**Attachment 1: Questionnaire**

CONTRACT NUMBER: TREAS-1602-MERCHSERV

*This questionnaire is provided in MS Word format to facilitate inserting responses after each question. It’s imperative that all questions are completely answered. The completed hard copy questionnaire will be inserted into the proposal and comprise its own tab.*

**Vendor Overview**

1. Describe your company in terms of:

* Inception and length of time providing merchant services.
* Hierarchy, including your relationship to sister or parent organizations.
* Management team, as well as the background and qualifications of the individuals who will service the State’s account, including their tenure with your company.
* Mergers or acquisitions that have happened in the past three years, and those which are anticipated in the future.
* Subcontractors.

1. How many clients you now have in the following categories:
   * State government (entire state).
   * State agency (a division of state government).
   * Municipal or county with $1 billion budget.
   * Annual settlements greater than $100 million (government or private).
   * More than 100 merchants (MIDs) in relationship.
2. What is your company’s:

* Average daily transaction volume?
* Daily transaction capacity with current equipment and staffing?
* Average daily gross dollar volume?

Where would the State rank in terms of transaction volume and dollar volume? What are the volumes of your largest client? *(It is not necessary to name that client.)*

1. Detail any alliances with “back end” processors, such as FDMS and TSYS? Subcontractors that you employ? Please explain each party’s role in the State’s card processing.
2. Describe any SEC or other material litigation, action or sanctions against your firm, its subsidiaries, or contracted third party processors that is presently pending or that was resolved (favorably or unfavorably) in the prior five years, as it relates to this RFP.
3. List and describe any significant contributions your firm has made in provision of the requested services that differentiates you from your competitors.
4. Describe and/or provide your firm’s core values, governing principles, and mission statement. How do these traits and/or goals relate to your firm’s provision of the requested services? Why do they make your firm a “good fit” for this engagement?
5. Are you currently certified with Govolution to pass transaction information? Cybersource? Other third parties?

*Note: As noted elsewhere, Govolution currently provides an internet gateway service, through which some merchant transactions are passed to the card processor, and web-based ACH debit transactions are passed to The Bank of New York Mellon.*

1. Provide the last two years of audited financial staements for your company, plus the most recent statements for unaudited periods (Refer to Section IV-A of this RFP).

**EMV and Chip Card**

*Note: The State has begun – but not completed – the process of becoming compliant with Europay-MasterCard-Visa standards and chip-based card usage. It’s understood that these standards will continue to evolve over time, and that, accordingly, the State must respond.*

1. Explain your EMV chip capability, including your certifications with the card associations and hardware vendors. Are you currently EMV certified with Govolution?
2. Do you now support “Chip and PIN” authentication?

*Note: Though “Chip and signature” is the current standard for credit card issuers, it’s possible that “Chip and PIN” authentication may become more widespread and, thus, implemented during the term of this contract.*

1. For Card Not Present transactions involving chip cards, explain your ability to support one-time passwords (such as MasterCard’s “Chip Authentication Program”), Visa’s 3-D Secure program, and other EMV-related fraud prevention protocols. What security technology do you employ that separates you from your competitors?
2. Describe the active role you would play with your own resources in leading the State toward EMV compliance.

1. Regarding internet connectivity for virtual terminal merchants, do you support:
   * Ethernet connectivity? If so, does this require a separate static IP address for each merchant?
   * USB connectivity? What card USB “dip” reader do you support? What is its cost?

**Authorization and Settlement**

1. Provide a flow diagram (with narration) that describes a typical State transaction cycle. Include Discover and American Express in your explanation.

*Note: American Express settles its own transactions and directly invoices those agencies which conduct AmEx transactions.*

1. What is the procedure to reverse an incorrect authorization? Do you support adjustments and voids before batches are transmitted?
2. What connectivity methods (dial-up, frame relay, internet, etc.) do you support, and which do you recommend?

*Note: The State’s POS terminals are EMV-capable and currently connected to the processor via Ethernet drops or telephone dial-up.*

1. For both manual and “auto settle” merchants, what are your batch transmission cutoff times to meet your settlement schedules? When will the State receive ledger credit in its bank account for:

* A web transaction (initiated by the cardholder) that occurs on a Tuesday at 10:00 p.m.?
* A POS transaction that is manually batched and transmitted on a Tuesday at 4:00 p.m.?
* A POS transaction that is manually batched and transmitted on a Tuesday at 9:00 p.m.?
* A POS transaction on a Tuesday at 11:00 p.m. where the batch is auto-settled?

1. What is your sponsoring bank that will handle settlement funding? How long have you had the relationship? Do you have a secondary sponsoring bank?
2. Assuming one bank account per merchant, what is the limit on the number of bank accounts to which the State may route funds?

*Note: Card revenue from most State merchants is routed to a single bank account. However, some merchants are allowed to route funds to their own special accounts.*

1. Are settlement amounts listed separately on the bank statement or will they appear as one lump sum? Will Saturday and Sunday activity be combined with Friday’s activity? Reported separately? What are your limitations on:

* The number of batches that can be transmitted daily?
* The number of transactions in each batch for POS merchants? Virtual merchants? Web merchants?
* The number of Terminal IDs (TIDs) that may be set up under a single MID? Will each TID be able to have unique batching and reporting?

*Note: The ability to break out individual locations (TIDs) underneath a particular MID is particularly important with virtual terminals. For web-based merchants, each TID may be used for a different purpose or type of product.*

1. Will the merchant number travel through from the merchant location to the deposit bank?

*Note: It is the depository bank’s daily file transmission that will be used to reconcile merchant batches in the State’s automated accounting system.*

1. Describe your notification process when a batch transmission fails.
2. Will you generate a unique batch reference number that will stay with the batch throughout the payment cycle?
3. Describe the procedure for nightly batch notifications, including any exception processing.

**Retrievals and Chargebacks**

1. Describe the ticket retrieval request process, including timeframes and methods of notifying the merchant.
2. What chargebacks percentage is handled without merchant involvement?
3. How often are chargebacks reversed? Is the reversal rate different for your government clients than it is for private sector clients?
4. Will State merchants contact a specific, designated person to handle chargebacks? Or will they contact a general department?
5. Are credit card chargebacks and other debit adjustments netted from daily proceeds, or are they separately debited? Are funds debited from the operating account or a separate escrow account?
6. Do you have the capability to store and retrieve transaction information, including signatures for bank card transactions and non-bank card transactions? If so, do merchants have access to that information (via online or other means)?

**Debit Card Processing**

*Debit cards are used more frequently than credit cards with State merchants. However, the use of PIN-based debit is small when compared to signature-based debit. Though Dodd-Frank in 2011 narrowed the fee gap between the two methods, PIN-based debit transactions are still preferred, if only for their ability to mitigate fraud and chargebacks.*

1. Do you support BIN (Bank Information Number) file management to differentiate between debit card and credit card transactions?
2. Describe your debit card processing capabilities, including:
   * National networks through which transactions are processed.
   * Funding schedule for both PIN-based and signature-based debits.
   * Ability to process web-based online debit transactions.
3. How can you help the State increase the use of PIN-based debit?

**System Capabilities**

1. As opposed to your “front end” services, describe the “back end” processing platforms that would be used with your recommended solution. Please cite advantages and disadvantages.

2. Is your processing software CPS (Custom Payment Service) compliant?

3. Does your processing software support capturing Purchasing Card Levels II and III data?

**Data Security and PCI DSS Compliance**

1. How would State merchant data transmissions – both authorizations and batch settlements – be protected against data compromise? Discuss any temporary or “alias” card numbers and transaction numbers you may use.
2. What’s your relationship – either third party or internal – to provide assessor services for testing PCI security? What is the benefit for the State to use that assessor?
3. Do you have the internal resources (without an outside assessor) to occasionally audit the State’s PCI compliance and make recommendations to remedy deficiencies? If yes, at what intervals?

**Disaster Recovery / Continuity of Operations**

1. Describe your back-up and/or redundant systems, including:

* Hot site back-up capabilities and testing
* Locations of alternate processing sites
* Time required to switch from primary to alternate sites during a catastrophic event. Include any effect a processing site switch would have on individual merchants.

1. Describe the last time that use of your back-up system was required, the circumstances and the length of time the backup system was in use.

**Information Reporting**

1. For both the Designated Contact and those managers at the State agency level, describe your routine reports that can be used to summarize fees, authorizations and revenue. Please include:

* Delivery methods available
* Standard delivery times (availability)
* Chaining or grouping of merchants under a single agency

*Note: Provide samples of these reports in TAB I of your proposal.*

1. For individual merchants, what transaction and batch reports are available? for transactions, refunds, batches and chargebacks?

* Will the header information include the MID and DBA name?
* Are merchant reports stamped with approval codes and processing dates?
* What tools are available for agency supervisors to analyze transaction types (in terms of interchange categories) for the purpose of improving efficiencies?
* What types of reports are avaialble to supervisors? Chargebacks? Refunding? Others?

1. For agencies (groups of merchants), what reporting is available? Include formats.

* What “diagnostic” tools are available to help the agency be more efficient?
* Can individual merchants be rolled up into a group summary?
* Can the group supervisor manage report access by individual merchants?

1. For headquarters (OST), what relationship-wide reports are available?

* Can activity be sorted by at least three tiers: merchant, agency and State?
* What report is available to support the monthly processing invoice?
* What controls does the Designated Contact have to manage reporting access among agencies?
* Will you provide monthly paper summary reports to the Designated Contact? If so, is there a fee for this service?

1. Aside from routine, periodic reports, what non-routine reporting is available through the Relationship Manager? How long do you store data for reporting purposes? What is the normal turnaround time on ad hoc report requests?
2. How long have you been using your current online reporting system? Is it your own in-house “organic” system or is it provided through an alliance with another party? Do you have plans to migrate to another system or significantly upgrade your current system? Please fully explain.
3. What length of time is data stored? That is, how far back can data be retrieved for reports be created for printing and download? In what formats (xlsx, pdf, docx, etc.) are they available?
4. What types of Discover and American Express information is available on your website?

**Merchant Conversion**

* 1. Describe the process of migrating the State’s merchants from their current system to your system in terms of:
  + Timetable from when contract award is accepted
  + Assigning a project manager and transition support team
  + Converting existing merchant numbers, TIDs and MIDs
  + Training merchants
  + Hardware changes (if any)

*Note: The State prefers to migrate merchants with their respective groups or agencies. For example, all Parks and Recreation merchants should migrate at the same time.*

* 1. Specify the persons, by name and function, in your organization who have primary responsibility for merchant conversion (contract implementation*).*

**Invoicing**

1. Would you consider invoicing the State on a quarterly basis?

*Note: The norm is for the State to receive quarterly invoices from all its banking relationships. Summary reporting is provided monthly, and the fees on those reports total to the quarterly invoice.*

1. Will you provide invoices directly to designated State agencies (merchant groups)?

*Note: As previously noted in Section II: Background, several agencies currently pay for their merchant services through direct invoicing. It is conceivable that the list may grow during this relationship.*

**Customer Service and Quality**

1. Will you assign a dedicated Relationship Manager (RM) to the State relationship? A dedicated backup?
2. Explain the process for adding new locations and closing existing locations (e.g., assignment of merchant IDs, toll-free phone numbers, communications, turnaround time to add/delete locations).
3. Do you staff your own Help Desk or would you refer State merchants to the Help Desk of one of your alliances (such as a “back end” processor)? Please discuss availability times.

*Note: Most State POS merchants operate during normal workday business hours, but some – such as courts – operate during extended hours.*

1. Will the State be able to purchase new POS terminals and card readers through you? If so:

* Will you support the hardware you provide? Returns and repairs? Installation?
* Will the State receive pricing that is discounted? Marked up?

*Note: As a result of the “EMV Liability Shift,” the State has begun using Ingenico iCT2050 for most POS merchants. The iPP320 is being considered as a card reader for virtual terminal merchants.*

1. Describe your mechanism to provide periodic detailed feedback and suggestions to merchants regarding improving efficiencies and reducing chargebacks?
2. During the past three years, what was the longest period that you were unable to authorize transactions? Describe the situation, including the source of the problem and the time it took to fix the problem.
3. Describe your customer notification process during:
   1. Scheduled outages
   2. Unscheduled outages
   3. System enhancements
4. Do you support a Customer User Group to solicit enhancements or other feedback? If so, when and where are they convened? Is the group customer led or company led?

**Special Considerations**

1. To help the State become more efficient and lower costs, will you conduct a “top down” review of its card acceptance program? Have you conducted relationship reviews in the past? Please briefly describe, including any known results. May we contact the clients?
2. Will you commit to keeping State merchants informed and educated through a pro-active communications program? If so, what channels would you use? Workshops? Webinars? Newsletters?

*Note: Topics might include, for example, use of PIN debit, interacting with the Help Desk, handling chargebacks, and maintaining PCI DSS compliance.*

1. In addition to merchant services, do you also provide other services that may add value to the State’s relationship? Internet gateway, for example?
2. Describe your ability to allow the State to manipulate the structure of the Merchant Identification number. Can the State control the entire number? Certain digits?

*Note: The MID is a critical component of the overall card acceptance program. Currently, the State has complete flexibility to create and assign MIDs, which are then registered with the State’s accounting system – thus allowing for automated reconcilements.*  *It is the State’s intention to maintain the current numbering scheme as much as possible. It would be unacceptable for the processor to assign randomly-generated MIDs to the State.*

1. What products or attributes differentiate you from your competitors?
2. Briefly describe your experience working with clients – particularly governments – that assess convenience fees.

*Note: The State has not yet assessed convenient fees, but would consider doing so under certain circumstances. A key component of a convenience fee program would be accounting – ensuring that the base fee and the convenience fee are reconciled to their separate funds*