

Notice to Financial Institutions
Bidding of Banking Services For
Over The Counter Revenue Collection Services

The Financial Management Service (FMS), U.S. Department of the Treasury, is soliciting proposals from commercial banks that are interested in becoming the developer of the Over the Counter (OTC) channel application and service provider for the day to day management of the Government's OTC channel. FMS seeks a dynamic service provider with a pioneering spirit and a culture that supports excellence, to lead a revolution in the way in which the Government conducts OTC revenue collection. This solicitation represents an opportunity to transform the OTC revenue business line from an aged paper based, multi-system business model, to a web enabled retail business model that we envision will serve as the benchmark for the business world. FMS requests that interested and eligible Financial Institutions (as defined in Attachment 1) capable of providing these services to the Federal Government respond with a proposal, in accordance with the requirements specified in this notice.

INTRODUCTION

FMS is responsible for providing the central collection, and deposit reporting mechanisms used by all Federal agencies to support the collection of taxes, fees, fines, sales, leases, donations, loans, duties, and other activities transacted at agency point of sale (POS) locations worldwide. In addition to credit and debit card payments, agencies receive all manner of coins, currency and checks transacted at POS locations that must be processed and deposited at designated banks. To that end, FMS designates the depositaries (i.e., Treasury General Account (TGA) banks and International TGA banks), which provide the necessary banking services infrastructure to facilitate the timely deposit and reporting of agency OTC deposit activity. The current TGA bank infrastructure will also be transformed resulting in a new end state, but this will be accomplished through a separate Financial Agent Selection Process.

Through this notice, FMS seeks a system developer and day to day manager of the Government's \$140 billion (annual) OTC channel. In broad terms, the OTC channel is best described from the perspectives of "As Is" and "To Be" in light of FMS' Collections and Cash Management Modernization (CCMM) initiative. There is a 4 year plan to (a) maintain OTC legacy systems for a transitional period; (b) simultaneously develop and implement the new OTC channel application; (c) convert all agencies and agency system users to the new channel application; (d) stand up a robust customer service support structure to provide a central point of contact for all federal agencies with OTC needs; and (e) serve as the service provider for the Government's OTC channel into the future. FMS' CCMM plans call for the OTC enterprise architecture to be completed by 2011, while continuing to provide day to

day operational support to agencies currently on legacy systems and doing OTC business during that time. Note that while this Notice describes current estimates of volumes, no representations or guarantees are made with respect to future volumes under any resulting financial agency agreement.

SCOPE OF OVER THE COUNTER CHANNEL

The following information provides Financial Institutions with high level details about the scale and scope of the Federal Government's OTC channel. The OTC channel of today, consisting of two systems (PCC OTC and TGAnet), five networks (TGA bank network; ITGA bank network; FRB TGA bank network; Credit and Debit Card Acquiring Network; and Seized Currency Collections Network), over 130 TGA banks that rely on the paper SF 215 deposit ticket and the Cashlink II cash concentration and reporting system to process federal agency deposits, and peripheral OTC-related programs and services, will radically change as we evolve to the OTC channel "To Be" end state.

The OTC channel supports agency POS locations worldwide and maintains 24/7 operations in support of agencies performing their mission in a range of diverse geographical areas - from the Middle East to the Far East, on the high seas, and throughout the U.S. (from the halls of Congress to customs and border patrol outposts). Further, the OTC channel is responsible for the coordination of TGA depositary services to establish agency accounts at designated TGA banks, as well as the coordination of agency requests for deployment and maintenance of POS hardware, system development, operations and maintenance, and steadfast efforts to convert agencies to electronic cash management options such as Paper Check Conversion Over the Counter, TGAnet, and the credit/debit card program. In addition, the total revenue collected via the OTC channel is \$140 billion annually involving the processing of over 62 million paper checks, and roughly 704,000 bank deposits.

More specifically, in order to provide Government wide services that enable over 200 Federal Agencies to process transactions and make deposits to the Treasury from thousands of sites throughout the world, FMS currently operates:

- Domestic and international banking networks (TGAs & ITGAs) to receive and process agency deposits from agencies at designated bank and branch locations around the world. A call center provides agency and bank support to answer questions and assist in establishing new accounts for agencies. Under CCMM, we will move to one TGA bank network to support agency customers wherever they are performing their mission around the globe.
- A secure, web-based deposit reporting system (TGAnet) that enables agencies to create deposit vouchers, thus reporting to FMS the dollar amount and accounting data for deposits the agencies will deliver to one of the TGA or ITGA banks. Thus, TGAnet supports the FMS Governmentwide Accounting initiative that will facilitate daily reporting to allow Treasury and agencies to know their Fund

Balance with Treasury. TGA-net provides TGA banks a secure web-based interface as well as a system to system interface to send Treasury a confirmation of the accuracy of agency deposit reports, thereby allowing Treasury's cash concentration system to move the funds to Treasury's central TGA account with the Federal Reserve. TGA-net also allows agencies to upload accounting data to refresh agency accounting systems.

- The Paper Check Conversion Over the Counter (PCC OTC) system allows federal agencies to convert personal and business checks into electronic funds transfers. The process occurs at the POS sites where all checks received are converted into electronic debits to the check writer's account through the Automated Clearing House system, or into a substitute check image that is truncated and cleared under the authority of Check 21. The PCC OTC system is comprised of 2 components: (1) POS windows based software to capture financial transaction data and images in the field; and (2) a web based host application that resides on a shared environment in the Treasury. The first component, the POS, is a thin client, where, based on predefined business rules, each check is routed to the most appropriate settlement methods. The POS software supports several scanners to meet various customer needs. The website and application are available to process transactions 24 hours a day, 7 days a week. PCC OTC's customer base includes both civilian and U.S. Military customers and it spans federal agencies conducting operations around the globe. Average monthly volume processed by PCC OTC is approximately \$333 million in collections from 167,000 transactions.
- Customer support for federal agencies participating in TGA-net and PCC OTC, to include coordination of agency request for POS hardware (future needs) and support of existing hardware currently deployed in the field.
- A Seized Currency Collections Network to process approximately \$600 million in currency seized annually by Federal government law enforcement officials in the course of their duties.
- The credit and debit card acquiring program which supports agencies that currently accept (and agencies that may opt to accept in the future) card transactions at the POS. There were approximately 50 million card transactions processed at agency POS locations in 2006.
- Foreign Check Processing: the central processing of all checks drawn on foreign banks and branches of U.S. banks, whether payable in U.S. dollars or in foreign currency.
- Foreign Currency Processing: the central processing of all foreign currency and foreign coins received at agency POS locations throughout the U.S.

These systems, networks and services comprise the current infrastructure of the OTC channel and are used daily by federal agencies for the collection of receipts at agency offices, stores, and service centers as well as limited scenarios involving mailed payments received at agency offices.

SCOPE OF THE SOLICITATION

FMS is seeking proposals from eligible Financial Institutions in order to select a Financial Agent that will perform both system development and maintenance of the new OTC channel application, and daily management of the Government's OTC revenue collection program, while playing a prominent role in helping FMS achieve CCMM goals. Firstly, proposals must address the development of a new OTC channel application that will integrate the PCC OTC and TGA net systems, support agencies making deposits of seized currency and also provide an interface for agencies to view deposit reports of debit and credit card collections. The OTC channel application will transform the stove pipe model characteristic of today's environment (i.e., reliance on multiple systems and data access points), to a one system solution that permits agency customers to go to one place for all of their OTC activity. In essence, we seek a sea change in the OTC landscape, to convert the government's OTC channel from "the way we've always done it" to an exciting retail business model. Secondly, proposals must address day to day management of the \$140 billion OTC channel inclusive of overall coordination, implementation and integration of the networks, services and programs identified in the bullets in the "Scope of Over the Counter Channel" section.

Proposals must address the assumption of maintenance and operations for the PCC OTC and TGA net systems, until those legacy systems are replaced by the new OTC Channel application and are decommissioned. While traditional TGA bank services, to include foreign check processing and foreign currency processing, will be done by banks selected to serve in the new TGA bank end state (via a separate FASP), the commercial bank selected as the OTC channel service provider will be the central contact for Treasury/FMS and federal agencies regarding TGA bank matters and thus will work with the designated TGA banks as needed.

FMS seeks to identify and designate a Financial Institution to develop, implement and maintain an OTC channel application that integrates services currently provided by two separate systems: the PCC OTC and the TGA net. The OTC channel application will also provide support for the reporting of foreign check and foreign currency/coin deposit activity, the reporting of seized currency collections and, through its interface, visibility for agencies to see deposit reports for debit card and credit card transactions initiated at agency locations and processed by a separate financial agent. Thus, the OTC channel application will support Federal agencies in all OTC deposit activity. It is imperative that prospective candidates prioritize and present Java EE software development experience with Weblogic and Oracle databases on a UNIX platform in their response to this notice, inclusive of summary descriptions of development related to retail operations and financial transactions.

FMS will provide sublicenses to use and modify existing code from the PCC OTC and TGA net applications, with the exception of third-party COTS software, which the bidder will be responsible for obtaining. A list of necessary COTS software will be provided to candidates at a later time. FMS requires non-exclusive rights to all ideas

and concepts developed as part of the financial agent arrangement, and to all new software developed as part of the financial agent agreement.

The OTC Channel application will process deposits and deposit reports for large dollar amounts and the selected vendor will be held to maintaining high standards of confidentiality, systems availability and systems integrity. If the systems developed or modified by the vendor experience outages while in production, and the root cause is traced to either (1) flaws easily avoided by use of generally accepted best practices, or (2) flaws avoided by use of generally respected analysis tools, then the vendor may be required to compensate Treasury.

Both the PCC OTC and TGA net systems currently operate on the Treasury Web Application Infrastructure (TWA I), a shared platform managed by the Federal Reserve for FMS web-based systems. FMS will consider during the selection process whether to host the OTC channel application on the TWA I, or to host it on some other platform. FMS will look to the bidding Financial Institutions for suggested solutions to this question. The bank selected through this FASP must be willing and able to support FMS' direction in either direction (application hosted on the TWA I or some other platform) depending on decisions by FMS management.

FMS intends to accelerate the implementation of PCC OTC to convert paper checks to EFT at the POS, while significantly reducing the processing of paper checks. FMS envisions the PCC OTC system becoming entirely web-based, thus diminishing the need for maintenance of the current thin client PCC OTC software at agency locations. FMS is converting all agencies making TGA deposits to the TGA net System. As check deposits are converted to PCC OTC, the volume of TGA net deposits and of checks in those deposits ultimately will be reduced.

Prospective Financial Agents should be aware that the processing of checks through the PCC OTC system, the processing of deposits through the TGA net system, and the display of collections processed through the Credit and Debit Card Acquiring Network will not be considered as stand alone services, but rather must fit within FMS' enterprise architecture for governmentwide revenue collection. Under this architecture, the management of collections channels is separated from the provision of settlement mechanisms. FMS will be developing a Settlement Gateway that will govern the settlement of OTC transactions. There are three gateways under the Settlement Gateway: Check Gateway; ACH Gateway; and Card Gateway. Under the new architecture, the OTC channel application would only have to deliver a standard collections transaction to the appropriate Settlement Gateway. Following settlement, the Settlement Gateway would pass the information to the OTC channel application, which would provide information to the data warehouse called the Transaction Reporting System (TRS). The TRS will employ a standard FMS XML format for financial transactions. Services provided by the OTC channel application will need to fit within the supporting enterprise architecture inclusive of settlement, reporting, image archive, and other components.

Credit and debit card deposits will be processed through the Fifth Third Bank but will be viewed by federal agencies in the OTC Channel application for the short term to provide a complete view of all Over The Counter deposit activity. Eventually these transactions will be viewed in the TRS. For the present, if an agency wants to view detailed credit and debit card transaction data, they will access that from the vendor bank, Fifth Third, as they do currently.

Financial Institution respondents must also be aware that the success of this service is tied to unique Government requirements that may differ from standard commercial practices, such as intellectual property rules, transaction amount limits, data transmissions in multiple formats, agency reporting particulars, audit and security specifics, centralized monthly billing for transactions versus discounting of transactions, and the like. With regard to personnel security requirements, respondents must be aware that although some staff performing common commercial or routine banking functions may not be subject to any unique security requirements, FMS' general rule is that personnel performing Federal government processing or with access to Sensitive But Unclassified (SBU) data must be U.S. citizens or lawful permanent residents, and their activities and the systems they use must be within the United States.

For personnel security, most personnel (including contractors and vendors) involved with sensitive but unclassified information, including, but not limited to, system development personnel, will be subject to a security background investigation and periodic reinvestigation that the FA will need to conduct on behalf of the Government. The scope of the background investigation may be tiered contingent upon risk (low, medium or high) and other factors. Attachment 2 summarizes the requirements for a High Risk Position.

As for physical security, areas and space that will be reserved for systems development may be subject to specific physical security compliance requirements. The Government is particularly concerned with the following four features: 1) Environmental design, 2) mechanical and electronic access control, 3) intrusion detection, and 4) video monitoring and recording. Before a determination is made to determine the scope and level of physical security applied to a given area, the FA must submit a survey that addresses the above features. In a well designed system, these features should integrate with and complement each other. For example:

- address how obstacles are used to frustrate trivial attackers and delay serious perpetrators
- describe how alarms, security lighting, security guard patrols and closed-circuit television cameras are used in making it likely that attacks will be noticed once attempted,
- identify how security personnel will respond to repel, catch or frustrate attackers when an attack is detected.

FINANCIAL AGENT SELECTION PROCESS

FMS, in its sole discretion, will select and designate the financial agent to perform the over the counter revenue collection services.

The financial agent selection process can involve multiple stages or rounds beginning with the initial submission of a high-level proposal from interested Financial Institutions, as outlined in the section “Initial Proposal” below, and ending with the designation of a financial agent and the negotiation of a financial agency agreement.¹ Based on the initial proposals, FMS in its sole discretion will determine which, if any, Financial Institutions will proceed to the second round. Instructions for the second round will be distributed at the time of selections for the second round.

Further, FMS in its sole discretion will determine which if any Financial Institutions proceed to succeeding rounds leading to the final designation of a financial agent. The overall process, particularly in succeeding rounds, is intended to be flexible, allowing for direct discussions and interaction with potential financial agents as FMS determines, and will depend on progress made at each stage. FMS expects to work closely with Financial Institutions to cooperatively determine how to best meet the needs of FMS and Federal agencies. The process is not based on and will not follow the invitation for express of interest (IEI) process previously used by FMS to select certain financial agents.

By submitting a response and participating in this process, the Financial Institution agrees to FMS’ financial agent selection process and decisions. This notice to submit a proposal in no way commits the Federal Government to any legal or fiduciary obligation to any respondent or participant in the process, and FMS is not liable for any costs incurred by respondents participating in the process or in preparing and submitting a response or any future documentation.

FMS seeks to designate one Financial Institution as financial agent for the required over the counter revenue collection services. FMS anticipates an initial five (5) year financial agent agreement with several option years.

INITIAL PROPOSAL

Financial Institution respondents to this notice must submit an initial proposal describing general capabilities and providing background information. The initial proposal must cogently and directly address the following topics, which will be among the factors used in selecting the financial agent:

- Experience in providing services for cash, checks, credit and debit card processing.

¹ FMS reserves the right to modify the selection process if FMS determines it is in the best interest of the Government.

- Size of clients and diversity of processing base, in terms of transaction types and point of sale locations.
- Experience with JAVA EE software development and managing large complex projects. Include a brief description of the last 3 major system implementations with number of users, architecture, technologies used, number of external interfaces, timeframe of implementation and number of lines of code. Indicate the number of years you have provided software development.
- Specify experience level with the following additional technologies: Weblogic, Oracle, Visual Basic, C++ and Actuate on a Unix Sun Solaris platform.
- Staff expertise and depth in management, architecture, business analysis, development and testing.
- Staff experience with industry best practice of program/project system design life cycle. FMS promotes the use of its own type of Rapid Application Development (RAD). FMS RAD emphasizes time-boxed development phases, but does not necessarily entail the use of CASE tools. This methodology is termed RAD because of its perceived ability to define, code, and deploy applications more quickly and of greater quality than other methodologies historically practiced within the bureau.
- Experience in imaging technology and financial transaction processing from point of sale locations distributed worldwide.
- Experience in systems integration. Please include a description of your proposed analysis and methodology for (1) determining which portions of PCC OTC and TGAnet to retain, and (2) integrating those portions with each other and newly developed code into the full OTC Channel. FMS does not expect candidates to perform the actual analysis or submit recommendations, but rather to present a description of how they will approach that work.
- Management control structure and sound project management practices such as Earned Value Management.
- Experience in processing foreign currency transactions.
- Experience in providing support for hardware and acquisition process. This experience must include knowledge of scanners and peripheral hardware equipment. The Government has a goal of utilizing one capture terminal for all POS locations. We envision a universal POS hardware device that can perform check scanning, process credit/debit cards, and traditional cash transactions.
- Operational excellence and experience in call center and customer service operations in multiple time-zones. Indicate the overall customer satisfaction ratings for ongoing customer support operations and the ratings methodology employed. Indicate the organizational level of individuals that would be assigned to FMS.
- Information on performance and scalability requirements – the capability to add volume, whether internally or via third parties if the candidate is proposing to use its own system infrastructure (Identify any third parties, their role, and include references.) Include information for development and test environments.
- Demonstrated expertise with transaction and data reporting capabilities, methods and flexibility.

- Compliance with privacy standards and assurances. The newly developed OTC Channel application will be required to comply with the provisions of the Privacy Act.
- Security standards and assurances, including personnel, physical and information technology (refer to personnel and physical security information in the “Scope of the Solicitation” section). Include levels of audit compliance for IT resources.
- Service level options the Financial Institution may propose or offer for a merchant of the size and scope of the Federal Government.
- Ability to monitor and help control high-dollar transactions.
- Key elements of a transition plan or strategy the Financial Institution may propose for taking over the Federal Government’s over the counter revenue collection business. (FMS currently employs two existing fiscal agents to process over the counter revenue collections government-wide.) Transition plan to include providing support for current PCC OTC and TGA net systems and converting agencies to the newly developed OTC System.
- Pricing model options the Financial Institution may propose. (Do not include prices or quotes, but rather identify potential pricing approaches or models, to include formulas and/or examples only if space allows). FMS intends to use an input based model in support of the efficiencies to be derived under CCMM.
- Variety of client references related to the quality of the Financial Institution’s processing operations.

In writing a proposal, Financial Institutions should keep in mind the program attributes identified in the “Scope Of Over the Counter Channel” section above.

FMS will not consider any additional or supplemental materials as part of the initial proposal except as specifically solicited by FMS.

No part of the initial proposal may be marked with “proprietary and confidential” or similar markings as such materials will not be accepted or reviewed.

FMS, in its sole discretion, will determine which if any Financial Institution(s) proceed to the second round, based on the overall quality and directness of the responses. After FMS reviews the initial proposals, the Financial Institutions will be notified in writing as to whether they have been selected to move to the next phase. At that time, FMS will provide guidance to those Financial Institutions regarding further discussions and submission of a technical and pricing proposal.

DEADLINE AND SUBMISSION REQUIREMENTS

FMS must receive initial proposals from Financial Institutions by 5 PM Eastern, Monday, November 12, 2007.

Financial Institutions must submit five (5) hard copies of the proposal and one CD containing (a) the proposal in Microsoft Word format and (b) a signed copy of the proposal in Adobe PDF format.

Initial proposals may not exceed twenty (25) single-spaced, one-sided pages on 8 ½ x 11 inch paper with one-inch margins using 12 point Times New Roman font.

Initial proposals must be on the Financial Institution's letterhead and signed by a person legally authorized to represent and bind the Financial Institution.

Initial proposals should be submitted to Mr. Corvelli McDaniel, Financial Management Service, 401 14th Street, SW, Room 324, Washington, DC 20227.

AUTHORITY

The Secretary of the Treasury has authority to designate depositaries and financial agents of the United States to accept deposits of public money and perform other services determined by the Secretary.² The Financial Institution designated to provide over the counter revenue collection services pursuant to the notice shall be a depositary and financial agent to the United States, and not a contractor. Neither this notice, nor the over the counter revenue collection services sought by FMS, is a procurement subject to the Federal Acquisition Regulations.

FURTHER CONTACT INFORMATION

All questions should be directed to Mr. Donald Clark at (202) 874-7092 or otc.rebid@fms.treas.gov. FMS must receive all questions by October 26 in order to respond to the requests in a timely manner.

CONCLUSION

Prospective Financial Institutions must understand that, if designated, they will have a principal-agent relationship with FMS and not an arm's length contractor relationship. As such, the designated financial agent will have a fiduciary responsibility to FMS, and FMS will expect full transparency in all discourse.

FMS invites all Financial Institutions that are eligible to serve as a depositary and financial agent of the United States to submit an initial proposal for providing the stated collection services to the Federal Government. Eligibility requirements are attached to this notice. This notice may be amended from time to time, or cancelled in its entirety, in the sole discretion of FMS.

Sheryl R. Morrow
Assistant Commissioner, Federal Finance
Financial Management Service

² See, e.g., 12 U.S.C. 90, 31 U.S.C. 265 and 31 CFR Part 202. The authority to designate financial agents is delegated to FMS.

Attachments

Attachment 1

Financial Institution Eligibility Requirements

All Financial Institutions that meet the following threshold requirements are eligible to participate in the financial agent selection process for over the counter channel revenue collection services. Failure to meet any of the qualifications listed below may result in the rejection of the response from further consideration, at any point in the financial agent selection process, in FMS' sole discretion. Prospective Financial Institutions:

1. Must be eligible to be designated as a depository and financial agent of the United States as defined in 31 CFR part 202 (see <http://www.gpoaccess.gov/cfr/index.html>);
2. Must not be on the Federal Debarment and/or Suspension List, and must not be delinquent on any debts owed to the Government;
3. Must covenant, that any personal or organizational conflicts of interest that may be identified by FMS or the Financial Institution will be addressed to the satisfaction of FMS;
4. If currently doing business with FMS, must not be in a probationary status, and must be addressing and resolving any identified deficiencies in performance, if any;
5. If currently doing business with FMS, must have completed and submitted to FMS all required information related to internal and external audits of depository and financial agent services;
6. Must provide a response, and other information as required, that demonstrates that the Financial Institution understands and can credibly support the nature and governmentwide scale of services specified in the notice;
7. Must be able and willing to partner with other financial agents or Federal Reserve Banks, when determined by FMS to be in the best interest of the Government.

Attachment 2

Personnel Security: Background Investigation (High Risk Position)

Background investigations, including the gathering of information that results from performing security related screenings, may be provided by a number of existing security vendors. Background screening and investigations are the first line of defense as it pertains to insider threats such as internal compromises or theft of assets and information.

Personnel (including contractors and vendors) working in High Risk Positions (from the Government's perspective) are subject to the following:

- a) FBI Fingerprint check
- b) Local Police Check
- c) Government-issued I.D. (to establish identity)
- d) Credit Check³
- e) Proof of U.S. Citizenship
- f) Social Security Number (SSN) Trace⁴
- g) Self-declaration statement⁵
- h) Non-disclosure statement
- i) Digital Photograph

³ FAs must obtain an employee's seven year complete credit report from one of the major credit reporting agencies. Credit check results provide useful information related to behavior associated with finance but it is understood that reasons for financial problems may vary widely. There is flexibility as to how results are evaluated but FAs are expected to follow these guiding adjudication principles: a) Track and document any activity and/or final disposition pertaining to liens, judgments, and delinquent debt. c) Document reasons for any bankruptcy as reported by the subject and/or other sources. d) The concept of "recency" over the seven year timeframe is relevant as a means to strengthen or diminish the magnitude of negative information. e) Address any instance or cumulative debt past due 120 days totaling \$10,000 or more, note any commitment to a repayment plan and maintain the terms of any such plan. f) Address any write-off(s) or account(s) in collection totaling \$10,000 or more.

⁴ This screening is multifaceted and involves authenticating information using a subject employee's SSN. Most private security vendors obtain this information through credit reporting agencies.

⁵ Each employee must complete and sign a Self Declaration Statement (statement) during the initial pre-employment background investigation and periodic reinvestigation. The statement addresses information with regard to the subject's full legal name, seven year address history, and criminal convictions if any. The statement is also signed by the subject and witnessed.