

# GFOA - Banking RFP Checklist

**Governments should develop a robust RFP document and process for securing banking services. This Checklist should be used as a starting point for a government to engage in this activity and should be adapted to fit the needs of your entity. Please note that this document should not be used as a substitute for developing an RFP specifically for your government's unique needs, requirements, and procurement practices.**

## Section 1 – Introduction

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### 1. Summary of RFP

- State why the government is issuing an RFP (e.g., previous contract expired, new services needed, something has changed to create a need, etc.)
- Briefly list required and optional service areas
- State the government's intent, if applicable, to award full or partial services (bundled/unbundled)
- State anticipated start date and duration of banking services agreement (include initial contract periods with options for extension, if possible)

### 2. Background information on the government

Provide a short section with relevant background information on the government with a focus on the current banking situation, including:

- Government structure and community background (including population)
- Current accounts and average collected balances, noting types of accounts (ZBA, MMA, etc.)
- Number of employees and percent paid by direct deposit or pay cards

### 3. Timeline for the procurement process

Provide a brief, specific timeline with key milestones, including:

- Issue date of the RFP
- Timeframe for questions about the RFP and the government's responses to the questions, with specifics on how to submit questions. (Some governments may also choose to hold a pre-bid conference.)
- Date and method for submitting the bank's RFP response
- Interview and/or demonstration dates (if required)
- Contract approval
- Implementation

### 4. Minimum bank qualifications

List the government's minimum requirements in order for a bank to be considered. For example:

- A banking corporation authorized to do business in the state.
- Geographic proximity to the government (specify government's requirements).
- Compliance with bonding requirements (if applicable).
- Compliance with state and local laws.
- Ability to provide collateral (if applicable) on all deposits.
- Submission of:
  - Call report for prior period
  - Rating agency rating (Veribanc, Highline, etc.)
  - Community Reinvestment Act (CRA) rating

## Section 2 – Scope of Banking Services

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In this section, describe the services that the government is seeking in the RFP. Clearly indicate which services are required and which are optional. For each service, briefly describe how the government currently uses the service and what the government expects from the bank.

- Indicate any specific needs or any unique qualities that the government might have.
- Specify any deadlines or time constraints the government might have.
- Provide historical usage data (or estimates) for all services currently being used. Governments seeking a new service that lacks historical data may: (a) need to estimate usage numbers based on peer governments' experience (or other methodology) and/or (b) estimate a range of transactions per service. Governments should indicate that these are *estimates*, but not guarantees of service level requirements.
- Use open-ended questions to identify differences between banks rather than setting specific requirements.

Require the bank to describe any alternatives, enhancements, or improved methods of providing the services mentioned in the RFP. In addition, ask the bank to describe any products or services not specifically mentioned in the RFP that the bank believes would be beneficial to the government

Below is a list of core and optional services that governments typically include in an RFP.

### 1. Wire Transfer Services

- Describe the government's requirements for incoming, outgoing, and other wire transfers.
- Request that the bank describe its service, including:
  - Policy on daylight overdrafts, including aggregation of accounts and wire deadlines.
  - Ability of government to initiate and monitor wire transfers online.
  - Ability to create and store recurring/repetitive wire instructions/templates.
  - Ability to create and store future-dated wire instructions.
  - Security measures for wire initiation and approval.

### 2. Automated Clearing House (ACH)

- Describe the government's current use of and requirements for this service:
  - Describe how ACH will be used. This might include direct deposit for payroll disbursements, collections for utility billing accounts, payments to credit card vendors, and any other anticipated payments.
  - Provide estimated number of ACH debit and credit transactions per account.
  - Request that the bank be both a sending and receiving bank of the National Automated Clearing House Association (NACHA).
- Request that the bank describe its service, including:
  - Method by which the government can submit ACH files or initiate ACH via bank software
  - Pre-notification policy and cost
  - Re-presentation of checks (RCK) through ACH on a targeted date
  - Security measures for ACH initiation/origination and ACH reception (ACH filters and blocks)

### 3. Availability of Funds

- Specify expectations regarding the availability of funds. Ask whether availability policies differ from Federal Reserve Bank availability schedule
- Request the bank's policy on receiving same day credit for deposits. Require same day credit for US obligation security maturities and coupon flow, on-us checks, and wires.
- Ask the bank if an expedited availability is offered.

#### **4. Monthly Statements and Account Analysis**

- Describe the government's requirements for this service.
- Request a sample copy of the bank's monthly statement and account analysis.
- Request that the bank describe its service, including:
  - When reports are available and how they are made available (e.g., online).
  - How long report images are maintained online.
  - The bank's dispute resolution process.

#### **5. Collection and Deposit Services**

- Describe the government's current use of and requirements for this service.
- Request that the bank describe its service, including:
  - Cutoff times and requirements by location (vault, teller, bank center, branch)
  - Bank policy on strapped/rolled and pricing basis
  - Credit advice processing (online or mailed)
  - Discrepancy and write off policies
  - Type of deposit bag used/required
  - Change order processing
  - Standard return and re-clear processing
  - Deposit locations
  - Deposit reconciliation services availability

#### **6. Remote Deposit Services including Check Truncation and Check Conversion**

- Describe the government's current use of and requirements for this service.
- Request that the bank describe its service, including:
  - Scanning equipment (lease options), software, transfer procedures, batching, and security.
  - Portal entry or stand-alone service.
  - Deadlines for same day credit of deposits
  - Document retention policy for checks converted to ACH or processed via remote deposit capture
  - Liability for fraudulent deposit items.

#### **7. Collateralization of Deposits**

- Describe the government's statutory requirements for this service, including:
  - Funds to be collateralized
  - Eligible collateral instruments
  - Marking-to-market reporting requirements
  - Margin requirement (i.e. 102%)
  - Independent third party safekeeping requirement
  - Substitution requirements
- Request that the bank confirm agreement to the government's conditions (Can't reduce amounts held in collateral without government's approval).
- Request name of custodian to be used.

Request information on any pooled services being utilized.

## 8. Lockbox (Wholesale and Retail)

- Describe the government's current use of and requirements for this service, including:
  - Type of services required (e.g., wholesale or retail, imaged or paper)
  - Types of payments received and percent from each category (e.g., consumer checks, business checks, credit card payments, etc.). Include remittance document sample.
  - Geographic origination locations
  - Current lockbox address and location requirement
    - Breakdown on wholesale versus retail processing
  - Average weekly amounts and cycles
  - Number and type of transactions (full and partial payments)
  - Critical dates/cycles associated with the government's billing cycle
  - Error tolerance
  
- Request that the bank describe its service, including:
  - Deadline and format of data transmissions
  - Current lockbox address and location requirement
  - Breakdown on wholesale versus retail processing
  - Locations of processing centers
  - Handling of unprocessable items or return items
  - How processing errors are resolved and expected timeframes for resolution
  - Remittance document layout requirements
  - Timing requirements
  - Transmission requirements (bank to government and government to bank)
  - Treatment of exception (non-standard, unprocessable, walk-in) items
  - Imaging capabilities
  - Conversion of consumer checks to ACH payments
  - Disposition of documents (including imaging capabilities and truncation)

## 9. Online Banking Services

- Confirm whether software installation is required.
- Provide information on the government's financial management system and the formats that it accepts for receiving banking data.
- Request information on how banking data can be interfaced or integrated with the government's financial management system, and what support will be available under the contract.
- Ask how and when training will be provided for on-line services.
- Request that the bank provide a detailed description of its online services and a list of all capabilities, including its ability to provide the following basic services:

### Reporting:

- Daily balance reporting – summary
- Daily balance reporting – detail (with check detail and images)
- Daily ACH and wire with full addenda information
- Current day reporting
- Intra-day reporting (real time or delayed), optional
- All reports can be converted to Excel.

### Execution of Transactions:

- Transfers between accounts
- Initiation of wire transfers
- Initiation of stop payment orders
- Positive pay actions including time requirements

- Initiation of ACH transactions; recurring/repetitive/future ACH debit (collection) or credit (direct deposit) transactions
- Maintenance of wire transfer templates
- Stale-dating of checks
- Other services such as EDI, remote collection, controlled disbursement
- Confirmations availability and format

Internal Controls:

- Online cleared check information/images
- Multi-level security administration requirements (self-administration preferred)
- Positive pay reports (including imaging of exception items).
- Training of government's system administrator for managing access.

**10. Electronic Storage of Documents**

- Request information on electronic document storage options (e.g., archiving by CD or online and retention periods)

**11. Vault Services**

- Describe the government's current use of and requirements for this service.
- Require differentiation on branch, banking center, and vault services (locations)
- Give an example deposit and have bank calculate the fees involved on it for comparison purposes between banks.
- Request that the bank describe its service (deadlines, preparation)
- Describe service limitations.
- Describe supporting technologies.

**12. Payment Card Services**

- Describe the government's current use of and requirements for this service, including:
  - Number of sites where cards are accepted
  - Average ticket type (debit/credit, MasterCard/Visa, etc.) and size per site
  - Average volume per site
  - Percent of volume that is a card present swipe versus the percent of volume that is taken over the telephone, mail, or internet.
  - Make and models of any point-of-sale terminals that the government owns.
- Request that the bank describe its service, including:
  - A description of the process
  - Rate and fee structure with breakdown of all fees (bank and association)
  - Time period that pricing is guaranteed for and how customers are notified of a price change.
  - Type of point-of-sale terminals required and the cost or lease options per terminal (or the cost to reprogram government's existing terminals).
  - Software that is provided and the support and training that are available
  - Charges for multiple merchant accounts
  - Percentage of downtime and notification of down periods
  - Guarantees against "down time" with service
  - Reporting and availability of reports
  - Clearing time lag between deposit and posting
  - Security features – including account number encryption and purging policy
  - Payment Card Industry (PCI) data security standard compliance and liability
  - Chargeback policy (including the bank's role in this process).
  - Customer service procedures

- Wireless service availability
- Type of processor (e.g., front-end, back-end)

**13. Interactive Voice Response/Interactive Web Response (IVR/IWR) Functionality**

- Describe the government’s current use and requirements for this service.
- Request that the bank describe its service.

**14. Purchasing Card Services**

- Describe the government’s current use of and requirements for this service, including:
  - Number of cards that will be issued
  - Annual total purchases and average card volume per card
  - Average transaction amount
- Request that the bank describe its service, including:
  - Online card management processes: new card issuance, deletion, replacing, modifying, etc.
  - Settlement terms/billing cycle options
  - Payment options
  - Card control and usage restriction options
  - Information reporting capabilities – paper vs. electronic
  - Technical capabilities – Internet
  - Security features – including account number encryption policy
  - System requirements
  - References
  - Interface options with internal financial systems, specify interface requirements
  - Fraud policy
  - Rebates for purchases
  - Virtual card options, including one-time-use card payments

**15. Stored Value Cards**

- Describe the government’s current use of and requirements for this service.
- Request that the bank describe its service, including:
  - Availability of service
  - Bank’s experience
  - Online initiation and update requirements
  - Dormancy
  - Multi-lingual services and customer support
  - Service charges to users
  - Turnaround time for issuing new cards

**16. Overdraft Processing**

- Describe the government’s history on overdrafts.
- Request that the bank describe its service, including:
  - Whether accounts are aggregated for calculation/fee purposes
  - Rate basis for overdrafts
  - Rate basis and definition of “daylight overdrafts”

**17. Controlled Disbursement Services**

- Describe the government’s current use of and requirements for this service.
- Request that the bank describe its service, including:
  - Availability of service
  - Location of collection point (endpoints)
  - Endpoint check cashing policies

- Number and timing of daily Fed letters
- Funding alternatives
- Transmission alternatives
- Imaging options

**18. Account Reconciliation Service**

- Describe the government’s current use of and requirements for this service.
- Request levels of reconciliation service (partial, full, deposit)

Options for receiving clean ARP (without adjustment records)

- Request sample reports from the bank.
- Request that the bank describe its full, partial, deposit and serial sort reconciliation services, including:
  - File transmission deadlines
  - File layout requirements
  - Imaging capabilities and availability
  - Reporting capabilities – (e.g. paper, electronic)
  - System requirements for interface

**19. Positive Pay or “Payee” Positive Pay Service**

- Describe the government’s current use of and requirements for this service.
- Request sample reports from the bank.
- Request that the bank describe its service, including:
  - Positive pay services and verification items
  - Teller data update schedules
  - Data transmission methods and time windows
  - Control options – notification default
  - Internet/online access (including technical capabilities and system requirements)

**20. Stop Payment Services**

- Describe the government’s current use of and requirements for this service.
- Request that the bank describe its service, including:
  - Online stop payment services (initiation and renewal)
  - Confirmation requirements
  - Duration of a stop payment (e.g., six months or in perpetuity) and renewal processing options.

**21. Safekeeping Services**

- Describe the government’s current use of and requirements for this service, including:
  - Average volume and clearing type
  - Request safekeeping process when handled through correspondent bank
  - Require delivery versus payment settlement and get confirmation of requirement.
- Request that the bank describe its service, including:
  - Charge breakdown on clearing
  - Safekeeping
  - Income distribution

## Section 3 – Bidding Instructions

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It is critical to the success of the RFP process that the government provides clear bidding instructions along with finite timelines for completion and submittal. The timeline for the process needs to be described in detail and needs to allow ample opportunity and time for the banks to provide their responses.

### 1. Timeline for the procurement process

Provide a detailed timeline with key milestones including:

- Issue date of the RFP
- Timeframe for questions about the RFP and the government's responses to the questions, with specifics on how to submit questions. (Some governments may also choose to hold a pre-bid conference.)
- Date and method for submitting the bank's RFP response
- Interview and/or demonstration dates (if required)
- Contract approval
- Implementation

### 2. List information that banks must submit with proposal forms

- General banking information
  - Financial strength
    - Capital ratios, asset quality, earnings, liquidity, sensitivity to market risk, deposits, and loans.
    - Financial statements for the past two fiscal years (with an unqualified opinion from a certified public accountant). Require the bank to resubmit its financial statements for each year of contract.
    - Call reports for the last four quarters or credit rating information for senior and subordinate debt from a recognized credit rating agency (e.g. Moody's, S&P, etc.)
    - Rating information from recognized bank rating agencies (e.g. Veribanc, Highline, etc.).
    - Confirmation from the bank that it will communicate to the government any changes in its credit rating or bank rating during the contract period.
  - Proof of current standing as an eligible public depository
  - Community Reinvestment Act (CRA) rating and rating authority. Include information on the bank's CRA activity within the government's jurisdiction.
  - Bank locations (main office and branches near the government)
  - Description of industry standard index and spread upon which available balances earn interest or earnings credit by account type. (The government might choose to specify the index and spread that it is looking for.)
  - Funds availability schedule and policy (if it differs from schedule)
  - A copy of the bank's proposed custodial agreement for the collateral pledged to secure the government's account, if applicable. Requirement for execution of the agreement under FIRREA requirements.
  - Confirmation that the bank will adhere to government's collateral policy.
  - Bank's disaster recovery plan (back-up sites and system back-up process).
  - Description of the bank's dispute resolution and customer service/feedback process.
- Incentives offered by the bank for transition or retention.



- Account servicing
  - Designated account representative. (Representative should have sufficient decision-making authority within the bank in order to resolve issues. In addition, the representative should have a strong understanding of the government’s operations.)
  - Back-up staff person
  - Bios of all personnel assigned to the government
- References (including two comparable public entities)
- Fee attachment listing pricing for required and optional services. To facilitate comparison between banks, the government should provide banks with a standard form/spreadsheet and include the government’s transaction volumes.
- Historical rate attachment that gives the average of interest bearing options for the prior 12 months (interest bearing accounts, money market accounts, ECR, and sweep rates)
- Transition plan approach and timeline defining implementation periods and defined responsibilities.

**3. List the government’s standard procurement requirements, for example:**

(The following list is merely an example and should not replace your government’s standard procurement requirements.)

- State that the government intends to enter into a formal banking services contract with the awarded bank that will incorporate all provisions of the RFP and bank response. Additional terms and conditions will not be included in the contract unless mutually agreed to by both parties.
- Require proposers to complete proposal forms. No proposal will be considered without completion of these forms. If a bank is unable to meet or exceed the requirements specified, then the phrase “no proposal” should be entered for that particular item.
- Reserve the right to reject any or all bids, and select the best bid in the opinion of the government entity.
- Reserve the right to eliminate any individual service contained in the proposal, if based on analysis, the fees for providing the service are excessive, or if the service proposed can be performed in an alternative manner.
- Require banks to separately list their exceptions to RFP specifications, with the proviso that exceptions will otherwise be invalid.
- Prevent unauthorized changes of the specifications, forms, or terms, which may render the response invalid.
- Declare that the failure to enter into a subsequent contract/agreement within a certain time period will render the response invalid.
- Provide that a subsequent contract/agreement may be terminated by the bank on 180 days written notice or by the government with 90 days notice (or some predetermined number of days). The time selected should be sufficient for a new RFP to be issued and an award made.
- Include an indemnification section that states the limited liability of the government.

## **Section 4 – Proposal Evaluation**

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There are differing viewpoints about the use of scoring systems to evaluate bank RFP responses. Two different approaches are presented below. The appropriateness of either approach will depend on your government's procurement practices.

One approach is to evaluate bank RFP responses using a scoring system in which precise weights are given to various criteria. These weights (and the objectives upon which they are based) should be clearly described in the RFP so that banks know how proposals will be evaluated. Advocates of this approach argue that a scoring system is an effective way to demonstrate to banks that the evaluation process is objective and without favoritism.

Another approach is to not use a precise weighting or scoring system to evaluate RFP responses. Advocates of this approach argue that, while it is important to provide as much evaluative information to the banks as possible, governments should retain flexibility in judging the proposals. For example, there may be non-quantifiable aspects of a bank that should be incorporated into the selection process, and imposing a precise weighting scheme may hamstring the selection team.

One key factor to remember with either approach is that there are three areas in which the bank must be evaluated: service capabilities, fees, and earnings options.

### **1. Describe the proposal evaluation process.**

#### **2. Describe the government's evaluation criteria, which may include:**

- Financial strength (may be an additional evaluation criterion, or it may be a minimum qualifying standard.)
- Ability to meet the government's current and projected service requirements over the term of the banking agreement (any past experiences with the bank will be taken into consideration)
- Best availability schedule for deposit items
- Capacity to provide a wide range of electronic banking services
- Cost per identified activity, aggregate banking services cost, and corresponding compensating balances (if applicable).
- Best rate of interest paid historically on accounts (including evaluation of indexed rates)
- Best earnings credit rate (ECR)
- Experience and governmental knowledge of bank team
- Quality of references
- Completeness of response to all required items on the standard forms provided

### **3. Provide a copy of the government's evaluation form (if one will be used).**

## **Section 5 – Other Attachments**

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Include the following documents with the RFP (or provide website links):

- Government's annual financial report
- Government's investment policy, including collateral requirements and statutory certification
- Standard contract documents (if applicable), including:
  - Banking services agreement
  - Wire transfer agreement
  - Collateral agreement