



Stacy Garrity, Pennsylvania Treasurer

**REQUEST FOR QUALIFICATION FOR**

**ACCOUNT VALIDATION SERVICES**

**ISSUING OFFICE**

**Pennsylvania Treasury Department  
Bureau of Support Services  
Procurement Division  
Room 3T-A, Finance Building  
Harrisburg, PA 17120-0018**

**RFQ NUMBER**

**RFQ23-001**

**DATE OF ISSUANCE**

**Friday, March 3, 2023**

## CALENDAR OF EVENTS

The Pennsylvania Treasury Department will make every effort to adhere to the following schedule:

Activity	Responsibility	Date
Issue of RFQ23-001 posted to Treasury's website at <a href="http://www.patreasury.gov">www.patreasury.gov</a>	Issuing Office	Friday, March 3, 2023
Deadline to submit Questions via email to: <a href="mailto:RFQ23-001@patreasury.gov">RFQ23-001@patreasury.gov</a>	Providers	Wednesday, March 22, 2023
Answers to potential provider questions will be reviewed by the Issuing Office and posted.	Issuing Office	Monday, March 27, 2023
Submissions must be received by the Issuing Office electronically to <a href="mailto:RFQ23-001@patreasury.gov">RFQ23-001@patreasury.gov</a> . The providers should be clearly identifiable in each email.	Providers	Monday, April 10, 2023, by 5:00PM
Treasury anticipates issuing, the selected list of qualifying providers.	Issuing Office	Monday, April 17, 2023

Please be advised submission deadlines that include times refer to EST. Treasury's standard business hours are 8:30 am – 5:00 pm.



## Introduction

The Pennsylvania Treasurer (“Treasurer”) has compiled and is updating and maintaining a list of providers qualified to provide Account Validation Services (“AVS”) for the electronic movement of funds on behalf of Commonwealth departments, agencies, boards and commissions. The Treasurer will qualify providers to assist the implementation and maintenance of electronic payment security standards, measures and procedures that are consistent with national financial industry standards on behalf of the Commonwealth.

## Issuing Office

This Request for Qualifications (“RFQ”) is issued by the Pennsylvania Treasurer. All communications and submissions in response to this RFQ should be addressed to: Pennsylvania Treasury Department, Attention: Bureau of Support Services, Harrisburg, Pennsylvania 17120, at the following email address: RFQ23-001@patreasury.gov. This issuing office is the sole point of contact in the Commonwealth for receiving and processing all completed submission packages in response to this RFQ. All questions should be emailed to: RFQ23-001@patreasury.gov.

## Purpose

The purpose of this RFQ is to develop a list of providers, that, in the opinion of the Treasurer, are capable, experienced, and qualified to provided AVS on behalf of Commonwealth departments, agencies, boards and commissions.

The Treasurer is responsible for and oversees the secure payment of all public funds on behalf of all Commonwealth agencies. Pursuant to the Pennsylvania Fiscal Code, the Treasurer is the custodian of all public funds of the Commonwealth. The Fiscal Code requires the Treasurer’s warrant for the payment and disbursement of all public fund expenditures, if, in the opinion of the Treasurer, the expenditure or disbursement is “lawful and correct.”

The Pennsylvania Fiscal Code was recently amended (Act of July 11, 2022 (Act No. 54, P.L. 540)) to include Section 301.5, captioned “Commonwealth Payment Security,” requiring the implementation and maintenance of electronic payment security standards consistent with national financial industry standards. The Act directs that, “the electronic payment security standards, measures and procedures required .... shall be designed to confirm and verify the existence, status, standing, maturity, and signatory authority of the banking account, authenticate account-ownership and control, and accurately identify the identity of intended payment counterparties, prior to the

initiation and completion of a payment to the account or against the account.”

To ensure the integrity of Commonwealth electronic payments and certain collections, the Treasurer has been tasked with qualifying providers of account validation and verification services that all Commonwealth Agencies including those state departments, agencies, boards, and commissions under the Governor’s administrative control as well as independent agencies, boards and commissions within the executive branch of state government shall contract with to prevent the fraudulent and improper payment of public funds. *Id.*

Any award of a contract, or contracts, with a qualified provider will be determined through a subsequent procurement process or processes independently conducted by or on behalf of Commonwealth departments, agencies, boards, and commissions. This qualification process contains no guarantee or assurance to perform work for any Commonwealth department, agency, board, or commission.

The provider’s solution shall be able to deliver a determination of the validity of a bank account and routing number. Specifically, the qualified Provider shall determine whether the financial data provided to Agencies, as the payee’s self-attested bank account information, is accurate, correct, valid, and matches the identity of the bank account owner/authorized signatory of the direct deposit bank account information provided (to include verification of pre-paid cards to the extent applicable). For this purpose, Treasury will evaluate the qualifications of prospective Providers, the capabilities of the products, and determine if the products and services meet an established list of requirements that warrant designation as qualified.

## Schedule

All responses to this RFQ must be received by Treasury’s Issuing Office on or before 5:00 pm EST on Monday, April 10, 2023; no submissions will be accepted after the due date and time. The Treasurer anticipates qualifying providers by Monday, April 17, 2023, and to provide notice of the list of qualified providers shortly, thereafter, as directed by the Fiscal Code.

## Definitions

“Account Validation.” A service wherein a business or financial institution can validate the accuracy of the account information received from a consumer or business, and the ability of that account to receive electronic payments.

“Agency” Or “Commonwealth Agencies.” Any department, agency, board, or commission of the Commonwealth including executive and independent agencies, but not including any court or other officer or agency of the unified judicial system, or the General Assembly.

“API.” Application Programming Interface.

“AVS.” Account Validation Services.

“Financial Institution.” A firm that provides financial services through the processing of transactions, deposits, loans, and other monetary exchanges.

“NACHA.” The National Automated Clearing House Association.

“Partner.” A NACHA Preferred Partner that a prospective provider (who is not themselves a NACHA Preferred Partner) has partnered with to qualify under this RFQ.

“Provider.” A firm seeking to provide AVS on behalf of Commonwealth Agencies.

## Automated Clearing House (ACH)

An ACH refers to any electronic fund transfer occurring between banks and credit unions across what is known as the Automated Clearing House network. ACHs are available as credit payments and debit transfers. In 2021, approximately 1.68 billion direct deposit payments were transferred from government entities (federal, state, and local), compared to 1.15 billion in 2012 (a 46% increase). Additionally, the Commonwealth of Pennsylvania, via Treasury on behalf of the Agencies, sent nearly 20 million ACH payments in FY 2021-22 alone.

ACH has increasingly become the preferred manner in which payments are completed among Agencies for nearly all programs in most circumstances. ACH offers several distinct advantages over alternative payment methods available to government entities – typically paper check (although in some cases a prepaid debit card system is available).

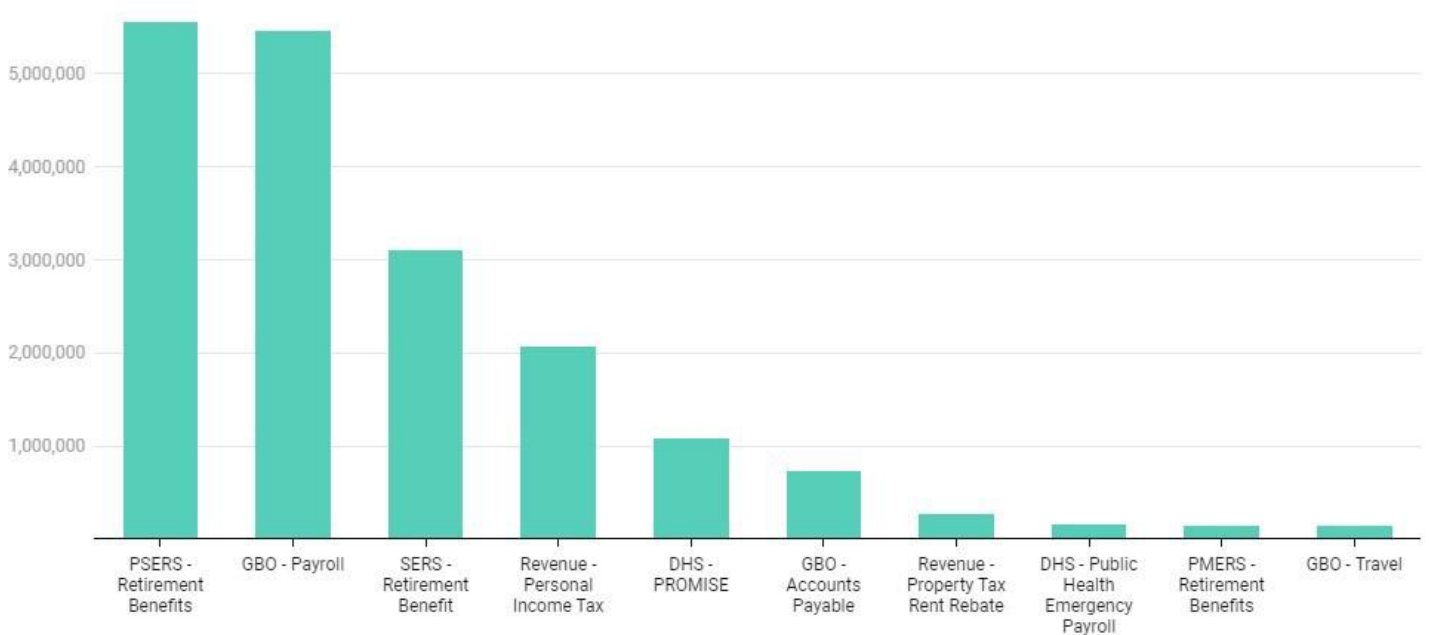
ACH payments are received by and directly deposited in the recipient's bank account faster than a paper check. While ACHs are in the recipient account on the pay date, paper checks can take 3-7 business days to reach the payee. On a per payment basis, ACHs are less expensive to process than paper checks, requiring no printing, no mailing, reduced customer inquiry looking for the check, and no need to maintain check stock/envelopes. ACHs have also proven to be a far more secure payment method relative to paper checks. Paper checks must pass through many more intermediary parties compared to ACH, clearly display bank details and other PII, and are physical documents subject to being either lost, stolen, or forged.

Payroll, annuitant distributions, and tax refunds account for most Commonwealth ACH payments, by nature of their frequent recurrence and the size of the Commonwealth workforce. However, Agencies have made payment by ACH available for various other programs and purposes. For a more complete picture, please refer to the graph below depicting the top 10 categories of ACH payments issued in the prior fiscal year, measured by total number of payments issued<sup>1</sup>:

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<sup>1</sup> Excludes Unemployment Compensation related ACH payments.

## Top 10 Categories of ACH Payments Among Commonwealth Agencies, by Total Payment Volume, for Fiscal Year 2021-2022



GBO - Governor's Budget Office; PSERS - Public School Employees Retirement System; SERS - State Employees Retirement System; DHS - Department of Human Services  
 Source: PA Treasury Internal Data - [Get the data](#) - Created with [Datawrapper](#)

This graph illustrates the top end of ACH payment processing demand for Commonwealth Agencies. Smaller entities experience less demand on an annual basis.<sup>2</sup> The expectation is an increase in the use of ACH over time by all Agencies issuing payments, primarily attributable to increased customer requests for electronic payment, payment modality mandates, and continuing requirements for Agencies to implement fraud/error prevention tools.

Please note, these statistics do not include details for the use of ACH debits in the collection of money due to Agencies. Treasury is responsible for the payments of the Commonwealth and the Agencies typically maintain collection processes. All collections via ACH debit are subject to Section 301.5 of the Pennsylvania Fiscal Code.

<sup>2</sup> Out of the 57 business units that Treasury has a unique ACH category, 27 processed fewer than 1000 ACH payments in all of FY 2021-2022

## Account Validation Services (AVS)

A properly functioning AVS system will assist Commonwealth Agencies in validating the status and ownership of bank accounts within the United States ACH Network, in real-time, to provide increased fraud protection and error prevention prior to the electronic distribution of payments of public funds. AVS can be used to verify the status of an account and its ownership prior to sending an ACH or real-time payment, confirm that the account is open and in good standing, and verify whether the recipient is an owner or authorized signer on the account. Data returned to the Agencies will allow for a determination of whether the account is possibly a fraudulent account or stolen (“hijacked”) account or if there was an error in the payment instructions. The goal of implementing AVS is to reduce the incidence of payments being sent to bank accounts not associated with the intended and rightful recipient. While many agencies conduct a pre-audit of payments, AVS will bolster these systems by allowing agencies to query for a wider array of data elements and more rapidly return feedback from those queries.

In recent years, Pennsylvania and several other states across the nation have experienced an increased volume of fraudulent activity, far above historical average levels, in state-administered programs. This fraudulent activity has been concentrated in – but is not exclusive to – the Commonwealth’s unemployment compensation program and federal COVID-19 pandemic-related unemployment compensation programs administered by the Commonwealth. In her capacity as issuer of Commonwealth payments, the State Treasurer has advocated for more widespread adoption of AVS among Commonwealth Agencies.

Millions of electronic payments are issued from Treasury on behalf of Commonwealth Agencies annually. Accordingly, the adoption and maintenance of secure electronic payment technologies at the Agency level is a prudent and necessary safeguard to protect the payment of public funds.

To provide an example of AVS in practice - a large Commonwealth agency began utilizing AVS in October 2021 for ACH debits and continues to expand use for ACH credits to consumer and business accounts. Since then, more than 600,000 unique bank accounts have been processed through their AVS verification – an average of roughly 3,600 bank accounts per business day. The verification process identified 30,000 bank accounts with risks that would have been unknown absent the additional layer of AVS verification. Additionally, the agency observed a correlation between implementing AVS and decreases in payment and payor reversal requests. Finally, the agency was able to use insights derived from AVS to improve other elements of their business processes, including adding functionality to their online portal to immediately identify and reject invalid accounts from advancing to later stages of processing.



## Selection and Engagement of Providers

The Treasurer will review all submissions for qualification and notify all providers that made a submission in response to this RFQ of the outcome of the review. All providers qualified by the State Treasurer will be assigned to a list maintained by the Department's Bureau of Support Services and available on the Department's website at <https://www.patreasury.gov/procurement/>. The list will be made available to all Commonwealth agencies as directed by the Fiscal Code for the consideration and procurement of AVS services.

Act of July 11, 2022 (No. 52, PL 504) (72 P.S. §301.5) directs Commonwealth Agencies to procure and implement electronic payment security services on or before January 2024 in accordance with the provisions of the Pennsylvania Procurement Code from the list of qualified vendors provided by the State Treasurer.

Commonwealth Agencies will implement electronic payment security services in accordance with the directives of Act 52 of 2022, and their processing of AVS transactions and their AVS access platform will depend upon the unique needs and requirements of each particular Commonwealth Agency pursuant to a subsequent procurement process.

There is no guarantee or assurance that a qualified provider will provide electronic payment security services on behalf of any Commonwealth Agency.

## Requirements for Qualification

Providers must have prior documented experience in providing AVS on behalf of federal, state or local government agencies, or private organizations or businesses with comparable ACH payment volume and processes, as follows:

1. The provider is a NACHA Preferred Partner (“Partner”) or a financial institution utilizing a Partner on or before the time of submission of their response to this RFQ;
2. The provider is a financial institution currently providing AVS on behalf of a Commonwealth Agency; or
3. The provider is an existing provider of AVS and has demonstrated a proven capacity in processing large ACH batch files and other demands typical of servicing a high-volume public agency, or otherwise can demonstrate its ability to scale quickly to accommodate large volume demands.

For a provider to be considered for qualification and in order for the Treasurer to accept a response to this RFQ as “complete,” prospective providers must submit each of the following with their response as identified below:

- Certify that AVS provided for or on behalf of any Commonwealth agency will not be transmitted or stored on any cloud storage server(s) located outside of the United States by detailing the flow of data between Agencies and the provider.
- Identify the dataset(s), including financial institutions, credit reporting agencies, and additional public, private, and proprietary data sources, utilized in the AVS solution to verify bank account owner verification, bank account risk assessments, and risk attributes associated with the account owner analysis. Please use the following layout in the response.

Name/Source of Dataset	Size (i.e., number of source entities or number of records)	Real-Time data (Y/N)	Provides Bank Account/Owner Verification/Risk Assessment	Provides Bank Account/Owner Authentication/Risk Attributes Analysis	Optional-Other Attributes

- Documentation of prior experience providing AVS to a federal, state, or local government agency or private organization or business with comparable payment processes, including an account of payment volume. Please provide three (3) use-case briefs, each detailing the type of AVS provided, payee group or payment type, average volume by month and total by year, method of data submission, and length of term providing service.
- (Optional) Identify the general fee structure or transaction method (no specific cost information is to be included) utilized by the provider to provide AVS.
- Identify in detail the process steps utilized to provide a passive AVS solution utilizing only Commonwealth agency provided data or data provided via a payee-facing API established in conjunction with the provider. Passive is defined as no provider direct interaction with the intended recipient i.e., no “out of pocket” or “out of wallet” information will be requested.
- Identify each data element anticipated to be necessary to provide the AVS solution, that may include, by way of example and not by limitation the following:

Data Field	Comments
Direct Deposit Account Number	Direct deposit account number for payment to Payee
Direct Deposit Routing Number	Routing number associated with above account number
First Name	Payee first name
Last Name	Payee last name
Middle I	Payee middle initial
SSN	Payee SSN
DOB	Payee date of birth
Payee address	Payee address
Payee address city	City of Payee address
Payee address state	State of Payee address
Payee address zip	Zip code of Payee address
Payee phone number	Phone number with area code
IP Address	IP address from where claim was filed

The Treasury reserves the right to request additional information, documentation, or clarifications regarding provider submissions to assist in the evaluation of the qualifications.

### **I-1. Issuing Office**

Treasury is the "Issuing Office" which should be the sole point of contact for this RFQ. Please refer all inquiries to the Issuing Officer by email at [RFQ23-001@patreasury.gov](mailto:RFQ23-001@patreasury.gov).

### **I-2. Questions and Answers**

Providers must submit questions by email (with the subject line **RFQ23-001 Questions**) to the Issuing Office no later than 5:00 pm on Wednesday, March 22, 2023. The provider shall not attempt to contact the Issuing Office by any other means. The Issuing Office cannot commit to reply to all questions that may be submitted. The Issuing Office shall attempt to provide as promptly as feasible answers to questions that, in the judgment of the Issuing Office, will enhance the ability of all providers to provide responsive and competitive proposals on or before Monday, April 10, 2023. Questions posed closer to the date established for the submission of proposals are less likely to be answered. The Issuing Office will send by email a copy of questions and corresponding answers to every provider on Monday, March 27, 2023.

### **I-3. Electronic Version of RFQ**

The Issuing Office is making official distribution of this RFQ. A copy of the RFQ will also be made available on Treasury's website ([www.patreasury.gov](http://www.patreasury.gov)). The provider acknowledges and accepts full responsibility to ensure that its proposal responds to the RFQ as emailed to it, as amended, if at all, by subsequent emails. In the event of a conflict between a version of the RFQ in the Provider's possession and the Issuing Office's final version of the RFQ, the Issuing Office's final version shall govern.

### **I-4. Confidential Information Proposal Contents**

- a. Confidential Information. Treasury is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of providers' submissions in order to evaluate proposals submitted in response to this RFQ. Accordingly, except as provided herein, providers should not label proposal submissions as confidential, proprietary, or trade-secret protected. Any Provider who determines that it must divulge such protected information as part of its proposal must follow all of the procedures described below:
  - (1) Prepare an un-redacted version of the appropriate document.
  - (2) Prepare a redacted version of the document that redacts the information that is asserted to be confidential or proprietary information or a trade secret.
  - (3) Prepare a signed written statement that states:
    - i) The attached document contains confidential or proprietary information or trade secrets;

- ii) The Contractor is submitting the document in both redacted and un-redacted format in accordance with 65 P.S. § 67.707(b); and
  - iii) The Contractor is requesting that the document be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests.
- (4) Submit the two documents along with the signed written statement to Treasury.
- (5) Acknowledge that the information may be subject to the Right-to-Know Law.
- b. Treasury and Office of General Counsel Use. All material submitted with the proposal shall be considered the property of Treasury and may be returned only at the Issuing Office's option. Treasury has the right to use any or all ideas not protected by intellectual property rights that are presented in any proposal regardless of whether the proposal becomes part of a contract. Notwithstanding any provider copyright designations contained on proposals, Treasury shall have the right to make copies and distribute proposals internally and to comply with public record or other disclosure requirements under the provisions of any Commonwealth or United States statute or regulation, or rule or order of any court of competent jurisdiction.
- c. Public Disclosure. After the creation of the list pursuant to this RFQ, all proposal submissions are subject to disclosure in response to a request for public records made under the Pennsylvania Right-to-Know-Law, 65 P.S. § 67.101, *et seq.* If a proposal submission contains confidential proprietary information or trade secrets, a signed written statement to this effect must be provided with the submission in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests.

#### **I-5. Response Date**

To be considered, each provider must deliver their submission to the Issuing Office via email to [RFQ23-001@patreasury.gov](mailto:RFQ23-001@patreasury.gov) by 5:00 pm on Monday, April 10, 2023.

The emails to the Issuing Office must be submitted on or before the time and date specified in the RFQ Calendar of Events. Please be advised submission deadlines that include times will refer to EST. Treasury's business hours are 8:30 am – 5:00 pm. The date and time assigned by the Issuing Office's email system will be the date and time used to determine timeliness of submission.

#### **I-6. Notification of Selection**

The Issuing Office will notify the selected providers in writing of its selection after the Issuing Office has determined, taking into consideration all of the evaluation factors, the proposals that is the most advantageous to the Commonwealth. After selection and Treasury's notification to the providers, the providers will be contacted.