State of Delaware
Request for Proposal
Merchant Services and Bank Card Processing
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I. General Information

A. Purpose.

The State Treasurer intends to enter into a contractual relationship with a bank card processor for the purpose of providing transaction processing and related ancillary services to the State of Delaware. This Request for Proposal (RFP) provides prospective vendors with sufficient information to enable them to prepare and submit competitive proposals.

B. Issuing Office.

1. This RFP was prepared and issued by the Delaware State Treasury (Treasury) with input from various other State agencies. Treasury has sole responsibility for any changes and additions to this RFP and will coordinate with other agencies, as necessary, to evaluate the resulting proposals.

2. The sole point of contact for this RFP is Banking Services Manager James DiDonato, whose contact information is:
   ● Telephone: 302-672-6710
   ● Fax: 302-739-5635
   ● Email: james.didonato@state.de.us

C. Background.

1. The State of Delaware’s bank card acceptance program has been organized and centralized under the purview of Treasury for many years. While Treasury has oversight for bank card operations, this office coordinates with the Department of Technology and Information (DTI) on technical issues and with the Office of Management and Budget (OMB) on budgetary issues – as well as with the user agencies.

2. Bank card acceptance is one element in the overall plan of the State to streamline revenue collection, speed receipt of payments, and lower overall banking costs while maximizing interest income. Bank card acceptance allows the State of Delaware to:

   ● Respond to the public’s demand for expanded payment options and convenience.
   ● Enable government entities to achieve operational efficiencies.
   ● Streamline revenue flow and improve cash management practices.
3. The State is seeking a vendor to provide all services necessary to continue to process bank card payments, to include credit cards, PIN-based debit and signature-based debit. The vendor must be capable of supporting all current card operations, to include:

- Point of Sale (POS) terminal sales. There are about 700 POS merchant locations throughout the State. As opportunities present themselves, Treasury migrates State merchants from the legacy Verifone Tranz family of terminals and printers to either the Omni family of all-in-one printer terminals or to a “virtual” style of terminal. There are a few merchants that are collocated and share a single terminal, such as the Tranz 380x2.

- Voice Response Unit (VRU) or Interactive Voice Response (IVR) sales.

- Mail Order / Telephone Order (MOTO) sales.

- Virtual terminal sales. About 30 merchants use an internet-based “virtual terminal” product. This software solution eliminates the need for traditional countertop hardware and allows numerous merchant employees to conduct concurrent transactions. To learn more about VPOS visit: http://www.govolution.com/solutions/product/virtualterminal

- Internet sales. Separate from virtual terminals, several agencies also maintain online merchant sites, whereby cardholders initiate the transactions.

4. The State has contracted with Govolution, Inc., to provide a central e-payment gateway for all agencies. The gateway service provider is the first stop for all virtual terminal and internet-based transactions in the payment stream. The provider formats and encrypts transactions, forwards transactions to the processor, and provides reporting to the State. The bank card processing vendor must be capable of working in partnership with Govolution, a division of First American Processing Systems. Govolution is fully PCI DSS certified.

5. In terms of PCI DSS compliance, state governments are normally rated as Level 1, 2, 3 or 4 based on agency-level sales. Most State of Delaware agencies are still designated as level 4, but some have crossed the threshold into Level 3, and others may reach that threshold during the term of this contract. **The State expects not only that its contracted merchant services vendor be fully PCI DSS compliant and maintain appropriate certifications, but that it will take a proactive role in assuring that the State is also fully compliant.**

6. By State policy, Visa, MasterCard, Discover and all PIN debit brands are accepted. That policy stipulates that agencies agreeing to become merchants must accept all card brands equally and without discrimination toward any. This policy may be revised by the state treasurer at any time in order to best serve the interests of the State.

7. Though it’s possible to group numerous merchant operations under a single merchant account, the State’s practice has been to assign distinct merchant numbers to each and every individual location. The State uses a three-tiered hierarchy to organize its merchants.
Approximately 145 individual merchants fall into about a dozen groups (associations), which are in turn rolled up to the headquarters level at the Treasury.

7. The following is recent data regarding the State’s merchant sales. The most recent significant milestone occurred when the Division of Motor Vehicles began card acceptance in the fall of 2006.

### State of Delaware Summary of Annual Statistics

<table>
<thead>
<tr>
<th>Card Type</th>
<th>CY 2009</th>
<th>CY 2010</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET SALES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>$101,013,288.55</td>
<td>$ 94,657,445.81</td>
<td>-6.29%</td>
</tr>
<tr>
<td>MasterCard</td>
<td>$ 40,811,286.50</td>
<td>$ 38,517,675.31</td>
<td>-5.62%</td>
</tr>
<tr>
<td>Debit</td>
<td>$ 1,350,685.42</td>
<td>$  597,451.02</td>
<td>-55.77%</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>$143,175,260.47</td>
<td>$133,772,572.14</td>
<td>-6.57%</td>
</tr>
<tr>
<td><strong>TRANSACTIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>645,488</td>
<td>773,904</td>
<td>19.89%</td>
</tr>
<tr>
<td>MasterCard</td>
<td>238,054</td>
<td>233,769</td>
<td>-1.80%</td>
</tr>
<tr>
<td>Debit</td>
<td>12,569</td>
<td>9,265</td>
<td>-26.29%</td>
</tr>
<tr>
<td><strong>Total Transactions</strong></td>
<td>896,111</td>
<td>1,016,938</td>
<td>13.48%</td>
</tr>
<tr>
<td><strong>AUTHORIZATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>676,449</td>
<td>815,143</td>
<td>20.50%</td>
</tr>
<tr>
<td>MasterCard</td>
<td>250,510</td>
<td>246,171</td>
<td>-1.73%</td>
</tr>
<tr>
<td>Discover</td>
<td>20,438</td>
<td>21,906</td>
<td>7.18%</td>
</tr>
<tr>
<td>Debit</td>
<td>13,065</td>
<td>9,528</td>
<td>-27.07%</td>
</tr>
<tr>
<td><strong>Total Authorizations</strong></td>
<td>960,462</td>
<td>1,092,748</td>
<td>13.77%</td>
</tr>
</tbody>
</table>

*Note: Includes those agencies that directly pay their own invoices.*
## State of Delaware CY2010 Interchange Qualifications

### Visa - Top Interchange Categories by Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>Items</th>
<th>Sales</th>
<th>Percent</th>
<th>I/C Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPS / Retail 2 Debit</td>
<td>249,201</td>
<td>$ 29,205,586</td>
<td>30.60%</td>
<td>0.80%</td>
</tr>
<tr>
<td>Business Card Not Present</td>
<td>147,587</td>
<td>$ 21,815,903</td>
<td>22.86%</td>
<td>2.25%</td>
</tr>
<tr>
<td>CPS / Retail 2 Credit</td>
<td>129,070</td>
<td>$ 20,954,268</td>
<td>21.96%</td>
<td>1.43%</td>
</tr>
<tr>
<td>Purchasing Card Not Present</td>
<td>36,545</td>
<td>$ 6,630,057</td>
<td>6.95%</td>
<td>2.55%</td>
</tr>
<tr>
<td>CPS / Retail Debit</td>
<td>110,134</td>
<td>$ 2,631,618</td>
<td>2.76%</td>
<td>0.95%</td>
</tr>
</tbody>
</table>

### MasterCard - Top Interchange Categories by Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>Items</th>
<th>Sales</th>
<th>Percent</th>
<th>I/C Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Data Rate 1</td>
<td>34,549</td>
<td>$ 6,905,753</td>
<td>18.19%</td>
<td>2.65%</td>
</tr>
<tr>
<td>Public Sector Enhanced</td>
<td>35,240</td>
<td>$ 5,889,723</td>
<td>15.51%</td>
<td>1.55%</td>
</tr>
<tr>
<td>World Public Sector</td>
<td>32,134</td>
<td>$ 5,233,971</td>
<td>13.78%</td>
<td>1.55%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>28,769</td>
<td>$ 4,066,605</td>
<td>10.71%</td>
<td>1.55%</td>
</tr>
<tr>
<td>Emerging Markets Debit</td>
<td>26,972</td>
<td>$ 3,588,002</td>
<td>9.45%</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

### Interchange Volumes

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 137,775,591</td>
<td>754,749</td>
</tr>
<tr>
<td>2009</td>
<td>$ 144,203,343</td>
<td>889,597</td>
</tr>
<tr>
<td>2010</td>
<td>$ 134,884,106</td>
<td>1,009,979</td>
</tr>
</tbody>
</table>

*Note: Of the $134.8 million in 2010 sales volume, approximately 71 percent was Visa and 29 percent was MasterCard. This excludes Discover and debit card sales.*
II. Bidding Specifications

A. RFP Issuance.

1. This RFP is available in electronic form only and may be found at the following websites:
   - Office of the State Treasurer’s website at http://treasurer.delaware.gov/
   - National Association of State Treasurers at http://www.nast.net/rfps.htm
   - Office of Management and Budget at http://www.bids.delaware.gov/
   - Such other website or venue deemed appropriate by the issuers of this RFP.

   Paper copies of this RFP will not be available.

2. Public Notice. Public notice has been provided in accordance with 29 Del. Code § 6981.

3. If it becomes necessary to revise any part of this RFP, or to respond to general inquiries posed by vendors, addenda will be provided to all vendors that received the initial RFP, if known, and such addenda shall be posted on the designated websites set forth in Paragraph A above. Vendors are required to acknowledge the receipt of all changes and addenda.

4. Cancellation. The State of Delaware reserves the right to cancel this solicitation (RFP) at any time during the procurement process, for any reason or for no reason. The State of Delaware makes no commitments expressed or implied, that this process will result in a business transaction with any vendor.

5. This RFP does not constitute an offer by the State of Delaware. Vendor’s participation in this process may result in the State of Delaware selecting your organization to engage in further discussions and negotiations toward execution of a definitive contract. The commencement of such negotiations does not, however, signify a commitment by the State of Delaware to execute a definitive contract nor to continue negotiations.

B. Proposal Acceptance. The State of Delaware reserves the right to:

   - Accept or reject any and all proposals, in whole or in part, received as a result of this RFP.
   - Waive minor irregularities in proposals.
   - Allow a bank to correct a minor irregularity in its proposal.
   - Negotiate with all responsible vendors, in any manner necessary, to serve the best interests of the State of Delaware.
   - Terminate negotiations at any time and for any reason, or for no reason; and
   - Take any other action permissible under the laws of the State of Delaware.
C. Assistance to Vendors with a Disability. Vendors with a disability may receive accommodation regarding the means of communicating this RFP or participating in the procurement process. For more information, contact the RFP Designated Contact (as defined and identified hereafter) no later than ten days prior to the deadline for receipt of proposals.

D. RFP Designated Contact. All requests, questions, or other communications about this RFP shall be made in writing to Manager of Banking Services, James DiDonato at james.didonato@state.de.us or such designated person identified by the State of Delaware (the “RFP Designated Contact”).

1. Communications made to other State of Delaware personnel attempting to ask questions by phone or in person will not be allowed or recognized as valid and may disqualify the vendor.

2. Vendors should rely on written statements issued by the RFP Designated Contact.

E. Consultants and Legal Counsel. The State of Delaware may retain consultants or legal counsel to assist in the review and evaluation of this RFP and the vendors’ responses. Bidders shall not contact any consultant or legal counsel engaged by the State of Delaware on any matter related to the RFP.

F. Contact with State of Delaware Employees. Direct contact with State of Delaware employees other the RFP Designated Contact regarding this RFP is expressly prohibited without prior consent. Vendors directly contacting State of Delaware employees for matters relating to this RFP risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State of Delaware who require contact with such State of Delaware employees in the normal course of doing that business.

G. Vendors Eligible to Bid. To be eligible to bid on this definitive contract, a vendor must:

1. Hold all necessary state and federal licenses, permits and insurance required to operate its business in Delaware. Upon request, the vendor must provide proof of such compliance at its own expense.

   a. A business license application may be requested in writing to: Division of Revenue, Carvel State Building, P.O. Box 8750, 820 North French Street, Wilmington, DE 19899, or by telephone to one of the following numbers: 302-577-8200 (Public Service) or 302-577-8205 (Licensing Department).

   b. Information regarding the award of this contract will be given to the Division of Revenue. Failure to comply with the State of Delaware licensing requirements may subject the vendor to applicable fines and/or interest penalties.”
c. The successful bidder will submit an IRS Form W-9 to the Division of Accounting before the contract begins. The form may be submitted electronically at: https://dew9.accounting.delaware.gov/accounting/w-9.nsf/w9!OpenForm

2. Maintain an office or otherwise have a corporate presence in Delaware. This may be accomplished through the vendor itself or a subsidiary of the vendor.

H. Exclusions. The State of Delaware reserves the right to refuse to consider any proposal from a vendor (or any employee of a vendor that would perform any part of the services set forth in the RFP) that:

1. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;

2. Has been convicted under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offense indicating a lack of business integrity or business honesty that currently and seriously affects responsibility as a State of Delaware contractor;

3. Has been convicted or has had a civil judgment entered for a violation under state or federal antitrust statutes;

4. Has violated contract provisions such as:
   - Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract; or
   - Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
   - Has violated ethical standards set out in law or regulation.

5. Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State of Delaware contractor, including suspension or debarment by another governmental entity for a cause listed in the regulations.

I. Acknowledgement of Understanding of Terms. By submitting a bid, each vendor shall be deemed to acknowledge that it has carefully read all sections of this RFP, including all forms, schedules and exhibits hereto, and has fully informed itself as to all existing conditions and limitations.

J. Proposal Submission. To be considered, all proposals must be submitted in writing and respond to the items outlined in this RFP. The State of Delaware reserves the right to reject any non-responsive or non-conforming proposals. Each proposal must be submitted in “hard copy” form with one original and three copies, and also in “soft copy” form on one CD or via secure email.
Note: For soft copies, Adobe Acrobat is an acceptable format. However, in addition to that, the State of Delaware requests that vendors submit a separate MS Excel file containing the vendor’s completed bid sheet. This will facilitate entering the vendor’s data into the State of Delaware’s evaluation spreadsheet. The pricing as found in the hard copy “original” signed proposal will be considered final and absolute.

1. Proposals must be delivered to the following location by 4:00 p.m. local time, Wednesday, February 23, 2011 (the “Deadline”). All proposals will be time stamped, and receipts will be available upon request. Proposals must be delivered in sealed containers and clearly labeled in a manner such as the following: "Disbursement Proposal." Proposals may be submitted by express delivery, vendor courier or USPS (certified or registered) mail. Submit the proposal to:

   Office of the State Treasurer
   ATTN: Direct Deposit Proposal
   820 Silver Lake Blvd, Suite 100
   Dover DE 19904

2. Vendor bears the risk of delays in delivery. The contents of any proposal shall not be disclosed as to be made available to competing entities during the negotiation process.

3. There will be no public opening of proposals, but a public log will be kept of the names of all vendor organizations that submitted proposals. The contents of any proposal shall not be disclosed to competing vendors prior to contract award.

4. Upon receipt of vendor proposals, each vendor shall be presumed to be thoroughly familiar with all specifications and requirements of this RFP. The failure or omission to examine any form, instrument or document shall in no way relieve vendors from any obligation in respect to this RFP.

5. Proposals received after the specified date and time will not be accepted or considered. Any unopened proposals will be returned to the vendor.

K. Indemnification

1. General Indemnification. By submitting a proposal, the proposing vendor agrees that in the event it is awarded a definitive contract, it will indemnify and otherwise hold harmless the State of Delaware, its agents and employees from any and all liability, suits, actions, or claims, together with all costs, expenses for attorney’s fees, arising out of the vendor’s its agents and employees’ performance work or services in connection with the definitive contract, regardless of whether such suits, actions, claims or liabilities are based upon acts or failures to act attributable, solely or in part, to the State, its employees or agents.

2. Proprietary Rights Indemnification. By submitting a proposal, the proposing vendor agrees that all elements of its solution, including all equipment, software, documentation, services and deliverables, do not and will not infringe upon or violate any patent, copyright, trade secret or other proprietary rights of any third party. In the event of any claim, suit or action by any third party against the State of Delaware, the State of Delaware shall promptly notify the vendor in writing and vendor shall defend such claim, suit or action at vendor’s expense, and vendor shall indemnify the
State of Delaware against any loss, cost, damage, expense or liability arising out of such claim, suit or action (including, without limitation, litigation costs, lost employee time, and counsel fees) whether or not such claim, suit or action is successful.

3. Product Indemnification. Submitting a proposal, the proposing vendor agrees that if any equipment, software, services (including methods), products or other intellectual property used or furnished by the vendor (collectively “Products”) is or in vendor’s reasonable judgment is likely to be, held to constitute an infringing Product, vendor shall at its expense and option either:

   a. Procure the right for the State of Delaware to continue using the Product(s);

   b. Replace the Product with a non-infringing equivalent that satisfies all the requirements of the definitive contract; or

   c. Modify the Product(s) to make it or them non-infringing, provided that the modification does not materially alter the functionality or efficacy of the Product or cause the Product(s) or any part of the work to fail to conform to the requirements of the definitive contract, or only alters the Product(s) to a degree that the State of Delaware agrees to and accepts in writing.

L. Non-Appropriation of Funds.

1. In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue the contractual agreement, in whole or part, the definitive contract shall be terminated (pursuant to the terms set forth therein) as to any obligation of the State of Delaware requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

M. Applicable Law.

1. The laws of the State of Delaware shall apply, except where Federal Law has precedence. The successful vendor consents to jurisdiction and venue in the State of Delaware.

2. In submitting a proposal, Vendors certify that they comply with all federal, state and local laws applicable to its activities and obligations, including, but not limited to, the following:

   a. the laws of the State of Delaware;

   b. the applicable portion of the Federal Civil Rights Act of 1964;

   c. the Equal Employment Opportunity Act and the regulations issued there under by the federal government;

   d. a condition that the proposal submitted was independently arrived at, without collusion, under penalty of perjury; and
e. that programs, services, and activities provided to the general public under the definitive contract conform with the Americans with Disabilities Act of 1990, and the regulations issued there under by the federal government.

3. If any vendor fails to comply with (1) through (5) of this paragraph, the State of Delaware reserves the right to disregard the proposal, terminate the definitive contract, or consider the vendor in default.

4. The selected vendor shall keep itself fully informed of and shall observe and comply with all applicable existing Federal and State of Delaware laws, and county and local ordinances, regulations and codes, and those laws, ordinances, regulations, and codes adopted during its performance of the work.

N. Proposal Creation and Modification. When creating or modifying their proposals, vendors are subject to the following:

1. Proposal format. Hardcopy proposals must be submitted according to the following specifications:
   - All pages will be standard letter-size (8.5 x 11 inch) white paper;
   - Print type should be a reasonable font and size (color is optional);
   - The use of plastic document protectors and other enhancements is discouraged;
   - Proposals will be contained in binders (3-ring, combed, etc);
   - Each of the bulleted items found on the checklist (Exhibits 1) will constitute separate sections of the proposals, and each section will be denoted by its own tab; and
   - Tabs will be labeled Tab A, Tab B, Tab C, etc., and will represent the respective sections in the same order listed in Exhibits 1.

2. Any changes, amendments or modifications to a proposal must be made in writing, submitted in the same manner as the original response and conspicuously labeled as a change, amendment or modification to a previously submitted proposal prior to the Deadline. By way of clarification, changes, amendments or modifications to proposals shall not be accepted or considered after the Deadline for submission of proposals.

3. Costs and Expenses. The State of Delaware will not pay any costs incurred by any vendor associated with any aspect of responding to this RFP, including proposal preparation, printing or delivery, attendance at vendor’s conference, system demonstrations or negotiation process.

4. Non-Conformity. Non-conforming proposals will not be considered. Non-conforming proposals are defined as those that do not meet the requirements of this RFP. The determination of whether an RFP requirement is substantive or a mere formality shall reside solely within the State of Delaware in compliance with applicable law.
Conciseness. The State of Delaware discourages overly lengthy and costly proposals. It is the desire that proposals be prepared in a straightforward and concise manner. Unnecessarily elaborate brochures or other promotional materials beyond those sufficient to present a complete and effective proposal are discouraged.

6. Performance expectations. It is the expectation of the State of Delaware that vendors can fully satisfy the obligations of the proposal in the manner and timeframe defined within the proposal. Proposals must be realistic and must represent the best estimate of time, materials and other costs including the impact of inflation and any economic or other factors that are reasonably predictable. The State of Delaware shall bear no responsibility or increase obligation for a vendor’s failure to accurately estimate the costs or resources required to meet the obligations defined in the proposal.

7. Confidentiality. All documents submitted as part of the vendor’s proposal will be deemed confidential during the evaluation process. Vendor proposals will not be available for review by anyone other than the State of Delaware/Proposal Evaluation Team or its designated agents. There shall be no disclosure of any vendor’s information to a competing vendor prior to award of the definitive contract.

a. The State of Delaware is a public agency as defined by state law, and as such, it is subject to the Delaware Freedom of Information Act, 29 Del. C. Ch. 100. Under the law, all the State of Delaware’s records are public records (unless otherwise declared by law to be confidential) and are subject to inspection and copying by any person. Vendors are advised that once a proposal is received by the State of Delaware and a decision on contract award is made, its contents will become public record and nothing contained in the proposal will be deemed to be confidential, except proprietary information.

b. Vendors should not include any information in their proposals that is proprietary in nature or that they would not want to be released to the public. Proposals must contain sufficient information to be evaluated and a definitive contract written without reference to any proprietary information. If vendors feel that they cannot submit their proposal without including proprietary information, they must adhere to the following procedure or their proposal may be deemed unresponsive and will not be recommended for selection. Vendors must submit such proprietary information in separate, sealed envelopes labeled “Proprietary Information” with the RFP. The envelope must contain a letter from the vendor’s legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not “public record” as defined by 29 Del. C. § 10002(d), and briefly stating the reasons that each document meets the said definitions. Upon receipt of a proposal accompanied by such a separate, sealed envelope, the State of Delaware will open the envelope to determine whether the procedure described above has been followed.

8. Vendors must submit bids on a fee basis.

Note: The State of Delaware intends to pay for all services proposed under this RFP on a fee basis. However, the State of Delaware reserves the right to pay on a compensating balances basis as its budgetary situation requires.
9. Statistics pertaining to dollar and item volumes cited in this RFP are provided for bidding information purposes only. They are as accurate as possible. In preparation of bids, vendors should recognize that actual volumes experienced in the future will vary from those cited.

10. Proposals must include a narrative which describes the proposed services and its plan to meet the State of Delaware's requirements for processing volumes, providing availability of funds, preparation of requested reports in required formats and meeting all service requirements in the RFP. The proposed services must be provided in accordance with federal, Delaware and local laws.

11. Proposals must identify (with complete contact information) the following vendor personnel:

- Relationship Manager (most senior person managing the State of Delaware contract);
- Treasury Officer;
- Backup Treasury Officer;
- Operations Officer; and
- Conversion team members.

*Note: It is the expectation of the State of Delaware that these individuals will have a thorough understanding of the State of Delaware’s banking needs and will be reasonably available on a day-to-day basis.*

12. Proposals must be signed by an official who is authorized to bind vendor to all statements, including services and prices, contained in the proposal.

13. Proposals must provide a total of four references (other than State of Delaware). Two should be for Direct Deposit services. The State of Delaware strongly prefers that at least one reference be from a government client.

O. Evaluation Criteria. Proposals will be evaluated using the following criteria:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to meet all current cash management and merchant services</td>
<td>40%</td>
</tr>
<tr>
<td>requirements as described in this RFP.</td>
<td></td>
</tr>
<tr>
<td>Quality, reputation for reliability and method of service. This addresses</td>
<td>20%</td>
</tr>
<tr>
<td>the “whole package” that the vendor brings to the relationship.</td>
<td></td>
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<tr>
<td>Completeness of proposals. All issues and questions are fully addressed.</td>
<td>10%</td>
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<tr>
<td>Compensation, both fee-based and compensating balances, as shown on the</td>
<td>20%</td>
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<td>bid form.</td>
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<td>Ability to meet future cash management and operational requirements,</td>
<td>10%</td>
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<tr>
<td>including a commitment to maintain a leading edge in the banking</td>
<td></td>
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<td>community.</td>
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P. Oral presentations and site visits. Vendors submitting proposals may be required to make individual oral presentations to State of Delaware representatives in order to clarify their
proposals and respond to questions. Vendors must agree to site visits to operational facilities during processing times as a condition of being awarded a definitive contract.

Q. Multi-Vendor Solutions (Joint Ventures). Multi-vendor solutions (joint ventures) will be allowed only if one of the venture partners is designated as the “prime contractor”. The “prime contractor” must be the joint venture’s contact point for the State of Delaware and be responsible for the joint venture’s performance under the definitive contract, including all project management, legal and financial responsibility for the implementation of all vendors’ systems.

1. If a joint venture is proposed, a copy of the joint venture agreement clearly describing the responsibilities of the members of the joint venture must be submitted with the proposal. Services specified in the proposal shall not be subcontracted without prior written approval by the State of Delaware, and approval of a request to subcontract shall not in any way relieve vendor of responsibility for the professional and technical accuracy and adequacy of the work.

   a. Vendor shall be and remain liable for all damages to the State of Delaware caused by negligent performance or non-performance of work by its subcontractor or its sub-subcontractor.

   b. Multi-vendor proposals must be a consolidated response with all cost included in the cost summary. Where necessary, RFP response pages are to be duplicated for each vendor.

2. Primary Vendor. The State of Delaware expects to negotiate and contract with only one “prime vendor”. The State of Delaware will not accept any proposals that reflect an equal teaming arrangement or from vendors who are co-bidding on this RFP. The prime vendor will be responsible for the management of all subcontractors.

   a. Any definitive contract that may result from this RFP shall specify that the prime vendor is solely responsible for fulfillment of any definitive contract with the State of Delaware as a result of this procurement. The State of Delaware will make contract payments only to the awarded vendor. Payments to any-subcontractors are the sole responsibility of the prime vendor (awarded vendor).

Nothing in this section shall prohibit the State of Delaware from the full exercise of its options regarding multiple source contracting.

3. Sub-Contracting. The vendor selected shall be solely responsible for contractual performance and management of all subcontract relationships. This contract allows subcontracting assignments; however, vendors assume all responsibility for work quality, delivery, installation, maintenance, and any supporting services required by a subcontractor.

   a. Use of subcontractors must be clearly explained in the proposal, and major subcontractors must be identified by name. The prime vendor shall be wholly responsible for the entire contract performance whether or not subcontractors are used. Any sub-contractors must be approved by State of Delaware.
4. Multiple Proposals. A prime vendor may not participate in more than one proposal in any form. Sub-contracting vendors may participate in multiple joint venture proposals.

R. Contract Terms and Conditions.

1. General Information.

   a. The term of the definitive contract between the successful bidder and the State of Delaware shall be for three (3) years starting on the Target Date and expiring three (3) years thereafter (approximately June 30, 2014). The vendor and State of Delaware may mutually agree to extend the definitive contract by two (2) one-year extensions, for a potential definitive contract end date of June 30, 2016.

   b. The selected vendor will be required to enter into a written definitive contract with the State of Delaware. The State of Delaware reserves the right to incorporate standard State of Delaware contractual provisions into any definitive contract negotiated as a result of a proposal submitted in response to this RFP. Any proposed modifications to the terms and conditions of the standard definitive contract are subject to review and approval by the State of Delaware. Vendors will be required to sign the definitive contract for all services, and may be required to sign additional agreements.

   c. The selected vendor or vendors will be expected to enter negotiations with the State of Delaware, which will result in a formal definitive contract between the parties. Procurement will be in accordance with subsequent definitive contract. This RFP and the selected vendor’s response to this RFP, at the option of the State of Delaware, may be incorporated as part of any formal definitive contract.

   d. The State of Delaware’s standard definitive contract will most likely be supplemented with the vendor’s software license, support/maintenance, source code escrow agreements, and any other applicable agreements. The terms and conditions of these agreements will be negotiated with the successful vendor during definitive contract negotiations.

   e. The successful vendor shall promptly execute a definitive contract incorporating the terms of this RFP. No vendor is to begin any service prior to execution of a definitive agreement, receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Accounting Office and the Department of Finance. The purchase order shall serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful vendor.

   f. If the vendor to whom the award is made fails to enter into the agreement as herein provided, the award will be annulled, and an award may be made to another vendor. Such vendor shall fulfill every stipulation embraced herein as if they were the party to whom the first award was made.
g. Termination of Definitive Contract. In addition to any other negotiated termination options set forth in the definitive contract, the State of Delaware may terminate the definitive contract by a 90-day written notice sent by certified mail to the principal office of the vendor. However, the State of Delaware reserves the right to immediately terminate the definitive contract in the event the vendor fails to meet all contractual requirements. The State of Delaware shall have the right to declare the vendor in default and to terminate all agreements, written or verbal, without penalty or obligation on the part of the State of Delaware. Upon written notice of default to the vendor, the State of Delaware shall have the right to select an alternate vendor.

2. Collusion or Fraud.

a. Any evidence of agreement or collusion among vendor(s) and prospective vendor(s) acting to illegally restrain freedom from competition by agreement to offer a fixed price, or otherwise, will render the offers of such vendor(s) void.

b. By responding, the vendor shall be deemed to have represented and warranted that its proposal is not made in connection with any competing vendor submitting a separate response to this RFP, and is in all respects fair and without collusion or fraud; that the vendor did not participate in the RFP development process and had no knowledge of the specific contents of the RFP prior to its issuance; and that no employee or official of the State of Delaware participated directly or indirectly in the vendor’s proposal preparation.

c. Advance knowledge of information which gives any particular vendor advantages over any other interested vendor(s), in advance of the opening of proposals, whether in response to advertising or an employee or representative thereof, will potentially void that particular proposal.

3. Lobbying and Gratuities.

a. Lobbying or providing gratuities shall be strictly prohibited. Vendors found to be lobbying, providing gratuities to, or in any way attempting to influence a State of Delaware employee or agent of the State of Delaware concerning this RFP or the award of a contract resulting from this RFP shall have their proposal immediately rejected and shall be barred from further participation in this RFP.

b. The selected vendor will warrant that no person or selling agency has been employed or retained to solicit or secure a definitive contract resulting from this RFP upon agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, the State of Delaware shall have the right to annul any definitive contract resulting from this RFP without liability or at its discretion deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

c. All contact with State of Delaware employees, contractors or agents of the State of Delaware concerning this RFP shall be conducted in strict accordance with the manner, forum and conditions set forth in this RFP.
   
a. Until contract award, vendors shall not, directly or indirectly, solicit any employee of the State of Delaware to leave the State of Delaware’s employ in order to accept employment with the vendor, its affiliates, actual or prospective contractors, or any person acting in concert with vendor, without prior written approval of the State of Delaware’s contracting officer. Solicitation of State of Delaware employees by a vendor may result in rejection of the vendor’s proposal.

   b. This paragraph does not prevent the employment by a vendor of a State of Delaware employee who has initiated contact with the vendor. However, State of Delaware employees may be legally prohibited from accepting employment with the contractor or subcontractor under certain circumstances. Vendors may not knowingly employ a person who cannot legally accept employment under State of Delaware or Federal law. If a vendor discovers that they have done so, they must terminate that employment immediately.

S. Contract Pricing. Prices quoted in the proposal shall remain fixed and binding on the bidder at least through June 30, 2012.

1. Price Changes. Unit price changes will be permitted starting July 1, 2012, and on July 1 of each year thereafter, if agreed upon by both parties 60 days prior to that date. Any price increase shall not exceed the lesser of the Producer Price Index (PPI), as provided by the Federal Reserve and published in the Wall Street Journal, or four (4%) percent. Vendor must supply to the State of Delaware the proper documentation which confirms the need for a price increase.

   a. Should the State of Delaware and vendor institute a system which would lower the vendor’s expense of providing a service a reduction in price for that service would be in order.

   b. Six months prior to the expiration of the definitive contract, the State of Delaware will determine whether or not to exercise a one-year extension. In exercising this option, agreement on unit price increases, if any, must be reached between the State of Delaware and the vendor at least 120 days prior to the end of the original definitive contract or extension.

2. Price discounts. Vendors should include in their proposals any discounts for monthly payment of invoices (as opposed to quarterly), service volume break points, etc.

T. Bidders’ Meeting. A pre-bid meeting will be held Wednesday, January 26, 2011, at 10:30 a.m. It will be held at in the New Castle Conference Room at the Division of Accounting in Dover. The Division of Accounting is co-located with the Office of the State Treasurer at 820 Silver Lake Boulevard in Dover, Delaware. The conference room is on the second floor of the building.

1. Vendors should submit all questions in writing prior to the meeting to the RFP Designated Contact. Additional questions will be permitted at the meeting, but answers may be deferred and provided subsequently in writing to all vendors.
2. Answers which result in major changes to this RFP should be considered binding only after they are confirmed in writing.

U. Evaluation. An evaluation team, comprised of representatives from the Office of State Treasurer, Office of Pensions and PHRST, will evaluate all proposals (the “Evaluation Team”). The Office of the State Treasurer will present recommendations to the Banking Subcommittee of the Cash Management Policy Board (the “Board”), which will then present its recommendation to the Board. **The Board expects to announce its award for this contract by about March 31, 2011.**

V. In accordance with Executive Order 14 (Increasing Supplier Diversity Initiatives within State Government), the State of Delaware is committed to supporting its diverse business industry and population. The successful vendor will be required to report on the participation by a minority and/or women owned business (MWBE) under this awarded contract. The reported data elements shall include but not be limited to:

- Name of State contract/project
- Name of the MWBE
- MWBE contact information (phone, email)
- Type of product or service provided by MWBE
- MWBE certifications for the subcontractor (State MWBE certification, Minority Supplier Development Council, Women’s Business Enterprise Council)

A template used for this reporting may be found at:

http://gss.omb.delaware.gov/omwbe/docs/subcontracting_report.xls
III. Performance Specifications

A. Absolute, Non-Waiverable Requirements.

1. Certain standards are essential. These may not be compromised, negotiated or otherwise dismissed by any vendor responding to this RFP. Together, they may be viewed as a “litmus test” for the entire RFP. That is, if the vendor cannot satisfy these requirements, there is no point in submitting a proposal. These requirements may be addressed in detail elsewhere in this RFP; they are summarized here for emphasis.

   a. Next Day Settlement. When the merchant processor and the bank are part of the same organization, the State must receive ledger credit the next banking day after the merchant batch is transmitted. (This will not be true for Discover transactions.)

   b. Daily Deposit Reporting. Merchant deposits comprise a critical component of the State’s “Daily Cash Position,” which is settled each business day by 10:15 a.m. The vendor must accurately report – by phone, email, website or fax – that deposit figure (which is the previous day merchant batch figure) each morning in a timely manner.

   c. Detailed Invoicing. The State’s invoice must show at least these components at the summary level: pass-through interchange fee, authorization fee, purchase/rental fee (if any), processing fee, and adjustments (if any). Supporting detail may be provided through other reports.

   d. Custom Merchant Numbers. The vendor will set aside a block of merchant account numbers (MIDs) for use by the State. Further, the vendor will allow the State to manipulate certain digits of each number. The State uses an internal numbering scheme to identify and organize its merchants. When a new MID is established, the State will provide the vendor with a portion of the overall MID and the vendor will supply the rest.

2. These requirements are listed together here for convenience and clarity. Vendors should bring to the attention of the Program Manager any instance where these requirements are contradicted elsewhere in this RFP.

B. General Information

1. This section describes the State’s bank card processing minimum standards. By submitting its proposal, the vendor acknowledges that it has the commitment and resources to satisfy these standards.

2. The vendor will reply to these standards, where necessary, in a separate tab of its proposal, as explained in Exhibit 1. The first will first print the State’s standards, followed by its reply. The vendor may, for example, reply with alternate solutions to achieve the same effect of the standards.

3. The State intends to maintain the current acceptance of Visa, MasterCard and Discover branded credit cards. However, the State may add other entitlements during the term of
this contract, either on a limited basis or on a statewide basis. In addition, the State will continue to accept virtually all debit cards – both PIN-based that process through the debit networks and signature-based that process through the card associations and interchange.

a. Discover transactions are currently processed by Discover Financial Services, Inc. (Discover). This includes Help Desk support, reporting and funding. Upon receiving a batch of transactions from a State merchant, the vendor must be able to separate and forward Discover card transactions to Discover for processing.

4. It is understood that the vendor will fulfill these standards by utilizing its alliances with other processing organizations, including the card associations, hardware manufacturers and/or distributors, and front-end processors. The vendor must describe when and how these alliances will be utilized to achieve the State’s standards.

5. As already noted, since 2003 the State has partnered with Govolution, Inc., to provide value-added services to some of its bank card transactions. Govolution provides the State with a single gateway through which all online transactions and some retail and MOTO transactions flow. Using its Velocity Payment System, Govolution provides a consistent look, formatting, encryption, reporting, data management and administration across a variety of State government agencies. Govolution does not supplant front and back-end processors. Rather, it augments them and should be considered one link in the processing chain. The State intends to continue and expand its relationship with Govolution during the term of this contract. Vendors may learn more about Govolution at the following website: www.govolution.com

6. The vendor’s proposal will include a flow diagram (with appropriate narration) that graphically describes the State’s transaction processing. This diagram will depict the flow of data from the initial transaction authorization to the final funding of the State’s bank account.

C. Certification.

1. The vendor will currently possess the necessary certifications established by the card associations and front-end processors to conduct the following activities:

   ● Point-of-Sale terminal-based transactions
   ● MOTO terminal-based transactions
   ● MOTO PC-based transactions (using IC Verify, for example)
   ● Internet transactions
   ● Voice Response Unit (voice or touch-tone)

2. The vendor will agree to maintain any association-mandated certifications that may become relevant to the State’s bank card processing in the future, including Payment Card Industry (PCI) certification.

Note: The State expects that the vendor will be on the cutting edge of all industry-standard requirements, including association certifications.
D. Merchant Accounts and Hierarchy

1. The vendor will maintain the State’s current multiple-tier merchant hierarchy. As a minimum, these tiers will include:

- Headquarters: State Treasurer’s Office.
- Division or Chain: Groups of merchants, usually all in a single State agency.
- Individual outlet: Each outlet (merchant) usually has its own merchant number.

Note: The vendor may supplement this basic scheme in order to facilitate invoicing and reporting. The vendor may propose an alternative hierarchy scheme as long as it maintains the State’s ability to conduct ad hoc reporting and special invoicing.

2. The merchant hierarchy will be used for reporting and invoicing purposes. While most merchant activity for the State will be invoiced to the Headquarters, the vendor must be have the capability and willingness to issue separate invoices certain agencies on an exception basis.

Note: Currently a small handful of agencies are direct invoiced and make their own payments. The group of direct invoice agencies is not expected to change in the foreseeable future.

3. The vendor will establish and maintain all merchant accounts, to include merchant identification numbers (MIDs) and terminal identification numbers (TIDs). Accounts will be established and ready for activation within 10 business days of receiving a written request with necessary information from the Program Manager. The vendor will provide the Program Manager with MIDs and TIDs when the accounts are established.

Note: Even though a single merchant number can be used for numerous outlets, the State’s current scheme is for each outlet to have its own MIDs and TIDs. While this scheme increases the amount of merchant numbers, it facilitates reporting, trend analysis and troubleshooting.

E. Transaction Processing.

1. Authorization. The vendor will:

   a. Perform an exact validation on the credit card number and the credit card expiration date.

   b. Support timeout reversal requests.

   c. Ensure that each transaction is assigned a unique identification number that will be stored and remain with the transaction through the transaction cycle, including authorization, adjustments, settlement, funding and reconcilement.

   d. Return an “accept” or “decline” message to the merchant within an industry-acceptable timeframe.
e. Support Address Verification Service (AVS) and Security Code (Visa CVV2, MasterCard CVC or Discover CID) data in authorization requests for transactions where either the card is not present or the magnetic strip is not readable.

f. Support adjustments (edits) and voids before transactions are settled.

g. Assign a unique identifier (reference number) to each authorization.

2. Settlement. The vendor will:

a. Support both manual and automatic settlement of batches.

Note: Currently, most State merchants manually settle their batches, but some do settle automatically, especially those that are either online or using a virtual terminal.

b. Cut off batch activity precisely when settlement occurs. For example, if a batch is manually settled once per day at 4:15 p.m., transactions processed at 4:16 will be part of the next day’s batch.

c. Generate a unique batch reference number, approval notification, and confirmation of settlement/non-settlement. The batch reference number must stay with the batch throughout the payment cycle.

d. Allow the merchant to create batch settlement reports that provide both summary and detail information for all card types. At a minimum, report headers must include the merchant’s DBA name and merchant number. They may also include the merchant’s TID and address. The body of the report must include the settlement approval code and/or number and processing date.

e. Provide next-day ledger credit for all batch settlements, where the demand deposit collection account belongs to a banking institution and the merchant processor is part of that same institution. Where the DDA belongs to an external, non-affiliated banking institution, the State will receive two-day ledger credit on its batch settlements.

Note: For clarity, the following examples are provided:

Example 1: The Merchant Processor is ABC Merchant Services, a wholly owned subsidiary of ABC Bank. The State’s DDA resides with ABC bank. Merchant X manually settles a batch at 4:00 p.m on Tuesday. The resulting deposit receives ledger credit on Wednesday morning.

Example 2: The Merchant Processor is ABC Merchant Services, but the State’s collection account resides at DEF Bank. Merchant X manually settles a batch at 4:00 p.m on Tuesday. The resulting deposit receives ledger credit on Thursday morning.

e. Have a procedure in place to handle suspended (failed) batch transmissions. The procedure must include notification to the merchant so that the problem can be resolved in time to prevent the transactions in that batch from being downgraded by the associations.
f. Forward all transactions for further processing to the card associations, alliance partner, third-party provider or other entity, in a timely manner so that the transactions qualify for the appropriate interchange categories without downgrading, thus incurring the lowest possible pass-through fees to the State.

3. Transmission of data. The vendor will:

a. Accept transaction data (authorizations and/or settlement batches) by any of the following means:

- Dial-up
- Dedicated/Leased Line
- Frame Relay (TCP/IP/FTP Protocol)
- Terminal-based transmission (PIP and non-PIP)
- Network Server to Network Server
- Server to Mainframe
- Mainframe to Mainframe

b. Initiate or relay data transmissions to other processors and/or card associations via secure means in accordance with industry-standard guidelines for speed, encryption and overall security. The vendor will be responsible for the loss or security compromise of all State transaction data in its possession, to include notifying cardholders when security is compromised and recreating transactions when data is lost.

4. Credits and refunds. The vendor will:

a. Allow the State to issue credits in the case of an error in payment amount, card number, return, etc. The system must be able to process and obtain authorization of credit/debit card returns for partial or full credit.

b. Provide separate reports at multiple levels, so that refunds may be mapped back to a specific agency location or entity, with summaries and totals being possible at the agency level.

5. Retrievals and Chargebacks. The vendor will:

a. Notify the merchant (or designated agency personnel) by fax or e-mail about any retrievals and chargebacks that have been initiated by a cardholder’s bank. Notification will include:

- Original transaction date.
- Merchant DBA name.
- Merchant number.
- Transaction number.
- Cardholder account number.
- Dollar amount.
Reason for the chargeback.
Letters or other documents from the cardholder.

b. Receive requested information from the merchant via fax or email, and forward such information to the associations and/or card issuing bank as necessary. The vendor must confirm receipt of such faxes or emails.

c. Notify the State of the outcome of the chargeback process.

d. If the chargeback is approved, recover the discount fee and any other applicable costs associated with that transaction on behalf of the State.

e. If the chargeback is approved, debit a designated bank account for the amount of the chargeback.

Note: A retrieval is defined as a request for sales draft to support a transaction. A chargeback is defined as a transaction in which a cardholder disputes the validity of the transaction posted to his or her statement through the issuing bank. Once a chargeback is approved, the State reserves the right to cancel or withdraw any goods and services resulting from the original transaction. Thus, prompt notification from the vendor is essential.

F. Reporting.

1. In general, the vendor will provide two basic types of reports to the State:

- Routine reports. These are compiled on a periodic basis to specified persons at the State.
- Ad hoc reports. These reports are generated as needed for specific and non-routine purposes.

   a. The State requires reports that deliver timely and accurate information in order to manage its overall bank card acceptance program.

   b. The vendor is responsible for managing access to information by the merchants, whether the information is delivered via online reporting systems, email or hardcopy. This includes assigning viewing rights, where necessary.

   Note: The intention is to ensure that merchants have access only to information that is germane to their own operations. Only the Program Manager may have unrestricted, complete access.

2. Aside from ad hoc reports, which will typically be requested by the Program Manager through the vendor’s Relationship Manager, the vendor will provide these routine reports:
a. Headquarters Summary Report. This statewide rollup report is generated monthly and is provided to the Program Manager. It must be available in both electronic and hardcopy form. This report is significant because it is a key document for supporting and approving the vendor’s monthly invoice. It provides:

- Summary transaction and deposit information for each merchant.
- Summary (rollup of all merchant summaries) transaction and deposit information for the statewide relationship.
- Summary of interchange qualifications and pass-through fees.
- Hardware rental and/or purchase information and fees.
- Special programming information and fees.
- Funding information – gross and net deposits for the month.
- Refunds or adjustments due to the State.

b. Merchant Summary Report. This is also generated monthly and is provided to the individual merchant (or a central office for a group of merchants). It must be available in both electronic and hardcopy form. It provides the same information as the Headquarters Summary Report, but at the individual merchant level and by date. The sum of all data shown on Merchant Summary Reports should equal the data shown on the Headquarters Summary Report.

c. Daily Funding Report. This is the aggregate net deposit that will be transferred by the vendor to the State’s designated bank account each day. The report must be timely and accurate, as this information is factored into the State’s daily cash position.

- This daily figure must be available – either by the State retrieving it via online reporting or by the vendor sending it via secure email or fax – by 10:00 a.m. each business day.
- This figure represents the net amount that was settled by State merchants the previous business day and that will “hit” the State’s DDA that day.


a. Online reports must be available for download – not just viewing. Reports should be available in either a Microsoft Excel (current version) or a tab delimited text file format.

b. Emailed reports (file attachment) must be available in Excel format, but there may be occasional need for a tab delimited text file format.

c. Hardcopy reports should be prepared on numbered, standard 8.5 x 11 pages, using type fonts and sizes that are reasonably easy to read and photocopy.

Note: The State currently receives a mix of hardcopy and electronic reports. The goal is to move more toward electronic reporting during the term of this contract.
4. **Availability.**

   a. The Headquarters Summary Report and the Merchant Summary Report should be delivered to the respective recipients within 10 days of the close of the report period (normally one calendar month).

   b. User-generated reports delivered via an online reporting system should be available within 24 hours after the close of the report period.

   c. Ad hoc reports requested by the Program Manager will be due at a time agreed upon with the Relationship Manager.

5. **Retention.**

   a. The vendor will retain a copy of all vendor-generated routine reports, whether electronic or hardcopy, for at least six months. The vendor will be responsible for safeguarding all stored reports, particularly reports that contain cardholder information, so as to be compliant with Payment Card Industry (PCI) guidelines, association regulations and federal laws.

   *Note: It is particularly important that the monthly Headquarters Summary Report be archived for a period for at least six months.*

   b. The vendor will comply with all applicable industry guidelines and federal law pertaining to the storage period for financial information.

G. **Customer Service.**

1. The vendor will assign a dedicated Relationship Manager (RM) to the State. The RM will be the principal contact for the Program Manager on all matters. The RM will be reasonably available during normal business hours via email and telephone. The vendor will identify a backup to the RM at all times.

   2. The vendor will provide a customer service (Help Desk) telephone number to be used by the Divisions and individual merchants for routine questions and troubleshooting. The Help Desk must:

      - Be able to access through its database all State special requirements and exceptions.
      - Be available at all times, day and night.
      - Be able to handle routine tasks such as re-programming terminals and ordering supplies.

   *Note: It is understood that the Help Desk staff cannot be expected to have memorized all facets of the State’s relationship—especially contractual requirements and idiosyncrasies. Thus, it is imperative that some mechanism be in place to provide correct guidance to the Help Desk so that it does not mistakenly provide “plain vanilla” help that is not applicable to the State.*
Note: When merchants are unable to resolve problems via the Help Desk, they will escalate their issues to the Program Manager, who will directly contact the RM for a resolution.

H. Payment Card Industry Data Security Standards.

1. The vendor must be compliant with all relevant PCI standards, and must be able to show proof of such certification.

2. The vendor will provide the State with expertise and guidance as it works to achieve PCI compliance among its merchants. This service will be at no charge and will include:

   - Recommending and evaluating PCI assessors, and providing liaison between the State and the assessors as needed.
   - Assisting the State in drafting an overall plan to achieve compliance.
   - Recommending specific practices that would achieve compliance.
   - Participating in PCI-related meetings and conference calls, as necessary, as the State’s advocate.

I. Invoicing.

1. The vendor will:

   a. Provide invoices to the Headquarters on a monthly basis that are based on 100 percent of collected revenue. That is, all revenue collected by merchants must be accounted for by the State’s accounting system before payment may be made to the vendor. The vendor may not, under any circumstances, withhold revenue in order to “net” fees, without specific written permission from the state treasurer.

   b. Provide special invoices directly to selected State agencies that are responsible for their own bank card processing expenses. As of this RFP issue date, these agencies each require one invoice:

      - Division of Corporations (five merchants)
      - Division of Revenue (three merchants)
      - Division of Parks and Recreation (one merchant)
      - Division of Motor Vehicles (seven merchants)
      - Delaware Transit Corporation (two merchants)
      - Delaware Economic Development Office (one merchant, currently inactive)

Note: Copies of these invoices should be sent to the Program Manager, as the treasury maintains oversight for these merchants as well.

   c. Ensure that the vendor’s Relationship Manager has reviewed the invoice(s) before it is sent to the State. The invoice should not be sent directly from the vendor’s invoice department to the State.
Note: This provision allows the vendor to make sure that there are no system-generated pricing errors, and that the invoice figures are totally supported by the monthly summary reports.

d. Provide a level of detail and subtotals that include, at a minimum, those fees that are related to the following:

- Authorization.
- Interchange pass-through.
- Special programming.
- One-time or other special service.
- Hardware purchase, rental or leasing.
- Maintenance (for such items as frame relay).

Note: The vendor may not label any fee simply as “miscellaneous.” Such action will result in the Program Manager returning the invoice unpaid to the vendor.

e. Send the invoice to the Program Manager either through secure email attachment (preferred method) or hardcopy. The invoice should be created in a widely available format, such as Adobe Acrobat or Microsoft Excel.

J. Hardware Support.

1. The State’s current hardware portfolio includes the following (with approximate numbers in parentheses):

- Verifone Tranz 380 terminal (50)
- Verifone Tranz 380x2 terminal (10)
- Verifone Omni VX510LE all-in-one terminal (15)
- Verifone PINpad 1000se PIN pad (60)
- Verifone P900 printer (50)
- ReceiptMaster RM2000 thermal printer (20)
- Datacard Silent Partner thermal printer (15)

Note: Virtual terminal (VPOS) merchants normally use their agency network printers for transaction receipts and settlement reports.

2. The vendor will indicate in its proposal any of the above hardware that it does not support. Where necessary, the vendor should explain why this hardware is not support and what comparable, alternative hardware the vendor does support.

3. The State prefers to use the vendor as the sole source for hardware issues, including purchases, returns and training. The vendor will:

   a. Allow the State to purchase hardware elsewhere if the vendor does not provide competitive pricing and service.

   b. Pass through the hardware pricing from its supplier at no markup.
c. Be the sole point of contact for all purchases, returns, and training. The State will not be required to interact with the hardware supplier.

d. Replace broken equipment under warranty, when applicable.

d. Recommend changes to the State’s hardware portfolio in order to take advantage of improved manufacturer/wholesaler pricing, newer technology and evolving State card processing strategies.
Exhibit 1

Proposal Format and Structure

The vendor’s proposal should be presented in a binder that is tabbed as follows:

- **TAB A**  The RFP (main body without exhibits)
- **TAB B**  Completed and signed Cost of Services form (Exhibit 2)
- **TAB C**  Vendor key contact information, including RM, Alternate RM, Government Clients Manager, and Customer Service (Help Desk)
- **TAB D**  Transaction flow chart(s) depicting a typical transaction from authorization to settlement of funds at the depository bank
- **TAB E**  Completed questionnaire (Exhibit 3)
- **TAB F**  Completed and signed Statement of Commitment and Non-Collusion (Exhibit 4)
- **TAB G**  References (three total, one of which must be government)
- **TAB H**  Sample contract for card processing services
- **TAB I**  Samples of typical online reports and invoice

As indicated above, the proposal must be signed in two places by an official who is authorized to bind the vendor to the terms of the proposal.
Based on the projected volumes shown below, please provide a schedule of fees for State of Delaware bank card processing. If necessary, each fee can be annotated with comments on a separate page. The State of Delaware current pricing structure has two major components: straight inter-change (pass through) plus per item fees. However, the State would be amenable to other pricing structures if they result in measurable savings. Thus, vendors may structure their Cost of Services Form as they deem appropriate. The following data is provided for that purpose.

### Pro Forma Bidding Specifications

<table>
<thead>
<tr>
<th>Service</th>
<th>Volumes</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET SALES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>$ 100,000,000.00</td>
<td></td>
</tr>
<tr>
<td>MasterCard</td>
<td>$ 40,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Debit</td>
<td>$ 600,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>$ 140,600,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSACTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>800,000</td>
<td></td>
</tr>
<tr>
<td>MasterCard</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>Debit</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Transactions</strong></td>
<td>1,060,000</td>
<td></td>
</tr>
<tr>
<td><strong>AUTHORIZATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>825,000</td>
<td></td>
</tr>
<tr>
<td>MasterCard</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>Discover</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Debit</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Authorizations</strong></td>
<td>1,110,000</td>
<td></td>
</tr>
<tr>
<td><strong>MISCELLANEOUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chargebacks - Visa/MC</td>
<td>200 for $20,000</td>
<td></td>
</tr>
<tr>
<td>Chargebacks - Discover</td>
<td>20 for $2,000</td>
<td></td>
</tr>
<tr>
<td>Online reporting (monthly)</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Computer programming (hourly)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL FEE:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note 1: It is assumed that the State will be able to create ad hoc reports via the vendor’s online reporting system, and that this service is priced on a monthly access basis. Only one logon and/or password is required.

Note 2: It is assumed that some programming will be required during the term of this contract. Please provide the hourly programming rate, and also indicate if the State will be charged for any contract start-up programming.

I hereby attest that my organization has the means to provided the services described in this RFP and in our proposal.

Vendor Name: ____________________________________________________________

Officer’s Name: __________________________________________________________

Officer’s Title: ____________________________________________________________

Officer’s Signature: ___________________________ Date: ________________
Please complete the following questionnaire by inserting your responses in bold after each question. This questionnaire should be included in your proposal as Tab D. Where a response involves a third-party or alliance relationship, please be sure that is clearly indicated.

Vendor Overview

1. Describe the relationship management team that will service the account in terms of the members’ credit card industry experience and roles.

2. How long have you offered card processing services? Have you been merged with or acquired by another organization within the past three years? If so, please provide details. Is a merger or acquisition imminent?

3. Specify the number of clients for which you are providing card processing services and categorize them by industry (such as telecommunications, utilities, retail, government).

4. What is your company’s:
   - Average daily transaction volume?
   - Daily transaction capacity with current equipment and staffing?
   - Average daily gross dollar volume?

5. What would the State’s ranking be in terms of transaction volume and dollar volume? What are the volumes of your largest client? (It is not necessary to name that client.)

6. Please explain your current plans for company growth, if any?

7. Explain your company’s representation on MasterCard, Visa, Discover or other boards or committees.

8. What are your current alliances and subcontracting relationships? Please explain each party’s role in the State’s card processing.
Authorization

1. What are the procedures to reverse an incorrect authorization?

2. Do you support Address Verification System (AVS) and Card Verification Value security features when authorization is attempted?

3. Do you support signature capture during the sale process? Please explain.

4. Do you support “smart” card transactions? Please explain.

5. What authorization methods do you support and which do you recommend:
   - Dial up
   - Mainframe dial (remote job entry)
   - Lease line
   - Frame relay
   - Internet
   List any processor-specific hardware needed to support these options.

Settlement

1. Provide a funds availability schedule by card type. Is it negotiable?

2. What is the settlement transmission time frame for Visa, MasterCard and Discover?

3. What is the latest time that sales transactions (batches) can be transmitted to meet these settlement times?

4. How do the settlement times affect our processing/discount expense?

5. Is the funding transfer made by ACH or Fedwire? What expenses to the State, if any, are associated with each type of funds transfer?

6. Most State merchants fund a single bank account, but some are allowed to route funds to their own special accounts. Do you allow for multiple settlement accounts?

7. Are settlement amounts listed separately on the bank statement or will they appear as one lump sum? Will Saturday and Sunday activity be combined into Monday activity?
8. What are your limitations on:
   - The number of batches that can be transmitted daily?
   - The number of transactions in each batch?

9. Describe your notification process when a batch transmission fails.

10. Does the merchant have the option of settling the terminal in auto or manual modes?

**Retrievals and Chargebacks**

1. Describe the ticket retrieval request process, including timeframes

2. What chargebacks percentage is handled without merchant involvement?

3. How often are chargebacks reversed? Is the reversal rate different for your government clients than it is for private sector clients?

4. Will State merchants contact a specific, designated person to handle chargebacks? Or will they contact a general department?

5. Are credit card chargebacks and other debit adjustments netted from daily proceeds, or are they debited separately? Are funds debited from the operating account or a separate escrow account?

6. Do you have the capability to store and retrieve transaction information, including signatures for bank card transactions and non-bank card transactions? If so, do merchants have access to that information (via online or other means)?

**Debit Card Processing**

1. Do you support BIN (Bank Information Number) file management to differentiate between debit card and credit card transactions?

2. Describe your debit card processing capabilities, including the national and regional networks through which transactions are processed.

3. What is your funding schedule for PIN-based and signature-based debits? Next day? Two days?

4. Can you now process online debit transactions?

5. The State intends to promote the use of PIN-based debit transactions in order to reduce chargebacks and processing fees. Explain how you will assist the State in its efforts.
System Capabilities

1. It is understood that the vendor responding to this RFP will provide “front end” services, which are comprised largely of reporting, authorizations, funding and invoicing. Describe the “back end” processing platforms that would be used with your recommended solution. Please cite advantages and disadvantages.

2. Is your processing software CPS (Custom Payment Service) compliant?

3. Does your processing software support capturing Purchasing Card Levels II and III data?

Data Security and PCI DSS Compliance

1. How would State merchant data transmissions – both authorizations and batch settlements – be protected against data compromise?

2. Do you have an alliance with a third-party assessor for testing PCI security? What is the benefit for the State to use that assessor?

3. Do you have the internal resources (without an outside assessor) to occasionally audit the State’s PCI compliance and make recommendations to remedy deficiencies?

Disaster Recovery / Continuity of Operations

1. Describe your local back up and/or redundant systems, including:

   - Hot site backup capabilities and testing
   - Locations of alternate processing sites
   - Time required to switch from primary to alternate sites during a catastrophic event

2. Describe the last time that use of your back up system was required, the circumstances and the length of time the back up system was in use.

Information Reporting

1. Describe your routine, periodic reports available to merchants and the Program Manager. Please include:

   - Delivery methods available
   - Standard delivery times (availability)
   - Chaining or grouping of merchants under a single agency

   *Note: Provide samples of these reports in TAB I of your proposal.*
2. Aside from routine, periodic reports, what non-routine reporting is available through the Relationship Manager? How long do you store data for reporting purposes? What is the normal turnaround time on ad hoc report requests?

3. How long have you been using your current online reporting system? Is it your own in-house “organic” system or is it provided through an alliance with another party? Do you have plans to migrate to another system or significantly upgrade your current system? Please fully explain.

4. What length of time is data stored? That is, how far back can reports be created for printing and download? In what formats?

**Merchant Conversion**

1. Provide a sample contract. (*Please include as Tab H.*)

2. The State desires to convert its merchants to the vendor’s processing system in the most seamless, efficient manner possible. Describe the process of converting the State’s merchants from their current system to your system in terms of:

   - Timetable from when contract award is accepted
   - Converting existing merchant numbers, TIDs and MIDs
   - Training merchants
   - Hardware changes (if any)

3. Specify the persons, by name and function, in your organization who have primary responsibility for merchant conversion (contract implementation). (*This may be included as part of Tab C.*)

**Invoicing**

1. The State normally pays its banking services invoices on a quarterly basis. (Summary reporting is done on a monthly basis and the fees on those reports total to the quarterly invoice.) Would you consider invoicing the State on a quarterly basis?

2. The State will provide special consideration to vendors that accept its purchasing card for payment. Do you accept purchasing card?
Customer Service and Quality

1. Explain the process for adding new locations and closing existing locations (e.g., assignment of merchant IDs, toll-free phone numbers, communications, turnaround time to add/delete locations).

2. Do you staff your own Help Desk or would you refer State merchants to the Help Desk of one of your alliances?

3. Do you offer technical support for the hardware you provide? If so, provide the hours of operation.

4. Do you have a mechanism in place to provide periodic detailed feedback and suggestions to merchants regarding improving efficiencies and reducing chargebacks?

5. What are established service levels for system availability? What organization, if any, rates your ability to meet industry-accepted service levels?

6. During CY2010, what was the longest period that you were unable to authorize transactions? Describe the situation, including the source of the problem and the time it took to fix the problem.

Special Considerations

1. At the start of this contract period, the State would expect to work with the vendor on a “top down” review of the merchant services program. The purpose of this review would be to improve efficiencies and lower costs. Have you conducted such reviews in the past for your clients? Please briefly describe, including any known results. May we contact the clients?

2. The State prefers that the vendor assist with an educational program for State merchants. Topics might include the use of PIN debit, interacting with the Help Desk, handling chargebacks, and becoming PCI DSS compliant. Are you willing to collaborate with the Program Manager on occasional workshops, e-newsletters and similar educational tools? Would you support distance learning via webinars?

3. Though the State is continually migrating toward software-based merchant applications, traditional POS hardware will remain part of the State merchant landscape for some time. Hardware upgrades will thus remain inevitable. Please describe how you will assist the State in accomplishing this major project, including:

   - What terminals, printers and PINpads (or combo units) do you currently support and recommend?
   - What is your position on helping the State to resell or trade in its existing equipment?
   - Do you have an alliance with a supplier to provide hardware? How can you help the State achieve the best pricing?
Exhibit 4
Statement of Commitment and Non-Collusion

This is to certify that the undersigned has neither directly nor indirectly entered into any agreement with other vendors, participated in any collusion, or otherwise taken any action in restraint of free competitive bidding in connection with this proposal submitted this date to the State of Delaware.

This is to certify that the undersigned has the resources and commitment to fulfill the terms of the RFP, and that the undersigned accepts the terms and conditions of the RFP, including all specifications and special provisions, as part of its proposal. This statement is signed by an official of the bidding organization who is authorized to enter the vendor into a legal agreement with the State of Delaware.

Please type the following information.

NAME OF VENDOR ____________________________________________________________________
ADDRESS OF VENDOR ____________________________________________________________________
AUTHORIZED OFFICIAL ____________________________________________________________________
TITLE OF OFFICIAL ____________________________________________________________________
PHONE NUMBER _______________________________ FAX ____________________________
SIGNATURE OF OFFICIAL ____________________________________________________________________
FEDERAL EMPLOYER IDENTIFICATION NUMBER ______________________________ DELAWARE BUSINESS LICENSE NUMBER ______________________________

THIS PAGE MUST BE SIGNED AND NOTARIZED FOR YOUR BID TO BE CONSIDERED

Sworn and subscribed before me this ____ day of ________________________, 2006.

Notary Public ______________________________ My commission expires ______________________________
City of ______________________________ County of ______________________________ State of ______________________________
Name of Notary Public ______________________________ Signature ______________________________
Exhibit 5

Directions to Pre-Bid Meeting

Location: Division of Accounting conference room
820 Silver Lake Plaza, Suite 200 (second floor)
Dover, Delaware 19904