

**REQUEST FOR PROPOSALS FOR PROFESSIONAL SERVICES (LOCAL BRANCH BANKING) ISSUED BY THE OFFICE OF THE STATE TREASURER  
CONTRACT NUMBER: TRE19202-LOCALBANKS**

**I. Overview**

The Office of the State Treasurer (“OST”), on behalf of the Cash Management Policy Board (the “CMPB,” and together with OST, the “State”), is seeking proposals from qualified financial institutions (“Vendors”) interested in providing local branch banking services to the State as detailed in **Appendix A**. The selected Vendors collectively will manage the State’s local banking needs in accordance with the collateralization requirements and other guidelines established by the CMPB.

This Request for Proposal (“RFP”) is issued pursuant to 29 Del. C. §§ 6981, 6982 and 6986.

The State intends to select one Vendor with multiple local branches in all three counties to serve as the State’s primary, but not exclusive, over-the-counter (“OTC”) collection bank. The State reserves the right to issue multiple awards to ensure sufficient coverage for the State’s local banking needs.

**A. Timetable**

The tentative timetable for this RFP process is as follows:

EVENT	DATE
RFP published	March 8, 2019
Notice of Intent to Respond due	March 15, 2019
Deadline for Vendor questions	March 15, 2019
Deadline for State responses – Q&A closed & Published	March 22, 2019
Deadline for Vendor proposal submission	April 2, 2019
Finalist presentations	Week of April 29, 2019
Finalists Selected / Begin Contract Negotiations	May 6, 2019
Complete Contract Negotiations	May 17, 2019
Estimated Award Notifications (Board Approval)	May 22, 2019
Implementation Schedule	To be determined

The State reserves the right to cancel and/or modify the RFP dates at any time.

Vendors are expected to fully inform themselves as to the Vendors’ conditions, requirements, and specifications before submitting proposals. Failure to do so will be at Vendors’ own risk. They cannot secure relief on plea of error.

**B. Consultant**

To assist with RFP evaluation efforts, the State has selected a third-party consultant, PFM Asset Management LLC (“Consultant”). The Consultant will advise the State on industry best practices with regard to the proposed service delivery model, vendor selection, and other activities as needed with vendor, product, or service transition.

**C. Intent to Respond**

Prospective Vendors that are interested in receiving addenda to this RFP, including responses to submitted questions from all participating Vendors, should complete a Notice of Intent to Respond and submit it to [Treasury\\_RFP@delaware.gov](mailto:Treasury_RFP@delaware.gov) by the date specified above. This will allow OST and Consultant to provide timely information to interested parties. All addenda relating to this RFP, including the responses to questions, will be exclusively placed on <http://bids.delaware.gov>. Submitting the Notice of Intent to Respond does not obligate the prospective Vendor in any way.

The effect of all addenda to the RFP documents shall be considered in the proposal, and said addenda shall be made part of the RFP documents. Before submitting a proposal, each shall ascertain whether any addenda have been issued. Failure to include information provided on any such addenda in a proposal may render the proposal invalid and result in its rejection.

#### **D. Proposal to Remain Open**

Vendors that submit a proposal in response to this RFP shall be deemed automatically to have consented and irrevocably agreed to keep any such proposal open for twelve (12) months after the deadline for Vendor proposal submission, or for such additional period as the State and Vendor may agree upon.

#### **E. Contract Term**

The term of the contract between each successful Vendor and the State shall be three (3) years with an option for a maximum of two (2) extensions for a period of two (2) years each.

Vendors must agree to fix contract fees for the initial term (three (3) years). Vendors may attempt to negotiate new fees for any applicable extension period. Vendors that desire to negotiate revised fees must give written notice to the State at least 90 days in advance of the expiration of the initial term or applicable extension period. Fee increases for any extension period may not exceed existing fees adjusted for inflation using the annual consumer price index-urban (CPI-U).

#### **F. Designated Contacts:**

This RFP process will be managed by the Director of Debt and Cash Management ("Designated Contacts"):

Name: Joshua Berkow  
Title: Director of Debt and Cash Management  
Address: 820 Silver Lake Boulevard, Suite 100  
City/State: Dover, DE  
ZIP: 19904  
Email: [Treasury\\_RFP@delaware.gov](mailto:Treasury_RFP@delaware.gov)  
Phone: (302) 672-6728

#### **G. Submission of Written Questions**

All questions about the RFP shall be submitted to the Designated Contact listed above via e-mail by 4:00 p.m. Eastern Time (ET) on or before March 15, 2019.

Questions should be directly tied to the RFP and asked in consecutive order from beginning to end, following the organization of the RFP. Each question should begin by referencing the RFP page number and subject number to which it relates.

The State will provide written responses to questions from prospective Vendors no later than March 22, 2019.

## II. Background

The CMPB establishes the policies for the investment of all money belonging to the State or on deposit from its political subdivisions (except money deposited in any State Pension Fund or the State Deferred Compensation Program), and approves banking and investment contracts for the State. The CMPB is comprised of Delaware volunteer citizens (financial professionals) appointed by the Governor and confirmed by the General Assembly and ex-officio government officials (including the State Treasurer). The policies promulgated by the CMPB are set out in the Cash Management Policy Board Statement of Objectives and Guidelines for the Investment of State of Delaware Funds (the “Guidelines”) and govern the State’s bank accounts and investment portfolios. The Guidelines are provided for reference in **Appendix B**.

OST provides the State with transaction and cash management services, ensuring sound fiscal stewardship over financial assets, systems, and processes. OST’s Banking Services Unit (“BSU”) is responsible for the design, implementation, management, and continuous evolution of the State’s banking architecture. BSU performs comprehensive assessments to categorize needs from agency clients, selects strategic partners, deploys innovative solutions, secures adequate infrastructures for information exchange and transaction processing, and implements performance standards and benchmarks for increased responsiveness and improved accountability.

Generally, OST-procured banking services are made available to all departments, agencies, offices, and other entities within the three branches of State government (executive, legislative and judicial). Other State entities handling or responsible for State money also utilize OST-procured banking services, such as public and charter schools and State colleges.

In August 2016, BSU convened a Banking Task Force (“Task Force”) to evaluate the State’s current banking architecture. The Task Force was comprised of several key State agencies and financial officers representing significant end users of banking services. Subsequently, in January of 2017, BSU and the Task Force issued an RFP seeking consulting services (**Contract No. TRE17101-BNKSrvADVS**). The scope of work on the engagement included: i) a structural review of and recommendations regarding the State’s existing banking architecture as outlined in **Appendix C-1**, ii) assistance with the procurement process for banking services, iii) development of a vendor management program based on industry best practices, and iv) transition support to give effect to the engagement of new Vendors and/or banking services.

In order to conduct the study, OST, on behalf of the CMPB, engaged the Consultant in April of 2017. The Consultant worked with OST and State’s agencies and organizations to compile data, analyze available information, and prepare and present final recommendations. In the first quarter of 2018, OST and the Consultant finalized the comprehensive banking architecture analysis and completed presentations with stakeholders to share the most relevant findings.

In summary, the State may be able to conduct its banking business in a more efficient and effective manner realizing significant cost savings imbedded in the restructuring of the existing contracts.<sup>1</sup> Four overarching themes need to be addressed to improve the delivery of services: the State must: i) simplify internal and external strategic and operational banking architectures; ii) review all policies and procedures related to banking governance; iii) assess current and future technological capabilities needed; and iv) identify accountability gaps in both the delivery and utilization of banking services.

Based on the results of the banking study, the CMPB conditionally adopted the recommendations of the Consultant to amend the banking architecture as depicted in **Appendix C-2**. OST subsequently issued a comprehensive banking RFP to seek proposals from qualified Vendors for banking services, as well as feedback and critique of the new banking architecture (**Contract No. TRE18101-BANKINGSVC**). Local branch banking services were expressly excluded from the scope of the comprehensive RFP.

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<sup>1</sup> The final report is available at:  
[https://treasurer.delaware.gov/wp-content/uploads/sites/55/2018/06/Banking-Structure-Review-2017\\_10\\_24.pdf](https://treasurer.delaware.gov/wp-content/uploads/sites/55/2018/06/Banking-Structure-Review-2017_10_24.pdf).

The overarching goal of a separate local bank RFP is to engage Vendors that will achieve superior performance for local branch banking under the State's proposed new banking architecture with:

- i) a branch presence meeting the needs of the State agencies;
- ii) a customer-centric approach to providing banking services to the State agencies and OST; and
- iii) adherence to relevant guidelines and administrative procedures as determined by the State.

In conjunction with the provision of local banking services, Vendors are required to provide detailed reporting, attend periodic meetings with the State and/or the Consultant, and assist OST and the CMPB evaluate and improve financial and banking processes.

### **III. Scope of Services**

Detailed requirements for the Scope of Services requested pursuant to this RFP are set out in **Appendix A**. A brief description of the requested services is provided below.

**Local Banking.** Many State entities deposit funds into a primary OTC collections account. This account activity is recorded in the State's accounting system, First State Financials ("FSF"), and is reconciled by OST. Additionally, many agencies maintain stand-alone bank accounts with various financial institutions throughout the State. These accounts are not recorded in FSF, and are independently reconciled by their respective agencies. Currently, these "outside bank accounts" reside with 14 different banks and are used primarily for depositing coin, currency and checks. In aggregate, there are approximately 300 of these accounts used by State entities. Of the 300 accounts, approximately 130 also have limited check disbursement capabilities.

Although OST is seeking to centralize certain banking services (i.e. remote deposit capture, centralized check disbursements, electronic transactions) through its primary banking services provider, and thereby reduce the long-term need for local banking services, the State will continue to require physical bank branches for State entities to make periodic deposits.

Through this RFP, the State intends to issue a single award to a Vendor to serve as the State's primary, but not exclusive, OTC bank. The State anticipates issuing additional awards to ensure sufficient coverage for the State's local banking needs. Individual State entities in need of OTC services will be able to select their preferred bank from the list of awarded Vendors. State agencies that maintain accounts with financial institutions that are not issued an award will be required to transition their accounts to an awarded Vendor of their choosing.

This RFP is designed to achieve the following objectives:

- 1. Centralized contract administration of Vendor relationships through OST;
- 2. Centralized oversight of State entity accounts by OST; and
- 3. Consistent pricing across State entity accounts with individual Vendors.

### **IV. RFP Issuance and Submission of Proposals**

#### **A. RFP Issuance**

##### **1. Public Notice**

Public notice of this RFP has been provided in accordance with 29 *Del. C.* § 6981.

##### **2. Publication of this RFP**

This RFP is published in electronic form only. It is available at the following websites:

<http://bids.delaware.gov/>  
<http://treasurer.delaware.gov/requests-proposals/>  
<http://www.debankers.com/>  
<http://nast.org>

### **3. Assistance to Vendors with a Disability**

Vendors with a disability may receive reasonable accommodation regarding the means of communicating this RFP or participating in the procurement process. For more information, contact the Designated Contacts no later than fourteen days (14) prior to the deadline for receipt of proposals.

### **4. RFP Designated Contacts**

All communication about this RFP shall be made via email to the Designated Contacts. Vendors should rely only on written statements issued by the Designated Contacts.

The Vendor must designate a single point of contact, who will be responsible for coordinating all internal Vendor communication. The Designated Contacts will only communicate with that one (1) person for each Vendor.

### **5. Contact with Consultants and Legal Counsel**

The State may retain consultants or legal counsel to assist in the review and evaluation of this RFP and the Vendors' responses. Vendors shall not contact the State's consultant or legal counsel on any matter related to the RFP unless so instructed in writing by the Designated Contacts.

### **6. Contact with Other State Employees**

Direct contact with State employees other than the Designated Contacts regarding this RFP is expressly prohibited without prior written consent of the Designated Contacts. Vendors directly contacting State employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State that require contact in the normal course of business.

### **7. Organizations Ineligible to Bid**

Any individual, business, organization, corporation, consortium, partnership, joint venture or other entity currently debarred, suspended or otherwise ineligible to conduct business in the State for any reason is not eligible to respond to this RFP.

### **8. Exclusions**

The Evaluation Team reserves the right to refuse to consider any proposal from a Vendor that:

- a. Has been, or has an employee who has been, convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or in the performance of the contract;
- b. Has been, or has an employee who has been, convicted under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offense indicating a lack of business integrity or business honesty;
- c. Has been, or has an employee who has been, convicted or has had a civil judgment entered for a violation under state or federal antitrust statutes;
- d. Has violated, or has an employee who has violated, contract provisions as a state contractor such as:
  1. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract; or
  2. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
- e. Has violated, or has an employee who has violated, ethical standards set out in law or regulation; or

- f. Has violated, or has an employee who has violated, any other regulation of the State determined to be serious and compelling as to affect responsibility as a state contractor.

#### **9. No Press Releases or Public Disclosure**

The State reserves the right to pre-approve any news or broadcast advertising releases concerning this RFP, the resulting contract, the work performed, or any reference to the State with regard to any project or contract performance. Any such news or advertising release pertaining to this RFP or any resulting contract or services shall require the prior express written permission of the State.

Notwithstanding the foregoing, the State will not prohibit or otherwise prevent successful Vendors from direct marketing to the State's agencies, departments, municipalities, and/or any other political subdivisions; provided, however, that no Vendor shall use the State's seal or imply the State's preference or recommendation for the goods or services to be provided.

#### **10. RFP Not an Offer**

This RFP does not constitute an offer by OST, the CMPB or the State.

#### **11. Right to Cancel RFP**

The State reserves the right to cancel this RFP at any time during the procurement process, for any reason or for no reason. The State makes no commitments, expressed or implied, that this process will result in a business transaction with any Vendor.

#### **12. Revisions to the RFP**

If it becomes necessary to revise any part of the RFP, an addendum will be posted with the original RFP at: <http://bids.delaware.gov/>.

### **B. Submission of Proposals**

#### **1. Form of Proposal**

Vendors may submit only one proposal to the State. Vendors should organize proposals as described in **Section V.A.**

#### **2. Acknowledgement of Understanding of Terms**

By submitting a proposal, a Vendor shall be deemed to acknowledge that it has carefully read all sections of this RFP, including all forms, schedules and attachments hereto, and has fully informed itself as to all existing conditions and limitations, including, without limitation, any minimum requirements herein.

A Vendor must describe in detail on **Attachment 5** any areas where it will be unable to provide services as requested. In addition, if a Vendor is willing to provide the services exactly as requested, but believes that there would be benefits (such as cost savings or improved service) to making adjustments to the services outlined, the Vendor should describe the adjustments and the benefits on **Attachment 5**. Acceptance or rejection of any or all such exceptions is within the discretion of the State.

Upon receipt of Vendor proposals, each Vendor shall be presumed to be thoroughly familiar with all specifications and requirements of this RFP. A Vendor's failure to consult with counsel or closely examine and understand any form, instrument or document shall in no way relieve a Vendor from any obligation with respect to this RFP.

Vendors must respond to all mandatory requirements presented in this RFP. The words "shall", "will" and "must" are used herein to designate a mandatory requirement. Failure to respond to a mandatory requirement may, in the State's discretion, cause the disqualification of a Vendor's proposal.

### 3. Proposal Deliveries

***The deadline for submissions is 4:00 p.m. ET on April 2, 2019.***

Submissions must be sent so as to be received by the Designated Contact by the submission deadline. The Vendor will submit eight (8) paper copies and eight (8) electronic copies on USB drives. One of the eight (8) hard copy proposals will be clearly labeled as the “master” copy.

The proposal package delivery address is:

Client: State of Delaware  
Name: Joshua Berkow  
Title: Director of Debt and Cash Management  
Address: 820 Silver Lake Boulevard, Suite 100  
City/State: Dover, DE  
ZIP: 19904  
Email: [Treasury\\_RFP@delaware.gov](mailto:Treasury_RFP@delaware.gov)

Additionally, the Vendor will submit one (1) paper copy and one (1) electronic copy on a USB drive to the Consultant enlisted by the OST. The proposal package delivery address for the Consultant is:

Consultant: PFM Asset Management, LLC  
Name: David Calvert, CFA  
Title: Director  
Address: 213 Market Street  
City/State: Harrisburg, PA  
ZIP: 17101  
Email: [calvertd@pfm.com](mailto:calvertd@pfm.com)

Electronic copies should be searchable PDF documents saved to a USB flash drive. Please do not submit a scanned version of the entire proposal response.

Vendors bear the risk of delays in delivery. Compliance in meeting the delivery deadline is solely based on when proposals are received at the State’s location: 820 Silver Lake Boulevard, Suite 100, Dover, DE 19904. Vendors should, however, make every effort to get proposals to the Consultant by the same deadline.

#### **Special Note for Submissions with Confidential Information:**

If a Vendor believes any document submitted in a proposal contains confidential business information (as described below), the Vendor **must** submit a separate electronic copy of the full proposal response on a USB drive with all such confidential business information redacted. The redacted electronic copy must be submitted in a separate sealed envelope labeled “FOIA Copy” and be included with the original proposal package delivered to the Director of Debt and Cash Management. Additional instructions for FOIA Copies are provided below.

There shall be no disclosure of any proposal to a competing Vendor prior to the issuance of awards unless such disclosure is required by law or by order of a court of competent jurisdiction.

The State and its constituent agencies, including OST, are required to comply with the State’s Freedom of Information Act, [29 Del. C. § 10001, et seq. \(“FOIA”\)](#). Under FOIA, the State’s records are public records (unless otherwise declared by FOIA or other law to be exempt from disclosure) and are subject to inspection and copying by any person upon a written request. Once a proposal is received by OST, the content of the proposal is subject to FOIA.

The State wishes to create a business-friendly environment and procurement process. As such, the State respects that Vendors desire to protect intellectual property, trade secrets, and other

confidential business information (collectively referred to herein as “confidential business information”). If a Vendor feels that it cannot submit a proposal without including confidential business information, it must adhere to the procedure set forth in this **Section IV.B.3**. Failure to comply with these procedures may result in a submission being rejected as non-conforming or non-responsive, and any applicable protection for the Vendor’s confidential business information may be lost.

In order to allow the State to protect confidential business information, Vendors will be permitted to designate appropriate portions of their proposal as confidential. Vendors may do so only by (a) submitting a FOIA Copy as provided above, (b) filling out Attachment 3 and (c) providing with the FOIA Copy and Attachment 3 a letter from the submitting Vendor’s legal counsel that (i) adequately describes the redactions and (ii) includes a representation that the redacted information is protected from disclosure under FOIA.

Upon receipt of a proposal that includes a FOIA Copy, the Designated Contacts will open the envelope to determine whether the procedures described above have been followed. A Vendor’s allegation as to its confidential business information shall not be binding on OST. OST shall independently determine the validity of any Vendor designation as set forth in this section. Any Vendor submitting a proposal or using the procedures discussed herein expressly accepts OST’s absolute right and duty to independently assess the legal and factual validity of any information designated as confidential business information. Accordingly, Vendors assume the risk that confidential business information included within a proposal may enter the public domain.

#### **4. Proposal Modifications**

Any changes, amendments or modifications to a proposal must be made in writing, submitted in the same manner as the original proposal and conspicuously labeled as a change, amendment or modification to a previously submitted proposal. Except as expressly permitted herein, changes, amendments or modifications to proposals shall not be permitted, accepted or considered after the hour and date specified as the deadline for submission of proposals.

#### **5. Proposal Costs and Expenses**

The State will not pay or be responsible for any costs incurred by any Vendor associated with any aspect of responding to this RFP, including proposal preparation, printing or delivery, presentation, system demonstrations or negotiation process.

#### **6. Proposal Expiration Date**

Prices quoted in a proposal to this RFP shall remain fixed and binding on the Vendor for no less than twelve (12) months from the proposal submission deadline. OST and the Vendor may agree to an extension of this deadline.

#### **7. Late Proposals**

Proposals received after the specified date and time will not be accepted or considered. Late proposals will be destroyed or returned to Vendor at Vendor’s request and at Vendor’s cost. To document compliance with the deadline, each proposal will be date- and time-stamped upon receipt. The determination of whether a submission is timely shall reside with OST.

#### **8. Proposal Opening**

The Designated Contacts will open proposal packages in the presence of OST witnesses, and will establish a list of all Vendors submitting proposals. There will be no public opening of proposals.

#### **9. Non-Conforming Proposals**

Non-conforming proposals will not be considered. Non-conforming proposals are defined as those that do not meet the requirements of this RFP. The determination of whether a submission is non-conforming shall reside with OST.



#### **10. Concise Proposals**

OST discourages overly lengthy and costly proposals and prefers that proposals be prepared in a straightforward and concise manner. Unnecessarily elaborate brochures or other promotional materials beyond those sufficient to present a complete and effective proposal are not desired. OST's interest is in the quality and responsiveness of the proposal.

#### **11. Realistic Proposals**

Proposals must be realistic and must represent the best estimate of time, materials and other costs, including the impact of inflation and any economic or other factors that are reasonably predictable. OST expects that Vendors can fully satisfy the obligations of the proposal in the manner and timeframe defined within the proposal. The State shall bear no responsibility for a Vendor's failure to accurately estimate the costs or resources required to meet the obligations defined in the proposal.

#### **12. Price and Payments Not Confidential**

Vendors are advised that the pricing and other standard terms of any contract awarded to a successful Vendor, as well as any payments made to such Vendor, shall be matters of public record subject to disclosure under FOIA.

#### **13. No Joint Ventures**

Multi-Vendor proposals (joint ventures) will not be considered.

#### **14. RFP Question and Answer Process**

Vendors are fully responsible for the completeness and accuracy of their proposals, and for examining this RFP and all attachments and addenda. Failure to do so will be at the sole risk of the Vendor. Should a Vendor find discrepancies, omissions, or unclear or ambiguous requirements or language, Vendor shall contact the Designated Contacts via email and provide a written request for clarification no later than the deadline for submission of Vendor questions. Vendor questions must refer to the specific page, section, paragraph and text of the RFP or attachments, as appropriate. The Vendor will submit questions solely to the Designated Contacts.

Questions and answers will be compiled into a comprehensive document with Vendor names removed, which will be placed on the same websites as the original RFP prior to the close of the question and answer period. All issues that remain unresolved after the close of the question and answer period should be addressed in the proposal, with exceptions taken as appropriate.

Protests based on any discrepancy, omission, or unclear or ambiguous requirements or language will be deemed waived and disallowed unless timely brought to the attention of the Designated Contacts as provided above.

#### **15. Exceptions to the RFP**

Any exceptions to the RFP or any other attachments or addenda, along with corresponding explanations and alternatives, must be noted and explained on **Attachment 5** and submitted when and as required herein. Vendors that fail to timely and otherwise adequately preserve and assert exceptions shall be deemed to have waived all such exceptions and related arguments. The State has discretion with respect to the acceptance or rejection of exceptions.

#### **16. Exceptions to the STC**

The Standard Terms and Conditions for Professional Services and its exhibits, all of which are attached hereto as Appendix D (collectively, the "STCs"), will govern the contractual relationship between a Vendor and the State. Any exceptions to the STCs, along with corresponding explanations and alternatives, must be noted and explained in a redlined version of the STCs ("Redline") and submitted when and as required herein. Vendors that fail to timely and otherwise adequately preserve and assert exceptions to the STCs shall be deemed to have waived all such

exceptions and related arguments. The State has discretion with respect to the acceptance or rejection of exceptions.

#### **17. Right to Reject Proposals**

OST reserves the right to accept or reject any or all proposals, or any part of any proposal, and to waive defects, technicalities or specifications, whether in this RFP or a Vendor's response, or to solicit new proposals on the same project or a modified project that may include portions of the originally proposed project, all as OST may deem necessary or appropriate.

#### **18. Right to Discontinue Negotiations.**

A Vendor's submission of a proposal in connection with this RFP may result in OST's decision to engage such Vendor in negotiations to reach agreement on the terms of a binding contract. The commencement of negotiations shall not constitute a commitment by OST to continue negotiations or execute a contract.

#### **19. Notification of Withdrawal of Proposal**

Vendor may withdraw a timely proposal by written request to the Designated Contacts, provided that such request is received by the Designated Contacts prior to the proposal due date.

#### **20. Proposal Constitutes an Offer**

All proposals received are considered firm offers and may not be withdrawn or modified except as expressly permitted herein.

#### **21. Award**

Pursuant to 29 Del. C. § 2716(a)(2), the CMPB has the statutory responsibility and duty to approve by majority vote the retention of financial institutions to provide the services within this RFP. No award or contract resulting from this RFP process shall be effective unless and until authorized or approved in accordance with this RFP and applicable law.

A contract award ("Award") will be communicated to a successful Vendor and published only after (a) the CMPB authorizes the issuance of an Award to the Vendor and (b) OST and the Vendor execute a formal contract on terms and conditions acceptable to OST and the CMPB. No Vendor will acquire any legal or equitable rights or privileges until the occurrence of both events.

### **V. Requirements and Evaluation Criteria**

#### **A. Required Information**

1. Vendors shall provide the following information with their proposals in the order listed below. Failure to respond to any request for information within this RFP may result in rejection of the proposal. The proposal will be presented in a 3-ring binder, with each completed attachment identified in its own tab.

Tab A: Transmittal Letter.

Tab B: Questionnaire(s). Provide a detailed set of responses to the questions posed in **Attachment 1**. All Vendors must respond to **Attachment 1**. Responses should be both complete and concise.

Tab C: Requirements Matrix. Complete and return the attached Requirements Matrix in **Attachment 2**.

Tab D: Confidential Information Form. Vendors should identify any material information that is considered confidential using the form of **Attachment 3**. Any information not within this form is automatically subject to FOIA.

Tab E: Schedule of Fees. Provide a schedule of fees using the Pro Forms provided in **Attachment 4** (attached excel file) for the Vendor's proposed service(s). Vendors may also provide alternative fee structures (including, but not limited to, any fixed fee arrangements), however, these alternative fee structures must be in addition to the Pro Forms provided. Paper copies of proposal shall have this information in print, however, electronic copies **MUST** contain the completed excel file.

Tab F: Implementation Plan. Provide a detailed implementation plan (in weekly increments and highlighting milestones) for an account transitioning to the Vendor. Ensure to take into consideration the information provided below.

Tab G: Exception Form. Provide a detailed listing of any exceptions to the RFP, including all attachments and appendices but not including the STCs and its exhibits, using the form included as **Attachment 5**. Successful Vendors who do not take exceptions as required are deemed to have consented and irrevocably agreed to the terms of the RFP.

Tab H: Redlined Version of STCs. Include the Redline or similar comparative version of the STCs, a copy of which is affixed hereto as **Appendix D**, reflecting all proposed changes to the STCs and **Exhibit 4** thereto, which changes may be accepted or rejected in OST's discretion. Successful Vendors who do not propose changes are deemed to have consented and irrevocably agreed to the STCs.

Tab I: Financial Statements. Provide **electronic** copies (no paper copies) of the last three years of audited financial statements. These statements shall be submitted on the electronic version of the proposal only. If, and only if, audited financial statements are not available, Vendors may submit unaudited financial statements (in which case, Vendors shall explain in detail why audited financial statements are not available).

Tab J: Business References. Provide at least three business references using the form provided in **Attachment 6**.

Tab K: Business Continuity and Disaster Recovery Plans. Vendors responding to this RFP must attach summaries or copies of their business continuity and disaster recovery plans.

Tab L: Retention Policies. Vendors responding to this RFP must attach copies of their retention policies and documents or substantive summaries of the same.

Tab M: Proposed Vendor Form of Agreement. Vendors responding to this RFP must attach the proposed form of agreement covering the Services, including, without limitation, all proposed exhibits, attachments, schedules, ancillary agreements, authorization or acknowledgement forms, and any other documents that the Vendor proposes to govern the terms and conditions of the Services.

Tab N: Non-Collusion Statement. Vendors responding to this RFP must complete and return a statement of non-collusion in the form of **Attachment 7**.

Tab O: Employing Delawareans Report. Vendors responding to this RFP must complete and return **Attachment 8**, for the total employees of the Firm and those that may be Delaware residents.

2. Prior to award, the successful Vendor shall furnish OST with proof of (i) all necessary business licenses, including a valid State business license, (ii) certification(s) necessary to perform services as identified in the Scope of Services set out in **Appendix A**, and (iii) proof of insurance identified in **Section 9** of the STCs attached hereto as **Appendix D**.

## B. Evaluation Criteria

An evaluation team (“Evaluation Team”) that may be composed of representatives from OST, the CMPB, other State entities, and/or the Consultant will evaluate the Vendor proposals on a variety of quantitative and qualitative criteria. Neither the lowest price nor highest scoring proposal will necessarily be selected. OST may in its discretion remove or add members of the Evaluation Team.

### 1. Criteria Weight

All proposals shall be evaluated using the same criteria and scoring weights set out in the table below.

Evaluation Criteria		Point Value
<b>Operational &amp; Technical Requirements</b>		<b>45</b>
<b>Operational Requirements</b> <ul style="list-style-type: none"><li>✓ Ability to fulfill requirements of Scope of Services</li><li>✓ Bank and branch locations</li><li>✓ Online reporting, reconciliation, and invoicing capabilities</li></ul>		35
<b>Technical Requirements</b> <ul style="list-style-type: none"><li>✓ Data storage and data security capabilities</li><li>✓ Ability to meet DTI’s security guidelines and requirements</li><li>✓ Overall technical infrastructure and expertise of personnel</li></ul>		10
<b>Implementation &amp; Qualifications</b>		<b>30</b>
<b>Implementation Plan</b> <ul style="list-style-type: none"><li>✓ Quality and scope of implementation plan</li><li>✓ Experience, resources, and qualifications of implementation team</li><li>✓ Efficiencies and opportunities identified</li></ul>		5
<b>Overall Experience, Qualifications, and Customer Service</b> <ul style="list-style-type: none"><li>✓ Relevant experience managing similar account relationships; references</li><li>✓ Relationship management approach (experience, resources, qualifications)</li><li>✓ Financial strength of institution, adequacy of controls, insurance, etc.</li></ul>		25
<b>Pricing</b> <ul style="list-style-type: none"><li>✓ Overall pricing structure</li><li>✓ Rate schedules</li><li>✓ Discount schedule</li></ul>		<b>25</b>
<b>TOTAL POINTS</b>		<b>100</b>
<b>*Compliance with RFP submission requirements</b>		<input type="checkbox"/> Yes <input type="checkbox"/> No

Vendors are encouraged to review the evaluation criteria and to provide responses that address each of the scored items. The Evaluation Team will not be able to make assumptions about the Vendors’ capabilities, therefore responses should be detailed and concise within the proposal.

The State has outlined the services it will require from the awarded Vendors. However, the State does not want to limit the Vendors’ creativity in preparing a proposal. Thus, every Vendor, in addition to its responses on the major services, may submit material on innovative concepts. In choosing innovative material, the Vendor should focus on ideas that will help the State and organizations meet the goals of the program.

### 2. Proposal Clarification

The Evaluation Team may communicate with a Vendor in order to clarify uncertainties or gain better understanding of a proposal. The Evaluation Team may require or permit Vendors to modify or

supplement their proposals as a result of such communication. Vendors must provide all requested information in a timely manner, which shall mean on or before any deadline established by the Evaluation Team.

### **3. Communication with References and Past or Present Clients**

The Evaluation Team may communicate with all references provided by a Vendor, and may use information gained thereby in the evaluation process. In addition, the Evaluation Team may communicate with any known past or present client of a Vendor outside of the reference list, and any information gained may be used in the evaluation process. Vendors that submit a proposal in response to this RFP shall be deemed to have (a) waived any confidentiality or other restrictions that may limit in any way a reference or client's ability to convey information relevant to the evaluation process and (b) to all such communications with references or clients.

### **4. Oral Presentations**

The Evaluation Team may invite selected Vendors to make in-person oral presentations to the Evaluation Team. Presentations are tentatively scheduled for the week of April 29, 2019. *Any costs associated with oral presentations will be borne by the Vendor.* The State requests that the individuals who will be working directly with the State to either provide or implement the service(s) will be in attendance.

### **5. On-site Visits**

The Evaluation Team may make site visits to key Vendor processing and/or administrative facilities as part of the evaluation process. *Any costs associated with site visits will be borne by the State.* Vendors that submit a proposal in response to this RFP shall be deemed to have consented to any such site visit.

## **VI. Contract Process**

### **A. Formal Contract**

Vendors selected as finalists and invited via written notification from OST (the "Invitations") to enter into written agreements for local banking services will be expected to enter into formal contracts with OST that incorporate the STCs ("Contracts"). A Vendor's attempt to negotiate pricing or other material Contract terms that were not disclosed and detailed in the Vendor's response may result in the termination of negotiations with, and/or the disqualification of, such Vendor.

### **B. Modification of STCs**

The State, in its discretion, may consider and accept proposed modifications to the STCs. The State has the absolute right to reject any proposed Contract terms, including, without limitation, any requested STC modifications that were not timely raised and preserved as required herein. A Vendor's attempt to negotiate new or different language not detailed or reflected in the "Redlined" may result in the termination of negotiations with, and/or the disqualification of, such Vendor.

### **C. Time Frame**

A Vendor who receives an Invitation must execute a Contract within twenty (20) business days from the date of the Invitation, unless such period is extended by OST, in its discretion. If no Contract has been executed by the applicable deadline, OST may in its discretion cancel the Invitation and enter into negotiations with another Vendor.

### **D. Inception of Services**

Absent OST's prior written request or approval, no Vendor is to begin providing any new service to the State, or any State agency, prior to the issuance of an Award.

#### **E. Cancellation of Award**

If a Vendor that receives an Award fails to commence providing local banking services when due under the Contract, OST, without liability, may cancel and annul the Award and Contract. In such event, an Award under this RFP may be made to another Vendor.

#### **F. Collusion or Fraud**

Vendors may not restrain competition by agreement to offer a fixed price, or otherwise. By responding to this RFP, the Vendor shall be deemed to have represented and warranted that: (i) its proposal is not made in connection with any competing Vendor submitting a separate response to this RFP; (ii) its approval is in all respects fair and without collusion or fraud; (iii) the Vendor did not participate in the RFP development process and had no knowledge of the specific contents of the RFP prior to its issuance; and (iv) no employee or official of the State, the CMPB or OST participated directly or indirectly in the Vendor's proposal preparation.

If at any time, whether prior to or after the issuance of an Award, OST determines that any of the foregoing representations was untrue when made or subsequently became untrue, OST may, without liability, cancel and annul the Award and terminate any Contract. In such event, an Award under this RFP may be made to another Vendor.

#### **G. Lobbying and Gratuities and Contingency Fees**

As required by 29 *Del. C.* § 6903(b), all successful Vendors are deemed to have sworn under oath that the Vendor has not employed or retained any company or person to solicit or secure a Contract by improperly influencing OST or the CMPB or any OST or Board members, employees or agents in this procurement process. Vendors found to have violated this oath shall have their Awards and Contracts annulled, terminated and deemed void *ab initio*. In such event, an Award under this RFP may be made to another Vendor.

In addition, all Vendors represent and warrant that Vendor has not directly or indirectly paid or agreed to pay any person, company, corporation, individual or firm, other than a bona fide employee working primarily for Vendor, any fee, commission, percentage, gift or any other consideration contingent upon or resulting from an Award or Contract.

For breach or violation of the foregoing oaths, representations or warranties, OST, in its discretion and without liability, shall have the right to annul, terminate and deem void *ab initio* any Award or Contract, or deduct from the Contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

#### **H. Solicitation of State Employees**

During the RFP process, Vendors shall not, directly or indirectly, solicit any employee of OST to leave OST's employ in order to accept employment with the Vendor, its affiliates, or any person acting in concert with Vendor, without prior written approval of OST. Solicitation of OST employees during the RFP process by a Vendor may result in rejection of the Vendor's proposal or annulment of any Award.

## **VII. Attachments and Appendices**

The following items are provided for use in your Firm's RFP response. They are broken into two sections, Attachments and Appendices. Attachments are required forms to be submitted with your proposal. These items should be organized in tabs as described in **Section V.A.** Appendix items are provided as additional detail or information to assist in your proposal response.

### **A. Notice of Intent to Respond**

### **B. Attachments (Required to Return)**

<u>Attachment 1</u>	Vendor Questionnaire
Attachment 1-A:	Local branch banking
<u>Attachment 2</u>	Requirements Matrix (Attached excel file)
<u>Attachment 3</u>	Confidential Information Form
<u>Attachment 4</u>	Schedule of Fees (Attached excel file)
<u>Attachment 5</u>	Exception Form
<u>Attachment 6</u>	Business References
<u>Attachment 7</u>	Non-Collusion Statement
<u>Attachment 8</u>	Employing Delawareans Report

### **C. Appendix (For information purposes only)**

<u>Appendix A</u>	Scope of Services
<u>Appendix B</u>	Cash Management Policy Board Investment Guidelines
<u>Appendix C</u>	Delaware Cash Management Architecture
Appendix C-1:	Delaware's Current Cash Management Architecture
Appendix C-2:	Delaware's Proposed Cash Management Architecture
<u>Appendix D</u>	Standard Terms and Conditions for Professional Services
Exhibit 1:	Statement of Work (To be negotiated)
Exhibit 2:	Schedule of Fees (To be negotiated)
Exhibit 3:	Implementation Plan (To be negotiated)
Exhibit 4:	Confidentiality (Non-Disclosure) - Integrity of Data Agreement (Attached)
<u>Appendix E</u>	General DTI Requirements & Guidelines

## Notice of Intent to Respond

CONTRACT NUMBER: TRE19202-LOCALBANKS

\_\_\_\_\_ (Name of Firm) received the above solicitation.

We have reviewed the solicitation and we:

☐ Intend to submit a proposal

☐ Do not intend to submit a proposal

Reason: \_\_\_\_\_

Firm Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

Email Address: \_\_\_\_\_

Please return this Notice of Intent to Respond via email by 4:00 p.m. ET, March 15, 2019, to Joshua Berkow at [Treasury\\_RFP@delaware.gov](mailto:Treasury_RFP@delaware.gov).

**Please note: It is not required that you return this Notice of Intent to Respond by the above date and time in order to submit a proposal. However, doing so will ensure that you receive all addenda and responses for clarification. Submitting the Notice of Intent to Respond does not obligate the prospective Vendor in any way.**



# Attachment 1: Vendor Questionnaire

CONTRACT NUMBER: TRE19202-LOCALBANKS

## A. Vendor Background & General Information

1. History/Values. Describe in detail the history of your Firm, including your founding values and core principles.
2. Ownership. Describe your Firm's current ownership structure. Include any pending agreements or announced plans to merge, sell or significantly change the ownership structure of the Firm or any material portion thereof. Describe any material changes in ownership during the past five years.
3. Experience. Describe your Firm's experience providing similar services for government entities, specifically states, if possible.
4. Credit Ratings. Complete the following table with current credit ratings by Standard & Poor's Rating Services and Moody's Investor Services. If the Firm is not rated by these organizations, provide other evidence of the Firm's financial strength.

	Standard & Poor's Rating	Moody's Investor Services
<b>Firm / Bank</b>		
Short-Term Unsecured Senior Debt		
Long-Term Unsecured Senior Debt		
<b>Bank Holding Company</b>		
Short-Term Unsecured Senior Debt		
Long-Term Unsecured Senior Debt		

5. Coverage Ratio. Discuss the Firm's current capital structure, adequacy and coverage. Provide the following statistics for the last reporting period.
  - a. Total Risk Based Capital Ratio:\_\_\_\_\_
  - b. Tier 1 Risk Based Capital Ratio:\_\_\_\_\_
  - c. Tier 1 Leverage Capital Ratio:\_\_\_\_\_
6. FDIC Call Report. Include an **electronic copy** of the most recent Federal Deposit Insurance Corporation ("FDIC") call report.
7. Community Reinvestment Act. Describe your Firm's participation in the community reinvestment program, including your current national and state Community Reinvestment Act ("CRA") rating.
8. Community Based Initiatives. Discuss the Firm's existing community oriented activities, specifically:
  - a. Number of individuals the Firm employs in the State.
  - b. The investment the Firm has made in the State.
  - c. Community outreach program(s) for hiring and/or contracting.

- d. Existing plans for expanding community based banking and financial services in the State of Delaware.
  - e. Any public outreach or financial education/literacy programs.
  - f. Support for State businesses, foundations, charities, and residents for the last three years with an explanation of the Firm's level of involvement.
  - g. Describe how the Firm sees its role in economic development and explain how you can collaborate with the OST in fulfilling its mission of fostering economic development within the State.
9. Sheltered Harbor. Is the Firm a participant in Sheltered Harbor, the new industry initiative to securely store and restore account data?

#### **B. Pricing & Incentives**

- 1. For how long will the Firm guarantee the proposed fees?
- 2. Is the Firm willing to offer any transition or retention incentives?

#### **C. Electronic Invoicing**

- 1. Is the Firm able to provide electronic invoicing as opposed to hard copies via mail?
- 2. Would it be possible to send an invoice for the Firm's services to a centralized email account or upload to a State vendor portal?

#### **D. Subcontractors**

- 1. The State reserves the right to approve any and all subcontractors utilized in the execution of this event. Please identify all subcontractors for this event, detailing how they will be utilized, your Firm's relationship with the subcontractor, and a description of joint work the Firm has undertaken with this subcontractor.

#### **E. Control**

- 1. Describe the Firm's security environment. Specifically cover the physical and digital security and software safeguards that the Firm has put in place to control access to funds transfer systems and client account information.
- 2. Describe the Firm's security procedures for its information reporting system, both for access and information protection (e.g. RSA tokens, secure certification, etc.).
- 3. Describe the backup and recovery capabilities in the event the proposed systems are unavailable. Who would the State contact to initiate day-to day transactions if online capabilities and functionality are temporarily unavailable?
- 4. Discuss the bank's security environment related to cybersecurity. Specifically describe the cyber risks to which the proposed services may be exposed and explain the Firm's approach and response to protection against these risks. What are the Firm's crisis communications plans in the event of a cyber-attack?
- 5. Has the Firm ever had to respond to a data breach? If so, please describe the breach and what the Firm's response was.

6. Describe the encryption capabilities that are supported by the Firm for the transmission of data between the Firm and the State. Describe the file verification capabilities that are supported by the Firm, such as checksum or hash totals to ensure that no data is misfield or substituted.
7. Describe the process and procedures for providing notification of technology changes, such as file content / structure, and new / modified data availability reporting changes to the State.
8. List the types and amounts of insurance and bonding carried. Provide copies of the insurance certificates. Insurance requirements can be found in the STCs **Section IX of Appendix D.**
9. Does the Firm maintain cyber liability insurance? If so, list the types and amount/limits carried.
10. Include a copy of the bank's most recent reports issued in accordance with the Statement on Standards for Attestation Engagements ("SSAE") No. 18 (formerly known as the Statement of Auditing Standards-70 ("SAS70")) for any processes or systems relevant to the services proposed by the Firm under this RFP. *(Note: Failure to provide this information will significantly impair the State's ability to assess the Firm's controls and will negatively affect the evaluation of the proposal.)*

#### **F. Information Technology**

1. All services, products and deliverables provided by the Firm must comply with State standards promulgated by DTI, published at <https://dti.delaware.gov/information/standards-policies.shtm> .

## Attachment 1-A: Local Banking Questionnaire

CONTRACT NUMBER: TRE19202-LOCALBANKS

### A. Customer Service

1. Provide the name, title, address, phone number, and email address of the primary contact person(s) assigned to this account.

Relationship Manager	Routine (Day-to-Day) Requests

2. After the initial transition, how often will the primary relationship manager attend on-site meetings with State staff?
3. Provide biographical information on the individuals who will work with the State on a regular basis. Please include the following information:
  - a. Proposed role with regard to OST's account;
  - b. Biographical information;
  - c. Location;
  - d. Experience working with other government entities;
  - e. Number of years of experience in this field;
  - f. Number of years with Firm; and,
  - g. Number of accounts the person is responsible for.
4. Customer Service
  - a. For routine day-to-day transactions, will a specific customer service representative or a customer service department be assigned? Provide biographical information for this individual(s) that will be assigned to this account.
  - b. Describe the responsibilities of the customer service personnel, including the chain of command for problem resolution.
  - c. What are the hours of operation of the customer service unit involved in supporting the State?
5. IT Resources: Will Firm provide a dedicated IT liaison to work on set-up, file transfer, testing and troubleshooting / issue resolution? During what hours is technical support available (specify time zones)?

### B. Local branch banking

1. Account Set-Up and Structure

- a. How would you propose working with State agencies and OST to set up new accounts and related functionality in an efficient manner?
- b. Are you able to enforce a centralized structure whereby the opening, modification, and closing of accounts are all directed by OST?
- c. Does your Firm offer any “no fee” commercial/business accounts for State agencies that have very limited activity (i.e. school district)? *(Note: This approach will simplify the need for these State agencies to reconcile account analysis statements and budget for fees.)*
- d. Recognizing that many of these State agency accounts may be needed for deposit-only functionality or low-activity accounts, what services are recommended to be added (i.e. check blocks, ACH debit blocks, positive pay)? When making your recommendation, please be mindful of incremental costs of these services relative to the intended purpose of these accounts.
- e. For accounts with limited disbursement activity (less than 10 checks per month), can reverse positive pay or some other check monitoring process be substituted for positive pay?
- f. What is the bank’s policy or recourse available by a State agency if a fraudulent item posts to an account that does not have positive pay?
- g. What oversight reports will be available to OST to oversee the accounts maintained at your Firm?

2. Physical Deposit Processing

- a. How many bank branches does your Firm have in the State of Delaware?
  - i. How many bank branches does your Firm have in New Castle County?
  - ii. How many bank branches does your Firm have in Kent County?
  - iii. How many bank branches does your Firm have in Sussex County?
- b. For each of the State’s locations listed below, complete the table with the number of branches the Firm has within 5 driving miles and the address of the closest branch.

Agency	# of Branches Within 5 Miles
Auditor of Accounts 401 Federal Street, Townsend Building, Suite 1 Dover, DE 19901	
Bureau Chief 245 McKee Road Dover, DE 19904	
Child Support Services Main Administration Building, Third Floor, 1901 N. Du Pont Highway, Main Bldg. New Castle, DE 19720	
Court of Chancery – New Castle Leonard L. Williams Justice Center 500 N. King St. Wilmington, DE 19801	
Court of Chancery – Kent Kent County Courthouse	

414 Federal St. Dover, DE 19901	
Court of Chancery – Sussex 34 The Circle Georgetown, DE 19947	
Court of Common Pleas – New Castle Leonard L. Williams Justice Center 500 N. King St. Wilmington, DE 19801	
Court of Common Pleas – Kent Kent County Courthouse 414 Federal St. Dover, DE 19901	
Court of Common Pleas – Sussex Sussex County Courthouse 1 The Circle, Suite 1 Georgetown, DE 19947	
Criminal Justice Council Carvel State Office Bldg., 820 N. French Street, 10th Floor Wilmington, DE 19801	
Delaware National Guard 1 Vavala Way New Castle, DE 19720	
Developmental Disabilities Services – Stockley Center 101 Boyd Boulevard, 26351 Patriots Way Georgetown, DE 19947	
Family Court – New Castle Leonard L. Williams Justice Center 500 N. King Street Wilmington, DE 19801	
Family Court – Kent 400 Court St. Dover, DE 19901	
Family Court – Sussex 22 The Circle Georgetown, DE 19947	
Family Services – Office of the Director 1825 Faulkland Rd Wilmington, DE 19805-1195	
Fish and Wildlife 89 Kings Highway Dover, DE 19901	
General Assembly 411 Legislative Avenue Dover, DE 19901	
Hospital for the Chronically Ill 100 Sunnyside Road Smyrna, DE 19977	
Human Resources Haslet Armory, 2nd Floor, 122 Martin Luther King Jr. Blvd. South Dover, DE 19901	
Justice of the Peace Court 2 35252 Hudson Way, Unit #1 Rehoboth Beach, DE 19971	
Justice of the Peace Court 3 23730 Shortly Rd Georgetown, DE 19947	
Justice of the Peace Court 4 408 E. Stein Highway	

Seaford, DE 19973	
Justice of the Peace Court 6 35 Cams Fortune Way Harrington, DE 19952	
Justice of the Peace Court 7 480 Bank Lane Dover, DE 19904	
Justice of the Peace Court 8 100 Monrovia Ave. Smyrna, DE 19977	
Justice of the Peace Court 9 757 N. Broad St. Middletown Square Shopping Center Middletown, DE 19709	
Justice of the Peace Court 10 210 Greenbank Rd. Wilmington, DE 19808	
Justice of the Peace Court 11 2 Penns Way Suite 100A New Castle, DE 19720	
Justice of the Peace Court 13 1010 Concord Ave. Wilmington, DE 19802	
Justice of the Peace Court 14 5 E. Pine St. Georgetown, DE 19947	
Justice of the Peace Court 16 414 Federal St., Room 173 Dover, DE 19901	
Justice of the Peace Court 17 23730 Shortly Rd. Georgetown, DE 19947	
Justice of the Peace Court 20 Public Safety Building 300 N. Walnut St. Wilmington, DE 19801	
Kent County Elections 100 Enterprise Pl Ste 5 Dover DE 19904	
Department of Labor 4425 North Market Street Wilmington, DE 19802	
Legislative Council 411 Legislative Avenue Dover, DE 19901	
Long Term Care Residents Protection 3 Mill Road, Suite 308 Wilmington, DE 19806-2164	
Medicaid and Medical Assistance DHSS Herman Holloway Campus, Lewis Building, 1901 N. DuPont Highway New Castle, DE 19720	
Office of the Attorney General Delaware Department of Justice, Carvel State Building, 820 N. French St. Wilmington, DE 19801	
Office of the Secretary of Finance Carvel State Office Building 820 N. French St., 8 <sup>TH</sup> Floor Wilmington, DE 19801	

Office of the Secretary of Health and Social Services Main Building, 1901 N. DuPont Highway New Castle, DE 19720	
Office of the State Court Administrator The Renaissance Centre, 405 N. King Street, Suite 507 Wilmington, DE 19801	
Office of the State Fire Marshal 1537 Chestnut Grove Road Dover, DE 19904-1544	
Parks and Recreation 89 Kings Highway Dover, Delaware 19901	
Safety and Homeland Security 303 Transportation Circle Dover , DE 19903	
Services for Aging and Adults with Physical Disabilities – Administration Main Administration Building, First Floor Annex, 1901 N. DuPont Highway New Castle, DE 19720	
Social Services Lewis Building, DHSS Campus, Herman Holloway Sr. Campus, 1901 N. DuPont Highway New Castle, DE 19720	
State Fire Prevention Commission 1463 Chestnut Grove Road Dover, DE 19904	
State Fire School 1461 Chestnut Grove Road Dover, DE 19904	
State Police 1441 N. DuPont Highway, P.O. Box 430 Dover, DE 19903	
State Service Centers 1901 N. Dupont Highway, Charles Debnam Building New Castle, DE 19720	
Substance Abuse and Mental Health Herman M. Holloway, Sr. Campus, 1901 N. Du Pont Highway, Main Bldg New Castle, DE 19720	
Superior Court 905 S. Governors Ave., Suite 170 Dover, DE 19904	
Sussex County Elections 119 N. Race St., P.O. Box 457 Georgetown, DE 19947	
Veteran's Home 100 Delaware Veterans Boulevard Milford, DE 19963	
Visually Impaired Services 1901 North DuPont Highway New Castle, DE 19720	
Delaware Technical Community College – Terry Campus (Dover) 100 Campus Dr. Dover, DE 19904-1383	
Delaware Technical Community College – Owens Campus (Georgetown)	



21179 College Dr. Georgetown, DE 19947	
Delaware Technical Community College – Stanton 400 Stanton-Christiana Rd. Newark, DE 19713	
Delaware Technical Community College – George Campus (Wilmington) 300 N. Orange St. Wilmington, DE 19801	
Caesar Rodney School District 7 Front Street Wyoming, DE 19934	
Capital School District 198 Commerce Way Dover, DE 19904	
Lake Forest School District 5407 Killens Pond Road Felton, DE 19943	
Laurel School District 1160 South Central Ave. Laurel, DE 19956	
Cape Henlopen School District 1270 Kings Highway Lewes, DE 19958	
Milford School District 906 Lakeview Avenue Milford, DE 19963	
Seaford School District 390 North Market Street Ext. Seaford, DE 19973	
Smyrna School District 82 Monrovia Ave. Smyrna, DE 19977	
Appoquinimink School District 118 S. Sixth Street Odessa, DE 19730	
Brandywine School District 1311 Brandywine Blvd. Wilmington, DE 19809	
Red Clay Consolidated School District 1502 Spruce Avenue Wilmington, DE 19805	
Christina School District 600 N. Lombard Street Wilmington, DE 19801	
Colonial School District 318 East Basin Road New Castle, DE 19720	
Woodbridge School District 16359 Sussex Highway Bridgeville, DE 19933	
Indian River School District 31 Hosier Street Selbyville, DE 19975	
Delmar School District 200 N. 8th Street Delmar, DE 19940	
New Castle County Vocational Technical School District 1417 Newport Rd Wilmington, DE 19804	

- c. Can State agencies make deposits into the Firm's ATMs? If so, what kind of deposits can be made (i.e. checks only, cash and checks, etc.)? Please describe the process and any limitations.
- d. Branch Deposits
  - i. What is the ledger cutoff time for deposits made to branch locations?
  - ii. What type of deposit bags does the Firm allow/require?
  - iii. What is the limit, if any, on the number of deposit tickets that can be included in one deposit bag?
  - iv. Can currency and checks be included in the same deposit bag?
  - v. Are there any restrictions on the amount of loose and/or rolled coin deposited at a branch location?
  - vi. Are branch deposits immediately verified? If not, when does verification take place?
  - vii. If the Firm corrects a branch deposit, how will the State agency be informed of this change (i.e. phone call, online notification, fax, e-mail)? Is there a de minimis amount below which you write off deposit adjustments; if so, what is it?
  - viii. Can the Firm accommodate deposits being transported by a third-party to a local branch?
  - ix. Describe the process State agencies would use to research any deposit discrepancies. What is the Firm's process for resolving discrepancies when a third-party courier is employed?
  - x. Can bank supplies (i.e. deposit bags and deposit tickets) be ordered through your Firm? Does the Firm charge a fee for these supplies? If so, is the fee a pass-through charge or is there a mark-up?
- 3. Deposit Reconciliation Services
  - a. Can a deposit identification number be used to identify each unique depositing entity for reconciliation purposes? Can the deposit identification number be used for all deposit types?
  - b. What are the specifications for assigning unique deposit identification numbers (i.e. maximum number of digits, numeric-only, etc.)?
  - c. Are daily deposit totals reported by each location separately?
  - d. Is the location code available on all standard reports? If not, please identify how this information will be available (i.e. customized reports from the online platform, transmitted files, etc.).
- 4. Returned Item Processing
  - a. Can returned items be automatically redeposited?
  - b. Does the Firm offer Represented Check Entries ("RCK") services?

- c. Can the Firm provide online access to electronic images (front and back) of returned items to the State agencies? How soon after an item is returned can these images be accessed?
  - d. Can the Firm provide a detailed return item transmission to the State agencies? Can this report identify the payer's name, depositing location, deposit date, and type of item being returned?
5. Availability of Deposits
- a. How does the Firm determine and calculate availability of deposited items? Does the Firm calculate availability by item or formula?
  - b. Does the Firm give immediate availability for on-us items?
  - c. Provide a copy of the availability schedules the Firm proposes to use for the State.
6. Check Disbursements / Positive Pay
- a. Does the Firm offer payee positive pay?
  - b. How will the State agencies be notified of exception items? Can an e-mail notification be sent to specific users alerting them that there is an exception item to review?
  - c. At what time will the State agencies receive the information on exception items? How much time will the State agencies have to review discrepancies and notify the Firm to accept or reject?
  - d. If the State agencies are unable to provide a "pay" or "no pay" decision before the deadline, what happens? Does the Firm offer a "do not pay" default?
  - e. What are the options for transmitting check issuance information to the Firm for positive pay services?
  - f. Does the Firm offer the ability to manually enter one-time check disbursements issued during the day outside of the regular batch file? How quickly will the teller line receive this information?
  - g. How quickly will transmission files of additional checks and/or recently voided items be available across the Firm's platform (including branch tellers)? Is there a limit to the number of files per day?
  - h. Does the Firm confirm receipt of transmission files? If so, what options are available for the State agencies to receive confirmation?
  - i. How is payee information captured from the physical checks? What steps does the Firm take to prevent exception items being flagged due to erroneous capture of payee information?
  - j. How are stale-dated checks identified? (i.e. are these checks automatically removed from the issue file after a set number of days or does the State need to send a file removing the checks from the issue file?)
  - k. If a stale-dated check is presented, will it be reported to the State agencies as an (i) exception item because of the date being greater than 180 days, (ii) exception item because of a State agency initiated a void on file for the issued check, or (iii) automatically returned?
  - l. If a disbursement check is deposited by the payee using mobile technology and he/she accidentally attempts to deposit the item a second time, will your Firm's positive pay

service identify this item as an exception or will it be automatically returned as a duplicate item? How does this item appear in the State agencies' daily reports?

- m. Will the Firm cash checks issued by a State agency drawn on a bank account maintained by your financial institution and presented by a non-account holder at no cost to either the State agency or the payee? *(Note: This is a highly desirable feature by State agencies.)*
  - i. If so, is a check cashing agreement required?
  - ii. If not, what is the fee for the State agency and/or the payee?

#### 7. Stop Payments

- a. What initial term options are available for stop payments?
- b. Will the system automatically verify if a check has been paid before processing the stop payment?
- c. Is there a report that lists stop payments that are set to expire?
- d. If using positive pay, can a cancel be placed on an outstanding check in lieu of a stop payment?

#### 8. System Administration

- a. Please describe your Firm's system administration capabilities. Can a multilevel hierarchy be established (i.e. Treasury (parent), agency (child), user (grandchild))?
- b. Can additional hierarchy levels be added?
- c. Describe the process of granting entitlements and access to individual users. Can State agency heads (child) be delegated the responsibility for maintaining end-user (grandchild) entitlements?
- d. Can the State designate administrators?
- e. What levels of authorization (i.e. accounts view, transaction capabilities, etc.) can be permitted or turned off for individual users?
- f. When setting up a new user, can a current user's profile be copied from one user to another?

#### 9. Online Reporting System

- a. How soon after the cut-off date are the following items ready?

	Online	By Mail
<b>Bank Statements</b>		
<b>CD-ROMs</b>	n/a	
<b>Partial Reconciliation Information</b>		
<b>Full Reconciliation Information</b>		
<b>Account Analysis Statement</b>		

- b. Describe any recent or upcoming major upgrades to your Firm's online reporting system.

- c. What time is previous day information available?
- d. Complete the following table indicating how long each item is available online? Differentiate between the standard term and the terms available for an additional fee. **Please note, this question is asking for how long the items are available, not when they are available.**

	Standard Term	Optional Terms Available
Prior / Previous Day Reporting		
Monthly Account Statements		
Images of Disbursement Items		

- e. The State is considering using the multi-bank reporting functionality offered by J.P. Morgan. Do you currently provide data feeds of balances and activities to J.P. Morgan or other financial institutions? If not, will you be able to report activity to this multi-bank reporting platform?
- f. In what file formats can transaction data be downloaded? Can activity be downloaded into Excel?
- g. What technology options would your Firm recommend the State agencies use for archiving historical check images (i.e. CD-ROM, online retention)?
- h. For historical images of disbursement checks that are accessible online, does your Firm charge per image stored or per image accessed?
- i. Can historical images of checks be sent by transmission to the State agencies for archival purposes (i.e. a full fiscal year)? If so, describe.
- j. Describe any mobile applications that your Firm offers for smartphones or tablets. What banking services can be completed using these applications? Complete the following table indicating which banking functions can be completed through the mobile applications.

Banking Function	Yes / No
Decision of positive pay items	
Reset a user's password	
Obtain balance reports	
Deposit an individual check	

- k. What dual authentication protocols are available and does your Firm use (i.e. tokens, mobile tokens, etc.)?
- l. Does the Firm's online reporting system offer the ability to set and send e-mail alerts?
- m. Can electronic reports be scheduled to be generated automatically and e-mailed to designated users?

#### 10. Reconciliation Services

- a. Does the Firm offer full Account Reconciliation Program (“ARP”) services?
- b. Describe how reconciliation data would be transmitted to the State agencies? What data elements are available?

#### 11. Account Analysis Statements

- a. Provide a sample analysis statement. How soon after month-end is the analysis statement available?
- b. Can account analysis statements be “grouped” and invoiced by individual State agencies versus simply one consolidated account analysis statement for all State accounts?
- c. Can Association for Financial Professionals (“AFP”) Service Codes be included on the analysis statement? If not, does your Firm offer another report that provides this information?
- d. Are account analysis statements available online? How many prior months are available? Can the account analysis details be downloaded into Microsoft Excel?
- e. Is the Firm able to send analysis statements in an 822 file?

#### 12. Earnings Credit Rates (“ECR”)

- a. Does the State have the choice of paying the Firm by either “hard dollars” or “soft dollars”? Is the pricing the same for either option? If not, what is the difference?
- b. How does the Firm determine, adjust, and apply the ECR?
- c. Is the Firm willing to link the ECR to a market index? If so, which index is suggested?
- d. Does a reserve requirement apply on balances?
- e. Will the Firm assess any balance-based charges to the State? If so,
  - i. What is the charge for an entire year on a \$1,000,000 balance?
  - ii. Are these charges assessed on ledger or collected balances?
- f. Provide the earnings credit rate history for the 5-year period from January 2014 through December 2018. Please indicate the earnings credit rate for each month.
- g. What is the Firm’s current ECR? What is the ECR you are offering to the State?
- h. If the proposed earnings credit rate is higher than bank’s standard ECR, does your Firm plan to maintain this spread for the State over the life of the contract?
- i. Can “excess” earnings credits be carried forward to cover charges in the following month? Is there a limit on how far forward excess earnings credits can be carried?

#### 13. Overnight Investment Option or Interest Bearing Bank Deposit

*(If your Firm is proposing more than one sweep vehicle, please make sure each of the following questions is answered for each option.)*

- a. What short-term investment vehicle(s) or interest bearing account(s) does the Firm propose to use for the overnight sweep of the State’s main demand deposit accounts?
- b. Does a reserve requirement apply to the proposed option?
- c. Does an FDIC assessment, deposit based fee, or similar fee apply to the proposed option?

- i. If so, what is the current charge for an entire year on a \$1,000,000 balance?
  - ii. Is this charge assessed on ledger or collected balances?
- d. Provide investment return history for the 5-year period from January 2014 through December 2018 for each option proposed. Show the yield for each month.
- e. What fee (if any) is charged to sweep funds into the proposed investment vehicle(s)? Is the charged assessed per account or by the relationship?
- f. If the Firm is proposing a money market mutual fund, provide a copy of the current prospectus and identify the class of shares by providing the ticker symbol or CUSIP.
- g. If desired, is the State able to sweep funds to an overnight investment vehicle managed by the State's custodian?

#### 14. Collateral Requirements

- a. Please confirm the Firm's willingness to comply with the Guidelines. If there are any exceptions for the State to consider, identify those, and the impact they can have on the Firm's offering.
- b. Explain how the Firm's approach to collateralization impacts the proposed pricing.
- c. What type of collateral does the Firm propose? Explain in detail.
- d. Where will the collateral be held? What type of collateral reports will the State receive? Who sends these reports and how frequently?

#### 15. End-of-Day Overdrafts

- a. Does the Firm return items if an overdraft exists? If yes, how flexible is this policy?
- b. What are the fees and interest charges associated with overdrafts? How are these charges calculated?
- c. Is there a fee per check or per occurrence when there is an overdraft? If so, what is it?
- d. Is there a daily cap on fees? If so, what is it?

### **C. New Services & Ideas**

- 1. Describe any new services or ideas that will enhance the State agencies' use of local branch banking services.
- 2. Provide any additional information your Firm believes to be pertinent to your ability to provide this service but not specifically requested elsewhere in this RFP.

### **D. Implementation / Conversion**

- 1. After executing a master agreement between your Firm and OST, what documentation or paperwork do you need from individual State agencies to open up accounts, establish credentials, etc.?
- 2. What educational materials are available to State agency employees for the use of your Firm's products and/or system?

### **E. Pricing & Fees**

1. If the State chooses to use compensating balances, are there any charges that could not be paid in this way?
2. For a single bank account, what monthly maintenance charges would apply for the recommended structure (i.e. account maintenance fee, check block/positive pay, ACH debit block, online reporting, etc.)?
3. Complete the schedule of fees provided in **Attachment 4**. Since multiple awards will be made with this RFP, proposed pricing can be presented under a “low volume” and “high volume” scenario. Please denote what constitutes the “high volume” scenario, preferably based on the number of accounts maintain at your Firm. ***(Note: If your Firm is awarded the Primary OTC Collections account, it will be assumed that the proposed pricing for the Primary OTC Collections account will apply for all of the State agency accounts).***



## **Attachment 2: Requirements Matrix**

CONTRACT NUMBER: TRE19202-LOCALBANKS

Please complete excel file entitled Requirements Matrix attached to this document.

The remainder of this page intentionally left blank.

### Attachment 3: Confidential or Proprietary Information Form

CONTRACT NUMBER: TRE19202-LOCALBANKS

- ☐ By checking this box, the Vendor acknowledges that its proposal does not contain any information it declares to be confidential or proprietary for the purpose of production under 29 Delaware Code, Chapter 100, Delaware Freedom of Information Act.

Confidentiality or Proprietary Information

**Note: Use additional pages as necessary.**

## **Attachment 4: Schedule of Fees**

CONTRACT NUMBER: TRE19202-LOCALBANKS

Please complete excel file entitled Pro Forma Schedule of Fees attached to this document.

The remainder of this page intentionally left blank.

## Attachment 5: Exception Form

CONTRACT NUMBER: TRE19202-LOCALBANKS

Proposals must include all exceptions to the specifications, terms or conditions contained in this solicitation. If the Vendor is submitting the proposal without exceptions, please state so below.

- ☐ By checking this box, the Vendor acknowledges that they take no exceptions to the specifications, terms or conditions found in this solicitation.

[illegible]

**Note: Use additional pages as necessary.**

## Attachment 6: Business References

CONTRACT NUMBER: TRE19202-LOCALBANKS

List a minimum of three business references, including the following information:

- Business Name and Mailing address
- Contact Name and phone number
- Number of years doing business with
- Type of work performed

Please do not list any State employee as a business reference. If you have held a State contract within the last 5 years, provide a separate list of the contract(s).

1.	<b>Contact Name &amp; Title:</b>	
	<b>Business Name:</b>	
	<b>Address:</b>	
	<b>Email:</b>	
	<b>Phone # / Fax #:</b>	
	<b>Current Vendor (YES or NO):</b>	
	<b>Years Associated &amp; Type of Work Performed:</b>	
2.	<b>Contact Name &amp; Title:</b>	
	<b>Business Name:</b>	
	<b>Address:</b>	
	<b>Email:</b>	
	<b>Phone # / Fax #:</b>	
	<b>Current Vendor (YES or NO):</b>	
	<b>Years Associated &amp; Type of Work Performed:</b>	
3.	<b>Contact Name &amp; Title:</b>	
	<b>Business Name:</b>	
	<b>Address:</b>	
	<b>Email:</b>	
	<b>Phone # / Fax #:</b>	
	<b>Current Vendor (YES or NO):</b>	
	<b>Years Associated &amp; Type of Work Performed:</b>	

## Attachment 7: Non-collusion Statement

CONTRACT NUMBER: TRE19202-LOCALBANKS

CONTRACT NO.: TRE19202-LOCALBANKS TITLE: Professional Services (Local Branch Banking)  
DEADLINE TO RESPOND: April 2, 2019 at 4:00 PM (local time)

### NON-COLLUSION STATEMENT

This is to certify that the undersigned Vendor has neither directly nor indirectly, entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with this proposal, **and further certifies that it is not a sub-contractor to another Vendor who also submitted a proposal as a primary Vendor in response to this solicitation** submitted this date to the State of Delaware, Office of the State Treasurer.

It is agreed by the undersigned Vendor that the signed delivery of this bid represents, subject to any express exceptions set forth at Attachment 7, the Vendor's acceptance of the terms and conditions of this solicitation including all specifications and special provisions.

**NOTE:** Signature of the authorized representative **MUST** be of an individual who legally may enter his/her organization into a formal contract with the State of Delaware, Office of the State Treasurer.

COMPANY NAME \_\_\_\_\_ (Check one)

<input type="checkbox"/>	Corporation
<input type="checkbox"/>	Partnership
<input type="checkbox"/>	Individual

NAME OF AUTHORIZED REPRESENTATIVE \_\_\_\_\_

SIGNATURE \_\_\_\_\_ TITLE \_\_\_\_\_

COMPANY ADDRESS \_\_\_\_\_

PHONE NUMBER \_\_\_\_\_ FAX NUMBER \_\_\_\_\_

EMAIL ADDRESS \_\_\_\_\_

FEDERAL E.I. NUMBER \_\_\_\_\_ STATE OF DELAWARE LICENSE NUMBER \_\_\_\_\_

COMPANY CLASSIFICATIONS:  CERT. NO.: _____	Certification type(s)	Circle all that apply	
	Minority Business Enterprise (MBE)	Yes	No
	Woman Business Enterprise (WBE)	Yes	No
	Disadvantaged Business Enterprise (DBE)	Yes	No
	Veteran Owned Business Enterprise (VOBE)	Yes	No
	Service Disabled Veteran Owned Business Enterprise (SDVOBE)	Yes	No

[The above table is for informational and statistical use only.]

PURCHASE ORDERS SHOULD BE SENT TO:

COMPANY NAME: \_\_\_\_\_

ADDRESS \_\_\_\_\_ CONTACT \_\_\_\_\_

PHONE NUMBER \_\_\_\_\_ FAX NUMBER \_\_\_\_\_

EMAIL ADDRESS \_\_\_\_\_

**AFFIRMATION:** Within the past five years, has your firm, any affiliate, any predecessor company or entity, owner, Director, officer, partner or proprietor been the subject of a Federal, State, Local government suspension or debarment?

YES \_\_\_\_ NO \_\_\_\_ IF YES, PLEASE EXPLAIN \_\_\_\_\_

### **THIS PAGE SHALL BE SIGNED, NOTARIZED AND RETURNED FOR YOUR BID TO BE CONSIDERED**

SWORN TO AND SUBSCRIBED BEFORE ME this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

Notary Public \_\_\_\_\_ My Commission Expires \_\_\_\_\_

City of \_\_\_\_\_ County of \_\_\_\_\_ State of \_\_\_\_\_

## Attachment 8: Employing Delawareans Report

CONTRACT NUMBER: TRE19202-LOCALBANKS

As required by House Bill # 410 (Bond Bill) of the 146<sup>th</sup> General Assembly and under Section 30, no bid for any public works or professional services contract shall be responsive unless the prospective vendor discloses its reasonable, good-faith determination of:

1. Number of employees reasonably anticipated to be employed on the project: \_\_\_\_\_
2. Number of such employees who are bona fide legal residents<sup>2</sup> of Delaware: \_\_\_\_\_
3. Percentage of such employees who are bona fide legal residents of Delaware: \_\_\_\_\_
4. Total number of employees of the vendor: \_\_\_\_\_
5. Total percentage of employees who are bona fide residents of Delaware: \_\_\_\_\_

*If subcontractors are to be used:*

1. Number of employees who are residents of Delaware: \_\_\_\_\_
2. Percentage of employees who are residents of Delaware: \_\_\_\_\_

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<sup>2</sup> "Bona fide legal resident" shall mean any resident who has established residence of at least 90 days in the State.

## Appendix A: Scope of Services<sup>3</sup>

CONTRACT NUMBER: TRE19202-LOCALBANKS

### I. Local Banking

Although the State utilizes a primary OTC collections account, there are currently over 300 State agency accounts across multiple financial institutions. These accounts are necessary to provide the respective agencies with a convenient location to make branch deposits. The activity within these accounts is primary paper-based (i.e. coin, currency, and check) deposits. Some accounts will require check disbursement capability. The State may consider Vendor requests for additional information regarding the details of these accounts.

The aggregate volume for these State agency accounts are identified in **Attachment 4**. Through this RFP, the State intends to issue a non-exclusive award for a primary OTC collections account, as well as multiple awards – potentially 4 to 6, for additional local banks to provide agencies with local branch banking services. Given the likelihood of multiple award winners, selected Vendors will only provide a portion of the volumes identified in Attachment 4. Individual State agencies will be able to select their preferred bank from this list of pre-qualified institutions.

This RFP is designed to achieve the following objectives:

1. Centralized contract administration of Vendor relationships through OST;
2. Centralized oversight of State entity accounts by OST; and
3. Consistent pricing across State entity accounts with individual Vendors.

**1. Relationship Management:** Regular communication with the State's financial institution, as well as support from the relationship management team is essential to the success of this relationship.

1. Review of open issues and problems;
2. Review of the monthly account analysis statements to determine if volume counts are appropriate and consistent, and to be sure that contract pricing is properly applied;
3. Consider any new products that could replace or enhance existing services or increase efficiency;
4. Determine if there are less expensive ways to process transactions without sacrificing efficiency;
5. Determine if any training is needed on the bank's systems;
6. Discuss fraud protection and consider ways that transactions can be processed more securely; and,
7. Review the financial condition of the bank and any recent changes.

Required services include:

1. Provide a relationship management team with government experience; and,
2. Annual meetings with the State to review the items listed above.

**2. Deposit Services:** State agencies deposit approximately 27,100 checks and approximately \$2,037,000 at the branch per month. The selected Firms will be expected to handle multiple State agencies' cash and currency needs. State agencies may use a courier service to bring deposits to the branch.

Required services include:

1. Process the deposit of coin, currency and check at the Firm's branch network;
2. Fulfill orders for currency and coin; and
3. Provide deposit reconciliation services.

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<sup>3</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the RFP.



3. **Check Disbursement Services:** State agencies disburse an approximate 9,500 checks per month from over 130 accounts.

Required services include:

1. Provide basic check writing services;

4. **Reporting:** The State agencies require access to daily reports of balances and transaction information, including prior day reporting of ledger balance, available balance, and summary and details of credits/debits posted.

Select employees require online access to the bank's online reporting platform. A small portion of these users are administrators and the balance of the users require different hierarchies of access.

Security of the State's financial information and proper controls are of the highest importance to the OST. The State is seeking a bank with an extensive user reporting feature in order for the OST to easily identify who has access to the bank's online platform, what accounts they have access to, and what entitlements they have (e.g. wire transfers, approvals, internal book transfers, etc.).

The State would require an online system that can support a multi-level hierarchy. This hierarchy would allow the OST to control entitlements and access for all OST users, and allow the OST to delegate this control to sub-administrators at the different agencies. The agency sub-administrators would have the ability to maintain the users and their entitlements for their agency only.

The State is interested in utilizing multi-bank reporting through its primary concentration bank, J.P. Morgan, to view and track balances and transaction information across the State's banking partners. In order to do so, the selected banks will need to provide data feeds to J.P. Morgan.

Required services include:

1. Provide online balance reporting services;
2. Allow State employees with different levels of authorization to access the bank's online reporting system;
3. If needed, provide multi-hierarchy administration;
4. Provide prior day reporting;
5. Provide data feeds to J.P. Morgan so the OST can use JPM's multi-bank reporting functionality;
6. Provide full account reconciliation services for disbursements and deposits;
7. Provide online monthly activity statements and reports for all accounts;
8. Provide a detailed monthly account analysis statement for each individual account and a consolidated statement showing charges for all account services;
9. Provide electronic archival of cleared checks (images of front and back);
10. Provide online access to cashed check images; and
11. Transfer, at no cost to the State, all records and information relating to these services, electronically and by hard copy as requested, to a successor bank upon termination or completion of contract.

5. **Bank Balances:** Across all State agency accounts, average ledger balances are approximately \$59.6 million.

The State requires all collected balances in excess of balances insured by the FDIC to be collateralized. Collateralization requirements for State funds were established by the Cash Management Policy Board and are included in the Guidelines. This document can be found in **Appendix B.** (*Specific requirements for Collection and Disbursement Accounts can be found in Section 5.0 of Appendix B.*)

Required services include:

1. Provide a competitive earnings credit rate for uninvested balances;
2. Provide an overnight investment service (sweep) and/or interest bearing account for excess cash balances in the demand deposit accounts;
3. Collateralize all collected balances, in excess of balances insured by the FDIC, as per the collateral requirements of the State of Delaware; and
4. Meet all requirements for the investment of State funds as described above and in the Guidelines (found in **Appendix B**).

# **Appendix B: Cash Management Policy Board Guidelines**

CONTRACT NUMBER: TRE19202-LOCALBANKS

## **STATEMENT OF OBJECTIVES AND GUIDELINES FOR THE INVESTMENT OF STATE OF DELAWARE FUNDS**

Originally adopted January 18, 1982

Revised May 14, 2018

### **1.0 Statutory Authorization**

**1.1 Role of the Cash Management Policy Board.** The Cash Management Policy Board ("Board") was created by 63 *Del. Laws*, ch. 142, to establish policies (a) for the investment of all money belonging to the State or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program ("State Funds"), and (b) to determine the terms, conditions and other matters relating to those investments, including the designation of permissible investments.

**1.2 Role of the Office of the State Treasurer.** The investment of State Funds is to be made by the Office of the State Treasurer ("OST") in accordance with the objectives and guidelines outlined herein ("Guidelines"); provided, however, that the Board, by majority vote, may authorize OST to depart from the Guidelines.

### **2.0 Accounts**

**2.1 Designation of Accounts.** For purposes of these Guidelines, State Funds are to be allocated and held in a variety of accounts as outlined below ("Accounts"):

**2.1.1 Collection and Disbursement Accounts.** Cash required to meet the State's anticipated near-term operating requirements is to be held in "Collection and Disbursement Accounts." These accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 5.0 below by qualified financial institutions ("Cash Management Banks") selected by the Board through a competitive bid process.

**2.1.2 Liquidity Accounts.** Cash not required for the State's near-term operating requirements but readily available for anticipated funding needs of the State will be held in "Liquidity Accounts." State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 6.0 below by qualified investment managers ("Liquidity Managers") selected by the Board through a competitive bid process.

**2.1.3 Reserve Accounts.** Cash that is not anticipated to be needed for the State's near-term operating requirements or funding needs, but can be made available for unanticipated needs is to be held in "Reserve Accounts". State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 7.0 below by qualified investment managers ("Reserve Managers") selected by the Board through a competitive bid process.

**2.1.4 Endowment Accounts.** "Endowment Accounts" consist of State Funds set-aside for specified legislative purposes with the intent of growing the corpus of such funds over time. State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 8.0 below by qualified investment managers selected by the Board through a competitive bid process ("Endowment Managers").

**2.1.5 Operating Accounts.** "Operating Accounts" consist of State Funds set aside for specified purposes to be made available as and when required to meet such purposes. State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 9.0 below by Liquidity Managers or such other financial institutions as determined by the Board.

**2.2 List of Accounts.** OST shall maintain on its website a current listing of all Accounts and the Cash Management Banks, Liquidity Managers, Reserve Managers, and Endowment Managers approved by the Board to manage State Funds in such Accounts.

### **3.0 Allocation of State Funds**

**3.1 General Allocation.** The Board is responsible for setting the policy as to the allocation of State Funds among the Accounts (29 Del. C. §2716(a)(2)).

#### **3.2 Allocation among Accounts**

**3.2.1 Cash Accounts.** Unless otherwise determined by the Board, OST shall use its discretion to allocate State Funds among the Collection and Disbursement Accounts, Liquidity Accounts, and Reserve Accounts (collectively, “Cash Accounts”) in accordance with the general purposes of such Accounts as described in Section 2.0 of these Guidelines and the investment objectives more particularly described in Sections 5.0 – 7.0 below. In general, OST attempts to minimize the number of transfers of State Funds in and out of both Liquidity Accounts and Reserve Accounts. In the former case, OST maintains balances of funds with the Cash Management Banks sufficient to meet the State’s daily requirements over the near-term, allowing Liquidity Account balances to fluctuate based on the reasonably predictable cyclical pattern of the State’s annual collections and disbursements. In the latter instance, OST allocates State Funds to and from Reserve Accounts only as unforeseen need for, or receipt of, funds occurs that deviates meaningfully from the State’s historical pattern of collections and disbursements. Notwithstanding the foregoing, the Board may express a fixed allocation of State Funds to be held in each of the Cash Accounts to reflect then-prevailing market conditions or other considerations related to the probable income from and/or level of risk related to the investment of State Funds. (29 Del. C. §2716(a)). In such cases, OST may be required to make more frequent allocations among the Cash Accounts.

**3.2.2 Endowment Accounts and Operating Accounts.** Unless otherwise determined by the Board, OST shall allocate State Funds to the Endowment Accounts and Operating Accounts in accordance with the general purposes of such Accounts described in Section 2.0 of these Guidelines and the investment objectives more particularly described in Sections 8.0 and 9.0 below.

#### **3.3 Allocation among Banks and Managers**

**3.3.1 Cash Management Banks.** Unless otherwise determined by the Board, OST shall further allocate State Funds in the Collection and Disbursement Accounts among the Cash Management Banks in such proportions as OST determines in its discretion are necessary or desirable to meet the State’s anticipated near-term anticipated operating liquidity requirements.

**3.3.2 Liquidity Managers.** Unless otherwise determined by the Board and subject to the provisions of subsection 3.3.5 below, OST shall further allocate State Funds in the Liquidity Accounts pro rata among the Liquidity Managers based on the aggregate amount of State Funds in such Accounts.

**3.3.3 Reserve Managers.** Unless otherwise determined by the Board, OST shall further allocate State Funds in the Reserve Accounts pro rata among the Reserve Managers based on the aggregate amount of State Funds in such Accounts.

**3.3.4 Endowment Managers.** Unless otherwise determined by the Board, OST shall further allocate State Funds in the Endowment Accounts pro rata among the Endowment Managers based on the aggregate amount of State Funds in such Accounts.

**3.3.5 Special Allocation of State Funds in Operating Accounts.** Unless otherwise determined by the Board, OST shall further allocate State Funds in Operating Accounts pro rata among the Liquidity Managers or such other financial institutions as directed by the Board pursuant to subsection 2.1.5.

### **4.0 General Investment Standards and Objectives**

**4.1 Standard of Care.** In general, the banks and managers engaged as fiduciaries to manage State Funds shall exercise the judgment and care over the investment of such funds with the care, skill, prudence, and diligence under the circumstances then prevailing that prudent professional investment managers, acting in like capacity and familiar with such matters, would use in the investment of State Funds.

**4.2 General Objectives.** Subject to the more specific policies set out in Sections 5.0, 6.0, 7.0, 8.0, and 9.0 of these Guidelines, State Funds shall be invested in a manner that ensures the safety of, provides liquidity for, and maximizes return on such funds. For purposes of these Guidelines, the foregoing priorities have the following meanings:

**4.2.1 Safety.** Safety is defined as the ability, under ordinary market conditions, to ensure against the loss of the original investment amount of State Funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio.

**4.2.2 Liquidity.** Liquidity is defined as the capacity to realize, convert to cash, an asset in a timely fashion, at or near its value. An asset is said to be liquid when the act of selling has little impact on the asset's price. State Funds shall remain sufficiently liquid to meet all anticipated operating requirements and funding needs, and should be managed and invested for availability to meet unanticipated needs with minimal losses associated with illiquidity.

**4.2.3 Return.** Return is defined as the gain or loss on an investment over a specified period. Gains on investments are considered to be any income received from the security plus the earnings an asset generates in excess of its initial cost. The State Funds portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity set out herein.

## **5.0 Collection and Disbursement Accounts**

**5.1 Investment Objectives.** The funds in the Collection and Disbursement Accounts must be immediately available to support the State's daily governmental programs and activities. The primary investment objectives are therefore safety and liquidity of such funds; return is a secondary priority. OST may, consistent with these investment objectives, minimize credit risk associated with demand deposit account balances at Cash Management Banks through same-day money market mutual fund sweep products in accordance with subsection 5.2.2 and/or banking services arrangements offering "daylight overdraft" or similar privileges. End-of-day ledger balances shall be secured as provided in Section 5.2.

**5.2 Permissible Investments.** Cash Management Banks shall maintain State Funds in either collateralized demand deposit accounts or open-end money market mutual funds, in each case, subject to the provisions of subsections 5.2.1 and 5.2.2, respectively, in order to mitigate the risk of State Funds being exposed to the credit risk of such financial institution.

**5.2.1 Demand Deposit Accounts.** State Funds held by Cash Management Banks in demand deposit accounts shall be collateralized with one or more of following approved methods: (a) pledges of government securities that meet the definitions set out in subsections 6.3.1.1 and 6.3.2.1 to a custody account held for the benefit of the State at a Federal Reserve Bank, or held by an independent trust company, bank or similar financial institution rated in the highest rating category by at least one Nationally Recognized Statistical Rating Organizations approved by OST ("NRSRO"); (b) irrevocable standby letters of credit ("LOCs") issued by a Federal Home Loan Bank or financial institution rated in the highest rating category by at least one NRSRO; and (c) surety bonds issued by insurance companies rated in the highest rating category by at least one NRSRO (collectively, "Eligible Collateral"). The terms of any pledge or custody agreement, LOC, or surety bond shall be reviewed and approved by OST. The aggregate value of Eligible Collateral shall equal or exceed the total average monthly closing ledger balances of State Funds held or expected to be held by Cash Management Banks during the prior month, plus such additional amount of Eligible Collateral as OST may require Cash Management Banks to provide to protect against volatility and ensure that all uninsured ledger balances are fully secured at the close of each business day. Eligible Collateral in the form of government securities shall be marked to market at the close of each business day using an independent pricing service. A Cash Management Bank may substitute or reduce Eligible Collateral provided that Eligible Collateral levels meet or exceed the foregoing requirements. OST shall be provided with same-day notice of any such substitutions or reductions of Eligible Collateral. In addition, a Cash Management Bank shall provide OST with a detailed report of Eligible Collateral held in a custody account as requested by OST.

**5.2.2 Money Market Mutual Funds.** State Funds held by Cash Management Banks in money market mutual funds shall be invested solely in government securities that meet the definitions set out in subsections 6.3.1 and 6.3.2 and which are rated in the highest rating category by at least one NRSRO.

**5.3 Call Reports.** Each Cash Management Bank shall provide OST with a consolidated report of condition and income, generally referred to as a "call report," with respect to such financial institution on a quarterly basis unless such report is available publicly from the Federal Financial Institutions Examination Council's web site or a successor agency's website.

## **6.0 Liquidity Accounts**

**6.1 Investment Objectives.** The primary investment objectives of the Liquidity Accounts are to maintain the safety of State Funds while ensuring the liquidity of such funds to be drawn down to the Cash Management Banks for the support of the anticipated funding needs of the State. As variations in the State's otherwise predictable pattern of annual collections and disbursements do occur and can be material, Liquidity Managers must be prepared to meet unanticipated liquidity demands of the State in addition to those anticipated by OST. After the achievement of those goals, the State seeks to maximize the return on such investments.

**6.2 Maturity Restrictions.** The maximum maturity for any investment of State Funds in the Liquidity Accounts shall be two years from the date of settlement. Notwithstanding the foregoing, securities identified in subsections 6.3.4, 6.3.9, and 6.3.10 that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years as measured from the date of settlement.

**6.3 Permissible Investments and Percentage of Account Limitations.** State Funds held in Liquidity Accounts can be invested solely in the types of securities set out in this subsection 6.3. Each Liquidity Manager is further subject to limit the aggregate value of State Funds invested in each type of security held in the account under such manager's discretion to the "Percentage Limit" of such security type identified in this subsection 6.3, measured as a percentage of the total Liquidity Account value of State Funds under such manager's discretion.

**6.3.1 United States Treasury Obligations**

6.3.1.1 Definition: Bills, bonds, and notes issued by the U.S. Treasury.

6.3.1.2 Percentage Limit: No limit.

**6.3.2 United States Government Agency Obligations**

6.3.2.1 Definition: Any obligation of, or obligation that is insured as to principal and interest by, the U.S. or any agency or corporation thereof (excluding bills, bonds and notes issued by the U.S. Treasury), and any obligation and security of U.S.-sponsored enterprises, including, the Export-Import Bank of the United States, Farmers Home Administration, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, and the Government National Mortgage Association.

6.3.2.2 Percentage Limit: 50% in total; 20% in any one issuer.

**6.3.3 Certificates of Deposit and Time Deposits**

6.3.3.1 Definition: Certificates of deposit and time deposits denominated in U.S. dollars and issued or endorsed by either (i) a bank or a savings and loan association organized and supervised under federal or any state laws and regulated by the Federal Reserve or a trust company which is a member of the Federal Reserve system or (ii) a bank organized and supervised under the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway. Any such banking institution must have assets of not less than \$100 billion and be rated not lower than A1/P-1/F1 Short Term by at least two NRSROs.

6.3.3.2 Percentage Limit: 50% in total (domestic & non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer.

**6.3.4 Corporate Debt Instruments**

6.3.4.1 Definition: Commercial paper, variable rate notes, and non-convertible bonds and debentures denominated in U.S. dollars and issued by a U.S. corporation or a non-domestic corporation subject to the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway. Such securities must be rated by at least two NRSROs and (i) in the case of commercial paper, must be rated not lower than "A-2" by S&P, "P-2" by Moody's and "F2" by Fitch and the senior long-term debt of the issuer must be rated not lower "A-" by S&P, "A3" by Moody's and "A-" by Fitch (excluding asset-backed commercial paper that is rated A1 or better) and (ii) in the case of notes, bonds and debentures, must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch; provided that, any security that meets the foregoing rating standards and is backed fully by an irrevocable, unconditional letter of credit issued by a banking institution shall not be permissible hereunder unless such banking institution meets the definition of subsection 6.3.3.1 (in which case, any such securities will be deemed to be securities of both the corporate issuer and the banking institution for purposes of calculating the Percentage Limits set forth in subsections 6.3.4.2 and 6.3.3.2, respectively).

6.3.4.2 Percentage Limit: 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer.

### **6.3.5 Repurchase Agreements**

6.3.5.1 Definition: Securities permissible pursuant to subsections 6.3.1 and 6.3.2 acquired from a primary dealer designated by the NY Federal Reserve Bank, or a domestic bank which meets the definition set out in subsection 6.3.3.1, subject to a written repurchase agreement from such dealer or bank; provided that, (i) in the case of securities held in book-entry form in the Federal Reserve System, all deliveries of such securities must be made through the Federal Reserve book-entry system to an account designated by the State's custodian for such purpose and (ii); in the case of securities held in certificated form, all deliveries of such securities must be made to such address as designated by the State's custodian.

6.3.5.2 Percentage Limit: 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type as set forth in this subsection 6.3 and valued for such purposes at the lesser of fair market value and 102 percent of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.

### **6.3.6 Money Market Funds**

6.3.6.1 Definition: Open-end money market mutual funds that are invested solely in government securities (as defined in subsections 6.3.1 and 6.3.2) and which are rated in the highest rating category by at least one NRSRO.

6.3.6.2 Percentage Limit: No limit.

### **6.3.7 Canadian Treasury Bills**

6.3.7.1 Definition: Marketable securities issued by the government of Canada; provided that such securities are U.S. dollar denominated.

6.3.7.2 Percentage Limit: 25% in total.

### **6.3.8 Canadian Agency Securities**

6.3.8.1 Definition: Any obligation of any Canadian government-sponsored agency that is insured as to principal and interest by the Canadian Government; provided that the obligation is U.S. dollar denominated commercial paper having a maximum maturity of 270 days from the date of settlement.

6.3.8.2 Percentage Limit: 25% in total; 10% in any one agency.

### **6.3.9 Mortgage-Backed Securities**

6.3.9.1 Definition: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC) mortgage-backed securities issued in the form of pass-throughs; provided that, such securities have (i) been issued and guaranteed by the US Government or Government Agency and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

6.3.9.2 Percentage Limit: 10% in total, including securities defined in subsection 6.3.10.1.

### **6.3.10 Asset-Backed Securities**

6.3.10.1 Definition: Securities collateralized by pools of auto loan receivables, credit card receivables, and equipment loans; provided that such securities have (i) the highest credit rating from at least two NRSROs and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

6.3.10.2 Percentage Limit: 10% in total, including securities defined in subsection 6.3.9.1.

## **7.0 Reserve Accounts**

**7.1 Investment Objectives.** The Reserve Accounts have been established to provide funding over an intermediate horizon but must be available to meet unanticipated operating requirements of the State as they arise. The primary investment objectives are to maintain the safety of and maximize the return on such funds. Liquidity of such funds is a secondary consideration, but Reserve Managers are expected to invest State Funds in a manner to mitigate losses in connection with the need to liquidate investments for unforeseen operating requirements.

**7.2 Maturity Restrictions.** The maximum maturity for any investment of State Funds in the Reserve Accounts shall be ten years from the date of settlement.

**7.3 Permissible Investments and Percentage of Account Limitations.** State Funds held in Reserve Accounts can be invested solely in the types of securities set out in this subsection 7.3. Each Reserve Manager is further subject to limit the aggregate value of State Funds invested in each type of security held in the account under such manager's discretion to the "Percentage Limit" of such security type identified in this subsection 7.3, measured as a percentage of the total Reserve Account value of State Funds under such manager's discretion.

**7.3.1 United States Treasury Obligations**

7.3.1.1 Definition: Bills, bonds, and notes issued by the U.S. Treasury.

7.3.1.2 Percentage Limit: No Limit.

**7.3.2 United States Government Agency Obligations**

7.3.2.1 Definition: Any obligation of, or obligation that is insured as to principal and interest by, the U.S. or any agency or corporation thereof (excluding bills, bonds and notes issued by the U.S. Treasury), and any obligation and security of U.S.-sponsored enterprises, including, the Export-Import Bank of the United States, Farmers Home Administration, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, and the Government National Mortgage Association.

7.3.2.2 Percentage Limit: 50% total; 20% in any one issuer.

**7.3.3 Certificates of Deposit and Time Deposits**

7.3.3.1 Definition: Certificates of deposit and time deposits denominated in U.S. dollars and issued or endorsed by either (i) a bank or a savings and loan association organized and supervised under federal or any state laws and regulated by the Federal Reserve or a trust company which is a member of the Federal Reserve system or (ii) a bank organized and supervised under the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway. Any such banking institution must have assets of not less than \$100 billion and be rated not lower than A1/P-1/F1 Short Term by at least two NRSROs.

7.3.3.2 Percentage Limit: 50% in total (domestic & non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer.

**7.3.4 Corporate Debt Instruments**

7.3.4.1 Definition: Commercial paper, variable rate notes, and non-convertible bonds and debentures denominated in U.S. dollars and issued by a U.S. corporation or a non-domestic corporation subject to the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway; provided that such securities must be rated by at least two NRSROs and (i) in the case of commercial paper, must be rated not lower than "A-2" by S&P, "P-2" by Moody's and "F2" by Fitch and the senior long-term debt of the issuer must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch (excluding asset-backed commercial paper that is rated A1 or better) and (ii) in the case of notes, bonds and debentures, must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch; provided that, any security that meets the foregoing rating standards and is backed fully by an irrevocable, unconditional letter of credit issued by a banking institution shall not be permissible hereunder unless such banking institution meets the definition of subsection 7.3.3.1 (in which case, any such securities will be deemed to be securities of both the corporate issuer and the banking institution for purposes of calculating the Percentage Limits set forth in subsections 7.3.4.2 and 7.3.3.2, respectively).

7.3.4.2 Percentage Limit: 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer.

**7.3.5 Repurchase Agreements**

7.3.5.1 Definition: Securities permissible pursuant to subsections 7.3.1 and 7.3.2 acquired from a primary dealer designated by the NY Federal Reserve Bank, or a domestic bank which meets the definition set out in subsection 7.3.3.1, subject to a written repurchase agreement from such dealer or bank; provided that, (i) in the case of securities held in book-entry form in the Federal Reserve System, all deliveries of such securities must be made through the Federal Reserve book-entry system to an account designated by the State's custodian or such purpose and (ii); in the case of securities held in certificated form, all deliveries of such securities must be made must be made to such address as designated by the State's custodian.

7.3.5.2 Percentage Limit: 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type



as set forth in this subsection 7.3 and valued for such purposes at the lesser of fair market value and 102 percent of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.

#### **7.3.6 Money Market Funds**

7.3.6.1 Definition: Open-end money market mutual funds that are invested solely in government securities (as defined in subsections 7.3.1 and 7.3.2) and which are rated in the highest rating category by at least one NRSRO.

7.3.6.2 Percentage Limit: 100% in total.

#### **7.3.7 Canadian Treasury Bills**

7.3.7.1 Definition: Marketable securities issued by the government of Canada, provided that such securities are U.S. dollar denominated.

7.3.7.2 Percentage Limit: 25% in total.

#### **7.3.8 Canadian Agency Securities**

7.3.8.1 Definition: Any obligation of any Canadian government-sponsored agency that is insured as to principal and interest by the Canadian Government; provided that the obligation is U.S. dollar denominated commercial paper having a maximum maturity of 270 days from the date of settlement.

7.3.8.2 Percentage Limit: 25% in total; 10% in any one agency.

#### **7.3.9 Mortgage-Backed Securities**

7.3.9.1 Definition: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC) mortgage-backed securities issued in the form of pass-throughs; provided that they have (i) been issued and guaranteed by the US Government or Government Agency and (ii) an average life not to exceed ten years (from the date of settlement of purchase).

7.3.9.2 Percentage Limit: 10% in total, including securities defined in subsection 7.3.10.1.

#### **7.3.10 Asset Backed Securities**

7.3.10.1 Definition: Securities collateralized by pools of auto loan receivables, credit card receivables, and equipment loans; provided that (i) such securities have the highest credit rating from the highest credit rating from at least two NRSROs and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

7.3.10.2 Percentage Limit: 10% in total, including securities defined in subsection 7.3.9.1.

#### **7.3.11 Municipal Obligations**

7.3.11.1 Definition: Taxable and tax-exempt securities issued by state and local governments and public authorities in the U.S., excluding securities issued by the State of Delaware, its local governments and public authorities; provided that such securities must be rated by at least two NRSROs and must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch.

7.3.11.2 Percentage Limit: 20% in total; 5% in any one issuer.

### **8.0 Endowment Accounts**

**8.1 Investment Objectives.** Endowment Accounts are funded with State Funds to be preserved and grown over time with a portion of the investment income and/or appreciation thereon withdrawn periodically to provide for specified legislative purposes. The primary objective of such Accounts is to create a perpetual fund whereby returns are maximized over the long term while ensuring safety of the corpus and the availability of amounts prescribed to meet the periodic liquidity requirements of the permitted withdrawals.

**8.2 Permissible Investments and Percentage of Account Limitations.** State Funds held in Endowment Accounts can be invested solely in the types of securities set out in this subsection 8.2. Each Endowment Manager is further subject to (i) limit the aggregate value of State Funds invested in each type of security held in the account under such manager's discretion to the "Percentage Maximum" of such security type identified in this subsection 8.2, measured as a percentage of the total account value of State Funds under such manager's discretion, and (ii) maintain a minimum of the aggregate value of State Funds invested in each type of security held in the account under such manager's discretion to the "Percentage Minimum" of such security type identified in this subsection 8.2, measured in each case as a percentage of the total account value of State Funds under such manager's discretion.

### **8.2.1 Money Market Funds**

8.2.1.1 Definition: Open-end money market mutual funds that are invested solely in government securities (as defined in subsections 6.3.1 and 6.3.2) and which are rated in the highest rating category by at least one NRSRO.

8.2.1.2 Percentage Maximum: 30% in total.

8.2.1.3 Percentage Minimum Limit: 5% in total.

### **8.2.2 Domestic and International Equities**

8.2.2.1 Definition: Common and preferred stocks of companies domiciled both within the U.S. and outside the U.S. that trade on U.S. or foreign exchanges and over the counter. Ownership in a publicly traded company, whether common or preferred, that trades on globally recognized exchanges, and issued by corporations, both foreign and domestic.

8.2.2.2 Percentage Maximum: 75% in total; no more than 35% of which are in international equities.

8.2.2.3 Percentage Minimum: 45% in total; no more than 35% of which are in international equities.

### **8.2.3 Domestic and International Fixed Income**

8.2.3.1 Definition: Debt securities of U.S. and non-U.S. governments, public agencies, corporations and other non-government entities.

8.2.3.2 Percentage Maximum: 55% in total, including securities permitted under subsection 8.2.4.

8.2.3.3 Percentage Minimum: 25% in total, including securities permitted under subsection 8.2.4.

### **8.2.4 Alternative Investments**

8.2.4.1 Definition: Securities not otherwise permissible pursuant to subsections 8.2.1 – 8.2.3 that a prudent manager would deem appropriate for portfolios of like character with comparable investment objectives, excluding hedge funds or other blind pool funds that incorporate leverage as part of their investment strategies.

8.2.4.2 Percentage Maximum: 25% in total.

8.2.4.3 Percentage Minimum: none.

## **9.0 Operating Accounts**

**9.1 Investment Objectives.** State agencies and other public authorities maintain various operating accounts with the intent of segregating such funds for accounting and reporting purposes. In addition, operating accounts may be created by the State to meet particular purposes and/or to comply with state statutes, bond trust agreements and/or Federal guidelines. The investment objectives with respect to such funds are to ensure safety and maximize return while providing for the liquidity requirements specifically identifiable to the use of such funds.

**9.2 Maturity Restrictions.** Unless otherwise determined by the Board, the maximum maturity for any investment of State Funds in the Operating Accounts shall be two years from the date of settlement. In some circumstances, State Funds in an Operating Account may be set aside to fund a known, specific future liability; in such cases, the Board grants OST the discretion to set the maturity restrictions with respect to securities purchased with such funds to correspond to the due date of the corresponding liability.

**9.3 Permissible Investments and Percentage of Account Limitations.** Unless otherwise determined by the Board, Operating Accounts shall be governed by the Permissible Investment and Percentage of Account Limitations for the Liquidity Accounts set out in subsections 6.2 and 6.3.

## **10.0 Restrictions & Violations**

**10.1 Investment Restrictions.** Notwithstanding any other provision, none of the banks or managers engaged to manage or invest State Funds may:

10.1.1 Purchase any securities other than those expressly permitted under Sections 5.0 – 9.0 of these Guidelines;

10.1.2 Make investments for the purpose of exercising control or management of an issuer;

10.1.3 Purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities;

10.1.4 Make short sales of securities or maintain a short position or write, purchase or sell puts, calls, straddles, spreads or combinations thereof;

10.1.5 Make loans to other persons, other than in connection with repurchase agreements as provided herein;

10.1.6 Mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held;

10.1.7 Invest in securities with legal or contractual restrictions on resale or for which no readily available market exists (except for repurchase agreements or variable rate master demand notes as provided herein and 144a private placements considered not to be illiquid, but, instead, readily marketable by issuing dealers);

10.1.8 Act as an underwriter of securities on behalf of the State of Delaware; or

10.1.9 Buy or sell any authorized investment when it is a party or any related or affiliated party in the transaction on both sides.

**10.2 Purchases in Violation of Guidelines.** In the event that a bank or manager purchases any security that at the time of purchase violates Sections 5.0 – 9.0, the bank or manager shall remove the security from the State's portfolio as soon as possible and will bear all costs associated with the purchase and sale of such security. The bank or manager shall further ensure that the State recognizes no investment gain or loss on the purchase and sale of such security and/or shall effect such transactions as shall be necessary to eliminate any such gain or loss on the books and records of the State's Account with such bank or manager. A bank or manager shall report immediately any such violation and the action(s) taken to correct such violation to OST.

**10.3 Holding Impermissible Securities Following a Downgrade.** In the event that a bank or manager holds any security that complied with Sections 5.0 – 9.0 at the time of purchase, but which ceases to qualify as a permissible investment as the result of a downgrade, the bank or investment manager shall remove the security from the State's portfolio immediately without any consideration as to the investment gains or losses occasioned thereby. In such case, the State shall bear all costs associated with the purchase and sale of such security and shall recognize any investment gain or loss on such transactions on the books and records of the State's Account with such bank or manager. A bank or manager shall report immediately any such violation and the action(s) taken to correct such violation to OST.

**10.4 Holding Impermissible Securities Following a Drawdown.** In the event that a manager's account exceeds the percentage of account limitations set forth in Sections 6.0 - 9.0 hereof as the result of a portfolio withdrawal, the manager shall provide to OST within two (2) business days, a detailed plan for remediation of the allocation to within the permissible percentage of account limitation. Such plan shall include: any expected pay-downs on structured securities, expected maturities and expected cash flow items. The manager and OST shall work together to determine a prudent path for remediation, with care taken to manage the overall portfolio risk and implications of any book gains or losses within the portfolio.

**10.5 Mutual or Commingled Fund Exceptions to Guidelines.** The Board recognizes that (i) mutual funds and other types of commingled investment vehicles can provide, under some circumstances, lower costs and better diversification than can be obtained with a separately managed fund pursuing the same investment objectives and (ii) such funds cannot customize their investment policies to conform to the guidelines set out herein. In such cases, the policies of such funds shall supersede these guidelines and are exempt from the policies and restrictions specified herein.

Originally adopted January 18, 1982

Revised December 12, 2014

Revised August 12, 2015

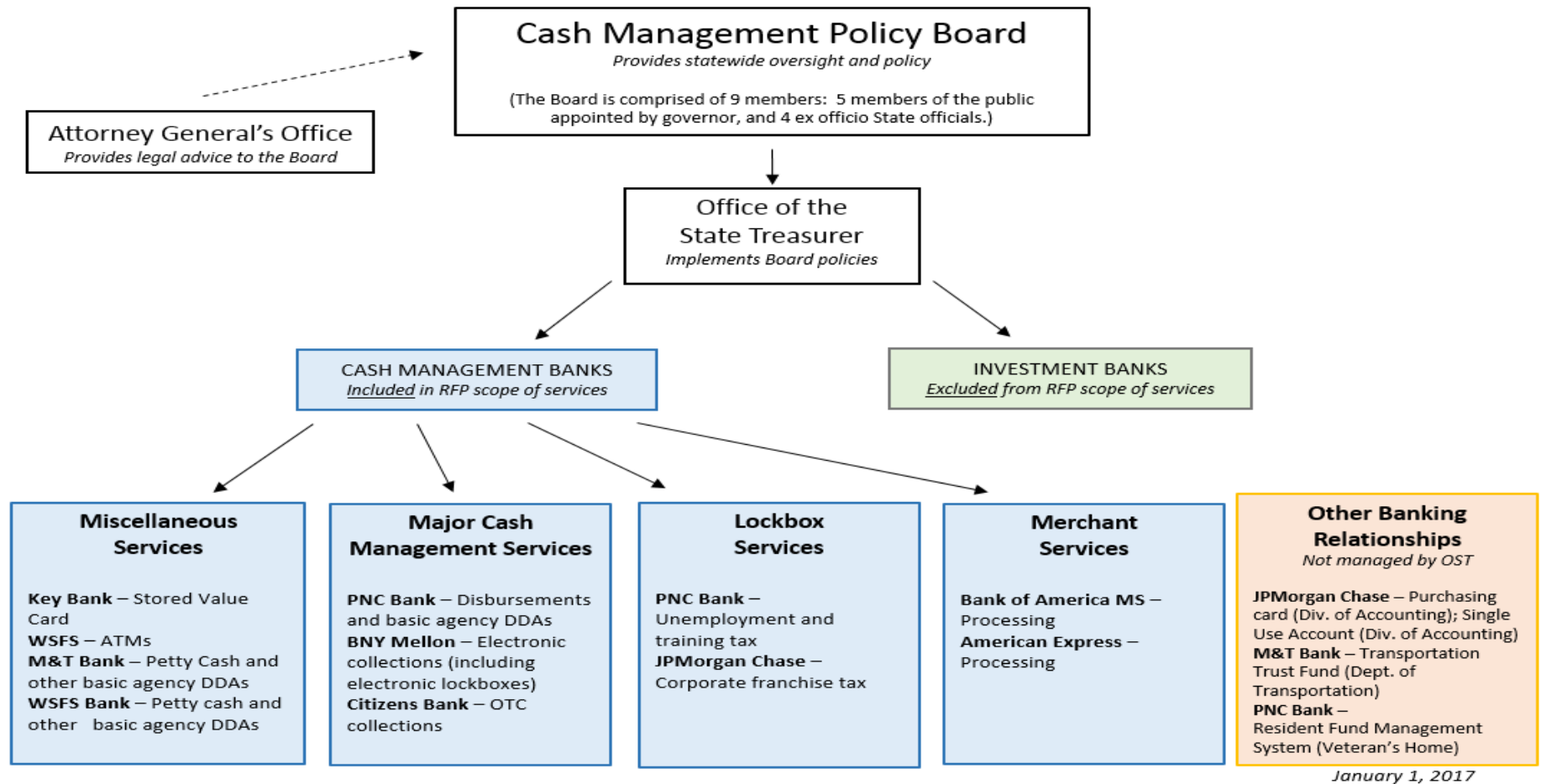
Revised August 10, 2016

## Appendix C: Delaware Cash Management Architecture

CONTRACT NUMBER: TRE19202-LOCALBANKS

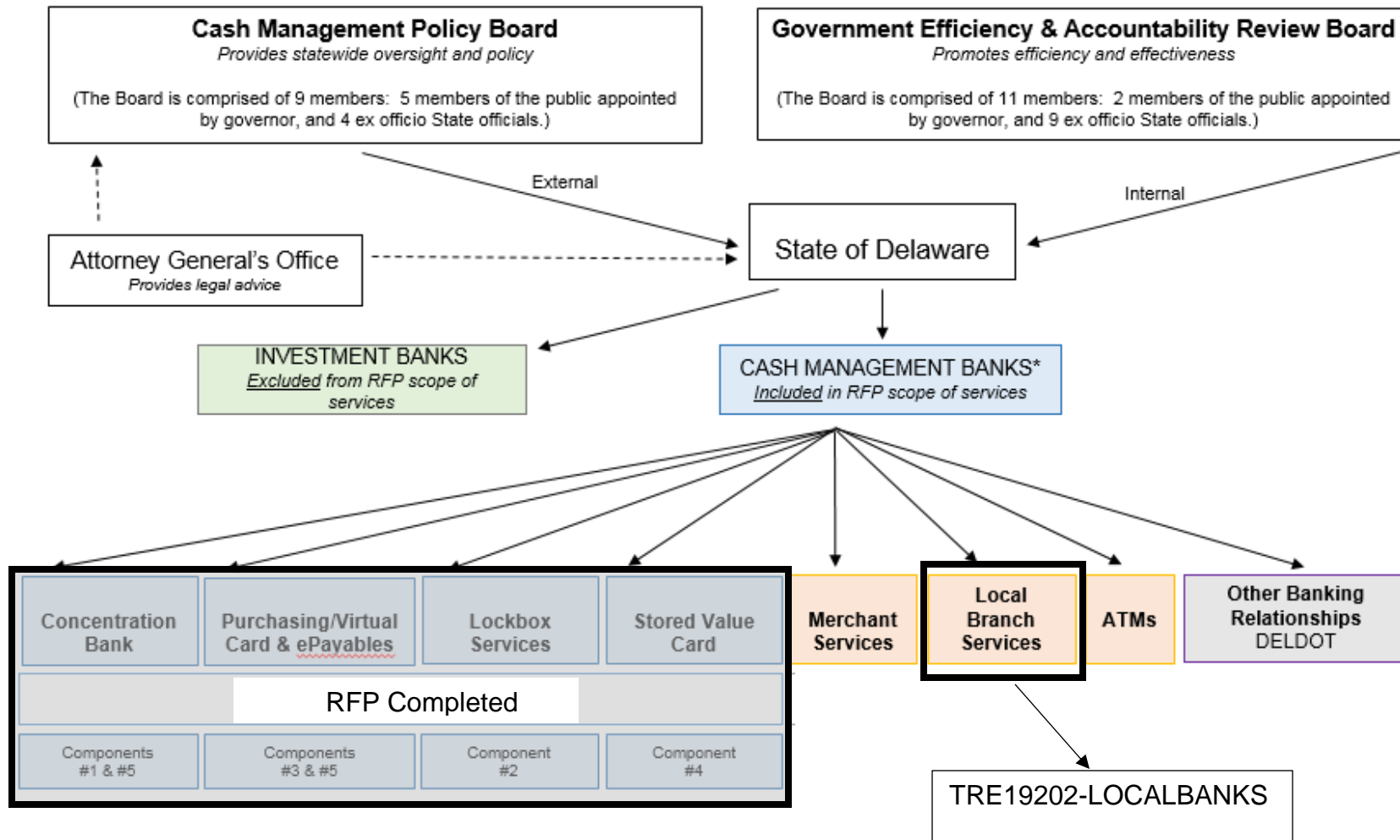
### I. Appendix C-1: Delaware's Current Cash Management Architecture

## STATE OF DELAWARE BANKING STRUCTURE



## II. Appendix C-2: Delaware's Proposed Cash Management Architecture

# PROPOSED STATE OF DELAWARE BANKING STRUCTURE



*\*It is possible that the State can opt for one or more vendors to provide these services*

## Appendix D: Standard Terms and Conditions

CONTRACT NUMBER: TRE19202-LOCALBANKS

### STANDARD TERMS AND CONDITIONS FOR BANKING SERVICES

The following standard terms and conditions ("STCs") shall apply to and govern any contract entered into by and between the State of Delaware (the "State" or "Delaware"), on behalf of the Delaware Cash Management Policy Board (including any successor entity, the "Board"), and a vendor ("Vendor") selected to provide banking services. The STCs, as may be modified by the State in its discretion, shall be deemed automatically incorporated into the terms of any banking services agreement with a Vendor (the "Agreement") and shall control and take precedence over any contrary or inconsistent terms or conditions in the Agreement. The Agreement shall include the STCs and all exhibits, and the primary written contract between the State and the Vendor, including all exhibits, attachments, schedules or other documents attached to or referenced in the contract.

#### 1. Services and Term.

- 1.1. Vendor shall perform the services set forth on **Exhibit 1** and such additional services or work as the State may request from time to time and for which the parties shall mutually agree (collectively, "Services").
- 1.2. The Agreement shall have an initial term of three years from the effective date specified in the Agreement, which initial term can be extended at the State's sole option for up to two additional two-year terms upon written notice to Vendor issued no later than 60 days prior to the expiration of the initial term or an optional term, as the case may be.
- 1.3. Ownership of all demand deposit or other bank or investment accounts containing State assets ("Account") shall remain with the State. Vendor shall not, under any circumstances, take title to or assert an ownership interest in any Account.
- 1.4. Upon execution of the Agreement, the State shall provide Vendor with a list of authorized personnel ("Authorized Persons") who will be permitted to advise, inform and direct Vendor on the State's behalf and signature specimens of Authorized Persons who are authorized to execute specific tasks. The State shall notify Vendor of any changes to such list in writing. Until notified of a change, Vendor may rely and act upon instructions and notices received from an Authorized Person identified on the then-current list furnished by the State. Vendor may request a current list at any time. All instructions or notices to Vendor from any Authorized Person shall be in writing and transmitted via electronic mail containing a PDF or other electronic copy of an instruction form or notice signed by an Authorized Person. All such authorized instructions or notices shall bind Vendor upon receipt. If Vendor receives instructions or notices from a source other than an Authorized Person, Vendor shall not comply with them and shall immediately notify the State of such unauthorized instructions or notices.
- 1.5. Vendor shall meet with the State at such times and places as the State may reasonably request. Vendor shall regularly consult with the State and its staff to provide full information regarding the Services. This interface shall include regular telephone communication, exchange of written data and analysis and other interaction as requested by the State.

#### 2. Payment for Services and Expenses.

- 2.1. The State will pay Vendor for the performance of Services in accordance with the schedule of fees set out on **Exhibit 2**. All Vendor payments shall be made via ACH transfer. Vendor is responsible for ensuring that the State has correct, up-to-date ACH information and otherwise complying with the State Division of Accounting's vendor requirements annexed to **Exhibit 2**.
- 2.2. State's obligation to pay Vendor for the performance of Services will not exceed the fee amounts set out on **Exhibit 2**, nor will the State pay Vendor for the performance of any Service

not listed on **Exhibit 2** absent the State's consent. It is expressly understood that the Services must be completed by Vendor and it shall be Vendor's responsibility to ensure sufficient competency and efficiency so that all Services are completed for the agreed-upon fees.

- 2.3. Vendor shall electronically submit monthly invoices to the State in sufficient detail to identify the Services provided and fees incurred during the previous month. If applicable, invoices will also clearly show any earnings credit generated on Account balances. Vendor shall make available all such invoices on an online platform. In the event the State disputes all or any portion of an invoice, the State agrees to provide Vendor with a detailed statement of the State's position on the invoice, or the disputed portion of the invoice, within thirty (30) days from the date the invoice is made available on the online platform. The State shall pay Vendor's invoices on a quarterly basis. All undisputed charges shall be paid within thirty (30) days after the close of each quarter.
- 2.4. Unless provided otherwise in the Agreement, all costs and expenses incurred in the performance of the Services are to be paid by Vendor.
- 2.5. The State shall not be liable for the payment of federal, state and local sales, use and excise taxes, including any interest and penalties from any related deficiency, which may become due and payable as a consequence of the Agreement.
- 2.6. The State shall have the right to setoff or subtract from any payment to be made to Vendor all damages, costs and expenses caused by Vendor's breach of the Agreement or Vendor's negligence.

### **3. Time Schedule.**

- 3.1. The implementation plan is set out on **Exhibit 3**. The parties recognize that the plan, as of the date of execution of the Agreement, reflects good faith estimates of timeframes and is subject to change in accordance with this Section 3.1. The parties shall have a period of thirty (30) days from the execution of the Agreement by all parties to discuss and refine the plan. If, during such 30-day period, either party in good faith determines that material changes to the plan are necessary, the State and Vendor shall have the right to immediately terminate the Agreement without liability. If the Agreement is so terminated, the State may engage another vendor and issue a new award in respect of the Services.
- 3.2. Any delay of Services or change in the sequence of Services, as applicable, must be approved in writing by the State.
- 3.3. In the event that Vendor fails to complete the Services or any portion thereof within the time specified in **Exhibit 3**, or with such additional time as may be granted in writing by the State, or fails to perform the Services, or any separable part thereof, with such diligence as will insure its completion within the time specified in **Exhibit 3** or any extensions thereof, the State may in its discretion, among other remedies, suspend all payment obligations under the Agreement.

### **4. Responsibilities of Vendor.**

- 4.1. Vendor shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all Services furnished by Vendor and its principals, officers, employees and agents under the Agreement. In performing Services, Vendor shall follow practices consistent with generally accepted professional and technical standards and comply with all applicable federal, state and local laws, ordinances, codes and regulations, including, without limitation, all guidelines and performance standards established by the Board.
- 4.2. Vendor shall be responsible for ensuring that all Services, additional work, products and deliverables furnished pursuant to the Agreement comply with the standards promulgated by the Delaware Department of Technology and Information ("DTI") published at

<https://dti.delaware.gov/information/standards-policies.shtml>, and as modified from time to time by DTI during the term of the Agreement. If any Service, additional work product or deliverable furnished pursuant to the Agreement does not conform to DTI standards, Vendor shall, at its expense and option either (1) replace it with a conforming equivalent or (2) modify it to conform to DTI standards. Vendor shall be and remain liable in accordance with the terms of the Agreement and applicable law for all damages to and expenses incurred by the State resulting from or attributable to Vendor's failure to comply with DTI standards.

- 4.3. Vendor acknowledges that DTI is responsible for safeguarding the confidentiality and integrity of data in the State's computer files regardless of the source of those data or medium on which they are stored - e.g., electronic data, computer output microfilm (COM), tape, or disk. Software programs supporting the Services or developed to process or manage State agency data shall not be modified without the prior knowledge and written authorization of DTI.
- 4.4. Vendor is required to agree to the requirements in the Confidentiality (Non-Disclosure) and Integrity of Data Agreement ("Data Agreement") attached as **Exhibit 4**. Vendor employees, individually, may be required to sign the Data Agreement prior to beginning work.
- 4.5. It shall be Vendor's duty to assure that all Services and products of its efforts do not cause, directly or indirectly, any unauthorized acquisition of data that compromises the security, confidentiality, or integrity of information maintained by the State. Vendor's agreement shall not limit or modify liability for information security breaches, and Vendor shall indemnify and hold harmless the State and the Board and their respective agents and employees from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) arising out of such breaches. In addition to all rights and remedies available to it in law or in equity, the State shall subtract from any payment made to Vendor all damages, costs and expenses caused by such information security breaches that have not been previously paid to Vendor.
- 4.6. It shall be the duty of the Vendor to assure that all Services are technically sound and in conformance with all pertinent federal, state and local statutes, codes, ordinances, resolutions and other regulations. Vendor will not provide Services or produce work product that violates or infringes on any copyright or patent rights. Vendor shall, without additional compensation, correct or revise any errors or omissions in its Services or work product.
- 4.7. Permitted or required approval by the State of any Services by Vendor shall not in any way relieve Vendor of responsibility for the professional and technical accuracy and adequacy of such work. The State's review, approval, acceptance, or payment for any of Vendor's Services shall not be construed to operate as a waiver of any rights under the Agreement or of any cause of action arising out of or relating to the performance of the Agreement, and Vendor shall be and remain liable in accordance with the terms of the Agreement and applicable law for all damages to the State caused by Vendor's performance or failure to perform under the Agreement.
- 4.8. Vendor shall appoint a senior employee who will manage the implementation of Services for the State. Vendor shall also appoint a senior employee who will manage the performance of such Service, and act as the single point of contact to the State and the Board following implementation.
- 4.9. Designation of persons for the positions identified in Section 4.8 shall be subject to review and approval by the State. Should the staff need to be diverted off the project for what are now unforeseeable circumstances, Vendor will notify the State immediately and work out a transition plan that is acceptable to both parties, as well as agree to an acceptable replacement plan to fill or complete the work originally assigned to the diverted project staff at no cost to Delaware. Selected replacement staff are subject to review and approval by the State. If Vendor fails to make a required replacement within 30 days, the State may terminate the Agreement for cause. Upon receipt of written notice from the State that an employee of Vendor



is unsuitable to the State, in its sole discretion, Vendor shall remove such employee from the performance of Services and substitute in his/her place an employee suitable to the State.

- 4.10. Vendor agrees that its officers and employees will cooperate with the State in the performance of Services and will be available for consultation with the State at such reasonable times with advance notice so as to not conflict with their other responsibilities.
- 4.11. Vendor has or will retain such employees as it may need to perform the Services. Such employees shall not be employed by the State or any political subdivision of the State.
- 4.12. Vendor will not use the State's or the Boards' name, either express or implied, in any of its advertising or sales materials, or as a reference, without the State's express written consent.
- 4.13. Vendor shall be properly licensed, registered and authorized to transact business in Delaware as provided in 30 *Del. C.* § 2502 and other applicable laws and regulations.
- 4.14. Vendor shall maintain business continuity and disaster recovery plans that are acceptable to the State. Vendor shall provide the State with a summary or copy of any proposed new plan or an amendment to an existing plan at least ten (10) business days prior to the effective date of any such new plan or amendment.
- 4.15. Vendor will maintain an information technology risk management program that meets or exceeds the requirements of the Office of the Comptroller of the Currency and the Federal Financial Institutions Examination Council as well as the Gramm-Leach Bliley Act and other applicable data privacy laws and regulations.

## **5. State Responsibilities.**

- 5.1. The State agrees that its officers and employees will cooperate with Vendor in the performance of Services and will be available for consultation with Vendor at such reasonable times with advance notice so as to not conflict with their other responsibilities.

## **6. Work Product.**

- 6.1. Except as provided below, all materials, information, documents, and reports, whether finished, unfinished, or draft, developed, prepared, completed, or acquired by Vendor relating to the Services are property of the State and shall, if requested, be delivered to Designated Contacts upon completion or termination of the Agreement, whichever comes first. The State shall have the right to reproduce and disclose all documentation provided in connection with or otherwise supplied pursuant to the Agreement.
- 6.2. Vendor may retain title and interest to the data furnished and/or generated by Vendor pursuant to the Agreement but only to the extent that retention of such title and interest does not conflict with the State's rights to the materials, information and documents developed in performing the Services. The State shall have a perpetual, nontransferable, non-exclusive, paid-up right and license to use, copy, modify and prepare derivative works of all materials in which Vendor retains title, whether individually by Vendor or jointly with the State. The parties will cooperate with each other and execute such other documents as may be reasonably deemed necessary to achieve the objectives of this Section.

## **7. Warranty.**

- 7.1. Vendor warrants that the Services will be performed in a good and workmanlike manner and in accordance with industry standards. Vendor represents that all equipment provided by Vendor in connection with the Services shall be operational and fit for the purpose provided. Vendor agrees to re-perform any Services, correct work product and fix or replace equipment not in compliance with this warranty.

- 7.2. Third-party products within the scope of the Agreement, if any, are warranted solely under the terms and conditions of the licenses or other agreements by which such products are governed. With respect to all third-party products and services purchased by Vendor for the State in connection with the provision of the Services, Vendor shall assign to the State all rights Vendor obtains from the manufacturers and/or vendors of such products and services (including warranty and indemnification rights), to the extent that such rights are assignable.

## **8. Indemnification; Limitation of Liability.**

- 8.1. The Board, the State and their respective officers, agents and employees shall have no obligation to indemnify Vendor or its officers, members, agents or employees for any liability, suits, actions, claims, costs or expenses (including attorneys' fees), brought against or incurred by Vendor, including, without limitation, any suit, action, claim, cost or expense arising out of or relating to the Agreement.
- 8.2. Vendor shall indemnify and hold harmless the Board, the State and their respective officers, members, agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees), brought or asserted by third parties based in whole or in part on the negligent, reckless, intentional or other tortious, fraudulent, or unlawful conduct of the Vendor or its officers, agents or employees in the performance of Services or otherwise arising out of or relating to the Agreement. If the State notifies Vendor in writing of such third-party claim, Vendor will, at the State's option, defend such claim at its expense. Vendor will pay all damages, costs and expenses that may be finally awarded against the Board, the State, or their respective officers, members, agents or employees, without regard to whether the State exercises the option referenced in the preceding sentence.
- 8.3. Except for fees that may be due and owing in respect of Services, and notwithstanding anything to the contrary in the Agreement, the Board, the State and their respective officers, members, agents and employees shall have no liability for any damages, whether direct or indirect, compensatory or punitive, actual or consequential, arising out of or related in any way to performance of the Agreement, including, without limitation, damages for breach of contract.
- 8.4. The Board, the State and their respective officers, members, agents and employees expressly reserve all rights, claims, arguments, defenses and immunities, including, without limitation, claims or defenses based on sovereign immunity, qualified immunity and other statutory or common law rights, claims, defenses or immunities.

## 9. Insurance.

9.1. Vendor shall maintain the following insurance during the term of the Agreement:

- a. Worker's Compensation and Employer's Liability Insurance in accordance with applicable law;
- b. Comprehensive General Liability—\$1,000,000.00 per occurrence/\$3,000,000 per aggregate;
- c. Professional Liability—\$5,000,000.00 per occurrence/\$5,000,000 per aggregate;
- d. Miscellaneous Errors and Omissions—\$1,000,000.00 per occurrence/\$3,000,000 per aggregate; and
- e. Automotive Liability Insurance covering all automotive units used in the work with limits of not less than \$100,000 for each person and \$300,000 for each accident as to bodily injury and \$25,000 as to property damage to others.
- f. Cyber Liability – Data such as names, addresses, phone numbers, email addresses, social security numbers, dates of birth, driver's license numbers, financial and banking data, federal and state tax information, and other personally identifiable information maintained by Vendor under the Agreement (collectively, "PII") shall be encrypted at rest with validated cryptography standards as specified in National Institute of Standards and Technology FIPS140-2 Security Requirements. If the Vendor cannot offer encryption at rest, the Vendor must maintain cyber security liability insurance coverage for any loss resulting from a data breach. The policy, if required, shall be issued by an insurance company acceptable to the State and shall remain in place as set forth below for the term of the Agreement, inclusive of any extension(s), or for as long as the Vendor possesses or controls PII, whichever is longer.

Levels of cyber liability insurance required are based on the number of records with PII anticipated to be possessed or controlled by Vendor in connection with the Agreement. Should the actual number of PII records exceed the anticipated number, it is the Vendor's responsibility to ensure that sufficient coverage is obtained (see table below). In the event that Vendor fails to obtain sufficient coverage, Vendor shall be liable to cover damages and shall indemnify the State for any damages, cost or expenses beyond the coverage amount.

Level	Number of PII records	Level of cyber liability insurance required (occurrence = data breach)
1	1-10,000	\$2,000,000 per occurrence
2	10,001 – 50,000	\$3,000,000 per occurrence
3	50,001 – 100,000	\$4,000,000 per occurrence
4	100,001 – 500,000	\$15,000,000 per occurrence
5	500,001 – 1,000,000	\$30,000,000 per occurrence
6	1,000,001 – 10,000,000	\$100,000,000 per occurrence

The policy shall include but not be limited to, coverage for liabilities relating to Vendor's or any independent contractor's or subcontractor's premises, operations, products, completed operations, or conduct relating to the Agreement. At a minimum, the policy must include third-party coverage for credit monitoring, notification costs to data breach victims, and regulatory penalties and fines. The policy shall include a provision requiring that Vendor, as a condition precedent to the termination of the policy, provide thirty days' written notice to the State prior to the effective date of termination. Vendor shall be responsible for any deductible or self-insured retention contained in the insurance policy. The coverage under the policy shall be primary, and not excess, to any other insurance carried by the Vendor.

- g. Excess/Umbrella policy - Excess/Umbrella \$10,000,000 total (sits above underlying worker's compensation and employer's liability, general liability, professional liability, miscellaneous errors and omissions, automotive liability, and cyber liability).
- 9.2. Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered to the State. Failure to maintain required insurance at all times is an event of default and constitutes grounds for terminating the Agreement.
- 9.3. Before any work is done pursuant to the Agreement, certificates of insurance for the insurance policies specified above shall be provided to the State. The certificates shall reference the contract number, TRE18101-BANKINGSERVCS, and identify the certificate holder as follows:  
  
**Office of the State Treasurer  
820 Silver Lake Blvd., Suite 100  
Dover, DE 19904**
- 9.4. In no event shall the Board, the State, or their respective officers, members, agents or employees, be named as an additional insured on any policy required under the Agreement.

#### **10. Independent Contractor.**

- 10.1. It is understood that in the performance of the Services, Vendor shall be, and is, an independent contractor, and is not an agent or employee of the Board or the State and shall furnish such Services in its own manner and method except as required by the Agreement.
- 10.2. Vendor has and shall retain the right to exercise full control over the employment, direction, compensation and discharge of all persons employed by Vendor in the performance of the Services; provided, however, that vendor will, subject to scheduling and staffing considerations, attempt to honor the State's request for specific individuals.
- 10.3. Vendor shall be solely responsible for, and shall indemnify, defend and hold the Board, the State and their respective officers, members, agents and employees harmless from all matters relating to the payment of its employees, including compliance with Social Security, withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever.
- 10.4. Vendor acknowledges that Vendor and any agents or employees employed by Vendor shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the compensation, benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees' Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits.
- 10.5. Vendor shall be responsible for providing liability insurance for its personnel.
- 10.6. As an independent contractor, Vendor has no authority to bind or commit the Board or the State. Nothing herein shall be deemed or construed to create a joint venture, partnership, or agency relationship between the parties for any purpose.

#### **11. Termination.**

- 11.1. The Agreement may be terminated by either party for default of the other party that is not cured within ten (10) business days after the non-defaulting party provides the defaulting party with written notice of default and demand for cure in accordance with the notice provisions of the Agreement. Default shall mean the failure of the other party to fulfill a material obligation under the Agreement.

- 11.2. The Agreement may be terminated in whole or in part by the State for its convenience, but only after Vendor is given thirty (30) business days written notice of intent to terminate.
- 11.3. If termination is effected, the State will pay Vendor that portion of compensation which has been earned as of the effective date of termination, but:
- a. No amount shall be allowed for anticipated profit on performed or unperformed Services or other work;
  - b. Any payment due to Vendor at the time of termination may be adjusted or withheld to the extent of any offset or recoupment rights, including, without limitation, amounts for liability or costs occasioned to the Board or the State by reason of Vendor's default or otherwise attributable to the conduct of Vendor or its officers, agents or employees; and
- 11.4. In the event the Vendor ceases conducting business, the State shall have the right to make an unsolicited offer of employment to any officers or employees of Vendor assigned to the performance of the Agreement.
- 11.5. Upon termination, for cause or convenience, the State may immediately retain another vendor to perform the Services, and Vendor shall commence providing transition services. Vendor shall at all times cooperate in the transition and shall perform, at no cost to the State, such transition services as the State in its sole and absolute discretion shall determine are necessary or appropriate to enable the transition of Services to a successor vendor or vendors. Vendor's obligation to provide transition services shall survive termination and shall continue until such date as is communicated in writing to Vendor that such services are no longer needed. Transition services shall include:
- a. Maintain current support levels without any degradation of services;
  - b. Production of reports and data extracts required to convert and reconcile accounts;
  - c. Operational and technical resource support required for testing and conversion activities;
  - d. Availability for conversion meetings given reasonable advanced notice;
  - e. Continued user access to systems and reports;
  - f. Production of regular status updates advising the State of conversion preparations and progress;
  - g. Support knowledge transfer activities, including the completion of requested templates, questionnaires, checklists, etc.; and
  - h. Documentation of known open issues and risks impacting State accounts or services.
- 11.6. If after termination for breach it is determined that Vendor has not so failed, the termination shall be deemed to have been effected for convenience.
- 11.7. The termination of the Agreement shall not terminate any rights or obligations that are intended to extend beyond termination, including vendor's transition obligations.
- 11.8. The rights and remedies of the State provided in this Section are in addition to any other rights and remedies provided by law or under the Agreement.

#### **11.9. Document Retention & Return.**

The State shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled, or conceived by the Vendor pursuant to this Agreement, and all such material shall be considered "works made for hire." All such material shall be delivered to the State upon expiration or termination of this Agreement. The State, in its sole discretion, shall have the exclusive right to copyright any product, concept, or material developed, prepared, assembled, or conceived by the Vendor pursuant to this Agreement.

#### **11.10. Gratuities.**

The State may, by written notice to Vendor, terminate the Agreement without liability if it is found that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by Vendor or any agent or representative of Vendor to any officer or employee of the State with a view toward securing a contract or securing favorable treatment with respect to the awarding, amending or making of any determinations with respect to the Agreement.

- 11.11. The validity and enforceability of the Agreement is subject to appropriations by the General Assembly of the specific funds necessary for contract performance. The Agreement shall terminate and the State's obligations under it shall cease at the end of the fiscal year in which the State fails to appropriate monies for the ensuing fiscal year sufficient for the payment of all amounts which will then become due. The Agreement shall be deemed void and shall be unenforceable as to any obligation of the State requiring the expenditure of money for which no specific appropriation has been made.

#### **12. Assignment; Subcontracts.**

- 12.1. Any attempt by Vendor to assign or otherwise transfer any interest in the Agreement without the prior written consent of the State shall be void.
- 12.2. Services specified by the Agreement shall not be subcontracted by Vendor without the prior written approval of the State.
- 12.3. Approval by the State of Vendor's request to subcontract or acceptance of or payment for subcontracted work by the State shall not in any way relieve Vendor of responsibility for the professional and technical accuracy and adequacy of the work. All subcontractors shall adhere to and be bound by all applicable provisions of the Agreement.
- 12.4. Vendor shall be and remain liable for all damages to the Board, or the State caused by negligent performance or non-performance of work under the Agreement by Vendor or any subcontractor.
- 12.5. The compensation otherwise due to Vendor pursuant to **Exhibit 2** shall not be affected by the State's approval of the Vendor's request to subcontract.

#### **13. Complete Agreement.**

- 13.1. The Agreement shall constitute the entire Agreement between the State and Vendor with respect to the subject matter of the Agreement and shall not be modified or changed without the express written consent of the parties. The provisions of the Agreement shall supersede all prior oral and written quotations, communications, agreements and understandings of the parties with respect to the subject matter of the Agreement.
- 13.2. If the scope of any provision of the Agreement is too broad in any respect to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent

permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provision shall be curtailed only to the extent necessary to conform to the law.

- 13.3. If any term or provision of the Agreement is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of the Agreement, but such term or provision shall be deemed modified to the extent necessary to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties.

#### **14. Miscellaneous Provisions.**

- 14.1. Neither the Agreement nor any exhibit may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of the Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.
- 14.2. The delay or failure by either party to exercise or enforce any of its rights under the Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.
- 14.3. Vendor covenants that it presently has no interest, and that it will not acquire any interest, direct or indirect, that conflicts or would conflict in any manner or degree with the performance of Services required under the Agreement. Vendor further covenants that, in the performance of said Services, no person having any such interest shall be employed.
- 14.4. Vendor acknowledges that the Board and the State have obligations to ensure that public funds are not used to subsidize private discrimination. Vendor recognizes that its refusal to hire or do business with an individual or company due to reasons of race, color, gender, ethnicity, disability, national origin, age, or any other protected status, may result in the State declaring Vendor in breach of the Agreement, terminating the Agreement without penalty and/or taking such additional action as may be warranted under the circumstances.
- 14.5. Vendor warrants that no person or selling agency has been employed or retained to solicit or secure the Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, the State shall have the right to annul the Agreement without liability.
- 14.6. The Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.
- 14.7. Vendor shall maintain all public records, as defined by 29 *Del. C.* § 502(1), relating to the Agreement and its deliverables for the time and in the manner specified by the Delaware Public Archives, pursuant to the Delaware Public Records Law, 29 *Del. C.* Ch. 5. During the term of the Agreement, authorized representatives of the State may inspect or audit Vendor's performance and records pertaining to the Agreement at the Vendor's business offices during normal business hours.
- 14.8. At the option of the State, the parties shall attempt in good faith to resolve any dispute arising out of or relating to the Agreement promptly by negotiation between officials or executives who have authority to settle the controversy. All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the parties, their agents, employees, experts and attorneys are confidential, privileged and inadmissible for any purpose, including impeachment, in any proceeding involving the parties, provided evidence that is otherwise admissible or discoverable may not be rendered

inadmissible. If the matter is not resolved by negotiation, or if the State in its discretion elects to proceed directly to mediation, then the matter will proceed to mediation as set forth below.

- 14.9. Any disputes, claims or controversies arising out of or relating to the Agreement that are not resolved through resolution pursuant to Section 15.3, must be submitted to mediation if the State in its discretion so elects. Any such proceedings held pursuant to this provision shall be governed by Delaware law and venue shall be in Delaware. The parties shall maintain the confidential nature of the proceedings and shall keep the terms of any resulting settlement or award confidential to the extent permissible under applicable law. Each party shall bear its own costs of mediation, including attorneys' fees and half of the mediator's fees and expenses.
- 14.10. The rights and remedies of the State provided for in the Agreement are in addition to any other rights and remedies provided by law or at equity.
- 14.11. Pursuant to Regulation S-P adopted by the Securities and Exchange Commission, all non-public consumer financial information provided by the State to Vendor under the Agreement shall be kept confidential by Vendor and not disclosed to others, except to the extent disclosure is (i) permitted by Regulation S-P or authorized by Delaware law; (ii) required by applicable law or judicial or regulatory process; or (iii) necessary to carry out the purposes of the Agreement.

#### **15. Assignment of Antitrust Claims.**

As consideration for the award and execution of the Agreement by the State, Vendor hereby grants, conveys, sells, assigns, and transfers to the State all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and the State, relating to the goods or Services and other work product purchased or acquired by the Board or the State pursuant to the Agreement.

#### **16. Governing Law.**

The Agreement shall be governed by and construed in accordance with Delaware laws, without regard to conflict of laws rules or principles. Vendor consents to jurisdiction and venue in Delaware.

#### **17. Notices.**

Any and all notices required by the provisions of the Agreement shall be in writing and shall be mailed, certified or registered mail, return receipt requested. All notices shall be sent to the following addresses:

DELAWARE:  
Office of the State Treasurer  
Attn: [Director of Debt and Cash Management]  
820 Silver Lake Blvd., Suite 100  
Dover, DE 19904

VENDOR:  
(Vendor contact address)



## **18. Exhibits.**

The following six exhibits and all terms and conditions thereof shall be incorporated into and considered part of the STCs:

**Exhibit 1 – Statement of Work (To be negotiated)**

**Exhibit 2 – Schedule of Fees (To be negotiated)**

**Exhibit 3 – Implementation Plan (To be negotiated)**

**Exhibit 4 – Confidentiality (Non-Disclosure) and Integrity of Data Agreement (Attached)**

## **Exhibit 4: Confidentiality (Non-Disclosure) & Integrity of Data**

CONTRACT NUMBER: TRE19202-LOCALBANKS

### **CONFIDENTIALITY (NON-DISCLOSURE) AND INTEGRITY OF DATA AGREEMENT**

The Department of Technology and Information is responsible for safeguarding the confidentiality and integrity of data in State computer files regardless of the source of those data or medium on which they are stored; e.g., electronic data, computer output microfilm (COM), tape, or disk. Computer programs developed to process State agency data will not be modified without the knowledge and written authorization of the Department of Technology and Information. All data generated from the original source data, shall be the property of the State of Delaware. The control of the disclosure of those data shall be retained by the State of Delaware and the Department of Technology and Information.

I/we, as an employee(s) of \_\_\_\_\_ or officer of my firm, when performing work for the Department of Technology and Information, understand that I/we act as an extension of DTI and therefore I/we are responsible for safeguarding the States' data and computer files as indicated above. I/we will not use, disclose, or modify State data or State computer files without the written knowledge and written authorization of DTI. Furthermore, I/we understand that I/we are to take all necessary precautions to prevent unauthorized use, disclosure, or modification of State computer files, and I/we should alert my immediate supervisor of any situation which might result in, or create the appearance of, unauthorized use, disclosure or modification of State data.

Penalty for unauthorized use, unauthorized modification of data files, or disclosure of any confidential information may mean the loss of my position and benefits, and prosecution under applicable State or Federal law.

This statement applies to the undersigned Contractor and to any others working under the Contractor's direction.

I, the Undersigned, hereby affirm that I have read DTI's Policy on Confidentiality (Non-Disclosure) and Integrity of Data and understood the terms of the above Confidentiality (Non-Disclosure) and Integrity of Data Agreement, and that I/we agree to abide by the terms above.

**Vendor Name:** \_\_\_\_\_

**Authorizing Official Name (print):** \_\_\_\_\_

**Authorizing Official Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## **Appendix E: General DTI Requirements & Guidelines**

CONTRACT NUMBER: TRE19202-LOCALBANKS

### **1. TECHNOLOGY AND INFORMATION TERMS**

#### **A. Proof of Concept (POC)**

For successful execution of the Program, a POC must be completed and test events approved by the Department before the Program is set to operational status. The following Program documentation will be validated during the POC: Department provided Work Instructions (WI) for each asset type enrolled in the program, Department defined Business Rules, Return Instructions, and procedures for management of retired/obsolete/bad stock.

#### **B. On Premise Solutions**

For on premise solutions, vendor(s) shall be responsible for ensuring that all services, products and deliverables furnished to the State are consistent with practices utilized by, or policies and standards promulgated by, the Department of Technology and Information (DTI) published at <http://dti.delaware.gov/information/standards-policies.shtml>.

The awarded vendor, on a quarterly basis, should review referenced policies and standards after contract execution to ensure continued compliance. If any service, product or deliverable furnished by a contractor(s) does not conform to State policies, standards or general practices, the contractor(s) shall, at its expense and option either (1) replace it with a conforming equivalent or (2) modify it to conform to State policies, standards or practices.

#### **C. Personally Identifiable Information**

Information or data, alone or in combination, that identifies or authenticates a particular individual. Such information or data may include, without limitation, Name, Date of birth, Full address (e.g. house number, city, state, and/or zip code), Phone Number, Passwords, PINs, Federal or state tax information, Biometric data, Unique identification numbers (e.g. driver's license number, social security number, credit or debit account numbers, medical records numbers), Criminal history, Citizenship status, Medical information, Financial Information, Usernames, Answers to security questions or other personal identifiers.

Information or data that meets the definition ascribed to the term "Personal Information" under Delaware Code Title 6 § 12B-101 Title 6, §1202C, and Title 29 §9017C or any other applicable State of Delaware or Federal law.

#### **D. IRS Data**

Any situations involving IRS Data Require adherence to the IRS Safeguarding Contract Language below. Any language conflict in this section with terms in this contract will cause the more stringent to apply in situations involving IRS Data. The IRS or another governing body may impose sanctions referenced in this section.

1. IRS 1075 PUBLICATION: EXHIBIT 7, Contract Language for Technology Services

a. PERFORMANCE

In performance of this contract, the contractor agrees to comply with and assume responsibility for compliance by his or her employees with the following requirements:

i. All work will be done under the supervision of the contractor or the contractor's employees.

ii. The contractor and the contractor's employees with access to or who use FTI must meet the background check requirements defined in IRS Publication 1075.

iii. Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Disclosure to anyone other than an officer or employee of the contractor will be prohibited.

iv. All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output will be given the same level of protection as required for the source material.

v. The contractor certifies that the data processed during the performance of this contract will be completely purged from all data storage components of his or her computer facility, and no output will be retained by the contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.

vi. Any spoilage or any intermediate hard copy printout that may result during the processing of IRS data will be given to the agency or his or her designee. When this is not possible, the contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the agency or his or her designee with a statement containing the date of destruction, description of material destroyed, and the method used.

vii. All computer systems receiving, processing, storing or transmitting FTI must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical controls. All security features must be available and activated to protect against unauthorized use of and access to Federal Tax Information.

viii. No work involving Federal Tax Information furnished under this contract will be subcontracted without prior written approval of the IRS.

ix. The contractor will maintain a list of employees authorized access. Such list will be provided to the agency and, upon request, to the IRS reviewing office. (10) The agency will have the right to void the contract if the contractor fails to provide the safeguards described above.

b. CRIMINAL/CIVIL SANCTIONS

i. Each officer or employee of any person to whom returns or return information is or may be disclosed will be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as 5 years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized further disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by IRCs 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.

ii. Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract. Inspection by or disclosure to anyone without an official need-to-know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee [United States for Federal employees] in an amount equal to the sum of the greater of \$1,000 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. These penalties are prescribed by IRC 7213A and 7431 and set forth at 26 CFR 301.6103(n)-1.

iii. Additionally, it is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

iv. Granting a contractor access to FTI must be preceded by certifying that each individual understands the agency's security policy and procedures for safeguarding IRS information. Contractors must maintain their authorization to access FTI through annual recertification. The initial certification and recertification must be documented and placed in the agency's files for review. As part of the certification and at least annually afterwards, contractors must be advised of the provisions of IRCs 7431, 7213, and 7213A (see Exhibit 4, Sanctions for Unauthorized Disclosure, and Exhibit 5, Civil Damages for Unauthorized Disclosure). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting unauthorized disclosures and data breaches. (See Section 10) For both the initial certification and the annual certification, the contractor must sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

c. INSPECTION

The IRS and the Agency, with 24-hour notice, shall have the right to send its inspectors into the offices and plants of the contractor to inspect facilities and operations performing any work with FTI under this contract for compliance with requirements defined in IRS Publication 1075. The IRS' right of inspection shall include the use of manual and/or automated scanning tools to perform compliance and vulnerability assessments of information technology (IT) assets that access, store, process or transmit FTI. On the basis of such inspection, corrective actions may be required in cases where the contractor is found to be noncompliant with contract safeguards.

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END OF RFP**