

MARYLAND STATE TREASURER'S OFFICE

**Louis L. Goldstein Treasury Building
80 Calvert Street, Room 109
Annapolis, Maryland 21401**

QUESTIONS AND ANSWERS

FOR

REQUEST FOR PROPOSALS FOR

LOCKBOX BANKING SERVICES

RFP # LB-02092011

March 28, 2011

- Q-1. Please provide with mail patters, peak days and peak months for each lockbox facility.
- A.1 The Dept of Labor, Licensing, and Regulation, The Revenue Administration Division, and The State Dept of Assessments are the majority of the volume and are predominantly driven by standard calendar monthly and quarterly reporting dates.
- Q-2. We noticed there are some additional services besides Lockbox including in the pricing. Would you like to have technical information related to those services?
- a. Online Services
 - b. Deposit Reconciliation
 - c. ACH services
 - d. ACH debit filters
 - e. EDI reporting
 - f. Wire Transfers
 - g. Sweep
 - h. Cash Concentration
 - i. ZBA
 - j. Positive Pay
 - k. Full Recon
- A-2. It is not necessary to include additional technical information.

- Q-3. In addition to PCI and PII compliance, are there unique regulatory compliance requirements associated with any of the 38 boxes the bidder should be aware of?
- A-3. There are no known unique regulatory compliance requirements associated with any of the lockboxes.
- Q-4. In order to accurately model the float available to the State of Maryland, please provide us with a check clearing endpoint file.
- A-4. The majority of checks received are drawn on banks in the 5th Federal District and therefore clear within a day.
- Q-5. Please provide sample processing guidelines for each of the 38 boxes; or please highlight unique processing requirements per box.
- A-5. Processing guidelines will be provided should an Offeror be awarded the business. Please refer to Price Proposal Worksheet (Appendix A) for detail and volumes of the specific services required.
- Q-6. Will all 38 boxes be awarded to a single provider?
- A-6. Yes. We will be selecting one provider for all the boxes.
- Q-7. Can you provide a detailed break down of the volume per box type?
- A-7. There are 5 retail, 16 wholesale, and 17 custom boxes. Please refer to the pricing proposal sheets for average monthly volumes.
- Q-8. Does SunTrust currently ARC eligible items? If yes, is this a requirement of the new processor?
- A-8. SunTrust does not currently ARC eligible items, however as stated in the RFP in Section 3.01 Background, it is the State's objectives to improve services and increase efficiencies.
- Q-9. If images of all items are available in the image archive, does the State still require outbound dispatch via US mail?
- A-9. For many lockboxes the State still requires US Mail dispatch. We would like to become more automated going forward.
- Q-10. We note the requirement that, the provider must provide collateral for State funds on deposit in excess of the amount subject to deposit insurance. What is the state's anticipated nightly balance with the new provider?

- A-10. There is no anticipated nightly balance, but the balance has ranged from several hundred to several million dollars. Monthly collateral must be provided based on the highest daily aggregate account balance from the previous month and, alternatively, may be adjusted daily if the Offeror has the capability to do so.
- Q-11. Section 3.05 Lockbox service questions, item 2: Please clarify the statement “Does your standard service include continuous processing/multiple deposits or is this considered a premium priced service?”
- A-11. Yes, there are lockboxes where multiple deposits are processed each day.
- Q-12. What is the State’s desired deposit frequency?
- A-12. There is no set desired deposit frequency, but the sooner items are deposited, the better the service is measured.
- Q-13. Section 3.05 Lockbox service questions, item 4.a: Please clarify the statement “What kinds of image applications do you offer today?” Does the State have a desired application?
- A-13. No specific image application is desired. Please describe your capabilities.
- Q-14. Please confirm that all items in the pricing grid labeled as “LBX” and/or “RLBX” refer to Retail Lockbox. Please also clarify what “MLBX” stands for.
- A-14. “LBX” is general lockbox; “RLBX” is retail lockbox, and; “MLBX” is manual lockbox.
- Q-15. What are the processes underlying ACH and Wire transactions – are they related to the lockbox or other services required by the state?
- A-15. ACH and FedWires are used to transfer collected balances from the lockbox accounts to accounts at the State’s depository bank.
- Q-16. Is the state seeking a proposal and pricing for remote deposit capture?
- A-16. One agency currently uses remote deposit to a limited extent. We are not seeking a separate proposal. Please refer to the Price Proposal Worksheet (Appendix A) for any required prices. The scanner model in use is TellerScan TS230.
- Q-17. What is the composition of the 9.8k monthly teller deposits? Is this coin and currency?
- A-17. The teller deposits are for DLLR Unemployment Contribution payments received at their office and couriered to a local branch.

- Q-18. What is the average frequency and value of the teller deposits?
- A-18. There is usually one deposit per week that can range from several hundred to several thousand dollars.
- Q-19. What is the location of the branch/es where teller deposits are made today?
- A-19. The deposits are taken to a branch in Baltimore City.
- Q-20. Would an overnight or vault solution be acceptable to the State as a replacement to teller deposits?
- A-20. Any proposed method of getting the currency and coin deposited will be considered.
- Q-21. We note 1 currency order – is this usual or unusual? Please provide detail of a typical currency order?
- A-21. Currency order is very unusual and would be limited to once or twice per year.
- Q-22. Please describe the batch sizes required by lockbox.
- A-22. The typical batch size is 50, and it is currently rare for a batch to be larger than 100.
- Q-23. What is required for document notation? Is a notation as an image overlay sufficient?
- A-23. Document notation is a manual process for notating payment information on a remittance document. Image overlay would be considered as an alternative.
- Q-24. For WBLC can an image of the envelope replace re-association?
- A-24. Yes, in most cases. The State is looking to automate wherever possible.
- Q-25. What is LBX Spec Re-Assoc Inst-Item?
- A-25. This is a per item charge for assembling check copies to remittance documents.
- Q-26. What are the requirements for low speed match items?
- A-26. The requirements are Retail Lockbox single items with standard envelopes.
- Q-27. Please define the requirements for Auto D/T to Client/Rcrd.
- A-27. This refers to a per record charge for transmitting each record of information to or from client via a transmission platform not requiring manual intervention.

- Q-28. What checks are being printed in the WLBX? Are these copies of checks for research purposes?
- A-28. Some checks are being printed for re-association. Online images are fine for research purposes.
- Q-29. What are the requirements for LBX special screening?
- A-29. LBX Special Screening is a per item charge for screening items based on an agency request. This is typically a manual process.
- Q-30. What are the requirements for RTL Lbx Spec Screen Fields? Are these Lbx operator data entry fields?
- A-30. This refers to Lbx operator data entry on retail lockbox coupons for Revenue Administration Division lockboxes.
- Q-31. What is the special handling required in the Retail Lbx?
- A-31. See Answer 30 above.
- Q-32. What are the requirements for scan partial payments?
- A-32. These refer to a single check not matching the invoice.
- Q-33. Do OCR scan line documents contain check digit routines? Are there any special requirements associated with the retail scan lines?
- A-33. There are no check digit routines or special requirements associated with the retail scan lines.
- Q-34. What fields/data needs to be captured for each remittance document?
- A-34. Captured fields vary for each agency with remittance documents. Please refer to the detailed Price Proposal Worksheet (Appendix A) for volumes of services required.
- Q-35. Is the keystroke volume numeric or alphanumeric?
- A-35. The keystroke volume is alphanumeric.
- Q-36. What is the volume or percentage of numeric vs. alphanumeric keystrokes?
- A-36. That volume breakdown is not tracked and is not available to the State.

Q-37. Please provide volume breakdown of payment received monthly into each lockbox by payment type: volume or percent of singles, multiples, check only, check and list, rejects and exceptions items.

A-37. Please refer to the volumes supplied on the Lockbox Price Proposal Worksheet (Appendix A) included with the RFP.

Q-38. Do you require special batching, document locator numbers or special sorts?

A-38. Yes. All of these are required.

Q-39. Please provide A/R and other file layout requirements.

A-39. File layouts will vary by agency and reports are both electronic and paper based.

Q-40. Do you have custom reporting requirements? If yes, please provide sample requirements.

A-40. Yes. There are custom reporting requirements that vary by box.

Q-41. What is the total average monthly balance that the state will maintain with the bank that is not transferred to the Bank of America depository account?

A-41. There is no set average monthly balance. It is the State's intention to move total collected balances every day.

Q-42. How often do you review the amount of collateral needed? Will you require any type of collateral reporting?

A-42. Collateral on aggregate account balances is required to be adjusted monthly based on the highest daily account balance.

Q-43. Do you pay the current provider by using compensating balances or direct fees? If compensating balances are used, what is your current Earnings Credit Rate?

A-43. The current provider is paid with direct fees. However, the current provider does pay earnings credit on any overnight balance resulting from an agency's failure to transfer collected balances. The current rate is .20%.

Q-44. Are you being assessed any fees for collateral posted by your current provider?

A-44. No. We do not compensate the bank for having to provide collateral.

Q-45. It mentions in 3.04 Lockbox Services Requirements *to send all documents to the appropriate state agency via U.S. Mail by the end of the day*. Will there be a requirement for documents delivered via courier? If a contracted courier is chosen will those costs be paid for by the State of Maryland? Would the State of Maryland contract with an outside courier service or request a courier through the Bank?

A-45. Documents are currently delivered via the bank's courier at no cost to the State.

Q-46. *Please include descriptive materials describing direct interface capabilities with SAP and other financial systems.*

Can you please clarify what types of descriptive materials you would like us to provide? Lockbox files can be provided in multiple formats that can be interfaced with a majority of financial systems.

A-46. Please describe your capabilities and provide any material necessary for the State to understand the options you provide.

Q-47. Page 8 – 9 Background - Can you provide which agency lockboxes are processed in a retail lockbox environment?

A-47 The following boxes are processed in a retail lockbox environment;

Revenue Administration Division, Estimated Taxes
Revenue Administration Division, Withholding Taxes
Revenue Administration Division - Sales Tax
Maryland Prepaid College Trust
College Savings Plan of Maryland
Department of Labor, Licensing & Regulation, Office of Professional Licensing

Q-48. Page 12, 5. (iv) to (vi) – Retail Lockbox Services - Would the Maryland State Treasurer's Office be amenable to processing using a lower speed envelope opening system to provide the scrutiny needed for each lockbox?

A-48. The state is unsure of the benefit of this suggestion. Please feel free to describe any benefit in your proposal.

Q-49. Page 13 – 2. - Is this reporting referring to a BAI file transmission or reports?

A-49. This is referring to reports. A BAI file transmission may be considered in the future at which time a contract amendment would be required.

Q-50. Page 14. - Can you provide a sample of the monthly report provided today?

A-50. The current report is simply an aggregate of the individual analysis reports provided to the lockbox agencies detailed by service and proving aggregate volumes and charges.

- Q-51. Page 26. - Can the Maryland State Treasurer's Office provide the average monthly volumes by agency lockbox?
- A-51. We have provided the aggregate monthly volume average on the Price Proposal Worksheet (Appendix A).
- Q-52. Page 32. - Do the agencies receive international payments in foreign currency and US dollars?
- A-52. International payments are extremely rare. Payments may be in either foreign currency or US Dollars.
- Q-53. Please confirm number of lockboxes needed. It appears from the analysis statements that you are being charged for 42 wholesale and 6 retail. However, on p.8 of the RFP, you note 52 lockboxes currently.
- A-53. There are 38 lockbox accounts and 52 P.O. Boxes currently used. The volumes on the pricing sheet are averages over a one year period and may be different based on additions and deletions of accounts over the period averaged.
- Q-54. Which of your agency utilize retail lockboxes and what is the corresponding monthly volume for each of those agencies?
- A-54. Please refer to the aggregate volumes supplied on the Lockbox Price Worksheet (Appendix A) included with the RFP.
- Q-55. Please also include scanline definition for each retail coupon (if they are different).
- A-55. This is normally provided to the lockbox holders by the processing bank. The state does not have a standard scanline definition.
- Q-56. Do you utilize window envelopes for the retail lockbox payments?
- A-56. Window envelopes are used for some of the retail lockbox payments.
- Q-57. Which post office in Baltimore or Washington is utilized for your lockboxes today?
- A-57. The main post office in downtown Baltimore is the location of the P.O. Boxes.
- Q-58. It appears you require a full check review for each of the items coming through your retail lockboxes. This review is not typically performed in a high volume retail shop. Are you open to suggestions on this review in order to reduce your fees?
- A-58. Even though OCR lines and coupons are used in the retail lockboxes, their processing requires a majority of additional manual intervention which is broken out in the pricing proposal.

Q-59. Please describe what the processing requirements are for incurring the following fees, or provide further explanation of these fees. This will assist us with appropriately price mapping:

a. What is “WLB Item Sort” and what is the benefit of that sort for you?

A-a. This is a per sort per item fee for sorting into separate batches.

b. What is your batch size requirement? It appears you are charged for non-standard batch size.

A-b. Typical batch size is 50. However there are several agencies that require a non-standard batch size, none larger than 100.

c. How do you have your wholesale items re-associated? Are you getting back check copies for all wholesale items?

A-c. The check copy is attached to the original document. We are not receiving check copies for all wholesale items.

d. Do all your agencies that utilize wholesale lockboxes require data capture? What are the fields required? Are they the same across the agencies?

A-d. Not all wholesale lockboxes require data capture. The fields captured differ across agencies.

e. What is the code “LBX Spec Re-Assoc Inst-Item” and what is the benefit of that process for you?

A-e. This is a per item charge for assembling check copies to remittance advices to the State’s specifications.

f. Is the volume listed under “Low Speed Match Items” your single coupon/single check full payment volume or is that a grand total of all the retail items?

A-f. This refers to single coupon/single check full payment volume.

g. Is the volume listed under “Scan Partial Payments” in addition to the item volume referred to in question f, or are you being charged an additional fee for your partials on top of your low speed match?

A-g. This volume is in addition to Low Speed Match Items.

h. It appears you are being charged for an inbound transmission to SunTrust. What is this transmission? A lookup or validation file?

A-h. We are being charged for an inbound transmission that is a validation file.

i. Is “Inbound Received Mail” overnight packages?

A-i. Yes.

j. What is the charge “MLBX Seq-Date Stamp”?

A-j. This charge refers to stamping checks in the sequential order processed.

k. Which of your lockboxes need a paid-in-full review and is this still a requirement?

A-k. There are several that require a paid in full review. This service is still required.

l. What is “LBX Special Screening”?

A-l. This is a per item charge for screening items based on customer request.

m. What is “Full Text Search”?

A-m. A per item/image fee that allows clients to use a feature within the Lockbox Image Browser to locate documents within their Lockbox deposits by using a key word or phase or characters.

n. What is “RTL LBX Spec Screen-Fields”?

A-n. This is a per field charge for customer-requested special handling of retail lockbox remittance documents or checks.

o. What special handling are you having performed in retail?

A-o. Special handling in the retail lockboxes includes special sorts, re-associations and notations. An example would be a coupon where the amount is left blank and the payment amount needs to be written on the coupon during processing.

p. Will credit card items need to be processed through lockbox, or are those returned to you unprocessed?

A-p. Yes. These would need to be processed through lockbox. However, the receipt of credit card items is currently stopped and if continued will be minimal as indicated by the volumes on the Price Proposal Worksheet (Appendix A).

Q-60. Please outline how funds are currently being concentrated to Bank of America, i.e., ACH, Wire, Check

- a. If all collected funds are being moved, please state why an investment option would be needed, as well as Positive Pay and Account Recon Services.

A-60. Funds are currently being transferred automatically by FedWire and through an online transfer process which initiates an ACH.

- a. The State would like to understand the investment options should balances be maintained at the lockbox provider. Positive pay and Account recon services are currently not being used.

Q-61. Regarding services detailed on the Price Proposal, please clarify the following:

- a. Online Check Deposit Services – Are these in-house check items which are processed thru a remote deposit service? If so, what model scanner are you currently using.
- b. Branch/Night Deposit Services - Is the cash processed coming from the lockbox area, or directly to the various state agencies.
- c. Online Account Management - Please further describe AFP Service Code 250000, OTM ACH Coll Appl Mthy Fee.
- d. Online Account Management - Please describe the difference between AFP Service Code 400053, Current Day Acct Maint and AFP Service Code 400500, Cur Day Service.

A-61. a. Yes. These are items processed through remote deposit by one agency.
b. Directly to one agency.
c. This service is not required.
d. 400053 is based on the # of accounts that currently have the Current Day service. The 400500 code relates to various ACH and EDI reports that are provided daily.

Q-62. Pg. 8 – Background In the table, row 2 it lists that there are 38 lockboxes accounts and 52 PO Boxes. Can you explain why there is a difference? Are multiple lockboxes under agency considered as 1 lockbox?

A-62. In some cases there are multiple P.O. Boxes processed in one lockbox account.

Q-63. Page 10 – Section 3.04 P.O. Box location - Where is your current PO Box location? Are these physical PO Boxes or Caller Services and does the state own these PO Boxes or are they in SunTrust's name?

- A-63. The boxes are caller services, owned by the State, and located at the Baltimore Main Post Office.
- Q-64. Do you have a specific time of day that you would need to be notified of the current day's deposit totals and/or have any electronic data files/images/media available for each agency? Or can this information be provided next day by 6:00am? - (note that all funds would still be deposited same day).
- A-64. This information varies by Lockbox. There are several boxes that require files transmitted the same day as the deposit.
- Q-65. Retail/Wholesale Volumes - Can you break-out your retail Items processed vs. wholesale items processed – we see AFP Service Code 050100 – WLBX Standard Item, which we assume wholesale volumes, but we do not see the equivalent in retail volumes.
- A-65. Please refer to Price Proposal Worksheet (Appendix A) under Demand Deposit Services, AFP Codes 10021Z and 10022Z for the breakout between wholesale and retail items processed.
- Q-66. Page 16 – EDI/ACH/Wire Integration - There was a question directed toward the ability to integrate EDI/ACH & Wire payment information directly into the Lockbox system. Is this a requirement or just a probing question?
- A-66. The State would like to understand the Offerors capabilities in these areas. Currently, FedWires of collected balances are automatically initiated by the incumbent's system.
- Q-67. These questions pertains to the wholesale boxes - – please be specific or provide as much detail on each agency's retail box as possible.
- (1.) Is there any data/information that is captured from either the invoice or checks that is provided back to each agency in electronic form?
- (a) Can you please explain what type of data is captured if any?
- A-67. 1(a) Payee amounts, invoice numbers, and customer numbers are examples of the type of data captured for electronic reporting back to the agencies.
- Q-68. Special Instructions/Handling Requirements (Retail & Wholesale)
- (1) Besides a standard Check negotiability review, where we would validate the payee, post/stale date & signature, do any of your boxes require any other review? Please list and explain.
- (2) Do any of your boxes require any special pre-batching requirements, such as batching by partial payments, full payments, only 50 transactions per batch etc.?
- A-68. (1) Yes. Maryland Dept. of the Environment requires a review for cases where one check is received with multi-documents from two different boxes.
- (2) Yes. There are pre-batching requirements on several boxes.

Q-69. Images or Copies - Besides customer service requests for check copies, do any of your lockboxes receive physical copies of the checks daily or do all your Lockboxes receive images?

A-69. Physical copies are provided on some of the boxes, although the State is looking to automate as much as possible.

Q-70. Customer Service Requests - In total with all your agencies, how often do the agencies contact your current lockbox service provider for customer service requests/inquiries monthly?

A-70. The Offeror should be prepared to respond to any volume of questions state agencies may have.

Q-71. AFP Service Codes - There are several service codes listed in the RFP, that if we had a good definition of these codes, we can more accurately understand the processing requirements.

A-71. The codes in question are listed below:

(1) 050100 - WLBX Item Sort

A-1. Per sort per item fee for sorting items into separate batches.

(2) 050116 - MLBX Document Notation

A-2 Per item fee for special notation on remittance documents.

(3) 050132 - LBX Additional Detail Listing

A-3 Per listing charge for supplying additional copies of the detail automated batch listing of checks deposited, per day.

(4) 050134 - LBX Spec Re-Assoc Inst-Item

A-4 Per item charge for assembling check copies to remittance advices to the client's specifications.

(5) 050200 – Low Speed Match Items

A-5 Per item charge for processing single items that use standardized envelopes and can be processed with payments matching the coupon.

- (6) 050401 – LBX Auto D/T to Sntrst/Rcrd
A-6 Per transmission charge for processing a transmission with information from client via a transmission platform not requiring manual intervention. Customer requirements and/or communications capabilities dictate the transmission platform.
- (7) 059999 – Non-Remit Mail/No Check
A-7 Per envelope charge for handling mail (envelope or package) that does not include payments.
- (8) 059999 – MLBX recap Sheet-Custom Report
A-8 Fee charge per report for Lockbox deposited information.
- (9) 059999 – Inbound Receipted Mail & Delivery
A-9 Per envelope charge for processing checks hand-delivered by customer or third party to lockbox facility.
- (10) 05011D – MLBX Seq-Date Stamp
A-10 Per item charge for stamping checks or remittance documents in the sequential order processed.
- (11) 05011P – LBX Special Screening
A-11 Per item charge for screening items based on customer request.
- (12) 05021P – RTL LBX Spec Screen-Fields
A-12 Per field charge for customer-requested special handling of retail lockbox remittance documents or checks.
- (13) 05021P – RLBX Special Handling
A-13 Per item charge for any special handling instructions.