



OCT 19, 2016

Food and
Nutrition
Service

Park Office
Center

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Dear SNAP and WIC State Agency Directors:

On June 25, 2015, the Food and Nutrition Service (FNS) published a Request for Information (RFI) on behalf of the Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), with the purpose of identifying ways to stimulate increased competition in the Electronic Benefit Transfer (EBT) marketplace, and to identify procurement or systems features that are barriers to new entrants. FNS also sought suggestions to improve the procurement of the delivery of EBT transaction processing services through modifications to, or replacement of, the existing business model. FNS has assessed all of the comments and suggestions provided by the SNAP and WIC EBT stakeholder community and six recommendations have emerged as key components to improving the procurement and operational aspects of EBT. These recommendations relate to the following areas:

- Multi-Agency Procurement Coalitions
- Mandatory Minimum Requirements to Bid
- Standardization of WIC Universal Interfaces
- FNS Evaluation of New Service Provider Models
- Independent Validation and Verification
- The Timing of Procurements

The purpose of this letter is to reinforce these recommendations and provide some guidance to State agencies. In addition, FNS recognizes that additional aspects of EBT may benefit from further discussion with the EBT stakeholder community. FNS will continue to solicit stakeholder input on emerging or unresolved EBT-related issues, and we encourage States to attend the upcoming EBT Next Generation conference to find out more about next steps.

Multi-Agency Procurement Coalitions

The use of multi-agency procurement coalitions is recommended if this approach proves to be advantageous from a cost perspective to participating agencies. Multi-agency procurements allow for a combined caseload that can lead to greater efficiencies for the EBT contractor in areas of bid proposal development cost, standardized contract terms, and standardized contract deliverables. Economies of scale can be realized but need to be examined carefully to ensure that the coalition caseload in total will allow for greater efficiencies for every agency involved. State agencies considering a coalition procurement must prepare a joint procurement document usually with a lead State agency responsible for the procurement process until individual contracts are negotiated. FNS rules for competitive procurements must also be adhered to including the

need to be a member of the coalition from the point a solicitation is published. Joining procurements after the award is not consistent with ensuring free and open competitions in accordance with 2 CFR 200.320(c)(2)(ii).

Mandatory Minimum Requirements to Bid

Setting mandatory minimum requirements based on relevant experience is a legitimate way to eliminate consideration of proposals from individuals and organizations that are unproven, unable and/or unqualified to perform the services requested. However, several commenters to the RFI noted that in some instances the requirements being used are arbitrary, unreasonable, or restrict competition to only a few known players in the market. Overly restrictive requirements also stifle innovation as they eliminate potential bidders that may come to the market with new, more efficient, and cost effective ways to provide these services.

State agencies may be motivated to set the mandatory minimum requirements high out of concern that price will outweigh all other criteria. To address this concern, FNS recommends State agencies consider scoring experience in the evaluation process rather than eliminating from consideration those bidders that do not meet a specific profile but might otherwise have relevant experience and a superior technical and/or more cost effective proposal. Such an approach will strengthen competition in the market. FNS has long been supportive of this approach and will continue to carefully examine Request for Proposals (RFPs) to ensure that mandatory minimum requirements do not unnecessarily limit competition.

Standardization of WIC Universal Interfaces

In November 2011, FNS published the first version of guidance documents entitled, WIC Universal MIS-EBT Interface (WUMEI) Specification. Over the next four years FNS found that the WUMEI had been implemented differently across the industry due to technical differences.

In September 2015, FNS received favorable feedback during preliminary discussions with EBT processors and MIS integrators regarding the concept of single interface specifications—one each for use in the smartcard and online EBT implementations. In December 2015, the concept was formally introduced to the WIC Technical Documents Workgroup. Development is currently underway, and FNS expects to publish a revised WUMEI specification in December 2017, with full compliance for all new EBT implementations required in early 2019. In the interim, FNS is discouraging the creation of additional interfaces. WIC State agencies currently implementing EBT systems must negotiate with MIS integrators and EBT processors to select an existing interface for use until both systems are brought into compliance with the revised WUMEI specification.

FNS Evaluation of New Service Provider Models

One commenter to the RFI recommended that FNS be willing to assess new providers' service model upfront to ensure it meets FNS requirements. Doing so can reduce risk and encourage State agencies to consider their bids. FNS completed assessments in the past, and is willing to continue to do so upon request.

Independent Validation and Verification

FNS will continue to support State agencies efforts to procure and award contracts for Independent Validation and Verification (IV&V) services. IV&V testing is performed by an independent third party who validates that a software system meets specifications and fulfills its intended purpose. IV&V contractors help to mitigate project risk during EBT system implementations or conversions to another EBT processor. State agencies are strongly encouraged to consider the benefits of hiring an IV&V contractor when either the EBT system or MIS are operating in less than five State agencies or when one of these systems has recently undergone significant modification.

The Timing of Procurements

Three commenters recommended that FNS be proactive to ensure that the release of procurements is spread out so vendors have the resources available to bid. Soon after JP Morgan announced it was exiting the EBT market, FNS started monitoring State EBT procurement plans and let State agencies know if the timing of their procurements or conversions were problematic due to the amount of activity during that time period. FNS will continue to do so, particularly while WIC State agencies move to complete their transition to EBT services by 2020.

Additional Considerations

FNS recognizes that additional aspects of EBT procurement and implementation may benefit from further discussion or input from the SNAP and WIC EBT stakeholder community. As these topics arise, FNS will invite representatives from technology development companies, advocacy or consulting groups, professional trade associations, State agencies, transaction service provider, and retailers to provide feedback or suggest strategies to address specific concerns. FNS also remains committed to continuing with our current outreach efforts.

SNAP and WIC State agencies with questions about the recommendations or further comments may contact their FNS Regional Offices.

Sincerely,

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