

## **Attachment K**

### **RFP 25-83698 Cigarette Stamp Vendor**

#### **1.4 Summary Scope of Work**

The Department is seeking a contractor to provide a solution which will include, but not limited to, the design, manufacture, and delivery of heat-applied Stamps. The Stamps must be able to be affixed to the end surfaces of cigarette packages containing 20 cigarettes per package, utilizing either stamping machines or heat irons. The Contractor's proposed solution must also include laboratory services and witness testimony, as necessary and as requested by the department.

The Stamps must have extensive security features that will allow tax enforcement agencies to verify the authenticity of the Stamps utilizing field testing for the overt, semi-cover, and covert security features.

The Stamp the department currently utilizes is one unique Stamp type that is affixed by stamping agents. The current Stamp type is 20s.

The Department reserves the right to procure additional Stamp categories and/or Stamp types during the term of the Agreement, with similar design and security features due to changes in legislative or administrative requirements.

The Bidder must invoice the Department. All Stamps will be manufactured and shipped to licensed stamping agents.

#### **Description of Stamps:**

The Stamp to be provided shall be a heat-applied Stamp to be affixed to the polypropylene or cellophane wrapping on packs of cigarettes for the purpose of indicating that appropriate Cigarette Excise Tax has been paid. The Stamps need to be provided on rolls and sheets.

All stamp types must be heat-applied and consist of the following over, semi-covert and covert security features to guard against illegal reproduction or counterfeiting:

- Roll/Sheet numbering
- Stamp Numbering
- UV Watermark
- Micro Imaging
- Taggants
- Variable Image; and

- Reagent

In addition, the Stamp must have unique characteristics such as design, color, etc. The size of the Stamps shall be comparable to the Stamps currently in use by the Department on the date of issuance of this RFP. The Department reserves the right to modify the Stamp size during the term of the contract.

The contractor must have the ability to provide additional stamps as necessary for new products as required by the department or legislation (i.e. heat not burn, hemp, etc.).

### **Manufacturing Site**

Throughout the term of the Agreement, the Contractor must maintain and utilize a manufacturing site(s) located in the United States. The site(s) must comply with applicable building codes, regulations and laws. During the term of the Agreement, the Contractor shall continue to possess, control or be legally authorized to provide the necessary equipment and facilities to accurately and satisfactorily fulfill its responsibilities under the Agreement.

### **Design Approval**

The Contractor must work with the Department to develop and finalize the design and security features of the Stamp. The Department will design one unique stamp initially. The Department may, at any time during the term of the Contract, require the Contractor to design any additional Stamp types not designed during the initial implementation, at no additional cost to the Department.

Stamps after Contract award of this RFP will be implemented for any additional stamp design. Any changes to design, color, ink, security features or other material modifications to the Stamps will not be made until prior written approval or authorization from the Depart has been provided to the Contractor.

The department may require, in their sole discretion, a Stamp change at any time. The colors, designs, and security features of the Stamp will be approved by the department. No changes to Stamp design may be made without written authorization of the department. Costs associates with the change in Stamp design must be included in the cost of the Stamp.

## Stamp Quantities

The Department projects the need for approximately 300,000,000 Stamps per year. The Contractor shall produce and package the Stamps in quantities specified by the Department, including but not limited to State 20s.

The Contractor shall produce and package the Stamps in quantities and types specified by the Department. The chart below sets forth the Department's anticipated order volume (based on 2024 experience). Bidders should be able to meet the order volumes presented in the chart. The Department reserves the right to change the quantity of Stamps per roll.

<u>Layout of Stamps</u>	<u>Size</u>	<u>Qty</u>	<u>Est. Annual Volume</u>
15 x 2,000	½" x ½"	30,000 per roll	279,000,000
15 x 10	½" x ½"	150 per sheet	503,000

## Stamp Application and Performance

The Stamps will be affixed utilizing heat application stamping machines or heat irons. The Stamps shall be of such design and material as to make the alteration, removal, and reuse thereof impossible after the affixation to the polypropylene or cellophane wrapping without causing the destruction of the Stamps. The Contractor must provide Stamp roll specifications to stamping agents and application machine manufacturers to assist in proper machine setup and maintenance to ensure correct application of the Stamps to cigarette packages in accordance with the machines' manufacturer specifications. The Contractor will work with any additional manufacturers that enter the market, to ensure proper application. At the Department's request, the Contractor will be required to provide on-site support to any stamping agent(s) that cannot get the Contractor supplied Stamps to adhere to cigarette packs in a satisfactory manner.

## Delivery and Packaging

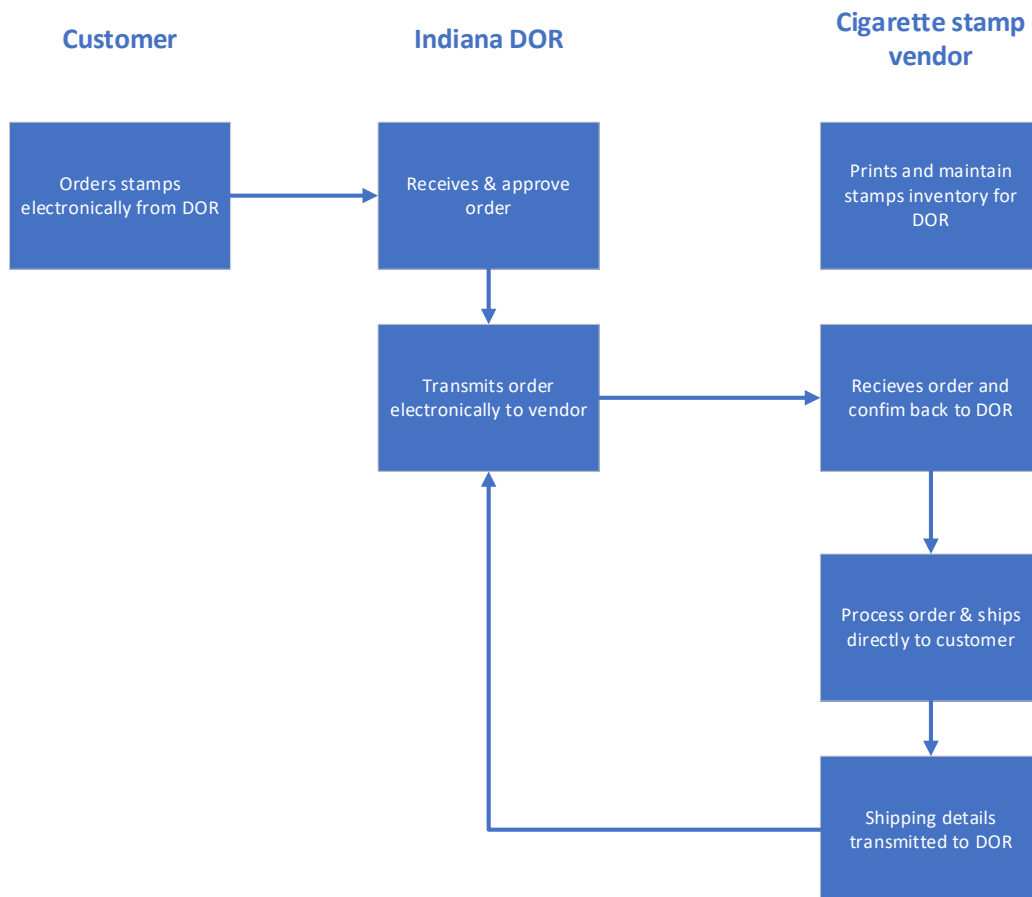
Contractor will provide direct-to-distributor services (DtD Services) as described below. Shipping costs are paid by the stamping agent. The scope of the DtD facilitates the following components and services:

- **Stamp order via web services:** The web services will enable the DOR's Gentax® system to electronically transmit approved tax stamp orders directly to the Contractor.
- **GENTAX® Order Data inter-change:** Contractor's web service will facilitate exchanging stamp order data between the Departments GENTAX® system and the Contractor's DtD system. This will include stamp order acknowledge, stamp

shipping confirmation, individual stamp roll and sheet numbers, and carrier tracking number details. Any returns for lost shipments and any reorders also need to be included.

- **Inventory Management:** The contractor will manage the appropriate stamp inventory levels for fulfilling stamp order for the department.
- **Stamp handling and order fulfillment:** The Contractor will pick, pack and ship stamp order upon receiving approved stamp orders transmitted by the department. If orders are received before the cut-off time (11:00am ET time) the orders will be shipped on the same day. If orders are received after the cut-off time, orders will be shipped next day. Contractor to provide information to the department for any delays as well as a holiday schedule.

The Contractor's platform will need to support the following functions:



1. **Stamp Order:** The authorized distributor places cigarette tax stamp orders via the departments GENTAX® EServices Site.
2. **GENTAX® Order Release:** The department will process the stamp order approval within the GENTAX® system. The GENTAX® system electronically releases the approved stamp order via web services to the Contractor's production system upon the Department's approval of the stamp order.
3. **Acknowledge Order:** The Contractor's production system transmits the reception of the stamp order to GENTAX® system.
4. **Process Order:** The Contractor's personnel initiates stamp order fulfillment and shipment processing. The Contractor's personnel physically pick stamp rolls or sheets and packs the stamps ready for shipment.
5. **Ship Order:** The stamp orders are shipped via secure carrier FedEx/UPS. Shipment method is based on the method specified by the authorized distributor in the stamp order. Shipping costs are directly billed to the distributor's FedEx/UPS account. Contractor must provide the shipping tracking information to the department and to the customer as necessary.
6. **Ship Order Confirmation:** Development and support and maintenance of a secure web portal to enable authorized department users to review standards and "ad hoc" reports and search on information related to stamp ordering, approvals and shipping.

## **Business Requirements**

XML (XSD) Schema Definition will be the information interchange format between DOR and contractor.

## **Destruction of Manufacturing Materials and Stamps**

The original artwork, manufacturing materials, and any other unique items developed for the Agreement shall be, and remain, the property of the Department and shall be securely maintained and, if necessary, destroyed or disposed of in a manner specified by the department.

The Contractor is required to destroy and dispose of any Stamp production overrun; any Stamps deemed not sufficient for use; and any manufacturing material(s) that could not be used in a subsequent production run for the department.

At the time of a request for a Stamp design change, at termination of the Agreement, and/or at any time that the department requires, all artwork, manufacturing materials, and unique items developed for the Agreement (e.g., plates, designs, films, etc.) must be appropriately destroyed.

The destruction of Stamps and manufacturing material(s) shall be accomplished by burning, melting, chemical decomposition, pulping, mulching, pulverizing or other such mutilation which precludes recognition and/or reconstruction, thereby rendering useless the Stamps and other manufacturing material(s) used specifically in their production.

The department reserves the right to witness the destruction of Stamps and all material(s) associated with the Stamp manufacturing process. In the event the Department is unable or unwilling to witness the destruction of the material(s), the Contractor must provide two (2) witnesses to certify via signed, dated Affidavit rendered to the Department as to the type and quantity of Stamps and/or material(s) were disposed of by the Contractor, and the date(s) such destruction occurred.

### **Change Control Process**

Due to potential changes in areas such as policy, guidelines, rules, regulations, statutes, judicial interpretations, technology and industry standards, the department may require changes to the Stamps and/or Services after the Solution is operational. The changes may include, but are not limited to, stamp type, stamp design, testing equipment, and Services in relation to the delivery, laboratory testing and witness testimony outlined in this RFP. The changes will be processed via a Change Control process. A Change Request can be proposed by the department. The Contractor will prepare a Change Analysis Proposal and provide the associated costs, if any, for implementing the Change Control. Fees associated with the Change Control, if any, should be negotiated between the department and the Contractor and should be consistent with the standard proposed by the Contractor in its financial Proposal in response to this RFP. A Change Control must be reviewed and approved by the department and may also need to receive the approval of our State Budget Agency. The associated fees, if there are any, will be paid upon completion and acceptance of the change by department.

### **Stamp Security and Incident Response Protocols**

The contractor shall implement and maintain robust security protocols to safeguard all tax stamps and related materials from unauthorized access, theft, or compromise at all stages of manufacturing, inventory storage, packaging, and transportation.

In the event of a break-in, suspected security breach, or inventory compromise, the Contractor must:

1. Notify the Department within 4 hours of detection.
2. Provide a full incident report within 24 hours, including details on impacted inventory, breach detection, and immediate containment actions.

3. Have systems in place to track each stamp or batch by unique roll/sheet number and be able to identify:
  - Which specific stamp numbers were affected or potentially stolen
  - The location and last known status of those stamps

The Contractor must also provide a secure re-manufacturing protocol that:

- Prevents the reuse or redistribution of any compromised stamps
- Flags compromised stamp numbers in a shared registry accessible to the Department
- Ensures any replacement stamps are serialized with new unique identifiers

The Department reserves the right to audit the Contractor's Stamp Security Protocols, inventory tracking system, and incident response plan at any time during the term of the agreement.

### **Technical Requirements to Include:**

1. Inventory Tracking and Serialization:
  - The Contractor must maintain a real-time, serialized inventory tracking system that records the issuance, packaging, and shipment of all stamps by individual roll/sheet and stamp number.
  - The system must allow quick isolation of stamp numbers affected in any security breach.
2. Security Controls:
  - The Contractor must implement secure access controls (e.g., badge entry, biometric, surveillance) for stamp storage and handling areas.
  - A tamper-evident storage method must be used for all produced but unshipped stamps.
3. Incident Response Plan:
  - The contractor must maintain a written incident response plan specifically addressing loss, theft, or unauthorized access to stamp inventory.
  - This plan must include notification timelines, containment procedures, investigation steps, and recovery protocols.
4. Audit Trail:
  - All stamp movements (e.g., received, packed, shipped, destroyed) must be time- and user-stamped and retained for audit by the Department.
5. Re-manufacturing Controls:
  - If compromised stamps require reprinting, Contractor must issue a new unique batch with a distinct stamp range.
  - The compromised range must be invalidated and documented in a report to the Department.