



OKLAHOMA STATE TREASURER
REQUEST FOR PROPOSALS
BANKING SERVICES

August 11, 2014

Ken Miller
Office of the State Treasurer
2300 N Lincoln Boulevard, Room 217
Oklahoma City, OK 73105-4895

Point of contact regarding this Request for Proposals is:
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Letter of Intent: Due by 3 p.m. Central Standard Time (CST), August 20, 2014

Proposal: Due by 3 p.m. Central Standard Time (CST), October 10, 2014

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Section One

GENERAL INFORMATION FOR RESPONDENTS

1.1 Background

The Oklahoma State Treasurer, Ken Miller, is an elected State Official. Pursuant to Oklahoma law the Treasurer is charged with providing or contracting for most of state government's banking services. The Office of the State Treasurer will hereinafter be referred to as "OST". Additional information about the State Treasurer and OST can be located on our website at www.ok.gov/treasurer.

OST desires the selected bank (s) to be a leader and innovator in the development and execution of financial products and services. The Treasurer is interested in various cost effective technological advances that could improve banking, cash management and customer service capabilities to OST and to other state agencies. With technological advances, including use of e-commerce and reengineering of existing systems, the Treasurer believes the State's banking and operational costs could be reduced. The State of Oklahoma began consolidating its information technology services under the Office of Management and Enterprise Services Information Services Division (OMES ISD) in 2011. OST applications for payments and deposits processing, including systems supporting check printing and ACH origination, are hosted and operated by OMES ISD pursuant to a service level agreement with OST. Information regarding the State's technology initiatives and policies, procedures, guidelines and standards applicable to information technology can be viewed at www.ok.gov/cio. OST is currently working with OMES ISD to replace old outdated applications and to take advantage of additional functionality provided by current technology. In connection with this effort OST will request that proposing banks identify all options available such as formats for information retrieval (e.g. BTRS, BAI2, CSV, etc.) in order to ensure that current and future requirements can be met.

A general overview of current services and processing volumes are addressed in the specific service sections of this RFP. The State Treasurer encourages banks to review existing needs and services being provided to the State and propose innovative solutions for collection, disbursement, electronic funds transfer and reporting to enhance existing services and reduce costs. The State reserves the right to use these recommended solutions depending on availability and price of the services offered; however, the State may award a contract for these services to a single bank or to separate banks.

1.2 Purpose

This Request for Proposal (RFP) is designed to provide interested financial institutions with sufficient information to enable them to prepare and submit proposals to provide one or more Banking Services to the State of Oklahoma through contracts with OST. Financial Institutions will hereinafter be referred to as "Bank" or "the Bank".

1.3 Issuing Office

This RFP is issued by OST. OST is to be the sole point of contact for this RFP and OST will coordinate with other state agencies to obtain information deemed necessary.

1.4 Proposals

To be considered, Banks must submit a complete response to this RFP as follows: Each proposal must be submitted in one (1) original clearly marked as such and six (6) copies. In addition, please include one CD with a copy of your proposal in .pdf format. The original proposal must be signed by an official authorized to bind the Bank to its provisions.

This RFP, together with the contents of the proposal of the successful Bank, will contain much of the contract provisions between the parties. However, the Bank must submit sample or proposed agreements for review. The final written agreements will be subject to negotiation but may not be inconsistent with the RFP or the Bank's proposal. All proposals submitted in a timely manner will be retained by OST. Banks may designate proprietary information as confidential; however, retained proposals are subject to the Oklahoma Open Records Act.

OST may award the entire contract to a single Bank, or may decide on multiple awards of one or more of the services to several Banks. Any interested Bank may submit a proposal for all, or an identified portion, of the services identified in this RFP. Pricing submissions will be considered to be as if the services will be multiple awarded. If there is special pricing for an award of multiple services, the Bank should clearly state this with a separate pricing schedule that only applies if the specified services are awarded.

1.5 Format for Required Information

All proposals submitted must conform to the following format. Proposals should be printed on 8.5" x 11" paper (one side only). To achieve a uniform review process and the maximum degree of comparability, proposals should be bound on the left hand side in a ring binder and organized in the presented format that corresponds to and references sections outlined within this RFP, including using the same alphanumeric references and titles. Responses to each section and subsection should be labeled so as to indicate which item is being addressed. The proposal should be organized into the following sections:

- Cover Letter/Executive Summary
- RFP Sections 1 – 10
- Appendices A- H
- Non-Collusion Affidavit
- Pricing Schedules 1 – 6

The Executive Summary of the proposal should be no longer than two (2) pages. It is strongly suggested that the questions or requests for information contained in the RFP

should be repeated in the proposal with the answers to the questions following. Statements representing facts, conditions or requirements included in the RFP should also be repeated in the proposal and acknowledged by the Bank. Any supplemental information thought to be relevant, but not applicable to the specified categories, should be provided as an appendix to the proposal.

EXAMPLE OF FORMAT FOR BID RESPONSE WHEN RESPONDING TO QUESTIONS OR REQUESTS FOR INFORMATION:

“4.03 List the holidays the Bank observes.

ABC Bank observes the same holidays as the Federal Reserve System as follows:

New Year’s Day
Martin Luther King Jr.’s Birthday
Washington’s Birthday
Memorial Day
Independence Day
Labor Day
Columbus Day
Veterans Day
Thanksgiving Day
Christmas

For holidays falling on Saturday, ABC Bank will be open the preceding Friday. For holidays falling on Sunday, ABC Bank will be closed the following Monday.”

EXAMPLE OF FORMAT FOR BID RESPONSE WHEN RESPONDING TO STATEMENTS OF FACT, CONDITIONS OR REQUIREMENTS:

“4.06 OST requires its Operating Bank to have on-line wire services that includes creating, modifying, deleting templates for repetitive, non-repetitive, and semi-repetitive wires.

ABC Bank acknowledges this requirement.”

All fees for services must be submitted on the pricing schedules specified for the banking service you are bidding to provide, even if such fees are already in use or are listed elsewhere in the proposal. The pricing schedules are located in their own section of this RFP as reflected above. A specific pricing schedule is provided for each banking service addressed by this RFP. Each schedule includes a blank additional page which can be duplicated and used to present any fees beyond those specified that are part of your service delivery solution or to present fees associated with new solutions.

1.6 **Rejection of Proposals**

The Treasurer reserves the right to reject any and all proposals received as a result of this RFP process. Any proposal judged to be incomplete will be rejected.

1.7 **Letter of Intent to Respond**

Banks intending to submit a proposal must mail or fax a written Letter of Intent to Respond to:

Office of the State Treasurer
Attention: Susan Eubanks
217 State Capitol
2300 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105-4895
Telephone:(405)522-4215
Fax: (405)521-4994
E-Mail: susan.eubanks@treasurer.ok.gov

The letter must be received by August 20, 2014, and should include the following information:

- Bank name
- Contact name of person to receive all notices regarding the RFP or Bank's proposal
Required Submission Information
- Telephone number
- Fax number
- E-mail address

Additionally, the Bank must note their interest in submitting a proposal for Retail Image Lockbox services in order to be included in the mandatory walk through. Information regarding the walk through will be provided to respondents.

This information allows OST to distribute additional information, if necessary, to potential respondents. **Failure to submit the Letter of Intent to Respond shall result in elimination from further consideration.**

1.8 **Questions/Clarifications of RFP Requirements**

In an effort to clarify any issues associated with this RFP, OST will respond to questions that are presented in writing. All questions regarding specifications, requirements, competitive procurement process, etc., must be directed in writing to Susan Eubanks, Executive Assistant/RFP Coordinator via e-mail to susan.eubanks@treasurer.ok.gov, or via fax or U.S. Mail using the information provided above. Throughout the duration of

the procurement process, all questions and other communications concerning the procurement are to be directed in writing to the contact listed above.

Potential respondents may submit written questions to the State Treasurer's Office, during the question and answer period (subsequent to the release of the RFP and prior to the date and time specified below). All questions must be received by the date and time below. OST will post all questions received on our website at www.treasurer.ok.gov. All questions from potential respondents will be addressed and consolidated into a question and answer document that will be provided to all potential respondents.

All questions are due by 3:00 pm on August 25, 2014.

1.9 Response Date

To be considered, all proposals must be submitted to OST at:

Office of the State Treasurer
Attention: Susan Eubanks
217 State Capitol
2300 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105-4895
Telephone:(405)522-4215
Fax: (405)521-4994
E-Mail: susan.eubanks@treasurer.ok.gov

Proposals must be submitted in proper form by 3:00 pm on October 10, 2014. Any proposal not received by this time will be rejected and returned unopened to the sender unless OST determines there were extenuating circumstances that caused a delay in the proposals being delivered timely.

Announcement of the final selection of an apparent successful Bank or Banks is expected to begin in December 2014. A complete RFP and Proposal Schedule are included as Appendix A to this RFP. An implementation plan will be developed with input from state agency users, OST, and the selected Banks. Different services may be implemented on different dates.

1.10 Incurring Costs

The State will not be responsible for any costs incurred in preparing and submitting documentation, making presentations or any other costs associated with a Bank's response to this RFP.

1.11 Prime Contractor (Financial) Responsibilities

The selected Bank will assume total responsibility for all services offered in the proposal whether it provides such services or utilizes the services of a third party. The Bank is

required to disclose any relationships it may have with respect to any services the Bank proposes to provide as to whether these services are actually provided by the Bank or by contractual arrangement with a third party.

1.12 News Releases

News releases pertaining to this project shall not be made without the prior written permission of OST.

1.13 Proposal Evaluation and Selection Criteria

All proposals from eligible Banks will be reviewed and evaluated by a committee of OST and other state personnel. This committee will make recommendations to the State Treasurer as to finalists for the various components or for a single provider for the services outlined in this RFP. The State Treasurer will conduct negotiations with the finalists and select the successful Bank(s) for contract awards.

The following areas will be considered in making a selection:

- (a) **Understanding of OST's Needs.** OST will assess each Bank's understanding of OST's needs. The Bank's grasp of these needs and its approach to satisfying them are critically important to the selection process.
- (b) **Qualifications.** The Bank's commitment to the operational services, individual expertise and experience of its personnel are as important as the Bank's ability to provide the services. To be eligible for selection, the Bank(s) selected must have:
 - a minimum level of assets described in Section 1.15;
 - adequate financial resources to process all potential daylight overdraft transactions of the State;
 - insurance coverage by the Federal Deposit Insurance Corporation (FDIC) and deposit collateral as described in Section 1.14; and
 - maintained compliance with the US Treasury Department, Office of Foreign Asset Control (OFAC) regulations.

The Bank must have a physical presence in Oklahoma to be considered for the Operating Bank, Depository Bank, Retail Image Lockbox Bank, or Retail/Wholesale Lockbox Bank contracts. To be selected as the ACH Origination Bank the Bank must have Automated Clearing House (ACH) originating depository financial institution (ODFI) capabilities and conform to the National Automated Clearing House Association (NACHA) rules. The ACH Origination Bank must also be capable of warehousing ACH transactions for not less than 30 days.

The committee will carefully consider the experience of other public entities which have utilized the Bank's services.

- (c) **Security.** OST is extremely concerned with the safeguarding of assets and the integrity of data. Therefore, Banks should be cognizant of this issue and address security issues throughout the response. The Bank should be prepared to present disaster recovery procedures in place or planned, as well as to discuss backup procedures and/or facilities.
- (d) **Available Facilities.** Emphasis by the committee with respect to the physical facility where processing takes place will include the location, technology and security of the facility. It is possible that OST may wish to visit the Bank's facilities at OST's expense prior to awarding the contract. Accuracy and automation of processing are important issues and will be weighed heavily in the decision.
- (e) **Cost.** While cost is always an important issue for any governmental body, it will not be a deciding factor by itself. The lowest bank will not necessarily be awarded the contract if, in the opinion of the Treasurer, another Bank can better meet the overall goals and objectives of OST.

1.14 Deposit Collateral

Any Bank selected to perform any of the services contained in this RFP, where the Bank will be holding State funds, will have to comply with the Security for Public Deposits Act, 62 O.S. § 72.1 et seq. (as amended), and the administrative rules of OST. Proposing Banks may find a link to the applicable rules at [www.ok.gov/treasurer/Inside the Office/Administrative Rules/index.html](http://www.ok.gov/treasurer/Inside_the_Office/Administrative_Rules/index.html). Applicable forms can be located on the OST website at [www.ok.gov/treasurer/Investments/Pledging/State Pledge Forms/index.html](http://www.ok.gov/treasurer/Investments/Pledging/State_Pledge_Forms/index.html).

OST maintains minimum collateral levels at its Operating Bank and Depository Bank. The purpose is to cover all ledger balances at all times and any incoming late day wires that OST does not have time to move. The amount will be negotiable and can adjust over time based on activity.

1.15 Financial Strength of Banks

To be eligible to submit a proposal on any or all portions of this RFP, a Bank must have a minimum of \$2 billion in assets according to its most recent audited financial statement.

1.16 Best and Final Offers

When it is deemed in the best interest of the State, the State Treasurer may permit qualified Vendor to revise their initial Financial Proposal by submitting a Best and Final Offer (BAFO). The State Treasurer shall notify each qualified Vendor of the scope of the requested BAFO, and shall establish a date and time for their submission. The State reserves the right to award the Contract without issuing a BAFO if it is determined to be in the best interest of the State.

Section Two

BASIC CONTRACT TERMS

This RFP may result in several contracts based on the possible selection of multiple providers for the RFP banking service sections. These terms and conditions are the same for all RFP banking service sections.

2.1 Term of Contract

The anticipated term of this contract is for a one year period beginning in 2015, with four (4) additional one (1) year options to renew at the option of OST under the same terms and conditions. Cost adjustments will be permitted at any time during the contract, when an increase becomes necessary due to the increased cost of items such as Federal wire charges or increases in Federal deposit insurance. Any such cost adjustments must be documented and justified by the successful Bank and accepted by OST before such costs are implemented. Nothing in this paragraph shall limit the ability of the parties to terminate the contract at earlier dates as hereinafter provided.

2.2 Termination for Cause

OST may terminate this contract, or any part of this contract, for cause under any one of the following circumstances:

- (a) The Bank fails to make delivery of services as specified in this contract, or
- (b) The Bank fails to perform any of the provisions of this contract, fails to perform in a professionally acceptable manner, or fails to timely perform, as to endanger the ability of OST to perform its duties.

OST shall provide the Bank with written notice of the conditions endangering performance. If the Bank fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as may be authorized in writing) OST shall issue the Bank an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of the notice.

In the event the State Treasurer believes that the assets of the State are in jeopardy, or there is a bona fide emergency related to these assets, the State Treasurer can cancel the contract immediately or upon such notice as is reasonable.

2.3 Termination for Convenience

OST may terminate performance of work under this contract in whole or in part whenever, for any reason, OST shall determine that the termination is in the best interest of OST or the State of Oklahoma. In the event that OST elects to terminate this contract, in whole or in part pursuant to this provision, it shall provide the Bank written notice at least thirty (30) days prior to the termination date. The termination shall be effective as of the date specified in the notice. The Bank shall continue to perform any part of the work

that may have not been terminated by the notice.

In the event termination occurs under this provision, such shall be without liability to OST, the State of Oklahoma and any officer and employee thereof.

2.4 Notices

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") which may be required or desired to be given by either party to the other after the effective date of the contract shall be in writing and shall be made by personal delivery or sent by United States certified mail, postage prepaid, return receipt requested or by overnight delivery, prepaid, addressed as follows:

Ken Miller
Office of State Treasurer
217 State Capitol
2300 N. Lincoln Blvd.
Oklahoma State, OK 73105

or to any other persons or addresses as may be designated by notice from one party to the other.

2.5 Rights and Remedies

If this contract is terminated, OST, in addition to any other rights provided for in this contract, may require the Bank to transfer title and deliver to OST in the manner and to the extent directed, any material or work product generated under this contract. OST shall be obligated only for those services, materials and work product rendered and accepted prior to the date of termination.

If it is determined, after notice of termination for cause, that the Bank's failure was due to causes beyond the control of or negligence of the Bank, the termination shall be a termination in the best interest of OST. In the event of termination, the Bank shall receive payment pro-rated for that portion of the contract period services were provided to and were accepted by OST subject to any offset by OST for actual damages.

The rights and remedies of OST provided for in this contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

2.6 Force Majeure

The Bank shall not be liable if the failure to perform this contract arises out of acts of nature, fire, quarantine or strikes other than by the Bank's employees.

2.7 Waiver

Waiver by OST of any breach of any provision in this contract shall not be a waiver of any prior or subsequent breach. Any waiver shall be in writing and any forbearance or indulgence in any other form or manner by OST shall not constitute a waiver.

2.8 Ownership

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the Bank specifically to perform under this contract shall be owned by OST. The Bank may not release any of such materials without the written approval of OST.

2.9 Independent Contractor

Both parties, in the performance of this contract, shall be acting in their individual capacity state and not as agents, employees, partners in a joint venture or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose.

The Bank accepts full responsibility for payment of unemployment insurance, workers' compensation and social security as well as all income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this contract.

2.10 Staff Qualifications

The Bank shall warrant that all persons assigned by it to the performance of this contract shall be employees of the Bank (or a specified subcontractor) and shall be fully qualified to perform the work required. The Bank shall include a similar provision in any contract with any subcontractor selected to perform work under this contract.

Failure of the Bank to provide qualified staffing at the level required by the proposal specifications may result in termination of this contract for cause.

2.11 Conflict of Interest

The Bank shall not knowingly employ, during the period of this contract or any extensions to it, any professional personnel who are also in the employ of OST or the State of Oklahoma and who are providing services related to this contract or services similar in nature to the scope of this contract with OST. Furthermore, the Bank shall not knowingly employ, during the period of this contract or any extensions to it, any state employee who has participated in the drafting of this request for proposals or evaluation of the proposals, until at least one year after such person's termination of employment with OST or the State of Oklahoma.

2.12 Confidentiality

The Bank may have access to private or confidential data maintained by OST to the extent necessary to carry out its responsibilities under this contract. To the extent the Bank possesses records of OST, the Bank must comply with 51 O.S. Section 24A.1 et seq., the Oklahoma Open Records Act, as directed by OST.

No private or confidential data collected, maintained or used in the course of performance of this contract shall be disseminated by the Bank except as required by federal or State laws and regulations, either during the period of the contract or thereafter. The Bank must agree to return any and all data furnished by OST promptly at the request of OST in whatever form it is maintained by the Bank. On the termination or expiration of this contract, the Bank will not use any such data or any material derived from the data for any purpose and where so instructed by OST, will destroy or render it unreadable.

2.13 Nondiscrimination, Workplace Safety and Environmental Protection

The Bank agrees to abide by all state, federal and local laws, rules and regulations prohibiting discrimination in employment, controlling workplace safety, and protection of the environment. The Bank shall report any violations to the applicable government agency. Any violation of applicable laws, rules and regulations may result in termination of this contract.

2.14 Hold Harmless

The Bank shall hold harmless and indemnify OST against any and all liability and claims for injury to or death of any persons; liability and claims for loss or damage to any property; liability and claims for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this contract; and any other liability and claims made against OST resulting from the operation or performance of work under this contract.

OST shall not be precluded from receiving the benefits of any insurance the Bank may carry which provides for indemnification for any loss or damage to property in the Bank's custody and control, where such loss or destruction is to State property. The Bank shall do nothing to prejudice OST's right to recover against third parties for any loss, destruction or damage to State property.

2.15 Terms Proposed by Bank

OST acknowledges that Banks are subject to federal regulations and must comply with applicable regulations when providing services under a contract issued in connection with this RFP. To the extent permitted by Oklahoma law, OST may agree to accept or negotiate additional terms and conditions proposed by Bank for the purpose of addressing the applicable regulatory requirements.

Banks responding to this RFP are advised that OST is subject to, and must comply with Oklahoma law regarding awarding, executing and negotiating terms of a contract with any Bank. OST is prohibited from including certain types of terms and conditions in the contract resulting from this RFP. A Proposal that includes additional contract terms that are inconsistent with or violate Oklahoma law may be rejected, in whole or in part, by OST.

By way of example only, and not for the purpose of providing an all-inclusive list, the following types of clauses have been determined to violate Oklahoma law and will not be included in the final terms of a contract issued by this RFP:

- (a) Any clauses that require OST or the State of Oklahoma to indemnify Bank for its own actions;
- (b) Any clauses that require OST or the State of Oklahoma to indemnify Bank for actions of or claims by third parties;
- (c) Any clauses that require OST or the State of Oklahoma to limit the liability of Bank for its own gross negligence, fraud, or intentional wrongful acts;\
- (d) Any clauses that would require OST to get permission to select counsel to initiate or defend litigation involving the contract or OST, settle a dispute involving or against OST, or waive trial rights in connection with litigation, including but not limited to the right to a jury trial;
- (e) Any confidentiality or other clauses that would interfere with OST's ability to appropriately respond to an Open Records Request made pursuant to the Oklahoma Open Record's Act, 51 O.S. § 24A.1 *et seq.*

Banks responding to this RFP should be advised that OST may only negotiate terms and conditions permitted by Oklahoma law.

2.16 Care of State Property

The Bank shall be responsible for the proper care and custody of any personal property owned by OST and furnished to the Bank in connection with the performance of this contract and the Bank will reimburse OST for such property's loss or damage caused by Bank.

2.17 Retention of Records

Unless OST specifies in writing a shorter period of time, the Bank agrees to preserve and make available all of its books, documents, papers, records and other evidence involving transactions related to this contract for a period of at least five (5) years from the date of the expiration or termination of this contract. Matters involving litigation shall be kept for one (1) year following the termination of litigation, including all appeals.

The Bank agrees that authorized federal and state representatives, including but not limited to personnel of OST; auditors acting on behalf of the State; and/or federal agencies shall have access to and the right to examine records during the contract period and during the five (5) year post-contract period. Delivery of and access to the records shall be at no cost to the State.

2.18 Federal, State and Local Taxes-Contractor

OST makes no representation as to the exemption from liability of the Bank from any tax imposed by any governmental entity.

2.19 Modification

This contract shall be modified only by the written agreement of the parties. No alteration or variation of the terms and conditions of the contract shall be valid unless made in writing and signed by the parties. Every amendment shall specify the date on which its provisions shall be effective.

2.20 Assignment

The Bank shall not assign, convey, encumber, or otherwise transfer its rights or duties under this contract without the prior written consent of OST.

This contract shall immediately terminate in the event of its assignment, conveyance, encumbrance or other transfer by the Bank without the prior written consent of OST.

2.21 Third Party Beneficiaries

Except as to OST this contract shall not be construed as providing an enforceable right to any third party.

2.22 Applicable Law

The contract shall be governed by Oklahoma law without regard to principles of conflicts of law. Venue of any action arising from or under the contract shall be in the state or federal courts located in Oklahoma State, Oklahoma.

Section Three

ORGANIZATION AND BACKGROUND

The Bank's responses to this section should be complete with regards to which services they are making proposals on; i.e., Operating Bank, Depository Bank, ACH Origination Bank, Retail Image Lockbox Bank, or Retail/Wholesale Lockbox or Positive Pay Services Bank. If the Bank's response to a question or request for information varies depending upon the different services the Bank is proposing to provide, the Bank's response should specify the portion of the response applicable to each service. If a service requirement or section of the proposal cannot be met by a proposer, then "No Proposal" should be indicated in the relevant tabbed section of the proposal.

EXAMPLE OF FORMAT FOR BID RESPONSE WHEN RESPONDING TO QUESTIONS OR REQUESTS FOR INFORMATION IN THIS SECTION AND THE BANK'S RESPONSE IS THE SAME FOR ALL PROPOSED SERVICES:

"3.07 Identify and describe any litigation or investigation by a regulatory authority of the Bank, which officers or employees have been involved in within the last three years.

Comprehensive or all proposed services:

Neither ABC Bank nor its officers or employees have been involved in any litigation or in any investigation by a regulatory authority of the Bank."

EXAMPLE OF FORMAT FOR BID RESPONSE WHEN RESPONDING TO QUESTIONS OR REQUESTS FOR INFORMATION IN THIS SECTION AND THE BANK'S RESPONSE VARIES BY PROPOSED SERVICE:

"3.19 List the Bank's relationships involving the State of Oklahoma, any of its agencies or pension funds, or other local government entities within the past two years.

Operating Bank:

ABC Bank served as the Operating Bank for Oklahoma XYZ Pension Fund until March 2013.

Depository Bank:

ABC Bank has served as the Depository Bank for the City of DEF, Oklahoma since January 2013.

Retail Image Lockbox Services:

ABC Bank has served as the Retail Image Lockbox Services Bank for the State of Oklahoma since June 2012."

3.1 Provide a copy of the Bank's most recent annual report and audited financial statements and/or a web address if they are available on the internet. If applicable, please provide the latest copy of a SSAE16 report.

- 3.2** Provide the ratings for the Bank and/or Bank holding company from two of the following agencies: Standard & Poor's, Moody's, or Fitch. Include ratings for commercial paper (if applicable) and ratings on long-term debt. Please list all rating changes for the past five (5) years. Please comment on the firm's credit quality and overall financial strength.
- 3.3** Briefly describe the organizational structure of the Bank, and the departments which will oversee the portions of the contract on which the Bank is submitting a proposal. Provide an organization chart showing the operating interrelationships and authority within the applicable department and within the organization.
- 3.4** List names, titles, phone and fax numbers, and e-mail addresses of key persons with ongoing responsibility for servicing this account. Describe their relationship to our account (relationship manager, primary day-to-day contact, secondary contact, etc.) their roles and responsibilities and authority and provide brief biographical sketches for these individuals.
- 3.5** Provide a brief description of the history of the Bank's provision of services for which the Bank is submitting a proposal, including dates of both implementation of key elements and enhancements to the service. If you are dependent on any other company as a partner, co-bidder, subcontractor, or any other business relationship in order to provide the services included in the proposal, please describe in detail.
- 3.6** Does the Bank segment commercial customers (i.e., large, middle or small size, geography or industry breakdown, etc.)? If so, specify, by segment, the number of commercial customers presently using the service(s).
- 3.7** What differentiates you as a provider from other providers?
- 3.8** What differentiates your service(s) from other providers?
- 3.9** How do you plan to keep your service(s) current and competitive? What new service or service enhancements does the Bank plan to offer, and within what timeframe?
- 3.10** Provide details on any mergers or acquisitions that the Bank is currently committed to and the expected impact on the service(s) requested in this RFP.
- 3.11** How does the Bank monitor industry, legislative and/or regulatory changes affecting banking services described in this RFP? How are these changes communicated to clients?
- 3.12** Describe any ongoing educational sessions, user conferences, publications or other means for keeping customers fully informed, trained and for providing a forum for new ideas and needs. Describe the Bank's approach to customer training, education and product familiarization.
- 3.13** List the Bank's relationships involving the State of Oklahoma, any of its agencies

(including pension funds), or other local governmental entities within the past two (2) years. Has the Bank provided services to governmental entities with similar processing volumes?

3.14 What insurance coverage is carried by the Bank with respect to any acts or omissions of directors, officers and other personnel resulting in loss of funds? List all insurance coverage relevant to the services for which a proposal is being submitted. Please indicate the type and amount.

3.15 Over the past five (5) years, has the Bank or any officer or principal been involved in any business litigation, legal proceedings, or regulatory actions or investigations? If so, provide a brief explanation and indicate the current status.

3.16 **Disaster Recovery**

- (a) Describe the procedures established for disaster recovery in the event of a systems failure or other disaster at your primary processing site(s).
- (b) Is there a “hot” backup processing site? Describe its location and capabilities. Is there an alternative backup processing site? If so, describe its location and capabilities.
- (c) How far is it from the primary processing site(s)? Do the backup and primary sites share any communication linkages?
- (d) How long does it take to activate a backup processing site? How long can operations be maintained at the site?
- (e) What occurs when you exceed the capacity of the backup site?
- (f) What is the contingency plan if a “hot” backup site is not available and a disaster occurs that prevents all work from being processed on a same day basis?
- (g) What arrangements are made regarding service level agreements in the event of a disaster?
- (h) What agreements do you have with your equipment manufacturers for additional equipment should a disaster occur?
- (i) How often do you test disaster recovery procedures and backup site readiness? When was the last test and what were the results?
- (j) Have the disaster recovery procedures ever been employed for a real disaster? If so, explain.
- (k) What disaster recovery services can the provider make available if OST cannot operate from its own facilities?

- (l) What are the contingency plans in case of a failure within OST's service or internet connection?

3.17 Security

- (a) Discuss the methods and process used to authenticate users, files, locations, or other identifying criteria.
- (b) How often does user authentication expire?
- (c) Describe the security parameters governing user passwords, including:
 - 1. Minimum and maximum length
 - 2. Restrictions on content of passwords (e.g., cannot be the same as User Id, must contain a number, etc.)
 - 3. Mandatory password changes (e.g., initial sign-on, failed logon attempts, etc.)
 - 4. User-initiated password changes
- (d) Note whether usernames and passwords are encrypted for storage and for transmission and the encryption level used.
- (e) Are users required to re-authenticate after being signed on to the system for a period of time? If so, what is that period of time and can it be modified?
- (f) Does the service prohibit a user from being signed on to more than one workstation?
- (g) Describe the controls over deposit accounts that ensure all customer deposits are credited to accounts authorized by the customer. Describe the controls available to ensure debits to customer accounts are authorized. Please include any detail exception reporting and exception processing options available to a customer.
- (h) Describe the controls over account information that ensure only valid, authorized changes are processed.
- (i) Describe the provider's security procedures for its banking web site and information reporting system, both for access and information protection.
- (j) What, if any, critical functions in the delivery of your services are outsourced? Are any functions performed outside the United States?
- (k) Discuss the Bank's commitment to ongoing service innovation using new

technologies. Note any new services or service enhancements that are planned.

3.18 Information Reporting and Online Banking Services

OST requires its servicing banks to provide electronic access to transaction data as well as standard and perhaps custom reports. OST will not require paper statements unless the Bank's on-line system does not provide access to adequate history. Reports should be available online and via download.

- (a) Provide a complete description of the Bank's on-line balance and transaction detail reporting system. Describe how the bank's system will provide beginning and ending ledger balances, collected balances, available balances, float assignment and current day transaction reporting. Does the system provide real-time information on balances and transactions? How many months of history are available online? Does the bank archive customer information for subsequent retrieval?
- (b) Provide a list and samples of all standard reports noting the extent to which such reports can be customized by the user (daily, range of days, by account, summary of all accounts, etc.) and note when such reports are available online. Discuss any other ad-hoc and custom reporting capabilities.
- (c) As previously noted OST is implementing new web-based applications (People Soft) that will allow us to download and process current and previous day account information in a BAI2 format. Please describe the extract and download capabilities for reporting and list all of the file formats available for download.
- (d) Will the Bank's system require client software be installed on OST's network? What are the computer hardware and software specifications for accessing the bank's on-line system?
- (e) Not considering scheduled maintenance, what percentage of the time was the system available during the prior twelve months? What was the longest consecutive period of time, in hours, where the system was unavailable?
- (f) What is the bank's contingency plan for providing this information in the event of unexpected bank systems problems or natural disasters?

3.19 References

- (a) For each of the services you propose to provide, include the names, email addresses and phone numbers of three references, preferably public funds or governmental entities with comparable processing volumes, who have been using the services for more than one year.
- (b) Provide any additional information that you believe to be relevant to this RFP and

your capabilities to provide the services requested (e.g., product brochures, articles in trade journals, etc.)

3.20 Implementation

Questions regarding implementation (experience, process, resources, etc.) will be reserved for service finalists. A detailed implementation plan will be jointly developed when contracts are awarded to Bank's other than the current service provider.

Section Four

OPERATING BANK

The OST Operating Bank serves as the main point of cash concentration prior to investment; provides on-line wire transfer services; and, serves as the receiving depository financial institution for incoming ACH credits and wires. A number of accounts have been established with OST's Operating Bank to function as electronic lockboxes for the receipt of funds on behalf of certain state agencies consolidating incoming EFTs (both ach and wire transfers) and the settlement of credit card activity. The Operating Bank provides for the EDI translation of CTX records associated with incoming ACH credits.

On a daily basis available cash is concentrated from remote depositories across the state and from OST's Depository Bank and balances from the electronic lockbox accounts are transferred into the main operating account with the Operating Bank. The State of Oklahoma issues warrants under its own routing number. On a daily basis OST receives image files of items for settlement from the Federal Reserve. The OST Operating Bank maintains a correspondent relationship with the Federal Reserve who debits the main operating account at the Operating Bank based on the files submitted. The OST Operating Bank currently serves as the OST ACH Origination Bank. Daily, funds are transferred from the main operating account at the Operating Bank to cover ACH credits initiated from another account at the Operating Bank. Funds received from ACH debits originated by the State are deposited in either the main operating account or an electronic lockbox account. Repetitive and non-repetitive wire transfers are initiated daily, primarily from the main operating account. As a part of managing its daily liquidity, OST invests up to \$135 million in an overnight investment product offered by the Operating Bank in compliance with the State Treasurer's Investment Policy which can be viewed at www.ok.gov/treasurer/Investments/Investment_Policy.

It is possible OST's ACH Origination Bank and OST's Operating Bank will not be the same bank. OST would prefer to originate ACH debits with the Operating Bank for cash concentration ease. Transaction fees and wire fees to move cash will be taken into consideration in contract awards. See Section Six (ACH Origination Bank) for detailed specifications for ACH origination.

Designated security administrators for the Operating Bank's online systems authorize certain OST employees to initiate, approve and/or release wire templates and wire transactions as appropriate to allow for proper supervision and an adequate segregation of duties. Certain OST employees and authorized employees of state agencies may be granted on an account basis, access to view information and/or use various online information reporting and data download tools as appropriate based on their job responsibilities.

OST is working with OMES ISD and consultants to implement new web-based applications that will allow us to download and process current and previous day account information in a BAI2 format. These applications will also support the submission of wire and inter account transfers to the Operating Bank via file transfer.

The substantial portion of our check based deposits are directed to the OST Depository Bank however, the Department of Human Services (DHS) Child Support Enforcement Division (Child Support) is currently using Image Cash Letter Services to transport check transaction data from their third party processor to an account that is also designated for their electronic funds receipts at the Operating Bank. The DHS Child Support Enforcement Division receives return item notifications via the Operating Bank's on-line image archive and retrieval system which expedites their collection process. It is possible that this account could be moved to the OST Depository Bank after new contracts have been awarded.

OST uses Post No Checks and ACH debit filters to help protect accounts with the Operating Bank from unauthorized debits.

On-Line Wire Services/Inter Account (Book) Transfers

- 4.1 Please provide the Bank's average monthly volume of incoming and outgoing wires during the past 12 months. Distinguish between Fedwire, CHIPS and SWIFT. Please provide the Bank's repair rates for incoming and outgoing wires. List domestic and international repair rates separately.
- 4.2 Provide a complete description of the Bank's on-line wire capabilities including: cutoff times (use Central Standard Time) for completing wires using the Bank's on-line system that will ensure a wire is processed that business day; priority wire processing; warehousing capabilities; and, all control features available for entering, modifying, approving, and cancelling or deleting repetitive and semi-repetitive wire templates and repetitive, semi-repetitive and non-repetitive wire transactions.
- 4.3 Describe the Bank's international wire capabilities and processes including cutoff times (use Central Standard Time) and control features to the extent they differ from the domestic wire processes discussed above.
- 4.4 Describe the Bank's on-line inter account or Book transfer system including: cutoff times (use Central Standard Time) for completing transfers to ensure those transfers will be processed that business day.
- 4.5 What are the dollar limits for domestic and international wires and inter account transfers without a Bank Officer approval?
- 4.6 Describe the process to initiate, approve and release domestic and international wires and inter account transfers when the Bank's on-line system is down.
- 4.7 How much time is required for the Fed Reference number to be assigned to a wire assuming no repairs are needed there are sufficient funds in the account?
- 4.8 Describe the Bank's procedures for repairing incoming and outgoing wires noting those conditions under which the Bank would not repair a wire.

- 4.9** Can the bank provide the company with an analysis of repaired payment instructions? If so, what information is available? Is the information provided manually or automatically? How often is the information provided to the company? Will this information describe the reason for repair in order to help address formatting problems? Provide an example of the information available to the company.
- 4.10** Describe how the status of wire transfers would be tracked by OST once the transfer is in the system including after it has been released by the Bank.
- 4.11** Note whether the Bank utilizes any private-sector wire transfer systems such as the Clearing House Interbank Payments Systems (CHIPS). Describe the advantages of such a system and how the use of this system is extended to your customers. What additional risks are customers exposed to and how are these risks mitigated?
- 4.12** At what point does the Bank assume legal liability for executing a wire transfer? How is that event identified?
- 4.13** What is the Bank's policy in the event of a wire transfer failure for which receipt of instructions has been confirmed to the customer? How and when would OST be notified of a failed wire transfer?
- 4.14** As previously noted, OST is working with OMES ISD and consultants to implement new web-based applications that will support the submission of wire and inter account transfers to the Operating Bank via file transfer. Can wire transfer instructions be processed on a straight through basis or do these messages have to be re-keyed into the bank's system upon receipt? If messages are re-keyed, describe the process.
- 4.15** Describe the recommended file delivery methods available. Describe the procedures used by the bank to verify the accurate and secure receipt of transmissions. Describe any controls that the bank has in place to protect against lost files and duplicate transmissions.
- 4.16** Describe the special instructions that the company must follow to ensure straight through payment processing. Provide a sample format.
- 4.17** Submit a sample or proposed wire agreement with your proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement. See Appendix B for wire transfer volumes.
- 4.18** Submit a sample or proposed inter account transfer agreement with your proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement. See Appendix B for internal account transfer volumes.

Incoming Funds Transfers

- 4.19** Describe in detail how the bank handles the processing of electronic funds transfers (EFT, e.g. wire and ACH) received. How soon after the bank receives incoming EFTs does the company receive availability in its account for credits received? Provide your

cutoff times for giving same-day availability on EFTs.

- 4.20 Does the Bank have the capability to integrate incoming receivables data from multiple payment networks (ACH, wires, etc.) into one format or method for application to the customer's internal reporting systems? If so, please describe and list the formats available.
- 4.21 OST uses various accounts to deposit the proceeds of originated ACH debits. Describe the Bank's capabilities and processes to deposit the proceeds of originated ACH debits into different customer accounts.
- 4.22 OST's Operating Bank converts incoming CTX transactions with multiple addenda records it receives with federal grant funds to CCD+ with addenda records before sending a file with the data to OST. Discuss the Bank's information reporting system's ability to handle various languages or protocols (e.g., EDI, XML, etc.) and the formats available for providing that remittance information to the customer. What reports and information are available online and how long is this maintained online?

Daylight Overdrafts

- 4.23 What is the bank's policy regarding daylight overdrafts? How do you calculate intra-day credit limits?
- 4.24 Are there any charges for or associated with Daylight Overdrafts and if so, how are they calculated? On what basis does the Bank calculate daylight overdraft positions?
- 4.25 Can the daylight overdraft be measured across all accounts in the relationship?
- 4.26 Describe your plans to ensure that the State has adequate liquidity to meet its intra-day needs.
- 4.27 Describe your procedures for managing the release of outgoing payments including any conditions under which any OST outgoing payments would be delayed.
- 4.28 How will you communicate with OST if intra-day limits are exceeded?

Overdrafts

- 4.29 Occasionally OST may have one or more accounts with its Operating Bank in overdraft at the end of the business day. It is uncommon for OST to end the business day in a net overdraft position across all accounts with its Operating Bank. Will OST be charged overdraft fees if its net position at the end of the business day is positive?

Image Cash Letter Services

- 4.30 Describe your procedures for receiving and processing image cash letter files including standards for check imaging and transmission, handling of image exceptions,

endorsement requirements, file limits, funds availability and deadlines for transmission of files for best availability.

- 4.31** Include a copy of file formats, record types, layouts and requirements. Describe the recommended file transmission options available. Describe the procedures used by the bank to verify the accurate and secure receipt of transmissions. Describe any controls that the bank has in place to protect against lost files and duplicate transmissions.

Return Items

- 4.32** Can return items be automatically redeposited? If so, how many times?
- (a) Is this service optional by location?
 - (b) Can copies of all redeposited return items be provided to the depositing location or a central office? If so, within what time frame?
 - (c) Provide information about the provider's re-presented check entry (RCK) program.
 - (d) Are returned items available for viewing online?
- 4.33** Can you provide an image file of the return items to the State Treasurer's office?
- 4.34** Provide the bank's standard return item and re-clear processing instructions. List any non-standard options that are available.

Investments

- 4.35** Do you offer an automated overnight investment service? If so, describe the investment alternatives available that comply with the State Treasurer's Investment Policy. Provide a prospectus, if available, and three-year historical returns for each investment alternative. If the investments are rated by an external rating agency provide all applicable ratings.
- 4.36** Describe the information reporting available for each investment alternative, including the methods of access or distribution and frequency of updates. Provide sample reports.
- 4.37** Submit a sample investment account agreement with your proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement.

Section Five

DEPOSITORY BANK

OST has designated depository banks all across the state. Depository Bank in the context of this RFP is for clearing large volumes of paper check deposits, along with providing Remote Deposit Capture (RDC) services, vault services, returned item processing, transaction research, online access, daily/monthly reporting by paper and electronic methods and other normal business banking activities.

As noted above the Depository Bank also provides cash vault services that allow OST to place change orders for currency and coins. OST buys cash and rolled coins for its cashier operation, also, on occasion OST will sell cash to its Depository Bank. In these instances OST provides a courier service for pickup or delivery of the cash.

The Oklahoma Tax Commission (OTC) – Management Services Division (MSD) which is located on the Capitol Complex prepares daily deposits of cash and checks and these items are picked up by the Depository Bank’s courier service. The Depository Bank picks up OTC MSD’s deposits twice per day; 10:30 am CT and 4:20 pm CT and a third pick up at noon is added during OTC MSD’s peak seasons, February through April and September through October.

The Depository Bank sends a courier each morning by 8:30 am CT to deliver returned items to OST’s Cashier Window at the Capitol. State agencies located on or near the Capitol Complex bring their deposits to OST’s Cashier Window daily. Some of these state agency deposits will be processed by the Cashier via RDC for deposit to the Depository Bank. Other deposits that are dropped off but not processed at the Cashier Window remain in their secure tamper evident bags and are picked up by the Depository Bank’s courier daily by 2 pm CT. Finally, the Depository Bank sends a final courier by 4 pm CT to collect daily deposits including any foreign items and other check deposits.

OST and a number of state agencies utilize RDC services that combines RDC and ACH back office conversion. OST’s Depository Bank has encouraged agency participation in RDC services by deferring all upfront costs including the software license fee and the purchase price of the selected scanner for 90 days, allowing an agency to use the services and determine the value of RDC. OST’s Cashier Window currently utilizes two remote deposit check scanners/endorsers (Panini Vision X Scanner, 50dpm and 100 dpm). State agencies using RDC services also use the Panini Vision X Scanner for their check imaging. OST’s scanner and the Depository Bank’s software requires at a minimum a PC with a Pentium 4-2.0 GHz processor, 1 GB RAM, 40 GB hard drive, current version of Microsoft 7 or 8 and a USB 2.0 port with high speed Internet connection. Please see Appendix C for a list of agencies utilizing RDC Services and whether they are renting or own their scanner.

OST actively manages the collected balances at its Depository Bank. A wire transfer is used daily to transfer funds to the Operating Bank and keep the collected balance at the Depository Bank as close to zero as practical. These procedures have been modified over time as needed to meet the collected balance goals.

Volumes and Pricing

See Appendix C for current volumes and pricing.

Depository Service Options

- 5.1** Describe the Bank's night drop, vault (via armored courier, virtual), remote deposit capture, branch service and/or specialty depository services – both physical and non-physical. If pricing is different for utilizing these different deposit options the Bank must distinguish them on the pricing schedule.
- (a) Are any processing applications outsourced to a third party? If so, name the vendor(s) and describe the application(s).
 - (b) Describe the physical security features used to protect the state's employees using external deposit options such as night drops, etc.
 - (c) Provide the detailed recommended procedures for customer use of their RDC service including recommended timeframes for the retention of checks that have been scanned.
- 5.2** Provide the cut off times to ensure same day ledger credit for:
- (a) night drop, vault, and branch services
 - (b) remote deposit capture services
 - (c) Is cutoff the same for cash as for checks, drafts, etc.?
 - (d) Are there any options that might affect these cut off times; such as, provisional credit, delayed verification, extended deadlines?
- 5.3** Are weekend or holiday deposit services available? Is there an additional fee or discount for utilizing these services?
- 5.4** Are there any benefits or requirements to separating cash and checks for the proposed deposit solution?
- 5.5** Does the Bank require that checks and currency be on separate deposit tickets?
- 5.6** What are the Bank's requirements for deposit bags?
- (a) Are there any restrictions on deposit bags provided by OST or state agencies?
 - (b) How are these bags obtained?
 - (c) Does the Bank provide these bags? If there is a fee for these bags it must be included in the pricing schedule.

- 5.7** The deposit tickets provided by the Depository Bank must be available in multiple part forms. OST requires one copy for our records and one to attach to the deposit. Describe the Bank's deposit ticket requirements.
- (a)** How many copies of each deposit ticket does the bank require?
 - (b)** Can deposit tickets contain an auxiliary MICR field for our location and/or transaction information? What is the maximum number of usable digits in this field? Can this information be included in the BAI file?
 - (c)** How are the charges handled? If this is subcontracted through a third party, please identify the third party.
- 5.8** What is the limit, if any, on the number of deposit tickets that can be included in one deposit bag?
- 5.9** Will your RDC service allow OST or state agencies to make multiple deposits by location in a single day? If so how many and discuss any limitations?
- 5.10** Would the Bank accept deposit tickets from a third-party printer? List any limitations.
- 5.11** Does the Bank require that cash be deposited in standard straps only? If there is a fee for depositing nonstandard straps it must be included in the pricing schedule.
- 5.12** How does the Bank accept loose and/or rolled coins for deposit at vault, branch and night drop locations? If there is a fee for depositing loose or rolled coins it must be included in the pricing schedule.
- 5.13** What are the Bank's requirements for depositing checks (*e.g.*, pack size, audit tapes)?
- 5.14** The Depository Bank must accept pre-encoded checks.
- (a)** Provide a copy of the Bank's instructions for pre-encoded checks.
 - (b)** What is your discount for pre-encoded checks?
 - (c)** Describe your encoding quality monitoring process.
- 5.15** What courier services are provided, if any, for pick-up and delivery of check deposits? If not made available by the Bank, what third-party couriers are available and/or recommended? What is the cut-off time for same day credit?
- 5.16** Does the Bank's RDC service offer the ability to adjust data using recognition technology (*e.g.*, Magnetic Ink Character Recognition (MICR), Optical Character Recognition (OCR), and Intelligent Character Recognition (ICR) that was not captured correctly by the scanner?
- (a)** If yes, please describe in detail.

- (b) If no, does the service allow the addition, deletion, and rescanning of checks during both the correction and balancing functions?
- 5.17 Does the Bank's RDC service offer the ability to print an endorsement on checks? If so, can the endorsement be customized?
- 5.18 Does the Bank's RDC service offer the ability to print processing details (e.g., depository site) on scanned checks? If so, discuss any limits on the types or amount of information that can be printed and/or the placement of the printed information on the check.
- 5.19 Are there any open user defined fields for transaction information in the record for each scanned check? If so, how many and what are the limitations on the fields?
- 5.20 Please provide a list of eligible/ineligible items that can/cannot be processed via RDC.
- 5.21 Describe the procedures that OST and State Agencies would use to process non-standard check items (e.g., money orders, credit card checks, etc.).

Availability of Funds

- 5.22 How do you determine and calculate availability of deposited items?
 - (a) The Depository Bank must give immediate availability for on-us items.
 - (b) The Depository Bank must determine availability by item.
 - (c) The Depository Bank must provide next day recaps of our deposit availability.
 - (d) Do you use a standard schedule? Do you have a separate RDC schedule that is superior to your standard schedule? If so, how is it superior? What is the impact of RDC ACH conversion? Do you have an accelerated schedule? How often is it updated?
- 5.23 Attach all applicable availability schedules. Include weekends and holidays, if applicable. Is the schedule flexible? For example, can accommodations be made for high volume accounts or pre-encoded checks?
 - (a) What is the latest time that mixed bundles can be deposited for same day availability on Oklahoma clearing house items?
 - (b) What is the latest time that mixed bundles can be deposited for next day availability on most foreign items (out of state)?
- 5.24 How is the decision made to clear via Image Exchange, ARC or IRD? Discuss the benefits of each option.
- 5.25 Do you plan to accelerate float availability to the depositor as clearing partners begin to exchange images rather than clearing paper substitute checks? If so, please discuss in

details.

Deposit Verification

- 5.26** Do all of the Bank's branches accept immediate and post-verification deposits at the teller line?
- 5.27** Does the branch provide a validated deposit slip and provisional credit with post-verification at the time the deposit is handed to a teller? If provisional credit is given, when does verification take place?
- 5.28** Discuss the Bank's procedures for post-verification.
- (a) How many Bank employees are present when deposit bags are opened?
 - (b) Where are the bags opened?
 - (c) What additional security measures are employed?
- 5.29** Discuss the Bank's procedures for processing night deposits.
- (a) How many Bank employees are present when deposit bags are opened?
 - (b) Where are the bags opened?
 - (c) What security measures are employed, please provide details?
 - (d) How will you return the validated deposit receipts to the State and within what time frame?
 - (e) What is the Bank's policy on receipt of tampered bags?
 - (f) What evidence materials (i.e., logs, video tapes) will the Bank make available to OST in the event of a deposit investigation? How long does the bank archive such materials for retrieval and use in investigations?
- 5.30** The Depository Bank must identify and adjust all discrepancies.
- (a) The Bank must process an adjusting debit or credit for deposit discrepancies.
 - (b) OST requires the following documentation on all adjustments and copies of all adjustments and their documentation should be received at our office by the end of the next business day.
 1. Extra Item--A copy of the item, a copy of the Bank's scan sheet marked where item was found, and a copy of the deposit.
 2. Missing Item--Copy of deposit, the original or a copy of OST's proof tape

with the missing item marked, a copy of the Bank's scan sheet and the state agency endorsing the item above or below the missing item.

3. Miscellaneous Credit--Documentation to support the credit.

- 5.31 Describe the process for transmitting check and deposit information. What transmission protocols does your service support? Describe the Bank's service capabilities of detecting duplicate file transmissions? How is the customer notified of duplicate file transmissions? What safeguards are in place to prevent duplicate items?
- 5.32 Describe how a remote deposit acknowledgment of transmission is successfully received for deposits. Do we receive an end of day notification of all deposits received or notification that no deposits were received each business day?
- 5.33 If transmission is interrupted for any reason, can the transmission be resent?
- 5.34 Does your service allow for deposits to be created offline and transmitted at a later time?
- 5.35 What period of time does the remote deposit service retain the images to detect duplicates?
- 5.36 Can the Bank's RDC service detect duplicates from multiples scanners at one location (e.g., two scanners in one office)?
- 5.37 What is the standard procedure for reporting deposit adjustments and what additional options are available (e.g., electronic reporting with location ID attached, adjustment copies to multiple locations, etc.)?
- 5.38 What information do you provide to the State regarding a deposit adjustment (e.g., deposit bag number, denomination breakdown, etc.)?
- 5.39 Describe the process used for balancing and correcting deposits transmitted to the Bank by OST or State Agencies?
- 5.40 Describe the procedures for handling exception items (e.g., MICR rejects, piggy back images, etc.) received in a deposit transmission. All associated charges and fees for exception processing must be listed in the RDC Pricing Schedule.
- 5.41 Describe the process to research and pull copies of items deposited remotely, after original checks have been destroyed.

Vault Services

- 5.42 Change order processing is required by OST. Does the Bank have an automated coin/currency ordering service? Describe the deposit and change order procedures, cut-off times, restrictions for branch pickup, security, and other features of this system.
- 5.43 Are there minimum purchase requirements (e.g. standard straps of currency and full

boxes of coin)? Is a discount offered for purchasing standard amounts? Settlement for change orders will be by ACH or, in an emergency, by State warrant.

- 5.44** How much advance notice is required for coin and currency orders that are picked up by armored car?
- 5.45** Describe security and internal controls at the cash vault center. Describe the security measures in place to assure proper handling of deposits. What fraud prevention procedures are in place?

Return Item Processing

- 5.46** The Depository Bank must automatically re-deposit return items one time unless specifically instructed in writing to do otherwise.
- 5.47** Provide the Bank's standard return item and re-clear processing instructions. List any nonstandard options that are available.
- (a) How many times is the item presented for payment?
 - (b) Can the user dictate re-presentation dates?
 - (c) Do you support electronic presentment of returned items (RCK)?
- 5.48** Can the Bank re-route returned items through the Federal Reserve to another Bank for centralized returns?
- 5.49** Can the Bank provide a detailed return item transmission to depository customers?
- (a) Does the transmission include both returns and reroutes?
 - (b) Is there a separate record for each returned item?
 - (c) Can these records identify the depositing location and the type of item being returned (e.g., personal check, traveler's check, money order, etc.)?
 - (d) List the detailed information that can be reported by the Bank.
- 5.50** The Depository Bank must refuse return items not sent through the banking system in a timely manner.
- 5.51** How do you process items returned for reasons other than insufficient funds (e.g., stop payments, account close, etc.)?
- 5.52** Can you provide an image file of the return items to OST? Do you make images available for checks that are re-deposited as an ACH check converted RCK item?
- 5.53** Does your service support the scanning of substitute checks received as returned items?

If not, how does the customer re-present the item for payment?

5.54 Do you assign float to return items?

Transfer of Funds

5.55 Each business day OST will request funds be wired to its Operating Bank. This transaction must be completed no later than 1:00 p.m. Central Standard Time. If for any reason the amount of uncollected funds is higher than your collateral position, the Depository Bank must provide more collateral or allow OST to draw against uncollected funds for that day. The preferred method for OST to initiate this wire transfer will be through the Bank's on-line system. If the Bank's on-line system does not include wire transfer initiation; describe the method that will be used for this function.

5.56 Submit a sample or proposed wire agreement with your proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement.

Check Imaging, Storage and Retrieval

5.57 Describe your remote deposit check imaging standards and service processes for ensuring high quality images, including money orders. Does the service capture the image of the front and the back of the check?

- (a) Does your service use IQA (Image Quality Acceptability) / IQU (Image Quality Usability)?
- (b) Where is the quality control verification process performed (e.g., customer site, Bank site)?
- (c) Do the images that are saved in your storage location qualify as legal evidence?

5.58 Describe the process for handling an image that has already been successfully transmitted to the bank for deposit that you believe does meet your bank image quality standards.

- (a) How quickly is the customer notified that the image does not meet your quality standards?
- (b) How are deposits adjusted for check images that do not meet your quality standards?

5.59 How does your service store images of checks within the remote deposit application?

- (a) What is the maximum number of images that can be stored?
- (b) How and with what frequency are image files backed up?
- (c) How are images indexed? Any customization available?

- 5.60** Describe the process we would use to find and view image items. Provide details on research capabilities available.
- 5.61** Does your service have the ability to create a non-proprietary image export file that can be imported into an industry standard image storage and retrieval solution?

Information Reporting and Online Services

- 5.62** Describe all information reporting, online research services and data download methods and formats available for deposits, adjustments, and returned items from all deposit options and wire transfers that are not covered elsewhere in your proposal (as in Section 3). Include the length of time data is available and when reports and data are available. Provide samples of all reports.
- 5.63** For state agencies with multiple locations; is there a consolidated report which may be used as an audit trail or for agency reconciliation? If so, please attach sample reports (particularly any that include deposit detail (check information), deposit summary and any scanner identifiers or location codes).

Hardware and Software Requirements

- 5.64** Can your remote deposit service operate within a Web browser? Is your service a Web based service?
- 5.65** Do the personal computers that connect the scanners (via the Internet) to the Bank for RDC services need to be dedicated to this function, or if they can be used for other tasks during the day?
- 5.66** What are the minimum PC requirements? What are the optimal requirements? Is there a need for any specific software other than yours to perform the necessary functions?
- 5.67** List any additional peripheral hardware (other than scanners) that may be required for optimal performance of your service.
- 5.68** Can state agencies use our current scanning equipment with the Bank's remote deposit service?
- 5.69** Describe in detail the service's scanner options including the model of scanners, speed, volumes, and size. Please provide specification sheets if available.
- (a) Is there a multi-tray feeder solution for high volume scanners?
- (b) What is the average expected lifetime volume for the scanners?
- 5.70** Describe the repair and maintenance activity that is common for the Bank's solution and equipment.

- 5.71** Does your RDC service provide a warranty on its hardware? If so, provide the details.
- 5.72** Are initial supplies included with the billing for the scanner? What supplies are needed for the ongoing operation of the scanner (e.g., ink cartridges)?
- 5.73** Describe your process and expected timeframe to repair or replace malfunctioning or outdated equipment at the user's location?
- 5.74** Provide details of any equipment rental programs you may offer.

Section Six

ACH ORIGINATION BANK

OST originates electronic payments to the State and from the State as authorized by a receiver. OST processes electronic payments to the State from individuals and businesses submitting tax payments, fees for licenses and registrations, payments of fines, lottery collections, tuition, room and board, and payments for child support. OST originates electronic payments on behalf of state agencies including pension and payroll payments, vendor payments, travel reimbursements, tax refunds, disability payments, payments to school districts (state aid), Medicaid, state agency tax payments, and financial aid. Pension systems are invoiced separately by the ACH Origination Bank for their monthly ACH volumes. ACH debits are originated to settle in five different deposit accounts at the ACH Origination Bank. All ACH credits are originated from a single disbursement account at the ACH Origination Bank. During the fiscal year ended June 30, 2014, OST transferred \$316 million on the largest single day to settle transactions in the disbursement account. OST transfers funds daily from its main operating (cash concentration) account to settle the transactions in the ACH disbursement account since OST's Operating Bank is also OST's ACH Origination Bank.

OST currently uploads a NACHA formatted file using a secure link to the ACH Origination Bank's processing site. OST receives all NOC and returned items in a single file from the ACH Origination Bank daily. This file is then processed by OST to facilitate the delivery of proper notification to the appropriate state agencies. OST utilizes online research capabilities to answer questions and resolve problems daily. The ACH Origination Bank will be required to establish and maintain a high speed, secure method to transmit files between OST and the Bank's processing site. OST may award a separate contract for ACH credit origination or for ACH credit and ACH debit origination.

OST ACH origination transaction and dollar volumes by month are included in Appendix D.

Experience

- 6.1** What were the Bank's origination and received volumes (items and dollars) in 2013 and the Bank's NACHA rankings if applicable? Is the Bank a direct member of NACHA or a member of a regional ACH association? If so, which association(s)?

ACH Processing

- 6.2** Describe the Bank's available transmission methods. What is the recommended method of transmission for customers with similar transaction volume?
- 6.3** What backup procedures are available should our standard delivery mechanism fail?
- 6.4** What procedures does the Bank use to verify the accurate and secure receipt of the types of ACH transmission methods we will use? Describe each available method.

- 6.5** What controls are in place to protect against lost files and duplication of transmissions? How and when is the customer notified of a duplicate file?
- 6.6** What are the hours of operation of the ACH unit? What is the latest time the Bank will accept files for next day settlement?
- 6.7** Describe the Bank's procedures regarding late transmissions of files. Is it possible to transmit a file and have it processed after the cutoff with proper notification to the processing unit?
- 6.8** Provide a schedule of the days the Bank's processing centers will be closed. Does the Bank offer weekend or holiday processing of items for next business day settlement? If so, what is the latest time the Bank will accept files?
- 6.9** Does the Bank outsource any of the proposed services? If so, provide the name and address of any third-party processor. List the services that they provide, how long they have provided these services to the Bank, and discuss any anticipated changes in the relationship.
- 6.10** OST uses various accounts to deposit the proceeds of originated ACH debits. Describe the Bank's capabilities and processes to deposit the proceeds of originated ACH debits into different customer accounts.
- 6.11** Describe the procedures for setting up origination company IDs. Are multiple originator names allowed in your structure for one company?
- 6.12** What is the Bank's maximum retention period for future dated transactions?
- 6.13** What service does the Bank provide for OST to modify and/or delete a transaction prior to the file being released to the ACH operator?
- (a) What modifications and/or deletions can be made?
 - (b) How does OST provide the bank with instructions?
 - (c) If modifications and/or deletions are permissible, what is the deadline for receiving instructions to modify and/or delete a transaction?
 - (d) Who can make these requests?
 - (e) How is security determined?
 - (f) If an entry is deleted from a file, can the rest of the file then be released?
- 6.14** What is the Bank's policy on modifying transactions that are still in warehouse and have not been released to the Fed? If the Bank allows modifications describe in detail what

data can be modified and the control procedures in place for proper authorization. If the Bank allows modifications can OST specify a “no modification” policy be used for its transactions and if so, how does the Bank control this?

- 6.15** What service does the Bank provide for OST to reverse a transaction or file that has been released to the ACH operator?
- (a) What are the procedures and deadlines for OST reversing a file? Batch? Item?
 - (b) Describe the Bank’s process for reversing files, batches and items.
 - (c) What security procedures are used? If you use standard request forms please provide a sample.
 - (d) How is the customer notified of the results of the attempted reversal?
- 6.16** Describe the Bank’s procedures for processing/handling return items (including recalls, reversals, reclaims, stop payment/deletion, and notice of change)?
- (a) When will the funds for returned entries be posted to OST’s account?
 - (b) Does the Bank automatically redeposit originated ACH debits returned for NSF?
 - (c) Does the Bank allow the customer to decide which entries to redeposit?

Settlement

- 6.17** At what time on settlement day will OST be required to fund ACH credits? Can this funding requirement change?
- 6.18** Are there any limitations on the type of DDA account in which ACH files can be settled?
- 6.19** What time on settlement date will OST receive availability for ACH debits originated?
- 6.20** How does the Bank handle same-day transfers between OST accounts (“book transfers”)? At what time must an instruction be received for same day availability in the receiving account? Can book transfers be made from an OST account to the account of another entity within your bank?
- 6.21** When will settlements for this service be reported?
- 6.22** Does the bank provide simultaneous settlement between debits and credits?

Information Reporting

- 6.23** Describe all information reporting, online research services and data download methods and formats available for these transactions (originated entries, redeposited entries,

returned entries and Notifications of Change) and not covered elsewhere in your proposal. Include the length of time data is available and when reports and data are available. Provide samples of all reports. Specify the options and methods recommended for customers with OST's volumes.

Service Terms

- 6.24** Submit a sample or proposed ACH Origination Services agreement with your proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement.

Section Seven

RETAIL/WHOLESALE LOCKBOX SERVICES

Overview of Current Lockbox Services

OST oversees five (5) lockboxes to serve different state agencies. These lockbox services are primarily for state agencies that process a large volume of checks. State agencies rely heavily on efficient and effective lockbox services for the collection of patient payments, insurance payments, licensing payments, and other various check payments. The agency receives the associated paperwork via courier or electronically.

Receipts processed for each lockbox are deposited into an individual demand deposit accounts (DDA) with the Retail/Wholesale Lockbox Services Bank. The following agencies are utilizing retail/wholesale lockbox processing:

1. Employees Group Insurance Division f/k/a OSEEGIB
2. OU Health Science – Department of Pathology
3. OU Physicians – Tulsa
4. OU Physicians – OKC
5. Commissioners of Land Office

These agencies will require on-line access (via the Internet) to daily bank statements and other reports, please indicate the length of time such information will be available to the State in this environment. If some information is to be provided via other means, indicate how OST and authorized state agencies will access this information and the length of time such information will be available in that environment.

The Retail/Wholesale Lockbox Services Bank will be required to adhere to or beat the availability schedule of OST's Depository Bank. All depository banks are required to maintain collateralization at the appropriate levels in accordance with state statutes and policies and procedures of OST, see Section 1.13. Detailed instructions and requirements for processing and reporting will be provided to the Bank who is awarded this service. Each agency will be billed directly by the Bank with a copy of the billing provided to OST. See Appendix G for FY 2014 Retail/Wholesale Lockbox Services Volumes.

Lockbox Deposit Processing

- 7.1 Describe the lockbox department's processing workflow. Highlight your quality control checkpoints and the components that are directly controlled by the lockbox manager. Include a schematic or flow chart of the processing procedures.
- 7.2 What controls does the Bank have in place to ensure accurate processing in accordance with customer specifications? What controls are in place to ensure all payments received are processed the same day received?

- 7.3 If changes are made to the agency's processing instructions, how are these changes communicated? How does the Bank ensure that specifications are adhered to when assigned persons are unavailable?
- 7.4 If a copy of the check is required along with the envelope and remittance advices, are the items matched up or provided separately?
- 7.5 If a copy of the check is required, how is that copy made and what other information is available on the check copy document (e.g., batch #, item #, check amount included in deposit, processing time)? Provide a sample.
- 7.6 How does the Bank handle original items if imaging and/or data capture and transmission is used (e.g., archive, destroy)?
- 7.7 Does the Bank offer intelligent character recognition (ICR) technology in lieu of data entry? If so, what is your "hit rate" of automated data capture?
- 7.8 Describe the Bank's procedures for processing foreign checks received in the lockbox. What float period is assigned to foreign items? Are procedures/float assignments different for Canadian or Mexican items? Are foreign checks converted into U.S. dollars?
- 7.9 List the Bank's procedures for the control and processing of cash received in remittance envelopes. Is there dual control? Do you have security equipment within the lockbox area? Discuss how the Bank handles cash payments received by a lockbox.
- 7.10 What are the lockbox processing deadlines and how are they determined?
- 7.11 Outline lockbox and customer procedures for out-of-balance conditions at the transaction level, batch level, deposit level and end-of-day level.
- 7.12 In the case of an automated system failure, what back-up arrangements are in place for lockbox processing?

Mail Processing

- 7.13 Who performs the fine sort per box number, the Bank or the post office? If the Bank sorts lockbox mail, describe the mail sorting operation. Include manual and automated handling, ability to read bar codes, peak volume and contingency plans. Does the Bank sort by mail delivery or group of deliveries?
- 7.14 List all of the equipment types, their capacity and numbers of staff involved by shift in the mail sorting and pre-extraction areas for each lockbox.
- 7.15 Describe the receipt and handling of remittances delivered by private services (e.g., Federal Express, UPS) to the lockbox area for processing.

- 7.16 State the location (address) of the facility where lockbox processing will occur and the location where lockbox deposits will officially be made. What is the nature of this facility? (Main banking facility, branch, processing center, vault...)
- 7.17 List the Bank's schedule for post office pickups of post office box contents for weekdays, weekends and holidays, including the frequency and timing of pickups.
- 7.18 Provide a list of the lockbox department's holidays.
- 7.19 How do the Bank handle correspondence and any other items that may be received in the lockbox? How do you communicate this type of information to the customer?
- 7.20 How does the Bank handle original items if imaging and/or data capture and transmission is used (e.g., archive, destroy)?
- 7.21 Does the Bank use a third-party processor, including couriers, for any part of this service? If so, identify the services and the service provider.

Check Processing and Availability of Funds

- 7.22 How does the Bank determine and calculate availability of deposited items?
- (a) The Retail/Wholesale Lockbox Services Bank must give immediate availability for on-us items.
- (b) Availability must be calculated by item.
- (c) Does the Bank use a standard schedule? Accelerated schedule? How often is it updated?
- (d) You must provide next day recaps of our deposit availability.
- 7.23 Attach an availability schedule. Include weekends and holidays, if applicable. Is the schedule flexible? For example, can accommodations be made for high volume accounts or pre-encoded checks?
- 7.24 Attach an availability schedule. Include weekends and holidays, if applicable. Is the schedule flexible? For example, can accommodations be made for high volume accounts or pre-encoded checks?
- 7.25 Can the Bank offer an availability endpoint analysis for lockbox items/deposits? If yes, how frequently is this analysis performed, and is there a charge for this service?
- 7.26 What is the Bank's ledger cut-off time for lockbox deposits? Include weekends and holidays. What is the latest mail pickup to be included in the last deposit? Will the Bank process and deposit all of the customer's payments on the same ledger day as received?

If not, when are these items deposited?

- 7.27 Are separate ledger credits made for weekend and holiday work? If not, how can these credits be identified? Is the output (details of payments received) distributed to the company that day or the next business day?
- 7.28 Can the Bank provide an availability endpoint analysis for retail/wholesale lockbox items/deposits? If so, how frequently is this analysis performed and is there a charge for this service? Is this available electronically? If so, what is the required format?

Check Imaging

- 7.29 Does the Bank offer imaging services for retail/wholesale lockbox processing? If so, describe.
- 7.30 If using image technology, describe what type of Courtesy Amount Read (CAR) or Intelligent Character Recognition (ICR) hardware and/or software is utilized. Describe the average percentage of characters recognized. Describe the number of encoding errors tracked that are attributed to CAR/ICR versus manual key payments and compare the error percentages for the two methods.
- 7.31 If you do not utilize any type of image technology, describe any plans you have to implement this technology and when you expect this technology to be fully operational.
- 7.32 If you do not plan to implement image technology, describe the reasons that you decided not to use this type of technology.
- 7.33 Is duplex imaging of the invoice/accompanying remittance documentation available? If so,
- (a) Is it possible to only image the back when necessary (not blank)?
 - (b) Is there an additional fee for this service?
 - (c) If not, how do you determine which side is imaged?
- 7.34 Are images captured during the normal process or must they be captured by re-passing the documentation?
- 7.35 Are images captured in black & white, color or grey scale? Can this be specified at the lockbox level? Describe any available options to vary this by service (e.g., color for browser viewing and black & white for image file transmission)
- 7.36 Can additional remittance data capture (e.g., invoice number, net amount) be included as part of the image index for search purposes? Describe.

- 7.37 Can images be accessed on the same day they are processed? If so, by what methods?
- (a) Web Browser
 - (b) Image File Transmission
 - (c) Other
- 7.38 If images can be accessed using a Web browser, describe the recommended hardware and software.
- 7.39 How soon after the images are captured are they available for online viewing?
- 7.40 For what period of time are images available online (e.g., 30 days, 90 days)?
- 7.41 What frequency options (e.g., daily, weekly, monthly) does the Bank offer for issuing images to the company on CDs or DVDs? Discuss the security measures associated with these CDs/DVDs.
- 7.42 Can images from all lockboxes for a specific client, regardless of physical processing location, be consolidated onto a single CD/DVD? Explain available options for grouping lockboxes on CD/DVD.
- 7.43 Are checks and document images available via a long-term image archive hosted by the Bank? If yes, state the number of years available (e.g., 7 years).
- 7.44 If images can be transmitted directly to a customer via bulk file, specify the image transmission format (e.g., XML, bank proprietary format, customized per client).
- 7.45 Describe any changes to the company's workflow or solution that may be necessary to maximize the benefits derived from implementing the proposed services.
- 7.46 Describe the Bank's processes for ensuring that all checks are imaged and that all check and document images are readable (i.e., clear, straight, not overlapping).
- 7.47 What security measures are in place to prevent unauthorized access to online images?
- 7.48 Can the original paper remittance detail be mailed to the State?
- (a) If yes, describe the options available for returning paper remittance information to the company.
 - (b) If no, describe your short-term retention period and subsequent paper destruction process.

Exception Processing

- 7.49 Describe all options that are available to process exception items. This should include items received with the appropriate customer account information but without an OCR document and checks received without customer account information that require research prior to data entry.
- 7.50 Provide any other option that may be available that circumvents manual key entry of this information at the customer site, thus preventing further posting delays.
- 7.51 Can the State access the Bank's database in order to reduce unapplied remittances? If so, explain how this can be done.
- 7.52 Define and illustrate what would be considered standard items, non-standard items and exception items and your processing capabilities for each type.
- 7.53 How will the Bank ensure the quality of service provided to the State by any third-party processor or courier used?
- 7.54 How long do you maintain coupons and other payment documents? How do you dispose of these documents?
- 7.55 What information can be captured at the lockbox processing location including keying of unique data to the deposit such as check images, coupons, envelopes and other information that may be required to be included in the data transmission?
- 7.56 Describe any technology used to retrieve customer information and post returned checks through the use of previously captured MICR information or other means.

Return Items

- 7.57 Return items must be automatically re-deposited one time unless specifically instructed in writing to do otherwise. These items will be sent to OST on a trust receipt and we will pay for these by EFT.
- (a) What is the per item charge for re-depositing an item?
- (b) What is the per item charge for return items?
- 7.58 How does the Bank handle return items on the lockbox account? Are data capture and reporting available for return items?
- 7.59 Is the Bank currently clearing any wholesale lockbox checks via image exchange? If yes, provide details. If no, discuss plans and associated timeframes for image exchange.
- 7.60 Does the Bank support the conversion of consumer checks and eligible corporate checks to ACH debits (ARC) at a lockbox?

- (a) If yes, describe the Bank's services.
- (b) If no, discuss any plans to offer this service and when it will be offered to customers.

Data Transmission

- 7.61 Describe the Banks's procedures for the capture and transmission of remittance detail, such as account or invoice number, MICR line or other data for automated posting of accounts receivable records.
- 7.62 Describe methods to assure validity of data.
- 7.63 Do you retain the actual check in the lockbox department until data capture is completed or send the check for collection prior to data capture?
- 7.64 What back-up arrangements exist should the system fail?
- 7.65 In what standard formats do you transmit? Will you customize?
- 7.66 Does the Bank initiate file delivery or do you offer dial-in file retrieval service?
- 7.67 What communications software is used?
- 7.68 What time will the daily transaction files be transmitted to applicable agencies?
- 7.69 Are transmissions available on Saturdays, Sundays and/or holidays?
- 7.70 Does the Bank have the capability to send multiple non-cumulative transmissions per day for a single customer (e.g., 8:00 a.m. for transactions processed overnight for current deposit date and 5:00 p.m. for everything else processed for current deposit date)? If yes, explain capabilities including maximum number of transmissions and associated timing.
- 7.71 What is the earliest transmission time the Bank can offer without affecting the ability to deposit all mail received for a ledger credit day? Describe your procedures if we were to choose an earlier transmission time.
- 7.72 Can electronic receipts (e.g., EFT, remote deposit) be included with the paper item transmission? If not, can electronic receipt information be sent to the customer in a separate transmission?
- 7.73 What is the minimum lead time to initiate a daily data transmission output?
- 7.74 Describe procedures to ensure that transmissions are received successfully and contain all remittance payment detail.

- 7.75 How does the Bank notify the customer that the file is available for pickup or viewing data transmission?
- 7.76 How long are remittance payment detail files retained for retrieval?
- 7.77 What is the backup in the event that the transmission of remittance detail cannot be successfully completed?
- 7.78 Discuss the ability of the Bank's solution to interface directly with the accounting solution, enterprise resource planning (ERP) solution and/or treasury workstation that the company uses.
- (a) Is this an existing interface or would a custom interface need to be developed?
 - (b) What languages or protocols (e.g., EDI, XML) are used to facilitate the interface?
 - (c) Is there a charge for the interface?

Reporting Requirements

- 7.79 Discuss the ability of the Bank's solution to interface directly with the accounting solution, enterprise resource planning (ERP) solution and/or treasury workstation that the company uses.
- (a) Do any of the Bank's customers currently interface with your solution(s) from the accounting, ERP and/or TWS solution(s) used by the company?
 - (b) Is this an existing interface or would a custom interface need to be developed?
 - (c) What languages or protocols (e.g., EDI, XML) are used to facilitate the interface?
 - (d) Is there a charge for the interface?
- 7.80 If a correction to the bank statement is necessary, how will the correction be documented? At what time will the correction and documentation be performed?
- 7.81 When will the corrected information be available/provided to the OST and in what format (on-line, hardcopy)?
- 7.82 Please provide examples of the reports that will be provided to the OST.
- 7.83 Can the Bank provide the State with access to images of deposited items, deposit tickets, deposit returns and adjustments?
- (a) If yes, please describe the hardware or software requirements necessary for the

State to access, view, and print these images.

7.84 Would the images be available on CD-ROM or via the Internet?

Section Eight

RETAIL IMAGE LOCKBOX

The Oklahoma Tax Commission (OTC) utilizes Retail Image Lockbox Services to assist with the collection and reporting of business and income tax payments. OTC is the only state agency currently using this service. OTC currently maintains a number of post office boxes to receive estimated and withholding income taxes, billing coupon payments, and sales taxes. OTC processed nearly 400,000 tax items for Fiscal Year 2014 (see Appendix E for associated volumes).

The Retail Image Lockbox Bank collects specified items from the post office on a daily basis for processing. Other items are picked up from the post office by OTC for pre-sorting and preparation before they are picked up from OTC by the Retail Image Lockbox Bank for processing. Any items that could not be processed by the Retail Image Lockbox Bank are returned to OTC the following day. A single data file is sent daily to OTC reporting payments remitted via the lockboxes. The tax items sent to the post office boxes includes remittance coupons plus the associated checks. Detailed processing requirements for these lockboxes and remittance coupons are provided in Appendix F. The detailed processing procedures and remittance coupons will serve as a general guideline and are subject to change if needed by OTC. OTC is billed directly by the Bank for the lockbox services with a copy of the billing provided to OST.

The Proposal should show how the Bank's retail image lockbox service can accommodate OTC's needs. Any changes in processing procedures contemplated by the Bank in their Proposal should be clearly identified. OST/OTC are interested in any additional capabilities or recommendations that provide for lower cost, more efficient operation, or better customer service.

Minimum requirements are as follows:

All P.O. Boxes used must have an Oklahoma address.

- (a) If the Retail Image Lockbox Bank chooses to clear the checks themselves it will be required to adhere to or beat the availability schedule of OST's Depository Bank. The Retail Image Lockbox Bank may choose to clear the items through OST's Depository Bank and allow for the transfer of the checks to the OST Depository Bank on an agreed to schedule.
- (b) If the Retail Image Lockbox Bank chooses to clear the checks themselves it will be required to collateralize any OST accounts established to facilitate this service in accordance with the policies and procedures of OST, see Section 1.143.
- (c) The Retail Image Lockbox Bank will be required to wire collected funds daily out of any OST accounts used for this service to designated accounts at OST's Operating Bank.

- (d) The Retail Image Lockbox Bank will be required to notify OST of deposit related activity using agreed to procedures and timeframes. OST will be as flexible as possible in working out procedures with the Retail Image Lockbox Bank.
- (e) The Retail Image Lockbox Bank will be required to invoice OTC directly for these lockbox services; however, OST will pay for any account, deposit and wire fees.
- (f) A Pre-Proposal Conference through at the offices of the Oklahoma Tax Commission will be scheduled at a later date.

Lockbox Processing

- 8.1** Describe your existing processes and workflow and how your solution would meet and enhance our current processes.
- 8.2** What controls do you have in place to ensure accurate processing in accordance with customer specifications? What controls are in place to ensure all payments received are processed within 24 hours of receipt?
- 8.3** What are the deposit times for the customer's lockbox and how are they determined?
- 8.4** Define and illustrate what would be considered standard items, non-standard items and exception items and your processing capabilities for each type.
- 8.5** Do you use a third-party processor, including couriers, for any part of this service? If so, how will the Bank ensure the quality of service provided to the State by any third-party processor or courier used?
- 8.6** Describe customer support and quality control (including document tracking methods for accountability purposes, fraud prevention and disaster recovery).
- 8.7** Where will the lockbox items be processed?
- 8.8** Describe the process and schedule for mail deliveries (or pickup) to lockbox processing.
- 8.9** What file formats and transmission methods are available for imaging of checks, remittances, correspondence, and envelopes?
- 8.10** How do you handle original items after image or data has been captured and transmitted?
- 8.11** What backup arrangements exist for processing site equipment and system failures?
- 8.12** Describe in detail the Bank's use of Optical Character Recognition (OCR) and Barcode recognition software and related processing.

Exception Processing

- 8.13** Describe the Bank's procedures for processing exception items. Discuss all options that are available to process exception items.
- 8.14** Do you provide online exception processing? If so, describe the service in detail, including technical requirements and instructions for use.
- 8.15** How do you notify your customers that a file is ready for online exception processing?
- 8.16** Can clients review exception items online for decisioning or are all identified exceptions sent back to the client unprocessed?
- 8.17** Are images posted on a same-day basis? Please describe and provide details.
- 8.18** What is the cut-off-time for online exception processing?
- 8.19** What information may be input by the customer to make corrections? Is the customer able to submit/reject items?

Reject/Return Items

- 8.20** Return Items must be automatically re-deposited one time unless specifically instructed in writing to do otherwise. Return items for the Retail Image Lockbox will be sent to OST.
- 8.21** How do you handle reject items?
- 8.22** How do you handle correspondence, returned items and any other items that may be received in the lockbox? How do you communicate this type of information to the customer?
- 8.23** Are you able to return unprocessed coupons, payments and the related envelopes? How long would it take for the customer to receive these documents?
- 8.24** The OTC provides taxpayers with 8 7/8" by 4 1/8" reply envelopes. Can the Bank process and sort this size of envelope?

Information Reporting

- 8.25** The Bank will need to address what data and reports will be available to OTC regarding the imaged documents. In the short term OTC will do research on the Retail Image Lockbox Bank's on-line system. The imaged documents will be sent to OK.GOV on an agreed to schedule. The Bank will also need to address how OST staff will have access to data related to OST accounts, if any, that will be opened to facilitate the clearing of checks and wiring of collected funds to OST's Operating Bank. It is assumed

the information reporting needs will be similar to what is specified in Sections 3 and 5.

Service Terms

- 8.26** Submit a sample or proposed Retail Image Lockbox Services agreement with your proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement.

Section Nine

POSITIVE PAY SERVICES

All state warrants are identified by a unique routing number issued to the State of Oklahoma. OST contracts with the Federal Reserve for warrant clearing and imaging services. OST receives a file of warrants daily from the Federal Reserve and reconciles that file against a file of issued warrants identifying exceptions and returning an image file to the Federal Reserve. One of the applications supporting this process is outdated, thinly supported and efforts to replace this functionality have been difficult and delayed. Additionally, the number of warrants issued statewide has declined from almost 3 million to approximately 1.4 million since the passage of legislation in 2011 requiring electronic payments. OST expects this number will continue to decrease consequently we would like to consider using a bank hosted positive pay application vs. continuing development efforts.

Pursuant to a Transaction Settlement Authorization the Federal Reserve is authorized to settle debits and credits to OST's main operating account for clearing warrants issued by the State. The average daily settlement during the fiscal year ended June 30, 2014, was \$19,884,893 and the largest daily settlement was \$55,297,215.

See Appendix H for FY 2014 Warrant Clearance Volumes

- 9.1 Describe the transmission methods, file formats and deadlines available to upload data from issue records. What is the recommended method of transmission for customers with similar transaction volume?
- 9.2 What procedures does the Bank use to verify the accurate and secure receipt of transmitted data?
- 9.3 What backup procedures are available should our standard delivery mechanism fail?
- 9.4 Describe the Bank's automated comparison of issue records with cleared items from the Federal Reserve including the identification of exceptions, methods of notifying and presenting exceptions for customer review including approximate timeframes for significant steps in the process, availability of image viewing and reporting associated with the process.
- 9.5 What disposition options are available for exceptions (return, pay, other)?
- 9.6 Describe the decision process, associated deadlines for resolving exceptions and how the Bank handles unresolved exceptions.
- 9.7 Describe the transmission methods and file formats available to return data and/or images of matched and cleared and resolved items to OST?
- 9.8 Are all checks, including those received by the tellers and vault, verified against the positive pay file before processing? How often is teller information updated? If not

verified, what is the process, liability, and security involved in over-the-counter transactions?

- 9.9** Describe all methods by which OST can send manual issues or deletes to the bank.
- 9.10** How are positive pay reports delivered (e.g. fax, internet, PC software)?
- 9.11** Are MICR errors/misreads deleted from the positive pay report prior to the report being sent/transmitted?
- 9.12** Are check images integrated with the positive pay report? If yes, how are the check images delivered? If no, can check images be delivered separately from the positive pay report? If so, please describe in detail.
- 9.13** Please submit a sample or proposed Positive Pay Services agreement with the Bank's proposal containing all contract terms necessary. OST and the successful bank will negotiate the final terms of the agreement.

Settlement

- 9.14** Pursuant to a Transaction Settlement Authorization the Federal Reserve is authorized to settle debits and credits to OST's main operating account for clearing warrants issued by the State. Does the Bank facilitate correspondent relationships with the Federal Reserve? If OST wishes to continue this practice note the circumstances under which the Bank could accommodate this relationship.

Section Ten

COMPENSATION, FEES AND RELATED INFORMATION

Pursuant to O.S. Title 62 Section 71, OST may compensate banks for services in hard dollars or through compensating balances and any excess earnings credits must be carried forward to future periods. This statute also provides that state agencies who participate in agreements between the State Treasurer and Banks may pay for certain fees associated with their transactions directly to the Bank. During the past several years OST has paid for bank fees with a combination of hard dollars and compensating balances and all accounts with the Operating and Depository Banks have been grouped at the relationship level for compensation purposes. Lockbox and remote deposit capture services are billed to and paid by the state agencies using the services.

Copies of statements from current service providers have been included in Appendices B, C, D, and E. The current OST Operating Bank and ACH Origination Bank is the same Vendor and their statement includes both of these services. The current OST Depository Bank provides all lockbox services.

- 10.1** The Earnings Credit Rate (ECR) for the monthly analysis must equal or exceed the 90-day Treasury Bill average for the previous month; however, the Bank may offer an enhanced ECR. Please disclose the ECR that the Bank will offer OST and describe the method used to calculate earnings credits.
- 10.2** Under no circumstance can the Bank debit OST's accounts for any costs or fees associated with the services provided. Fees for all services provided must be billed monthly in conjunction with an analysis statement. Charges for overdrafts must be handled through the analysis statement process. What billing period options do you offer? How soon after the close of the billing period is the account analysis available? Please furnish a copy of the Bank's analysis statement or statements. Does the Bank offer analysis statements in an electronic format? If so, list the formats and transmission options available?
- 10.3** Is the bank's account analysis statement available online via a browser-based access service? How many months are these statements maintained on this service?
- 10.4** How are adjustments reflected on the account analysis? What is the cut-off date for the State to notify the bank of errors to have adjustments reflected on the next account analysis statement?
- 10.5** Is there a fee or other assessment for FDIC Insurance? If so, how does the Bank calculate the charge?
- 10.6** Can the customer decide how the balances in its accounts will be grouped for purposes of compensation (e.g., assessed individually, by division, at the relationship level, etc.)?
- 10.7** When calculating average balances, are daily positive and negative balances netted to

avoid overdrafts on a main account?

- 10.8** The Bank must submit its pricing in the pro-forma formats provided; see Pricing Schedules 1 through 6. It is expected the Bank will have some charges not specified in the formats provided or whose descriptions differ slightly from those presented in formats provided. It is also expected that the Bank may not have other charges that are specified in the provided formats. While the goal is to be able to compare pricing against other bank proposals for the volumes contained in the attached examples, the Bank is responsible for ensuring that all costs associated with the requirements described in this RFP and/or addressed in their Proposal are included. **Any fee that is not fully documented in the Proposal and included on the formatted schedules provided will not be allowed during the course of the contract, unless agreed to in writing by OST.**
- 10.9** The Retail Image and Retail/Wholesale Lockbox Banks may be awarded with or without depository services. The Retail Image and Retail/Wholesale Lockbox Bank must match or beat the pricing for item clearing and the availability schedule of the Depository Bank to be awarded with the depository service aspect of the Retail Image or Retail/Wholesale Lockbox Banks contracts.