

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF THE TREASURY**

REQUEST FOR PROPOSALS # CMI 09-001

for

LOCKBOX AND BANKING SERVICES

THE STATE LOTTERY DEPARTMENT

**J. Braxton Powell
TREASURER OF VIRGINIA**

Kelley Denton, VCO
Procurement Officer

July 11, 2008

REQUEST FOR PROPOSALS
CMI 09-001

ISSUE DATE: July 11, 2008

TITLE: Lockbox and Banking Services

ISSUING AGENCY: Attn: Kelley Denton VCO, Procurement Officer
Commonwealth of Virginia
Department of the Treasury
P.O. Box 1879
Richmond, Virginia 23218-1879

USING AGENCY: The State Lottery Department

Initial Period Of Contract: On or before December 1, 2008 through November 30, 2011 With Three (3) Additional One (1) Year Renewal Periods in Accordance with the Terms and Conditions herein.

Sealed Proposals Will Be Received Until **1:00 p.m. Friday, September 12, 2008**, For Furnishing Lockbox and Banking Services described herein.

All Inquiries Shall Be Directed To: Kelley Denton by phone - (804) 786 - 4741, by fax - (804) 225-3187 or e-mail – Kelley.Denton@trs.virginia.gov. Written (e-mail) inquiries are preferred.

If Proposals Are Mailed, Mail Directly To Issuing Agency Shown Above, Adding One Line To The Top Of The Address As Follows: Proposal for Lockbox and Banking Services, RFP # CMI 09-001.

If Proposals Are Hand Delivered, Deliver To: Proposal for Lockbox and Banking Services, RFP # CMI 09-001, Commonwealth of Virginia, The State Lottery Department, c/o Department of the Treasury, James Monroe Building - 3rd Floor, 101 North 14th Street, Richmond, Virginia 23219, Attention: Kelley Denton.

In Compliance With This Request For Proposals And To All The Conditions Imposed Therein And Hereby Incorporated By Reference, The Undersigned Offers And Agrees To Furnish Lockbox and Banking Services In Accordance With The Attached Signed Proposal Or As Mutually Agreed Upon By Subsequent Negotiations.

Offeror's Name:	By (Signature in Ink):
Complete Address:	Name (please print) and Title:
	Date:
City/State/Zip:	Federal Identification Number:
Telephone Number:	Facsimile Number:

PRE-PROPOSAL CONFERENCE: An optional pre-proposal conference will be held on July 29, 2008 (Reference: Section VII herein and found on page 17) at the State Lottery Department.

NOTE: This public body does not discriminate against faith-based organizations in accordance with the *Code of Virginia*, §2.2-4343.1 or against an offeror because of race, religion, color, sex, national origin, age disability, or any other basis prohibited by state law relating to discrimination in employment.

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SECTION I PURPOSE

The purpose of this Request for Proposals ("RFP") issued by the Commonwealth of Virginia, Department of the Treasury, on behalf of the State Lottery Department, is to establish a contract through competitive negotiation for Lockbox and Banking Services. This will be accomplished by soliciting sealed proposals from qualified public depositories licensed to do business in the Commonwealth of Virginia.

What are qualified public depositories?

A public depository is any national banking association, federal savings and loan association or federal savings bank located in Virginia and any bank, trust company or savings and loan association organized under Virginia law that receives or holds public deposits that are secured pursuant to the Act.

There are approximately 120 qualified public depositories. For the most current listing of SPDA institutions, please visit Treasury's home page at www.trs.virginia.gov, click the Operations Tab and the SPDA Depositories link or contact the SPDA accountant at (804) 225-3249 to determine if your chosen financial institution has become a qualified public depository since our last update.

How does a financial institution become a qualified public depository?

A financial institution becomes a qualified depository by complying with the regulations adopted by the Treasury Board and completing [a Public Deposit Security Agreement](#). The agreement is a tri-party agreement between the Financial Institution, an approved Escrow Agent and the Treasury Board. A financial institution is prohibited from holding public funds if they have not yet been designated a qualified public depository.

What is a public deposit?

Public deposits are defined by § 2.2-4401 of the *Code of Virginia*, as amended, as moneys of the Commonwealth or of any county, city, town or other political subdivision thereof, including moneys of any commission, institution, committee, board or officer of the foregoing and any state, circuit, county or municipal court, which moneys are deposited in any qualified public depository and security for such deposit is required by other provision of law, or is required due to an election of the public depositor.

All public funds must be deposited in a qualified public depository.

SECTION II BACKGROUND

The *Code of Virginia* assigns to the Department of the Treasury (Treasury) the responsibility of establishing banking relationships and maintaining accounts with depositories for the purposes of making deposits and writing checks for funds of the Commonwealth of Virginia (Commonwealth). Treasury maintains accounts for various purposes in conducting the business of the Commonwealth. This RFP addresses accounts for the operation of the State Lottery.

Chapter 58.1, Section 4001 of the *Code of Virginia*, authorizes the operation of a State Lottery. The Code directs the State Lottery Board to oversee the operation of the Lottery by adopting rules and regulations governing its establishment and operation.

The Lottery has established a ticket agent network of approximately 5,000 Lottery Retailers (Retailers). All Retailers sell “off-line” instant winner ticket games (scratch-off tickets) and “on-line” (pari-mutual) games. Tickets are sold by the Retailers to the public. Upon receipt, proceeds from ticket sales become the property of the Lottery. Lottery statute requires that each Retailer establish and maintain a separate “Retailer/Virginia Lottery Trust” depository account (Retailer Account) which is to be used exclusively for Lottery transactions. These Retailer Accounts may be maintained with any qualified Virginia Public Depository participating in the Automated Clearing House Network.

The Lottery has a consolidated billing system which originates a weekly ACH file to the bank that contains credits or debits to Retailer Accounts. The file is transmitted every Wednesday morning with an effective date of Thursday.

The Lottery sells tickets by subscription through a wholesale lockbox and a WEB application. Lockbox subscription applications along with checks for payment are mailed to a post office box. The Web applications average around 200,000 annually. Contents of the post office box (“lockbox”) are opened by the bank and checked for basic acceptability of the information on the subscription form and the check. The checks are deposited and the subscription forms forwarded to the Lottery for processing. WEB subscriptions are processed through the Lottery’s Web site and payment information is forwarded to the bank’s WEB service to originate electronic debits to the subscriber’s account. Debit card transactions may be allowed with systematic front-end filtering to insure charge card transactions are not accepted. End-of-Day payment processing occurs at 6:30 PM, Monday through Sunday. The bank processes the file, assigns confirmation numbers and transmits the file back to the Lottery. NSF transactions are forwarded to the Lottery as soon as they are received from the Federal Reserve. Reports are available to monitor completed, pending, cancelled and NSF transactions.

The Lottery has three levels of prizes, “low-tier” (under \$25), “mid-tier” (\$25 to \$600) and “high-tier” (over \$600). All Retailers are required to pay prizes up to \$600. “High-tier” prizes can only be paid by the Lottery. The Lottery has established a central check-write system for payment of prizes. Customer Service Centers (Abingdon, Fairfax, Farmville, Hampton, Harrisonburg, Richmond, and Roanoke) are connected to this system so that they can also write prize checks from their locations using the same bank account. A range of check numbers is provided to each location for this purpose.

Treasury has established six bank accounts for the State Lottery.

1. The Lottery General Account is a deposit account to receive funds from Lottery Retailers, subscription sales, and bonding and licensing fees. A deposit certificate is prepared by the Lottery for ACH debits and checks received. Treasury administers this account. Treasury reconciles this account and receives all bank statements, monthly account analysis and other related bank documents. Only Treasury and designated individuals from the Lottery will be the parties authorized to make transfers out of this account.

2. The Lottery Revolving Account is used as the Lottery's disbursement account for payments to prizewinners. Periodically, the Lottery initiates reimbursement of this account through the Department of Accounts, which in turn gives instructions to Treasury to transfer funds to the Lottery Revolving Account. The Lottery Revolving Account is administered by the Lottery.

3. The Special Event Account is used as the Lottery's deposit account for special events. The Lottery will determine on an annual basis which events around the state are appropriate to market Lottery products/games. Ticket proceeds and remaining seed money for cashing prizes are temporarily deposited in this account until the event is reconciled and all financial entries prepared and recorded. Once that process is completed, the revenue is deposited and recorded in the proper accounts. Night Depository services are required with individual branches operating from a blanket night depository contract maintained from a central site. The Lottery Special Event Account is administered by the Lottery.

4. The Lottery Revolving Returned Items Account is used as a returned items account for the Lottery General Account. All returned items, including ACH and checks, are debited to this account. The ACH returns are faxed to the Lottery as soon as the bank's incoming Fed file is processed. The Retailer is contacted immediately, and instructed by Lottery to deposit funds into their Lottery Account to cover the return. The Lottery then originates a daily file of debits via a PC ACH software package that is supplied by the bank to collect the returned items. This file is credited to the returns account. The Lottery Revolving Returned Items Account is administered by the Lottery.

5. The Mega Millions Clearinghouse Account was set up as a result of the Virginia Lottery assuming the settlement and cash transfer duties for Mega Millions. Mega Millions is an on-line jackpot driven game between twelve states (Georgia, Massachusetts, Michigan, Maryland, Illinois, Ohio, Texas, New York, California, Washington, New Jersey and Virginia). This account is used to receive funds due to other states, which are generally transferred to the state they are owed in one or two business days. The Virginia Lottery's share of a given jackpot is transferred into this account from the Lottery Revolving Account. Balances held overnight are automatically swept and invested. The Mega Millions Clearing Account is administered by the Lottery.

6. The Win for Life Clearinghouse Account was set up as a result of the Virginia Lottery assuming the settlement and cash transfer duties for the multi-state Win for Life game. This is an on-line jackpot driven game similar to the Mega Millions, with fewer items and dollars among three states (Georgia, Kentucky, and Virginia). This account is used to receive funds due to other states, which are generally transferred to the state they are owed in one or two business days. The Virginia Lottery's share of a given jackpot is transferred into this account from the Lottery Revolving Account. Balances held overnight are automatically swept and invested. The Win for Life Account is administered by the Lottery.

SECTION III STATEMENT OF NEEDS

The Contractor shall provide the following services:

A. LOTTERY GENERAL ACCOUNT

1. The Contractor should establish a demand deposit account for the receipt of net retail sales, licensing and bonding fees, subscription sales, and any other revenue designated to be credited to this account.

2. The Lottery will transmit a weekly TEXT ACH file to the Contractor for credit to the Lottery General Account and debiting Retailer Accounts. The Contractor shall accept and process ACH files from the Lottery on all business days, and on non-business days in the case of an emergency.
3. The Contractor shall provide an account analysis statement for this account. The account will be included in the Treasury's consolidated account analysis. The Contractor should provide electronic account analysis capabilities utilizing the most current Treasury Management Association (TMA) service codes, transmitting data in the format established by the American National Standards Institute's (ANSI) Accredited Standards Committee (ASC) X12 in Transaction Set 822, the EDI standard for customer account analysis.
4. The Contractor shall report balances and summary information online, daily, for the Lottery General Account as directed by Treasury.
5. The Contractor shall provide wire transfer services that are limited to Treasury authorization. The Contractor shall provide repetitive and non-repetitive wire transfer services related to maintaining the account.
6. The Contractor shall provide same-day research of all requests for information or problem resolution. In instances where final resolution cannot be achieved on the same day, the Contractor shall notify Treasury of the status of the research or problem and provide an expected time frame for resolution.
7. The Contractor shall provide wholesale lockbox services for the processing of subscription sales.
8. The Contractor shall provide access to a system that will allow Treasury to dial into the Contractor's information reporting system so that previous-day data can be downloaded in the BAI standard format.
9. The Contractor shall make daily deposits of lockbox receipts on the day of receipt to the Lottery General Account.
10. The contractor shall provide electronic payment processing of Web based subscription sales.

B. LOTTERY REVOLVING ACCOUNT

1. The Contractor shall establish a demand deposit account for the disbursement of Lottery prize payments.
2. The Contractor shall pay all checks presented for payment that have been written by the Lottery to pay prizewinners regardless of the account balance. Lottery guarantees that it will reimburse the Contractor for any charges associated with legitimate disbursements on uncollected funds. This is necessary to ensure the integrity of the Lottery and allow for adequate time to process account funding requests.
3. The Contractor guarantees that it will pay all Lottery checks presented in person to its branches provided that the individual has proper identification as defined by the Contractor and approved by the Lottery. The Contractor shall not charge any fees or offset any funds due to an individual presenting a check for payment at any branch, regardless of whether the individual has an account with the Contractor. The lottery will provide a list of seven customer service centers located throughout the state. The contractor shall provide adequate on-hand cash levels at branch locations nearest to the centers to insure checks may be cashed up to \$ 5,000. Lottery checks exceeding that

amount may require a combination of products to include cash, cashier's checks, new or existing accounts, or special arrangements coordinated with the winner.

4. The Virginia Lottery values its players. Services provided to our winners are a key priority. As such, the contractor shall provide lottery winners with prompt and professional customer service assistance in all banking matters relating to prize payments. If the contractor does not have convenient facilities in all geographical areas of the state, a detailed plan must be submitted to demonstrate that excellent and convenient service will be provided.
5. The Contractor shall provide full account reconciliation services. The Contractor shall provide/perform the following to ensure an accurate reconciliation:
 - a. Correct all encoding errors.
 - b. Process check issue files on the day they are received via data transmission for each account. The issue files will be sent daily. See **Appendix E** for Issue Check File Format.
 - c. Maintain outstanding check and stop payment information for 24 months from the date of issue.
 - d. Perform an annual purge of outstanding checks according to a schedule of dates provided by Lottery at the end of each fiscal year.
 - e. Notify the Lottery of any paid-no-issues as soon as they are detected.
6. All checks shall be truncated. Checks should be retained for at least sixty (60) business days with legible copies retained for at least seven (7) years. Contractor shall specify and propose the most cost effective method for the Lottery to access legible copies for at least seven (7) years, using either online imaging, CD ROM or DVD storage, a combination of both, or other method.

The Contractor shall provide to the Lottery daily on-line balance reporting of the Lottery Revolving Account including: closing ledger, and investable/available balances.

7. Stop payment orders should be accepted online. The Contractor shall provide fax or other timely confirmations of all stop payment requests.
8. The Contractor shall provide the Lottery with ACH Origination services in order to make direct deposits to winners' Accounts. The Lottery will transmit a monthly Text ACH file to the Contractor. The Contractor shall accept ACH files from the Lottery on all business days, and on non-business days in the case of an emergency.
9. Immediate notification must be provided by telephone, and followed up in writing, of any problem identified by the Contractor. The Contractor shall provide same day research of all requests for information or problem resolution. In instances where final resolution cannot be achieved on the same day, the Contractor shall notify the Lottery of the status of the research or problem and shall provide an expected time frame for resolution. The Contractor shall provide for periodic meetings with Lottery staff to discuss procedures, problems, or questions of a general nature. Upon award of the Contract, names of Lottery contacts will be provided.
10. The Contractor shall provide cash management consulting assistance through the Treasury on an ongoing basis. Upon request, the Contractor shall provide a periodic review (at least annual) of existing systems and make recommendations to improve their effectiveness. The Contractor shall provide the necessary technical support in development, modification, and/or implementation of processes, systems, and procedures related to lockbox receipt processing, the disbursement of prizes or incentive awards, and any other cash management service that may be added to the Contract at a later date.

11. The Contractor shall provide the daily investment of excess balances in this account. A monthly recap of interest earnings should be available on-line by the fifth business day of the following month. Investments shall be in accordance with the Virginia Department of Treasury guidelines.
12. The Contractor shall inform Treasury and Lottery of regulatory requirements and operational changes that might impact the services being provided.
13. Checks presented and paid under fraudulent endorsement, or that have been altered in a fraudulent manner are the responsibility of the paying bank. All claims should be settled within sixty calendar days from notification of forgery by the Lottery.

C. SPECIAL EVENT ACCOUNT

1. The Contractor should establish a demand deposit account for the receipt of funds from selling tickets at special events across the state.
2. The account should allow incoming wires and balance transfers originated on-line.
3. The Contractor shall provide night depository services for this account with individual branch coordination handled by a central site. The Lottery will work with the central site for nearest branches and contractual requirements.

D. LOTTERY RETURNED ITEMS ACCOUNT

1. The Contractor should establish a demand deposit account for the receipt all returned items, including ACH and checks that were originally deposited in the Lottery General Account.
2. The Contractor shall notify the Lottery immediately via facsimile of all ACH returns. Timeliness of the notifications to the Lottery is a highly critical item.
3. The Contractor shall provide online ACH origination of corporate debits and credits to the Retailer accounts.

E. LOTTERY MEGA MILLIONS CLEARINGHOUSE ACCOUNT

1. The Contractor should establish a demand deposit account that will be used to receive incoming wire transfers from all states participating in the Big Game, and to wire funds to state(s) that have a winning jackpot ticket.
2. Balances held overnight in this account will be automatically swept and invested by the Contractor or at the request of the Lottery.
3. The Contractor shall provide immediate response to wire transfer requests on this account. There is a critical window on settlement day to receive incoming wires from eleven states in order to wire the necessary funds to the twelfth state that has the winning ticket.
4. The Contractor shall provide account analysis services to the Lottery, monthly, with an annual settlement at June 30. This analysis should be separate from all other accounts.

F. Win For Life CLEARINGHOUSE ACCOUNT

1. The Contractor should establish a demand deposit account that will be used to receive incoming wire transfers from all states participating in this game, and to wire funds to state(s) that have a winning jackpot ticket.
2. Balances held overnight in this account will be automatically swept and invested by the Contractor or by request of the Lottery.
3. The Contractor shall provide immediate response to wire transfer requests on this account. There is a critical window on settlement day to receive incoming wires from two states in order to wire the necessary funds to the third state that has the winning ticket.
4. The Contractor shall provide account analysis services to the Lottery, monthly, with an annual settlement at June 30. This analysis should be separate from all other accounts.

G. OTHER SERVICES

1. The Contractor shall provide the Lottery a consolidated account analysis statement that includes the Lottery Revolving Account, the Special Event Account, and the Lottery Returned Items Account.
2. The Contractor shall provide a separate account analysis for the Mega Millions and the Win for Life Accounts with an annual settlement of June 30 each year.
3. The Contractor must provide web-based ACH origination services that enable the Lottery to originate debit and credit Cash Concentration transactions.
4. The Contractor shall provide same day notification of all "Paid-No Issues".
5. Because of the likelihood of prizewinners across the state who may not have bank accounts, the Contractor should provide for check cashing throughout the Commonwealth to accommodate these individuals at no cost to the individuals or the Commonwealth. The Contractor will need to provide branches or check cashing facilities throughout the state. A detailed listing of statewide facilities will be required.
6. The Contractor shall provide Night Depository services at branches throughout the state for use during Lottery special events.
7. The Contractor shall provide the Lottery with balance and transactional information pertaining to "Retailer/Virginia Lottery Trust accounts as requested.
8. The Contractor should be prepared to provide the required services in such a manner that the Lottery or the Treasury do not have to make modifications to existing operating systems to accommodate the Contractor.

SECTION IV PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS

A. GENERAL REQUIREMENTS:

1. RFP Response: In order to be considered for selection, Offerors must submit a complete response to this RFP. One original (so marked) and six copies (so marked) of each proposal must be submitted to the Dept of the Treasury. Each hardcopy proposal must also contain the following:
 - a. An electronic version of the complete proposal on a compact disk, and
 - b. An electronic version of the complete proposal with any proprietary information removed. Proprietary information is detailed in section 2.e. below.

No other distribution of the proposal shall be made by the offeror.

2. Proposal Preparation:

- a. Submission of Materials. An authorized representative of the Offeror shall sign proposals. All information requested should be submitted. Failure to submit all information requested may result in the Commonwealth requiring prompt submission of missing information and/or giving a lowered evaluation of the proposal. The Commonwealth may reject proposals, which are substantially incomplete or lack key information. Mandatory requirements are those required by law or regulation or are such that they cannot be waived and are not subject to negotiation.
- b. Clarity of Proposals. Proposals should be prepared simply and economically, providing a straightforward, concise description of capabilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.
- c. Organization of Proposal. Proposals should be organized in the order in which the requirements are presented in the RFP. All pages of the proposal should be numbered. Each paragraph in the proposal should reference the paragraph number of the corresponding section of the RFP. It is also helpful to cite the paragraph number, sub-letter, and repeat the text of the requirement as it appears in the RFP. If a response covers more than one page, the paragraph number and sub-letter should be repeated at the top of the next page. Information, which the Offeror desires to present, that does not fall within any of the requirements of the RFP should be inserted at an appropriate place or be attached at the end of the proposal and designated as additional material. Proposals that are not organized in this manner risk elimination from consideration if the evaluators are unable to find where the RFP requirements are specifically addressed.
- d. Single Volume. Each copy of the proposal should be bound or contained in a single volume where practical. All documentation submitted with the proposal should be contained in that single volume.
- e. Ownership of all data, materials and documentation originated and prepared for the Treasury pursuant to the RFP shall belong exclusively to the Treasury and be subject to public inspection in accordance with the Virginia Freedom of Information Act. Trade secrets or proprietary information submitted by an Offeror shall not be subject to public disclosure under the Virginia Freedom of Information Act; however, the Offeror must invoke the protections of §2.2-4342 of the Code of Virginia, in writing, either before or at the time the data or other material is submitted. The written notice must specifically identify the data or materials to be protected and state the reasons why protection is necessary. The proprietary or trade secret material submitted with the hardcopy of the proposal must not be contained within the proposal, but in a separate section or envelope from the remainder of the proposal.

See section IV.A.1 above for softcopy submittal requirements. The separate section or envelope must be clearly identified by some distinct method and must contain only the specific words, figures, or paragraphs that constitute trade secret or proprietary information. The electronic versions will also need to contain a separate file of the proprietary or trade secret material. **The classification of an entire proposal document, line item prices and/or total proposal prices as proprietary or trade secrets is not acceptable and will result in rejection of the proposal.**

3. Oral Presentation: Offerors who submit a proposal in response to this RFP may be required to give an oral presentation of their proposal to a designated committee of the Commonwealth. This provides an opportunity for the Offeror to clarify or elaborate on the proposal. This is a fact finding and explanation session only and does not include negotiation. The Commonwealth will schedule the time and location of these presentations. Oral presentations are an option of the Commonwealth and may or may not be conducted.

B. SPECIFIC REQUIREMENTS:

Proposals should be as thorough and detailed as possible so that the evaluation panel may properly evaluate your capabilities to provide the required services. Offerors are required to submit the following items, separated by tabs within the proposal, as a complete proposal:

TAB 1. The complete RFP (One Copy **in the Original Proposal Only**), the RFP cover sheet and addenda, if any, filled out as required and signed.

TAB 2. General Qualifications:

1. Submit three references including contact name, address, and telephone number. References submitted should be applicable to the specific services requested in this RFP. If you provide this service or a similar service to a state or municipal government, please use that entity(ies) as a reference.
2. Provide an organizational chart.
3. Provide a list of contact personnel including senior level management who will be responsible for the relationship between the contractor and the Commonwealth of Virginia.
4. Provide an escalation hierarchy that identifies the roles, responsibilities, and phone numbers of each contact. Provide separate lists for implementation and the on-going relationship.
5. Provide a branch location listing for your Virginia branches. Discuss your plan for the check cashing requirements associated with non-customers who receive Lottery checks. Also address your plans for check cashing in areas where you do not provide adequate branch coverage.
6. Provide information on the extent of your commitment to ACH Processing.
 - a. Location of ACH Processing site(s).
 - b. Years of ACH experience.
 - c. Number and experience of ACH employees.
 - d. Number of ACH customers.
 - e. Average monthly and annual volume of ACH transactions.
7. Briefly describe your current ACH operating environment.
 - a. Hours of operation
 - b. Hardware and software

- c. Level of support afforded the hardware and software
 - d. Data communications hardware and protocols supported.
 - e. Transmission security.
8. Provide information on the extent of your commitment to wholesale lockbox.
 - a. Location of wholesale lockbox site(s).
 - b. Years of wholesale lockbox experience.
 - c. Number and experience of wholesale lockbox employees.
 - d. Number of wholesale lockbox customers.
 - e. Average monthly and annual volume of wholesale lockbox transactions.
 9. Briefly describe your current wholesale lockbox-operating environment.
 - a. Hours of operation
 - b. Hardware and software
 - c. Level of support afforded the hardware and software
 - d. Data communications hardware and protocols supported.
 - e. Transmission security.
 - f. Image capabilities.
 10. Discuss your commitment to quality. Include quality controls and measures used to evaluate Wholesale Lockbox services, ACH services and data communications. Discuss any unique approaches.
 11. Discuss your approach to transition at the end of a Contract. Are you willing to support the Commonwealth during a transition period at the end of a Contract if necessary? State how you have historically handled Contract extensions to facilitate transitions at the end of a Contract.
 12. Detail specific issues that may impact transitions.

TAB 3. Specific plans for providing the proposed goods/services including:

1. Address your financial institution's ability to provide the services noted in SECTION III, STATEMENT OF NEEDS. Restate each requirement and discuss whether or not you can provide the service, how you will provide the service or the extent to which you can provide the service, recommend any alternatives in addition to or in lieu of the stated requirement.
2. The Contractor shall meet the REPORTING AND DELIVERY REQUIREMENTS as outlined in SECTION VI. Restate each requirement and discuss whether or not you can provide the service; how you will provide the service or the extent to which you can provide the service; recommend any alternatives in addition to or in lieu of the stated requirement.
3. Provide the mail pick up schedule at the P.O. boxes and the percentage of mail available with each run. When is this mail available for processing by lockbox?
4. Provide a list of the clearinghouse associations in which your financial institution participates and indicate the times of cash letter exchange.
5. Provide estimated timeframes that any/all ACH and check returns will be faxed to the Lottery. How long after the incoming Fed files are processed by the contractor will the returns be faxed to the Lottery. (Critical)
6. Provide the availability schedule that will apply to this service.

- a. Does the schedule provide immediate availability for clearinghouse items?
 - b. Which clearinghouses are included in immediate availability?
 - c. What measures are taken to ensure lockbox deposits are processed in order to meet accelerated availability time requirements?
7. Describe your approach to customer service provided. Include the following information.
 - a. Availability of staff capable of resolving inquiries
 - b. Turnaround time anticipated for inquiries
 - c. Toll-free access availability
 8. Provide a well-defined systems backup plan for Wholesale Lockbox and transmission services. Include your provisions for processing, hardware, software and communications backup. Also, indicate if you have a disaster recovery plan. Identify your "hot site(s)" for emergency processing.
 9. Describe the balance reporting service used by your institution. Can your balance reporting system provide information on investment balances? If not, how will you provide this information to Lottery each morning?
 10. Provide a detailed implementation schedule indicating tasks and number of days for completion of each. Indicate tasks that will occur concurrently. Show the total number of workdays required to complete implementation.
 11. The Contractor will provide annually at no cost to the Department of the Treasury's contract administrator a SAS 70 Audit Report. The SAS 70 audit report will have been prepared by the contractor's independent external auditing firm to meet the SAS 70 reporting requirements. Please provide the timing of when the SAS 70 reports would be available. Treasury's preferred method of receiving the SAS 70 is as an email attachment.
 12. Include copies of any agreements, which the Commonwealth would be expected to sign if your institution is awarded this Contract.

TAB 4. Proposed Price:

1. Complete the price schedules in Section XI: Pricing Schedules, showing the cost for each service listed as well as the cost for any service not listed, but your institution expects will be utilized and billed for in the performance of this Contract.
2. Discuss any transition costs related to establishing the services requested.
3. Discuss transition costs that would be assessed at the end of the Contract.
4. Discuss any creative pricing or payment options that you can provide.

TAB 5. Creative/Optional solutions and alternative suggestions:

All Offerors are encouraged to be as creative as possible in responding to this RFP. Based on your review of the background information, specific needs and requirements, and pertinent Sections of the *Code of Virginia* discuss any creative approaches or optional solutions to this service which have not been specifically requested or which would enhance efficiency and/or reduce costs. In addition, the Lottery is interested in optional services that may include:

Ticket Redemptions

The Offeror, in addition to cashing checks issued by the Lottery, would enter into a partnership with the Lottery to validate tickets. The validation process would be for instant and online ticket values of \$ 601 through \$ 5,000, since tax withholding begins at \$ 5,001. Validation may exist in one of several ways and it does not have to be limited to any of these suggestions:

- Access may be granted into the Lottery's computer system where the ticket would be entered.
- The ticket could be scanned and either faxed or emailed to the Lottery so that the Lottery would validate the ticket on the Lottery system and provide a confirmation.
- The Lottery could be called and provided with the proper ticket numbers which would be entered by Lottery personnel for validation, and a confirmation number would be provided before payment is made to the winner.

The Lottery requires that some type of ticket image be retained by the Contractor for secondary verification. The Lottery would be responsible for all tax reporting. The Lottery may consider a phased approach for all or particular portions of the state. This is a new endeavor and one that would require the Lottery and the Contractor share ideas to facilitate the process while maintaining adequate control measures.

Debit Card filtering

The Contractor shall propose a method to screen WEB subscription payments to insure only debit card transactions are accepted and processed while all credit card transactions are rejected. This is in addition to the standard ACH debits currently allowed.

TAB 6. Small Business Subcontracting Plan:

It is the goal of the Commonwealth that 40% of its purchases be made from small businesses. This includes discretionary spending in prime contracts and subcontracts. All potential offerors are required to submit a Small Business Subcontracting Plan. Unless the offeror is registered as a DMBE-certified small business and where it is practicable for any portion of the awarded contract to be subcontracted to other suppliers, the contractor is encouraged to offer such subcontracting opportunities to DMBE-certified small businesses. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received DMBE small business certification. No offeror or subcontractor shall be considered a Small Business, a Women-Owned Business or a Minority-Owned Business unless certified as such by the Department of Minority Business Enterprise (DMBE) by the due date for receipt of bids or proposals. If small business subcontractors are used, the prime contractor agrees to report the use of small business subcontractors by providing the purchasing office at a minimum the following information: name of small business with the DMBE certification number, phone number, total dollar amount subcontracted, category type (small, women-owned, or minority-owned), and type of product/service provided.

Appendix B contains the format for providing this information.

SECTION V EVALUATION AND AWARD CRITERIA

- A. All proposals received will be reviewed and evaluated by a Selection Committee. The Committee will recommend proposals, which most closely meet the requirements of the RFP. The following will be used in making the selection:
1. Offeror's Qualifications -- This criterion includes the ability of the Offeror to meet the terms of the RFP, the quality controls in place to ensure a high-quality service, and any special processes that the Offeror feels may increase its ability to perform the contract. (Weighted at 25%)
 2. Soundness of Approach -- Emphasis here is on the techniques for providing the services requested, and on the Offeror's capability to deliver the desired services on schedule. (Weighted at 25%)
 3. Pricing -- Charges should be broken down as outlined in Section XI, PRICING SCHEDULE. While this area will be weighted heavily, it will not be the primary deciding factor in the selection process. (Weighted at 20%)
 4. Creativity -- The Commonwealth is interested in creative, innovative and optional service responses to this RFP. Consideration will be given to suggested alternatives or additional services offered which may not be specifically requested. (Weighted at 10%)
 5. Participation of Small, Women-Owned, and Minority-Owned Businesses -- Emphasis is on the past, current, and planned utilization of businesses in the three classes identified. (Weighted at 20%)
- B. Award of Contract: Selection shall be made of two or more Offerors deemed to be fully qualified and best suited among those submitting proposals on the basis of the evaluation factors included in the Request For Proposals, including price, if so stated in the Request For Proposals. Negotiations shall be conducted with the Offerors so selected. Price shall be considered, but need not be the sole determining factor. After negotiations have been conducted with each Offeror so selected, the agency shall select the Offeror that, in its opinion, has made the best proposal, and shall award the Contract to that Offeror. The Commonwealth may cancel this Request For Proposals or reject proposals at any time prior to an award, and is not required to furnish a statement of the reason why a particular proposal was not deemed to be the most advantageous (Section 2.2-4359D, *Code of Virginia*). Should the Commonwealth determine in writing and in its sole discretion that only one Offeror is fully qualified, or that one Offeror is clearly more highly qualified than the others under consideration, a Contract may be negotiated and awarded to that Offeror. The award document will be a Contract incorporating by reference all the requirements, terms and conditions of the solicitation and the Contractor's proposal as negotiated. See **Appendix A**.

SECTION VI REPORTING AND DELIVERY REQUIREMENTS

The Contractor shall meet the following reporting and delivery requirements:

A. General Services

1. The Contractor will mail the monthly account analysis statement that reports the bank services provided, items processed, rate and total service charge for the Lottery General Account by the tenth business day of the following month directly to the Department of Treasury, P. O. Box 1879, Richmond, VA 23218-1879, Attn: Manager, Cash and Banking Services. This data must be provided in an electronic format to the email address provided by Treasury's contract administrator.
2. The Contractor shall provide monthly bank statements, deposit reconciliation input, and other bank documents such as debit/credit memos for the Lottery General Account directly to the Department of Treasury, Bank Reconciliation, P. O. Box 1879, Richmond, VA 23218-1879.
3. The Contractor shall provide monthly bank statements, account analyses, all correspondence, and other related bank documents such as debit/credit memos for the Lottery Revolving Account, Special Events Account, Lottery Mega Millions Clearing House Account, Win for Life Clearinghouse Account and Lottery Returned Items Account to the Virginia Lottery, Cash Management Operations Department, 900 East Main Street, Richmond, VA 23219.
4. A copy of the Lottery General Account monthly bank statement will be mailed to the Virginia Lottery at the address shown in 3 above and provided online for access/viewing.
5. The Contractor shall provide the Lottery, on an annual basis, a printed listing of all outstanding checks on the Revolving Prizes account through a date specified by the Lottery.
6. The Contractor shall provide the Lottery copies of all paid checks on a monthly basis on CD ROM and images online for the Lottery Revolving Account.
7. The Contractor shall provide the ability to receive manually voided checks from the Lottery, sort them in sequence and add them to the routine image CDs or to a special CD bearing only the voids. It is rare, but a bad check run may produce incorrectly printed checks.
8. The weekly full reconciliation reports shall be received by Lottery as requested.

Hard copy reports

- a. Settlement Cover Sheet
 - b. Paid, No Issue Report
 - c. Diagnostic Summary Report of all stop payments processed
 - d. Miscellaneous Debits/Credits Reports
9. Lists of miscellaneous adjustments of items not repaired for encoding errors prior to issuing reconciliation.
 10. Report summary balances and transaction totals for the Lottery General Account through the centralized balance reporting system as directed by Treasury. The information should be reported with sufficient time to ensure availability for access by 7:30 A.M. each business day.

B. Lockbox and Check Reconciliation Reports

1. Lockbox remittance documents as detailed in **Appendix C** must be delivered to the Lottery's headquarters at 900 East Main Street, Richmond, no later than 11:00 a.m. the day following receipt.
2. Check reconciliation printouts must be mailed, weekly, to the Lottery's headquarters and viewed online.

SECTION VII OPTIONAL PRE-PROPOSAL CONFERENCE

An optional pre-proposal conference will be held on July 29, 2008 at 10:00 a.m at the State Lottery Office, 900 E Main Street, 23219 Richmond, Virginia. The purpose of this conference is to allow potential offerors an opportunity to present questions and obtain clarification relative to any facet of this solicitation.

Bring a copy of the solicitation with you. Any changes resulting from this conference will be issued in a written addendum to the solicitation.

To facilitate the pre-proposal conference, it is requested that any known questions be submitted to Kelley Denton by e-mail to kelley.denton@trs.virginia.gov by 12:00 p.m. on July 25, 2008.

SECTION VIII GENERAL TERMS AND CONDITIONS

- A. **VENDORS MANUAL:** This solicitation is subject to the provisions of the Commonwealth of Virginia *Vendors Manual* and any changes or revisions thereto, which are hereby incorporated into this contract in their entirety. The procedure for filing contractual claims is in section 7.19 of the *Vendors Manual*. A copy of the manual is normally available for review at the purchasing office and is accessible on the Internet at www.dgs.state.va.us/dps under "Manuals."
- B. **APPLICABLE LAWS AND COURTS:** This solicitation and any resulting contract shall be governed in all respects by the laws of the Commonwealth of Virginia and any litigation with respect thereto shall be brought in the courts of the Commonwealth. The agency and the contractor are encouraged to resolve any issues in controversy arising from the award of the contract or any contractual dispute using Alternative Dispute Resolution (ADR) procedures (*Code of Virginia*, § 2.2-4366). ADR procedures are described in Chapter 9 of the *Vendors Manual*. The contractor shall comply with all applicable federal, state and local laws, rules and regulations.
- C. **ANTI-DISCRIMINATION:** By submitting their proposals, offerors certify to the Commonwealth that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Contracting Act of 1975, as amended, where applicable, the Virginians With Disabilities Act, the Americans With Disabilities Act and § 2.2-4311 of the *Virginia Public Procurement Act (VPPA)*. If the award is made to a faith-based organization, the organization shall not discriminate against any recipient of goods, services, or disbursements made pursuant to the contract on the basis of the recipient's religion, religious belief, refusal to participate in a religious practice, or on the basis of race, age, color, gender or national origin and shall be subject to the same rules as other organizations that contract with public bodies to account for the use of the funds provided; however, if the faith-based organization segregates public funds into separate accounts, only the accounts and programs funded with public funds shall be subject to audit by the public body. (*Code of Virginia*, § 2.2-4343.1E).

In every contract over \$10,000 the provisions in 1. and 2. below apply:

1. During the performance of this contract, the contractor agrees as follows:
 - a. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
 - b. The contractor, in all solicitations or advertisements for employees placed by or on behalf of the contractor, will state that such contractor is an equal opportunity employer.
 - c. Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting these requirements.
 2. The contractor will include the provisions of 1. above in every subcontract or purchase order over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.
- D. **ETHICS IN PUBLIC CONTRACTING:** By submitting their proposals, offerors certify that their proposals are made without collusion or fraud and that they have not offered or received any

kickbacks or inducements from any other offeror, supplier, manufacturer or subcontractor in connection with their proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged.

- E. **IMMIGRATION REFORM AND CONTROL ACT OF 1986:** By submitting their proposals, offerors certify that they do not and will not during the performance of this contract employ illegal alien workers or otherwise violate the provisions of the federal Immigration Reform and Control Act of 1986.
- F. **DEBARMENT STATUS:** By submitting their proposals, offerors certify that they are not currently debarred by the Commonwealth of Virginia from submitting bids or proposals on contracts for the type of goods and/or services covered by this solicitation, nor are they an agent of any person or entity that is currently so debarred.
- G. **ANTITRUST:** By entering into a contract, the contractor conveys, sells, assigns, and transfers to the Commonwealth of Virginia all rights, title and interest in and to all causes of action it may now have or hereafter acquire under the antitrust laws of the United States and the Commonwealth of Virginia, relating to the particular goods or services purchased or acquired by the Commonwealth of Virginia under said contract.
- H. **MANDATORY USE OF STATE FORM AND TERMS AND CONDITIONS FOR RFPs:** Failure to submit a proposal on the official state form provided for that purpose may be a cause for rejection of the proposal. Modification of or additions to the General Terms and Conditions of the solicitation may be cause for rejection of the proposal; however, the Commonwealth reserves the right to decide, on a case by case basis, in its sole discretion, whether to reject such a proposal.
- I. **CLARIFICATION OF TERMS:** If any prospective offeror has questions about the specifications or other solicitation documents, the prospective offeror should contact the buyer whose name appears on the face of the solicitation no later than five working days before the due date. Any revisions to the solicitation will be made only by addendum issued by the buyer.
- J. **PAYMENT:**
 - 1. **To Prime Contractor:**
 - a. Invoices for items ordered, delivered and accepted shall be submitted by the contractor directly to the payment address shown on the purchase order/contract. All invoices shall show the state contract number and/or purchase order number; social security number (for individual contractors) or the federal employer identification number (for proprietorships, partnerships, and corporations).
 - b. Any payment terms requiring payment in less than 30 days will be regarded as requiring payment 30 days after invoice or delivery, whichever occurs last. This shall not affect offers of discounts for payment in less than 30 days, however.
 - c. All goods or services provided under this contract or purchase order, that are to be paid for with public funds, shall be billed by the contractor at the contract price, regardless of which public agency is being billed.

- d. The following shall be deemed to be the date of payment: the date of postmark in all cases where payment is made by mail, or the date of offset when offset proceedings have been instituted as authorized under the Virginia Debt Collection Act.
- e. **Unreasonable Charges.** Under certain emergency procurements and for most time and material purchases, final job costs cannot be accurately determined at the time orders are placed. In such cases, contractors should be put on notice that final payment in full is contingent on a determination of reasonableness with respect to all invoiced charges. Charges which appear to be unreasonable will be researched and challenged, and that portion of the invoice held in abeyance until a settlement can be reached. Upon determining that invoiced charges are not reasonable, the Commonwealth shall promptly notify the contractor, in writing, as to those charges which it considers unreasonable and the basis for the determination. A contractor may not institute legal action unless a settlement cannot be reached within thirty (30) days of notification. The provisions of this section do not relieve an agency of its prompt payment obligations with respect to those charges which are not in dispute (*Code of Virginia*, § 2.2-4363).

2. To Subcontractors:

- a. A contractor awarded a contract under this solicitation is hereby obligated:
 - (1) To pay the subcontractor(s) within seven (7) days of the contractor's receipt of payment from the Commonwealth for the proportionate share of the payment received for work performed by the subcontractor(s) under the contract; or
 - (2) To notify the agency and the subcontractor(s), in writing, of the contractor's intention to withhold payment and the reason.
- b. The contractor is obligated to pay the subcontractor(s) interest at the rate of one percent per month (unless otherwise provided under the terms of the contract) on all amounts owed by the contractor that remain unpaid seven (7) days following receipt of payment from the Commonwealth, except for amounts withheld as stated in (2) above. The date of mailing of any payment by U. S. Mail is deemed to be payment to the addressee. These provisions apply to each sub-tier contractor performing under the primary contract. A contractor's obligation to pay an interest charge to a subcontractor may not be construed to be an obligation of the Commonwealth.

- 3. Each prime contractor who wins an award in which provision of a SWAM procurement plan is a condition to the award, shall deliver to the contracting agency or institution, on or before request for final payment, evidence and certification of compliance (subject only to insubstantial shortfalls and to shortfalls arising from subcontractor default) with the SWAM procurement plan. Final payment under the contract in question may be withheld until such certification is delivered and, if necessary, confirmed by the agency or institution, or other appropriate penalties may be assessed in lieu of withholding such payment.

K. **PRECEDENCE OF TERMS:** The following General Terms and Conditions *VENDORS MANUAL*, *APPLICABLE LAWS AND COURTS*, *ANTI-DISCRIMINATION*, *ETHICS IN PUBLIC CONTRACTING*, *IMMIGRATION REFORM AND CONTROL ACT OF 1986*, *DEBARMENT STATUS*, *ANTITRUST*, *MANDATORY USE OF STATE FORM AND TERMS AND CONDITIONS*, *CLARIFICATION OF TERMS*, *PAYMENT* shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.

- L. **QUALIFICATIONS OF OFFERORS:** The Commonwealth may make such reasonable investigations as deemed proper and necessary to determine the ability of the offeror to perform the services/furnish the goods and the offeror shall furnish to the Commonwealth all such information and data for this purpose as may be requested. The Commonwealth reserves the right to inspect offeror's physical facilities prior to award to satisfy questions regarding the offeror's capabilities. The Commonwealth further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such offeror fails to satisfy the Commonwealth that such offeror is properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.
- M. **TESTING AND INSPECTION:** The Commonwealth reserves the right to conduct any test/inspection it may deem advisable to assure goods and services conform to the specifications.
- N. **ASSIGNMENT OF CONTRACT:** A contract shall not be assignable by the contractor in whole or in part without the written consent of the Commonwealth.
- O. **CHANGES TO THE CONTRACT:** Changes can be made to the contract in any of the following ways:
1. The parties may agree in writing to modify the scope of the contract. An increase or decrease in the price of the contract resulting from such modification shall be agreed to by the parties as a part of their written agreement to modify the scope of the contract.
 2. The Purchasing Agency may order changes within the general scope of the contract at any time by written notice to the contractor. Changes within the scope of the contract include, but are not limited to, things such as services to be performed, the method of packing or shipment, and the place of delivery or installation. The contractor shall comply with the notice upon receipt. The contractor shall be compensated for any additional costs incurred as the result of such order and shall give the Purchasing Agency a credit for any savings. Said compensation shall be determined by one of the following methods:
 - a. By mutual agreement between the parties in writing; or
 - b. By agreeing upon a unit price or using a unit price set forth in the contract, if the work to be done can be expressed in units, and the contractor accounts for the number of units of work performed, subject to the Purchasing Agency's right to audit the contractor's records and/or to determine the correct number of units independently; or
 - c. By ordering the contractor to proceed with the work and keep a record of all costs incurred and savings realized. A markup for overhead and profit may be allowed if provided by the contract. The same markup shall be used for determining a decrease in price as the result of savings realized. The contractor shall present the Purchasing Agency with all vouchers and records of expenses incurred and savings realized. The Purchasing Agency shall have the right to audit the records of the contractor as it deems necessary to determine costs or savings. Any claim for an adjustment in price under this provision must be asserted by written notice to the Purchasing Agency within thirty (30) days from the date of receipt of the written order from the Purchasing Agency. If the parties fail to agree on an amount of adjustment, the question of an increase or decrease in the contract price or time for performance shall be resolved in accordance with the procedures for resolving disputes provided by the Disputes Clause of this contract or, if there is none, in accordance with the disputes provisions of the Commonwealth of Virginia *Vendors Manual*. Neither the existence of a claim nor a dispute resolution process, litigation or any other provision of

this contract shall excuse the contractor from promptly complying with the changes ordered by the Purchasing Agency or with the performance of the contract generally.

- P. **DEFAULT:** In case of failure to deliver goods or services in accordance with the contract terms and conditions, the Commonwealth, after due oral or written notice, may procure them from other sources and hold the contractor responsible for any resulting additional purchase and administrative costs. This remedy shall be in addition to any other remedies which the Commonwealth may have.
- Q. **OMITTED**
- R. **OMITTED**
- S. **OMITTED**
- T. **INSURANCE:** By signing and submitting a proposal under this solicitation, the offeror certifies that if awarded the contract, it will have the following insurance coverage at the time the contract is awarded. For construction contracts, if any subcontractors are involved, the subcontractor will have workers' compensation insurance in accordance with §§ 2.2-4332 and 65.2-800 et seq. of the *Code of Virginia*. The bidder or offeror further certifies that the contractor and any subcontractors will maintain these insurance coverages during the entire term of the contract and that all insurance coverage will be provided by insurance companies authorized to sell insurance in Virginia by the Virginia State Corporation Commission.

MINIMUM INSURANCE COVERAGES AND LIMITS REQUIRED FOR MOST CONTRACTS:

1. Workers' Compensation - Statutory requirements and benefits. Coverage is compulsory for employers of three or more employees, to include the employer. Contractors who fail to notify the Commonwealth of increases in the number of employees that change their workers' compensation requirements under the *Code of Virginia* during the course of the contract shall be in noncompliance with the contract.
 2. Employer's Liability - \$100,000.
 3. Commercial General Liability - \$1,000,000 per occurrence. Commercial General Liability is to include bodily injury and property damage, personal injury and advertising injury, products and completed operations coverage. The Commonwealth of Virginia must be named as an additional insured and so endorsed on the policy.
 4. Automobile Liability - \$1,000,000 per occurrence. (Only used if motor vehicle is to be used in the contract.)
 5. Accounting – 1,000,000 per occurrence, 3,000,000 aggregate
- U. **ANNOUNCEMENT OF AWARD:** Upon the award or the announcement of the decision to award a contract over \$50,000, as a result of this solicitation, the purchasing agency will publicly post such notice on the DGS/DPS eVA web site (www.eva.virginia.gov) for a minimum of 10 days.
- V. **DRUG-FREE WORKPLACE:** During the performance of this contract, the contractor agrees to (i) provide a drug-free workplace for the contractor's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the contractor's workplace and specifying the actions that will be taken

against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the contractor that the contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

For the purposes of this section, “*drug-free workplace*” means a site for the performance of work done in connection with a specific contract awarded to a contractor, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession or use of any controlled substance or marijuana during the performance of the contract.

- W. **NONDISCRIMINATION OF CONTRACTORS:** A bidder, offeror, or contractor shall not be discriminated against in the solicitation or award of this contract because of race, religion, color, sex, national origin, age, disability, faith-based organizational status, any other basis prohibited by state law relating to discrimination in employment or because the bidder or offeror employs ex-offenders unless the state agency, department or institution has made a written determination that employing ex-offenders on the specific contract is not in its best interest. If the award of this contract is made to a faith-based organization and an individual, who applies for or receives goods, services, or disbursements provided pursuant to this contract objects to the religious character of the faith-based organization from which the individual receives or would receive the goods, services, or disbursements, the public body shall offer the individual, within a reasonable period of time after the date of his objection, access to equivalent goods, services, or disbursements from an alternative provider.
- X. **eVA Business-To-Government Vendor Registration:** The eVA Internet electronic procurement solution, website portal www.eVA.virginia.gov, streamlines and automates government purchasing activities in the Commonwealth. The eVA portal is the gateway for vendors to conduct business with state agencies and public bodies. All vendors desiring to provide goods and/or services to the Commonwealth shall participate in the eVA Internet e-procurement solution either through the eVA Basic Vendor Registration Service or eVA Premium Vendor Registration Service. All bidders or offerors must register in eVA; failure to register will result in the bid/proposal being rejected.
- a. eVA Basic Vendor Registration Service: \$25 Annual Registration Fee plus the appropriate order Transaction Fee specified below. eVA Basic Vendor Registration Service includes electronic order receipt, vendor catalog posting, on-line registration, electronic bidding, and the ability to research historical procurement data available in the eVA purchase transaction data warehouse.
 - b. eVA Premium Vendor Registration Service: \$25 Annual Registration Fee plus the appropriate order Transaction Fee specified below. eVA Premium Vendor Registration Service includes all benefits of the eVA Basic Vendor Registration Service plus automatic email or fax notification of solicitations and amendments.
 - c. For orders issued prior to August 16, 2006, the Vendor Transaction Fee is 1%, capped at a maximum of \$500 per order.
 - d. For orders issued August 16, 2006 and after, the Vendor Transaction Fee is:
 - (i) DMBE-certified Small Businesses: 1%, capped at \$500 per order.
 - (ii) Businesses that are not DMBE-certified Small Businesses: 1%, capped at \$1,500 per order.

- Y. **AVAILABILITY OF FUNDS:** It is understood and agreed between the parties herein that the agency shall be bound hereunder only to the extent of the funds available or which may hereafter become available for the purpose of this agreement.

SECTION IX SPECIAL TERMS AND CONDITIONS

- A. **ADVERTISING:** In the event a Contract is awarded for supplies, equipment, or services resulting from this proposal, no indication of such sales or services to the Department of the Treasury or State Lottery will be used in product literature or advertising. The Contractor shall not state in any of the advertising or product literature that the Commonwealth of Virginia or any agency or institution of the Commonwealth has purchased or uses its products or services.
- B. **AUDIT:** The Contractor hereby agrees to retain all books, records, and other documents relative to this Contract for five (5) years after final payment, or until audited by the Commonwealth of Virginia, whichever is sooner. The agency, its authorized agents, and/or State auditors shall have full access to and the right to examine any of said materials during said period.
- C. **AUTHORIZED USERS:** The Department of the Treasury (Treasury) is issuing this solicitation in cooperation with the State Lottery office. Requirements of the Lottery have been incorporated within this solicitation. Treasury is responsible for administering the program; therefore, correspondence should be directed to the issuing Agency.
- D. **AWARD OF CONTRACT:** Selection shall be made of two or more Offerors deemed to be fully qualified and best suited among those submitting proposals on the basis of the evaluation factors included in the Request for Proposals, including price, if so stated in the Request for Proposals. Negotiations shall be conducted with the Offerors so selected. Price shall be considered, but need not be the sole determining factor. After negotiations have been conducted with each Offeror so selected, the agency shall select the Offeror that, in its opinion, has made the best proposal, and shall award the Contract to that Offeror. The Commonwealth may cancel this Request for Proposals or reject proposals at any time prior to an award, and is not required to furnish a statement of the reason why a particular proposal was not deemed to be the most advantageous. (Section 2.2-4359D, *Code of Virginia*.) Should the Commonwealth determine in writing and in its sole discretion that only one Offeror is fully qualified, or that one Offeror is clearly more highly qualified than the others under consideration, a Contract may be negotiated and awarded to that Offeror. The award document will be a Contract incorporating by reference all the requirements, terms and conditions of the solicitation and the Contractor's proposal as negotiated.
- E. **BEST AND FINAL OFFER (BAFO):** At the conclusion of negotiations, the offeror(s) may be asked to submit in writing, a best and final offer (BAFO). After the BAFO is submitted, no further negotiations shall be conducted with the offeror(s). The offeror(s) proposal(s) will be rescored to combine and include the information contained in the BAFO. The decision to award will be based on the final evaluation including the BAFO.
- F. **CANCELLATION OF CONTRACT:** The issuing Agency reserves the right to cancel and terminate any resulting Contract, in part or in whole, without penalty, upon 60 days written notice to the Contractor. In the event the initial Contract period is for more than 12 months, the resulting Contract may be terminated by either party, without penalty, after the initial 12 months of the Contract period upon 60 days written notice to the other party. Any Contract cancellation notice shall not relieve the Contractor of the obligation to deliver and/or perform on all outstanding orders issued prior to the effective date of cancellation.

- G. **EXTRA CHARGES NOT ALLOWED:** No additional charges will be allowed under the Contract. Any changes to the scope of services that impact prices must be approved in advance by the Manager of Cash and Banking at the Department of the Treasury.
- H. **INSURANCE, MONEY AND SECURITIES:** Contractor shall maintain a Broad Form Money and Securities Insurance Policy obtained from an insurance company licensed to conduct crime insurance business in the home state of the Contractor and which has earned an A.M. Best Company, Inc. rating of A or better, as reflected in their most current publication, covering all money and property entrusted to the Contractor by the Commonwealth of Virginia for Loss Inside the Premises Coverage and for Loss Outside the Premises Coverage, with limits of coverage to be determined by the Contractor and Department of the Treasury. Certificate of such protection must be presented to the Issuing Agency prior to the start of the service showing name of insurance company, limits and types of coverage, term of coverage, additional insured provision and name and address of licensed insurance agent. The Contractor agrees to maintain such policy until the completion of the Contract and all money and property of the Commonwealth is remitted to the Commonwealth.
- I. **SMALL BUSINESS SUBCONTRACTING AND EVIDENCE OF COMPLIANCE:**
1. It is the goal of the Commonwealth that 40% of its purchases be made from small businesses. This includes discretionary spending in prime contracts and subcontracts. All potential bidders/offers are required to submit a Small Business Subcontracting Plan. Unless the bidder/offeror is registered as a DMBE-certified small business and where it is practicable for any portion of the awarded contract to be subcontracted to other suppliers, the contractor is encouraged to offer such subcontracting opportunities to DMBE-certified small businesses. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received DMBE small business certification. No offeror or subcontractor shall be considered a Small Business, a Women-Owned Business or a Minority-Owned Business unless certified as such by the Department of Minority Business Enterprise (DMBE) by the due date for receipt of bids or proposals. If small business subcontractors are used, the prime contractor agrees to report the use of small business subcontractors by providing the purchasing office at a minimum the following information: name of small business with the DMBE certification number, phone number, total dollar amount subcontracted, category type (small, women-owned, or minority-owned), and type of product/service provided.
 2. Each prime contractor who wins an award in which provision of a small business subcontracting plan is a condition of the award, shall deliver to the contracting agency or institution on a quarterly basis, evidence of compliance (subject only to insubstantial shortfalls and to shortfalls arising from subcontractor default) with the small business subcontracting plan. When such business has been subcontracted to these firms and upon completion of the contract, the contractor agrees to furnish the purchasing office at a minimum the following information: name of firm with the DMBE certification number, phone number, total dollar amount subcontracted, category type (small, women-owned, or minority-owned), and type of product or service provided. Payment(s) may be withheld until compliance with the plan is received and confirmed by the agency or institution. The agency or institution reserves the right to pursue other appropriate remedies to include, but not be limited to, termination for default.
- J. **PRIME CONTRACTOR RESPONSIBILITIES:** The Contractor shall be responsible for completely supervising and directing the work under this Contract and all subcontractors that he may utilize, using his best skill and attention. Subcontractors who perform work under this Contract shall be responsible to the prime Contractor. The Contractor agrees that he is as fully responsible for the acts and omissions of his subcontractors and of persons employed by them as he is for the acts and omissions of his own employees.
- K. **RENEWAL OF CONTRACT:** At a reasonable time (approximately 60 days prior to the Contract expiration date) and upon written agreement of both parties, this Contract may be extended beyond the

initial three-year Contract period by the Commonwealth for a period of three successive one (1) year periods only under the terms and conditions of the original Contract, except as stated in (1) and (2) below.

- (1) If the Commonwealth elects to exercise the option to extend the Contract for an additional one-year period, the Contract price(s) for the additional one year shall not exceed the Contract prices of the original Contract, or the Contract prices of the original Contract increased/decreased by the percentage increase/decrease of the "Other Services" category of the CPI-W section of the Consumer Price Index of the United States Bureau of Labor Statistics for the latest 12 months for which statistics are available.
- (2) If during any subsequent renewal periods, the Commonwealth elects to exercise the option to extend the Contract for the additional one-year periods, the Contract price(s) for the additional one-year periods shall not exceed the Contract price(s) of the prior year extension period, or the Contract price(s) of the first one-year extension period increased/decreased by the percentage increase/decrease of the "Other Services" category of the CPI-W section for the Consumer Price Index of the United States Bureau of Labor Statistics for the latest 12 months for which statistics are available.

At a reasonable time (approximately 60 days prior to the Contract expiration date) the Commonwealth, may, at its sole option, give written notice to extend the terms of this Contract on a month-to-month basis for a period not to exceed six (6) months after the expiration of the original Contract or any renewal period. If necessary, such an extension will serve as a transition period to implement the service with a different service provider. The Contractor will cooperate in any such transition. During such extension all services provided by the Contractor pursuant to the Contract shall continue to be performed in accordance with all applicable federal, State or local laws, ordinances, rules or regulations at the prices last agreed upon.

- L. **SUBCONTRACTS**: No portion of the work shall be subcontracted without prior written consent of the issuing Agency. In the event that the Contractor desires to subcontract some part of the work specified herein, the Contractor shall furnish the Issuing Agency the names, qualifications and experience of their proposed subcontractors. The Contractor shall, however, remain fully liable and responsible for the work to be done by its subcontractor(s) and shall assure compliance with all requirements of the Contract.

SECTION X METHOD OF PAYMENT

Service charges are to be included in the Contractor's monthly account analysis. The fees shall be paid through one of the following methods at the Commonwealth's option: compensating balances; a combination of compensating balances and direct fees; or an alternative method as specified in the Contractor's Proposal.

SECTION XI PRICING SCHEDULE

1. STATE LOTTERY DEPARTMENT – Lottery General Account

Service charges are to be included in the Contractor’s monthly account analysis. The fees shall be paid through one of the following methods at the Commonwealth's option: compensating balances; a combination of compensating balances and direct fees; or an alternative method as specified in the Contractor's Proposal.

SERVICES	ANNUAL VOLUME	RATE	EXTENSION
BALANCE RELATED SERVICES			
Collected Overdraft Interest Charge	20		
FDIC Assessment	9,000		
DEPOSITORY SERVICES			
Account Maintenance	12		\$ -
Banking Center Deposit	960		\$ -
QBD/Night Drop Deposit	150		\$ -
Vault Deposit	5		\$ -
Item Processing Deposit	60		\$ -
Debits Posted-Other	12		\$ -
Wholesale Lockbox Deposit	252		\$ -
Checks Deposited	22,000		\$ -
Debits Posted - Electronic	60		\$ -
Debits Posted - Other	1		\$ -
Credits Posted - Electronic	180		\$ -
Credits Posted - Other	30		\$ -
Additional Paper Statements	12		\$ -

LOCKBOX SERVICES

Auto Paper Lockbox Maintenance	12		\$ -
Auto Paper Processing Per Item	19,000		\$ -
Auto Paper Check Print	19,000		\$ -
Lockbox Special Notation	60,000		\$ -
Lockbox Negotiability Review	19,000		\$ -
Lockbox Prep Per Deposit	250		\$ -
Overnight Courier	12		\$ -
Non-Depositible Items - Correspondence	1,500		\$ -
Detailed Returned	19,000		\$ -
Rough Sorting	19,000		\$ -
Match - Compare	19,000		\$ -
Special Assembly Detail	56,000		\$ -
Balance Checks - Invoice	19,000		\$ -

Reassociation	19,000		\$	-
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WEB SUBSCRIPTIONS

Web Based Subscription Payments	200,000		\$	-
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IMAGE SERVICES

Scan Images	19,000		\$	-
Scannable Image Archive - 60 days	19,000		\$	-
Scan Online Archive 2 - 4 Years	19,000		\$	-
Scan Online Archive 5 - 7 Years	19,000		\$	-
Scan Batch Download Transmission	250		\$	-
Scanned image CD-ROM Per CD	12		\$	-
Scanned image per additional CD	12		\$	-
Scanned non financial image maintenance - Correspondence	12		\$	-

COMMERCIAL DEPOSITS - CASH VAULT

Currency/Coin Deposit \$100-QBD-ND	350		\$	-
Currency/Coin Deposit \$100-BKG CTR	2,100		\$	-
Currency/Coin Deposit \$100-VLT	150		\$	-

GENERAL ACH SERVICES

ACH Return Item - NOC	2,000		\$	-
ACH Monthly Maintenance	24		\$	-
ACH Input - PC/Direct	100		\$	-
ACH input - Transmission	96		\$	-
ACH Standard Reports - FAX	550		\$	-
ACH Standard Reports - Electronic	450		\$	-
Consumer OFF Us Debits	15,000		\$	-
Consumer ON Us Debits	3,000		\$	-
Corporate ON Us Credits	1,500		\$	-
Corporate OFF Us Credits	19,000		\$	-
Corporate ON Us Debits	13,000		\$	-
Corporate OFF Us Debits	153,000		\$	-

WIRE TRANSFER

Electronic Wire out-Book	60		\$	-
Wire Advice - Mail	60		\$	-

ACCOUNT RECONCILIATION

Electronic Wire out-Book	60		\$	-
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Wire Advice - Mail	1,600		\$ -
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INFORMATION SERVICES

Mainframe Transactions - PDR Account Fee	12		\$ -
Mainframe Transactions - PDR Item Fee	1,700		\$ -

EDI SERVICES

RPO Maintenance	12		\$ -
RPO Transaction Pricing	18,000		\$ -

Total Services Provided – Annual Cost			\$ -
Average Monthly Charges			\$ -
Implementation/One-Time Set Up Charges			

NOTES:

1. **ANNUAL VOLUME STATISTICS:** Please note that volume statistics outlined above are estimated annual volumes and may not correspond to the way you charge for a particular service. If a particular charge is on another basis than noted, make appropriate changes in the "Volume" column. Proposals must estimate volumes for any line items where volume figures are left blank.
2. **OTHER CHARGES:** If there are other charges, they must be noted in "Other" spaces, clearly defined, and extended based on estimated volume. **THIS IS A REQUIREMENT. ANY CHARGE FOR SERVICES NOT ADDRESSED IN THE "STATEMENT OF CHARGES" IN YOUR PROPOSAL WILL NOT BE ALLOWED DURING THE COURSE OF THE CONTRACT.**
3. **NC:** If there is no charge for any of the services listed, notate with a "N/C" in the "Extension" column.

2. STATE LOTTERY DEPARTMENT – Lottery Revolving Account

SERVICE:	ANNUAL VOLUME ¹	RATE	EXT
Account Maintenance	12		
Account Analysis Statements	12		
FDIC Insurance	12		
Checks Paid	120,000		
Deposits	5		
Deposited Items	5		
Wire Transfers Out – Non Repetitive	50		
Wire Transfers - Book	60		
Incoming Wire Transfer Advice	25		
ACH Files Transmitted.....	20		
ACH Credits Originated	1,000		
ACH Debits Originated	500		
ACH Returns	0		
ACH NOC's	25		
ACH Fax Return Notification Listing.....	20		
Full Recon Items	120,000		
Full Recon Maintenance.....	60		
Night Depository Bags			
Night Depository Service			
Courier Service.....	60		
Check Image CD-Rom	120,000		

Implementation/One-Time Set Up Charges
Contract Total

\$ _____
 \$ _____

NOTES:

- ANNUAL VOLUME STATISTICS: Please note that volume statistics outlined above are estimated annual volumes and may not correspond to the way you charge for a particular service. If a particular charge is on another basis than noted, make appropriate changes in the "Volume" column. Proposals must estimate volumes for any line items where volume figures are left blank.
- OTHER CHARGES: If there are other charges, they must be noted in "Other" spaces, clearly defined, and extended based on estimated volume. **THIS IS A REQUIREMENT. ANY CHARGE FOR SERVICES NOT ADDRESSED IN THE "STATEMENT OF CHARGES" IN YOUR PROPOSAL WILL NOT BE ALLOWED DURING THE COURSE OF THE CONTRACT.**
- NC: If there is no charge for any of the services listed, notate with a "N/C" in the "Extension" column.

3. STATE LOTTERY DEPARTMENT – Special Events Account

SERVICE:	ANNUAL VOLUME ¹	RATE	EXT
Account Maintenance	12		
Account Analysis Statements	12		
FDIC Insurance	12		
Deposits	55		
Deposited Items.....	1,500		
Incoming Wire Mail Advice	52		
Wire Transfer – Book Transfer	52		
Other ACH Debits.....	52		
Other			
Implementation/One-Time Set Up Charges			\$ _____
Contract Total			\$ _____

NOTES:

1. **ANNUAL VOLUME STATISTICS:** Please note that volume statistics outlined above are estimated annual volumes and may not correspond to the way you charge for a particular service. If a particular charge is on another basis than noted, make appropriate changes in the "Volume" column. Proposals must estimate volumes for any line items where volume figures are left blank.
2. **OTHER CHARGES:** If there are other charges, they must be noted in "Other" spaces, clearly defined, and extended based on estimated volume. **THIS IS A REQUIREMENT. ANY CHARGE FOR SERVICES NOT ADDRESSED IN THE "STATEMENT OF CHARGES" IN YOUR PROPOSAL WILL NOT BE ALLOWED DURING THE COURSE OF THE CONTRACT.**
3. **NC:** If there is no charge for any of the services listed, notate with a "N/C" in the "Extension" column.

4. STATE LOTTERY DEPARTMENT – Lottery Returned Items Account

SERVICE:	ANNUAL VOLUME ¹	RATE	EXT
Account Maintenance	12	_____	_____
Account Analysis Statements	12	_____	_____
FDIC Insurance	12	_____	_____
Returned Items	1,350	_____	_____
Ach Transmitted Files	215	_____	_____
Incoming Wire Mailed Advice	4	_____	_____
Other Deposits	4	_____	_____
Other Deposited Items	8	_____	_____

Implementation/One-Time Set Up Charges
Contract Total

\$ _____
 \$ _____

NOTES:

1. ANNUAL VOLUME STATISTICS: Please note that volume statistics outlined above are estimated annual volumes and may not correspond to the way you charge for a particular service. If a particular charge is on another basis than noted, make appropriate changes in the "Volume" column. Proposals must estimate volumes for any line items where volume figures are left blank.
2. OTHER CHARGES: If there are other charges, they must be noted in "Other" spaces, clearly defined, and extended based on estimated volume. **THIS IS A REQUIREMENT. ANY CHARGE FOR SERVICES NOT ADDRESSED IN THE "STATEMENT OF CHARGES" IN YOUR PROPOSAL WILL NOT BE ALLOWED DURING THE COURSE OF THE CONTRACT.**
3. NC: If there is no charge for any of the services listed, notate with a "N/C" in the "Extension" column.

5. STATE LOTTERY DEPARTMENT – Mega Millions Clearing Account

SERVICE:	ANNUAL VOLUME ¹	RATE	EXT
Account Maintenance	12	_____	_____
Account Analysis Statements	12	_____	_____
FDIC Insurance	12	_____	_____
Incoming Wire Mail Advice.....	250	_____	_____
Wire Transfer – Out – Non Repetitive.....	0	_____	_____
Wire Transfer - Book	50	_____	_____
Automatic Investment/Sweep Service	12	_____	_____
Other Wire Transfer – Out – Repetitive.....	50	_____	_____
Other	_____	_____	_____
Implementation/One-Time Set Up Charges			\$ _____
Contract Total			\$ _____

NOTES:

1. **ANNUAL VOLUME STATISTICS:** Please note that volume statistics outlined above are estimated annual volumes and may not correspond to the way you charge for a particular service. If a particular charge is on another basis than noted, make appropriate changes in the "Volume" column. Proposals must estimate volumes for any line items where volume figures are left blank.

2. **OTHER CHARGES:** If there are other charges, they must be noted in "Other" spaces, clearly defined, and extended based on estimated volume. **THIS IS A REQUIREMENT. ANY CHARGE FOR SERVICES NOT ADDRESSED IN THE "STATEMENT OF CHARGES" IN YOUR PROPOSAL WILL NOT BE ALLOWED DURING THE COURSE OF THE CONTRACT.**

3. **NC:** If there is no charge for any of the services listed, notate with a "N/C" in the "Extension" column.

4. Currently VA Lottery receives wire advices by Fax and mail – prefer to receive Fax advices only.

6. STATE LOTTERY DEPARTMENT – Win for Life Clearinghouse Account

SERVICE:	ANNUAL VOLUME ¹	RATE	EXT
Account Maintenance	12	_____	_____
Account Analysis Statements	12	_____	_____
FDIC Insurance	12	_____	_____
Incoming Wire Mail Advice	40	_____	_____
Wire Transfer – Out – Non Repetitive.....	0	_____	_____
Wire Transfer - Book	14	_____	_____
Automatic Investment/Sweep Service	12	_____	_____
Other Wire Transfer – Out – Repetitive	6	_____	_____
Other	_____	_____	_____
Implementation/One-Time Set Up Charges			\$ _____
Contract Total			\$ _____

NOTES:

1. **ANNUAL VOLUME STATISTICS:** Please note that volume statistics outlined above are estimated annual volumes and may not correspond to the way you charge for a particular service. If a particular charge is on another basis than noted, make appropriate changes in the "Volume" column. Proposals must estimate volumes for any line items where volume figures are left blank.

2. **OTHER CHARGES:** If there are other charges, they must be noted in "Other" spaces, clearly defined, and extended based on estimated volume. **THIS IS A REQUIREMENT. ANY CHARGE FOR SERVICES NOT ADDRESSED IN THE "STATEMENT OF CHARGES" IN YOUR PROPOSAL WILL NOT BE ALLOWED DURING THE COURSE OF THE CONTRACT.**

3. **NC:** If there is no charge for any of the services listed, notate with a "N/C" in the "Extension" column.

4. Currently VA Lottery receives wire advices by Fax and mail – prefer to receive Fax advices only.

SECTION XII APPENDICES and DEFINITIONS

APPENDIX A
FORM OF COMMONWEALTH OF VIRGINIA CONTRACT

Appendix A represents the proposed Contract, which the Commonwealth of Virginia would expect the Contractor to sign. Please note any suggestions or additions you would like considered.

COMMONWEALTH OF VIRGINIA
Department of the Treasury
LOCKBOX AND BANKING SERVICES
Contract Number CMI 09-001

This Contract is entered into this ___ day of _____, 2008, by _____, hereinafter called the "Contractor", and the Commonwealth of Virginia Department of the Treasury, hereinafter called the "Issuing Agency".

WITNESSETH that the Contractor and the Issuing Agency, in consideration of the mutual covenants, promises, and agreements herein contained, agree as follows:

SCOPE OF CONTRACT: The Contractor shall provide the services to the Commonwealth as set forth in the Contract Documents.

PERIOD OF CONTRACT: From December 1, 2008 to November 30, 2011, **with three (3) successive one-year options to renew the Contract in accordance with the terms and conditions noted in the Contract.**

COMPENSATION AND METHOD OF PAYMENT: The service charges are to be included in the bank's monthly account analysis.

CONTRACT DOCUMENTS: The Contract Documents shall consist of:

- (1) This signed Contract;
- (2) The following portions of the Request For Proposals dated July 11, 2008:
 - (a) The Statement of Needs
 - (b) The General Terms and Conditions
 - (c) The Special Terms and Conditions, together with any negotiated modifications of those Special Conditions
- (3) The Contractor's proposal dated September XX, 2008 and all written modifications to the Proposal, **including all written vendor responses**, all of which documents are incorporated herein.

Any contractual claims shall be submitted in accordance with the contractual dispute procedures set forth in Section 7.15 of the Commonwealth of Virginia's *Vendor's Manual*.

IN WITNESS WHEREOF the parties have caused this Contract to be duly executed intending to be bound thereby, and certify they are authorized to sign this Contract for the Contractor or the Commonwealth.

CONTRACTOR

COMMONWEALTH OF VIRGINIA
Department of the Treasury

(Signature)

(Printed Name)

(Title)

(Date)

(Signature)

J. Braxton Powell
(Printed Name)

Treasurer of Virginia
(Title)

(Date)

APPENDIX B
Small Business Subcontracting Plan

Definitions

Small Business: "Small business " means an independently owned and operated business which, together with affiliates, has 250 or fewer employees, or average annual gross receipts of \$10 million or less averaged over the previous three years. Note: This shall not exclude DMBE-certified women- and minority-owned businesses when they have received DMBE small business certification.

Women-Owned Business: Women-owned business means a business concern that is at least 51% owned by one or more women who are citizens of the United States or non-citizens who are in full compliance with United States immigration law, or in the case of a corporation, partnership or limited liability company or other entity, at least 51% of the equity ownership interest is owned by one or more women who are citizens of the United States or non-citizens who are in full compliance with United States immigration law, and both the management and daily business operations are controlled by one or more women who are citizens of the United States or non-citizens who are in full compliance with the United States immigration law.

Minority-Owned Business: Minority-owned business means a business concern that is at least 51% owned by one or more minority individuals or in the case of a corporation, partnership or limited liability company or other entity, at least 51% of the equity ownership interest in the corporation, partnership, or limited liability company or other entity is owned by one or more minority individuals and both the management and daily business operations are controlled by one or more minority individuals.

All small businesses must be certified by the Commonwealth of Virginia, Department of Minority Business Enterprise (DMBE) by the due date of the solicitation to participate in the SWAM program. Certification applications are available through DMBE online at www.dmbv.virginia.gov (Customer Service).

Offeror Name: _____

Preparer Name: _____ **Date:** _____

Instructions

- A. If you are certified by the Department of Minority Business Enterprise (DMBE) as a small business, complete only Section A of this form. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received DMBE small business certification.
- B. If you are not a DMBE-certified small business, complete Section B of this form. For the offeror to receive credit for the small business subcontracting plan evaluation criteria, the offeror shall identify the portions of the contract that will be subcontracted to DMBE-certified small business in this section. Points will be assigned based on each offeror's proposed subcontracting expenditures with DMBE certified small businesses for the initial contract period as indicated in Section B in relation to the offeror's total price.

Section A

If your firm is certified by the Department of Minority Business Enterprise (DMBE), are you certified as a **(check only one below):**

- _____ Small Business
- _____ Small and Women-owned Business
- _____ Small and Minority-owned Business

Certification number: _____ Certification Date: _____

Section B

Populate the table below to show your firm's plans for utilization of DMBE-certified small businesses in the performance of this contract. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received the DMBE small business certification. Include plans to utilize small businesses as part of joint ventures, partnerships, subcontractors, suppliers, etc.

APPENDIX C LOCKBOX PROCEDURES

Lockbox Guidelines –*SUBSCRIBE* Subscriptions Procedures **Virginia Lottery**

A. Receipt of Subscription Applications and Payments – Lockbox Process

1. Subscription applications and payments are mailed to:

SUBSCRIBE
Virginia Lottery
P. O. Box 18158
Merrifield, VA 22118-0158

(Remittances must be directed to a post office within the Commonwealth of Virginia)

2. Contractor will pick up mail from the post office for Lockbox processing. (Pickups from midnight until approximately 2:00 p. m.)
3. Lottery contacts:
 - Belinda Taylor Subscription Coordinator 804-692-7675
 - Robbie Cosby Subscription Technician 804-692-7682
 - Nora O’Neal Validations Manager 804-692-7671

B. Lockbox Processing Responsibilities

Initial Opening and Preparation

1. Open mail and remove contents (should be two employees present). If Contractor’s procedures do not allow for dual opening, explain how security cameras are placed and would provide the same level of control. The contents should consist of *SUBSCRIBE* subscription applications and payments by check, money order or cash. The Lottery has no need for the sender’s envelope; contractor may dispose of the envelope(s) in any manner that protects the identity of sender. All related correspondence should remain with the application.

The payments and applications will be inspected and handled in the following manner:

- a. Identification Number: Dual number application and corresponding payment (unique number applicable to one application and corresponding payment. Application and corresponding payment must have the same number. Avoid stamping over play numbers on the application and the payee’s check/money order number on the payment. **MANUAL NUMBERING CODE 3334**
- b. Acceptable Payee: The payee must be one of those designated by the Lottery, or a reasonable variation thereof. If the payee on the check or money order differs from that set forth by the Lottery, or is not a reasonable variation thereof, the payment will not be deposited. Acceptable payees are:
 1. Virginia Lottery
 2. Virginia State Lottery
 3. State Lottery Department
 4. *SUBSCRIBE*
 5. Mega Millions
 6. Win For Life
 7. Any reasonable variation
- c. Out of State Resident: Application(s) for out of state residents will not be accepted and the corresponding payment will not be deposited. However, an **out of state payment** accompanying an application with a **Virginia address** will be deposited. **MATCH AND COMPARE INFORMATION CODE 3333**

- d. Age Requirements: Payments with subscription applications which indicate that the applicant is less than 18 years of age will not be deposited. MATCH AND COMPARE CODE 3333
 - e. Missing Date: All undated checks will be dated by the Contractor as of the processing date and processed as hereinafter provided. STANDARD PROCESSING
 - f. Post-Dated checks: Checks post-dated five or more days from the date of processing will not be deposited. SPECIAL NEGOTIABILITY CODE 3326
 - g. Stale-Dated Checks: Checks dated 60 days or older will not be deposited. SPECIAL NEGOTIABILITY CODE 3326
 - h. Differing Amounts: If a check or money order's written and numeric amounts differ, the Contractor will review the accompanying vouchers or other correspondence to attempt to determine the correct amount. If the correct amount can be determined, the Contractor will deposit and process this amount. In all cases, the checks will be handled in accordance with the Virginia Uniform Commercial Code. BALANCE CHECK TO INVOICE 3340
 - i. Missing Signature: Checks which do not have the drawer's signature and do not indicate the drawer's identity, will not be deposited. . SPECIAL NEGOTIABILITY CODE 3326
 - j. Restrictions and conditional Notations: Contractor will use its best efforts to identify and segregate any checks bearing restrictive notations such as "Balance on Account", or "Account to Date" or "Paid in Full". All checks so identified will not be deposited. In any case, the Contractor shall have no liability to the Lottery should it process and deposit an item or items bearing such restrictive notation. STARDARD PROCESSING
 - k. Payment Amounts and Play type(s): If the payment amount differs from the amount specified for the plan type selected in the application, the Contractor will review the accompanying voucher or other correspondence to attempt to determine the correct play type. If the correct play type cannot be determined, the payment will not be deposited. MATCH AND COMPARE CODE 3333
 - l. Other: Other payments which are classified as part of the PROBLEM BATCH specified in Section 5 will not be deposited. REJECTED ITEMS/ STANDARD PROCESSING
 - m. Material Other Than *SUBSCRIBE* subscriptions: Envelopes received which have INSTANT or ON-LINE ticket claims enclosed will be saved. Place ticket(s) back in sender's envelope. Secure envelope at any opening point and forward to the Lottery Validation Manager.
 - 1. Place ticket(s) correspondence back in sender's envelope
 - 2. Secure envelope at any opening point with tape.
 - 3. Return to the Virginia Lottery for claims processing
 - n. If application is incomplete, highlight missing information, and place application and payment with the PROBLEM BATCH. CIRCLE/UNDERLINE/HIGHLIGHT CODE 3335
 - o. Any other material, which is not part of *SUBSCRIBE* Subscriptions; will be forwarded to the Lottery Subscription Department. CORRESPONDENCE
 - p. Payments, which are found to be unacceptable for deposit under this Section 1, will not be deposited in the Lottery's account but will be handled in accordance with Section 5.
2. Processing Procedure for Acceptable Items: Each payment found to be acceptable after inspection in accordance with Section 1 above will be processed in the following manner.
- a. Each payment will be photocopied.
 - b. Endorsement: The endorsement will be applied to each check and draft prior to deposit:

Credited to the Account of the Within Named Payee

(Bank Name)

Absence of Endorsement Guaranteed

Should any check be returned by the drawer bank with the request for personal endorsement, the Lottery authorizes the Bank to endorse the check as designated by the Lottery. RETURN CHECK PROCESSING

- c. Deposits: The Bank will make one or more deposits of checks, money order, or cash received each banking day to the Lottery's demand deposit account titled Virginia Lottery General.
- d. Account. All acceptable payments will be deposited on the banking day of receipt. Cash will be handled in accordance with the Bank's standard operating procedures for Lockbox processing.
- e. Assembly: Checks and money orders will be assembled and forwarded in accordance with the details as specified by the Lottery in Step 6 below.

3. Sorting/Batching- GROUP SORTING CODE 3332

a. Sort complete applications, with payment attached, by play type

- 1. 26 drawings New
- 2. 52 drawings, New
- 3. 104 drawings New
- 4. 26 drawings Renewal
- 5. 52 drawings Renewal
- 6. 104 drawings Renewal
- 7. Incomplete/erroneous
- 8. Mixed drawings, e.g., combination of 26 drawings, 52 drawings and/or 104 drawings, or new and renewal paid for in one check.

b. Prepare batch, each batch should not exceed 50. STANDARD PROCESSING

4. Processing for each batch:

- a. Separate payment from applications.
- b. Run a calculator tape on each batch of payments and attach the tape to the payments. BALANCE CHECK TO INVOICE CODE 3340
- c. Run a calculator tape on each batch of corresponding applications and attach the tape to the applications. TOTALS MUST AGREE. Number each batch using 7 digit number (See "d" below) and the alpha "type" code. The type code is the one to three alpha codes describing the batch. (See "e" below). BALANCE CHECK TO INVOICE CODE 3340
- d. Batch number is composed of year, Julian date, batch number for the day, and Batch Type (e.g., July 17, 2008, 12th, batch of the day for 52 draws would be #0819912A. Begin numbering batches with 01 and continue sequentially through entire days work regardless of type. MANUAL NUMBERING CODE 333410 AND SPECIAL STAMPING CODE 3336
- e. Batch types are:
 - 1. Batch Type "A" 26 draws New
 - 2. Batch Type "B" 52 draws New
 - 3. Batch Type "C" 104 draws New
 - 4. Batch Type "AR" 26 draws Renewal
 - 5. Batch Type "BR" 52 draws Renewal
 - 6. Batch Type "CR" 104 draws Renewal
 - 7. Batch Type "MB" Mixed drawings, e.g., combination of 26, 52, or 104 drawings, or

New and Renewal paid for in one check.

8. Batch Type “**INC**” Incomplete and erroneous

Any new standard drawings/play type(s) as determined by the Lottery and to which the bank is notified in writing 10 business days prior to change. Batch type(s) will be provided at that time.

- f. Record batch information on Batch Header Log Sheet (See Attachment “A”) **WRITE AND TRANSCRIBE CODE 3341**
1. Batch Number
 2. Batch Count
 3. Batch Dollar Amount

- g. Run a cumulative tape of all “Batch Dollar Amounts” on the Batch Header Log Sheet to obtain a daily grand total. Record the batch number on the tape. Attach the tape to the Batch Header Log Sheet. **BALANCE CHECK TO INVOICE CODE 3340**

NOTE: THE GRAND TOTAL OF DEPOSITS AND BATCH DOLLAR AMOUNTS ON THE BATCH HEADER LOG SHEET (S) MUST AGREE AT THIS POINT.

- h. Place each completed batch in an envelope. Record the Batch Number on the outside of the envelope. **REASSOCIATION SPECIAL ASSEMBLY CODE 3337**

- i. Attach (paper clip or rubber band) the completed Batch Header Log Sheet on top of the corresponding envelope(s). **(DO NOT STAPLE).** **REASSOCIATION SPECIAL ASSEMBLY CODE 3337**

5. Processing procedure for **PROBLEM BATCH** (Unacceptable items other material and incomplete applications): The following items will be batched separately and forwarded daily to the Lottery in the manner described below.

- a. Accompanying documents, envelopes (when requested), adding machine tapes, deposit advices and reports
- b. Envelopes which contain only customer correspondence
- c. Any other supporting documents
- d. Incomplete applications or unacceptable payments (staple the payment to the application). If the payment is by cash, issue a cashier’s check for the funds to the Virginia Lottery. Attach the cashier’s check to the application..

1. Highlight incomplete or erroneous information on the application and/or check. **CIRCLE/UNDERLINE/HIGHLIGHT CODE 3335**

2. Run a calculator tape on the incomplete application payments to obtain a daily total.

3. Prepare one batch of all incomplete/erroneous applications. Attach the calculator tape to a separate Batch Header Log Sheet labeled **INCOMPLETE**. **IT IS STANDARD PROCESSING TO CREATE A CALCULATOR FOR REJECTED ITEMS.**

4. On the Batch Header Log Sheet, record the batch number, count and amount. (Ensure that the calculator tape is attached to the Batch Header Log Sheet) Also, indicate the dollar amount of any cash payments included in the total. Return the batch to the Virginia Lottery. **WRITE AND TRANSCRIBE**

6. Return of Work to the Lottery: The Contractor will mail the processed batches from the bank to the Virginia Lottery via an overnight delivery courier, or mail service to guarantee next day delivery. Return work to the Subscription Coordinator. The package should be addressed to

Virginia Lottery /*SUBSCRIBE*

ATTN: Belinda Taylor
900 East Main Street 1st Floor
Richmond, VA 23219

The Subscription Coordinator should receive the following:

1. Completed batches of applications. The applicable check photocopies should be bundled and placed behind the applications with a detailed remittance advice. (See Attachment "B")
 2. Batch Header Log Sheet with all batches listed and totaled. **WRITE AND TRANSCRIBE**
 3. **INCOMPLETE** Batch Header Log Sheet with incomplete/erroneous application batches and payments attached.
 4. If applicable, any checks returned by the payer's financial institution as unpaid
7. Record Retention Schedule:
- a. All payments and corresponding applications will be microfilmed in lockbox processing sequence, and will be retained by the Bank for seven (7) years. Photocopies will be provided to the Lottery upon request. Deposit date and deposit total will be needed as indexing information for photocopies requested.
 - b. The lockbox processing center should retain microfilm for a period of two years of all checks microfilmed in lockbox processing sequence.

APPENDIX E

RECORD LAYOUT ISSUED CHECKS (RECON)

1. Header Record

Field	Length	Position	Format	Comments
Header Record Identifier	1	1	X	Constant "H"
Bank Number	4	2 – 5	X	Treasury Assigned
Agency Identifier	3	6 – 8	X	Treasury Assigned
Agency Contact Name	24	9 – 32	X	
Agency Contact Phone	10	33 – 42	X	
Transmission Date	8	43 – 50	X	MMDDYYYY
Filler	40	51 – 90	X	

2. Detail Record

Field	Length	Position	Format	Comments
Bank Number	4	1 – 4	X	Treasury Assigned
Check Number	8	5 – 12	X	Leading Zeros
Void Indicator ¹	1	13	X	Treasury Assigned
Check Amount	10	14 – 23	9	Leading Zeros
Transaction Code ²	2	24 – 25	X	
Issue Date	8	26 – 33	X	MMDDYYYY
Agency Code	3	34 – 36	X	
Social Security Number	9	37 – 45	X	
Payee Name	45	46 – 90	X	

3. Trailer Record

Field	Length	Position	Format	Comments
Trailer Record Identifier	1	1	X	Constant "T"
Bank Number	4	2 – 5	X	Treasury Assigned
Transmission Record Count	6	6 – 11	X	
Transmission Amount	14	12 – 25	9	Leading Zeros
Filler	65	26 – 90	X	

(1) Valid Void Indicators: **0**(zero) = Issued Checks
 V = Voided Checks

(2) Valid Transaction Codes: **01** (zero and one) = Issued Checks
 26 = Voided Checks