



May 31, 2016

FINANCIAL AGENT SOLICITATION GENERAL LOCKBOX NETWORK

I. INTRODUCTION

The Bureau of the Fiscal Service (Fiscal Service) plans to select one financial institution to operate, maintain, and improve the Federal government's General Lockbox Network. Interested financial institutions should respond with a Proposal as specified in Section VI of this solicitation.

Fiscal Service will conduct the selection pursuant to its Financial Agent Selection Process (FASP). The financial institution selected shall be a financial agent (FA) of the United States, and will have a fiduciary responsibility to act in the best interests of Fiscal Service, including a duty of loyalty and fair dealing. Fiscal Service will expect full transparency in all dealings with the FA, including all communications and pricing.

Fiscal Service will evaluate the Proposals submitted by financial institutions in two phases. In Phase 1, Fiscal Service will review all the Proposals and select up to six finalists. In Phase 2, each finalist will receive additional detailed information and present its final proposal, and Fiscal Service will select one of the finalists as FA.

Fiscal Service will enter into a 5-year financial agency agreement (FAA) with the FA. The term of the FAA will commence on or about August 1, 2016. Fiscal Service will have the option to extend the FAA for two additional 2-year terms.

The FA may use third party contractors to assist in providing the services required in the FAA. Fiscal Service encourages its FAs to use small businesses, including minority-owned or women-owned businesses, as contractors.

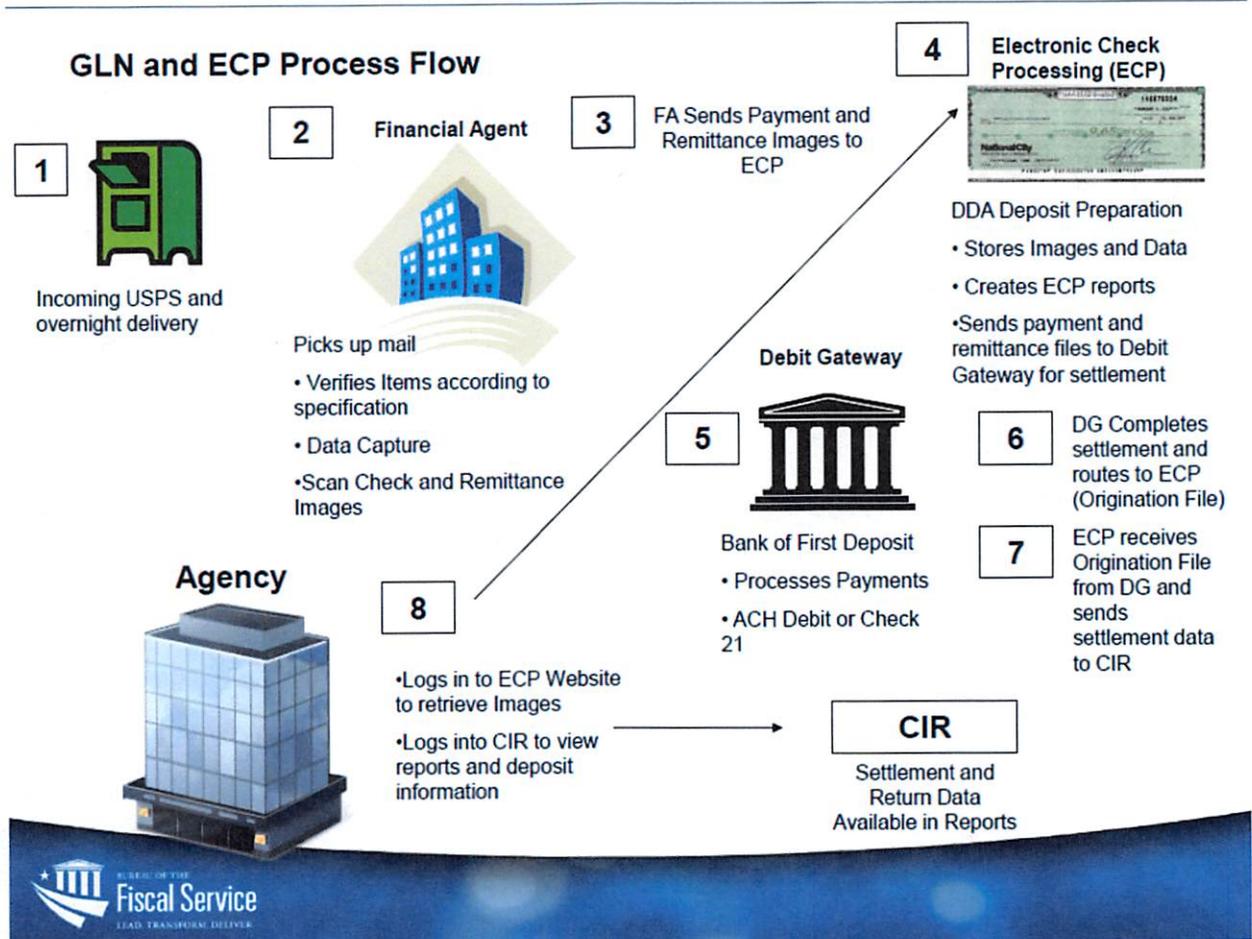
II. BACKGROUND

A. General Lockbox Network (GLN)

The GLN currently is comprised of three FAs that provide lockbox collection and remittance services for non-tax collections to Fiscal Service on behalf of Federal agencies. Agencies instruct remitters to mail payments directly to lockboxes. FAs collect and sort the mail, open envelopes and extract the contents, capture required check and remittance data and images, process the financial and remittance data against a set of business rules, balance the day's work, transmit the collected check and remittance data to our Electronic Check Processing (ECP) system, and in some cases transmit the remittance and deposit data to the agencies.

The GLN currently handles 189 separate agency cashflows for 66 Federal agencies. In FY 2015, the GLN processed 34 million items and collected a total of \$21 billion.

Each individual agency cashflow follows a Statement of Required Services (SRS) which defines the work activities, deliverables, and collection services to be provided by the FA.



There are two basic types of GLN services available to Federal agencies:

Retail Lockbox

The retail lockbox is generally for high volume remittance collections processing. The FA will collect mail, transport it to a lockbox facility and process and deposit receivables. High-speed image scanning equipment reads, verifies, and captures remittance data from the machine readable remittance documents using optical character recognition (OCR) technology. Remittance data is captured and transmitted to the agency. During FY 2015 there were 22 million items processed and \$8 billion collected through the retail lockboxes.

Wholesale Lockbox

The wholesale lockbox is generally for more complex remittances. The FA will collect mail; transport it to a lockbox facility and processes and deposits receivables. Although various technologies may be used, these items usually do not include a standardized payment coupon, but may require data capture, document preparation, sorting rules, and interaction with agency internal systems. This line of business requires more manual effort and/or detailed processing. During FY 2015 there were 12 million items processed and \$13 billion collected through the wholesale lockboxes.

B. Objectives

Fiscal Service is seeking one FA that can support the GLN in achieving the following business objectives:

- **Redundancy and Flexibility:** The FA will provide service and equipment redundancy and contingency across at least two processing sites. The lockbox sites must be geographically dispersed to address risks, and have the scalability to increase or decrease volume as needed during the term of the FAA.
- **Technical Innovation:** The FA will remain abreast of developments in lockbox operations and offer best in class technical changes and innovative solutions.
- **Consolidation:** Reduce the number of Financial Agents providing GLN services to one (1), with a minimum of two (2) processing sites.
- **Standardization and Operational Efficiencies:** The FA will standardize procedures and operations for the various cashflows in order to optimize efficiency and cost savings.
- **Program Management:** The FA will provide a dedicated support team committed to the success of the GLN. The FA team should include a diverse mix of skill sets that correspond to major aspects of lockbox processing, including IT development,

operations, project management, analyses, security, and customer service.

III. TECHNICAL AND PROCESSING REQUIREMENTS

A. GLN Core Processing Requirements

The FA will provide the following core critical lockbox services to agencies as required by the SRSs for each cashflow. Additional services may be required for particular cashflows.

- Post office box rental
- Mail collection, extraction, batching, and sorting
- Remittance processing
- Check processing
- Credit card processing via Pay.gov
- Data capture
- File creation and transmission (multiple files created and sent on a daily basis)
- Balancing
- Exception processing
- Various daily and monthly reporting
- Preparing and sending daily outgoing mail packages
- Customer service
- Records safekeeping and destruction

B. Program Resources

The FA will provide staff with expertise in all areas of the GLN business operations including, but not limited to, standardization and operational efficiencies, program management, IT, customer service, change requests, and technical innovation.

C. Service Level Requirements

The FA will provide the highest standards of performance and quality, and must perform ongoing daily quality control reviews of work in process. Fiscal Service will review the established quality controls on an on-going basis to ensure performance meets established standards. This includes a review of accuracy, work volume accountability, workload tracking, responsiveness, timeliness, system availability, and security.

Fiscal Service performs ongoing quality control reviews using a Metric Tracking System. This Excel based tracking system is used to track every cashflow and the associated Service Level Agreements (SLAs). Each day the FA will send an Excel file detailing the number of checks processed and dollar amount deposited via ECP by cashflow. Fiscal Service uses the daily files to balance to reports sent internally through ECP. Each month the FA will send a more detailed Excel file listing the cashflow types and SLA data for each cashflow. This data is used to evaluate the FA's performance.

Each lockbox site will be open 362 days a year (closed New Year's Day, Thanksgiving, and Christmas). Hours of operation will be based on Continental United States time zones.

D. Lockbox Relationship Management/Customer Service

The FA will provide all aspects of Federal agency customer service. The FA will designate customer service liaisons to receive all agency customer service inquiries and requests by phone, email, and other forms of correspondence and provide research services and program support.

The Customer Service Hours for each lockbox site are Monday to Friday from 8:00 am – 8:00 pm ET to receive agency customer service requests.

E. Systems Interface

The FA will be required to interface with the following Fiscal Service systems:

Electronic Check Processing (ECP)

The FA will interface with ECP, the Fiscal Service's system to convert paper checks into ACH or Check21 items. The ECP system is a web-based client facing application used by Federal agencies to view transactions for research and reporting purposes. The FA captures images of paper checks and remittance data and transmits files to ECP. The check images and remittance data will be stored in ECP, where they can be viewed by ECP system users as soon as they are received. The FA will transmit the following files to ECP for processing and settlement:

- **Item File:** Transaction file containing all of the financial data related to the transaction. Item file consists of MICR line information, dollar value, and settlement, cashflow, and transaction identification. It is comprised of one or more batches. Each batch is comprised of payments from a single cashflow.
- **Check Image File:** Check image files relate financial payment information to the actual financial instrument. They contain all the check images in TIFF format (front and back of the check) and the control file.
- **Remittance Document Image File:** Contains all the electronic remittance images such as a coupon or payment stub and includes a control file. Zip file contains images in TIFF format and control file .xml.
- **Control File:** Outlines the contents of an image file.
- **Remittance Document Information File:** Contains the data values from the coupon, payment stub or user defined data (UDD) e.g. invoice number, customer ID, form number etc. to be stored and is associated with a specific remittance document.
- **Relationship File:** Used to identify the relationship between the Individual Reference Number (IRN) and Remittances.

Pay.gov

Pay.gov is a Fiscal Service system that provides Federal agencies with a secure government-wide portal for collecting funds electronically. The FA will interface with Pay.gov for all credit cards and debit card transactions. There are two primary Pay.gov services that the FA may utilize to process these transactions. The FA will choose the service that best fits its business model. These services include an interactive web-portal and a non-interactive transaction submission service.

- The Pay.gov Collection Control Panel (CCP) is an online tool used to process credit card and debit card transactions as well as ACH debit transactions. The FA's staff is granted access to a CCP application. Once authorized agency staff log on, they manually key in transaction information. This information includes the customer's personal information associated with the payment type (plastic card or ACH debit) as well as the required account information.
- The Pay.gov Trusted Collection Services (TCS) allow for programmatic submission of transactions to Pay.gov for processing. TCS enables a secure web services-based connection to Pay.gov. The FA collects all transaction information and the data is submitted to Pay.gov via TCS. Submission of data is sent to Pay.gov in a single transaction or as a batch of transactions.

The FA must maintain Plastic Card Industry (PCI) compliance and submit all PCI compliance paperwork to Fiscal Service.

Bank Management System (BMS)

BMS is the system used by Fiscal Service to review, approve, and pay expenses incurred by its financial agents. The FA will report its expenses each month through BMS.

Hub and Spoke Configuration

Fiscal Service is researching potential efficiencies and security and operational improvements to be gained in re-designing the GLN to separate and consolidate the back end processing work and the front end collection work into a "hub" and "spoke" configuration.

The FA will be required to support any changes in systems or processes that may result from the Fiscal Service movement toward a hub and spoke architecture.

IV. SECURITY REQUIREMENTS

The FA must meet all applicable Federal government requirements for (1) physical and personnel security, (2) information technology security, and (3) disaster recovery and continuity of operations. The FA will also be required to assist with Fiscal Service security reviews by

providing information about processes, software, facilities, personnel, and equipment through interviews, on-site inspections, and documentary evidence.

All employees of the FA and its contractors providing GLN services must be citizens or lawful permanent residents of the United States. All facilities and systems used to provide GLN services must be located in the United States.

V. AUDIT AND RECORD RETENTION REQUIREMENTS

The FA will be required to conduct and prepare semi-annual internal audit reports of its lockbox operations, and to obtain an annual external audit (from an independent audit firm) of its GLN operations. The FA will also be required to maintain all records, reports, documents, and other evidence related to the performance of its GLN services.

VI. SUBMITTING PROPOSALS

Content

Proposals should clearly demonstrate the financial institution's ability to meet the requirements specified in Section III, *Technical and Processing Requirements*. Proposals should describe the following:

- Experience in retail and wholesale lockbox processing, staffing methodology, and program support and human resource management capabilities
- Proposed site locations and associated rationale for those sites
- Proposed technology platform
- Redundancy and disaster recovery plans
- Commitment to the lockbox processing business
- Any other relevant information to assist the Fiscal Service in evaluating the Proposal

Proposal documents should not be marked as "*Proprietary and Confidential*" and Fiscal Service will not honor any such markings. However, because Proposals may be subject to Freedom of Information Act (FOIA) requests, Congressional inquiries, or other requests, Proposal documents may be labelled as "*Program Sensitive*" to emphasize concerns about the disclosure of confidential business information.

Proposals should not contain, and the Fiscal Service will not consider, information on pricing and program costs. Fiscal Service will request pricing information from finalists in Phase 2 of the evaluation process.

Format Specifications: Proposals must be formatted as follows:

- No more than 20 one-sided pages (not including any requested attachments)
- Paper size 8 ½" x 11"
- Single-spaced
- Font type and size – 12 point Times New Roman font
- Margin size – one inch
- A table of contents is optional (not included in 20-page maximum)
- 5 paper copies of the Proposal

- 1 CD containing (a) the Proposal in Microsoft Word format and (b) a signed copy of the proposal in Adobe PDF format.

Transmittal Letter: Proposals must include a transmittal letter as follows:

- The transmittal letter must be written on the financial institution's letterhead and be signed by an official of the financial institution with legal authority to represent and bind the institution.
- The transmittal letter must include the name, title, mailing address, e-mail address, and telephone number of the financial institution's contact person for all communications related to the FASP.
- The financial institution must affirmatively state in the transmittal letter that it (1) qualifies as a financial agent under 31 CFR Part 202; (2) agrees to the selection and evaluation approach described in this solicitation; and (3) understands that the selection is subject to the Fiscal Service's FASP and is not subject to the Federal Acquisition Regulations.

Submission: Financial institutions should submit their Proposals to Fiscal Service by 5:00 pm ET on July 8, 2016. Proposals should be sent by courier or traceable delivery service to:

Mr. Craig Sadick
Supervisory Program Manager
U.S. Department of the Treasury
Bureau of the Fiscal Service
401 14th Street, SW, Room 415
Washington, DC 20227

Questions about the Solicitation: Financial institutions should direct all questions about this solicitation to the following mailbox address: FI.Lockbox@fiscal.treasury.gov. Fiscal Service will respond to all questions in writing via e-mail as soon as possible and may share questions and answers with other respondent financial institutions.

VII. EVALUATION PROCESS

Phase 1

At the beginning of the evaluation process, each financial institution will be required to execute a non-disclosure agreement before Fiscal Service will consider its Proposal.

During Phase 1, Fiscal Service will evaluate Proposals to determine the ability of the financial institution to meet the requirements specified in Section III, *Technical and Processing Requirements*. Fiscal Service will conduct a Phase 1 information session for all applicants. The Phase 1 session will provide information regarding the GLN program, the FASP, and interfaces with ECP, Pay.gov, BMS, and other Fiscal Service systems. Applicants should send RSVP for the initial Information Session to FI.Lockbox@fiscal.treasury.gov. A maximum of 3

representatives will be accepted from each FI. A completed NDA will be required at the Information Session.

Fiscal Service will evaluate all Proposals received and select up to six (6) financial institutions as finalists. The selection of the finalists will be at the sole discretion of Fiscal Service.

Each finalist will be notified by Fiscal Service that its Proposal warrants further consideration and will be invited to participate in Phase 2 of the evaluation process. Financial institutions not selected as finalists will also be notified.

Phase 2

At the beginning of Phase 2, finalists will receive a pricing template to submit their pricing proposals and a copy of the FAA.

Fiscal Service will conduct a Phase 2 information sessions for all finalists. The Phase 2 session will provide information regarding the pricing template, security and audit requirements, Statements of Required Services for Federal agencies with details on specific agency cashflows, and the Service Level Requirements used by Fiscal Service to evaluate the FA's performance.

Additional information sessions consisting of open dialogue with Fiscal Service, both with individual finalists and collectively with all finalists, may occur at the discretion of Fiscal Service. Fiscal Service will provide all finalists with the opportunity to ask questions and to clarify the terms of their Proposals throughout the evaluation process.

Each finalist should prepare a high level transition plan, detailing how it will implement GLN processing and how it will transition existing GLN operations to the financial institution if it is selected as the FA for the GLN. The transition plan should include details of how the financial institution would work with Federal customer agencies during a transition of lockbox work.

Finalists should prepare to provide pricing proposal information according to Output-Based Methodology. The GLN services are transactional and are classified by Association of Financial Professionals (AFP) Codes. Finalists should also prepare to address their entry costs for providing lockbox service as well as costs to transition the work from current providers. Some key entry cost drivers include facilities, labor, technology and equipment, internal controls and auditing, networking, and our security requirements (Secure facility, guard force, ability to control entry/exit, extensive camera coverage, digital video recording, background investigations and record keeping). Again more information will be provided during a Phase 2 information session

Each finalist will be invited to present its final Proposal in an oral presentation held in person at Fiscal Service headquarters in Washington, DC. After the oral presentations, Fiscal Service will select one finalist as the FA for the GLN. The FA will be required to execute the FAA with Fiscal Service within 4 weeks after the date it is notified of its selection.

Evaluation Timeline

Fiscal Service plans to follow the schedule below, but any dates may change at the sole discretion of Fiscal Service.

Timeline	Phases / Events
June 9, 2016	Initial Information Session RSVP Due
June 17, 2016	Initial Information Session and Non-Disclosure Form
July 8, 2016	Initial Proposals Due to Fiscal Service
TBD	Respondent FI Notification (top-6 Finalists and Others)
TBD	Second Information Session
TBD	Second Proposal Due to Fiscal Service

Evaluation Criteria

Fiscal Service will evaluate Proposals based on multiple factors. In Phase 1, Fiscal Service will consider only factors (a) - (c) set forth below. In Phase 2, Fiscal Service will consider all factors set forth below.

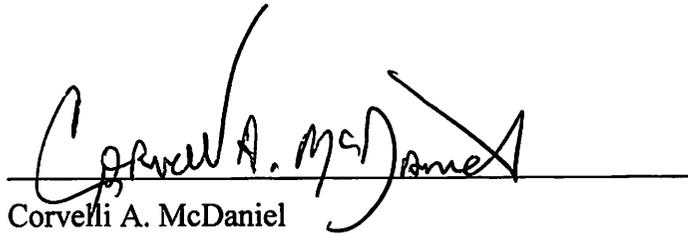
- a. Experience in retail and wholesale lockbox processing, staffing methodology, and the ability to meet the technical and processing requirements specified in Section III.
- b. Location of lockbox sites and associated rationale, and the proposed technology platform.
- c. Ability to provide resiliency, redundancy, and disaster recovery.
- d. Transition Plan and Experience – Experience in transitioning lockbox operations and the specific plan for transitioning existing GLN operations to the financial institution.
- e. Innovation/Cost Reduction – The financial institution’s commitment to incorporate innovation in a manual, paper-based business, and to reduce costs through innovative solutions and initiatives.
- f. Pricing proposal, including costs of transitioning existing GLN operations to the financial institution.
- g. Security and Audits – The financial institution’s commitment and ability to meet Treasury’s security and audit requirements and its approach to security controls, cyberterrorism, and protection of information.
- h. Systems Interface – The financial institution’s ability to maintain secure, tested, operable interfaces with key Treasury systems as required.

VIII. OTHER

This financial agent solicitation may be amended from time to time, or cancelled in its entirety, in the sole discretion of Fiscal Service.

VIII. APPENDIX

- Non-Disclosure Form

A handwritten signature in black ink, reading "Corvelli A. McDaniel", is written over a horizontal line. The signature is cursive and includes a large, sweeping flourish at the end.

Corvelli A. McDaniel
Assistant Commissioner, Revenue Collections Management