

Solicitation Addendum

Solicitation Number: RFP 45-RQ161211

Solicitation Description: Tax System Modernization

Solicitation Opening Date and Time: 05/16/2025
3:00 PM EST

Addendum Number: 1

Addendum Date: 04/11/2025

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1. Return one properly executed copy of this addendum with bid response or prior to the Bid Opening Date/Time listed above..
 2. SECTION 2 Modifications. The solicitation is hereby modified as follows:

M1: Attachment D: Cost Form is to be replaced with Revised Attachment D: Cost Form located at <https://evp.nc.gov/solicitations/details/?id=0239fed6-dff9-ef11-9341-001dd80be291>.

M2: Attachment H: Financial Review Form is to be replaced by Revised Attachment H: Financial Review Form located at <https://evp.nc.gov/solicitations/details/?id=0239fed6-dff9-ef11-9341-001dd80be291>

M3: Attachment I: Functional Specifications is to be replaced by Revised Attachment I: Functional Specifications located at <https://evp.nc.gov/solicitations/details/?id=0239fed6-dff9-ef11-9341-001dd80be291>.

M4: Attachment J: Technical Specifications is to be replaced by Revised Attachment J: Technical Specifications located at from: <https://evp.nc.gov/solicitations/details/?id=0239fed6-dff9-ef11-9341-001dd80be291>.

3. SECTION 3 State Response to Vendor Questions. The following written questions were received about the solicitation and the State's answers to the questions are as follows:

SECTION 3 – Vendors’ Written Questions

Question #	Document Section	Page #	Vendor Question	State’s Response
1	§ 6.2.5 Alternate Offers	Page 39	<p>Is the intent of “Alternate Offers” to:</p> <p>-solicit alternate options from vendors who also are addressing ALL requirements?</p> <p>OR</p> <p>-solicit options from vendors who may NOT substantially conform to ALL specifications but want to provide NCDOR a solution to a single/subset of the requirements?</p>	Vendor may submit Alternate Offers to provide alternative solutions that address all requirements of the RFP. Offers of alternative or non-equivalent goods or services may be rejected if not found substantially conforming; and if offered, must be supported by independent documentary verification that the offer substantially conforms to the specified goods or services specification. RFP Section 6.2.4 Vendor Errata and Exceptions.
2	§ 7.15.6 IRS Publication 1075	Page 47	<p>"Section 3.3.8 of IRS Publication 1075 ("Public-Facing Systems") states that agencies must implement NIST Identity Assurance Level 2 (IAL2) and Authenticator Assurance Level 2 (AAL2) to control access to Federal Tax Information (FTI).</p> <p>Does NCDOR expect the proposed solution to include support for NIST IAL2 and AAL2-compliant identity verification and authentication for external users (e.g., individual taxpayers and business representatives) accessing FTI via public-facing portals? "</p>	<p>The proposed solution must comply with IRS Publication 1075. See also RFP Section 7.15.6 IRS Publication 1075.</p> <p>Vendor may propose a solution that includes identity management staff support consistent with RFP Section 3.3.3 Identity and Access Management and 3.6 Value Added Services.</p>
3	Attachment J: Technical Specifications	3.2	Could NCDOR please provide the projected number of external users expected to	Attachment M provides the estimated tax return and payment processing volumes. The State does not have the means to project the

			<p>access the taxpayer-facing portals?</p> <p>Please break out anticipated volumes for Individual taxpayers and Business users (e.g., employers, tax professionals, payroll providers) to help vendors appropriately scale identity and access management components.</p>	number of external users expected to access the taxpayer-facing portal.
4	General question	N/A	<p>Has NCDOR been provided any type of demonstration for this effort in the last two years?</p> <p>If so, what vendor or companies provided those demos?</p>	<p>Other state revenue and tax agencies shared information as part of the State's market research in preparation for this RFP. Demonstrations in the last two years were provided by those states; none of the demonstrations were vendor-led.</p>
5	General question	N/A	Can the State provide a diagram that shows its interfaces that the vendor should expect to integrate with? We have attached an example.	No, the State cannot provide a diagram at this time that shows its interfaces due to information security and confidentiality restrictions. Please refer to Attachment P Interface Inventory for general interface information.
6	Attachment D Cost Form	Instructions	One of the key assumptions in Attachment D Cost Form states, "Proposals to include costs for a total of 21 years," but the supporting worksheets only go up to 11. Is the 21 years an error?	<p>The Cost Form provides entry for the initial implementation term (six (6) years and one (1) support term (five (5) years) for a total of eleven (11) years. The State acknowledges the difficulties in projecting costs for the full Contract Term of 21 years. The State has provided a revised cost form for use in responding to this RFP. See Section 2 Modification M1:</p> <p>Attachment D: Cost Form above.</p>
7	Attachment H: Financial Review Form	74	Paragraph 8 in Attachment H asks for a link to annual reports, however in Section 6.3.1 General Instructions for Offer, Page 40, Paragraph G states that reference to internet website addresses will not suffice as response to this solicitation.	<p>Consistent with RFP Section 6.3.1 (g), the State will not accept links to annual reports. Attachment H has been amended to reflect that links are not acceptable to the State. See Section 2 modification M2:</p> <p>Attachment H: Financial Review Form above.</p>

			Can NCDOR please clarify that it is acceptable to include a link?	
8	Attachment I Functional Specifications	Column D	Attachment I Functional Specifications Column D header does not match dropdown options. Can you confirm which is correct?	The State has provided a revised functional specification document for use in responding to this RFP. See Section 2 modification M3: Attachment I: Functional Specifications above.
9	§ 6.2.5 Alternate Offers	39	Is the intent of "Alternate Offers" to: -solicit alternate options from vendors who also are addressing ALL requirements? OR -solicit options from vendors who may NOT substantially conform to ALL specifications but want to provide NCDOR a solution to a single/subset of the requirements?	Please refer to the State's response in Question 1.
10	§ 6.2.5 Alternate Offers	39	For alternate offer responses, is there a specific requirement and/or template for the required qualifications, response format, pricing format, or mandatory requirements that should be used?	Alternative Offers must use the same attachments and templates provided as part of the RFP. Both primary and any alternate offer responses should use the same templates/attachments.
11	§ 6.2.5 Alternate Offers	39	Can a company provide "Alternate Offers" for individual components AND also be part of another RFP response?	No. Please refer to Question 1 for the State's response.
12	§ 6.2.5 Alternate Offers	39	Is the state open to awarding multiple vendors based on a combination of multiple "Alternate Offers"?	The State prefers the proposed solution be implemented by the owner of the product rather than a third-party integrator. See RFP Section 2.1. However, the State intends to award this RFP to the Vendor providing the Best Value. See RFP Sections 2.7 and 5.1.,
13	§3 Terms and Conditions Applicable to	66	The RFP states "The Vendor shall be solely responsible for acquiring	The State will provide furnished office space for the entire implementation project team.

	Personnel and Personal Services		any equipment, furniture, and office space not furnished by the State necessary for the Vendor to comply with the Agreement." We understand that 3.4.5.2 indicates the State will provide training facilities for all onsite training. Can the State confirm project office space will be available for the implementation project?	
14	Attachment I - Functional Specifications	Column D	Column D requires the Vendor to complete each specification according to the dropdown values A- E in cell D3. However, a different set of dropdown values is available for each row. Can the State provide a corrected excel so that Vendors can complete the form according to D3?	The State has provided a revised functional specifications document. See Section 2 Modification M3: Attachment I: Functional Specifications above.
15	Attachment J - Technical Specifications	Column D	Column D requires the Vendor to complete each specification according to the dropdown values A- E in cell D3. However, a different set of dropdown values is available for each row. Can the State provide a corrected excel so that Vendors can complete the form according to D3?	The State has provided a revised technical specifications document. See Section 2 Modification M4: Attachment J: Technical Specifications above.
16	§3.4.6.5 Document Management	21	Is there documentation for existing data bases of different systems specified in Attachment O? What is the expectation of the data to be migrated (# of years, tax form types etc.).	Detailed documentation for the databases cannot be provided at this time due to information security and confidentiality restrictions. Final decisions for data migration have not been determined at this time.
17	§3.4.6.1 Hosting	19	Are you open to hosting in AWS Gov Cloud?	No.

18	N/A	N/A	Might be possible to get some insight into whether you have any information on the firm that last provided services to the state on Tax System Modernization	No. This question is not relevant to the intent of this RFP for tax modernization.
19	§7.15.3 Hosting	46	<p>We understand that the cost related to Azure hosting falls under the vendor's responsibility, Given the long-term (11-year) financial commitment we would like to determine whether the following Azure services -which costs can be highly variable and difficult to pre-estimate- must be explicitly included in the cost estimation:</p> <ul style="list-style-type: none"> - Azure Monitor - Azure Log Analytics and Application Insights - Global Load Balancers for traffic routing across multiple Azure regions and disaster recovery (e.g., Traffic Manager or equivalent) - Inter-region and Internet traffic costs, including Egress (Outbound) data transfer charges <p>Your clarification will help us ensure more accurate infrastructure cost estimation and proper alignment with project requirements.</p>	The State is not pre-determining specific solution tools other than the use of Azure. Vendor should propose a solution that meets the requirements and specifications of the RFP.
20	Attachment D – Cost Form	Hosting	According to Section 7.15.3 (Hosting) in the RFP, "The Vendor should ensure that the Offer cost will be sufficient to cover the costs of the Azure ITS subscription. The intent of this billing arrangement is to allow	The Vendor should ensure that the Offer Cost will be sufficient to cover the costs of the Azure ITS subscription for the duration of the contract term.

		<p>the Vendor complete flexibility to host the ITS while insulating NCDOR from unpredicted or variable costs.”</p> <p>Given the nature of cloud pricing and the uncertainties involved, we have identified some risks and challenges in providing an accurate and fair long-term cost estimation due to the following reasons:</p> <ul style="list-style-type: none">- Uncertain Microsoft Financial Policies: Azure pricing models are subject to change over time, making it impossible to lock in a guaranteed cost structure for 11 years.- Limitations of the Azure Calculator: the Azure Calculator does not offer guaranteed cost projections beyond standard commitment periods, making long-term budgeting highly speculative.- Service Availability Uncertainty: Microsoft does not guarantee that an Azure service available today will remain available over the 11-year period. Additionally, services may be retired or replaced with alternatives that follow a completely different pricing model, which may not have been accounted for in the initial design. <p>Please confirm whether, any future modifications on price (and/or nature) of Azure services by Microsoft, (for reasons</p>	
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			outside the vendor's responsibility), shall be borne by the vendor or NCDOR. Your answer will help us estimate any pertinent contingencies and provide a more accurate budget.	
21	§3.4.6.6 Environment Setup	21	<p>In section 3.4.6.6 (Environment Setup), the following eight (8) environments appear to be required:</p> <ul style="list-style-type: none"> - Sandbox (core solution patches and upgrades) - Development - System Test - User Acceptance Test - Pre-Production Staging - Production - Data Conversion - Training <p>Is it possible to merge some of them physically when hosting on Azure (while keeping them logically isolated) to reduce hosting costs? Lastly, could you clarify if a disaster recovery environment is required, and if it should be included in the list above?</p>	<p>Vendor should propose the optimal configuration for their solution. The number of environments is determined by the Vendor.</p> <p>See the State's response in Question 22.</p>
22	§3.4.7.3 Disaster Recovery and Business Continuity & §7.15.3 Hosting	<p>23</p> <p>46</p>	<p>Does NCDOR's Azure environment (subscription) for ITS span one or two Azure regions? If multiple regions are included, could you please specify which US regions are covered, as Azure service costs can vary by region and may impact detailed cost estimates.</p>	<p>Located in Virginia. Disaster Recovery standard is expected be geo-redundant with synchronous replication and the ability to use the disaster recovery site in fail over. Site is selected when Azure Disaster Recover is selected in the subscription.</p>
23	Attachment D – Cost Form	Hosting	Regarding the contents in Attachment D, the	Primary hosted solution response should be for the DOR Azure cloud.

			<p>hosting costs for the Azure services required by the ITS solution extend beyond just IaaS virtual machines, the purpose of the 'Hosting Services Specifications' table -which categorizes three environment sizes (Small, Medium, Large)- and the provided examples (e.g., 2 CPUs, 32 GB memory, and 500 GB storage) is unclear.</p> <p>Since the solution will be deployed on Azure rather than a traditional IaaS infrastructure, please confirm that the 'Hosting Services Specifications' table and the proposed environment sizes (Small, Medium, Large) are not relevant to this procurement.</p> <p>On the other hand, in case these specifications do apply to the requested cloud-based architecture, please clarify which Azure services should be detailed in the table and the purpose of defining three environment sizes. Are alternative sizing approaches acceptable for all environments and service types?</p>	Please refer to section 7.15.3 Hosting.
24	§6.3 Instructions for Offer Submissions	40-41	<p>Paragraph 6.3.2 states: "Within each section of its offer, the Vendor should address the items in the order in which they appear in this RFP. Forms, attachments, or exhibits, if any, provided in the RFP must be completed and included in the</p>	Vendors may opt to provide in-line responses to RFP Section 3.0 RFP Requirements and Specifications in addition to completing the required RFP attachments. Vendor may opt to address the referenced specifications in a dedicated chapter/document addition to the completing the required RFP attachments. The State has no preference between the options.

			<p>appropriate section of the offer.” Additionally, it mentions: “The offer should be organized and indexed in the following format and should contain, at a minimum, all listed items below...”</p> <p>However, in the provided list, there is no designated placeholder for addressing all requirements of Section 3.0, RFP Requirements and Specifications (pages 10–34) in detail.</p> <p>To ensure clarity and completeness, we plan to include a dedicated chapter where we will comprehensively address all requirements of the NCDOR tender in the order in which they appear in the RFP. Could you please confirm whether this approach is acceptable? Additionally, is there a preferred or required section within the proposal where this chapter should be placed?</p>	
25	§6.3.2 Offer Organization	N/A	<p>Could you please confirm if digital signatures are acceptable for the required forms (such as Execution Page, Attachment E etc.) in the tender submission, or if only handwritten signatures are allowed?</p>	Authenticated digital signatures are acceptable.
26	§1.0 Anticipated procurement schedule	4	<p>The tender is well-structured, and the attachments provide clear guidance on how to reply. However, the response requirements are very extensive and highly detailed,</p>	<p>The State will not extend the time allotted for the Vendors to submit further clarification questions. The State does not intend to extend the Offer Opening Deadline.</p>

			<p>demanding significant time to answer thoroughly.</p> <p>Given the above, we kindly request the following:</p> <p>a) We kindly request that the Agency allows more time for the Vendors to submit further clarification questions.</p> <p>b) Extend the "Offer Opening Deadline" by one month</p>	
27	<p>Attachment D – Cost Form,</p> <p>Attachment B: Department of Information Technology Terms and Conditions §5</p> <p>Attachment F: Location of Workers Utilized by Vendor</p>	<p>52</p> <p>72</p>	<p>Cost of international travel and per diems for key personnel coming from outside US.</p> <p>Would it be acceptable to set a higher hourly rate in sheet "11. Rate Card" for key personnel originating outside US and then describe the applied method in sheet "8. Cost Assumptions", e.g. "The cost of international travel is added to the hourly rate for all key personnel outside the US based on a trip to be on-site in NCDOR at least once every three weeks and for a period of at least 3 days if full time allocation and once every month if half time allocation in Attachment L."?</p>	<p>The proposed solution must be implemented in compliance with the safeguarding guidelines of IRS Publication 1075. See RFP Section 7.15.6. IRS Publication 1075 2.C.7 requires that all vendor workers be located within the legal jurisdictional boundary of the United States, including its territories, embassies, or military installations. Further, vendor employees must meet the citizenship/residency requirements of IRS Publication 1075 2.C.3 (3) to legally work in the United States. Vendors are responsible for their own travel and may set their rates as they see fit so long as the travel expenses comply with RFP Attachment B, Paragraph 5 Travel Expenses.</p>
28	Attachment K: Key Personnel and Resumes	Q-K2	<p>If the suggested ITS solution is based on more than one COTS product, would it be acceptable to suggest more than one for the Key Personnel Roles as Functional Lead, Technical Lead, Application/Solution Architect, etc. - and</p>	Yes.

			specify their experience in one or more of the suggested COTS solutions?	
29	Attachment I – Functional Specifications	Business Specifications	<p>The classification options presented in row 3 of Columns D and E are different from the ones included in the dropdown list inside each cell.</p> <p>More specifically in row 3, Columns D and E are mentioned: "How is the capability satisfied? A. Configuration B. Customization C. Third Party D. Future Roadmap (explain timeline) E. Not Available"</p> <p>While in the dropdown list of Column D is mentioned: A. Baseline functionality without configuration B. Baseline functionality with configuration* C. Vendor or user scripting D. Optional functionality at additional cost E. Customized** development</p> <p>In case the dropdown list is correct then the guidelines in row 3 of columns D and E should be modified according to the dropdown list. Please clarify.</p>	See the State's response to Question 14 above.
30	Attachment I – Functional Specifications	N/A	The entry field option in Column D is not available from row 842 onward. Should we use the same entry field option as the one used above row 842?	See the State's response to Question 14 above.

31	Attachment J – Technical Specification	N/A	<p>The provided categories in Column D and E — Configuration, Customization, Third Party, Future Roadmap, and Not Available—are typically applicable to functional capabilities. However, the requirements listed in Attachment J are non-functional in nature (e.g., hosting, Access & Identity Management, IT Change Management, SLA etc), and it is unclear how these should be categorized within the given framework.</p> <p>Could you please confirm that it will be acceptable for the Vendors to present how those requirements will be fulfilled, or if an alternative approach should be taken for these without using the categorization?</p> <p>In this case, please confirm that it would be acceptable for Vendor to leave column D empty and to provide the description in Column E without the mentioned classification.</p>	Vendors should select an option in Column D for every specification, and are also free to include additional explanation in Column E.
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Failure to acknowledge receipt of this addendum with return of this addendum uploaded to the NCEP Sourcing Event may result in rejection of vendor's response.

Check ONE of the following options:

- ☐ Bid has been uploaded to the NCEP Sourcing Event with this acknowledgement. Any changes resulting from this addendum are included in our bid response.
- ☐ Bid has been uploaded to the NCEP Sourcing Event separately. Changes resulting from this addendum are attached to this response.

Execute Addendum:

Offeror: _____

Authorized Signature: _____

Name and Titled (Typed): _____

Date: _____