



STATE OF NEW YORK  
DEPARTMENT OF TAXATION AND FINANCE  
Office of Budget & Management Analysis  
Bureau of Fiscal Services  
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February 7, 2014

**Response to Bidder Round 2 Questions and Amendment #2  
For Request for Proposals (RFP) 13-02 Cigarette Tax Stamps and Manufacturing Solution**

To All Potential Bidders:

Attached are the Department's responses to Round 2 Questions received for the above referenced RFP.

The Department is also issuing Amendment #2 as clarification for:

- A change in the Schedule of Events. The Department is allowing Round 3 Questions. However, Round 3 Questions **MUST ONLY** pertain to responses provided by the Department to Round 2 Questions and/or changes made in Amendment 2.
- The removal of "Chemical" from Chemical Reagent on Pages 10, 14, 21, 22, 25, 139, 140 and 144.
- The amount of sample Stamps to be submitted with proposal on Pages 22 and 140.
- The removal of iv. and its addition to response requirement to iii on Pages 24 and 141.

Replacement pages are attached after Question Responses. All deletions are shown as shaded, strike-through text, all additions are made in red text.

All other requirements and conditions remain as indicated in the RFP.

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#	RFP Section	RFP Page #	Question	Answer
1	Financial Stability	18-20	Privately held companies are generally concerned with providing detailed financial information, especially in response to the level of financial information that this RFP is asking for. Is there an alternative way to ensure a vendor's financial ability to perform the requirements of this contract (i.e. through a performance bond)?	No.
2	General	N/A	Will the financial information provided by a vendor in response to this RFP be made public? If so, how can a privately held vendor ensure the confidentiality of its financial information so that it will not be made public?	A Vendor can ensure the confidentiality of its financial information by requesting an exemption from disclosure. See VI. Administrative Requirements, B. Administrative Contract Conditions, 20. Request for Exemption from Disclosure.
3	Description of Stamps/Heat Applied Stamps	14/22	On page 14 the RFP requires that at a minimum the proposed cigarette tax stamp include Chemical Reagent as a security feature. However on page 22 of the RFP the stamp samples that are to be submitted with a bid response are not required to include Chemical Reagent. Can the State please clarify?	See Amended Requirement.  The Cigarette Tax Stamp that will be produced for the Department/City must include a Reagent as a security feature as referenced on Page 14. The Sample Stamp(s) as referenced on Page 22 does not need to include the Reagent; however a stamp should be submitted that closely resembles the final

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#	RFP Section	RFP Page #	Question	Answer
				product the Department/City will ultimately receive.
4	III. B; Attachment M	8, 149	Please confirm that it is acceptable for bidders to provide references which are for contracts carried out by their Subcontractors proposed for this contract.	Yes.
5	Schedule of Events; Preface, Item C	5, 7	As permitted by clause 16(i) of the RFP, would the state please extend the date for the return and filing of Attachment 2 "Offerer Understanding of, and Compliance with, Procurement Lobbying Guidelines" from December 30 <sup>th</sup> 2013 to January 30 <sup>th</sup> 2014?	The Department will accept Attachment 2 "Offerer Understanding of and Compliance with, Procurement Lobbying Guidelines" up to and including the date the proposals are due.
6	IV. A; Attachment D	21, 22, 139	We would like to request that the chemical reagent is removed. This is an outdated security feature that requires law enforcement agents to carry around potentially hazardous product in order to verify.	See Amended Requirement.  The Department requires the Stamp that will be manufactured as a result of this Bid must include a Reagent as a security feature. The Sample Stamp(s) to be provided with the Bid proposals does not need to contain the Reagent. See also Answer to Question # 3.
7	Testing and	12 D	What testing procedure will the State use to determine that the adhesion of the stamp is acceptable and meets	The Department will use a Scratch test and/or tape

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#	RFP Section	RFP Page #	Question	Answer
	Acceptance		or exceeds the States requirement?	pull test.
8	Section III A Description of Stamps & Section IV A Heat Applied Stamps	14, 21	<p>Section III A Description of Stamps &amp; Section IV A heat Applied Stamps lists 7 elements of the base stamp with Chemical Reagent listed as number 7. However page 22 in the Response Requirement to Section IV (A) it mentions “Chemical Reagent, if applicable” which implies that is optional.</p> <p>The requirement for reactivity to a chemical reagent has been replaced in many states with a number of superior and far less potentially toxic solutions. To our knowledge there is only one stamp provider that is still a proponent of the outdated technology that requires agents to carry the reactive agent (typically an acid based solution) on their person to verify the authenticity of a tax stamp. There are far better and far less destructive/hazardous means for authentication of a cigarette tax stamp. Is the State willing to accept an alternative superior solution to a Chemical Reagent?</p>	See answers to Questions # 3 and 6.
9	Section IV A Response Requirement	22	Could you please explain in detail and provide a specification on the Micro Imaging feature and the variable image requirement	The variable image and micro image must be able to be seen with the naked eye.

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#	RFP Section	RFP Page #	Question	Answer
10			<p>Due to the complexity of this RFP and the uncertainty of the responses to Round 2 questions, would the state be willing to have a third round of questions? Perhaps it can be done in a short window after posting Round 2 Q&amp;A without affecting the remainder of the schedule. If the addition of a brief Round 3 Q&amp;A is not accepted, would the state allow requests for clarification to be submitted to the State's Designated Contacts for a period of time after the Round 2 Answers are posted?</p>	<p>Yes, The Department is allowing Round 3 Questions. Round 3 Questions must only pertain to responses provided by The Department to Round 2 Questions and/or changes made in Amendment 2.</p>
11			<p>The RFP states if we outsource/part outsource we must seek your permission pre bidding. How do we obtain this?</p>	<p>Bidders must submit a list of proposed Subcontractors with their Bid. See Attachment 15.</p>

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**Schedule of Events**

Issuance of RFP	12/18/13
Deadline for filing Offerer Understanding of, and Compliance with, Procurement Lobbying Guidelines	12/30/13 by 2pm ET
Deadline for Submission of Round 1 Questions	12/30/13 by 2 pm ET
Department Response to Bidder Round 1 Questions	1/10/14
Deadline for Round 2 Questions	1/24/14 by 2pm ET
Department Response to Bidder Round 2 Questions	2/7/14
Deadline for Round 3 Questions	2/12/14 by 2 pm ET
Department Response to Bidder Round 3 Questions	2/18/14
Deadline for Submission of Notification of Intent to Bid	2/14-19/14
Proposals Due	3/5/14 by 2pm ET
Notification of Intent to Award	5/5/14
Deadline for Contract Signature	6/4/14
Anticipated Date of Initial Order of Stamps to the Department	10/15/14

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**RFP Glossary**

Attorney General	The New York State Attorney General or his/her designee.
Base Stamp	The Stamp proposed by the Bidder in response to the requirements of the RFP, which includes at a minimum, the following security features: Roll Numbering, Stamp Numbering, UV Watermark, Micro Imaging, Taggants, Variable Image and <del>Chemical</del> Reagent.
Bid or Bid Proposal	An offer or proposal submitted by a Bidder to furnish a described product and/or service at a stated price for the stated Contract term.
City	The New York City Department of Finance.
Commissioner	The Commissioner of the New York State Department of Taxation and Finance.
Contractor	The successful Bidder(s) to whom a Contract has been awarded.
Department or DTF	The New York State Department of Taxation and Finance.
Disaster Recovery Plan	The Contractor's plan to deal with potential disasters so the effects will be minimized and the organization will be able to maintain or quickly resume mission critical functions.
Initial Order	The first production run of Stamps provided by the Contractor, after Contract approval, a subset of which will be allocated for the purpose of testing and acceptance.
OSC	The New York State Office of the State Comptroller.
Subcontractor	Any individual or other legal entity including, but not limited to, sole proprietor, partnership, limited liability company, firm or corporation who is engaged by the Contractor or another to perform a portion of the Contractor's obligation under the Agreement.
Stamp	For the purpose of this RFP, a stamp is a decal, label, indicia or the like exclusive of a metered impression.
State	State of New York.

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All types of Stamps must be heat applied and, at a minimum, consist of the following overt, semi-covert and covert security features, to guard against illegal reproduction or counterfeiting:

- 1) Roll Numbering;
- 2) Stamp Numbering;
- 3) UV Watermark;
- 4) Micro Imaging;
- 5) Taggants;
- 6) Variable Image; and
- 7) ~~Chemical~~ Reagent

This will be considered the Base Stamp. These security features are the minimum security features to be included in any Stamp produced under this Contract.

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

**B. Manufacturing Site**

Throughout the Contract term, 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 Contract, the Contractor shall continue to possess, control or be legally authorized to provide the necessary equipment and facilities to accurately and satisfactorily fulfill the responsibilities required by the resulting Contract.

**C. Design Approval**

The Contractor must work with the Department and City to develop and finalize the design and security features of the Cigarette Tax Stamps. The Department and City reserve the right to design up to four (4) unique Cigarette Tax Stamp types: State 20s, Joint 20s, State 25s and Joint 25s after Contract award. If less than four (4) Stamps are designed initially, the Department and City may, at any time during Contract term, design any of the remaining Stamp types not designed during the initial implementation, at no additional cost. Similar protocol and timeframes as outlined in Section I.D. Testing and Acceptance of this RFP may 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 Department and City has been provided to the Contractor.

**D. Quantities**

The Department/City projects the need for approximately 360,000,000 Stamps per year. The State Only Cigarette Tax Stamp volume accounts for approximately 280,800,000 and the Joint

## IV. Technical Requirements

This Section contains the specific service requirements and response criteria of the RFP. To facilitate preparation and evaluation of the proposals, the RFP technical response criteria are listed with the associated requirements.

Certain requirements are considered critical to successful project implementation. These critical requirements are indicated as **mandatory (M)**. The Bidder's response will be evaluated to determine if it meets these mandatory critical requirements. Therefore, Bidders must provide the Department with all the information requested to establish they meet the minimums identified in the mandatory requirements. Failure to provide sufficient detail to the mandatory requirement topics of this section will result in the Bidder being deemed non-responsive and removed from further consideration. Bidder responses will be evaluated to ensure the mandatory requirements have been met, and in some instances, will gain evaluation points to the extent they exceed the Department's minimum expectations.

Certain requirements are considered desirable to successful project implementation. These desirable requirements are indicated as **desirable (D)**. The Bidder's response to **desirable (D)** requirements will be evaluated and scored.

### A. Heat Applied Stamp (M/D)

The Bidder must provide Stamps, to be affixed to the polypropylene or cellophane type wrapping on packs of cigarettes as described in Section II. Scope of Work, for the purpose of indicating that appropriate Cigarette Excise and Prepaid Sales Taxes have been paid.

The Stamps must be counterfeit-resistant and include a minimum of seven (7) distinct overt, semi-covert and covert security features, including but not limited to:

1. Roll Numbering
2. Stamp Numbering
3. UV Watermark
4. Micro Imaging
5. Taggants
6. Variable Image
7. ~~Chemical~~ Reagent

#### Response Requirement

With Attachment D, Heat Applied Stamp Response Form, the Bidder must:

Provide a detailed description of the Stamps to be provided including, but not limited to:

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- The Stamp's design, shape, layout, etc. that will make the Stamp unique and easy to distinguish between the State Only Cigarette Tax Stamp, the Joint Cigarette Tax Stamp and Stamps from other taxing jurisdictions;
- The colors available for use in the Stamp's design as well as the type(s) and quality of inks (**Note: The ink shall be highly resistant to fading in sunlight, and shall not bleed, except as a testing feature for anti-counterfeiting.**);
- Any technological limitations (e.g., maximum/minimum Stamp size, maximum/minimum window size, window colors, numbers and size of alphanumeric characters available, geometric shapes, custom characters, safety tint/watermark color limitations, etc);
- Security features (overt, semi-covert and covert) included in the design to deter counterfeiting; and
- The shelf life including any dependencies for rolls in storage and Stamps affixed to cigarette packs.

The Bidder must provide a sample of **twenty** Stamps that have been affixed to cellophane or polypropylene and **twenty** Stamps that are unaffixed with the Bidder's proposal for evaluation. **The Department requires that the unaffixed Stamps be on the base paper used in the production of the Stamps.** ~~Each sample should consist of twenty Stamps.~~ For the purpose of this requirement, **a total of forty sample Stamps must be submitted**; each of the **affixed and unaffixed** sample Stamps provided must contain a minimum of the following security features: Roll Numbering, Stamp Numbering, UV Watermark, Taggants, Micro Imaging and Variable Image. In addition to the sample Stamps, the Bidder must submit any instructions/tools necessary to accomplish this evaluation. At a minimum, the Bidder must provide:

- Taggant Tester
- ~~Chemical~~ Reagent, if applicable
- UV Light

Note: Please submit the Globally Harmonized System (GHS) Safety Data Sheet (SDS) for the ~~Chemical~~ Reagent, if applicable.

Any tools provided by the Bidder for evaluation of the Stamps will be returned to the Bidder after Contract award.

**It is desirable (D) that Bidders describe any additional overt, semi-covert and covert security features that are available but not included in the Base Stamp. Cost information must not be included in the description of additional features available. Costs must be provided in response to the Financial Requirements.**

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The Department reserves the right to change the quantity of Stamps per roll.

**Response Requirement**

With Attachment E, Stamp Types, Roll Quantities, Inventory and Production Response Form, the Bidder must affirm they will provide, produce and package the Stamps in the manner described in this requirement, and:

- i. Describe the center core to be utilized for rolls of Stamps.
- ii. Describe the ability to track the quantity of Stamps remaining on a roll after the stamping agents have affixed a portion of them to the cigarette packages.
- iii. Describe the inventory control method that will be utilized to properly account for all Stamps during from manufacture to receipt at the Department’s designated site or destroyed in compliance with the Scope of Work (e.g., roll numbering, missing serial numbers etc.) **Describe how missing stamps and stamps “not in circulation” will be tracked.**
- iv. **Describe how spoiled rolls will be tracked as “not in circulation.”**

**B. Change in Stamp (M)**

The Department/City may require, in its sole discretion, a Stamp change at any time. As background, the Department/City has changed the Stamp design nine (9) times in the past twenty (20) years. When a change of Stamp design is necessary, the Contractor will be required to make those changes with ten (10) days notice; or sooner if possible. However, if an emergency situation arises, the Contractor may have only two (2) days notice to make changes to the Stamp. The colors, designs and security features of the Stamp shall be approved by the Department/City. No changes to Stamp design may be made without written authorization of the Department/City.

**Response Requirement**

With Attachment F, Change in Stamp Response Form, the Bidder must affirm they will change the Stamp as outlined in the requirement and describe:

- i. The process utilized to accommodate a change that is determined to be necessary by the Department/City (i.e., roll size, Stamp color, etc).
- ii. Its ability to change the features of the Stamp including but not limited to: colors, printing, security features, inks, chemicals, paper and any other elements of the Stamp, or manufacture an entirely new Stamp quickly and easily.

**Costs associated with the change in Stamp design must be included in the cost of the Stamp. Cost information must not be included in response to this section.**

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**D. Paper Stock (M)**

The Stamp shall be printed on distinctive security paper. The base paper for the Stamp must contain identifiable security feature(s). The Department/City must be given instruction/tools by the Contractor to establish the authenticity of the paper. The Contractor must inspect and destroy all faulty or imperfect paper stock as well as maintain an accurate accounting of all paper utilized in the production of the Stamp, including spoilage.

**Response Requirement**

With Attachment G, Paper Stock Response Form, the Bidder must affirm it will furnish the accounting records and certifications to the Department/City upon request, provide a sample of the paper and:

- i. Describe the paper's quality, color, strength, ability to resist wrinkles, and the identifiable security features which will permit analysis to establish the paper's authenticity. The Bidder must provide the name of the manufacturer(s) of the paper stock with the response; and
- ii. Describe how it will account and certify that each production run has met all requirements.

**E. Field Tests and Equipment (M/D)**

The Department/City personnel must have the ability to perform field tests on the Stamps' security features to determine its authenticity. The field tests must be designed so that they may be efficiently performed by Department/City personnel. The Contractor must be capable of providing the equipment necessary to perform these field tests. **(All costs associated with the equipment must be provided in response to Section V., Financial Requirements of this RFP.)**

**Response Requirement**

With Attachment H, Field Tests and Equipment Response Form, the Bidder must describe the method/process of authentication including, but not limited to:

- i. The types of devices that would be used including, but not limited to, device specifications, size of the device, instructions for proper use, reliability, upgrades/updates and warranty information.
- ii. The ~~chemical~~ reagent product which will be used by Department/City personnel to authenticate the Stamp including, but not limited to, instructions for proper use, size, precautions, etc .

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## Attachment D – Heat Applied Stamp Response Form

This form is for the Heat Applied Stamps requirement as specified in Section IV. A. Technical Requirements.

The Bidder must provide Stamps, to be affixed to the polypropylene or cellophane type wrapping on packs of cigarettes as described in Section II. Scope of Work, for the purpose of indicating that appropriate Cigarette Excise and Prepaid Sales Taxes have been paid.

The Stamps must be counterfeit-resistant and include a minimum of seven (7) distinct overt, semi-covert and covert features, including but not limited to:

1. Roll Numbering
2. Stamp Numbering
3. UV Watermark
4. Micro Imaging
5. Taggants
6. Variable Image
7. ~~Chemical~~ Reagent

### Response Requirement

With Attachment D, Heat Applied Stamps Response Form, the Bidder must:

Provide a detailed description of the Stamps to be provided including, but not limited to:

- The Stamp's design , shape, layout etc., that will make the Stamps unique and easy to distinguish between the State Only Cigarette Tax Stamps, the Joint Cigarette Tax Stamps and Stamps from other taxing jurisdictions;
- The colors available for use in the Stamps design as well as the type(s) and quality of inks (**Note: The ink shall be highly resistant to fading in sunlight, and shall not bleed, except as a testing feature for anti-counterfeiting.**);
- Any technological limitations (e.g., maximum/minimum Stamp size, maximum/minimum window size, window colors, numbers and size of alphanumeric characters available, geometric shapes, custom colors, safety tint/watermark color limitations, etc);
- Security features (overt, semi-covert and covert) included in the design to deter counterfeiting; and
- The shelf life, including any dependencies for rolls in storage and Stamps affixed to cigarette packs.

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The Bidder must provide a sample of **twenty** Stamps that have been affixed to cellophane or polypropylene and **twenty** Stamps that are unaffixed with the Bidder's proposal for evaluation. **The Department requires that the unaffixed Stamps be on the base paper used in the production of the Stamps.** ~~Each sample should consist of twenty (20) Stamps.~~ For the purpose of this requirement, **a total of forty sample Stamps must be submitted**; the sample Stamps provided must contain a minimum of: Roll Numbering, Stamp Numbering, UV Watermark, Taggants, Micro Imaging and Variable Image. In addition to the sample Stamps, the Bidder must submit any instructions/tools necessary to accomplish this evaluation. At minimum the Bidder must provide:

- Taggant Tester
- ~~Chemical~~ Reagent, if applicable
- UV Light

Note: Please submit the Globally Harmonized System (GHS) Safety Data Sheet (SDS) for the ~~Chemical~~ Reagent if applicable.

Any tools provided by the Bidder for evaluation of the Stamps will be returned to the Bidder after Contract award.

It is **desirable (D)** that the Bidders describe any additional overt, semi-covert and covert security features that are available but not included in the base Stamps. **Cost information must not be included in the description of additional features available. Costs must be provided in response to the Financial Requirements.**

*Attach Additional Sheets as needed.*

Firm Name: \_\_\_\_\_

Authorized Representative: \_\_\_\_\_

Representative's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Attachment E – Stamp Types, Roll Quantities Inventory and Production  
Response Form**

This form is for the Stamp Types, Roll Quantities Inventory and Production requirements as specified in Section IV.B., Technical Requirements.

I have read, understand and agree to the requirements as outlined in Section IV. B., Stamp Types, Roll Quantities, Inventory and Production:

Yes

No

With this form, the Bidder must:

- i. Describe the center core to be utilized for rolls of Stamps.
- ii. Describe the ability to track the quantity of Stamps remaining on a roll after the stamping agents have affixed a portion of them to the cigarette packages.
- iii. Describe the inventory control method that will be utilized to properly account for all Stamps during from manufacture to receipt at the Department’s designated site or destroyed in compliance with the Scope of Work (e.g., roll numbering, missing serial numbers etc.) **Describe how missing stamps and stamps “not in circulation” will be tracked.**
- iv. ~~Describe how spoiled rolls will be tracked as “not in circulation.”~~

*Attach Additional Sheets as needed.*

Firm Name: \_\_\_\_\_

Authorized Representative: \_\_\_\_\_

Representative’s Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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**Attachment H – Field Tests and Equipment Response Form**

This form is for the Field Tests and Equipment requirement in Section IV.E., Technical Requirements.

With this form, the Bidder must describe the method/process of authentication including, but not limited to:

- i. The types of devices that would be used including, but not limited to, device specifications, size of the device, instructions for proper use, reliability, upgrades/updates and warranty information.
- ii. The **chemical** reagent product which will be used by Department/City personnel to authenticate the Stamps including, but not limited to, instructions for proper use, size, precautions, etc .
- iii. Any other field testing device or options that may be available for Stamps authentication. **(D)**

*Attach Additional Sheets as needed.*

Firm Name: \_\_\_\_\_

Authorized Representative: \_\_\_\_\_

Representative's Signature: \_\_\_\_\_

Date: \_\_\_\_\_