

# RFP for Electronic Collections Banking

## Pre-bid Questions and Answers

### Teleconference on January 15, 2015

Please note that original questions are in **BLACK**, initial answers are in **RED**, and follow-up answers are in **BLUE**. Treasury personnel have attempted to provide the best information possible to assist banks in the preparation of their proposals.

- **Collateral:** Please provide the average balance levels for purposes of collateralization associated with the RFP. The ledger balance for the last six months averaged \$9.9 million, with a high month of \$21.2 million and a low of \$7.1 million. Collateralization adjustments are only required once per month based on the previous month average balance. Below is a portion of the collateralization requirement of the Cash Management Policy Board, dated December 1, 2014:

8.3 Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102 percent (102%) of the total average monthly ledger balance(s) (net of FDIC insurance limits) held in all accounts. The financial institution is required to make any necessary collateral adjustments by the third business day of the following month.

8.4 Ensure that securities pledged as collateral are housed at the Federal Reserve Bank.

8.5 Provide reports on a monthly basis to the State Treasurer's Office detailing the collateral pledged.

- **Bid Sheet:** On the Pro Forma Bid Sheet, the **25 0202 ACH CREDITS RECEIVED (special ECC program)** with annual volume of 198,000, what does the volume of 198,000 represent - the number of incoming credits received for tax payments or associated with incoming credits received related to the 'Alias Bank Account Numbers' or both? The pro forma bid sheet is in error. The ACH CREDITS RECEIVED service (with volume of 198,000) does NOT include incoming ACH credits that use the special alias account number system. These are standard ACH credits. The alias account ACH credits are described in the service called SPECIAL RECEIPTS PAYMENTS RECEIVED with volume of 21,180. The incumbent bank uses the term Electronic Credit Collections – ECC – to describe this service. The service called SPECIAL RECEIPTS PREFIXES is also tied to the alias account program; it is a monthly maintenance fee.
- **Alias Accounts:** Please elaborate more on the alias account number program. The alias account number is a lengthy number that is, for practical purposes, divided into two parts. The first part is fixed. It's common to all users, and it tells the bank that the incoming funds belong to the State's main collection account. The second part is variable. These digits are controlled by Treasury and assigned uniquely to State agencies. In essence, they mean nothing to the bank, but they indicate to the State which agency owns the deposit. When the file is imported into our automated account system, the second part of the number is read and system marries the deposit with the agency. Treasury's role is to assign the number, enroll the number in our accounting system, and communicate the number to the bank – so that all three entities are coordinated. Currently, deposits are posted to the DDA in a total by ACH type (CCD, etc). We then receive a separate file in NACHA format containing the detail of all the alias ACH deposits

received for the day. The NACHA file contains the alias number and any descriptive information sent with the ACH.

The bank should consider that Treasury's alias account number program is several years old and touches not only the State's accounting system and agencies, but also thousands of citizens and businesses that make payments to the State. Thus, Treasury has a strong desire to continue using its existing numbering scheme. (In the current scheme, the alias account numbers are always 13-digits long, the first three digits always remain the same (designating a specific account at the bank), and the last six digits are variable and assigned by Treasury to denote specific agencies.

That said, Treasury recognizes that it will perhaps be impossible for all banks to exactly duplicate the existing program. Therefore, Treasury will consider proposals that offer a different numbering scheme.

- **Zero Balance Accounts:** Please confirm the total number of ZBA subsidiary accounts that transfer to the main account. **Six**
- **ACH Debit Origination:** How is the State currently originating ACH debit transactions in the two electronic lockbox accounts? **Direct file transmission to the bank. These files are created and sent by the agencies.**
- **Reconciliation:** Please confirm for the State's program for automatically reconciling ACH debits whether the State is the Receiver of the ACH Debits or the Originator. **Whether the State receives ACH credits (using the alias account program) or ACH debits (using the Company ID program), the resulting deposits are automatically reconciled by the State's accounting system. (Both programs are referenced on Page 35 in the RFP Questionnaire.)**
- **Monthly Statement:** What is your preferred format for the monthly account analysis statement? **The monthly summary statement must be sent to Treasury by at least two methods: hard copy and 822 file.**
- **Sweep Product:** Does the State have a specific requirement around a sweep product? Would the State consider an alternative option, such as a checking account with earnings credit or an interest bearing checking account? **The sweep product must be a Money Market Fund that meets the State's investment policy. We would not consider a checking account. There is no special section in the bank's proposal for a narrative about sweep capabilities.**

There are currently four sweep funds. There is no dollar limit on the amount that may be invested. The bank's proposal does not require any type of response to the sweep requirement.

- **Wholesale Lockbox:**
  1. Please provide more volume information, including single match payments, partial payments, multiples, check only payments, rejects, foreign items, correspondence items (with payment and without payment) received today. **The State Pension Office receives on average about 300-350 checks per month; about 5 rejects per month; correspondence with payment**

about 100 pieces per month; correspondence without payment about 15-20 pieces per month; there have been no foreign items.

2. Can you provide a physical copy of the remittance/invoice document and envelope? **Yes**
3. Can the State provide written processing instructions and daily deadlines for each lockbox? **Yes, these can be provided to the bank that wins this RFP process. As this is truly a “plain vanilla” wholesale lockbox, instructions will not be sent to all bidding banks.**
4. How does the State handle exceptions, correspondence & rejects today? **The State receives all **correspondence** that is sent to the lockbox, as some are originals that were never sent directly to the State Pension Office. If **rejects** are mailed back to the State, the State will contact pensioner as to why check was rejected and what is needed to rectify situation. If there is a reject, the bank normally sends a slip along with check stating why check was rejected. There are **exceptions** when the State would handle the **rejected** check and the pensioner does not need to be notified. For example, if a pensioner sends in a post-dated check and BNY did not accept it, the bank will mail the physical check back to State and the State would then re-mail it to lockbox. (Note that the State will only re-mail check back to the lockbox if the date on check is within one or two days of when State received it back.) If the date is too postdated, the pensioner is notified. If check is not made out properly, the bank rejects it and sends it back to State.**
5. How does the State handle check only items (with and without account numbers)? **The bank deposits the check with and without account numbers; the State will then research in our databases to determine the appropriate account number for funds received.**
6. Does the State have any special processing or requirements? **No**
7. How does the State process out of balance multiple payments? **The bank deposits all checks even if amount on check(s) is different than any correspondence sent in stating a different total. The State will allocate actual funds received to appropriate places.**
8. Will the State accept PO Boxes not located in the State of Delaware? **Yes**
9. Can we get the daily transmission file layouts? **Yes**
10. Can the State accommodate Secure FTP? **Yes**
11. Would the State like images of correspondence? **Yes**
12. Does the State accept Credit Card payments? **No**
13. Will the State be accessing information electronically (online) or only through items mailed back from the bank? **The State Pension Office daily accesses the bank’s secure information reporting website to retrieve statements and to view images.**

As further clarification about the electronic wholesale lockbox, this requirement is included as part of this RFP – as opposed to a separate standalone RFP – because of its very small size, and because there is an electronic component to it (deposits are concentrated to the State’s main collection account via a ZBA process.) Banks should consider these attributes as they describe their wholesale lockbox capabilities.

- **Electronic Tax Collection Program (page 9):**

1. Does your current Electronic Tax Collection have a payment portal in which the taxpayers access? **Yes. Revenue gathers banking information off the website, and then sends a file to the bank to initiate ACH debit transactions.**

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The Division of Revenue maintains a website where taxpayers may visit and enter payment information. The website supports various types of tax payments, and there are thus links to various payment pages. For some tax payments, Revenue itself captures the payment data, creates a NACHA-formatted file, and transmits the file to the bank via an SFTP connection. For others, the State's gateway provider (Govolution) captures, formats and transmits a NACHA file to the bank via an SFTP connection. In terms of dollar size, the largest daily file sent by Revenue throughout the year would contain about \$5 million in ACH debit transactions; the largest sent by Govolution would be about \$20 million. While it's not likely these two highest volume files would be sent on the same day, for risk underwriting purposes the bank may assume the combined \$25 million "worst case scenario" as the State's single-day ACH debit max volume.

2. Do you accept Credit Card/Debit Card payments for the Tax Collection Program? **No.** For clarification on this point, Revenue's acceptance of credit card payments is outside the scope of this RFP.

3. Do you utilize or have you utilized an IVR (Integrated Voice Response) payment channel? **Yes, the Division of Revenue and the Bank Commissioner's Office use a touch-tone entry Voice Response Unit (or IVR) as one option for taxpayers to enter payment information.**

As this is a bank-operated function, the bank should include pricing for an IVR/VRU in its spreadsheet.

4. Do you want to receive the remittance file (payment file) by transmission (FTP)? **Yes, for Revenue, it will automate the uploading of data to taxpayer files.**

Please be aware that the Concentration of Funds section of the pro forma bid sheet was slightly modified after the teleconference. In particular, the Excel version now has "comments" for each of the CoF services to provide better understanding. In addition, some of the CoF services have been renamed to better reflect their functions.

5. Do taxpayers pay a convenience fee to use the VRU and/or website? **No.**

- **Remote Check Deposit (page 9):**

1. What types of Scanners does the State use today? Is there a specific make and model you want quotes on? **Teller Scan Digital Check 240 w/ Inkjet Endorsement**

2. How many scanners are you looking to purchase? **We estimate that we will deploy a handful – no more than 10 – of new scanners in first year of the contract.**

3. Are you scanning just checks or are you scanning checks and remittance coupons? **Checks only**

4. Could you provide detailed volumes that are going through RDC? For example, # of scanner workstations? **There are now 24 scanner workstations. The monthly average of checks scanned over the past 12 months was 1,895, with a monthly range of 1,390 to 2,360. The annual volume stated in the pro forma bid sheet (Check Image Capture per Check) is a little low. However, all banks will use that figure for purposes of preparing their proposals.**

- **Tab J: Optional Narrative:** The RFP mentions two places where exceptions should be listed. One is in Tab J (Optional Narrative) of the binder. The other is in the transmittal letter, as described in Section I-B (page 1) of the RFP. Please clarify.

All exceptions to the State's requirement should be listed in Tab J. Please disregard the part of Section I-B that involve listing exceptions. There is no Attachment 3.

In listing its exceptions in Tab J, the bank must clearly label and set them apart from the rest of the narrative.

- **Statement on Standards for Attestation Engagements (SSAE 16):** Exhibit 1 requires banks to provide their SSAE 16 statements with their proposals. Would the State be willing to accept this document via secure email?

Yes, banks may send their SSAE 16 statements via secure email in lieu of with their proposals. The emails must be sent no later than the proposal deadline, and the bank must ensure that Treasury is provided with the relevant password to unencrypt the message.

- **Deposit Reporting - Previous Day and Current Day (page 31) #8** – Does the State require a BAI file that includes details on each individual ACH originated transaction contained in a batch or just the total of the batch that debited the account? **The BAI file needs to be a detailed file of the activity in the main depository account. If an ACH comes directly into the account it needs to be detailed in the BAI file. With that said....for ACH payments with alias numbers, they are currently totaled in the depository account and in the BAI file but the detail of those transactions are sent in a separate NACHA formatted file.**
- **Online Information Reporting & System Requirements (page 33) #7** – Can the State please provide additional details on the transaction volumes and the number of locations in which it would implement an ACH check conversation service? **This question has nothing to do with ACH check conversion. It's simply asking about the timeliness of the information reported on your secure website.**
- **E-Commerce and Internet Capabilities (page 36)** – Does the State have an E-commerce vendor that it would prefer the bank integrate with and that vendor sends an ACH file to the bank to process? If so, who is the vendor? **Currently, the State's preferred e-commerce partner is Electronic Payment Exchange (EPX). EPX provides a gateway service to the State for receiving ACH debit transactions.**
- **Electronic Collections Specifications:** Is the electronic tax collection solution described used for both consumer and business ACH debits or credits? **Both consumers and businesses may send ACH debits.**
- **Call Center:** Please clarify if the State contracts with a vendor to provide a call center for the ACH debit functionality. **The State does not maintain a call center for this purpose. The two methods of providing banking information for electronic tax collection are secure website**

(meant for taxpayers generating more than 100 transactions per month) and touch-tone VRU (for fewer than 100 per month). Both of these options are provided by the bank.

- **General Questions:** Who is the incumbent bank? **BNY Mellon** Would the State consider extending the due date of the RFP? **Yes, but that's not likely.**
- **Questionnaire (page 36, question 6):** Are you asking for how many clients we process ACH payments via the Internet or if we use an external partner to process ACH internet payments? **How many third party vendors – external partners – do you use to provide internet-based ACH credit and ACH debit?**
- **Checklist:** The checklist instructs all documents to be submitted in duplicate. Does this refer to the signed documents? If so, are you requesting two documents with original signatures and should both be included in the “Master” copy? **There should only be one original signature, and that should be included in the “master” proposal. Photocopies may be used in the copies of the proposal.**
- **Exhibit 2:** Is Exhibit 2 (Account Analysis Sample) for informational purposes or must it be completed? **Exhibit 2 is just an example of how we are hoping the monthly summary statement will appear – the various informational elements and format. There is no need to complete anything.**
- **Subcontracting:** If needed, within which tab should Exhibit 7 be located? **We will create a new tab for that purpose of supplying the completed Exhibit 7 – Tab N.**
- **Lockbox Narrative:** In what part of the proposal should vendors provide information about their wholesale lockbox capabilities? **A special section will be added to the end of the questionnaire (Exhibit 3) that will allow vendors to discuss their products. The questionnaire will be available in MS Word format; be sure that you are responding to the latest version which contains this added section.**
- **Deadline:** Can bidders submit the proposal via email by 4pm on February 5, 2015 and deliver the hard and soft copies on February 6? **No**
- **Follow-up Q&A:** How will follow-up questions be handled? **This Q&A document will be finalized and published on Treasury's website by 4:00 p.m. on January 16. Questions that seek further clarification on the topics discussed in this document may be submitted by 4:00 p.m. on January 20. The resulting second round of Q&A will be published on the Treasury website by 4:00 p.m. on January 22, at which time no further questions will be accepted.**
- **Bidding and Contract Specifications – Location of work:** Please specify where bank personnel would physically need to be present during the implementation (startup) of the contract. **The principal location will be Treasury in Dover, Delaware. The secondary location will be the Division of Revenue in downtown Wilmington, Delaware.**

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- Pro Forma bid sheet clarification: Please clarify the following services:
  - Image Select (A, B, C, E) Please delete this service from the pro forma bid sheet.
  - Image Tier (1, 2, 3) Please delete this service from the pro forma bid sheet.
  - Module Configuration Maintenance (5x12) The State will normally use five different modules on the bank's secure website. As defined by the incumbent provider, they are: Balance Reporting, Payments, MasterFile Payment System, ACH Reporting, and Wire Reporting. (Payments includes ACHs and wires, and MPS is tied to the concentration of funds service.)
  - Checks Deposited: Image Cash Letter The ILC service is used by the Division of Revenue. In essence, the agency runs its own internal lockbox and uses a high-speed scanner – much like a bank's lockbox – to image the incoming checks. This is distinguished from Remote Check Deposit, which is a low-volume solution used by many State agencies.