

Office of the Illinois State Treasurer
Michael W. Frerichs

Request for Proposals Treasury Management Solution
370-600-20-004

Addendum 18
January 28, 2020

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. The questions listed herein are intended to be accurate representations of the questions received; as such, any errors in usage or spelling have not been corrected. Any capitalized terms that are not defined herein have the meaning set forth in the Request for Proposals Treasury Management Solution (370-600-20-004) (“RFP”) published by the Treasurer on November 8, 2019.

1. Page 51 states that the State connects with 8 financial institutions. Please provide a list of the financial institutions and indicate which ones will be issuing electronic payments.

The financial institutions that currently provide services to the Treasurer relevant to this RFP are the following: Bank of America; DuQuoin State Bank; Huntington National Bank; Illinois National Bank; JP Morgan Chase Bank, N.A. (“Chase”); US Bank; and Wells Fargo Bank, N.A. The contract with the eighth financial institution will have expired when implementation occurs. Electronic payments for State agencies are executed through a contract among the Treasurer, Chase, and the Illinois Office of the Comptroller (IOC). IOC prepares and submits the ACH file to Chase for processing. The Treasurer funds the bank account for the dollar amount of the files.

2. Page 10, Section 4 Scope of Work, points 3 and 4 state “3. Implement a self-service State Agency portal for State Agencies in accordance with the RTM” and “4. Implement a partner portal for Stage Agency and financial institution reporting including upload and download of documents in accordance with the requirements set forth in the RTM;” however there is no reference in the RTM except for BK.038 which states “Allow external state agencies to securely view banking transactions for their accounts. Could you please expand on whether the State is expecting the TMS to replace the Illinois Agencies web portal or whether the TMS is expected to provide information to the portal? Please also provide further information on the process by the State Agencies to request non-negotiable drafts via the portal if the portal is to be replaced by the TMS.

If the respondent cannot implement a new portal, the current portal will continue to be utilized and must interact with the TMS.

Requesting a withdrawal from the Treasurer’s general ledger clearing account will be required, or the Treasurer must have the ability to establish

a schedule for automatic withdrawals, e.g. weekly, every two weeks, at month end.

3. Are you anticipating using the TMS to track debt instruments and their related cash flows? Should this functionality be included in the Cost proposal? Is there any other debt related functionality that you are considering (e.g. accounting, valuation, etc.)

The Treasurer needs the ability to incorporate principal and interest payments into a cash forecasting product, and the ability to report on the amount of principal and interest due within one fiscal year and years thereafter. Please see Addendum 19 for an updated version of the RTM reflecting these requirements under the “Functional Requirements” tab.

4. What types of data and how much historical data are you anticipating will be required in the new TMS? Will this data be available in a standard format such as .csv?

Most of the data is in SQL format. The Treasurer anticipates all historical data that is currently in TIS. This total is approximately 200 GB. The Treasurer has the ability to export from SQL.

5. Please provide further information on the cash mapping rules to be imported e.g. where are they currently stored, what format will they be in, what do they consist of, etc.

The cash mapping rules are currently stored locally on the Treasurer’s servers in source code or SQL. The Treasurer currently sweeps available cash on a daily basis from bank accounts. There is no automation at this time, but the Treasurer would like to automate.

6. Will the TMS be required to interface with the State’s broker dealers? Or will an interface only be required with Treasury Curve? If the TMS will interface directly with the broker dealers, please provide a list of the State’s current broker dealers and categories of investments interacted with each.

The TMS will not be required to interface with the State’s Broker/Dealers. The Treasurer will import information from Broker/Dealers into the TMS from various sources. Treasury Curve is a money market fund portal.

7. Please expand on the Custody Processing Service with the Federal Reserve Bank

The Treasurer is in the process of transitioning away from an interface with the Federal Reserve. This should not be a part of the TMS.

8. Please discuss timing for the anticipated switch from warrants to checks. Should we focus our response on the TMS's ability with regards to checks rather than warrants?

The switch from warrants to checks will occur within the first two quarters of calendar year 2020. Respondents will want to focus on a check solution. Due to the expiration date of the warrant being one year from the issue date, outstanding warrants may overlap with this timeline.

9. What types of files can the accounting systems import? Are there any plans to replace these systems in the future?

The accounting systems can import .csv, .xlsx and SQL. There are no plans to replace these systems in the future, outside of the purpose of this TMS RFP. SAMS is a system maintained by the IOC, not the Treasurer.

10. Will the portfolio of investments held on behalf of the Illinois State Toll Highway Authority be managed in the TMS? If so, please provide details on investments held and any differences in processing.

Yes, the portfolio of investments held on behalf of the Illinois State Toll Highway Authority ("ITHSA") will need to be managed in the TMS. There is no difference between processing ITHSA investments and investments within the entire state portfolio.

11. Please expand on the possible interface between Salesforce and the TMS. What information flows do you anticipate?

Salesforce is the Treasurer's contract management database and will not be a part of the future state for this TMS RFP.

12. What system is the State of Illinois currently using to manage its bank accounts and signatories? Would the State be interested in managing this function within the TMS?

Yes, the Treasurer would be interested in managing this function within the TMS. The current system for management is paper based.

13. If there are specific clauses in any of the representations that we are required to sign or in Section 12. Contractual Terms or in other sections of the RFP that we would like to discuss in further detail with State of Illinois before agreeing to them, how would you like us to identify these? Strikeouts? Highlights?

Respondents should note any specific changes requested in the Certifications or Contract Terms, though the Treasurer's acceptance of the Proposal or selection of a Respondent does not constitute agreement to any such requested changes, and the Treasurer may be unable to agree to certain changes.

14. What factors should we consider in determining whether to respond to a requirement with “Out of the Box” versus “Configuration Required”?

Select ‘Out of the Box’ when the solution meets the requirement without the need for any additional configuration. Select ‘Configuration Required’ when the solution requires some degree of configuration to meet the requirement.

15. Row 17 states: “For any requirement in which any of the following are true, the Bidder may provide additional information in an attachment to their proposal. Bidder must include a reference to the RTM including RTM Tab and Requirement ID.” There is nothing following this statement. Please clarify.

This statement is meant to inform Respondents that if their selection on the vendor response, e.g. ‘Out of the Box’ or ‘Configuration Required’, etc., requires additional information in the form of an attachment, the Respondent must include a reference to the RTM including the RTM Tab and Requirement ID with the attachment.

16. Warrant Clearing Process – Please describe the entire process for warrant clearing and specifically describe what you would want the TMS to do for that process.

The Treasurer is currently converting its warrant clearing process from warrants to checks. It has not been determined at this time what the TMS will need to provide for the warrant file processing or paid warrant/check processing. Please see the attached narrative describing the current warrant clearing process, included at the end of this document.

17. Describe how your solution provides the ability to ‘customize’ calculations including but not limited to: Accrual / Interest, Amortization. Could you please elaborate on the type of customized calculations?

The Treasurer requires all industry standard calculations for investments. The solution should have the ability to provide all industry standard calculations.

18. What type of data would be received for the Repurchase Agreement trades?

Information provided in a Repurchase Agreement trade includes the following: Broker/Dealer, Cost, Purchase Date, Maturity Date, Interest Rate, Collateral Pledged – CUSIP, Par Amount, and Cost.

19. More information on what is desired regarding Illinois presence.

Contact management information for broker/dealers and issuers should include a field to note their Illinois presence. This information should be accessible in ad hoc queries and reports.

20. More information regarding the certification, and what is desired for tracking.

Contact management information for broker/dealers and issuers should include a field to note their certification. This information should be accessible in ad hoc queries and reports.

21. What are the audit requirements?

Auditors could want to see anything depending on what the audit is testing. At a minimum, the Treasurer must have the ability to identify who entered items into the TMS or made changes, and when those entries or changes were made.

22. Perform auto-compare of files to find anomalous data or unusual patterns -- More information on the desired requirement.

The solution should have the ability to automatically perform internal data auditing and data integrity checks.

23. More information on what type of fraudulent activity is being described.

Financial institutions provide the Treasurer with products to mitigate financial transaction fraud, e.g. positive pay, ACH fraud filters. TIS Warrant has the ability to match amounts and warrant numbers for paid files against outstanding files.

**STATE OF ILLINOIS
ILLINOIS OFFICE OF THE TREASURER
FISCAL OFFICER RESPONSIBILITIES AUDIT
WARRANT PROCESSING SYSTEM NARRATIVE**

For the Year ended June 30, 2019

Updated by: April Woerner, Statewide Accounting Manager, Fiscal Operations Division

The Treasurer's Information System (TIS) – Warrant System (formerly the mainframe Warrant Processing System (WPS)) is the State Treasurer's (Treasurer) record of accounting for all State Funds. The Treasurer's principal use for the Warrant System is to ensure sufficient appropriation and available fund balance exists to pay warrants before the State Comptroller (Comptroller) releases the warrants. Warrants "stopped" due to insufficient appropriation balances are flagged for investigation but are not physically stopped. Warrant section staff notifies the Comptroller's accounting staff of any fund or appropriation deficiencies and both offices begin an investigation.

The Warrant section has two busy periods during each fiscal year. The first, July 1st through 31st, affects the Warrant System directly due to new or additional appropriations passed by the General Assembly prior to year-end. The second, February through June, is a result of State of Illinois tax refunds.

Every business day, the Treasurer receives from the Comptroller electronic files of warrants issued and a PDF file for balancing Treasurer records to Comptroller records. All warrants are laser printed with the Treasurer/Comptroller facsimile signatures. The issue files are used to update the Funds, Appropriations, and Warrant Outstanding Master File, maintained on the Warrant System. Once the warrants are added to the master file, the Warrant System generates an "Update Errors Report" (WPS100-02), identifying issues for which an insufficient appropriation or fund balance exists. Warrants with an insufficient fund balance are added to a suspense file which is compared against the Warrant System daily to determine if sufficient funds have become available to successfully issue the warrant. Warrants that pass this critical test are released to the Comptroller's Office for disbursement. The Comptroller sends the Treasurer a daily "Void" file, which flags and removes voided warrants from the warrant outstanding file. The Warrant System is systematically adjusted for void warrants that will not be replaced.

All warrants drawn against the State Treasurer are presented daily to the Federal Reserve Bank (FRB), Atlanta for capture and delivery. The FRB Atlanta is responsible for capturing the electronic (MICR) Magnetic Ink Character Recognition transmission, Images of the warrants front and back, as well as forward presentment of "Bank Error" and "Return Item" information to the proper banks.

By approximately 10:00 a.m. of each business day, the Treasurer will receive at least three separate electronic Check 21 File transmissions of all checks presented and processed by the FRB Atlanta that day. In addition to these files, the Treasurer receives an additional electronic Check 21 file transmission from a local bank that provides warrant encoding services (currently, the Illinois National Bank) that has created a Check 21 file of checks presented to the Treasurer's State Investments & Banking Division for payment. This file includes "On-Us" items. The Treasurer uploads the four files to the Warrant System and creates a "Paid Edit Report" (WPS 010-01). This exception report identifies warrants that did not match with their corresponding issue on the master file. Since the physical warrants are located at the FRB Atlanta facility, it is necessary for Warrant section staff to view images of the rejected items to determine the reason for rejection and the necessary adjustments needed to ensure the warrants are re-entered into the Warrant System correctly. All warrants determined to be "Stop Pay, Stale Dated, Fraudulent or Not our Items" are returned to the bank of first deposit for credit.

An email for FRB Atlanta Cash Letter debit is prepared and sent by Warrant section staff to the State Investments & Banking Division to be used in the wire transfer of monies, thus relieving the Treasurer of

his obligation for the Cash Letter charges. The Cash Letter represents the group of checks together with the Check 21 listing sent to the FRB for collection. All presenting banks are paid the gross amount presented and any adjustments are made through the Treasurer's Wells Fargo Cash Letter account.

Each day an electronic G/L journal entry is prepared by Warrant section staff via the Treasurer's Information System (TIS) for warrants issued and warrants voided. The entry for the day's issued warrants is:

DR - #2210010005 Available balance
CR - #2110100005 Warrants issued and paid

The entry for void warrants is the reverse of the above entry.

These two electronic G/L journal entries are sent to Statewide Accounting section staff for posting to the General Ledger.

Warrant section staff (FAR duties) completes the following reconciliations on a daily basis:

- Warrant System/Statewide Accounting Management System (SAMS) Available Balance Reconciliation
- Warrant System Warrants Outstanding to General Ledger
- Warrant System Available Balance to General Ledger

Warrant section staff (Paid duties) completes the following reconciliation on a daily basis:

- The total of all warrants issued and stopped equals the difference between available and cash balance.

Warrant section Manager completes the following reconciliation on a monthly basis:

- At the close of each month, a reconciliation letter with count and amount of warrants outstanding per the Treasurer is sent to the Comptroller for verification. (Note: This information is not all-inclusive, and only indicates warrants with an issue or stop date less than or equal to the end of the month).