

Office of the Illinois State Treasurer
Michael W. Frerichs

Request for Proposals Treasury Management System & Business Process Review Services
370-500-18-012

Addendum 2
February 21, 2018

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. Any capitalized terms that are not defined herein have the meaning set forth in the Request for Proposals Treasury Management System & Business Process Review Services (370-500-18-012) (“RFP”) published by the Treasurer on January 24, 2018.

1. Please confirm the functions that you consider within the scope of the TMS:

a. Cash Management (bank reporting, cash positioning, cash forecasting)

Yes, cash management is in the Services. Please see the Services listed in Section III of the RFP for more detail.

b. Payments/electronic funds transfer

Yes, payments/electronic funds transfer is in the Services. Please see the Services listed in Section III of the RFP for more detail.

c. Investment management – position tracking, performance measurement

i. Short-term investments outside The Illinois Funds

Yes, short term investments outside The Illinois Funds are in the Services. Please see the Services listed in Section III of the RFP for more detail.

ii. The Illinois Funds investments

Yes, The Illinois Funds investments are in the Services. Please see the Services listed in Section III of the RFP for more detail.

d. Additional functions?

Yes, additional functions performed by the divisions discussed in Section II of the RFP are in the Services. Please see the Services listed in Section III of the RFP for more detail.

2. Because of the close coordination of activities between the Treasurer's Office and the Comptroller's Office and IT, will those groups be available for interviews during the engagement?

If discussions are required with other State entities, the Treasurer will coordinate the meetings.

3. Relative to the technology solution, is the Office of the Treasurer open to a solution that incorporates multiple best-in-class applications rather than a single solution?

The Treasurer is open to both multiple best-in-class applications and a single solution. For multiple best-in-class applications, integration must be easy and simple.

4. Are there currently interfaces between the TIS and the warrant processing system and/or the payment processing systems used by the Comptroller, or any other internal systems? Any interfaces with external systems other than depository banks, e.g., external investment managers, custodians, etc.?

The Treasurer has contracts with two (2) external investment managers. These external investment managers directly interface with the Treasurer's custodial financial institution for amounts that are approximately 1% of the State investment portfolio.

The warrant processing system is a module within TIS. The Fiscal Operations Division uploads the Check-21 files it receives from the Federal Reserve Bank into TIS to indicate that a warrant has been paid. The Treasurer then sends electronic files from TIS to the Comptroller to indicate paid warrants.

5. Section III Scope of Work part A. We understand that the scope of the RFP currently includes banking operations, receipts and payments processes and systems. Are there other process areas that should be considered, such as debt and investment activity?

The State Investments and Banking Division records investment activity and performance reports as part of banking operations. The Fiscal Operations Division utilizes TIS to carry out its duties for the following sections of the Division: Statewide Accounting, Financial Reporting, and Warrant, Forgery, Protested Taxes, General Ledger, and Bank Reconciliations.

Debt activity, and the processes thereof, are within the purview of the Governor's Office of Management and Budget. However, as the State's bond registrar and paying agent, the Contractor will review limited general obligation debt activity.

Investment activity will be limited to the processes and mechanisms needed for the effective receipt of revenues and expenditures and to provide timely, informed, and ideal information needed for the investment teams. The Treasurer is advised by Marquette Associates, a registered investment advisory firm.

6. Section III Scope of Work. Since banking operations are included in the RFP, confirm if there any restrictions with putting banking services out to bid or any restriction on the banking services that can be used?

The Treasurer currently has contracts with seven (7) financial institutions for banking services, eight (8) financial institutions for custodian services, and one (1) for securities lending. Any competitive procurements for banking services are subject to the Treasurer's administrative rules. The Treasurer may only utilize the banking services it has the statutory authority to exercise.

7. Section III Scope of Work. Does the State Treasurer's Office have a proposed timeline for the completion of the first 4 items (A, B, C, D) detailed in the scope of work section?

At this time, the Treasurer does not have a proposed timeline for the Services. Respondents may propose an implementation schedule in their Proposals.

8. Section III Scope of Work part E. Does the State Treasurer's Office expect the selected consultant to document the future state business requirements for the selected system?

Pursuant to Section III.G-O of the RFP, the Contractor will be documenting the future State business requirements for the selected system.

9. Section III Scope of Work part E. Does the State Treasurer's Office expect the selected consultant to assist in organizing and managing the vendor RFP and selection processing, including conducting vendor demos of their technologies and supporting the State's evaluation of those solutions?

Pursuant to Section III.E of the RFP, the Contractor will assist the Treasurer in the selection process, which will include, but not be limited to, the development of a Request for Proposals.

10. Section B Questions to be Addressed in the Proposal. Regarding requirement #23 – please clarify what is meant by “treasury management system relationships primarily managed by the Respondent” – For example, is the intention to describe the treasury management systems and vendors we have experience with, or to highlight vendors that we have a formal alliance/relationship with?

In responding to Section IV.B.23 of the RFP, the Respondent should provide detailed information on any treasury management system vendors with whom it currently works.

11. Section B Questions to be Addressed in the Proposal. Regarding requirement #32 and #22 – work products are confidential and proprietary to our clients – please advise if the state Treasurer's Office would accept anonymized screenshots of deliverables?

Yes, anonymized screenshots of deliverables are acceptable.

12. Section IV.B Questions to be Addressed in the Proposal. Regarding requirement #16, would you require us only to indicate the nature of advisory services provided or would you require a client list as well?

Section IV.B.16 of the RFP does not require the Respondent to provide a client list. Only the types of advisory services primarily managed by the Respondent are required.

13. Section IV.B Questions to be Addressed in the Proposal. Regarding requirement #8, is the intention to provide information only on the principal and managers or who would serve on the specific engagement or to provide the information on the complete list of principals and managers in the broader Deloitte firm?

Section IV.B.8 of the RFP requests the Respondent to provide the principals and managing partners for the firm, not the specific engagement.

14. Section IV.B Questions to be Addressed in the Proposal. Regarding the background and experience questions, is the intention to provide information only on the specific practice that would be handling this engagement or the broader Deloitte firm?

The questions in Section IV.B.1-15 of the RFP seek information about the broader firm, not a specific practice area.

15. Section III Scope of Work. Is the selected consultant going to be excluded from implementing the treasury technology solutions selected for implementation or expected to serve as a systems integrator?

Pursuant to 44 Ill. Admin. Code § 1400.3005, the Contractor will be prohibited from submitting a response to any competitive procurement document on which it assists the Treasurer. However, the Contractor will assist the Treasurer and a yet-to be determined treasury technology solution provider in systems implementation.

16. Section III Scope of Work Part F. Is the expectation that the consultant serves in the capacity of a systems integrator and facilitate the design, build, testing and deployment throughout the project? If so, would the estimates be binding? Costs of implementation can be subject to change depending on vendor selected and scope. Would providing a rate card suffice understanding that the pricing would change?

The Respondent should consider all applicable costs, based on the Services outlined in Section III of the RFP, when submitting its Proposal. In addition, please refer to Section IV.C of the RFP.

17. Bank Operations. What is the current banking landscape including number of bank accounts and number of banks the State Treasurer's Office currently has and the number of ZBA accounts in use? Does the Treasurer manage and reconcile all accounts or do agencies "own" their bank accounts and reconcile them?

The Treasurer currently has contracts with seven (7) financial institutions for banking services with approximately 37 bank accounts, four (4) of which are zero balance accounts ("ZBA"). In addition, the Treasurer has contracts with eight (8) financial institutions for custodian services and one (1) for securities lending. All of these accounts are reconciled by the Fiscal Operations Division.

In addition to the referenced 33 bank accounts with a balance, the Fiscal Operations Division reconciles approximately 23 trust accounts. As a result, the Fiscal Operations Division reconciles a total of approximately 55 bank accounts on a daily/monthly basis for the Treasurer.

18. Technology Landscape. We understand that we would also be working with other agencies within Illinois. Can you provide an estimate of the number of agencies involved with the business process and treasury managements systems review, and please indicate if the same systems are used across all agencies?

The Treasurer processes the receipts and expenditures for approximately 100 State agencies, constitutional officers, boards, and commissions. The State agencies, constitutional officers, boards, and commissions utilize various systems in their business processes.

19. Technology Landscape. How many agencies use the ERP system to record cash and receivables, make payments or use their own cash and receivables system and/or payment system? Are there additional agency specific processes that mirror those of the State Treasurer's Office?

The Treasurer does not monitor State agency systems, so it cannot state what systems are used or if the processes mirror the Treasurer's.

20. Technology Landscape. Does the state have any restriction on hosted software solutions or connectivity to external parties? What type of connections are in use? (SFTP, T1 Lines, PGP) Does the State Treasurer's Office have its own technology center or is it shared?

The Treasurer will work with the Contractor to develop restrictions, if any, on hosted software solutions or connectivity to external parties. The type of connection used by the Treasurer is not germane to this RFP.

21. Technology Landscape. With regard to section II, D -- does the TIS system contain the treasurer's general ledger alluded to in this background paragraph? Or is the general ledger referring to the broader State's general ledger (in the state's ERP system)?

The TIS contains the Treasurer's internal general ledger.

22. Technology Landscape. Does State Treasurer's Office have any in-flight projects affecting the technology landscape in the system that we should be aware of?

No, the Treasurer does not have any in-flight projects that would affect its technology landscape.

23. Treasury Operations. How many merchant card processors are currently used? Would this include purchasing and T&E card services?

The Treasurer currently has contracts with two (2) different merchant card processors for ePay but is actively converting all processing to a single contract that utilizes a single merchant card processor. The current processors support all payment types for the units of State and local government enrolled in ePAY. Purchasing and travel and entertainment payments for the Treasurer are handled through traditional invoicing and reimbursement processes.

24. Treasury Operations. Does the State Treasurer's Office do an international funds transfers?

The State Investments and Banking Division cannot accept or initiate international wire transfers pursuant to the Treasurer's current banking contracts.

25. Treasury Operations. Are state investments and the Illinois Funds money pool managed in-house or by external parties?

In general, the State Investments and Banking Division manages the State investments internally. However, there are two (2) external investments managers who invest a predetermined amount in corporate and municipal securities. The Illinois Funds investments are managed internally but tracking and accounting is handled by an external custodian.

26. Treasury Operations. Are any of the State Treasurer's office operations or system maintenance operations outsourced to other groups outside of Treasury or third-party providers?

The State Investments and Banking, Fiscal Operations, ePay, and The Illinois Funds Divisions outsource a portion of their respective functions with the remainder handled internally.

27. Treasury Operations. Will this project require access to PII that is not subject to the FOIA?

The Contractor will have access to borrower acknowledgement forms that contain personally identifiable information ("PII") that is not subject to the Freedom of Information Act ("FOIA").

28. Treasury Operations. Does State Treasurer's office have standardized templates for requirements, process documents that will need to be adhered to?

The Treasurer maintains procedure manuals for most of the daily functions performed by the divisions discussed in Section II of the RFP.

29. Treasury Operations. What resources (part-time and full-time) will be available to support this project?

Depending upon the needs of the Contractor, the Treasurer intends to make applicable staff available and dedicate the requisite number for a successful project.

30. Treasury Operations. Does the State Treasurer's Office have current documentation of its business processes and its enabling technology infrastructure?

The Treasurer has procedural guidelines for the State Investments and Banking Division, ePAY, and the Fiscal Operations Division that govern the daily processes and procedures for each Division. These procedural guidelines are reviewed and updated on an annual basis.

The enabling technology infrastructure is client-server based. Desktops have a client installed; it is not web-based. There

is also a SQL database server and an interface server that push-pulls data from other fiscal applications, internal and external.

31. Treasury Operations. Has the State Treasurer's Office performed a recent risk assessment and have you mapped risks to control activities?

The Treasurer has an internal Fraud Prevention Committee, which reviews annual fraud and risk assessment reports that are prepared by each division of the office.

32. Treasury Operations. When was the last time the State Treasurer's office policies and procedures that govern in-scope processes were updated?

Each division discussed in Section II of the RFP has procedural guidelines. These procedural guidelines are reviewed and updated on an annual basis. The State Investments and Banking and Fiscal Operations Divisions updated their respective procedures in September 2017. The Illinois Funds and ePay updated their respective procedural guidelines in December 2017.

33. Treasury Operations. Does the Treasurer's office accept deposits of currency, coin and checks on-premise through a cashier's function (e.g. agency personnel deposits cash/checks with a cashier at the Treasurer's office, or a citizen pays a fee)?

The Treasurer does not have a cashier function located in the office. State agencies process the deposits they receive in accordance with the applicable banking contract.

34. Treasury Operations. Please describe the State Treasurer's Office's role in the preparation of annual reporting – including the State's CAFR and any other agency-level reporting.

The Fiscal Operations Division prepares approximately 75 annual fund generally accepted accounting principles ("GAAP") packages to be submitted to the Comptroller. The Fiscal Operations Division also prepares six (6) separate financial statements for submission to the Illinois Auditor General and Comptroller for inclusion in the Statewide Comprehensive Annual Financial Report ("CAFR").

35. Do you have an estimate of how many departments and processes will be included as part of this assessment?

The divisions that will be the subject of the Services are outlined in Section II of the RFP.

36. Is there any additional process or system related documentation that can be provided?

No additional processes or system related documents will be provided at this time. However, the Contractor will have access to such information.

37. Is there a current technology plan? If so, can you provide this document?

The current technology plan is to align Information Technology's efforts with the major initiatives of the Treasurer.

38. Would the Treasurer's Office be willing to modify the stated indemnification clause during contracting?

Please see 44 Ill. Admin. Code § 1400.3520 and Section VII of the RFP, which reads as follows: "By submitting a Proposal, the Respondent agrees to each of the contractual provisions set forth below."

39. Is the IL State Treasury - Investment Operations Policy available on your website?

All of the Treasurer's investment policies can be found on the following webpage:
http://www.illinoistreasurer.gov/Financial_Institutions/Doing_Business_with_the_Treasurer/Investment_and_Financial_Policies.

40. Do you have a traditional treasury office setup with front office (trade execution), middle office (trade settlement) and back office (general ledger posting) operations?

The State Investment and Banking Division has staff that executes trades and different staff that enters trades into TIS. At the end of the business day, TIS automatically posts the transactions to the internal general ledger. The Fiscal Operations Division regularly posts journal entries to TIS. The TIS balancing function is done on a daily basis by the Fiscal Operations Division at end of day.

41. Does the Treasury policy outline the acceptable ranges of investment types, par values, credit ratings, concentrations, etc.? If yes, are there system controls in place to restrict or flag trading outside these acceptable ranges?

All of the Treasurer's investment policies can be found on the following webpage:
http://www.illinoistreasurer.gov/Financial_Institutions/Doing_Business_with_the_Treasurer/Investment_and_Financial_Policies. TIS currently does not allow the Treasurer to input trading restrictions or rules.

42. Are all trades executed, settled and posted to GL within the same system?

Please see the response to question 40.

43. Is there a role-based user profile system with clearly defined segregation of duties for all user groups?

The State Investment and Banking Division's staff has user defined roles with TIS and all banking systems. The Information Technology department also has defined roles and responsibilities. In addition, the Fiscal Operations Division's staff has user defined roles with TIS and all of the systems it utilizes.

44. Is there a User Administrator on the IT side and on the Treasury side that validates all User Access profiles for reasonableness and accuracy?

The State Investment and Banking Division utilizes a dual system administration function for all banking systems. The Information Technology department has administrators that provide access to network and applications.

45. Does the TIS interface directly with outside financial institutions and the warrant processing system?

TIS does not interface directly with any of the Treasurer's contracted financial institutions for the State Investments and Banking Division. The Fiscal Operations Division manually uploads to TIS the files that it receives from the Federal Reserve Bank and other financial institutions.

46. Does TIS have an automated Safekeeping by location reconciliation?

TIS does not have an automated security reconciliation process.

47. Does TIS receive automated fair value amounts directly from a market source?

No, TIS does not receive automated fair value amounts directly from a market source.

48. Is the ePAY Program processed in-house or outsourced to a Third Party? If outsourced, do you have a SOC report on the Third Party?

The Treasurer outsources ePay to a third party and has a System and Organizational Controls ("SOC") report on it.

49. What system do you process wire transfers/ ACH through?

The State Investment and Banking Division utilizes contracted financial institutions to execute wire transfer and ACH transactions.

50. Is Wire/ ACH approval captured electronically within the system workflow?

The State Investment and Banking Division prints the wire transfer reports from the Treasurer's contracted financial institutions for wire transfer approval. The ACH report is captured electronically and saved to an internal location.

51. Are additional authentication controls in place for wires/ACH such as call backs or token codes?

The State Investment and Banking Division utilizes a dual system for the initiation and confirmation of all wire transfer and ACH transactions, based on each contracted financial institution's system.

52. Do the Illinois Funds still require a marketing reserve fund be established? If so, are all payments from the reserve fund approved in writing by the Treasurer and supported by an invoice?

The Illinois Funds no longer requires a marketing reserve fund.

53. Do internal controls exist around the setup and modification of customer accounts in the EPay system so that input is complete, accurate and updated timely for changes in account details?

The Treasurer conducts a multi-step review of all ePay enrollments and change of information requests. The enrollments and change of information requests are also reviewed by the ePAY vendors prior to implementation.

54. How many banks being used to accept funds and process payments?

Please see the response to question 17.

55. Approximate number of bank accounts

Please see the response to question 17.

56. How many lockboxes and at how many banks?

The Treasurer currently has three (3) contracts for lockbox processing. One (1) financial institution currently has all three (3) contracts.

57. What systems are currently being used for accounting and bank connectivity today?

The Fiscal Operations Division performs many of its accounting functions via TIS.

58. How many agencies have inputs into your cash forecast? And what system is used to manage the forecast process?

Only the Comptroller has inputs into the Treasurer's cash forecast. The State Investments and Banking Division currently utilizes various methods and systems for cash forecasting.

59. How many debt instruments are being managed? What systems are used to track debt/borrowings/payments?

The Treasurer does not manage any debt instruments.

60. How many investments are managed? What systems are used to track investments?

The State Investment and Banking Division executes trades on a daily basis. The Treasurer's current holdings are posted on a weekly and monthly basis to the Treasurer's website at: http://www.illinoistreasurer.gov/Office_of_the_Treasurer/State_Investments.

The Illinois Funds investments are managed internally but tracking and accounting are handled by an external custodian. All other investment management activity is managed externally.

61. How are account signers/signatories/authorities tracked?

The Treasurer tracks account signers by referring to the applicable banking documents.

62. For the TMS, number of expected users on the system

The Treasurer expects approximately thirty (30) users of the system.

63. For the TMS, number of locations of users on the system

There is one (1) location. The State Investment and Banking and the Fiscal Operations Divisions are in Springfield, Illinois.