractor shall deny the transaction. The Contractor shall ensure that client benefit accounts are not overdrawn and shall assume all liability if an account overdraft does occur. The system must return a message to the retailer/provider indicating the reason for denial (e.g., invalid PAN, invalid PIN, NSF, etc.).

A.31. Transaction Service Requirements (FNS Standards). The Contractor will comply with the software and automated data processing equipment ownership rights prescribed in federal regulations and as further clarified or negotiated with the State and the federal government. The Contractor is responsible for ensuring that the EBT system meets the processing requirements and criteria established by FNS.

A.32. Performance and Technical Standards. The Contractor shall ensure that the EBT system meets performance and technical standards and regulations in the areas of:

- a. System processing speeds

- b. Availability and reliability
- c. Security
- d. Ease-of-use
- e. Minimum card requirements
- f. Performance
- g. Minimum transaction set

A.33. Processing Speed Requirements. The Contractor shall comply with all relevant processing speed requirements as stated in 7 CFR §274.12. The Contractor shall provide backup purchase procedures for FNS authorized retailers when the EBT system is unavailable; both for unscheduled and planned outages.

A.34. EBT System Availability. The Contractor's EBT system, including the system's central computer, any network or intermediate processing facilities under the control of the Contractor (either service provider or subcontractor to the Contractor), shall be available 99.9% of scheduled uptime, 24 hours a day, seven days per week. Scheduled uptime shall mean the time the database is available and accessible for transaction processing, and shall exclude scheduled downtime for routine maintenance.

The Contractor shall notify the State in advance of scheduled downtime for routine maintenance, which will occur during off-peak transaction periods. The Contractor shall provide the State with any scheduled downtime outside of the time required for routine maintenance, and obtain the State's approval for such downtime.

A.35. FNS Standards for System Accuracy. As defined in the federal regulations, the Contractor's EBT System Central Computer shall permit no more than 2 inaccurate EBT transactions for every 10,000 EBT transactions processed. The transactions to be included in measuring system accuracy shall include:

- a. All Food Stamp and Cash transactions occurring at ATM and/or POS terminals and processed through the host computer
- b. Manual transactions entered into the system, including manual voucher authorization and subsequent settlement, which may occur by clearing a physical, manual voucher document
- c. Credits to EBT accounts

The Contractor shall resolve all errors in a prompt manner (Reference "Penalties for Non-Compliance" Section A.78 and "Performance Standards" Section A.77).

A.36. Governing Regulations and Guidelines. The Contractor will adhere to the following guidelines. In the event of a discrepancy or ambiguity regarding these guidelines, the order below shall govern their precedence:

- a. Federal regulations;
- b. Quest® EBT Operating Rules
- c. Prevailing industry performance standards.

Conflicts within the governing regulations and guidelines regarding a specific standard will be resolved by the State. In determining the appropriate standard, the State will allow consultation and input from the Contractor; however the final determination will reside with the State.

A.37. Interoperability Requirement. The Contractor shall support the federal requirement of processing interoperable food stamp transactions, including food stamp transactions acquired at a State of Tennessee retailer where the client has benefits issued by a State other than the State of Tennessee. In addition, the Contractor shall have the capability of accepting and processing client transactions occurring at out-of-state (non-Tennessee) retailers. The Contractor shall support federal interoperability requirements and shall be able to execute interoperable transactions during User Acceptance Test (UAT).

A.38. POS Transaction Sets. The EBT System must be able to accept EBT transactions from POS devices for both food stamp and cash benefits.

At a minimum, the following food stamp transaction types shall be processed:

- a. FS Purchase
- b. FS Merchandise Return

- c. Manual Authorization
- d. Voucher Clear
- e. Balance Inquiry
- f. Voids or Cancellations
- g. Reversals

At a minimum, the following cash transaction types shall be processed:

- a. Cash Purchase
- b. Purchase with Cash Back
- c. Cash Withdrawal
- d. Balance Inquiry
- e. Voids or Cancellations
- f. Reversals

- A.39. ATM Transaction Sets. The Contractor shall maintain an EBT system that will process and authorize cash withdrawal transactions originating from ATMs. The Contractor shall ensure that the EBT system will deny transactions if the balance of the Cash Account will not support both the requested withdrawal/transaction and all allowable charges/fees.

The Contractor shall have the capability to process the following ATM transaction types:

- a. Withdrawal from Cash Account
- b. Balance Inquiry from Cash Account
- c. Adjustments
- d. Reversals
- e. Cancellations

- A.40. Manual Authorizations. The Contractor shall process manual food stamp transactions. The manual authorization process may be used by:

- a. Authorized retailers who do not have immediate access to a POS device at the time of purchase, including stationary food stores that choose to make home deliveries to FNS certified households, house-to-house trade routes that operate on standing orders from customers, food buying cooperatives, farmers markets, and other retailers authorized to participate in the Food Stamp Program;
- b. Authorized retailers who do not possess a POS terminal, such as those who do not qualify to receive State provided equipment because their total monthly food stamp sales are under \$100; and
- c. Authorized retailers who have POS equipment, but their POS terminals are inoperable, there are problems with the telecommunications network between the POS terminal and the EBT host processor system, or the EBT System is down or otherwise not available. This may include instances of disaster.

The Contractor shall design and distribute a paper voucher to FNS-authorized retailers for use in processing manual food stamp transactions. Retailers may utilize their own manual voucher forms as long as they include, at a minimum, the data elements on the voucher designed by the Contractor. If the retailer opts to use the Contractor's form, the Contractor shall provide an adequate supply of manual vouchers to the retailer at no additional cost to the retailer. The authorized retailer is required to complete the manual voucher and call the EBT Contractor's retailer customer service line to obtain a voice authorization prior to completing the manual transaction, unless the retailer is not able to access the Contractor's EBT system at the time that the purchase is made.

- A.41. Voice Authorizations. The Contractor shall employ the "Stand-in Processing" function discussed below, in the event that an authorized retailer is unable to obtain prior authorization because the Contractor's System is unavailable for authorization processing.

- a. If the authorized retailer does not have access to a telephone (e.g., route vendor, farmers market), the retailer shall obtain (or attempt to obtain) a voice authorization as soon as possible after the purchase. Such transactions are performed "at the retailer's risk". The retailer shall be liable for declined transactions if the retailer fails to obtain prior authorization and the EBT account has insufficient funds to cover the purchase. In such instances, the retailer may immediately request that the balance of funds remaining in the account at that time be placed on "hold" by the

Contractor as partial payment for the transaction. The retailer may subsequently clear the voucher only for the reduced amount that was authorized.

- b. If the manual transaction involves a food stamp return, the authorized retailer is required to complete the manual voucher but may or may not be required to obtain a voice authorization prior to completing the transaction.
- c. Whenever a paper voucher is used, the Contractor shall require the client's signature and the authorization number, provided by the Contractor at the time the hold was placed on the EBT account, on the voucher as a condition for processing. Clients shall also be required to produce their EBT Card. A toll-free telephone number shall be provided to authorized retailers to obtain authorizations for the manual vouchers. The authorization process shall be automated as part of the help desk ARU functionality; however if the ARU is not accessible, authorized retailers must be able to obtain manual authorizations from a Customer Service Representative (CSR). Contractors shall not limit the number of manual authorizations that may be performed during a single call to the ARU, but may limit the number of authorizations performed through a CSR.
- d. Upon providing a telephone authorization for a manual food stamp transaction, the Contractor shall place a "hold" on the amount of benefits necessary to fund the transaction. The Contractor shall maintain the hold on food stamp benefits until the voucher transaction is "cleared", up to a maximum of Thirty (30) days. An authorized retailer has Thirty (30) calendar days to submit the voucher, either electronically or by paper copy, to complete the transaction. If the retailer fails to submit the voucher within the Thirty (30) days, the hold shall be released and the use of these funds shall revert back to the client. The retailer or acquirer bears the liability for the transaction if the voucher is not cleared timely.
- e. The authorized retailer shall not be allowed to clear any voucher for more than the authorized amount, nor shall the retailer be allowed to clear a voucher for a food stamp return transaction for less than the authorized amount. The Contractor shall have a process available to allow the retailer to:
  1. Clear a purchase voucher for less than the authorized amount; and
  2. Cancel a purchase authorization completely before the Thirty (30) day hold period has expired (or clear the voucher for \$0.00).

A.42. Stand-in Processing. The Contractor shall allow for "stand-in" processing of food stamp purchases up to Forty Dollars and No Cents (\$40.00), if an FNS authorized retailer cannot access the Contractor EBT system because the Contractor's EBT System is unavailable for authorization processing and a voice authorization cannot be obtained. In this event, the Contractor shall be liable for insufficient funds.

The Contractor's system shall be designed to prevent merchants from re-presenting manual vouchers in subsequent months. However, an exception to re-presentation shall be allowed if the insufficient funds for the voucher occurred while the Contractor was authorizing transactions in a "stand-in" processing mode.

A.43. Manual Voucher Clear. The Contractor shall clear manual vouchers in accordance with the following process: if the authorized retailer has a POS device, the retailer will convert the manual transaction to an electronic transaction for transmission to the Contractor when the POS device is again able to communicate with the EBT Host. If the authorized retailer is a non-traditional or low-volume FNS authorized retailer who does not have a POS device, the voucher will be mailed directly to the Contractor for clearance and settlement. The Contractor shall process manual vouchers on the day the vouchers are received in the mail. If a retailer mails in a voucher for which prior authorization was not obtained, or the signature is not present on the manual voucher, the transaction shall be declined and the retailer will be liable for the declined transaction.

A.44. VOIDS or Cancellations. The Contractor shall have the capability to allow voided or cancelled transactions in accordance with the following process: a transaction may be voided/cancelled by a retailer at a POS device or by a client at an ATM. The void/cancellation message will include the trace number, the exact dollar amount, and other identifying information from the original transaction. The Contractor shall accurately process the void or cancellation transaction and have the effect of the void/cancelled transaction immediately and appropriately reflected in the client's EBT account.

A.45. Reversals. The Contractor shall reverse a POS or ATM transaction if for some reason the completion of the transaction cannot take place at the originating ATM/POS device (e.g., communication failure with the device and/or a device malfunction, or a late response from the Contractor). The entity (specifically the TPP, authorized

retailer/benefit acquirer, or the ATM/POS device) within the response chain where the transaction error is recognized will generate a reversal message back to the Contractor. As defined within the EBT International Standards Organization (ISO) message specifications, the reversal message will include the trace number, the exact dollar amount, and other identifying information from the original transaction. The Contractor shall have the capability to accurately process the reversal transaction and have the results reflected immediately and appropriately in the client's account.

A.46. Store and Forward. The Contractor's EBT system shall make accommodations for the following: At its option, a retailer may store and forward at a future time food stamp transactions, provided the retailer's equipment is capable of storing a client's encrypted PIN. Food stamp store and forward transactions shall be processed at the retailer's risk. If funds are unavailable at the time the transaction is forwarded, the Contractor shall deny the transaction and the retailer may not re-present the amount for payment. The Contractor's system shall prevent the use of store and forward as a way of accessing the client's future month's benefits.

A.47. Key-entered Transactions. The Contractor shall accept and process EBT transactions where the card number (PAN) has been manually entered (key-entered) into the POS device. Transactions may be key-entered at times when a card presented by a client is damaged and/or the POS device is unable to accurately read the magnetic stripe. The validation of the client's PIN is still required on key-entered transactions. If a PIN pad is defective or for other reasons a PIN does not accompany the transaction to the EBT host for processing, the Contractor shall deny the transaction.

The Contractor shall adopt other security measures to prevent client and retailer abuse/misuse of the key-entry feature. The Contractor shall ensure that the PAN printed on the transaction receipt is truncated, and the Contractor must be able to selectively disable or deny the capability of an EBT-only POS device from completing key-entered transactions. Finally, the Contractor shall track key-entered transactions by card number and by retailer site. The Contractor shall respond to client reports of malfunctioning or defective equipment at retailer sites, including both EBT-only POS devices and retailer owned devices.

A.48. Transaction Fees. The Contractor's EBT system shall provide clients with the ability to complete two (2) successful cash withdrawal transactions per month per case (either from a POS device and/or ATM) without assessment of transaction fees by the Contractor. Transactions that are reversed or voided, either partially or completely, shall not count as one of the free cash withdrawal transactions. Once the client has performed the two (2) transaction fee-free cash withdrawal transactions, the client will be responsible for any additional fees associated with cash withdrawals as charged by the Contractor, but not to exceed one dollar (\$1.00) per transaction. Clients shall not be charged for cash withdrawal transactions that are subsequently reversed or voided, either partially or completely. Clients shall not be charged for cash purchases or purchases with cash back at POS devices. Additionally, FNS regulations prohibit the charging of a fee for any Food Stamp transactions.

A.49. Merchant Validation (FNS Retailer Number). For all food stamp transactions, the Contractor shall validate the transactions originated at an FNS authorized retail location. The Contractor shall maintain a database of authorization numbers for all FNS authorized retailers in accordance with the Retailer Validation Requirements specified in 7 CFR 274.12(h). The Contractor must access the FNS Retailer EBT Data Exchange (REDE) system daily to obtain updates of the national and/or State REDE files used to validate authorized FNS retailer numbers. The Contractor shall verify the retailer identification number is that of an FNS-authorized retailer prior to completing its processing of a transaction.

A.50. Cash Access from POS Terminals. The Contractor shall permit any retailer to provide cash access services to EBT clients through commercially deployed equipment only. The State shall pay the Contractor \$0.33 for the first two successful cash withdrawal transactions. Of this amount, \$0.30 shall be paid to retailers that provide cash access services. The fee shall be paid on a monthly basis, either directly to the retailers, or through the TPP supporting the retailer. The Contractor shall provide a monthly summary report to the State providing supporting detail on the cash withdrawal fees being paid to the retailer.

A.51. Adequate Cash Access. The State requires adequate cash access to be provided to cardholders with cash accounts through ATMs or retailers/merchants providing commercial cash services. The Contractor shall demonstrate adequate cash access through the development and maintenance of up-to-date data on ATMs and POS terminals that provide cash access services to Tennessee EBT cardholders, including access in adjoining states that border Tennessee. Adequate cash access is defined as sufficient cash availability within a zip code to accommodate the amount of cash benefits issued to cardholders residing in the same zip code plus 50 percent. The amount of minimum cash access allowable is sufficient cash availability within a zip code to accommodate the amount of cash

benefits issued to cardholders residing in the same zip code plus 25 percent.

If adequate cash access cannot be achieved through existing cash access points, the Contractor must recruit a bank or retailer/merchant within the zip code to support the level of cash access required for that zip code.

A.52. Client Customer Service. The Contractor is required to support a customer service help desk for EBT clients as follows:

- a. The Contractor shall provide Client Customer Service 24 hours a day, 7 days per week, the purpose of which is to provide current EBT account and benefit access information via a toll-free, "1-800" number. The State requests continuation of the use of the "1-800" number currently in place. If this is not possible, the Contractor shall identify a method of notifying clients of the change until such time as all existing cards have been replaced with new cards and all new cards are in active status.
- b. The Contractor shall provide a client help desk that meets or exceeds the following service requirements (standards):
  1. Performance standards regarding number of rings prior to answer and average time on hold shall be consistent with call center industry standards. The Contractor is obligated to meet the minimum standards defined in Section A.31 through A.36, Performance Standards, and in Section A.77, for the help desk.
  2. For reporting purposes, the Contractor shall provide Automated Response Unit (ARU) and Customer Service Center activity data (refer to Customer Service Statistics Reports, Section A.68.d).
  3. ARU support in both English and Spanish.
  4. TTY (Teletypewriter) capability must be provided to clients with hearing disabilities.
  5. Help desk access and support for clients using rotary phones.
- c. The Contractor's Automated Response Unit (ARU) and/or Customer Service Center will support the following functions:
  1. Card Activation—The Caller's identity must be confirmed prior to activating the card.
  2. Report a Lost/Stolen/Damaged or the Non-receipt of a card—The caller's identity must be confirmed prior to disabling a card. Prior to replacing a card, the client's address must be confirmed.
  3. Current Balance Inquiry—"Current Balance" shall provide "real-time" account balance information.
  4. Transaction History—"Transaction History" shall provide information about the last ten (10) transactions by benefit program, i.e., transaction number, amount, date. If requested by the client, deposit history will also be provided by benefit program.
  5. Account History—"Account History" shall enable a caller to request a two (2) month statement of account history by program to be mailed to the last known client address within two (2) business days.
  6. PIN Change—PIN change requirements shall be consistent with the requirements outlined in Section A.54, relative to client selection of PIN.
  7. Benefit Access/Service Points—Callers shall be given information about POS/ATM site locations where benefits may be accessed.
  8. Report Unauthorized Card Use—Callers shall be transferred to a Customer Service Representative for assistance in reporting unauthorized card use.
  9. Benefit Availability Date—Callers shall be given the date benefits will become available based on the issuance schedule supplied by the State.
  10. Customer Service Representative (CSR)—The Contractor shall provide CSRs to resolve

client issues that cannot be resolved by the ARU, including requests for adjustments. The Contractor shall provide sufficient CSR capacity to meet the contractual service standards for client calls referred to a CSR.

- d. The State reserves the right to review and approve the transaction flow and content of all ARU messages, prompts, and customer service scripts a minimum of 30 days prior to their implementation. The Contractor shall not change ARU messages or menu functions without prior approval of the State.
- e. If the recipient ARU satisfied rate, (defined as the percentage of calls satisfied via the ARU without transfer to a live customer service representative measured for a calendar month), reached ninety-eight percent (98%) or above, the Cost Per Case Month rate (Reference Section C.3) for each billable case in that month will be reduced by \$0.07 per case.

If the average number of recipient total calls per billable case (measured in a calendar month) reaches 2.5 total calls per case or less, the Cost Per Case Month rate (Reference Section C.3.) will be reduced by \$0.06 per case per month for each billable case in that calendar month.

A.53. Retailer/Merchant Customer Service. The Contractor shall provide Retailer/Merchant Customer Service, providing retailer EBT support and program information via a toll-free, "1-800" number, and 24 hours a day, 7 days per week, with service standards for this service defined as follows:

- a. The Contractor shall ensure through technical design, resource allocation, and staffing that each retailer call is answered in accordance with Sections A.31 through 36, Service Requirements, and Section A.77, Performance Standards. For reporting purposes, the Contractor shall provide ARU and Retailer Customer Service Center activity data (refer to Customer Service Statistics Reports, Section A.68.d). Additionally, TTY (Teletypewriter) capability must be provided to retailers/merchants with hearing disabilities.
- b. The Contractor shall provide a retailer customer service helpdesk that is:
  - 1. Toll-free and without charge or fee to the retailers mentioned above
  - 2. Accessible to all Quest retailers
  - 3. Used exclusively for retailer support
  - 4. Operated and staffed in an industry standard manner
- c. The Contractor shall equip and program the ARU to provide voice authorization for food stamp transactions. CSRs shall also support voice authorizations.
- d. The Contractor shall provide via the Retailer Helpdesk, the following services for EBT-only retailers:
  - 1. Support and problem resolution on EBT-only POS equipment
  - 2. Settlement information and reconciliation procedures
  - 3. Support of system adjustments and resolution of out-of-balance conditions
  - 4. General information regarding EBT policies and procedures

A.54. Client PIN Selection. Clients shall have the option at any time to select their own PIN by using a PIN select ARU. The Contractor shall develop a secure ARU PIN select procedure that requires the client to make only one call. The one call, automated PIN selection function must require positive verification of the cardholder's identification using demographic data such as the primary cardholder's date of birth, the primary cardholder's social security number, and/or the primary cardholder's case number. Authorized representatives and protective payees are required to use and verify the primary cardholder's demographic information. Only the name of the authorized representative or protective payee is sent to the EBT system.

A.55. Retailer Management. The Contractor shall be responsible for managing retailer participation in the State of Tennessee EBT program. The Contractor's primary roles and responsibilities include:

- a. Providing every FNS authorized retailer with the opportunity to participate in the EBT system;
- b. Ensuring that the Tennessee EBT system is interoperable with other States' EBT systems as defined in 7 CFR 274.12.
- c. Assuring that a sufficient number of retailers have agreed to participate in the system to allow clients adequate access to both cash and Food Stamp benefits, including those clients that normally shop across State borders in the so-called "border stores" and at "non-traditional" retailers such as farmers' markets.
- d. Assuring that the participating retailers understand their responsibilities in regards to the policy, operating rules, and operations of the EBT system. The Contractor shall enter into an agreement with the retailer in accordance with 7 CFR 274.12 (h)(6).
- e. Maximizing the use of the existing commercial point-of-sale terminals.
- f. Installing, maintaining and otherwise supporting Contractor provided EBT-only POS equipment as necessary in accordance with FNS policy for retailer participation as defined in 7 CFR 274.12.
- g. Providing help desk services to retailers for resolving issues/problems on Contractor supplied EBT-only POS equipment and helping resolve settlement and dispute questions and issues.

A.56. Retailer Service Requirements (FNS Standards). The contractor shall ensure, in accordance with federal regulation at 7 CFR 274.12(h)(1)(ii), that newly authorized retailers shall have access to the EBT system within 14 days after the receipt of the retailer's signed contract. The Contractor shall ensure that immediately upon receipt of the FNS authorization notice, a retailer contract shall be mailed to the approved retailer. However, whenever a retailer chooses to employ a third party processor to drive its terminals or elects to drive its own terminals, access to the system shall be accomplished within a 30 day period or a mutually agreed upon time, to enable any required functional certification to be performed by the Contractor.

The Contractor shall ensure, in accordance with federal regulation in 7 CFR 274.12(i)(1) that for leased line communications, 98 percent of EBT transactions shall be processed within 10 seconds or less, and 100 percent of EBT transactions will be processed within 15 seconds. For dial-up systems, 95 percent of EBT transactions shall be processed within 15 seconds or less, and 100 percent of EBT transactions shall be processed within 20 seconds.

A.57. Third Party Processors. To support retailers that deploy their own terminals, within 30 days of the start of the contract, the Contractor shall provide the State with interface specifications that will enable these retailers and third party terminal drivers to interface directly with the Contractor to perform Food Stamp EBT transactions. The Contractor shall provide these specifications to retailers and third party terminal drivers as well. The Contractor shall not unduly withhold certification for retailers and third parties that enter into direct connect arrangements with the Contractor.

The Contractor shall certify and ensure that Third Party Processors (TPPs) connected to the EBT system comply with FNS regulations and other State requirements. All TPP agreements between the Contractor and TPPs or their retailers will be reviewed and approved by the State and FNS. At State request, the Contractor shall attempt to enforce the agreements if problems are discovered in TPP activities. Requirements include, but are not limited to:

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

- A.58. Group Home Support. In addition to the traditional retail merchants, Food Stamp Program merchants may include drug/alcohol treatment centers, blind/disabled group living facilities, battered women and children shelters, homeless meal providers, restaurants, elderly/disabled communal dining facilities, meal delivery services, and route vendors.

Being designated a Food Stamp Program merchant may not necessarily require the installation of POS equipment. However, group homes which meet the monthly minimum food stamp redemption total and are authorized by the Food and Nutrition Service, United States Department of Agriculture, as retailers in the Food Stamp Program shall have the option to receive EBT-only POS devices. To support these facilities, the Contractor shall install POS devices in the facilities. This allows the benefits from the client's account to be deposited into the facility's bank account at its financial institution as is performed for any other authorized merchant.

- A.59. Settlement/Reconciliation. The Contractor's EBT system shall operate on a 24-hour processing cycle. At a designated cutoff time each day, the Contractor shall close out the current processing day and commence the next processing day.

The Contractor shall designate a standard daily cutoff time for EBT transaction processing. The 24-hour period between the cutoff time on Day 1 and Day 2 constitutes the EBT transaction day. The specified cutoff time must allow the Contractor sufficient time to originate Automated Clearing House (ACH) payments for next day settlement. The EBT cutoff time shall coincide as closely as possible with the cutoff time of the prevailing EBT transaction switch and/or regional Automated Teller Machine/Point-of-Sale (ATM/POS) networks as appropriate to minimize the need for carry over or suspense accounting.

- A.60. Reconciliation Process Overview. The Contractor shall maintain ledger accounts at the program and State levels. Subsequent to the daily settlement cutoff, the EBT system must be balanced and reconciled. The Contractor shall compute the end-of-day net position or balance for each benefit program. An audit trail shall exist so that reconciliation can be performed at the individual EBT account level up through the program and State levels. For each level, the end of day net position will be equal to:

$$\text{Opening balance} + \text{credits} - \text{debits} = \text{End of day balance}$$

On a daily basis, the Contractor shall ensure that the EBT system as a whole is in balance. The balancing functions performed by the Contractor shall ensure that the change in the net position in the sum of client accounts equals the change in the net position of program accounts at a summary level. The Contractor shall also ensure that the change in the net position in the sum of the program accounts is equal to the change in the net position (obligations outstanding) for the funding agencies. The Contractor shall have written procedures for maintaining audit trails throughout the settlement processes.

- A.61. FNS Reconciliation Requirements. The Contractor shall meet Food Stamp Program (FSP) reconciliation requirements of 7 CFR 274.12(k) and the FNS Reconciliation Guidance (Attachment C). The Contractor shall also use the FNS reconciliation requirements to perform reconciliation for all EBT programs. At a minimum, the Contractor shall have written procedures for reconciling:

- a. Client account daily beginning balance and net draws versus the ending balance;
- b. Client net redemptions versus retailer/acquirer settlement values;
- c. Total funds entering, exiting, and remaining in the system each day;
- d. Total net change in system-wide obligations outstanding to the sum of the net change in obligations outstanding for the Food Stamp Program;
- e. Total net change in system-wide obligations outstanding to the sum of the net change in obligations outstanding for all Government agencies;
- f. The net settlement value of all transactions to the sum of the net settlement values for the Food Stamp Program; and
- g. The net settlement value of all transactions to the sum of the net settlement value for the State.

The Contractor shall have responsibility to ensure that reconciliation occurs between the outstanding value of FSP benefits being transferred and the balance of funds in Automated Application for Payments (ASAP). Any variance shall be reconciled and corrections made to ensure that the subsequent contractor starts off in balance. The Contractor shall, as part of the account set-up process, provide to the State a system report on all transmissions,

including a record reject report for all unsuccessful transmissions.

A.62. Daily Settlement. The Contractor shall be responsible for the daily settlement of funds to benefit providers (retailers and ATM owners), either directly or through financial intermediaries such as Third Party Processors (TPPs) and ATM Networks. The Contractor shall own and reconcile the clearing bank account used for the daily settlement. The Contractor shall be responsible for handling both credit and debit adjustments to the client's EBT account in the manner and timeframe dictated by federal regulations and Quest Operating Rules. The Contractor shall ensure that settlement reports, such as the Clearing Statement used for the daily draw down, are received by the State by 6:00 a.m. Central Time. The Contractor shall be responsible for providing detailed and accurate reports that allow the State to reconcile benefit postings to the EBT system, settlement of benefits utilized by clients, and the outstanding liability remaining on the EBT system at the end of the processing day.

A.63. Retailer/TPP/ATM Settlement. The Contractor shall effect settlement to retailers, Third Party Processors (TPPs) and ATM networks through the existing commercial banking ACH infrastructure. The Contractor shall have an originating and receiving relationship with the Automated Clearing House (ACH), either directly or through one of its subcontractors. For transaction processing and settlement purposes, the Contractor shall also be a member of the appropriate regional network(s) and be capable of settling both ATM and POS transactions.

For retail merchants, third parties, or other benefit providers that are directly connected to the Contractor's system, the Contractor shall originate an ACH credit for the total balance due for EBT benefits provided during the just closed EBT processing day. The benefit provider credits shall be entered into the ACH for settlement on the next banking day.

The Contractor shall settle credits due EBT benefit providers who are connected to the Contractor through a transaction switch, TPP, or national network utilizing the Quest Operating Rules.

A.64. State Responsibilities. The State shall ensure that benefits authorized by the State's Eligibility System are posted to the Contractor's EBT System or otherwise accounted for in the State's eligibility system. The State will ensure that food stamp benefits posted to the Contractor's EBT system are correctly reported to the Account Management Agent (AMA). The State shall perform the draw down from the appropriate federal system for Public Assistance (TANF) benefits utilized by clients. The State will verify the liability remaining in the Contractor's EBT system at the end of the processing day for food stamp benefits. This can be reconciled against the outstanding liability on the Federal Reserve Bank's ASAP system.

A.65. State Data Files. The Contractor shall provide the formats of these data files as defined in Attachment D.

a. The Contractor is required to support the data requirements of the federal government, and specifically FNS, for the food stamp EBT program. The three data files described below shall be provided to the federal government on a periodic basis as defined by FNS.

1. On a daily basis, excluding Federal holidays, the Contractor must provide data necessary to support increases/decreases to the project's ASAP account balance to the Federal Reserve Bank of Richmond. The Federal Reserve Bank will serve as the Account Management Agent (AMA) for the FNS Food Stamp Program EBT benefit account. The AMA will interface with the Treasury Department's Automated Standard Application for Payments (ASAP), and will establish ASAP account funding limits for the State for Food Stamp EBT activity. Consequently, it will be necessary for the EBT Contractor to interface with the AMA and provide the necessary data. This data must be provided in a formatted file (see Attachment D for file format).
2. The Contractor shall provide detailed daily Food Stamp redemption data by retailer identification number to STARS, the FNS Food Stamp redemption database, through the Benefit Redemption Systems Branch (BRSB) in Minneapolis. The data format and requirements of this file is specified by FNS. The data elements and file format for this data is provided in Attachment D.
3. The Contractor shall provide transaction data, starting at implementation, of store

transaction history on a monthly basis to FNS through the ALERT file. The data element requirements and file layout for the ALERT file can be found in Attachment D.

- b. The Contractor shall provide the following data files to the State in the file format defined in Attachment D. The frequency with which the files are to be provided is indicated in parentheses.
  1. History Extract File (received daily)
  2. Benefit Aging File (received monthly)
  3. Case/Client Add File (received monthly)
  4. Case/Client Delete File (received monthly)

A.66. EBT Reporting. The Contractor shall provide the State and FNS access to detailed reporting in order to facilitate effective monitoring and reconciliation of business activity under this contract. Data must be available for query purposes as well as for downloading for further analysis. The Contractor shall design a web-based reporting solution that is hosted by the Contractor, in the form of an Application Service Provider (ASP). The means of accessing the hosted reporting solution must be through a secure connection that meets state standards per the Tennessee Information Resources Architecture (available upon request from the State's RFP Coordinator). The Contractor shall also provide the following information regarding the hosted reporting solution to the State:

- a. A description of the reporting solution's ability to control access by individual user IDs and passwords (Requests for access must be approved by the Department of Human Services' EBT Security Administrator). Use of individual user IDs and passwords is a State required security standard.
- b. A description and samples of a User's Manual, Quick Reference User's Document, Operations Manual, and a Procedures Manual or the nearest equivalent.
- c. A description of the Contractor's print capability.
- d. The name and version of identified reporting solution.
- e. The number of clients currently using the reporting solution and the number of locations installed for each client.
- f. Information relating to how often the reporting solution experiences changes related to system maintenance and the impact to the clients' computers for these changes.
- g. Proposed upgrade plans—the Contractor shall provide its current plans for upgrading the reporting solution, including any plans, regardless how tentative these may be, for replacing, selling to another company, or for terminating it as an active product.

A.67. EBT Standard Reports. The Contractor shall generate the following standard reports related to its EBT system, and provide these electronically to the State and Federal oversight agencies via administrative terminals or e-files or through other media that are mutually agreed upon:

- a. Settlement Reports—Detail and Summary
- b. Authorization Reports—Detail and Summary
- c. Chargeback and Retrievals
- d. Monthly Statements and Other Fees

e. Exception Reports

A.68. EBT Additional Reports. The Contractor shall generate and distribute, in electronic format, additional reports related to its EBT system, as indicated below. The methodology for distribution of these reports will be mutually agreed upon by the Contractor and State during the system design/development project phase. The Contractor shall also be able to support the retransmission of previously produced reports to the State as requested. The Contractor shall support requests for two previous generations for monthly reports (e.g., last two months), and last seven days for daily reports. The Contractor shall provide reports in a file transmission utilizing standard ANSI carriage control. The Contractor shall provide report training and report manuals for State and county staff as referenced in the training requirements (Section A.71.) The Contractor's reporting system shall produce information at the program and local (county) office summary levels. Settlement and reconciliation reports shall be consolidated at the State level by program. The Contractor shall provide to the State a daily transaction history file of all transactions impacting benefit authorizations for reconciliation, audit, and investigative purposes. The necessary file structure is defined in Attachment D. Additionally, the Contractor shall assist the State to manage and detect fraud within the Food Stamp Program by developing a set of fraud reports.

a. Daily Reports

1. The Contractor shall provide daily account activity reports reflecting all account actions received from the State via batch and/or on-line during an EBT processing day, or taken on behalf of the State by the Contractor (i.e., account expungements or food stamp conversions). The reports shall provide detail on every transaction that impacts an EBT account balance. The reports shall show the amount of the transaction (i.e., account action), type of transaction, date and time of transaction, and who originated the transaction (batch or on-line).
2. The Contractor shall provide daily terminal activity reports showing all transactions that will result in funds being moved (i.e., settled) to a retailer, third party processor, or ATM network. The report shall list, at a minimum, the transaction type, amount, transaction date and type, settlement date, merchant and terminal identifier, and benefits impacted. The report shall provide settlement totals for each entity for which funds will be moved, as well as suspense totals, if any, for transactions that will not be settled until the next processing day. Suspense totals for transactions not being settled in the current business day should be reported by individual benefit types, and rolled up into the program types (i.e., cash and food stamp).
3. The Contractor shall provide a daily clearing report. This report shall provide at a summary level the total funds that are being settled for the processing day by program type (i.e., cash and food stamp), which require funding. This report shall balance with the totals from the terminal activity reports.
4. The Contractor shall provide a Database Value Report showing the value of the outstanding liability for unused benefits residing on the EBT system at the end of the processing day. Totals shall be maintained by benefit type, and rolled up into the program types. State totals shall be reported by program type. The ending balance for the previous day shall become the beginning balance for the current processing day. The ending balance for the current processing day shall be reconciled by taking into account the beginning balance for the processing day (which is the ending balance from the previous day) and adding or subtracting as appropriate the account activity detailed from both the Terminal Activity and Account Activity Reports.
5. The Contractor shall provide a daily administrative action report that lists all administrative actions attempted and completed either by the system or users logged onto the EBT system. The report shall identify the transaction type and the EBT account affected. Administrative actions include changes to client, case, or account data (e.g., client name or address), account closure, and benefit expungements.
6. The Contractor shall provide to the State a daily report showing when new and replacement cards and PIN mailers were placed into the mail by the card manufacturer.
7. The Contractor shall provide a standard set of daily batch processing reports to be used by the Contractor and the State to ensure the complete and accurate transfer of data during nightly batch

processing. The reports shall be available to the State no later than 6:00 a.m. Central Time on the first business day following batch processing. The reports shall include a Summary Report by file transmission that provides a confirmation for the processing of the batch file(s). The Summary Report shall contain summary verification data, including the total number of records received in the batch and the number of records by record type (e.g., number of add, change, and delete records). The report shall contain a summary of the processing of the transmission (i.e., number of records accepted and number of records rejected).

8. The Contractor shall provide a daily batch exception report for all batch files received by the State. Batch exception reports will contain a listing of all records received within a batch, which were not processed by the Contractor. Each record included on the exception report will have a corresponding reason code indicating the cause of the rejection. In particular, duplicate case exceptions shall be clearly identified.
9. The Contractor shall provide a daily report of all benefit authorizations that are added to the EBT system through the administrative terminal functionality. This audit report shall include, at a minimum, the benefit amount, benefit type, and the User ID of the administrative terminal operator adding the benefit.
10. The Contractor shall provide a daily report of all voice authorizations of food stamp transactions performed by retailers. The report shall contain, at a minimum, the merchant name and FNS number, the transaction amount and type, the date and time, the client performing the transactions, and whether the merchant is a traditional or non-traditional merchant.
11. The Contractor shall provide daily audit and statistical reports of (1) cards being issued and/or reissued to clients; (2) those being returned by the post office, and (3) cards cancelled. Audit reports shall provide detail data by card issued, such as reason for issuance (i.e., initial issuance or replacement for lost/stolen card), and how the card was issued (i.e., over the counter, mail, etc.). Statistical reports shall provide data needed to manage the EBT program, such as the card reissue rate, the reasons for re-issuance, etc. The Contractor should suggest the statistical reports that will best help the State manage the card issuance process.
12. The Contractor shall provide a daily report detailing the number and type of transactions performed from each EBT-only terminal provided to food stamp retailers.
13. The Contractor shall provide a daily report of users failing in their attempt to logon to the EBT System.
14. The Contractor shall provide a daily audit report by User ID of all actions taken by the user on the EBT System from the EBT Administrative Terminal.

b. Monthly Reports

1. The Contractor shall provide a monthly report of all client transactions occurring outside of the State.
2. The Contractor shall provide a monthly report of clients who have not accessed their benefits for the last thirty, sixty, and ninety (30, 60, and 90) days. The Contractor shall clearly identify the aging category the EBT account is within (i.e., 30, 60, 90 days), and shall have page breaks by caseworker within local office.
3. The Contractor shall provide a monthly statistical report that provides the number and percentage of client transactions denied and the reason for the denials (i.e., non-sufficient funds, invalid PIN, etc.)
4. The Contractor shall provide a monthly report providing a summary of Contractor Host response times within pre-established tiers for both client transactions (POS & ATM transactions) and for Administrative Terminal transactions. The report shall be used to monitor the Contractor's compliance with Contractor Host response times.

5. The Contractor shall provide a monthly report providing a summary of transactions by time of day and day of month. The purpose of the report is to show the peak processing time for the EBT system.
  6. The Contractor shall provide a monthly summary report of transaction activity on the EBT system at a county and State level. Statistics provided should include, at a minimum, benefits authorized for the previous month, transactions performed by transaction type (i.e., food stamp purchases, cash purchases, cash withdrawals), the number of active cases on the system, number of active cards on the system, and the number of cards issued during the month.
  7. The Contractor shall provide a monthly summary report of transaction fees charged against the client by the Contractor, as well as transaction surcharges levied against the client by the ATM owner for cash withdrawals. Transaction fees should be reported by category, and should include ATM cash withdrawal fees, POS cash withdrawal fees, and card replacement fees (as well as any other specific fees directly charged against the client's EBT account). The report should also include ATM surcharges levied against the client as a separate category for any transaction where the surcharge is separately identified.
  8. The Contractor shall provide a monthly report detailing each authorized administrative terminal user with the ability to access the EBT data. The report shall also detail the level of access afforded the user through the EBT administrative terminal.
- c. Management Reports The Contractor shall produce and provide to the State management reports that will detail the current status of the EBT project. The following project status reports will be provided to the State on a weekly and/or monthly basis:
1. Project Design/Development Report. This weekly report is a summary by task of major completed activities during reporting period. The report shall include problem identification, required corrective action and timeframe for resolution. The report will also include tasks required by Federal and State agencies, as well as reports of delayed tasks, reason and revised completion date(s), and the scheduled activities for the next reporting period.
  2. Project Implementation/Conversion Report. This weekly report is a summary of major tasks and scheduled activities completed during the reporting period for the conversion activities. The report shall include problem identification, required corrective action and timeframe for resolution. The report will also include tasks required by Federal and State agencies, as well as reports of delayed tasks, reason and revised completion date(s), and the scheduled activities for the next reporting period. The report shall also include the status of:
    - (a) POS device installment and installation
    - (b) Training (State, county, clients and retailers)
    - (c) Card issuance
    - (d) Retailer agreements
  3. Project Status Report. This monthly report is a summary of significant events/accomplishments during the month, status of outstanding issues and problems, and the status of pending enhancement requests and system change orders. Following the conversion to the Contractor's EBT system, the Contractor shall include in the Project Status Report the detail data that documents the performance of the EBT system over the last month. The Contractor shall meet or exceed the standards, requirements and definitions specified in 7 CFR 274.12, et seq. Specifically the Project Status Report shall detail the performance of the system as against the following processing requirements:
    - (a) EBT central computer shall be available 99.9 % of scheduled up time.
    - (b) EBT transaction switch shall be available 99.9% of scheduled time.
    - (c) The total system under the Contractor's control, either directly or contractually, including central computer, any network, intermediate facilities, or processor, shall be available 98% of scheduled up time.

- (d) The host computer shall permit no more than two (2) inaccurate transactions per 10,000 transactions processed.
  - (e) Benefit authorizations to EBT accounts and ACH settlement shall occur accurately and on schedule 98% of the time.
- d. Customer Service Statistical Reports The Contractor shall provide on a monthly basis statistical reports that report on the statistics and effectiveness of the customer service functions for both the client customer service and retailer help lines. Statistics for both the ARU and Customer Service Representatives (CSR) shall be reported. The Contractor shall deliver the following reports:
- 1. Monthly Client Help Desk Statistics. This monthly report shall provide a summary of the number of calls received on the client hotline by reason (lost/stolen card, balance inquiry, transaction history, etc.) for both ARU and CSR. Daily statistics regarding the help desk performance (i.e., number of calls, number of rings before answered, number of abandoned calls, number of busy signals received) shall be collected and reported. Statistics regarding language selected for both ARU and CSR shall be provided.
  - 2. Monthly Retailer Help Desk Statistics. This monthly report shall provide a summary of the number of calls received on the retailer hotline by reason (food stamp voice authorization, terminal problems, settlement questions, etc.) for both ARU and CSR. Statistics regarding retailer help tickets, including number of tickets opened, tickets closed, and reason for ticket, shall be provided. Daily statistics regarding the help desk performance (i.e., number of calls, number of rings before answered, number of abandoned calls, number of busy signals received) shall be collected and reported. Statistics regarding language choice (English or Spanish) selected for both ARU and CSR shall be provided.
  - 3. Monthly Telecommunications Statistics. The Contractor shall provide performance data from their telecommunications provider on a monthly basis. This information shall include provider capacity limitations. The Contractor shall include, as part of this report, a log of blocked calls as recorded by the telecommunications provider.
- e. Billing Reports The Contractor shall, on a monthly basis, provide to the State in an electronic format detail reports substantiating the monthly billing for EBT services. The billing reports shall include detail information to allow the State to validate the bill for EBT services, as well as pass through expenses being charged to the State, such as payphone surcharges on calls made to the client help desk.
- f. Ad Hoc Reports The Contractor shall support the State's needs for infrequent ad-hoc reporting. Ad-hoc report production will be billed to the State according to a mutually-agreed hourly rate.

A.69. Client Training. The Contractor shall be responsible for providing EBT training to clients as follows:

- a. All new cards mailed to EBT clients shall contain training material (training material is not required to be mailed with replacement cards). The training materials must be written in easy to understand language – at a fifth grade reading level and in compliance with Food Stamp Program Regulations. Printed training materials must be provided in pamphlet format. Training material must be prepared in both English and Spanish. The State shall review and approve all training material. At a minimum the training pamphlet shall include the following topics:
  - 1. Use of the Tennessee EBT card at the point-of-sale, including the type of benefit transactions that can be processed at POS terminals
  - 2. Use of the Tennessee EBT card at ATMs, including the type of benefit transactions that can be processed on ATMs
  - 3. Use and safeguarding of the card and PIN
  - 4. Card replacement and PIN change methods and procedures

5. Manual Voucher processing procedures
6. Guidance on reporting problems with the card or its use and on reporting a lost or stolen Tennessee EBT card.
7. Use of transaction receipt to track balances
8. Use of the ARU
9. Customer service functions, including a prominent display of the toll-free Customer Service Help Desk number
10. Non-discrimination statement per 7 CFR 274.12(i)(6)(B)

- b. Written training materials shall be made available for distribution to clients in county DHS offices. The Contractor shall also develop an EBT training video for client viewing in the county DHS offices. The EBT training video shall be distributed to the State and to every local DHS county office. Local county offices and addresses will be provided at the appropriate time. The training video should be no more than fifteen (15) minutes in length and must cover the same topics listed above for the written training materials. The training video should be directed to a fifth grade education level, and must be provided in both English and Spanish with at least one open-captioned version of each. Initially, the Contractor shall provide one hundred (100) copies of the Tennessee Training video in VHS format.

A.70. Retailer Training. The Contractor shall provide initial training and training material to new retailers participating in the EBT program, as well as providing additional training and training materials as requested by retailers. Training shall cover both the cash and food stamp programs. FNS Federal Regulation CFR 7 274.12(f)(4)(vi) requires that retail store employees be trained in system operation prior to implementation. Such training shall include the provision of appropriate written and program specific materials. The Contractor shall provide training deliverables at the time of POS installment in order to meet FNS requirements. Training material should include:

- a. Merchant Help Desk toll-free number
- b. Use of ARU
- c. Manual Voucher Processing Procedures

A.71. State Staff Training. The Contractor shall provide the following training related materials to the State:

- a. Five (5) copies of training materials on CD-ROM and thirty (30) printed copies of training materials about the new EBT Administrative Terminal to be used by State and county workers. Materials shall be in Windows format. In addition, updates and revisions of the training materials shall be provided at least 30 calendar days prior to any modification the Contractor makes to the functionality of the EBT system.
- b. Training material covering all of the functionality supported by the EBT administrative terminal for the State. The material shall cover accessing the administrative terminal functions, security features within the system, and detailed explanations of the screens and functions supported by the Administrative Terminal application.
- c. A training module describing the detail and use of the reports generated by the EBT System prior to implementation of the Contractor's EBT report package.

A.72. Program Marketing. The Contractor shall take an active role in engaging in a marketing effort to educate the population to be served by EBT. This will be based on the Contractor's marketing proposal submitted in response to the RFP. The Contractor agrees that the State will have final approval of instructional materials utilized in this

marketing effort, including materials provided with the EBT card to card holders.

A.73. POS Terminal Installment. According to Federal regulation at 7 CFR 274.12(h)(4)(ii), POS terminals shall be deployed by the Contractor as follows:

- a. For an authorized food retail store with Food Stamp benefit redemption amounting to fifteen (15) percent or more of total food sales, all checkout lanes shall be equipped;
- b. For an authorized food retail store with Food Stamp benefit redemption representing less than fifteen (15) percent of total food sales, supermarkets shall, at a minimum, receive one terminal for every eleven thousand dollars (\$11,000.00) in monthly redemption activity up to the number of lanes per store.
- c. All other food retailers shall receive one terminal for every eight thousand dollars (\$8,000.00) in monthly redemption activity up to the number of lanes per store activity up to the number of lanes per store.
- d. For newly authorized food retailers, the Contractor and the food retailer shall negotiate a mutually agreed level of terminal installment, up to the number of lanes per store. If the Contractor and the food retailer are unable to reach a mutual agreement, the State will make the decision.

The Contractor may, if desired, provide additional POS equipment to retailers that wish to obtain additional equipment from the Contractor. The Contractor may charge the retailer for providing and supporting this additional equipment. Notwithstanding, any agreement covering such an arrangement shall be solely between the Contractor and the retailer; the State will not be party to any such agreements.

A.74. EBT Administrative Terminal. In addition to ATM and retail POS transaction functionality, the Contractor shall also support administrative transactions from an EBT Administrative Terminal. Transactions that originate at administrative terminals located in State and county offices will be sent to the Contractor in on-line processing mode. These transactions are subject to the requirements for two (2) second response. The Contractor shall provide, at least 30 calendar days prior to the start of the Operations Phase of the contract, a browser-based administrative terminal application utilizing TCP/IP as the communications protocol. In order to assist in ongoing investigations, FNS must have access to the State agency administrative terminals for selected field office, regional office, and investigative staff. Additionally, the Administrative Terminal application will support the adding of benefits to assist in fraud investigation (Reference Section A.79). The Contractor must provide on-line inquiry-only administrative terminal software that is windows compatible or appropriate hardware and software to the locations identified by FNS. This will include a method to interface with the EBT host from multiple locations through dial-up or other means. This access enables inquiry on specific card and/or retailer details.

a. Functionality. Administrative terminal functionality shall include multi-level access controls to ensure that only authorized individuals can process administrative transactions or access client account information through EBT administrative terminals. At a minimum, the following transaction set will be supported by the Contractor's EBT Administrative terminal:

1. EBT Account Set-up
2. EBT Account Maintenance
3. Benefit Authorization
4. Benefit Cancellation (prior to availability date)
5. Card Status Change
6. Card Issuance and Replacement
7. Card Inquiry
8. Client Search (by name, card, case, account, SSN)
9. Client Account Information Inquiry (Client demographics, Benefit Data)
10. Account Password Assignment
11. Transaction History Inquiry (by PAN, Case number, and FNS number)
12. Repayment Functionality
13. Retrieval of Archived Data

All inquiry data shall be accessible from the Client Search screen once the appropriate client has been located. The Client Account Information Inquiry screen, Client Case Information Inquiry screen, and the Card Inquiry screen shall utilize user-friendly data formatting and navigation, since these will be the primary screens used for state and federal access.

Update screens will be access-limited to appropriate State personnel. Account Set-up functionality will be required to exist, although its use by the State will be rare. The Benefit Authorization screen may be used to add benefits to EBT accounts under restricted circumstances. The Benefit Cancellation screen will be rarely used, primarily to resolve system errors. The Card Status Change and the Card Issuance and Replacement screens will be used to correct unusual problems and issues. The majority of changes to the EBT card status and replacement cards will be handled by the Contractor's Client Help Desk (Reference Section A.52).

- b. The Contractor's administrative terminal shall support the State's current user identification and password formats. No other formats will be acceptable.
- c. The Contractor shall provide, at least 30 calendar days prior to the start of the Operations Phase of the Contract, a security system for the EBT administrative terminal whereby user profiles can be established based upon the specific administrative terminal functions required by the user to perform his/her respective job. Each administrative terminal user, as he/she are granted access, shall be assigned a specific user profile based upon the requirements for his/her job. The State will define the user profiles with the assistance of the Contractor. It is estimated that approximately five (5) to six (6) user profiles will be required by the State.
- d. The Contractor shall ensure that the administration of the Administrative Terminal security system shall lie with the State EBT Administrative Security Officer. The Contractor shall provide training to the State Security Officer at least 30 calendar days prior to the start of the Operations Phase of the contract. Training shall include, at a minimum, written instructions, information and/or examples relating to user security, screen navigation and searches, as well as procedures for changing card status, resetting PINs, processing repayments, changing client benefit status, adding new cases and clients, maintaining client details, changing case status, and issuing benefits. Training shall also include an explanation of all screens and data fields used in the Contractor's Administrative Terminal security system.
- e. The Contractor shall maintain current EBT account balances and a rolling 180-day transaction history for each account for on-line access through the EBT administrative terminals. After 180 days, transaction history data shall be maintained off-line for three (3) years, or longer if required by FNS or federal legislation. At a minimum, data within the transaction history inquiries shall include:
  1. PAN (card number)
  2. EBT account number
  3. Client case identification numbers
  4. Benefit program identifier
  5. Retailer identification numbers (both FNS and acquirer) and Federal Reserve Regulation E data for retailer information
  6. Terminal identification number
  7. Transaction type
  8. Transaction amount
  9. Balance by benefit type
  10. Manual voucher information
  11. Transaction date and time
  12. Transaction results (approval code or denial reason)

The Contractor shall define how data maintained off-line is retrieved.

A.75. Disaster Preparation and Contingency Planning. The Contractor shall provide for disaster preparation and contingency planning in the following areas as outlined in Section A.6:

- a. Contractor Systems. The Contractor shall provide an alternate means of authorization of EBT transactions during short-term outages, when switching over to the back-up site is not considered appropriate.

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

The Contractor's disaster recovery plan shall address the means and timeframes by which the State and the retailer community is notified by the Contractor that an outage is occurring, and that alternate means of authorizations are in place. The Contractor shall notify the State immediately upon Contractor's decision to move to a disaster back-up site to provide EBT services. If the Contractor is providing EBT services to multiple States, the disaster recovery plan shall address the timing and order of recovery of the State as compared to other agencies being processed. The recovery of the State of Tennessee's EBT system shall not be delayed because the Contractor is recovering other States' EBT systems.

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

- b. State Systems. The Contractor shall support the recovery of the State's eligibility and EBT interface systems at a back-up site in the event of a disaster at the State's primary data center. This support shall consist of providing connectivity to the State's back-up site to support the transmission of data files and reports between the State and the EBT Contractor. Initial support may consist of only dial-up access until a more robust solution can be implemented. The connectivity during the initial days of a disaster may also consist of passing tape cartridges between the Contractor and the State. In either case, the Contractor shall provide support to the State in ensuring that benefits are still being provided to clients through the EBT system during the recovery of the State's data processing systems. Following the declaration of a disaster by the State and movement to a back-up data center, the Contractor shall work with the State technical staff to provide EBT administrative terminal support.
- c. Natural Disasters within State. The EBT Contractor shall support providing benefits to State clients subsequent to the occurrence of a natural disaster within the State. The basic assumption in this scenario is that there is sufficient infrastructure available within the retailer community to support EBT as a means for benefit payments.

To support the State's plan for EBT disaster services, the Contractor shall establish and maintain on the EBT database predefined disaster accounts and related EBT cards. The Contractor shall create 25,000 EBT accounts to be used for disaster services, and an inventory of pre-embossed and pre-encoded EBT cards in an equivalent number. The EBT accounts shall remain on the Contractor's EBT system until utilized for a disaster while the associated EBT cards shall be stored in a secure environment by the Contractor until they are needed for a disaster. The State requires that, in lieu of a separate PIN mailer, the PIN be included in the EBT card number as the 13<sup>th</sup> through 16<sup>th</sup> digits. The Contractor shall work with the State during the design phase of the project to finalize and document these requirements.

For disasters impacting a large geographic area, such as a metropolitan area, the Contractor shall support the option of drop shipping disaster EBT cards. Following written notification by the state to the Contractor, the state requires that a pre-determined number of disaster EBT cards be drop shipped in activated status to a location specified by the State. The cards shall be updated with associated client, benefit, and demographic information via the administrative terminal for distribution of Disaster Food Stamp benefits within the impacted area for distribution.

For localized disasters impacting a small geographic area, such as an area hit by a tornado, the Contractor shall support the option of daily drop shipments of new and replacement EBT cards. The impacted area shall be identified by zip code. Following written notification by the State, the State requires that all EBT cards that would normally be mailed to clients within the impacted zip codes instead be drop shipped to the location specified by the State. The EBT cards shall be drop shipped until written notification is received from the State to discontinue drop shipping and begin mailing cards again.

- A.76. Adjustment Processing. The Contractor shall have in place a process such that a retailer, TPP, or the Contractor can initiate an adjustment to resolve errors and out-of-balances related to system problems. The Contractor, on behalf of a client complaint, can also initiate an adjustment to resolve a transaction error. In either case, the adjustment will reference an original settled transaction, which is partially or completely erroneous. The Contractor shall have the capability to process the adjustment and have this reflected in the client's account. Adjustments shall be processed in accordance with Federal regulations recently issued regarding the recording, tracking and processing of these types of adjustments, found at [http://www.fns.usda.gov/fsp/ebt/ebt\\_regulations.htm](http://www.fns.usda.gov/fsp/ebt/ebt_regulations.htm). Adjustments made by the Contractor must be in accordance with "Retailer-Initiated Adjustments" requirements in 7 CFR 274.12(g)(4)(ii). Adjustments made by the Contractor will cause money to be moved either to or from the client's EBT Account, and will impact the daily settlement. The Contractor shall provide information to the State regarding pending debit adjustments so that notification can be provided to the client. The State will use the "hold" process for adjustment processing. However, the Contractor must have the capability to support both "hold" and "no-hold" processes.
- A.77. Performance Standards. The following table defines the standards required for Contractor performance for the delivery of EBT services, and the performance deficiencies that may trigger the invocation of liquidated damage provisions, explained in Section A.78 and Section E.4.

**PERFORMANCE STANDARDS**

<u>Requirement</u>	<u>Performance Deficiency</u>
<p align="center"><b>EBT Central Computer Uptime</b></p> <p>The EBT Central Computer shall be "up" 99.9% of the time measured on a monthly basis. Central computer is not considered "down" if the system continues to automatically process benefit authorizations, whether electronically or via the Automated Response Unit. The EBT Central Computer consists of all system functions over which the Contractor has direct control, either directly or through a subcontractor relationship.</p>	<p>Failure of EBT Central Computer to be "up" 99.9% of the time measured on a monthly basis.</p>
<p align="center"><b>Settlement and ACH Processes</b></p> <p>1. The timeframe for ACH settlement window will be met 98% of the time measured on a monthly basis.</p> <p>2. AMA Entries will be made with 100% accuracy.</p> <p>3. STARS daily redemption totals will be provided to the Benefit Redemption System Branch (BRSB) at least weekly with 100% accuracy.</p> <p>4. ALERT data will be submitted to FNS with 100% accuracy.</p>	<p>Failure to meet timeframe for ACH settlement window 98% of the time measured on a monthly basis.</p> <p>Any errors in providing AMA data to the FRB of Richmond over a two month period.</p> <p>Any errors in the daily redemption totals provided to the BRSB over a two month period.</p> <p>Any errors in data submitted to FNS in a given month.</p>
<p align="center"><b>Benefit Availability</b></p> <p>Daily benefits received by 1:00 am CT will be in the clients' accounts by 5:00 am CT the same morning.</p>	<p>Failure to have benefits available by 6:00 am CT for two or more days within a calendar month.</p>
<p align="center"><b>EBT Switching Services</b></p> <p>The Debit Switch service shall be available 99.8% in any calendar month after deducting for scheduled downtime or failure of communication lines or telecommunications equipment out of the control of the Contractor.</p>	<p>Failure to provide Debit Switch Availability 99.8% of the time in any calendar month.</p>
<p align="center"><b>Transaction Response Time</b></p> <p>100% of client EBT-only POS transactions shall be completed in 20 seconds measured on a monthly basis.</p>	<p>Failure to complete 100% of client EBT only POS transactions within 20 seconds for a month.</p>
<p align="center"><b>Inaccurate Transactions</b></p> <p>No more that 2 inaccurate transactions per every 10,000 Food Stamp and other financial transactions shall occur measured on a monthly basis.</p>	<p>Failure to maintain an accuracy standard of no more than 2 errors per every 10,000 Food Stamp and other financial transactions for a month.</p>
<p align="center"><b>Customer Service Help Desks</b></p> <p>1. 85% of all calls answered within 4 rings measured over a 3-month period. (4 rings are defined as 25 seconds.)</p>	<p>Failure to answer 85% of calls within 4 rings measured over a 3-month period.</p>

<p><b>Customer Service Help Desks (cont'd)</b> 2. 97% of all calls for Customer Service Representatives (CSR) answered within 2 minutes measured over a three-month period.</p>	<p>Failure to answer 97% of all calls for CSR within 2 minutes measured over a 3-month period.</p>
<p><b>Host Response Time for Administrative Terminal Transactions</b> Host response time for administrative terminal transactions for on-line data shall not exceed 2 seconds 98% of the time measured on a monthly basis.</p>	<p>Failure to respond to administrative terminal transactions within 2 seconds 98% of the time measured on a monthly basis.</p>
<p><b>Equipment Installation for EBT-only Retailers</b> 95% of POS terminals shall be installed and operational within 14 days of the Contractor receiving the retailer's contract measured over a 3-month period. Retailer initiated delays not included.</p>	<p>Failure to install 95% of the terminals within 14 days of the Contractor receiving the contract from the retailer measured over a 3-month period.</p>
<p><b>Card and PIN Issuance</b> 1. For card issuance requests received by the Contractor by 11:00 p.m. CT, cards will be mailed no later than the following day with PINs mailed no later than the following business day measured on a monthly basis.  2. For expedited card issuance requests received by the Contractor by 12:00 p.m. (noon) CT, cards and PINs will be mailed the same day the request was received, measured on a monthly basis.</p>	<p>Failure to mail cards and PINs in accordance with contractual requirement 90% of the time measured on a monthly basis.  Failure to mail cards and PINs for expedited card requests in accordance with contractual requirement 90% of the time measured on a monthly basis.</p>
<p><b>Project Status Reporting</b> 1. The Management Reports defined in Section A.68 shall be provided as follows: Weekly reports shall be provided by close of business on Mondays. Monthly reports shall be provided by the 15th of the following month.  2. Customer Service Statistics Reports shall be provided by the 15th of the following month.</p>	<p>Failure to deliver reports to the State within the required timeframe unless advance approval is received by the State.  Failure to deliver reports to the State within the required timeframe unless advance approval is received by the State.</p>
<p><b>Response to Enhancement/Change Requests</b> The Contractor shall respond to Enhancement and Change requests within two weeks of receiving the request. If additional time is required to complete the estimate, the Contractor shall provide the date within two weeks of receipt of the Enhancement and/or Change Request of when the estimate will be completed.</p>	<p>Failure to provide a response to any Enhancement and/or Change request within the promised timeframe on a monthly basis.</p>

A.78. Liquidated Damages for Non-Compliance with Performance Standards. After the "Transition of Services", the Contractor shall comply with minimum system and procedural performance requirements. The State shall deem the Contractor to be in Breach for failure to comply with any of the performance requirements identified in Section A.77. At the first incident of failure to meet one or more of the defined performance standards the State, at its

discretion, may request a corrective action plan and establish an extension date by which the Contractor shall correct the deficiency.

Failure of the Contractor to correct the deficiency by the corrective action date set by the State shall result in a liquidated damage in the amount of five percent (5%) of the total monthly payment per occurrence for each instance of non-performance. Liquidated damages shall be deducted from the Contractor's invoice for the following month's payment (as referenced in Sections C.6 and C. 7).

- A.79. Fraud Investigation. The Contractor shall create and maintain EBT accounts for use in Food Stamp fraud investigations. Fraud accounts shall be set up through the batch interface to the Contractor's EBT System with a unique county identifier and user ID. Although the EBT accounts are defined and set up through the EBT batch interface, benefit authorizations for these accounts will only be added through the EBT Administrative Terminal Application (Reference Section A.74). Fraud accounts will only contain a primary client. They will not contain Authorized Representatives or Protective Payee.
- A.80. Investigative Access. The Contractor shall advise, assist and appropriately act to aid the State in detection and investigations of abuses by stores, recipients or workers, including but not limited to, reporting unusual activity. This may entail cooperation with various authorities of the State and Federal agencies that are responsible for compliance with laws and regulations surrounding the programs. Stores authorized by the Food and Nutrition Service to accept Food Stamp Program benefits may become subject to monitoring and investigations by the State, FSP Compliance Branch, USDA OIG, IRS, Secret Service, or local police departments. Recipients are subject to investigation by the State program authorities and occasionally others. The State and the Contractor will determine an orderly process for these responsibilities to be conveyed to the Contractor. Access to information concerning these matters will be held in confidence by the State and by the Contractor so that the investigations are not compromised.

The Contractor shall provide, at a minimum, the following functions to support the State in conducting investigations:

- a. Creation of cases and cards to be used by investigators.
- b. Posting benefit amounts to the investigative cases, possibly on an irregular basis as needed by the investigators.
- c. Training, card issuance, and PIN selection for investigators using the cases.
- d. Providing reports on the investigative cases showing the amounts funded to the cases and the transaction histories of the funds on a monthly basis.
- e. Providing information from the system, as needed, for evidentiary purposes within 24 hours.
- f. Providing extract files, starting at implementation, of store transaction history on a regular basis to the Food and Nutrition Service. (See Anti-fraud Locator of EBT Retailer Transactions (ALERT) requirements for more information).
- g. Providing technical assistance to any authorized investigative agency conducting a fraud review or investigation; and
- h. Providing personnel to authenticate and explain records for grand jury or trial purposes.

Retention of all records for a period of three (3) years or longer if notified.

- A.81. Child Care Time and Attendance Tracking Services (CCTA)—General Requirements. The Contractor shall perform services as defined in accordance with the relevant documents referenced in Section E.11 and including, but not limited to the following:

The Contractor shall receive and process case/client account establishment records transmitted by the State by batch. The Contractor shall process these records based on the case number, and program identifier/indicator generated by the State in the batch file.

- a. The Contractor's EBT system shall operate on a 24-hour processing cycle. At a designated cutoff time each day, the Contractor shall close out the current processing day and commence the next processing day. The Contractor shall designate a standard daily cutoff time for Child Care Time and Attendance transaction processing. The 24-hour period between the cutoff time on Day 1 and Day 2 constitutes the EBT transaction day. The

Contractor shall work with the State in defining what constitutes the processing day for these purposes.

- b. The Contractor will be responsible for the authorization of client initiated Child Care Time and Attendance transactions. The Contractor shall have the capability to receive and process client transactions from POS devices.
- c. The Contractor's process for transaction authorization will require:
  1. Accepting transactions coming from an authorized provider
  2. Authorizing or denying transactions
  3. Sending response messages back to the transaction acquirer authorizing or rejecting client transactions
  4. Logging the authorized/denied transactions for subsequent settlement and reconciliation processing, transaction reporting, and for viewing through transaction history.
- d. The EBT system will go through a series of checks and processes to determine whether a transaction being initiated by a client should be approved. These checks shall include determining whether:
  1. The provider has a valid authorization number;
  2. The card number (PAN) is verified and the card is active;
  3. The number of consecutive failed PIN tries has not been exceeded;
  4. The PIN is verified as being entered correctly;
  5. The account is active

If any one of the above conditions is not met, the Contractor shall deny the transaction. The system must return a message to the provider indicating the reason for denial (e.g., invalid PAN, invalid PIN, etc.).

- A.82. CCTA Service Requirements and Standards. The Contractor shall ensure that the Child Care Time and Attendance system meets performance and technical standards and regulations prescribed. The Contractor shall meet or exceed the Core Service requirements and standards stated in Sections A.31 through A.35.
- A.83. CCTA POS Transaction Sets. The Child Care Time and Attendance system must be able to accept transactions from POS devices. The Contractor shall determine methodology by which parents may use their EBT card to track time and attendance in subsidized child care programs. The EBT system should also use the time and attendance information to calculate provider payments based on policies and rates established by the State. The system should create a file to be transmitted to the State so that calculated provider payments can be generated. Reference Attachment D for the Electronic Eligibility Attendance Verification (EAV) file format
- A.84. CCTA Key-entered Transactions. The Contractor shall accept and process Child Care Time and Attendance transactions where the card number (PAN) has been manually entered (key-entered) into the POS device. Transactions may be key-entered at times when a card presented by a client is damaged and/or the POS device is unable to accurately read the magnetic stripe. The validation of the client's PIN is still required on key-entered transactions. If a PIN pad is defective or for other reasons a PIN does not accompany the transaction to the EBT host for processing, the Contractor shall deny the transaction.

The Contractor shall adopt other security measures to prevent client and provider abuse/misuse of the key-entry

feature. The Contractor shall ensure that the PAN printed on the transaction receipt is truncated, and the Contractor must be able to selectively disable or deny the capability of an EBT-only POS device from completing key-entered transactions. Finally, the Contractor shall track key entered transactions by card number and by provider site. The Contractor shall respond to client reports of malfunctioning or defective equipment at provider sites.

- A.85. CCTA Alternate Authorization Procedures. The Contractor shall provide an alternative authorization procedure for processing Child Care Time and Attendance transactions. This procedure will be used during times when the provider's POS terminals are inoperable, there are problems with the telecommunications network between the POS terminal and the EBT host processor system, or the EBT system is down or otherwise not available.

The Contractor shall also provide an acceptable method of capturing Child Care Time and Attendance transactions in situations where eligible children are not taken to the Child Care provider by the parent, but rather are transported by the Child Care provider, or the local school's transportation system, or by another individual.

- A.86. CCTA Provider Validation. For all Child Care Time and Attendance transactions, the Contractor shall validate the transactions originated at an authorized provider location. The Contractor shall maintain a database of authorized providers. The Contractor shall verify the provider identification number is that of an authorized provider prior to completing its processing of a transaction.
- A.87. CCTA Card/Personal Identification Number (PIN). The Contractor shall adhere to Sections A.22 and A.23 regarding requirements relating to EBT cards and PINs.
- A.88. CCTA Customer Service. The Contractor shall adhere to Section A.52 regarding requirements relating to Customer Services for both clients and providers.
- A.89. CCTA Training. The Contractor shall adhere to Sections A.69, A.70, and A.71 regarding training requirements.
- A.90. CCTA Reporting. The Contractor shall provide to the State a detailed reporting package in order to facilitate effective monitoring and reconciliation of activity under this contract. Data must be available for query purposes as well as for downloading for further analysis. The Contractor shall adhere to Section A.68 regarding reporting package requirements.
- A.91. CCTA Performance Standards. The Contractor shall adhere to the requirements for performance standards for the delivery of Child Care Time and Attendance Services as set forth in Section A.77 for the delivery of EBT services. The Contractor shall be subject to the penalties for non-compliance with performance standards as set forth in Section A.78.
- A.92. Provision of Services for CCTA and WIC. The Contractor shall, in providing services in the areas designated as optional services to be procured at the States discretion, adhere to the terms and conditions as applicable to those delineated for the Core Services functions in Sections A.1 through A.80. These shall include, but are not limited to, design and development requirements, system testing, customer service, fraud investigation, and investigative access.
- A.93. Transition of Overseas Call Center to Stateside. If the Contractor is directed by the State to answer cardholder calls via a live customer service representative located in the United States, as the result of legislation at either the federal or state level requiring this practice, there will be an additional charge of \$0.09 per case per month for all billable cases at any volume tier. The Contractor shall be given a minimum of one hundred eighty (180) days notice to implement the change. If the change is requested to be implemented with less than twenty-four (24) months remaining in the contract, a one time fee, not to exceed the amount shown in Section C.3, will be billed to the State for the cost of the change. The fee will be negotiated in good faith between the parties.
- A.94. Additional terms and conditions contemplated by the RFP relative to the Women, Infants and Children (WIC) Services, as described in Attachment E, will not be implemented at the time of execution of this agreement. However, at the State's sole discretion, and upon appropriate notification to the Contractor, the terms and conditions in these sections will become effective, payable at rates indicated in Attachment E, by a written amendment to the Contract, executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance

with applicable Tennessee State laws and regulations.

**B. CONTRACT TERM:**

B.1. Contract Term. This Contract shall be effective for the period commencing on May 15, 2006 and ending on February 29, 2012. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

**C. PAYMENT TERMS AND CONDITIONS:**

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Forty Five Million Two Hundred Sixty-Nine Thousand Four Hundred Thirty-Eight Dollars and No Cents (\$45,269,438.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

C.2. Compensation Firm. The Service Rates and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

C.3. Payment Methodology. The Contractor shall be compensated based on the Service Rates authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A. The Contractor shall be compensated based upon the following Service Rates after the "Transition of Services" date:

**Cost Per Case Month—Food Stamp Only**

Volume	Year 1	Year 2	Year 3	Year 4	Year 5
≤80000	\$1.31	\$1.27	\$1.23	\$1.11	\$1.07
280,001-290,000	\$1.29	\$1.25	\$1.21	\$1.09	\$1.05
290,001-300,000	\$1.27	\$1.23	\$1.19	\$1.07	\$1.05
300,001-310,000	\$1.25	\$1.21	\$1.17	\$1.05	\$1.01
310,001-320,000	\$1.23	\$1.19	\$1.15	\$1.03	\$0.99
320,001-330,000	\$1.21	\$1.17	\$1.13	\$1.01	\$0.97
330,001-340,000	\$1.19	\$1.15	\$1.11	\$0.99	\$0.95
340,001-350,000	\$1.17	\$1.13	\$1.09	\$0.97	\$0.93
350,001-360,000	\$1.16	\$1.12	\$1.08	\$0.96	\$0.92
360,001-370,000	\$1.15	\$1.11	\$1.07	\$0.95	\$0.91
≥70,001	\$1.15	\$1.11	\$1.07	\$0.95	\$0.91

**Cost Per Case Month—TANF Only**

Volume	Year 1	Year 2	Year 3	Year 4	Year 5
≤4,000	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85
4,001-5,000	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83
5,001-7,000	\$0.81	\$0.81	\$0.81	\$0.81	\$0.81
7,001-8,000	\$0.79	\$0.79	\$0.79	\$0.79	\$0.79
8,001-9,000	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77
9,001-10,000	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75

10,001-12,000	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73
12,001-14,000	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71
14,001-16,000	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69
≥16,001	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69

**Ad Hoc Reports (any possible service)—Hourly Rate**

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
\$125.00 Per Hour				

**Cost Per Case Month—Food Stamp and TANF Combined**

<b>Volume</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
≤20,000	\$1.80	\$1.64	\$1.53	\$1.49	\$1.45
20,001-30,000	\$1.78	\$1.62	\$1.51	\$1.47	\$1.43
30,001-40,000	\$1.76	\$1.60	\$1.49	\$1.45	\$1.41
40,001-50,000	\$1.74	\$1.58	\$1.47	\$1.43	\$1.39
50,001-60,000	\$1.72	\$1.56	\$1.45	\$1.41	\$1.37
60,001-70,000	\$1.70	\$1.54	\$1.43	\$1.39	\$1.35
70,001-80,000	\$1.68	\$1.52	\$1.41	\$1.37	\$1.33
\$80,001-90,000	\$1.66	\$1.50	\$1.39	\$1.35	\$1.31
90,001-100,000	\$1.64	\$1.48	\$1.37	\$1.33	\$1.29
≥100,001	\$1.64	\$1.48	\$1.37	\$1.33	\$1.29

**Cost Per Case Month—Child Care Time and Attendance**

<b>Volume</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
≤8,000	\$2.60	\$2.60	\$2.60	\$2.60	\$2.60
18,001-19,000	\$2.58	\$2.58	\$2.58	\$2.58	\$2.58
19,001-20,000	\$2.56	\$2.56	\$2.56	\$2.56	\$2.56
20,001-30,000	\$2.54	\$2.54	\$2.54	\$2.54	\$2.54
30,001-40,000	\$2.52	\$2.52	\$2.52	\$2.52	\$2.52
40,001-50,000	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
50,001-60,000	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48
60,001-70,000	\$2.46	\$2.46	\$2.46	\$2.46	\$2.46
70,001-80,000	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44
≥80,001	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44

**Monthly Cost of Additional Contractor Provided POS Device(s)—Child Care Time and Attendance Tracking**

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
\$22.50 per device				

**One Time Cost of Moving Call Center From Overseas Operation to Stateside Operation**

(Reference Section A.93)  
\$50,000.00

The Contractor's compensation shall be contingent upon the satisfactory completion of services as defined in the Scope of Services section of this contract. The State shall make monthly payments to the Contractor for services rendered during the previous calendar month. The Contractor shall prepare an invoice for services rendered following the last business day of each calendar month being billed. The invoice must be provided to the state

within Thirty (30) calendar days and must be accompanied by supporting documentation that substantiates each individual line item on the bill. At a minimum, the monthly bill should contain the following:

- Report period. (month/year)
- Previous amount due/payments received.
- As applicable, billable start-up costs.
- Number of active EBT accounts within each category.
- Applicable CPCM for active EBT accounts within each category.
- Total CPCM pricing. (total of active EBT accounts times the CPCM)
- A total of the fees paid to retailers performing cash withdrawals on commercial POS terminals.
- A list of the fee for services provided and total cost.
- Payphone surcharges.
- Total amount due.

- C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.6. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.
- C.7. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.8. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.
- D. STANDARD TERMS AND CONDITIONS:
  - D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
  - D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
  - D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least Ninety (90) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
  - D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services.

Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.9. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.12. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.13. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14. Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.15. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

- D.16. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.17. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.18. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.19. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Richard Dobbs  
Department of Human Services  
400 Deaderick Street  
Citizens Plaza Building - 12th Floor  
Nashville, TN 37248-7100  
Telephone Number: (615) 313-5652  
Fax Number: (615) 313-6639

The Contractor:

Rick McKinney  
J.P. MORGAN ELECTRONIC FINANCIAL SERVICES, INC.  
300 SOUTH RIVERSIDE PLAZA; 18<sup>TH</sup> FLOOR  
CHICAGO, IL 60606  
Telephone Number: (312) 954-9590  
Fax Number: (312) 954-9555

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the

Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.4. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

- failure to perform in accordance with any term or provision of the Contract;
- partial performance of any term or provision of the Contract;
- any act prohibited or restricted by the Contract, or
- violation of any warranty.

For purposes of this contract, these items shall hereinafter be referred to as a "Breach."

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

- (1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.
- (2) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken

- (3) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.
- b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor

may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

- E.5. Partial Takeover. The State may, at its convenience and without cause, exercise a partial takeover of any service which the Contractor is obligated to perform under this Contract, including but not limited to any service which is the subject of a subcontract between Contractor and a third party, although the Contractor is not in Breach (hereinafter referred to as "Partial Takeover"). Said Partial Takeover shall not be deemed a Breach of Contract by the State. Contractor shall be given at least 30 days prior written notice of said Partial Takeover with said notice to specify the area(s) of service the State will assume and the date of said assumption. Any Partial Takeover by the State shall not alter in any way Contractor's other obligations under this Contract. The State may withhold from amounts due the Contractor the amount the Contractor would have been paid to deliver the service as determined by the State. The amounts shall be withheld effective as of the date the State assumes the service. Upon Partial Takeover, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.6. Annual Report and Audit. The Contractor shall prepare and submit, within nine (9) months after the close of the reporting period, an annual report of its activities funded under this Contract to the commissioner or head of the contracting agency, the Tennessee Comptroller of the Treasury, and the Commissioner of Finance and Administration. The annual report for any Contractor that receives \$500,000 or more in aggregate federal and state funding for all its programs shall include audited financial statements. All books of account and financial records shall be subject to annual audit by the Tennessee Comptroller of the Treasury or the Comptroller's duly appointed representative. When an audit is required, the Contractor may, with the prior approval of the Comptroller, engage a licensed independent public accountant to perform the audit. The audit contract between the Contractor and the licensed independent public accountant shall be on a contract form prescribed by the Tennessee Comptroller of the Treasury. Any such audit shall be performed in accordance with generally accepted government auditing standards, the provisions of OMB Circular A-133, if applicable, and the *Audit Manual for Governmental Units and Recipients of Grant Funds* published by the Tennessee Comptroller of the Treasury. The Contractor shall be responsible for reimbursement of the cost of the audit prepared by the Tennessee Comptroller of the Treasury, and payment of fees for the audit prepared by the licensed independent public accountant. Payment of the audit fees of the licensed independent public accountant by the Contractor shall be subject to the provisions relating to such fees contained in the prescribed contract form noted above. Copies of such audits shall be provided to the designated cognizant state agency, the State Contracting Department, the Tennessee Comptroller of the Treasury, and the Department of Finance and Administration and shall be made available to the public.
- E.7. State Ownership of Work Products. The State shall have all ownership right, title, and interest, including ownership of copyright, in all work products created, designed, developed, derived, documented, installed, or delivered to the State under this Contract. The State shall have royalty-free and unlimited rights to use, disclose, reproduce, or publish, for any purpose whatsoever, all said work products. The Contractor shall furnish such information and data upon request of the State, in accordance with the Contract and applicable State law.
- E.8. Printing Authorization. The Contractor agrees that no publication coming within the jurisdiction of *Tennessee Code Annotated*, Section 12-7-101, *et. seq.*, shall be printed unless a printing authorization number has been obtained and affixed as required by *Tennessee Code Annotated*, Section 12-7-103 (d).
- E.9. Competitive Procurements. This Contract provides for reimbursement of the cost of goods, materials, supplies, equipment, or services. Such procurements shall be made on a competitive basis, where practical.
- E.10. State Furnished Property. The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.

E.11. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

- a. Applicable Federal law, regulations (including approved waivers), and policies
- b. Applicable State law, rules, and policies
- c. Quest Operating Rules, as amended
- d. The Contract Document and its attachments
- e. All Clarifications and addenda made to the Contractor's Proposal
- f. The Request for Proposal and its associated amendments
- g. Technical Specifications provided to the Contractor
- h. The Contractor's Proposal

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

E.12. Workpapers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.13. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, 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, and entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

E.14. Public Funding Notice. All notices, informational pamphlets, press releases, research reports, signs, and similar public notices prepared and released by the Contractor relative to this Contract shall include the statement, "This project is funded under an agreement with the State of Tennessee." Any such notices by the Contractor shall be approved by the State.

E.15. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

E.16. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards. Such confidential information shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without

written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

E.17. Copyrights and Patents. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims or suits which may be brought against the State for infringement of any laws regarding patents or copyrights which may arise from the Contractor's performance of this Contract. In any such action brought against the State, the Contractor shall satisfy and indemnify the State for the amount of any final judgment for infringement. The Contractor further agrees it shall be liable for the reasonable fees of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State. The State shall give the Contractor written notice of any such claim or suit and full right and opportunity to conduct the Contractor's own defense thereof.

E.18. Public Accountability. If this Contract involves the provision of services to citizens by the Contractor on behalf of the State, the Contractor agrees to establish a system through which recipients of services may present grievances about the operation of the service program, and the Contractor agrees to display a sign stating:

"NOTICE: This Contractor is a recipient of taxpayer funding. If you observe an employee engaging in any activity which you consider to be illegal or improper, please call the State Comptroller's toll free hotline: 1-800-232-5454"

Said sign shall be displayed in a prominent place, located near the passageway(s) through which the public passes to receive State funded services.

E.19. Environmental Tobacco Smoke. Pursuant to the provisions of the federal "Pro-Children Act of 1994" and the Tennessee "Children's Act for Clean Indoor Air of 1995," the Contractor shall prohibit smoking of tobacco products within any indoor premises in which services are provided pursuant to this Contract to individuals under the age of eighteen (18) years. The Contractor shall post "no smoking" signs in appropriate, permanent sites within such premises. This prohibition shall be applicable during all hours, not just the hours in which children are present. Violators of the prohibition may be subject to civil penalties and fines. This prohibition shall apply to and be made part of any subcontract related to this Contract.

E.20. Authorized Individuals. Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Attachment F, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

E.21. Date/Time Hold Harmless. As required by *Tennessee Code Annotated*, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.

E.22. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the

obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by *Tennessee Code Annotated*, Section 8-6-106.

E.23. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System, provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.

E.24. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principles:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
- b. have not within a three (3) year period preceding this Grant been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
- c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Grant had one or more public transactions (Federal, State, or Local) terminated for cause or default.

E.25. HIPAA Compliance. Contractor warrants to the State that it is familiar with the requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this contract. Contractor warrants that it will cooperate with the State in the course of performance of the contract so that both parties will be in compliance with HIPAA, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations. Contractor will sign any documents that are reasonably necessary to keep the State and Contractor in compliance with HIPAA, including but not limited to business associate agreements.

E.26. FNS Regulations. The Contractor shall adhere to USDA Food and Nutrition Service (FNS) Federal Regulations regarding the Food Stamp Program (7CFR), federal rules, and waivers granted in delivering services under this Contract:

- Section §274.12, Electronic Benefit Transfer Issuance System Approval Standards.
- Final Rule re: Food Stamp Program: Electronic Benefit Transfer Benefit Adjustments; Federal Register, Vol. 65, No. 129, Wednesday, July 5, 2000.
- Final Rule re: Food Stamp Program: Electronic Benefit Transfer (EBT) Systems Interoperability and Portability; Federal Register, Vol. 68, No. 122, July 25, 2003.

- Final Rule re: Food Stamp Program, Regulatory Review: Electronic Benefit Transfer (EBT) Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; Vol. 65, No. 193, Wednesday, October 4, 2000.
- All changes, updates, revisions, and policy interpretations of the federal regulations as enacted by law or FNS.
- Any waiver to the federal regulations granted to the State of Tennessee by FNS for EBT purposes. The following waivers are effective with Tennessee's current contract and have been approved by FNS.
  1. Retailer Participation 7 CFR 274.12(g)(4) Waiver so that Point-of-Sale (POS) deployment is not required for retailers with redemption's less than One Hundred Dollars and No Cents. (\$100.00)
  2. Client Training 7 CFR 274.12(g)(10)(ii) Waiver to utilize mail training for new clients as opposed to hands-on experience.
  3. State Account Handling 7 CFR 274.12(g)(7)(i)(B) Waiver to eliminate notification of aged benefits at the end of ninety (90) days provided such notice is sent at the end of Sixty (60) days.
  4. Initial Personal Identification Number (PIN) Assignment 7 CFR 274.12(f)(5)(i) Waiver to allow initial assignment of PIN by mail.
  5. PIN Select through the ARU 7 CFR 274.12(h)(7)(iii) Waiver to allow PIN selection to be handled through the ARU/Help Desk.
  6. Fees for POS Installation 7 CFR 274.12 (g)(2) and 7 CFR 274.12 (g)(6) Waiver to allow Contractor to charge retailers a fee to re-install a POS device that was originally installed at government expense.
  7. Card Replacement: 7 CFR 274.12(f)(5) Waiver to allow EBT cards to be replaced within Five (5) business days as opposed to required Two (2) days. (A business day is defined as )
  8. Retailer Installation of Point-of-Sale (POS) Devices 7 CFR 274.12 (h)(4) Waiver to continue having government-supplied POS devices shipped to retailers.

E.27. Quest Rules. The Contractor shall comply with Quest Operating Rules, Version 1.4, dated May 2002, plus all subsequent revisions and amendments to these rules. This information can be found at the following site: [http://ebt.nacha.org/Quest/Quest\\_Operating\\_Rules/quest\\_operating\\_rules.htm](http://ebt.nacha.org/Quest/Quest_Operating_Rules/quest_operating_rules.htm) (Reference Section E.11).

E.28. Accounting and Audit Requirements. The books, records, documents, and accounting practices of the Contractor relevant to the contract shall be subject to audit, at any reasonable time and upon reasonable notice by the State, USDA, or their duly appointed representatives. In the event of any audit, claim, negotiation, litigation or other action, records shall be retained for the duration of the event.

Financial records pertaining to the Contractor shall be maintained for Three (3) years following the end of the State Fiscal Year during which the Contract is terminated or State and Federal audits of the Contract have been completed, whichever is later.

Federal Regulation 7 CFR 274.12(k)(5)(i) requires the State to obtain a SAS 70 examination annually of the EBT Contractor regarding the issuance, redemption, and settlement of Food Stamp Program (FSP) benefits. The Contractor will provide an examination by an independent auditor of the State EBT service provider regarding the issuance, redemption, and settlement of Food Stamp Program benefits. The Contractor shall define the beginning and ending dates of the audit period. The examination must be done at least annually and the report must be completed ninety days after the examination period ends. Subsequent examinations must cover the entire period since the previous examination. Examinations must follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards 70, Service Organizations, (SAS No. 70), requirements for reports on controls placed in operation and test of the operating effectiveness of the controls. In this regard the contract must comply with the provisions of Food and Nutrition Service Regulations 7 CFR Parts 272 and 274, RIN 0584-AC71 dated February 17, 2000.

E.29. Public Exigency Service Provision Extension. At the option of the State, the Contractor agrees to continue services for the Department when the Department determines there is a public exigency that requires the contracted services to continue. Continuation of services pursuant to this subsection shall be in twelve (12) month increments and the total of all public exigency extensions shall not exceed twenty-four (24) months. Thirty (30) days notice shall be given by the Department before this option is exercised. The Contractor reimbursement rate during emergency periods shall be the established Unit Rate shown in Attachment G to this Contract.

E.30. Contract Services Transition. Upon termination of this Contract for whatever reason (expiration or termination), the Contractor shall assist the State to ensure an orderly transfer of responsibility and/or continuity of those services required under the terms of the Contract to an organization designated by the State, if requested in writing. The Contractor shall deliver, FOB (free on board) destination, all records, documentation, reports, data, hard copy and electronic files, recommendations, etc., which were required to be produced under the terms of the Contract to the State and/or the State's designee promptly and with due diligence after receipt of the written request. The Contractor shall discontinue providing the service or accepting new assignments under the terms of this Contract, on the date specified by the State, in order to insure the completion of such service prior to the termination of the Contract.

The Contractor shall perform a final reconciliation at the point of transition to ensure that the value of FS benefits transferred to the new contractor from the present EBT system is equal to the amount of funds that will be in the TN ASAP account. Any variances shall be resolved and appropriate adjustments shall be made in consultation with FNS Financial Management.

The Contractor shall support end-of-contract transition activities to ensure a smooth transition. The Contractor must agree to the following terms:

- a. Work with the State and any other organization(s) designated by the State to facilitate an orderly transition of services,
- b. Work with the State's next contractor/processor to execute a smooth and timely transition at the end of the contract term,
- c. Coordinate with the next contractor/processor on migration of customer service functions on the night of database conversion, including the development of special ARU messages approved by the state for use during database conversion, if necessary,
- d. Agree that the State will serve as mediator between the old and new contractor/processor, subcontractors, retailers, and TPPs in the event of disputes,
- e. Allow for fallback in the case of database conversion failure,
- f. Allow the State to purchase POS devices at a depreciated cost, if the State so chooses.

