

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
525 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 6
to
CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Tax Management Associates, Inc. 2555 Coronation Blvd. Charlotte NC, 28227	Richard Cooke	chip.cooke@tma1.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	704-847-1234	7131

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	Treasury	Huber, Patrick	517-335-1002	huberp
CONTRACT ADMINISTRATOR	DTMB	Dan Stevens	517-284-7049	StevensD6@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Principal Residence Exemption (Pre) Audit Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
September 15, 2011	September 14, 2014	2 - 1 Year Options	September 14, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
N/A		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		September 14, 2016
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$5,245,228.00		\$ \$0.00	\$5,245,228.00	

DESCRIPTION: Effective October 20, 2015, the following scope of work and pricing are incorporated per the attached Change Notice 6 attachment.

The Contract Administrator is changed to Dan Stevens

All other terms, conditions, specifications, and pricing remain the same, per Vendor and Agency agreement and DTMB Procurement approval.

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Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a contract amendment for Principal Residence Exemption (PRE) Audit services web-based Homestead Appeals Management Service (HAMS) to be upgraded and enhanced to include the management and generation of appeal responses as well as additionally requested denial functionalities.

All other terms/conditions of the Contract will remain unchanged.

1.012 Background

ProServ 1.0 formerly known as Homestead Appeals Management System (HAMS) has been delivered to the Michigan Department of Treasury. This first version included the ability to search and review all data from the Principal Residence Exemption Audit Program, issue denial letters in bulk batches when required, and manage various other life-cycle aspects of the Department of Treasury's responsibilities.

ProServ is relied upon to efficiently replace paper records with electronic records, tracking data for timely processing of appeals related to Principal Residence Exemptions. The service allows better information retention and archiving, creates more efficiency in handling appeals, and creates data for purposes of workflow measurement and audit information production. Building out functionality in Phase 1.1 allows for these features to be extended to more of the activity associated with appeal file management.

The Department of Treasury request additional features be linked to the management of appeals and the ability to extend ProServ functionality to additional users. ProServ 1.1 must include the management and generation of the appeals responses as well as additionally requested denial functionality identified in the Scope of Work and Deliverables seen below.

The timing of the project was chosen to allow those processing exemptions to receive maximum value out of the project as quickly as possible.

1.020 Scope of Work and Deliverables

1.021 In Scope

The Contractor must update the existing ProServ application to include the management and generation of appeal responses as well as additionally requested denial functionality. As it pertains to design considerations there will be no major software language changes from the original Proserv 1.0 implementation. All aspects will remain consistent with the first delivery.

Contractor compliance is described in Section 1.022 A and B, Milestones 1 and 2. These sections outline the denial and appeal management and letter generation to be completed, as well as additional denial functionality to be implemented. Denial letters to be generated are as follows: Denial Letter (Failure to Respond); Denial Letter (Not Owner Occupied); Denial Letter (Rental Property); Denial Letter (Company Owned); Denial Letter (Unqualified Land); Denial Letter (Non-Resident); and Denial Letter (Partial Exemption). Appeal Letters to be generated are as follows: Appeal Received letter to taxpayer, assessor, and treasurer; Docket Request to hearings division. Additional denial functionality as described in Section 1.022 A and B. No major software

language changes are planned, however language version expected to continually advance to incorporate performance and security improvements.

1.022 Work and Deliverable

The Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below in the Project Completion Milestones:

C. Milestone One: Denial Feature Enhancements:

The Contractor solution must provide the following:

- Ability to create/update/change/delete denial information via the web interface
- Ability to capture and review changes to denials.
- Ability to filter accounts by criteria (TBD, limit 3 criteria) when generating denial letters. (e.g., filter by county, denial reason, and date)
- Ability to generate (both individually and as a batch) documents and save them as pdf's in the corresponding denial. Letters to be generated are as follows:
 - Denial Letter to taxpayer (by type)
 - Failure to respond
 - Not owner occupied
 - Rental property
 - Company owned
 - Unqualified land (aka vacant land)
 - Non-resident
 - Partial exemption
- Ability to export filtered lists to CSV format
- Ability to export for counties – include filter by denial date.

The Contractors Administrators must be able to:

- Filter imports from the PRE database by necessary criteria to maintain data integrity.
- Import TMA scanned documents related to each denial into documents list for each denial in ProServ.

D. Milestone Two: Appeals Management Features:

The Contractor solution must provide the following:

- Ability to change any data in the appeal fields with the changes documented.
- Ability to add Power of Attorney information to an Appeal, including:
 - Name
 - Firm name
 - Address
 - City
 - State
 - Zip
- Ability to attach DIR summary to Appeal
- Ability to add DIR letter notes to Appeal for inclusion in DIR letters.
- Ability to generate (both individually and as a batch) documents and save them as pdf's in the corresponding appeal:
 - Appeal Received letter to taxpayer with a copy to the assessor and county treasurer.
 - Ability to create text for DIR letters to taxpayers by the following types of letters (including DIR notes):
 - Overturn letters
 - partially overturn letters
 - Withdraw letters
 - Mikelonis letters
 - Ability to docket Request to the Hearings Division

- Ability to participate in and advance the workflow of the appeals process:
 - Create a new Appeal with date received (postmarked)
 - Mark if 'untimely'
 - Unless 'untimely', generate appeal received letter to taxpayer with selected date.
 - Assign appeal to Analyst
 - Analyst attaches DIR document to Appeal
 - Analyst records determination (currently: Summary)
 - Analyst assigns file to Supervisor
 - Supervisor attaches updated DIR summary
 - Supervisor approves DIR with one of:
 - Overturn
 - (Creates letter to taxpayer)
 - Partial overturn without hearing
 - (Creates letter to taxpayer)
 - Partial overturn with hearing
 - (Creates letter to taxpayer)
 - (Creates docket request to Hearings Division)
 - Mikelonis
 - (Creates letter to taxpayer/copy to assessor)
 - Withdrawn
 - (Creates in letter to taxpayer)
 - Denied
 - (Creates docket request to the Hearings Division)
 - Allow Analyst the ability to record Informal Conference detail on Appeal
 - Allow Analyst the ability to record MTT detail on Appeal
 - Allow Analyst the ability to record Court of Appeals detail on Appeal
- Ability to view two progress reports on denials currently in ProServ from a management dashboard:
 - View the number of denials/appeals by year of issue and current status
 - View the number of denials/appeals by year and determination,

Note: ProServ will not generate PDFs for DIR letters or summaries, as wording will need to change on an individual basis. Instead, exportable text will be generated on a case-by-case basis to be modified outside of the ProServ environment and incorporated into an external letter generator. DIR letter text will not be created or generated in bulk.

C. Milestone Three: User Management and Access Controls:

The Contractor solution must provide the following:

- Manage authentication information:
 - change their own password
 - recover a lost password
 - respond to invitation

The Contractor solution must provide the following to the Treasury Administrator:

- Invite new users to use the system
- Assign roles to users (Analyst / Supervisor / Referee / Admin)
- ProServ limits the visibility of resources based on role.

The Contractor must include and define the roles of: Analyst, Supervisor, Referee, and Administration.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

1. Contractor, State and Other Staff who will be involved in the Contract remain unchanged unless advised otherwise.

1.032 State Responsibilities

The State will provide the following to the Contractor:

1. A list of users to be seeded into the system, and their assigned role
2. A list of resources visible to each Role (Analyst / Supervisor / Referee / Admin)
3. A list of fields to be exported to CSV when exporting accounts from a filtered list
4. A CSV containing all Local Unit data to be used within ProServ 1.1
5. Letter text and format for all letter types listed in Milestone Two

The Contractor will accept these documents via email.

1.040 Project Plan

1.041 Project Plan Management

1. The Contractor within five working days of the signed and approved change notice must submit a ProServ 1.1 final project plan to the CCI for final approval. This final project plan must be mutually agreed with the CCI and must include the following:

Contractor preliminary Proserv 1.1 project plan that includes dates of milestone start and completion times:

Project Start	Project to commence on October 20, 2015.
Milestone 1	Estimated delivery six calendar weeks after commencement.
Milestone 2	Estimated delivery six calendar weeks after completion and acceptance of Milestone 1.
Milestone 3	Estimated delivery six calendar weeks after completion and acceptance of Milestone 2.

1.052 Final Acceptance

Final Acceptance will be completed 45 days after completion of Milestone 3. During Final Acceptance, there shall be no more than three interruptions. During Final Acceptance there shall be no individual interruption that lasts longer than four hours. Upon completion of Final Acceptance, the Contract Compliance Inspector will provide written acceptance of the service.

1.060 Proposal Pricing

1.061 Proposal Pricing

1. Invoicing and payment must occur per section 2.044.d of Contract

1.062 Price Term

Prices quoted are firm for the entire length of the Contract.

1.070 Additional Requirements – Deleted – N/A

Proserv 1.1 Pricing/Cost Breakdown

Item	Rate	Hours	Total Cost
ProServ 1.1 Development	\$150.00 USD / hour	1049.5 hours	\$157,425 USD
Maintenance/Support	\$100.00 USD / hour	288 hours / year	\$28,800 USD / year
Hosting / Operations	\$20,000 USD / year		\$20,000 USD / year

Yearly costs will be prorated monthly.

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525 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 5
to
CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Tax Management Associates, Inc. 2225 Coronation Boulevard Charlotte, NC 28227	Richard H. (Chip) Cooke, Jr.	chip.cooke@tma1.com
	PHONE	VENDOR TAX ID # (LAST FOUR DIGITS ONLY)
	(704) 847-1234	7131

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	Treasury	Larry Steckelberg	(517) 241-3733	steckelberg@l@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Chelsea Edgett	(517) 284-7031	edgett@c@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Principle Residential Exemption (PRE) Audit Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
September 15, 2011	September 14, 2014	(2) 1-Year Options	September 14, 2015
PAYMENT TERMS	F.O.B.	SHIPPED TO	
N/A	N/A	N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF EXTENSION/OPTION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 Year	September 14, 2016
CURRENT VALUE		VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE	
\$4,445,228.00		\$800,000.00	\$5,245,228.00	

DESCRIPTION:

Effective September 15, 2015, this Contract is exercising the second option year and is increased by \$800,000.00. The revised Contract expiration date is September 14, 2016. Please note the Contract Administrator has been changed to Chelsea Edgett. Also please note the Program Manager has been changed to Larry Steckelberg. Effective September 15, 2015, the following items are added to this Contract per Attachment A. All other terms, conditions, specifications, and pricing remain the same, per Contractor and Agency agreement, DTMB Procurement approval and State Administrative board approval on July 7, 2015.

Attachment A

Exhibit 1 Security Requirements

On award of the Contract, the Contractor must comply with State and Federal statutory and regulatory requirements, and rules; National Institute of Standards and Technology (NIST) publications; Control Objectives for Information and Related Technology (COBIT); all other industry specific standards; national security best practices and all requirements herein.

The Contractor must perform annual testing of all security control requirements to determine they are working as intended. Annual certification must be provided in writing to the CCI or designee in the form of a SSAE16 or similar audit report, if applicable.

A. Governing Security Standards and Publications

The State of Michigan information is a valuable asset that must be protected from unauthorized disclosure, modification, use, or destruction. Prudent steps must be taken to ensure that its integrity, confidentiality, and availability are not compromised.

The Contractor must collect, process, store, and transfer Department of Treasury personal, confidential or sensitive data in accordance with the contractual agreement, State of Michigan policies and the laws of the State of Michigan and the United States, including but is not limited to the following:

1. The Michigan Identity Theft Protection Act, MCL 445.61 et seq;
2. The Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
3. Family Educational Rights and Privacy Act
4. State of Michigan Policies: The Contractor must comply with the State of Michigan information technology standards (<http://www.michigan.gov/dmb/0,4568,7-150-56355-108233--,00.html>).

B. Security Risk Assessment

The Contractor must conduct assessments of risks and identify the damage that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the Department of Treasury. Security controls should be implemented based on the potential risks. The Contractor must ensure that reassessments occur whenever there are significant modifications to the information system and that risk assessment information is updated.

C. System Security Plan

The Contractor must develop and implement a security plan that provides an overview of the security requirements for the information system. If a security plan does not exist, the contractor shall provide a description of the security controls planned for meeting those requirements. The security plan must be reviewed periodically and revised to address system/organizational changes or problems.

D. Network Security

The Contractor is responsible for the security of and access to Department of Treasury data, consistent with legislative or administrative restrictions. Unsecured operating practices, which expose other connected networks to malicious security violations, are not acceptable. The Contractor must coordinate with the Michigan Department of Technology, Management and Budget to enter the proper pointers into the State of Michigan infrastructure.

E. Data Security

The Contractor has the responsibility to protect the confidentiality, integrity, and availability of State of Michigan data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data resides and regardless of format (such as in electronic, paper or other physical form).

The Contractor must:

1. process the personal data in accordance with the personal data protection laws of the State of Michigan and the United States.
2. have in place appropriate technical and organizational internal and security controls to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected. Technical and organizational security controls must be implemented that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, presented by the processing.
3. provide secure and acceptable methods of transmitting personal, confidential or sensitive information over telecommunication devices such as data encryption (128 bit minimum), Secure Socket Layer (SSL), dedicated leased line or Virtual Private Network (VPN).
4. supply the Department of Treasury, Security Division with information associated with security audits performed in the last three years.
5. have in place procedures so that any third party it authorizes to have access to the personal data, including processors, will respect and maintain the confidentiality, integrity, and availability of the data.
6. process the personal, confidential and sensitive data only for purposes described in the contract.
7. identify to the Department of Treasury a contact point within its organization authorized to respond to enquiries concerning processing of the personal, confidential or sensitive data, and will cooperate in good faith with the Department.
8. not disclose or transfer the personal, confidential or sensitive data to a third party unless it is approved under this contract.
9. not use data transferred by the Department of Treasury as a result of this contract for marketing purposes.

F. Media Protection

1. The Contractor must implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing Department of Treasury's personal, confidential and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system. This can include storage of information before it is input to the system and after it is output.
2. The Contractor must ensure that only authorized users have access to information in printed form or on digital media removed from the information system, physically control and securely store information media, both paper and digital, restrict the pickup, receipt, transfer, and delivery of such media to authorized personnel.

G. Media Destruction and Disposal

1. The Contractor must sanitize or destroy information system digital media containing personal, confidential or sensitive information before its disposal or release for reuse to prevent unauthorized individuals from gaining access to and using information contained on the media.
2. Personal, confidential or sensitive information must be destroyed by burning, mulching, pulverizing or shredding. If shredded, strips should not be more than 5/16-inch, microfilm should be shredded to affect a 1/35-inch by 3/8-inch strip, and pulping should reduce material to particles of one inch or smaller.
3. Disk or tape media must be destroyed by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three (3) times. If the CD, DVD or tape cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on retention periods required by the Department of Treasury.

H. Access Control

The Contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. Access must be immediately removed when a staff changes job duties or leaves the employment.

Authentication Process

Authentication is the process of verifying the identity of a user. Authentication is performed by having the user enter a user name and password in order to access the system.

To help protect information from unauthorized access or disclosure, users must be identified and authenticated per the table below prior to accessing confidential or sensitive information, initiating transactions, or activating services.

Publicly available information such as the mother's maiden name, birth date, and address as the sole authenticator is not a secure means of authentication and should not be used.

Automatic user logons are prohibited. Device-to-device logons must be secured (preferably using client certificates or password via tunneled session). For certain implementations, source restrictions (sign-on can occur only from a specific device) provide a compensating control, in addition to the ID and password.

Authentication information (e.g., a password or PIN) must never be disclosed to another user or shared among users.

The authentication process is limited to three (3) unsuccessful attempts and must be reinstated by the authorized personnel (preferably the System security Administrator). User accounts should be systematically disabled after 90 days of inactivity and must be deleted after 1 year of inactivity

Password Requirements

The purpose of a password is to authenticate a user accessing the system and restrict use of a userID only to the assigned user. To the extent that the functionality is supported within the technology or product, the controls listed must be implemented.

These following controls or content rules apply at any point where a new password value is to be chosen or assigned. These rules must be enforced automatically as part of a new password content checking process:

Password Property	Value
Minimum Length	8 characters with a combination of alpha, numeric and special characters
Composition	• At least two numeric characters (0 through 9), neither of which may be at the beginning or the end of the password
	• A combination of two upper (A through Z) and lower case (a through z) letters
	• Special characters (!, @, #, \$, %, ^, &, *, (,), +, =, /, <, >, ?,., :, ;, \)
	• UserID in password is not allowed

Expiration Requirement (Maximum Password Age): 30 days

Revocation Passwords should be revoked after three (3) failed attempts. (Treasury strongly supports password revocation after three failed attempts if system allows) Passwords should be systematically disabled after 90 days of inactivity to reduce the risk of compromise through guessing, password cracking or other attack and penetration methods.

Temporary passwords• Must be randomly chosen or generated

• System must force the user to change the temporary password at initial login

Change process System must force user to:

- Confirm their current password/PIN,
- Reenter current password/PIN
- Create a new password/PIN
- Reenter new password/PIN

System must prevent users from being able to consecutively change their password value in a single day (The goal is to prevent recycling through password history records to reuse an earlier-used password)

value)

Login process Password/PIN must not appear on the screen during the login process (The exception to this is during selection of a machine-generated password).

Encryption of passwords/PINs Passwords must be stored and transmitted with a minimum of 128-bit encryption. Passwords must be masked when entered on any screen

Compromise of password/PIN Must be changed immediately

Forgotten password/PIN Must be reset by authorized person (system Security Administrator)

Current user password/PIN Must not be maintained or displayed in any readable format on the system

Audit logs Maintain a record of when a password was changed, deleted, or revoked. The audit trail shall capture all unsuccessful login and authorization attempts for a one year period.

Password history Keep a password history and perform a check against the history to verify the password has not been used for a minimum of one year

Privileged account access (e.g. supervisor or root) Security administrator must change the password for that account immediately when user changes responsibilities

I. System Security Application Control

Application controls apply to individual computer systems and may include such controls as data origin, input controls, processing controls, output controls, application access controls, application interfaces, audit trail controls, and system documentation. Application controls consist of mechanisms in place over each separate computer system to ensure authorized data is processed completely, accurately, and reliably. The contractor is responsible for ensuring application controls are in place and functioning properly within their organization. Ongoing testing and reporting of controls must be part of the business process in order to have a solid understanding of risks, strengths and weaknesses. A comprehensive solution is required to ensure that business critical applications are handled efficiently and are prioritized. Dynamic recovery procedures and fail over facilities shall be incorporated into the scheduling process whenever possible; and where manual processes are needed, extensive tools must be available to minimize delays and ensure critical services are least impacted.

J. System Auditing

The Contractor must (i) create, protect, and retain information system audit log records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity, and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.

The Contractor must observe the following guidelines regarding system auditing:

1. Audit record should contain the following:

- a. date and time of the event
- b. subject identity
- c. type of event
- d. how data changed
- e. where the event occurred
- f. outcome of the event.

2. System alerts if audit log generation fails

3. System protects audit information from unauthorized access

4. Audit record should be reviewed by individuals with a “need to know” on a regular basis

5. Audit logs are retained for sufficient period of time.

K. Configuration Control and Management

The configuration management policy and procedures must be consistent with applicable federal laws, directives, policies, regulations, standards and guidance.

L. Incident Reporting

1. The Contractor must immediately notify any security incidents and/or breaches to the CCI [see Exhibit 2, Form 4621 What is an Incident? (brochure)].

2. The Contractor must have a documented and implemented Incident Response Policy and Procedure

3. The Contractor must have an incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents.

4. The Contractor must have an incident response resource identified to assist users in handling and reporting incidents.

5. Personnel trained in their incident response roles and responsibilities at least annually.

M. Physical and Environmental Security

The Contractor must have established physical and environmental security controls to protect systems, the related supporting infrastructure and facilities against threats associated with their physical environment.

1. The Contractor must have established environmental protection for magnetic and other media from fire, temperature, liquids, magnetism, smoke, and dust.

2. The Contractor must control all physical access points to facilities containing information systems (except those areas within the facilities officially designated as publicly accessible), review physical security logs periodically, investigate security violations or suspicious physical access activities, and initiate remedial actions.

3. The Contractor must periodically review the established physical and environmental security controls to ensure that they are working as intended.

N. Disaster Recovery and Business Continuity Plan

The Contractor must have developed, periodically update, and regularly test disaster recovery and business continuity plans designed to ensure the availability of Department of Treasury's data in the event of an adverse impact to the contractors information systems due to a natural or man-made emergency or disaster event.

O. Security Awareness Training

The Contractor must ensure their staff having access to Treasury information are made aware of the security risks associated with their activities and of applicable laws, policies, and procedures related to security identified in Section A of this document, and ensuring that personnel are trained to carry out their assigned information security related duties.

Contracted employees must obtain Department of Treasury provided security awareness training. (On-line training to be identified by the CCI).

P. Web Application Security

The Contractor shall have established adequate security controls for web application(s) to provide a high level of security to protect confidentiality and integrity of personal, confidential and sensitive data. The controls include, but are not limited to:

1. Secure coding guidelines to ensure that applications are not vulnerable to, at a minimum, the following:

- ☐ Injection flaws, particularly SQL injection, OS command injection, LDAP and Xpath injections
 - ☐ Buffer overflow
 - ☐ Insecure cryptographic storage
 - ☐ Insecure communications
 - ☐ Improper error handling
 - ☐ Cross-site scripting (XSS)
 - ☐ Improper Access Control (such as insecure direct object references, failure to restrict URL access, and directory traversal)
 - ☐ Cross-site request forgery (CSRF).
2. Authentication
3. Authorization and access control

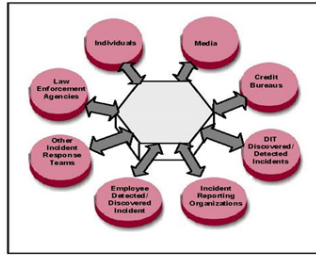
4. Web application and server configuration (e.g., patch management, deletion of unnecessary services, separation of the operating system and the web server)
5. Session management (e.g., randomly generate unique session IDs, encrypt sessions, enforce session expiration date, establish time-out setting for inactive session)
6. Input validation (e.g., avoid shell commands, system calls, and malicious codes),
7. Encryption (e.g., personal, confidential and sensitive data, encryption keys, passwords, shared secret),
 - a. The system shall use SSL (128 bit or higher) for secure communication between the user's browser and the system. SSL will be utilized for:
 - i. Log-on process (authentication information -UserID and passwords)
 - ii. Specific field in the HTML forms and links (URLS) within the pages.
 - iii. Cookies
 - iv. Session id
 - v. Confidential and sensitive data files
 - vi. Encryption keys, certificates, and passwords
 - vii. Audit log file.
8. Audit logs (e.g., all authentication and authorization events, logging in, logging out, failed logins).

Exhibit 2

Identifying/Sensitive Information on Mobile Devices and Portable Media; also refer to Treasury Policy ET-03169 Data Security).

- Avoid sending or receiving unencrypted confidential, personal or sensitive information via e-mail.
- Avoid sending confidential, personal or sensitive information via fax.
- Secure confidential, personal or sensitive papers on the fax, printer or copy machines.
- Keep conversations at a volume level and/or in a location that will protect information.
- Back up data on a regular basis; make sure data files from an approved portable device are stored on the network server.
- Never store more data than needed.
- Shred documents with confidential, personal or sensitive information (see Treasury Policy ET-03115 Confidential Information, Handle and Discard).
- Have computers and hard drives properly wiped or overwritten when discarding or transferring (see DIT Procedure 1350.90, Secure Disposal of Installed and Removable Digital Media, and Treasury Policy ET-03169).
- Use a log-in password that is not easily guessed. Make it at least eight characters long, composed of upper- and lower-case letters, numbers and symbols such as "*" (see DIT Standard 1310.03, Active Directory Password, and Treasury Policy ET-03175 Passwords).
- Never set any log-in dialog box to remember your password (see Treasury Policy ET-03175 Passwords).
- Use a password-protected screen saver that comes on after a few minutes of inactivity. Initiate screen lock system (if a Treasury employee, press the key with Microsoft Windows logo and "L" on the keyboard) when you leave your office, even for a short period.
- Limit access to confidential, personal or sensitive information to those who need to use it to perform their job duties (see DIT Policy 1335.00,

Informative Access Control, and Treasury Policy ET-03164 Access Control).



See the following guidelines in the Security Guide for more information:

- ET-03180, Incident Reporting
- BT-03084, Security Breach Involving Personal Information
- PT-03253, Incident Reporting and Handling
- CT-03070, Incident/Security Breach Examples
- DIT Operating Procedure, How to Handle a Breach of Personal Identifiable/Sensitive Information Incidents

Other References:

- BT-03049, Employee Conduct, General Guidelines
- ET-03140, Workplace Safety
- PT-03246, Potential Dangerous Taxpayer/Debtor, Report
- PT-03095, Theft or Irregularities in Public Funds/ Property or Violations of Departmental Policies and Procedures, Report and Investigate

Contact Information:

Contact Division/Bureau Security Liaison or the Security Division at (517) 636-4081 with any questions.

4621 (Rev. 5-09)

What is an Incident? What is a Security Breach?

What must I do?
How should it be handled?

What is an Incident?

An incident is any event threatening some aspects of physical or financial security, when financial resources or items valued at \$100 or more are missing or misused, any event violating confidentiality or privacy of information, where data is manipulated or missing, or any event involving unauthorized or unlawful activity.

Examples of Incidents:

- Missing computer equipment containing non-personal information.
- Missing briefcase that contains non-personal information.

Examples of Material Incidents:

- Missing laptop computer or other mobile device, portable media or paper records that do not contain Treasury personal information but do contain confidential or sensitive information.
- Missing warrant stock.

What makes an incident a Security Breach?

An incident becomes a security breach when an unauthorized person gains access to or acquires:

1. Unencrypted or unredacted (data not altered or truncated) personal information, or
2. The encryption key to an area storing personal information.

Beware: If personal information is discovered during the investigative process, an incident will become a potential security breach.

Examples of a Potential/Actual Security Breach:

- Missing laptop computer or other mobile device, or portable media that contains Treasury personal information.
- Missing paper records that contain personal information

Page 1 of 2

Exhibit 2

- Accessing personal information when there is no business need for it
- Using another individual's User ID and Password to access personal information
- Stealing Treasury records that include personal information
- Hacking into records containing Treasury personal information
- Obtaining Treasury personal information from employees without proper authorization to access the information
- Unauthorized and unescorted persons entering secure areas that house personal information.
- Theft of a server.

What is personal information?

The Identify Theft Protection Act, Public Act 452 of 2004, as amended, defines personal information as information containing the first name or initial of the first name and the last name **along with** one of the following:

1. Social Security number
2. Driver's License number or State Personal Identification card number
3. Account number; Credit or Debit Card number **in combination with** any required security code, access code or password that would permit access to a person's financial account.

Personal information may be in written or printed form or may reside electronically on devices or media such as mainframes, servers, personal computers (desktops and laptops), CDs, DVDs, tapes, flash drives, memory sticks, USB keys, microfiche, PDAs, Blackberrys, cell phones, or may exist on other state-of-the-art devices that have been or may be developed.

What should I do if my laptop is missing or if an incident is suspected?

Employee must:

1. File a report with local police immediately if asset valued at \$100 or more is missing.
2. Notify immediate supervisor no later than beginning of the next business day.

3. Complete Parts 1 and 2 of *Incident Report* (Form 4000*). This form is available on Treasury's Intranet.
4. Forward the Incident Report (with attached police report if applicable) to immediate supervisor and a copy to Treasury's Security Division.

Management Staff must:

1. Report the incident immediately through the chain of command to the Treasury Division Administrator and the Security Division, if unreported. If personal information is involved, follow the guidelines for Security Breach.

Exception: If another state agency/governmental entity, report incident to Treasury Disclosure Officer, Technical Services Division and the Security Division. If contractor or vendor, report incident to Contract Compliance Inspector and Security Division.

2. The Division Administrator must notify the Bureau Director if it is a material incident or involves non-Treasury information.
3. The Bureau Director must notify the other entity immediately.
4. The Division Administrator must inform the Department of Information Technology (DIT) Agency Services (Treasury) Director right away if incident involves information technology resources.
5. Notify other Treasury divisions/offices that may be affected or should be involved with investigation.
6. The Disclosure Office must notify the IRS Office of Safeguards if Federal tax information is involved.
7. Investigate and resolve the incident.
8. Prepare the final form 4000 and submit it to Treasury's Security Division.

What should I do if I witness, discover, or am informed of a potential security breach?

Employee must:

1. Report the security breach immediately (no later than beginning of the next business day) to immediate supervisor.
2. Complete Parts 1 and 2 of Form 4000.
3. Forward the Incident Report (with attached police report if applicable) to immediate supervisor and a copy to Treasury's Security Division.

Management Staff must:

1. If the breach is ongoing, **CONTAIN IT**.
 2. Report the potential breach immediately through the chain of command to the Bureau Director or Deputy Treasurer, whichever is applicable.
 3. The Bureau Director or the Deputy Treasurer, whichever is applicable, must notify the Chief Deputy Treasurer immediately if a breach involving a database of personal information.
 4. The Bureau Director must notify the other entity if the potential breach involves non-Treasury information.
 5. The Division Administrator must inform the DIT Agency Services (Treasury) Director right away if incident involves information technology resources and personal information.
 6. The Disclosure Office must notify the IRS Office of Safeguards if Federal tax information is involved.
 7. Convene appropriate personnel so the scope of the breach can be determined and a plan for appropriate action can be agreed upon.
- Note:** If a database of personal information is involved, the Chief Deputy Treasurer must approve the Plan of Action.
8. If appropriate, issue breach notifications by telephone, in writing, on the Web or by email.
 9. Notify the three major credit bureaus of the breach if more than 1,000 residents of the State of Michigan will receive or have received breach notifications.
 10. Prepare the final form 4000 and submit it to Treasury's Security Division.

*Another entity may substitute its internal form for form 4000 if pertinent information is included.

Treasury must protect personal information against risks such as unauthorized access, modification or loss with reasonable security safeguards. Some safeguards are:

- Do not store confidential, personal or sensitive Treasury information on mobile devices or portable media (including laptops, notebooks, memory sticks, CDs, DVDs, floppies) unencrypted: ENCRYPT files or the full disk. (Refer to DIT Standard 1340, Storing and Managing Personal

Page 2 of 2

STATE OF MICHIGAN
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
 PROCUREMENT
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
 to
CONTRACT NO. 071B1300371
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Tax Management Associates, Inc. 2225 Coronation Boulevard Charlotte, NC 28227	Richard H. (Chip) Cooke, Jr.	chip.cooke@tma1.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(704) 847-1234	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	Treasury	Patrick Huber	517-335-1002	huberp@michigan.gov
BUYER	DTMB	Pamela Platte	517-284-7022	plattep@michigan.gov

CONTRACT SUMMARY:				
Principal Residence Exemption (PRE) Audit Services – Department of Treasury				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW	
September 15, 2011	September 14, 2014	2, one year options	September 14, 2014	
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM	
N/A	N/A	N/A	N/A	
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS	
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS:				
N/A				
DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 year	September 14, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$565,000.00		\$4,445,228.00		
Effective September 12, 2014, this Contract is exercising the 1st option year and is INCREASED by \$565,000.00. The REVISED Contract expiration date is September 14, 2015. Please note the Buyer has been changed to Pamela Platte. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on September 11, 2014.				

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 3
to
CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Tax Management Associates, Inc. 2225 Coronation Boulevard Charlotte, NC 28227	Richard H. (Chip) Cooke, Jr.	chip.cooke@tma1.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(704) 847-1234	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	Treasury	Patrick Huber	517-335-1002	huberp@michigan.gov
BUYER	DTMB	Don Mandernach	517-241-7233	manderachd@michigan.gov

CONTRACT SUMMARY:						
Principal Residence Exemption (PRE) Audit Services – Department of Treasury						
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW			
September 15, 2011	September 14, 2014	2, one year options	September 14, 2014			
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM			
N/A	N/A	N/A	N/A			
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS			
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
MINIMUM DELIVERY REQUIREMENTS:						
N/A						
DESCRIPTION OF CHANGE NOTICE:						
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE		
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>				
VALUE/COST OF CHANGE NOTICE:			ESTIMATED REVISED AGGREGATE CONTRACT VALUE:			
\$92,800.00			\$3,880,228.00			
Effective immediately, this contract is hereby AMENDED as follows:						
1. Add Homestead Appeals Management Services (HAMS) per the attached SOW.						
2. Contract Compliance Inspector changed to Patrick Huber						
3. DTMB Buyer changed to Don Manderach						
All other terms, conditions, pricing and specifications remain unchanged.						

Contract #071B1300371 - Change Request 3
Principal Residence Exemption (PRE) Audit Services
Homestead Appeals Management Service (HAMS)

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Exhibits

3 Business Requirements

Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a Contract amendment for Principal Residence Exemption (PRE) Audit service to include a web based Homestead Appeals Management Service (HAMS). This HAMS service must have a start date no later than January 1, 2014 with a go live date of June 1, 2014.

All other terms/conditions of the Contract will remain unchanged.

1.012 Background

Public Act 206 of 1893, the General Property Tax Act, provides an exemption from the 18-mill local school district operating tax for property that is owned and occupied by an owner as his or her principal residence (MCL 211.7cc). An owner may claim a principal residence exemption (PRE) by filing an affidavit with his or her local tax-collecting unit of government (city or township) by May 1 of a given year. The exemption then is effective until the December 31st of the year in which the property ceases to be owned or occupied as the exemption claimant's principal residence.

Through a Departmental Business Process Review and Improvement (BPRI) initiative, it was revealed that various processes within the PRE Unit that manage PRE exemptions were cumbersome, labor intensive, inefficient, and not customer friendly. PRE processes identified for efficiencies were issuing denials, processing appeals, processing Michigan Tax Tribunal (MTT) appeals, processing bona fides, processing interest waivers and generating/tracking leads to county and local units while improving customer service and cutting costs.

A Homestead Appeals Management Service (HAMS) will provide real time data and the ability to update and manage accounts that are appealed to the State of Michigan. HAMS will provide a central location for all of the data related to PRE denials and appeals, replacing a cumbersome process of accessing several different spreadsheets and databases to address inquiries from taxpayers. The current denial process has resulted in very few denials being addressed throughout the year. It is anticipated that the HAMS will provide efficiencies allowing an increase in denials being processed increasing customer satisfaction. The HAMS will also allow development of standardized language when reviewing appeals, providing a more systematic way of informing all parties of a decision. This improvement should decrease the amount of backlogged appeals eliminating attention from State legislation which has already introduced a bill that requires review of appeals within six months or interest will no longer accumulate giving taxpayer's free use of state funds.

HAMS will:

1. Streamline operations
2. Improve customer service
3. Reduce processing costs.

1.020 Scope of Work and Deliverables

1.021 In Scope

The Contractor will be responsible for developing a web based Homestead Management Appeals Service (HAMS) to collect data, provide real time data and the ability to update and manage PRE accounts that are appealed or PRE denied.

HAMS will consist of three functional areas. The areas are as follow:

- A. Data Management Service
- B. Reporting Tools
- C. Data and Resource Security

1.022 Work and Deliverable

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

- A. HAMS Data Management Service:

1. The Contractor must provide a Data Management functional area that allows Department of Treasury users the ability to view and update records from all fields in the Principal Residence Exemption audit database (see Exhibit 3 Business Requirements).
2. The Contractor must provide views to appealed account's contact history, details and the reason for recommended denial.
3. The Contractor's service must be searchable by multiple criteria, including parcel number, owner name, property address and associated information.
4. The Contractor's service must allow Department of Treasury end users the ability to update all appealed accounts, including adding information into an unlimited free form field allowing for narrative history.
5. The Contractor's service must allow Department of Treasury end users the ability to attach documents with appealed accounts.
6. The Contractor must identify and streamline the work process associated with the appeals process and translate the processes into characteristics and statuses associated with the flow of accounts through the appeals process.
 - a. The process will be standardized in database with flags and statuses for reporting.

B. HAMS Reporting Tools:

The HAMS will have three Functional Reporting tools as follows:

1. Appeals Reporting Tool

- a. This reporting tool must have a query for accounts that are in an active appeal status.
- b. This tool will return results in a grid for user defined inputs, including parcel jurisdiction, the appeal date period, appeal status or other criteria defined during the initial evaluation of the work process.
- c. The Appeal Reporting Tool must allow exports of the result grid to user in flat file or Excel formats.
- d. The Appeals Reporting Tool grid must be sortable on column criteria.
- e. The Report must provide an export of a detailed account overview. The overview must include an account summary, including history, reason for denial, contact history, the appeal narrative and a list of associated files.

2. Management Reporting Tool.

- a. This tool must provide a separate query and reporting function to allow management the reporting of staff assignments and appeal progress reports.
- b. The Management Reporting tool must allow the user to produce grid reports on account and staff progress globally or to a restricted time frame.
- c. The Management Reporting tool must provide exports of the result grid to flat file or Excel file formats.
- d. The Management Reporting tool must allow for file queuing of individual staff members in order to assign work.
- e. The Management Reporting tool must provide review queues for staff progress and allow assignment of new work as appropriate.

3. Local Unit Reporting Tool

- a. This tool must be a standard report for local unit information.

- b. The Local Unit Reporting Tool must facilitate sending information to local units of government responsible for issuing denials and bills associated with accounts.
- c. The Local Unit Reporting tool will have the ability to develop Ad Hoc reports based on any data field collected as well as the ability to generate and store standard reports for future use.
- d. Local unit Reports must be able to be sent to Local Units of Government via email in either an Excel or PDF format.
- e. Report content will be defined during process review including on-demand reports, auto-generated and created for issuance to local units of government.

C. HAMS Data and Resource Security:

- 1. The Contractor must protect all data and resources from unauthorized access per the Safeguard Requirements of Confidential Data in Exhibit 1 of Contract.
- 2. The Contractor must adhere to Security Standards per Section 1.022.12.a-o of Contract.
- 3. The Contractor will also include these methods of data security:
 - a. IP Whitelisting – Restricting server connections to an IP address range provided by the Department of Treasury as owned and controlled by the same.
 - b. Password (strong) Restrictions – The service must require user authentication using strong password and user names. Treasury Management will have the ability to limit staff access through a user management portal to some or all content, disable users, or add new users.
 - c. Data Separation – Data will be stored on a separate resource from application server. This data separation allows for limited access to the data repositories and limits intrusion attack, copying data from application, or deleting/ destroying data.
 - d. Encryption – The service host address will be SSL enabled allowing for encrypted internet traffic of data transmitted.
 - e. Hardware Hosting – The service will reside on the Contractors owned and maintained servers co-located within a third party facility.

D. General Requirements:

- 1. The Contractor shall assign HAMS deliverables ownership to the State (see Contract Section 2.261 Ownership of Work Product by State).
- 2. The service must allow for 24x7x365 access with 99.9% uptime.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

Contractor, State and Other Staff who will be involved in the Contract remain unchanged unless advised otherwise.

1.040 Project Plan

1.041 Project Plan Management

Within five working days of Contract award, the Contractor will submit to the CCI for final approval a detailed HAMS project plan. This final project plan must be mutually agreed with the CCI and must include the following:

- a. The Contractor's project organizational structure.
- b. The Contractor's staffing table with names and title of personnel assigned to the project.
- c. The project breakdown showing sub projects, activities and tasks, and resources required and allocated to each.

Deliverables must be completed, tested and accepted by January 1, 2014 with a go live date of June 1, 2014.

1.042 Reports

The Contractor must submit written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed upon work plans.

The Contractor must submit a written quarterly activity report that includes the following:

- a. Status on HAMS Data Management Functional Area
- b. Status of the three HAMS reporting tools.

1.050 Acceptance

1.051 Criteria

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

A. Performance and Reliability Evaluation (PARE)

The Performance and Reliability Evaluation will consist of three phases.

1. PHASE 1 – Specifications Compliance Review

The first phase shall be comprised of a compliance review of the specifications for the service listed in the Contract. This review will ensure all items are in compliance with the required specifications for the Contract. In the event Treasury determines that any component or feature of the service does not comply with the mandatory specifications of the Contract, Treasury reserves the right to cancel the contract.

2. PHASE 2 – Acceptance Test

The Contract Compliance Inspector will evaluate the service' performance based on the specifications provided in the Contract. The Contract Compliance Inspector will determine that the service is fully operational when all of the requirements listed in the Contract are met. It will be the Contract Compliance Inspector's responsibility to determine that the service is fully operational.

3. PHASE 3 – Post Implementation

The performance period for Phase 3 is a period of 45 consecutive calendar days. The performance period shall commence when the service is fully operational.

During the performance period for Phase 3 there shall be no more than three interruptions. During the performance period for Phase 3 there shall be no individual interruption that lasts longer than four hours.

An interruption is defined as failure in the Contractor-supplied service or database, which results in work stoppage.

Work stoppages resulting from network downtime, Treasury-supplied equipment failure or Treasury-supplied software malfunctions shall not be included in the performance period.

1.052 Final Acceptance

Final Acceptance will be completed 45 days after Phase 3 of the PARE in section 1.051. During Final Acceptance, there shall be no more than three interruptions. During Final Acceptance there shall be no individual interruption that lasts longer than four hours (see section 1.051 for definition of interruption). Upon completion of Final Acceptance, the Contract Compliance Inspector will provide written acceptance of the service.

1.060 Proposal Pricing

1.061 Proposal Pricing

1. For authorized Services and Price List, see Attachment B (HAMS Price Proposal).

2. Contractor offers a quick payment term of 2% discount off invoice if paid within 10 days.
3. Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.
4. Invoicing and payment must occur per section 2.044.d of Contract

1.062 Price Term

Prices quoted are firm for the entire length of the Contract.

1.070 Additional Requirements – Deleted – N/A

Attachment B, HAMS Pricing

Deliverables	Cost
1. HAMS Implementation	\$72,800.00
2. HAMS Annual Updates renewed beginning July 1, 2014	\$20,000.00 annually
Total Cost	\$92,800.00

Exhibit 3 Business Requirements

	Requirements	Comments
Create	Ability to assign:	
		After information is received, have the ability to assign Treasury file numbers (appeals, bona fides, interest waivers, conditionals, foreclosure entity conditionals, military affidavits, MTT docket number)
1.1	File numbers, Identifying numbers	
1.2	Appeal received date	Date appeal received by department
1.3	Appeal received letter date	Date appeal received letter was sent.
1.4	Hearing indicator	Indicate if hearing is needed or withdraw is requested
1.5	Bona fide information	Have an indicator if there is a bona fide on the appeal
1.6	Additional denial	Associate original denial with additional denial
1.7	Interest waiver information	Have an indicator for interest waivers regarding parcel number
1.8	Add notes per phone call	Have ability to add notes on a call received regarding a parcel number
1.9	Create leads to inform TMA	Have ability to have leads list created with the ability for TMA to review and add notes indicating their action.
		Have an electronic file populating the information sent by the property owner and the information Treasury has gathered for the appeal.
1.10	View information sent by property owner for appeal	
1.11	Have ability to create screen if additional information is sent regarding parcel number	MTT, conditional, interest waiver, military affidavit, bone fide
Functionality		
		Create denial letters, appeal received letters, decision letters, supplemental letters, interest waiver letters, bona fide related letters
2.1	Ability to create letters - mail merge	Number of denials, numbers related to appeal process
2.2	Generate various reports regarding denials	
	Ability to email county treasurers, county equalization directors and assessors with information in the system	Upload current email and related information for each
2.3	Process review of appeals including written decision	
2.4		

	Requirements	Comments
2.5	Attach documents at various screen views	
2.6	Ability to enter comments per call	Have a call history under the view
	Have view tab if indicator is yes for bona fides, MTT, Hearings, Interest waiver, Conditionals	
2.7		

System - Views	View:	
	Appeal screen View	
3.1	Parcel number	View information pertaining to denials
3.2	Owner's name (first, last, MI)	
3.3	Co-owners of property (first, last, MI)	
3.4	Additional owners of property (first, last, MI)	List of additional owners of property if applicable
3.5	Company name , or Trust	
3.6	Property address (address, city, state, zip code)	
3.7	Owner's address (address, city, state zip code)	
3.8	Property's County	
3.9	Local Unit	
3.10	Reason for denial	
3.11	Minor reason for denial	
3.12	Date of denial letter	Date denial letter was sent from State of Michigan
3.13	Years denied	Indicate years denial
3.14	MTT docket number - indicator	Link to MTT screen
		Bona fide indicator - Bona fide billing would continue in the Treasury system along with creating Tax Due letters, and view taxpayer correspondence. Link to Bona fide screen
3.13	Bona fide Indicator	Interest Waiver indicator - link to interest waiver information, date of letter, decision and years waived
3.14	Interest Waiver Indicator	View all TMA's comments from questionnaire and phone calls, before and after audit
3.15	TMA comments	View Treasury's comments from callers
3.16	Treasury comments	Conditional Rescission-link to screen view
3.17	Conditional Rescission indicator	Military Affidavit - link to screen
3.18	Military Affidavit indicator	View documents sent to TMA (audit questionnaire), additional documents sent - link to document
3.19	TMA documents	

	Requirements	Comments
3.20	TMA have ability to view Treasury screens, but no edits or ability to create	

Search	Search by:	
4.1	Parcel number	Have the ability to search parcel information. All Owner's last name
4.2	Last name or partial last name	
4.3	Last name and first name, or partial	
4.4	Company Name or Trust, or partial	
4.5	Parcel address	
4.6	Appeal file number	
4.7	TMA number	
4.8	MTT docket number	

Screen Views		Hearings/MTT
		Have a Hearing area with information on the hearing date, the decision of the hearing and MTT information.
5.1	View hearing date	
5.2	Enter hearing decision	
5.3	Notes on Hearing	
5.4	MTT docket #	
5.5	MTT Hearing Date	
5.6	MTT ruling	
5.7	Report on hearing rulings	Have the ability to report on hearings and MTT's decisions.
5.8	MTT Exceptions	
5.9	View MTT documents electronically	
Conditional View		
6.1	Parcel number	
6.2	Owner's name (first, last, MI)	
6.3	Co-owners of property (first, last, MI)	
	Requirements	Comments
6.4	Additional owners of property (first, last, MI)	
6.5	Company name, or Trust	
6.6	Property address (address, city, state, zip code)	
6.7	Owner's address (address, city, state, zip code)	
6.8	Property's County	
6.9	Local Unit	
6.10	Year of Conditional	
6.11	Conditional Rescission Type	Initial, 2nd year, 3rd year
Bona fide View		
7.1	Parcel number	
7.2	Party Billed	
7.3	Company name, or Trust	
7.4	Property address (address, city, state, zip code)	
7.5	County - property location	
7.6	Local Unit	
7.7	Years Billed	
7.8	Address billed (address, city, state, zip code)	
Interest Waiver View		
8.1	Parcel number	
8.2	Date Received	
8.3	County	
8.4	Assessor's name	
8.5	Owners	
8.6	Years requesting waiver	
8.7	Amount requesting waived	
8.8	Decision of waiver	
8.9	Date letter sent with decision	

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

June 26, 2012

CHANGE NOTICE NO. 2
to
CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Tax Management Associates, Inc.	Richard H. (Chip) Cooke, Jr.	Chip.cooke@tma1.com
2225 Coronation Boulevard	TELEPHONE	CONTRACTOR #, MAIL CODE
Charlotte, NC 28227	(704) 847-1234	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	Treasury	David Buick	(517) 335-4410	
BUYER:	DTMB	Jim Wilson	(517) 241-1916	Wilsonj4@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Principal Residence Exemption (PRE) Audit Services			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
2 Net 10	September 15, 2011	September 14, 2014	September 14, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:		
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE:	NEW EXPIRATION DATE:
Effective immediately, the Payment Schedule in Section 2.044.d has been replaced with the following:] 1. 25% of auditing price will be paid upon completion of data collection. 2. 10% of auditing price will be paid upon completion of queries to identify parcels in question. 3. 10% of auditing price will be paid upon submission of leads list for counties not being audited by the State. 4. 20% of auditing price will be paid after all questionnaires have been mailed. 5. 25% of auditing price will be paid after all denial recommendations have been received by the CCI. 6. 10% of the auditing price will be paid when the CCI agrees that all deliverables have been successfully completed by the Contractor. Per agency request, Contractor agreement dated 5/21/2012 and DTMB Procurement approval.		
VALUE/COST OF CHANGE NOTICE:		\$0.00
ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		\$3,787,428.00

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET February 13, 2012
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO.1
TO
CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR Tax Management Associates, Inc. 2225 Coronation Boulevard Charlotte, NC 28227 chip.cooke@tma1.com		TELEPHONE (704) 847-1234 Richard H. (Chip) Cooke, Jr.
		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: David Buick (517) 335-4410 Principal Residence Exemption (PRE) Audit Services		
CONTRACT PERIOD: From: September 15, 2011 To: September 14, 2014		
TERMS 2NET10	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		
MISCELLANEOUS INFORMATION:		

NATURE OF CHANGE(S):

Effective immediately, the following contract pricing sheet has been updated (unit pricing from Dickenson through St. Clair counties have been updated).

AUTHORITY/REASON(S):

Per agency request and DTMB Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE: \$3,787,428.00

Attachment A – Contract Pricing

Deliverables	Year 1	Year 2	Year 3	Subtotals
1. Acquire Taxpayer and Tax Roll Information/Data, and Provide Leads list (Sections 1.022.1 and 3)	\$0.00	\$0.00	\$0.00	\$0.00
2. Auditing Price Per County (Sections 1.022.2, 4 through 7 and 9)				
Alcona	\$ 2,776.00	\$ 2,776.00	\$ 2,776.00	\$ 8,328.00
Alger	\$ 1,615.00	\$ 1,615.00	\$ 1,615.00	\$ 4,845.00
Allegan	\$ 11,838.00	\$ 11,838.00	\$ 11,838.00	\$ 35,514.00
Alpena	\$ 5,055.00	\$ 5,055.00	\$ 5,055.00	\$ 15,165.00
Antrim	\$ 4,091.00	\$ 4,091.00	\$ 4,091.00	\$ 12,273.00
Arenac	\$ 2,501.00	\$ 2,501.00	\$ 2,501.00	\$ 7,503.00
Baraga	\$ 1,206.00	\$ 1,206.00	\$ 1,206.00	\$ 3,618.00
Barry	\$ 7,914.00	\$ 7,914.00	\$ 7,914.00	\$ 23,742.00
Bay	\$ 15,363.00	\$ 15,363.00	\$ 15,363.00	\$ 46,089.00
Benzie	\$ 2,892.00	\$ 2,892.00	\$ 2,892.00	\$ 8,676.00
Berrien	\$ 19,001.00	\$ 19,001.00	\$ 19,001.00	\$ 57,003.00
Branch	\$ 6,584.00	\$ 6,584.00	\$ 6,584.00	\$ 19,752.00
Calhoun	\$ 15,108.00	\$ 15,108.00	\$ 15,108.00	\$ 45,324.00
Cass	\$ 6,311.00	\$ 6,311.00	\$ 6,311.00	\$ 18,933.00
Charlevoix	\$ 6,788.00	\$ 6,788.00	\$ 6,788.00	\$ 20,364.00
Cheboygan	\$ 4,416.00	\$ 4,416.00	\$ 4,416.00	\$ 13,248.00
Chippewa	\$ 5,133.00	\$ 5,133.00	\$ 5,133.00	\$ 15,399.00
Clare	\$ 7,382.00	\$ 7,382.00	\$ 7,382.00	\$ 22,146.00
Clinton	\$ 7,225.00	\$ 7,225.00	\$ 7,225.00	\$ 21,675.00
Crawford	\$ 4,261.00	\$ 4,261.00	\$ 4,261.00	\$ 12,783.00
Delta	\$ 5,012.00	\$ 5,012.00	\$ 5,012.00	\$ 15,036.00
Dickinson	\$ 4,523.00	\$ 4,523.00	\$ 4,523.00	\$ 13,569.00
Eaton	\$ 11,278.00	\$ 11,278.00	\$ 11,278.00	\$ 33,834.00
Emmet	\$ 5,108.00	\$ 5,108.00	\$ 5,108.00	\$ 15,324.00
Genesee	\$ 60,783.00	\$ 60,783.00	\$ 60,783.00	\$ 82,349.00
Gladwin	\$ 4,534.00	\$ 4,534.00	\$ 4,534.00	\$ 13,602.00
Gogebic	\$ 2,757.00	\$ 2,757.00	\$ 2,757.00	\$ 8,271.00
Grand Traverse	\$ 9,736.00	\$ 9,736.00	\$ 9,736.00	\$ 29,208.00
Gratiot	\$ 3,975.00	\$ 3,975.00	\$ 3,975.00	\$ 11,925.00
Hillsdale	\$ 6,651.00	\$ 6,651.00	\$ 6,651.00	\$ 19,953.00
Houghton	\$ 4,572.00	\$ 4,572.00	\$ 4,572.00	\$ 13,716.00
Huron	\$ 6,784.00	\$ 6,784.00	\$ 6,784.00	\$ 20,352.00
Ingham	\$ 30,011.00	\$ 30,011.00	\$ 30,011.00	\$ 90,033.00
Ionia	\$ 5,912.00	\$ 5,912.00	\$ 5,912.00	\$ 17,736.00
Iosco	\$ 6,784.00	\$ 6,784.00	\$ 6,784.00	\$ 20,352.00
Iron	\$ 2,927.00	\$ 2,927.00	\$ 2,927.00	\$ 8,781.00
Isabella	\$ 7,047.00	\$ 7,047.00	\$ 7,047.00	\$ 21,141.00
Jackson	\$ 20,816.00	\$ 20,816.00	\$ 20,816.00	\$ 62,448.00
Kalamazoo	\$ 32,853.00	\$ 32,853.00	\$ 32,853.00	\$ 98,559.00
Kalkaska	\$ 3,591.00	\$ 3,591.00	\$ 3,591.00	\$ 10,773.00
Kent	\$ 59,890.00	\$ 59,890.00	\$ 59,890.00	\$179,670.00
Keweenaw	\$ 608.00	\$ 608.00	\$ 608.00	\$ 1,824.00
Lake	\$ 4,456.00	\$ 4,456.00	\$ 4,456.00	\$ 13,368.00
Lapeer	\$ 8,812.00	\$ 8,812.00	\$ 8,812.00	\$ 26,436.00
Leelanau	\$ 3,649.00	\$ 3,649.00	\$ 3,649.00	\$ 10,947.00
Lenawee	\$ 10,567.00	\$ 10,567.00	\$ 10,567.00	\$ 31,701.00
Livingston	\$ 17,613.00	\$ 17,613.00	\$ 17,613.00	\$ 52,839.00
Luce	\$ 1,330.00	\$ 1,330.00	\$ 1,330.00	\$ 3,990.00
Mackinac	\$ 3,126.00	\$ 3,126.00	\$ 3,126.00	\$ 9,378.00
Macomb	\$ 106,005.00	\$ 106,005.00	\$ 106,005.00	\$318,015.00
Deliverables	Year 1	Year 2	Year 3	Subtotals
Manistee	\$ 4,722.00	\$ 4,722.00	\$ 4,722.00	\$ 14,166.00
Marquette	\$ 8,520.00	\$ 8,520.00	\$ 8,520.00	\$ 25,560.00
Mason	\$ 5,321.00	\$ 5,321.00	\$ 5,321.00	\$ 15,963.00

Mecosta	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 24,000.00
Menominee	\$ 3,557.00	\$ 3,557.00	\$ 3,557.00	\$ 10,671.00
Midland	\$ 8,779.00	\$ 8,779.00	\$ 8,779.00	\$ 26,337.00
Missaukee	\$ 2,270.00	\$ 2,270.00	\$ 2,270.00	\$ 6,810.00
Monroe	\$ 18,687.00	\$ 18,687.00	\$ 18,687.00	\$ 56,061.00
Montcalm	\$ 6,822.00	\$ 6,822.00	\$ 6,822.00	\$ 20,466.00
Montmorency	\$ 2,421.00	\$ 2,421.00	\$ 2,421.00	\$ 7,263.00
Muskegon	\$ 18,163.00	\$ 18,163.00	\$ 18,163.00	\$ 54,489.00
Nawaygo	\$ 6,151.00	\$ 6,151.00	\$ 6,151.00	\$ 18,453.00
Oakland	\$ 129,764.00	\$ 129,764.00	\$ 129,764.00	\$389,292.00
Oceana	\$ 1,677.00	\$ 1,677.00	\$ 1,677.00	\$ 5,031.00
Ogemaw	\$ 4,007.00	\$ 4,007.00	\$ 4,007.00	\$ 12,021.00
Ontonagon	\$ 4,157.00	\$ 4,157.00	\$ 4,157.00	\$ 12,471.00
Osceola	\$ 3,356.00	\$ 3,356.00	\$ 3,356.00	\$ 10,068.00
Oscoda	\$ 2,860.00	\$ 2,860.00	\$ 2,860.00	\$ 8,580.00
Otsego	\$ 3,666.00	\$ 3,666.00	\$ 3,666.00	\$ 10,998.00
Ottawa	\$ 24,409.00	\$ 24,409.00	\$ 24,409.00	\$ 73,227.00
Presque Isle	\$ 2,632.00	\$ 2,632.00	\$ 2,632.00	\$ 7,896.00
Roscommon	\$ 7,648.00	\$ 7,648.00	\$ 7,648.00	\$ 22,944.00
Saginaw	\$ 22,098.00	\$ 22,098.00	\$ 22,098.00	\$ 66,294.00
St Clair	\$ 18,231.00	\$ 18,231.00	\$ 18,231.00	\$ 54,693.00
St Joseph	\$ 6,855.00	\$ 6,855.00	\$ 6,855.00	\$ 20,565.00
Sanilac	\$ 6,983.00	\$ 6,983.00	\$ 6,983.00	\$ 20,949.00
Schoolcraft	\$ 1,499.00	\$ 1,499.00	\$ 1,499.00	\$ 4,497.00
Shiawassee	\$ 9,643.00	\$ 9,643.00	\$ 9,643.00	\$ 28,929.00
Tuscola	\$ 7,715.00	\$ 7,715.00	\$ 7,715.00	\$ 23,145.00
Van Buren	\$ 9,056.00	\$ 9,056.00	\$ 9,056.00	\$ 27,168.00
Washtenaw	\$ 36,189.00	\$ 36,189.00	\$ 36,189.00	\$108,567.00
Wayne	\$ 273,458.00	\$ 273,458.00	\$ 273,458.00	\$820,374.00
Wexford	\$ 3,990.00	\$ 3,990.00	\$ 3,990.00	\$ 11,970.00
3. Contact Center (Section 1.022.8)	\$0.00	\$0.00	\$0.00	\$0.00
Grand Totals:	\$1,262,476.00	\$1,262,476.00	\$1,262,476.00	\$3,787,428.00
4. Optional Service: Collect and Integrate Other State's Data, If Applicable (Section 1.022.11)				
A. States: All	\$2.93/Parcel Examined	\$2.93/Parcel Examined	\$2.93/Parcel Examined	\$2.93/Parcel Examined

Discounts:

1. A quick payment term of 2% discount off invoice if paid within 10 days is offered on this Contract.
2. For a program that includes 34 counties, Contractor offers a 2% discount on pricing.
3. For a program that includes more than 34 and up to 59 counties, Contractor offers a 5% discount on the pricing.
4. For a program that includes more than 59 and up to 82 counties, Contractor offers a 10% discount on the pricing.
5. For a program that includes all 83 counties, Contractor offers a 15% discount on the pricing.

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET September 2, 2011
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

**NOTICE
OF
CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (704) 847-1234
Tax Management Associates, Inc. 2225 Coronation Boulevard Charlotte, NC 28227 chip.cooke@tma1.com		Richard H. (Chip) Cooke, Jr.
		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: David Buick (517) 335-4410 Principal Residence Exemption (PRE) Audit Services		
CONTRACT PERIOD: From: September 15, 2011 To: September 14, 2014		
TERMS	SHIPMENT	
2NET10	N/A	
F.O.B.	SHIPPED FROM	
N/A	N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		
MISCELLANEOUS INFORMATION:		

TOTAL ESTIMATED CONTRACT VALUE: \$3,787,428.00

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CONTRACT NO. 071B1300371
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (704) 847-1234 Richard H. (Chip) Cooke, Jr.
Tax Management Associates, Inc. 2225 Coronation Boulevard Charlotte, NC 28227 chip.cooke@tma1.com		 BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: David Buick (517) 335-4410 Principal Residence Exemption (PRE) Audit Services		
CONTRACT PERIOD: From: September 15, 2011 To: September 14, 2014		
TERMS	SHIPMENT	
2NET10	N/A	
F.O.B.	SHIPPED FROM	
N/A	N/A	
MINIMUM DELIVERY REQUIREMENTS		
N/A		
MISCELLANEOUS INFORMATION:		
The terms and conditions of this Contract are those of RFP #07111300097, this Contract Agreement and the vendor's proposal. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those outlined in this Contract take precedence.		
Total Estimated Contract Value: \$3,787,428.00		

FOR THE CONTRACTOR:

FOR THE STATE:

Tax Management Associates, Inc.

Firm Name

Signature

Jeff Brownlee, Chief Procurement Officer

Authorized Agent Signature

Name/Title

DTMB Purchasing Operations

Authorized Agent (Print or Type)

Division

Date _____

Date _____



STATE OF MICHIGAN
Department of Technology Management and Budget
Purchasing Operations

Contract No. 071B1300371
Principal Residence Exemption (PRE) Audit Services
For the Department of Treasury

Buyer Name: Jim Wilson
Telephone Number: 517-241-1916
E-Mail Address: wilsonj4@michigan.gov



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Attachment A, Price Proposal

Exhibits

- 1 Safeguard Requirements of Confidential Data
- 2 Form 4621, What Is An Incident? (Brochure)

Appendices

- 1 Organization Chart



DEFINITIONS

24x7x365 means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).

Additional Service means any Services within the scope of the Contract, but not specifically provided under any Statement of Work.

Audit Period means the seven year period following Contractor's provision of any work under the Contract.

Bidder(s) are those companies that submit a proposal in response to this RFP.

Business Day means any day other than a Saturday, Sunday or State-recognized legal holiday from 8:00am EST through 5:00pm EST unless otherwise stated.

Blanket Purchase Order is an alternate term for Contract and is used in the Plan Sponsors' computer system.

CCI means Contract Compliance Inspector.

Days means calendar days unless otherwise specified.

Deleted – N/A means that section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.

Deliverable means physical goods and/or services required or identified in a Statement of Work.

DTMB means the Michigan Department of Technology Management and Budget.

Environmentally Preferable Products means a product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to: those which contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.

Hazardous Material means any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).

Incident means any interruption in any function performed for the benefit of a Plan Sponsor.

Key Personnel means any personnel identified in **Section 1.031** as Key Personnel.

MCL means Michigan Compiled Laws.

New Work means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, such that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.

Ozone-depleting Substance means any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydrochlorofluorocarbons.



Post-Consumer Waste means any product generated by a business or consumer which has served its intended end use; and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.

Post-Industrial Waste means industrial by-products which would otherwise go to disposal and wastes generated after completion of a manufacturing process, but does not include internally generated scrap commonly returned to industrial or manufacturing processes.

PRE means Principal Residence Exemption as defined in MCL 211.7cc and 211.7dd.

Recycling means the series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.

Reuse means using a product or component of municipal solid waste in its original form more than once.

RFP means a Request for Proposal designed to solicit proposals for services.

Services means any function performed for the benefit of the State.

SEM means Systems Engineering Methodology.

SLA means Service Level Agreement.

Source Reduction means any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.

State Location means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.

Subcontractor means a company selected by the Contractor to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.

Unauthorized Removal means the Contractor's removal of Key Personnel without the prior written consent of the State.

Waste Prevention means source reduction and reuse, but not recycling.

Pollution Prevention means the practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.

Work in Progress means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

Work Product refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by the Contract.



Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a Contract for the services of a Contractor, to act as the authorized representative of the State, to design an audit methodology, and then conduct audits of principal residence exemptions (PREs) for any number of counties, up to all eighty-three, in which the State is responsible for conducting such audits during calendar years 2012, 2013 and 2014. Currently, the State, by statute, is required to conduct audits in 34 counties (Alpena, Antrim, Barry, Bay, Benzie, Branch, Charlevoix, Chippewa, Clare, Clinton, Crawford, Dickinson, Genesee, Huron, Iosco, Iron, Jackson, Kalamazoo, Keweenaw, Lake, Luce, Macomb, Mason, Missaukee, Monroe, Oceana, Ontonagon, Oscoda, Otsego, Presque Isle, Roscommon, Sanilac, Shiawassee, and Wayne). However, the State, at its discretion, may select and audit any of the remaining 49 counties which have elected to conduct their own audits.

1.012 Background

Public Act 206 of 1893, the General Property Tax Act, provides an exemption from the 18-mill local school district operating tax for property that is owned and occupied by an owner as his or her principal residence (MCL 211.7cc). An owner may claim a principal residence exemption (PRE) by filing an affidavit with his or her local tax-collecting unit of government (city or township) by May 1 of a given year. The exemption then is effective until the December 31st of the year in which the property ceases to be owned or occupied as the exemption claimant's principal residence.

For purposes of the General Property Tax Act, a principal residence is the one place where a person has his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return (MCL 211.7dd). Second homes, vacation homes, rental property, and that portion of mixed-use property not owned and occupied as a principal residence are not entitled to exemption. To ensure that an individual does not claim more than one exemption, or does not claim an exemption upon ineligible property, the local assessor with whom an affidavit is filed may deny a new or existing exemption subject to the right of an owner to appeal that denial to the Michigan Tax Tribunal.

In 2003, the Michigan Legislature amended the General Property Tax Act to authorize counties to audit and, where appropriate, to deny PREs claimed within units of local government within a given county. A decision by a county to conduct audits must be made by the treasurer or equalization director of the county, with the concurrence by resolution of the county board of commissioners. Such a decision by a county is effective for a five-year period at the conclusion of which the county may elect to extend its status for a subsequent two-year period. The county must notify the State of its election by March 31, with the election taking effect October 1 of that year. The current elections were effective October 1, 2009, therefore new elections will be required by March 31, 2014, becoming effective October 1, 2014. In any county electing not to conduct PRE audits, the Department of Treasury is responsible for doing so.

1.020 Scope of Work and Deliverables

1.021 In Scope

The Contractor must design and implement an audit methodology of PRE filings and real property records to identify any instances in the current or preceding three calendar years in which an individual claimed, or is claiming, more than one principal residence exemption (unless claiming a second exemption due to a valid conditional rescission), any instances in which an individual has claimed an exemption upon property which is not his or her principal residence, or claiming an exemption that does not meet the requirements for an exemption as outlined in the MCL 211.7cc and MCL 211.7dd; collect electronic information related to the audit from all counties and other sources as determined by the Contractor; query and report on possible invalid PRE parcels; devise and send a questionnaire to acquire more information from taxpayers who may be claiming an invalid PRE; review questionnaire responses and other collected information to determine whether the PRE is valid; create and maintain taxpayer contact, questionnaire and information files in accordance with the Department's retention schedule; provide the State with recommendations of invalid PREs for the State to



deny: and provide reports, data, and taxpayer questionnaire and contact records as required by the State for the administration of the program including denial and appeal processing.

The Contractor must staff and maintain a contact center. The Contractor must employ staff who possess a sufficient understanding of Michigan tax laws, policies, case law, rules, regulations and procedures to successfully complete the audit activity in accordance with the requirements of the Department. The Contractor must increase staff in the contact center as necessary to cover the potential questionnaire and taxpayer call volume.

1.022 Work and Deliverable

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

1. The Contractor must acquire taxpayer and tax roll information for each parcel of property upon which a principal residence exemption is claimed. The Contractor is responsible for arranging, scheduling, and securing access to all data from government officials and all records, papers, and documents maintained by those officials which are necessary to perform the tasks required under this Contract.
 - a. Reserved.
 - b. Contractor must comply with Exhibit 1, Safeguard Requirements of Confidential Data (Also see section 1.022.12).
2. The Contractor must devise and employ a methodology which will permit the Contractor, and eventually the State, to identify any instances, with a strong degree of certainty, in any four year period, including specifically in the first instance, the current or preceding three calendar years in which an individual claimed, or is claiming, more than one principal residence exemption in the State (unless claiming a second exemption due to a valid conditional rescission) or in this State and another state of the United States, or any instances in which an individual has claimed an invalid PRE.

a. Reserved.

Note: Contractor will not have access to social security number data from the State. Based on Contractor's proposal, the Department will work with the Contractor and State agencies to acquire access to State databases.

3. The Contractor must provide the State with a lead list for questionable properties in counties not part of the State audit.
4. The Contractor must devise and prepare a questionnaire (mailings) in each instance where it appears, upon initial review by the Contractor, that an individual has claimed more than one exemption (unless claiming a second exemption due to a valid conditional rescission) or an exemption not meeting statutory requirements outlined in MCL 211.7cc and MCL 211.7dd. The purpose of the questionnaire is to collect information necessary to permit the Contractor to determine with specificity the appropriateness of the exemption.
 - a. The Contractor is responsible to provide paper, print the questionnaires, stuff the questionnaires into envelopes and provide to the State for mailing. The State will provide envelopes, mail the questionnaires and pay postage.
 - b. The questionnaire and mail strategy must be designed, and adjusted as necessary after consultation with the Contract Compliance Inspector (CCI), to be cost effective and attain the highest completed questionnaire return rate possible.



- c. The CCI must review and approve the questionnaire and other audit correspondence before they are sent.
 - d. In instances where the questionnaire is sent to an address other than the parcel address where the PRE is being audited and the questionnaire is not returned, a second questionnaire must be sent to the parcel address.
 - e. The Contractor is responsible for responding to technical questions relating to the audit and questionnaire from individuals it contacts as part of the audit. Other questions (statutory interpretation and policy) will be handled under guidance provided by the CCI.
 - f. Contractor is working as a “behind the scenes data facilitator and reviewer” for the Department. All mailings must be on Treasury letterhead and must be approved by the CCI.
5. The Contractor must review questionnaire responses and other collected information to determine whether the PRE is valid according to the statutory requirements outlined in MCL 211.7cc and MCL 211.7dd. These reviews must be carried out by staff trained and knowledgeable in the PRE and Michigan property tax statutes under the direction of manager(s) certified as Michigan Advanced or Master Assessing Officers (or process equivalent background and experience as determined by the Department), to ensure accuracy, quality and consistency in interpretations and denial recommendations (see section 1.031).
- a. Reserved.
6. Contractor must submit identification of principal residence exemptions ready to be denied to the CCI before November 1st of each Contract year.
- a. The list must be verified and validated for incorrect exemptions after completing the audit process in sections 1.022.1 through 5.
 - b. The list must be provided electronically in a Microsoft Excel file, or other format approved by the Department.
 - c. The list must contain the following:
 - 1) Resident Name
 - 2) Resident Address
 - 3) Parcel Identification Number
 - 4) Parcel Address
 - 5) County
 - 6) Local Unit of Parcel
 - 7) Legal Description
 - 8) Reason Description for Denial
 - 9) Specific Years of Denial
 - 10) Percentage of Exemption Denied
 - 11) Notes and Comments associated with the Denial
 - d. The Department reserves the right to request the list in an alternate format and/or with additional information.
7. The Contractor must provide the CCI upon his or her request, and in a format specified by him or her, reports and or copies of any data or documentation necessary to permit the CCI to ensure that all statutory requirements have been satisfied, including the filing of reports with the Legislature; for reviewing audit effectiveness, consistency, and quality; and for processing denials and appeals.



- a. The Contractor must provide electronic (scanned) copies of all questionnaires, documents, and other information related to each denial to the Department by November 15th of each Contract year.
8. The Contractor must staff and maintain a contact center with staff knowledgeable in the PRE guidelines and statutory requirements outlined in MCL 211.7cc and MCL 211.7dd to process the query results, questionnaires, and taxpayer inquiries related to the audit and denials issued by the State.
 - a. The Contractor must increase staff in the contact center as necessary to cover the potential questionnaire and denial taxpayer call volume.
 - b. The Contractor must maintain a call log with details of each call.
 - c. The Contractor must ensure that each call is linked to the specific parcel(s), if known.
 - d. The Contractor must record incoming and outgoing calls within the call center for training purposes and for Department review and use in the denial review and appeal process as necessary.
 - e. Retention of the recordings will be agreed upon between the Contractor and the Department.
 - f. The following contact center service levels must be provided:
 - 1) Call Abandonment Rate: The call abandonment rate is defined as the average point in time that callers disengage a call while waiting to be connected to a contact staff representative. The Contractor must achieve a call abandonment rate of less than 3% after any introductory recording.
 - a) Records must be maintained of incoming callers time in a telephone queue and hang ups.
 - 2) Average Speed of Answer: Reserved.
 - 3) Time Service Factor: The time service factor is defined as the percentage of incoming calls answered within a specific time frame by a contact staff representative. The Contractor must answer at least 85% of calls within 20 seconds.
 - 4) Time in Hold Queue: The time in hold queue rate is defined as the average time all incoming/outbound callers are placed on hold during a call, after being connected to a contact staff representative. The time in hold queue rate will be mutually determined between the Contractor and the Department.
 - a) The proposed average time in hold queue rate is 20 seconds.
9. At the conclusion of the annual audit cycles, the Contractor must meet with the CCI and provide a written report reviewing the audit process/work plan (see section 1.041.5) to identify lessons learned and best practices for continuous improvement.
10. Contractor must implement quality assurance measures for entire process to ensure data integrity and accurate principal residence exemptions denials.
11. Optional Service: Collect and integrate other states' data with Subcontractor partnership (Affiliated Computer Services, a Xerox company). Pricing is in Attachment A (Price Proposal).
12. Security (Also See Section 1.022.1.b and 2.100)
 - a. The Contractor must not use, share or disclose any of the data obtained during the course of this Contract for any other purpose not related to this Contract.



b. Governing Security Standards and Publications

Contractor must comply with the following standards and publications:

- 1) National Standards: An introduction to Computer Security, National Institute of Standards and Technology, Computer Resource Security Center (see <http://csrc.nist.gov/publications/nistpubs/800-12/handbook.pdf>)
- 2) Michigan Identity Theft Protection Act (2004 PA 452, as amended by 2006 PA 566). A copy of the Act can be obtained on the Michigan Legislature website at www.michiganlegislature.org.

c. Security Risk Assessment

- 1) The Contractor must conduct assessments of risks and identify the damage that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of Treasury. Security controls must be implemented based on the potential risks. Reassessments must occur annually or whenever there are significant modifications to the information system and that risk assessment information is updated.
- 2) As a result of the SEM that was governed by the SUITE, a DIT-0170, *Information Technology Project Security Plan & Assessment* may be required. It is a collaborated effort between the Michigan Department of Technology, Management and Budget (DTMB), Treasury's Security Division (Treasury Security), and the Contractor to complete the DIT-0170. The DIT-0170 provides an overview of the security requirements for the system and a description of the security controls in place or planned for meeting those requirements. Completion of the DIT-0170, remedies of any identified issues, and approval, are required prior to implementation. This is a living document and must be reviewed when any system/organizational changes occur and new security control requirements are implemented (e.g., laws, policies, etc.); otherwise, it should be reviewed annually. The DIT-0170 may need to be revised to address system/organizational changes or problems identified during implementation or security control assessments.

d. Network Security

The Contractor is responsible for the security of and access to State data, consistent with legislative or administrative restrictions. Unsecured operating practices, which expose other connected networks to malicious security violations, are not acceptable. The Contractor must coordinate with DTMB to enter the proper pointers into the State infrastructure, if applicable.

e. Access Control

The Contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. Access must be immediately removed when a staff member changes job duties or leaves employment.

f. Data Security

The Contractor must protect the confidentiality, integrity, and availability of State data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data resides and regardless of format (such as electronic, paper or other physical form).

The Contractor must:

- 1) process the personal data in accordance with the personal data protection laws of the State and the United States.



- 2) Have in place appropriate technical and organizational internal and security controls to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected. Technical and organizational security controls must be implemented that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, presented by the processing.
- 3) Provide secure and acceptable methods of transmitting personal, confidential or sensitive information over telecommunication devices such as data encryption (128 bit minimum), Secure Socket Layer (SSL), dedicated leased line or Virtual Private Network (VPN).
- 4) Supply Treasury Security with information associated with security audits performed in the last three years.
- 5) Have in place procedures so that any third party it authorizes to have access to the personal data, including processors, will respect and maintain the confidentiality, integrity, and availability of the data.
- 6) Process the personal, confidential and sensitive data only for purposes described in the Contract.
- 7) Kathleen Boyea is the Contractor's contact point authorized to respond to inquiries concerning processing of the personal, confidential or sensitive data, and will cooperate in good faith with Treasury.

g. Encryption

- 1) The Contractor must ensure encryption of confidential or sensitive information stored on devices including, but not limited to, laptops, workstations, and portable memory media.
- 2) Additional requirements may be necessary to implement revised data encryption standards. The State will define these requirements, as needed, and the Contractor will be involved in planning and implementing any necessary changes based on these requirements.
- 3) Fraud Controls: All necessary security to guard against fraudulent access, fraudulent creation, and fraudulent receipt of the State's files or items on files must be included in the processing.

h. Physical Security

The Contractor must provide the physical security controls necessary to ensure controlled access to State data. Physical access controls for all Contractor facilities, equipment, and applicable systems must be addressed.

- 1) The Contractor must provide controls that result in reasonable assurance that physical access to the facility is appropriately restricted and environmental controls are in place to limit loss or damage to systems and data. Examples include but are not limited to:
 - a) keys are controlled
 - b) perimeter doors leading into facility space are equipped with electronic intrusion detection system equipment
 - c) floor to ceiling separation barriers (e.g. walls or fencing)
 - d) fire suppression equipment installed.

Note: Physical security currently exists by restricting access to the facility to authorized personnel only. This may include assigning card key access to authorized personnel, which includes allowable hours of entry, all authorized employees wear security badges and a visitor log is maintained for non-employee visits.



- 2) The Contractor must ensure that visitors to the facility sign in, have proper identification, and an authorized purpose for the visit. Visitors shall sign a Treasury "Vendor, Contractor, Subcontractor Confidentiality Agreement" that will be forwarded to the CCI (see Exhibit C, Attachment A). Former Contractor, subcontractors, temporary employees and visitors will not be permitted in the facility, unless for an appropriate reason related to Treasury's services.
 - 3) Security cameras are not currently used in processing areas with images recorded; however, Contractor will comply as required.
 - a) Records are stored indefinitely, and recorded media will be stored as necessary, if applicable. Recorded media must be available to the CCI, if necessary.
 - 4) The Contractor must conduct a site security survey of the location annually, which will include the review of appropriate surveillance-security camera placement and video playback equipment for examination of surveillance-security camera media, if applicable.
 - 5) The Contractor must ensure that security precautions for the handling of mail at a minimum meet the U.S. Postmaster's guidelines as described at the U.S. Postal website www.usps.com. These guidelines can be located by doing a search on the website for Suspicious Mail, specifically POS 84 and Publication 166 for Mail Center Security Guidelines.
- i. Personnel
- 1) At a minimum, security measures must be implemented before services begin. The Contractor must ensure adequate planning is in place with regard to permanent and temporary employees (if applicable) to ensure the hiring process occurs early enough to obtain the criminal history check and drug test results prior to hiring. In addition, temporary staff sometimes need to be replaced or more added throughout the peak processing cycle. Adequate planning is critical in order to maintain proper staffing levels.
 - 2). The State must have access to the Contractor's background check data.
 - 3) The Contractor must ensure that all prospective employees be tested for illegal drugs and must not be hired unless negative test results have been received. Illegal drugs include, but are not limited to, marijuana, cocaine, amphetamines, PCP (phencyclidine), and opiate (including heroin, morphine and codeine).
 - 4) The Contractor must provide recognizable name badges for all employees associated with Contract, if required, To ensure only individuals with appropriate badges are on-site. Visitors and subcontractors must also have a distinctive and contrasting name badge.
 - 5) The Contractor must provide an orientation for all employees with a preventive and cautionary focus in regard to both confidentiality and handling suspicious mail.
 - 6) The Contractor must post warnings about confidentiality and identity theft in the workplace, as a deterrent, in addition to warnings on handling suspicious mail.
 - a) The Contractor must establish and administer an anonymous tip process to encourage workers to report activity, if they become aware of it. The CCI must be notified in writing within one business week of any such reports unless approved otherwise by CCI.
 - 7) The Contractor must provide lockers for temporary and permanent staff to minimize and restrict taking personal articles such as purses, cell phones, etc., to and from the work area if required.
 - 8) The Contractor must conduct unannounced reviews of employees' compliance with work processing procedures and established internal controls at least once annually.



j. Audit Logs

- 1) The Contractor must (i) create, protect, and retain information system audit log records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity, and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.
- 2) The Contractor must observe the following guidelines regarding system auditing:
 - a) Audit logs must contain the following:
 - date and time of the activity
 - subject identity
 - type of activity
 - how data changed
 - where the activity occurred
 - outcome of the activity.
 - b) System alerts if audit log generation fails.
 - c) System protects audit logs from unauthorized access.
 - d) Audit record must be reviewed by individuals with a “need to know” on a regular basis.
 - e) Audit logs must be retained for sufficient period of time per section 1.022.12.I.2.

k. Media Protection

- 1) The Contractor must implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing Treasury’s personal, confidential and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system. This can include storage of information before it is input to the system and after it is output.
- 2) The Contractor must ensure that only authorized users have access to information in printed form or on digital media removed from the information system, physically control and securely store information media, both paper and digital, restrict the pickup, receipt, transfer, and delivery of such media to authorized personnel.

l. Media Destruction and Disposal

- 1) The Contractor must sanitize or destroy information system digital media containing personal, confidential or sensitive information before its disposal or release for reuse to prevent unauthorized individuals from gaining access to and using information contained on the media.
- 2) The CCI and the Contractor will mutually agree upon the confidential destruction procedures of all electronic files and paper documents created and stored by the Contractor. The Contractor must contact the CCI, to establish this process (also see Exhibit 1).

m. Incident Reporting

- 1) The Contractor must immediately notify the CCI of any security incidents and/or breaches [see Exhibit 2, Form 4621 What is an Incident? (brochure)].
- 2) The Contractor must have a documented and implemented Incident Response Policy and Procedure



- 3) The Contractor must have an incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents.
- 4) The Contractor must have an incident response resource identified to assist users in handling and reporting incidents (see section 1.031).
- 5) The Contractor must have personnel trained in their incident response roles and responsibilities at least annually.

n. Disaster Recovery and Business Continuity Plan

- 1) The Contractor must develop, annually update, and regularly test disaster recovery and business continuity plans designed to ensure the availability of Treasury's data in the event of an adverse impact due to a natural or man-made emergency or disaster event.
 - a) Recovery Time Objective (time to recover functionality): Contractor anticipates one business day for a disaster scenario. This includes restoring connectivity, restoring and resetting systems and testing all of the above.
 - b) Recovery Point Objective (amount of data that can be lost): The recovery point objective would be the previous day's close of business (5:00pm EST). If the State requires augmented RTO and RPO requirements, Contractor is willing to discuss these service level agreements with Contractor's co-location facility that houses the system and its critical components.
- 2) The Contractor must provide the CCI within 90 calendar days after Contract award with a summary and access to their disaster recovery/business continuity plan.
- 3) The Contractor must perform annual testing of all security control requirements to determine they are working as intended. Annual certification must be provided in writing to the CCI or designee.

- o. The Contractor must ensure that all materials transported are kept secure and will take precautions to minimize the risk of unauthorized disclosure (see Exhibit 1).

13. End of Contract Data Conversion Responsibility: At the expiration or termination of this Contract, the Contractor must work with State personnel to ensure the transitional and operational continuity of the services under this Contract. The Contractor agrees to assist the State for a reasonable period of time that in no event will exceed six months after the expiration or termination date of this Contract and to assign key personnel as needed to assist in the transition. Key system staff must be available to ensure data integrity and system continuity (also see section 2.170).

14. The Contractor must work with the State and other Contractors (e.g. DTMB, information technology systems Contractors, etc.) to assist in problem resolutions including but not limited to, establishing new communications channels, downtime, testing, etc.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities (Also See Section 4.013)

1. Contractor staff who will be involved in the project:

- Richard H. (Chip) Cooke, Jr.: Vice President, Sales and Marketing
- Mark C. Cooke: Project Design and Project Management, etc.
- Kamlesh Patel: MS SQL Database Administrator and Perl Programmer
- Jason P. (Jake) Fagan: Manager, Special Projects Division



- Kathleen M. Boyea: Project Manager, MMAO certification.
 - Judith Herriman: Data Analyst
 - Cindy Kauff: Data Analyst
 - Linda Ziots: Data Analyst
 - Judy Herald: Data Analyst
 - Mary Zalewski: Data Analyst
 - Danielle Williams: Data Analyst
 - Jane Keller: Data Analyst, MCAO.
- b. The Contractor must employ one or more review managers, certified as Michigan Advanced or Master Assessing Officers (or process equivalent background and experience as determined by the Department), to ensure accuracy, quality and consistency in interpretations and denial recommendations.
- c. The Contractor's staff must possess a sufficient understanding of Michigan tax laws, policies, case law, rules, regulations and procedures to successfully complete the audit and taxpayer contact activity in accordance with the requirements of the Department.
2. Kathleen M. Boyea is the project manager to act as a central point of contact for all contractual activities.
3. See Appendix A for an overall organization chart.
4. Kathleen M. Boyea is the contact point for personal, confidential, or sensitive data per section 1.022.12.f.7.
5. Jake Fagan, Director of Special Projects, is the Incident Response Resource per section 1.022.12.m.4.
6. Subcontractor: Affiliated Computer Services, a Xerox company for integrating other states' data (Optional Service) per section 1.022.11. Local address is 79 Davis Avenue, White Plains, NY 10605. Contact person is Jeremy Katz, Vice President, State Enterprise Solutions, and Jeremy's phone number is (914) 949-1570.

1.040 Project Plan

1.041 Project Plan Management

1. The Contractor will carry out this project under the direction and control of the CCI.
2. Although there will be continuous liaison with the Contractor team, the CCI will meet quarterly as a minimum, or as requested by the CCI, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. Reserved.
4. Within five working days of Contract award, the Contractor will submit to the CCI for final approval a detailed audit process/work plan. This final implementation plan must be in agreement with the Contractor's proposal and accepted by the State for Contract, and must include the following:
- a. The Contractor's project organizational structure.
 - b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
 - c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.



5. Contractor must submit an audit process/work plan annually to the CCI by January 15th of successive Contract years. The audit process/work plan for the first year of the Contract will be required as stated in the above section 1.041.4. Commencement of work will be authorized via a Purchase Order release from the Contract (see section 2.005).

1.042 Reports

1. The Contractor must submit written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed-upon work plans.
2. The Contractor must submit a written quarterly activity report that includes the following, broken down by county and in total:
 - a. Total Number of Principal Residence Exemption Parcels
 - b. Number of Parcels Reviewed
 - c. Number of Exemptions Accepted
 - d. Taxable Value of Parcels for Exemptions Accepted
 - e. Number of Exemptions Denied in total (100%)
 - f. Number of Exemptions Denied in partial (< 100%)
 - g. Taxable Value of Parcels for Exemptions Denied
 - h. Anticipated Additional Tax and Interest Revenue from Denials

1.050 Acceptance

1.051 Criteria

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

Acceptance of the Services and/or Deliverables provided under this SOW will be determined by completion of deliverables by the calendar/timeline in sections 1.022 and 1.041.4.

1.052 Final Acceptance

Final Acceptance is when identification of principal residence exemptions ready to be denied are submitted to the CCI before November 1st of each Contract year and all requirements of the Contract are met (see section 1.022.5).

1.060 Proposal Pricing

1.061 Proposal Pricing

1. For authorized Services and Price List, see Attachment A (Price Proposal).
2. Contractor offers a quick payment term of 2% discount off invoice if paid within 10 days.
3. Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.
4. Invoicing and payment must occur per section 2.044.d.

1.062 Price Term

Prices quoted are firm for the entire length of the Contract.

**1.063 Tax Excluded from Price**

(a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

1.064 Holdback: Deleted – N/A**1.070 Additional Requirements: Deleted – N/A**



Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

The Contract is for a period of three years beginning September 15, 2011 through September 14, 2014. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 Options to Renew

The Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to two additional one year periods.

2.003 Legal Effect

Contractor must show acceptance of the Contract by signing two (2) copies of the Contract and returning them to the Contract Administrator. The Contractor must not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a Contract release/purchase order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under the Contract, until Contractor is notified in writing that the Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.004 Attachments & Exhibits

All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing the Contract, are incorporated in their entirety and form part of the Contract.

2.005 Ordering

The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under the Contract. All orders are subject to the terms and conditions of the Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor must furnish all such materials and services as may be ordered during the CONTRACT period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

2.006 Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005**.

(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of the Contract, which may be modified or amended only by a formal Contract amendment.

**2.007 Headings**

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.008 Form, Function & Utility

If the Contract is for use of more than one (1) State agency and if the Deliverable/Service does not meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.009 Reformation and Severability

Each provision of the Contract is severable from all other provisions of the Contract and, if one (1) or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

2.010 Consents and Approvals

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, the consent or approval must be in writing and must not be unreasonably withheld or delayed.

2.011 No Waiver of Default

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 Survival

Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.020 Contract Administration**2.021 Issuing Office**

The Contract is issued by the Department of Technology Management and Budget, Purchasing Operations and Department of Treasury (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. Purchasing Operations **is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of the Contract.** The Contractor Administrator within Purchasing Operations for the Contract is:

Jim Wilson
Purchasing Operations
Department of Technology Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: wilsonj4@michigan.gov
Phone: 517-241-1916

2.022 Contract Compliance Inspector

After DTMB-Purchasing Operations receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations, in consultation with Department of Treasury, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of the Contract implies **no authority to change, modify, clarify, amend,**



or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DTMB Purchasing Operations. The CCI for the Contract is:

David Buick, Administrator
Michigan Department of Treasury.

2.023 Project Manager: Deleted – N/A

2.024 Change Requests

The State reserves the right to request, from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

Change Requests:

- (a) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under the Contract, describing the Change and its effects on the Services and any affected components of the Contract (a "Contract Change Notice").
- (b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the DTMB-Purchasing Operations.
- (c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of the Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices

Any notice given to a party under the Contract must be deemed effective, if addressed to the State contact as noted in Section 2.021 and the Contractor's contact as noted on the cover page of the contract, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

Either party may change its address where notices are to be sent by giving notice according to this Section.

2.026 Binding Commitments

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in the Contract. Contractor may change the representatives from time to time upon written notice.

**2.027 Relationship of the Parties**

The relationship between the State and Contractor is that of client and independent contractor. No agent, employee, or servant of Contractor or any of its Subcontractors must be deemed to be an employee, agent or servant of the State for any reason. Contractor is solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

2.028 Covenant of Good Faith

Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties must not unreasonably delay, condition, or withhold the giving of any consent, decision, or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.029 Assignments

(a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the requirements of the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one (1) entity continues.

(c) If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions**2.031 Media Releases**

News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution

Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.033 Permits

Contractor must obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.034 Website Incorporation

The State is not bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

**2.035 Future Bidding Preclusion**

Contractor acknowledges that, to the extent the Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP

2.036 Freedom of Information

All information in any proposal submitted to the State by Contractor and the Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, MCL 15.231, et seq (the "FOIA"). Certain sections of proposals may be exempt per section 28(1)(f) of the Revenue Act per sections 1.022.2.a and 1.022.4.a (e.g., information obtained in the administration of a tax, information/parameters that would enable a person to ascertain the audit selection/processing criteria of the department).

2.037 Disaster Recovery

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under the Contract must provide the State with priority service for repair and work around in the event of a natural or man-made disaster.

2.040 Financial Provisions**2.041 Fixed Prices for Services/Deliverables**

Each Statement of Work or Purchase Order issued under the Contract must specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.042 Adjustments for Reductions in Scope of Services/Deliverables

If the scope of the Services/Deliverables under any Statement of Work issued under the Contract is subsequently reduced by the State, the parties must negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under the Contract, the State must not be obligated to pay any amounts in addition to the charges specified in the Contract.

2.044 Invoicing and Payment – In General

(a) Each Statement of Work issued under the Contract must list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.

(b) Each Contractor invoice must show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices for Services performed on a time and materials basis must show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 1.064**.



(c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(d) All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the CCI and the Contractor. The payment schedule for this Contract follows:

1. Acquire Taxpayer and Tax Roll Information/Data, and provide leads list (Sections 1.022.1 and 3): 50% paid upon completion of data collection, and 50% paid upon submission of not audited counties leads list.
2. Auditing Price Per County (Sections 1.022.2,4 through 7 and 9)
 - a) 40% of auditing price will be paid upon completion of all questionnaires being mailed
 - b) 50% of auditing price will be paid upon acceptance of recommended denials
 - c) The final 10% of payment is considered hold-back and is not due until the Contract Compliance Inspector has given final approval after the audit process, review and reports are completed (Section 1.022.9).
3. Contact Center (Section 1.022.8): Paid in monthly installments based on annual price.

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) must mutually agree upon. The schedule must show payment amount and must reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy, statements must be forwarded to the designated representative by the 15th day of the following month.

The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the CCI, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.045 Pro-ration

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services must be pro-rated for any partial month.

2.046 Antitrust Assignment

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of the Contract.

2.047 Final Payment

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one (1) party against the other arising from unsettled claims or failure by a party to comply with the Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under the Contract must constitute a waiver of all claims by Contractor against the State for payment under the Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement

Electronic transfer of funds is required for payments on State contracts. The Contractor must register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in 1984 PA 431, all contracts that the State enters into for the purchase of goods and services must provide that payment will be made by Electronic Fund Transfer (EFT).

2.050 Taxes

**2.051 Employment Taxes**

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes.

2.052 Sales and Use Taxes

Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining “two (2) or more trades or businesses under common control” the term “organization” means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

2.060 Contract Management**2.061 Contractor Personnel Qualifications**

All persons assigned by Contractor to the performance of Services under the Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of the Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for the Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

2.062 Contractor Key Personnel

- (a) The Contractor must provide the CCI with the names of the Key Personnel.
- (b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.
- (c) The State reserves the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor must notify the State of the proposed assignment, must introduce the individual to the appropriate State representatives, and must provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State must provide a written explanation including reasonable detail outlining the reasons for the rejection.
- (d) Contractor must not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor’s removal of Key Personnel without the prior written consent of the State is an unauthorized removal (“Unauthorized Removal”). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel’s employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements and appropriate transition planning must be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.



(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 Re-assignment of Personnel at the State's Request

The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Replacement personnel for the removed person must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

2.064 Contractor Personnel Location

All staff assigned by Contractor to work on the Contract must perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel must, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

2.065 Contractor Identification

Contractor employees must be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.066 Cooperation with Third Parties

Contractor must cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor must provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with the Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and must not unnecessarily or unreasonably interfere with, delay, or otherwise impede Contractor's performance under the Contract with the requests for access.

2.067 Contractor Return of State Equipment/Resources

The Contractor must return to the State any State-furnished equipment, facilities, and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

2.068 Contract Management Responsibilities

The Contractor must assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State considers the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve Subcontractors and to require the Contractor to replace Subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the Subcontractor to all provisions of the Contract. Any change in Subcontractors must be approved by the State, in writing, prior to such change.



2.070 Subcontracting by Contractor

2.071 Contractor Full Responsibility

Contractor has full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under the Contract, including payment of any and all charges for Services and Deliverables.

2.072 State Consent to Delegation

Contractor must not delegate any duties under the Contract to a Subcontractor unless the DTMB-Purchasing Operations has given written consent to such delegation. The State reserves the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted for a time agreed upon by the parties.

2.073 Subcontractor Bound to Contract

In any subcontracts entered into by Contractor for the performance of the Services, Contractor must require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of the Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by the Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor is the responsibility of Contractor, and Contractor must remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor must make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under the Contract will not relieve Contractor of any obligations or performance required under the Contract.

2.074 Flow Down

Except where specifically approved in writing by the State on a case-by-case basis, Contractor must flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

2.075 Competitive Selection

The Contractor must select Subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.080 State Responsibilities

2.081 Equipment

The State must provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

2.082 Facilities

The State must designate space as long as it is available and as provided in the Statement of Work, to house the Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). The Contractor must have reasonable access to, and, unless agreed



otherwise by the parties in writing, must observe and comply with all rules and regulations relating to each of the State Facilities (including hours of operation) used by the Contractor in the course of providing the Services. Contractor must not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for the Contractor's use, or to which the Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

2.090 Security

2.091 Background Checks

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel must comply with the State's security and acceptable use policies for State IT equipment and resources. See <http://www.michigan.gov/dit>. Furthermore, Contractor personnel must agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. The Contractor must present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff must comply with all Physical Security procedures in place within the facilities where they are working.

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State, in writing, any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI Data Security Requirements: Deleted – N/A

2.100 Confidentiality (Also See Section 1.022.1.b)

2.101 Confidentiality

Contractor and the State each acknowledge that the other possesses, and will continue to possess, confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor must mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary, or with a similar designation. "Confidential Information" of the State must mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under the Contract, is marked as confidential, proprietary, or with a similar designation by the State. "Confidential Information" excludes any information (including the Contract) that is publicly available under the Michigan FOIA.

2.102 Protection and Destruction of Confidential Information

The State and Contractor must each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication, or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by the Contract, (ii) acquire any right in or assert any lien against the Confidential Information of



the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party must limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of the Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under the Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

Promptly upon termination or cancellation of the Contract for any reason, Contractor must certify to the State that Contractor has destroyed all State Confidential Information.

2.103 Exclusions

Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.105 Respective Obligations

The parties' respective obligations under this Section must survive the termination or expiration of the Contract for any reason.

2.110 Records and Inspections

2.111 Inspection of Work Performed

The State's authorized representatives must at all reasonable times and with 10 days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and must have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 Days prior written notice and at all reasonable times, the State's representatives must be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that the access will not reasonably interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives.

2.112 Examination of Records

For seven (7) years after the Contractor provides any work under the Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the confidential information to become publicly available. This provision also applies to the books, records,



accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

2.113 Retention of Records

Contractor must maintain at least until the end of the Audit Period, all pertinent financial and accounting records (including time sheets and payroll records, information pertaining to the Contract, and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

2.114 Audit Resolution

If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor must respond to each audit report in writing within 30 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor and the State must develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report.

2.115 Errors

(a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four (4) invoices. If a balance remains after four (4) invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the Contract, whichever is earlier.

(b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor must pay all of the reasonable costs of the audit.

2.120 Warranties

2.121 Warranties and Representations

The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and must fulfill all of its obligations under the Contract. The performance of all obligations under the Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under the Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under the Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under the Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under the Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in the Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.



(e) The Contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into the Contract, on behalf of Contractor.

(f) It is qualified and registered to transact business in all locations where required.

(g) Neither the Contractor nor any affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under the Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two (2) days of learning about it.

(h) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after the Contract start date, the Contractor must report those changes immediately to DTMB-Purchasing Operations.

2.122 Warranty of Merchantability

Goods provided by Contractor under this agreement must be merchantable. All goods provided under the Contract must be of good quality within the description given by the State, must be fit for their ordinary purpose, must be adequately contained and packaged within the description given by the State, must conform to the agreed upon specifications, and must conform to the affirmations of fact made by the Contractor or on the container or label.

2.123 Warranty of Fitness for a Particular Purpose

When the Contractor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the Contractor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

2.124 Warranty of Title

Contractor must, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor must be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under the Contract, must be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 Equipment Warranty: Deleted – N/A

2.126 Equipment to be New

If applicable, all equipment provided under the Contract by Contractor must be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

2.127 Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, is considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items must remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024**.

2.128 Consequences For Breach

In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, the breach may be considered as a default in the performance of a material obligation of the Contract.



2.130 Insurance

2.131 Liability Insurance

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of Services under the terms of the Contract, whether the Services are performed by the Contractor, or by any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under the Contract.

All insurance coverage's provided relative to the Contract/Purchase Order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in the Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in the Contract must be issued by companies that have been approved to do business in the State. See www.michigan.gov/deleg.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked ☒ below:

- ☒ 1. Commercial General Liability with the following minimum coverage:
 \$2,000,000 General Aggregate Limit other than Products/Completed Operations
 \$2,000,000 Products/Completed Operations Aggregate Limit
 \$1,000,000 Personal & Advertising Injury Limit
 \$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- ☒ 2. If a motor vehicle is used to provide services or products under the Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- ☒ 3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.



Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

- ☒ 4. Employers liability insurance with the following minimum limits:
\$100,000 each accident
\$100,000 each employee by disease
\$500,000 aggregate disease
- ☒ 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of \$1,000,000.00 with a maximum deductible of \$50,000.00.
- ☐ 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
- ☐ 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: \$3,000,000.00 each occurrence and \$3,000,000.00 annual aggregate.
- ☒ 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under the Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under the Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor must fully comply with the insurance coverage required in this Section. Failure of Subcontractor to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DTMB-Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverages afforded under the policies **MUST NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED** without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, DTMB. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.



The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three (3) years following the expiration or termination for any reason of the Contract. The minimum limits of coverage specified above are not intended, and must not be construed, to limit any liability or indemnity of Contractor under the Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in the Contract, or if any insurer cancels or significantly reduces any required insurance as specified in the Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

2.140 Indemnification

2.141 General Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of the Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 Code Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

2.143 Employee Indemnification

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its Subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.



Notwithstanding the foregoing, the Contractor has no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under the Contract.

2.145 Continuation of Indemnification Obligations

The Contractor's duty to indemnify under this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred before expiration or cancellation.

2.146 Indemnification Procedures

The procedures set forth below must apply to all indemnity obligations under the Contract.

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under the Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.



2.150 Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the Contract, and the State, in its sole discretion, determines that the breach is curable, then the State must provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 Termination for Cause

(a) The State may terminate the Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under the Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If the Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating the Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by the Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in the Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under the Contract.

(c) If the State chooses to partially terminate the Contract for cause, charges payable under the Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of the Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates the Contract for cause under this Section, and it is determined, for any reason, that Contractor was not in breach of contract under the provisions of this section, that termination for cause must be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties must be limited to that otherwise provided in the Contract for a termination for convenience.

2.153 Termination for Convenience

The State may terminate the Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate the Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate the Contract in part, the charges payable under the Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of the Contract that are terminated for cause must cease on the effective date of the termination.

2.154 Termination for Non-Appropriation

(a) Contractor acknowledges that, if the Contract extends for several fiscal years, continuation of the Contract is subject to appropriation or availability of funds for the Contract. If funds to enable the State to effect continued payment under the Contract are not appropriated or otherwise made available, the State must terminate the Contract and all affected Statements of Work, in whole or in part, at the end of the last period for



which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under the Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates the Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.155 Termination for Criminal Conviction

The State may terminate the Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 Termination for Approvals Rescinded

The State may terminate the Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State must pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157 Rights and Obligations upon Termination

(a) If the State terminates the Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from the Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates the Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under the Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under the Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.



(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for Services and Deliverables provided under the Contract, and may further pursue completion of the Services/Deliverables under the Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 Reservation of Rights

Any termination of the Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.

2.160 Termination by Contractor

2.161 Termination by Contractor

If the State breaches the Contract, and the Contractor in its sole discretion determines that the breach is curable, then the Contractor will provide the State with written notice of the breach and a time period (not less than 30 days) to cure the breach. The Notice of Breach and opportunity to cure is inapplicable for successive and repeated breaches.

The Contractor may terminate the Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under the Contract, (ii) breaches its other obligations under the Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.190** before it terminates the Contract.

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates the Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If the Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 90 days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175**.

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's Subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's Subcontractors or vendors. Contractor must notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under the Contract. The Contractor must provide the State with asset management data generated from the inception of the Contract through the date on which the Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor must deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

**2.174 Contractor Software Transition**

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under the Contract. This must include any documentation being used by the Contractor to perform the Services under the Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

2.175 Transition Payments

If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of the Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor must prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 State Transition Responsibilities

In the event that the Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

- (a) Reconciling all accounts between the State and the Contractor;
- (b) Completing any pending post-project reviews.

2.180 Stop Work**2.181 Stop Work Orders**

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

2.182 Cancellation or Expiration of Stop Work Order

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment must conform to the requirements of **Section 2.024**.

2.183 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.180**.



2.190 Dispute Resolution

2.191 In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

2.192 Informal Dispute Resolution

(a) All disputes between the parties must be resolved under the Contract Management procedures in the Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DTMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

- (i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
- (ii) During the course of negotiations, all reasonable requests made by one (1) party to another for non-privileged information reasonably related to the Contract must be honored in order that each of the parties may be fully advised of the other's position.
- (iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.
- (iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DTMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section must not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.



2.200 Federal and State Contract Requirements

2.201 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, or physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of the Contract or any purchase order resulting from the Contract must contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.202 Unfair Labor Practices

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under Section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor must comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see <http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html>.

2.204 Prevailing Wage

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of the Contract in privity of contract with the Contractor must not be less than the wage rates and fringe benefits established by the Michigan Department of Energy, Labor and Economic Development, Wage and Hour Bureau, schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor must include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors and all persons involved with the performance of the Contract in privity of contract with the Contractor must keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Energy, Labor and Economic Development, the office responsible for enforcement of the wage rates and fringe benefits. The Contractor must keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with the Contract. This record must be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted must also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.



2.210 Governing Law

2.211 Governing Law

The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.212 Compliance with Laws

Contractor must comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 Jurisdiction

Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.220 Limitation of Liability

2.221 Limitation of Liability

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of the Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on the Contract.

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation

(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of the Contract would cause a reasonable party to be concerned about:

- (i) the ability of Contractor (or a Subcontractor) to continue to perform the Contract according to its terms and conditions, or
- (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of the Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:



- (a) Contractor and its Subcontractors must be able to continue to perform the Contract and any Statements of Work according to its terms and conditions, and
- (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.
- (c) Contractor must make the following notifications in writing:
 - (1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify DTMB-Purchasing Operations.
 - (2) Contractor must also notify DTMB Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.
 - (3) Contractor must also notify DTMB Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

Contractor and/or all Subcontractors involved in the performance of the Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information is a material breach of the Contract.

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate the Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish the Works in Process by whatever appropriate method the State may deem expedient if:

- (a) the Contractor files for protection under the bankruptcy laws;
- (b) an involuntary petition is filed against the Contractor and not removed within 30 days;
- (c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;
- (d) the Contractor makes a general assignment for the benefit of creditors; or
- (e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under the Contract.

Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

2.240 Performance

2.241 Time of Performance

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
- (b) Without limiting the generality of **Section 2.241(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.
- (c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.



2.242 Service Level Agreements (SLAs)

- (a) SLAs will be completed with the following operational considerations:
- (i) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.
 - (ii) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.
 - (iii) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.
 - (iv) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:
 - 1. Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.
 - 2. Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.
- (b) Chronic Failure for any Service(s) is defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service must not affect any tiered pricing levels.
- (c) Root Cause Analysis must be performed on any business critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor must provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.
- (d) All decimals must be rounded to two decimal places, with five and greater rounding up and four and less rounding down, unless otherwise specified.

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.152**, the State is entitled to collect liquidated damages in the amount of \$5,000.00 and an additional \$100.00 per day for each day Contractor fails to remedy the late or improper completion of the Work.

It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.152**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount is \$25,000.00 per individual if the Contractor identifies a replacement approved by the State under **Section 2.060** and assigns the replacement to the Project to shadow the Key Personnel who is leaving for a period of at least 30 days before the Key Personnel's removal.



If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 days, in addition to the \$25,000.00 liquidated damages for an Unauthorized Removal, Contractor must pay the amount of \$833.33 per day for each day of the 30 day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to \$25,000.00 maximum per individual. The total liquidated damages that may be assessed per Unauthorized Removal and failure to provide 30 days of shadowing must not exceed \$50,000.00 per individual.

2.244 Excusable Failure

Neither party will be liable for any default, damage, or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military, or otherwise), power failure, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. but the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.250 Approval of Deliverables: Deleted – N/A

2.260 Ownership

2.261 Ownership of Work Product by State

The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents, or other proprietary rights in the Deliverables.

**2.262 Vesting of Rights**

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data

(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor must not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor must not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

(b) The State is the owner of all State-specific data under the Contract. The State may use the data provided by the Contractor for any purpose. The State must not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State's sole and exclusive property.

2.264 Ownership of Materials

The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

2.270 State Standards**2.271 Existing Technology Standards**

The Contractor must adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://www.michigan.gov/dit>.

2.272 Acceptable Use Policy

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see <http://www.michigan.gov/ditservice>. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.273 Systems Changes

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the Project Manager. Any changes Contractor makes to State systems with the State's approval must be done according to applicable State procedures, including security, access, and configuration management procedures.



2.280 Extended Purchasing

2.281 MIDEAL

1984 PA 431 permits DTMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: www.michigan.gov/buymichiganfirst. Unless otherwise stated, the Contractor must ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor must supply Contract Services and equipment to these local governmental agencies at the established State of Michigan contract prices and terms to the extent applicable and where available. The Contractor must send its invoices to, and pay the local unit of government, on a direct and individual basis.

To the extent that authorized local units of government purchase quantities of Services and/or equipment under the Contract, the quantities of Services and/or equipment purchased must be included in determining the appropriate rate wherever tiered pricing based on quantity is provided.

2.282 State Employee Purchases: Deleted – N/A

2.290 Environmental Provision

2.291 Environmental Provision

Hazardous Materials:

For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation, or disposal of which is regulated by the federal, State, or local laws governing the protection of the public health, natural resources, or the environment. This includes, but is not limited to, materials such as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State, and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under



the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html

Refrigeration and Air Conditioning:

The Contractor must comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to the Contract.

Environmental Performance:

Waste Reduction Program: Contractor must establish a program to promote cost-effective waste reduction in all operations and facilities covered by the Contract. The Contractor's programs must comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

2.300 Other Provisions

2.311 Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials

Equipment, materials, or supplies, that will be furnished to the State under the Contract must not be produced in whole or in part by forced labor, convict labor, forced or indentured child labor, or indentured servitude.

“Forced or indentured child labor” means all work or service: exacted from any person under the age of 18 under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily; or performed by any person under the age of 18 under a contract the enforcement of which can be accomplished by process or penalties.



Attachment A, Price Proposal

Deliverables	Year 1	Year 2	Year 3	Subtotals
1. Acquire Taxpayer and Tax Roll Information/Data, and Provide Leads list (Sections 1.022.1 and 3)	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
2. Auditing Price Per County (Sections 1.022.2, 4 through 7 and 9)				
Alcona	\$ 2,776.00	\$ 2,776.00	\$ 2,776.00	\$ 8,328.00
Alger	\$ 1,615.00	\$ 1,615.00	\$ 1,615.00	\$ 4,845.00
Allegan	\$ 11,838.00	\$ 11,838.00	\$ 11,838.00	\$35,514.00
Alpena	\$ 5,055.00	\$ 5,055.00	\$ 5,055.00	\$15,165.00
Antrim	\$ 4,091.00	\$ 4,091.00	\$ 4,091.00	\$12,273.00
Arenac	\$ 2,501.00	\$ 2,501.00	\$ 2,501.00	\$ 7,503.00
Baraga	\$ 1,206.00	\$ 1,206.00	\$ 1,206.00	\$ 3,618.00
Barry	\$ 7,914.00	\$ 7,914.00	\$ 7,914.00	\$23,742.00
Bay	\$ 15,363.00	\$ 15,363.00	\$ 15,363.00	\$46,089.00
Benzie	\$ 2,892.00	\$ 2,892.00	\$ 2,892.00	\$ 8,676.00
Berrien	\$ 19,001.00	\$ 19,001.00	\$ 19,001.00	\$57,003.00
Branch	\$ 6,584.00	\$ 6,584.00	\$ 6,584.00	\$19,752.00
Calhoun	\$ 15,108.00	\$ 15,108.00	\$ 15,108.00	\$45,324.00
Cass	\$ 6,311.00	\$ 6,311.00	\$ 6,311.00	\$18,933.00
Charlevoix	\$ 6,788.00	\$ 6,788.00	\$ 6,788.00	\$20,364.00
Cheboygan	\$ 4,416.00	\$ 4,416.00	\$ 4,416.00	\$13,248.00
Chippewa	\$ 5,133.00	\$ 5,133.00	\$ 5,133.00	\$15,399.00
Clare	\$ 7,382.00	\$ 7,382.00	\$ 7,382.00	\$22,146.00
Clinton	\$ 7,225.00	\$ 7,225.00	\$ 7,225.00	\$21,675.00
Crawford	\$ 4,261.00	\$ 4,261.00	\$ 4,261.00	\$12,783.00
Delta	\$ 5,012.00	\$ 5,012.00	\$ 5,012.00	\$15,036.00
Dickinson	\$ 2,776.00	\$ 2,776.00	\$ 2,776.00	\$13,569.00
Eaton	\$ 4,523.00	\$ 4,523.00	\$ 4,523.00	\$33,834.00
Emmet	\$ 11,278.00	\$ 11,278.00	\$ 11,278.00	\$ 8,328.00
Genesee	\$ 5,108.00	\$ 5,108.00	\$ 5,108.00	\$15,324.00
Gladwin	\$ 60,783.00	\$ 60,783.00	\$ 60,783.00	\$182,349.00
Gogebic	\$ 4,534.00	\$ 4,534.00	\$ 4,534.00	\$13,602.00
Grand Traverse	\$ 2,757.00	\$ 2,757.00	\$ 2,757.00	\$ 8,271.00
Gratiot	\$ 9,736.00	\$ 9,736.00	\$ 9,736.00	\$29,208.00
Hillsdale	\$ 3,975.00	\$ 3,975.00	\$ 3,975.00	\$11,925.00
Houghton	\$ 6,651.00	\$ 6,651.00	\$ 6,651.00	\$19,953.00
Huron	\$ 4,572.00	\$ 4,572.00	\$ 4,572.00	\$13,716.00
Ingham	\$ 6,784.00	\$ 6,784.00	\$ 6,784.00	\$20,352.00
Deliverables	Year 1	Year 2	Year 3	Subtotals
Ionia	\$ 30,011.00	\$ 30,011.00	\$ 30,011.00	\$ 90,033.00
Iosco	\$ 5,912.00	\$ 5,912.00	\$ 5,912.00	\$ 17,736.00
Iron	\$ 6,784.00	\$ 6,784.00	\$ 6,784.00	\$ 20,352.00
Isabella	\$ 2,927.00	\$ 2,927.00	\$ 2,927.00	\$ 8,781.00
Jackson	\$ 7,047.00	\$ 7,047.00	\$ 7,047.00	\$ 21,141.00
Kalamazoo	\$ 20,816.00	\$ 20,816.00	\$ 20,816.00	\$ 62,448.00
Kalkaska	\$ 32,853.00	\$ 32,853.00	\$ 32,853.00	\$ 98,559.00
Kent	\$ 3,591.00	\$ 3,591.00	\$ 3,591.00	\$ 10,773.00
Keweenaw	\$ 59,890.00	\$ 59,890.00	\$ 59,890.00	\$179,670.00
Lake	\$ 608.00	\$ 608.00	\$ 608.00	\$ 1,824.00
Lapeer	\$ 4,456.00	\$ 4,456.00	\$ 4,456.00	\$ 13,368.00
Leelanau	\$ 8,812.00	\$ 8,812.00	\$ 8,812.00	\$ 26,436.00
Lenawee	\$ 3,649.00	\$ 3,649.00	\$ 3,649.00	\$ 10,947.00
Livingston	\$ 10,567.00	\$ 10,567.00	\$ 10,567.00	\$ 31,701.00
Luce	\$ 17,613.00	\$ 17,613.00	\$ 17,613.00	\$ 52,839.00
Mackinac	\$ 1,330.00	\$ 1,330.00	\$ 1,330.00	\$ 3,990.00



Macomb	\$ 3,126.00	\$ 3,126.00	\$ 3,126.00	\$ 9,378.00
Manistee	\$ 106,005.00	\$ 106,005.00	\$ 106,005.00	\$318,015.00
Marquette	\$ 4,722.00	\$ 4,722.00	\$ 4,722.00	\$ 14,166.00
Mason	\$ 8,520.00	\$ 8,520.00	\$ 8,520.00	\$ 25,560.00
Mecosta	\$ 5,321.00	\$ 5,321.00	\$ 5,321.00	\$ 15,963.00
Menominee	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 24,000.00
Midland	\$ 3,557.00	\$ 3,557.00	\$ 3,557.00	\$ 10,671.00
Missaukee	\$ 8,779.00	\$ 8,779.00	\$ 8,779.00	\$ 26,337.00
Monroe	\$ 2,270.00	\$ 2,270.00	\$ 2,270.00	\$ 6,810.00
Montcalm	\$ 18,687.00	\$ 18,687.00	\$ 18,687.00	\$ 56,061.00
Montmorency	\$ 6,822.00	\$ 6,822.00	\$ 6,822.00	\$ 20,466.00
Muskegon	\$ 2,421.00	\$ 2,421.00	\$ 2,421.00	\$ 7,263.00
Newaygo	\$ 18,163.00	\$ 18,163.00	\$ 18,163.00	\$ 54,489.00
Oakland	\$ 6,151.00	\$ 6,151.00	\$ 6,151.00	\$ 18,453.00
Oceana	\$ 129,764.00	\$ 129,764.00	\$ 129,764.00	\$389,292.00
Ogemaw	\$ 1,677.00	\$ 1,677.00	\$ 1,677.00	\$ 5,031.00
Ontonagon	\$ 4,007.00	\$ 4,007.00	\$ 4,007.00	\$ 12,021.00
Osceola	\$ 4,157.00	\$ 4,157.00	\$ 4,157.00	\$ 12,471.00
Oscoda	\$ 3,356.00	\$ 3,356.00	\$ 3,356.00	\$ 10,068.00
Otsego	\$ 2,860.00	\$ 2,860.00	\$ 2,860.00	\$ 8,580.00
Ottawa	\$ 3,666.00	\$ 3,666.00	\$ 3,666.00	\$ 10,998.00
Presque Isle	\$ 24,409.00	\$ 24,409.00	\$ 24,409.00	\$ 73,227.00
Roscommon	\$ 2,632.00	\$ 2,632.00	\$ 2,632.00	\$ 7,896.00
Saginaw	\$ 7,648.00	\$ 7,648.00	\$ 7,648.00	\$ 22,944.00
St Clair	\$ 22,098.00	\$ 22,098.00	\$ 22,098.00	\$ 66,294.00
Deliverables	Year 1	Year 2	Year 3	Subtotals
St Joseph	\$ 6,855.00	\$ 6,855.00	\$ 6,855.00	\$ 20,565.00
Sanilac	\$ 6,983.00	\$ 6,983.00	\$ 6,983.00	\$ 20,949.00
Schoolcraft	\$ 1,499.00	\$ 1,499.00	\$ 1,499.00	\$ 4,497.00
Shiawassee	\$ 9,643.00	\$ 9,643.00	\$ 9,643.00	\$ 28,929.00
Tuscola	\$ 7,715.00	\$ 7,715.00	\$ 7,715.00	\$ 23,145.00
Van Buren	\$ 9,056.00	\$ 9,056.00	\$ 9,056.00	\$ 27,168.00
Washtenaw	\$ 36,189.00	\$ 36,189.00	\$ 36,189.00	\$108,567.00
Wayne	\$ 273,458.00	\$ 273,458.00	\$ 273,458.00	\$820,374.00
Wexford	\$ 3,990.00	\$ 3,990.00	\$ 3,990.00	\$ 11,970.00
3. Contact Center (Section 1.022.8)	\$0.00	\$0.00	\$0.00	\$0.00
Grand Totals:	\$1,262,476.00	\$1,262,476.00	\$1,262,476.00	\$3,787,428.00

4. Optional Service: Collect and Integrate Other State's Data, If Applicable (Section 1.022.11)				
A. States: All	\$2.93/Parcel Examined	\$2.93/Parcel Examined	\$2.93/Parcel Examined	\$2.93/Parcel Examined

Discounts:

1. A quick payment term of 2% discount off invoice if paid within 10 days is offered on this Contract.
2. For a program that includes thirty-four (34) counties, Contractor offers a 2% discount on pricing.
3. For a program that includes more than thirty-four (34) and up to fifty-nine (59) counties, Contractor offers a 5% discount on the pricing.
4. For a program that includes more than fifty-nine (59) and up to eighty-two (82) counties, Contractor offers a 10% discount on the pricing.
5. For a program that includes all eighty-three (83) counties, Contractor offers a 15% discount on the pricing.



Appendix A Organization Chart

Tax Management Associates, Inc. - Special Projects - March 18, 2011

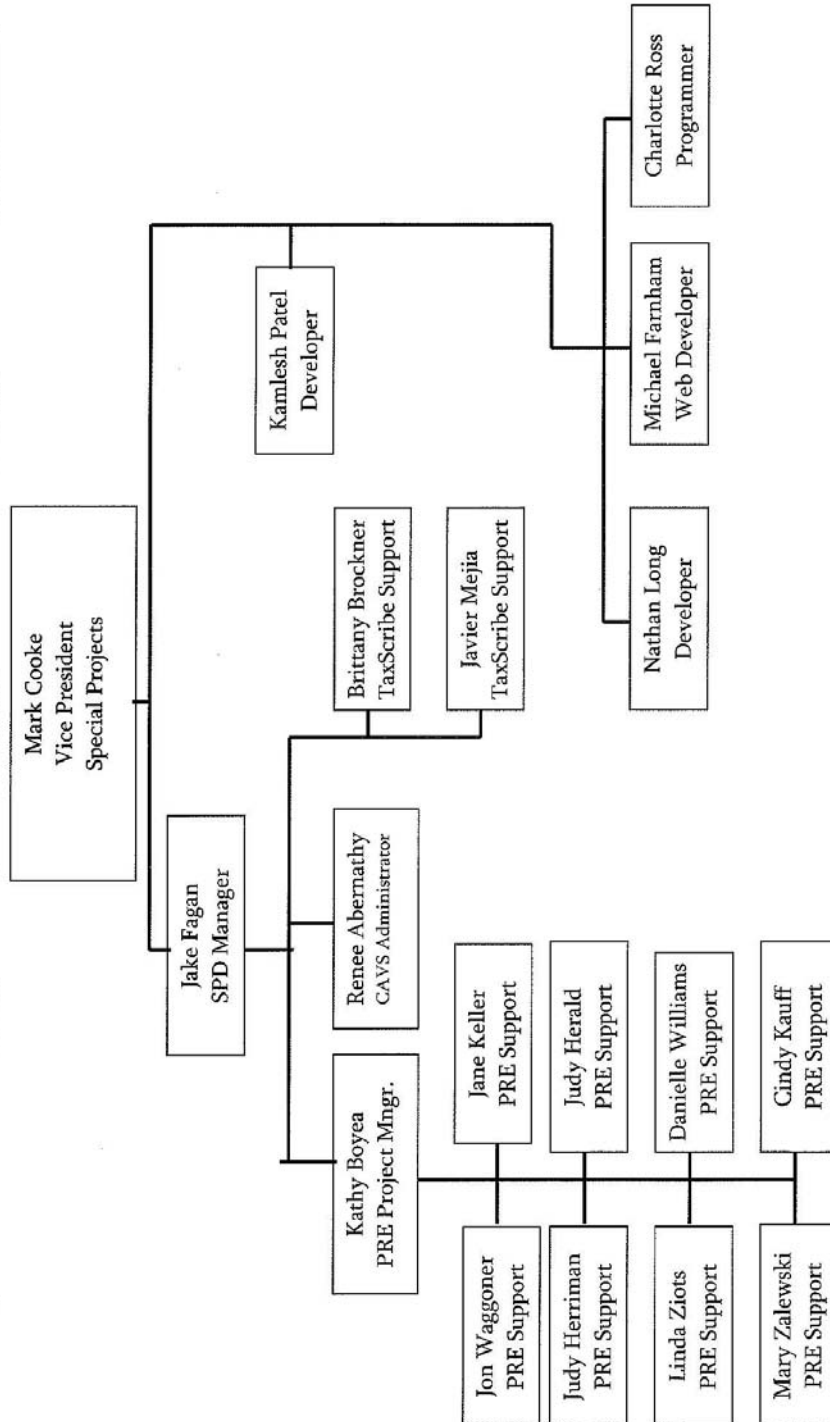




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SAFEGUARD REQUIREMENTS OF CONFIDENTIAL DATA

This section sets forth the safeguard requirements for handling, storage, and processing of confidential tax information for a Contractor and their subcontractor(s) and is incorporated as an integral part of the Contract. It will facilitate administration and enforcement of the laws of the State of Michigan applicable to State contractual agreements in a manner consistent with the applicable statutes, regulations, published rules and procedures or written communication.

I. Authority

Authority for the Michigan Department of Treasury to require that this section be included in the Contract is contained in 1941 PA 122, as amended, MCL 205.28(1)(f), which states in part that subject to the same restrictions and penalties imposed upon department employees on the treatment of confidential information, a private contractor or its employees are strictly prohibited from disclosing taxpayer information to a third party. The prohibition against disclosure does not bar an employee of a private contractor with whom the State of Michigan (State) contracts that processes tax returns or payments pursuant to the Contract from having access to confidential information that is reasonably required for the processing or collection of amounts due this State. Private contractors and any subcontractors will follow Treasury guidelines for authorized representatives.

II. Confidentiality

It is agreed that all information exchanged under this section will be kept confidential in accordance with the confidentiality provisions contained within section MCL 205.28(1)(f) and MCL 205.28(2) of the Michigan Department of Treasury Revenue Act, which state in part;

“Except as otherwise provided in this subdivision, an employee, authorized representative, or former employee or authorized representative of the department or anyone connected with the department will not divulge any facts or information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the department for a tax administered by the department.”

“A person who violates subsection (1)(e), (1)(f), or (4) is guilty of a felony, punishable by a fine of not more than \$5,000.00, or imprisonment for not more than 5 years, or both, together with the costs of prosecution. In addition, if the offense is committed by an employee of this state, the person will be dismissed from office or discharged from employment upon conviction.”

All information obtained by either Treasury or Contractor will not be disclosed except as necessary for the proper administration of and execution of the Contract. In the event, confidentiality statutes are amended, the State will notify Contractor of any changes.

No employee, agent, authorized representative or legal representative of Contractor will disclose any information obtained by virtue of this section to any other division within their company or any other governmental agency, department or unit within such governmental



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agency, to any other state or nation, or unauthorized third party. No tax returns or tax return information provided to Contractor will be duplicated or disseminated within or outside the company without the written approval of the Contract Compliance Inspector. Michigan's tax returns and tax return information remain the property of the Department of Treasury.

Contractor may use a taxpayer's name, address and Social Security number or employer identification number to the extent necessary in connection with the processing and mailing of forms for any report or return required in the administration of any tax in the performance of the Contract. The use of the Social Security number must be in accordance with the state Social Security Number Privacy Act 454 of 2004, as amended.

Information received by the Michigan Department of Treasury from the U.S. Internal Revenue Service, pursuant to section 6103(d) of the Internal Revenue Code or any other U.S. federal Agency will only be subject to the exchange if received as part of the State of Michigan tax return filing requirements.

III. Procedure for Security

At a minimum, Contractor will safeguard any tax return information obtained under the Contract as follows:

- A. Access to the tax returns and tax return information will be allowed only to those authorized employees and Officials of Contractor who need the information to perform their official duties in connection with the uses of the information authorized in the Contract. The Contractor will be responsible for ensuring that each employee authorized to access Michigan tax information has signed the *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) and provide a copy to the Department of Treasury, Disclosure Officer and Contract Compliance Inspector.
- B. Any records created from tax returns and tax return information will be stored in an area that is physically safe from access by unauthorized persons during duty hours as well as off-duty hours or when not in use.
- C. All personnel who will have access to the tax returns and to any records created by the tax return information will be advised of the confidential nature of the information, the safeguards required to protect the information and the civil and criminal sanctions for noncompliance contained in MCL 205.28(1)(f) and (2) through disclosure awareness training.
- D. All confidential information, which includes, but is not limited to, data stored electronically and any related output and paper documents will be secured from unauthorized access and with access limited to designated personnel only. Michigan tax return information will not be commingled with other information. Further, when appropriate, Michigan tax return information will be marked as follows:

CONFIDENTIAL-MICHIGAN TAX RETURN INFORMATION

Protect at all times. Do not disclose.

**MI tax information is exempt from disclosure
under the Freedom of Information Act.**



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- E. The records will be transported under appropriate safeguards as defined in the Contract.
- F. The Department of Treasury, Disclosure Officer or Contract Compliance Inspector may make onsite inspections or make other provisions to ensure that adequate safeguards are being maintained by the Contractor.
- G. The Michigan Department of Treasury, Disclosure Officer, may monitor compliance of systems security requirements during the lifetime of the Contract.
- H. Contractor will also adopt policies and procedures to ensure that information contained in their respective records and obtained from Treasury and taxpayers will be used solely as provided in the Contract.

IV. Computer System Security of Tax Data

The identification of confidential tax records and defining security controls are intended to protect Treasury tax return information from unlawful disclosure, modification, destruction of information and unauthorized secondary uses.

Computer system security and physical security of tax data stored and processed by Contractor must be in compliance with the following security guidelines and standards established by the Michigan Department of Treasury as follows (these guidelines apply to any computer system developed by Contractor, either through its own systems staff, or through a contractor, subcontractor or vendor):

A. Controlled Access Protection

All computer systems processing, storing and transmitting Michigan tax information must have computer access protection controls. These security standards are delineated in the National Institute of Standards and Technology (NIST) Special Publications number 800-53 "Recommended Security Controls for Federal Information Systems" at <http://csrc.nist.gov/publications/PubsSPs.html>. To meet these standards, the operating security features of the system must have the following minimum requirements: a security policy, accountability, assurance, and documentation.

- 1) **Security Policy** – A security policy is a written document describing the system in terms of categories of data processed, users allowed access and access rules between the users and the data. Additionally, it describes procedures to prevent unauthorized access by clearing all protected information on objects before they are allocated or reallocated out of or into the system. Further protection must be provided where the computer system contains information for more than one program/project, office, or Agency and that personnel do not have authorization to see all information on the system.
- 2) **Accountability** – Computer systems processing Michigan tax information must be secured from unauthorized access. All security features must be available (audit trails, identification and authentication) and activated to prevent unauthorized users from indiscriminately accessing Michigan tax information. Everyone who accesses computer systems containing Michigan tax information is accountable. Access controls must be

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maintained to ensure that unauthorized access does not go undetected. Computer programmers and contractors who have a need to access databases, and are authorized under the law, must be held accountable for the work performed on the system. The use of passwords and access control measures must be in place to identify who accessed protected information and limit that access to persons with a need to know.

a) **On-line Access** –Users will be limited to any Treasury on-line functions, by limiting access through functional processing controls and organization restrictions.

Any employee granted access privileges through the Contractor's Security Administrator will be approved for access and viewing rights to Treasury on-line systems by the Department of Treasury Security Administrator. The on-line access will be provided by Treasury's Security Division.

b) Operating Features of System Security

Contractor must meet the following levels of protection with respect to tax return information. Individual user accountability must be ensured through user identification number and password.

- i. Access rights to confidential tax information must be secured through appropriate levels of authorization.
- ii. An audit trail must be maintained of accesses made to confidential information.
- iii. All confidential and protected information must be cleared from a system before it is used for other purposes not related to the enforcement, collection or exchange of data not covered by this section or by an addendum to this Contract.
- iv. Hard copies made of confidential tax return information must be labeled as confidential information.
- v. Confidential Treasury tax information will be blocked or coded as confidential on system.
- vi. Any computer system in which Michigan tax return information resides must systematically notify all users upon log-in of the following disclosure penalties for improperly accessing or making an authorized disclosure of Michigan tax return information:

NOTICE TO STATE AGENCY EMPLOYEES AND AUTHORIZED REPRESENTATIVES

This system contains Michigan Department of Treasury tax return information. DO NOT DISCLOSE OR DISCUSS MICHIGAN RELATED TAX RETURN INFORMATION with unauthorized individuals. The Michigan Department of Treasury Revenue Act, MCL 205.28(10)(f)(1), (2), prohibits such disclosure. A person making a willful unauthorized disclosure or inspection (browsing)



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of tax return information may be charged with the following Michigan penalties:

MICHIGAN PENALTIES

The Michigan Revenue Act imposes criminal penalties up to \$5,000 and/or imprisonment for 5 years, plus costs and dismissal from employment if it is found that an employee has made an unauthorized disclosure of a tax return or tax return information or divulged audit selection or processing parameters.

This statement is subject to modification. A confidentiality statement, subject to modification, as needed, will be sent annually by the Security Administrator to all employees, contractors, and legal representatives of Contractor.

- 3) **Assurance** – Contractor must ensure that all access controls and other security features are implemented and are working when installed on their computer system. Significant enhancements or other changes to a security system must follow the process of review, independent testing, and installation assurance. The security system must be tested at least annually to assure it is functioning correctly. All anomalies must be corrected immediately.
 - a) The Contractor must initiate corrective action for all non-conformities as soon as detected and immediately advise the Contract Compliance Inspector. Notice of the corrective action must be provided to the Contract Compliance Inspector. All non-conformities must be reported to the Contract Compliance Inspector with the following:
 - a. Duration of non-conformity/interruption
 - b. Reason for non-conformity/interruption
 - c. Resolution.
 - b) All non-conformities to the specifications/tasks of the Contract must be corrected within four (4) hours. The State recognizes there will be instances when adherence to this time frame will not be possible. However, the State will only tolerate this on an exception basis. To request an exception to this time frame, the Contractor must submit a detailed project plan to address the non-conformity within four (4) hours to the Contract Compliance Inspector for approval.
- 4) **Documentation** – Design and test documentation must be readily available to the state. The developer or manufacturer should initially explain the security mechanisms, how they are implemented and their adequacy (limitations). This information should be passed on to the security officer or supervisor. Test documentation should describe how and what mechanisms were tested and the results. If recognized organizations/tests/standards are used, then a document to that effect will suffice. For example, a system that has been tested and certified as meeting certain criteria may have a document stating this fact, without detailed tests/results of information. Contractor, however, must ensure the documentation covers the exact system and that it includes the specific computer system used by Contractor.

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Additionally, documentation must include a security administrator's guide. The security administrator's guide is addressed to the System's Administrator and Security Officer and will describe the protection mechanisms provided by the security system, guidelines on their use and how they interact. This document will present cautions about security functions and describe privileges that should be controlled when running a secure system. The document will be secured and locked at all times with access rights only by the Systems Administrator and Security Officer.

Note: When a security system is designed or purchased for a specific computer or computer system, the security mechanisms must be reviewed by the State to ensure that needed security parameters are met. An independent test should be implemented on the specific computer or computer system to ensure that the security system meets the security parameters within this contract and developed with the computer system. The test may be arranged by the developer but must be done by an independent organization. Contractor must assign responsible individuals (Security Officers) with knowledge of information technology and applications to oversee the testing process. These individuals must be familiar with technical controls used to protect the system from unauthorized entry.

Finally, contingency and backup plans must be in place to ensure protection of Michigan tax information.

V. Electronic Transmission of Michigan Tax Information

The two acceptable methods of transmitting Michigan tax information over telecommunications devices are encryption and the use of guided media. Encryption involves the altering of data objects in a way that the objects become unreadable until deciphered. Guided media involves the use of protected microwave transmitting or the use of end to end fiber optics.

The Department of Information Technology (DIT) has defined encryption standards in DIT Standard 1315.10 (Standard for Electronic Data Encryption) which must be used to provide guidance for encryption, message authentication codes or digital signatures and digital signatures with associated certification infrastructure.

Unencrypted cable circuits of fiber optics is an alternative for transmitting Michigan tax information. Adequate measures must be taken to ensure that circuits are maintained on cable and not converted to unencrypted radio transmission. Additional precautions will be taken to protect the cable, i.e., burying the cable underground or in walls or floors and providing access controls to cable vaults, rooms and switching centers.

A. Remote Access

Accessing databases containing Michigan tax information from a remote location – that is, a location not directly connected to the Local Area Network (LAN) will require adequate safeguards to prevent unauthorized entry.

For dial up access, the system must require an identification security card that requires both



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PIN and card in possession. According to DIT- Procedure 1410.17 (4.1), dial in access into any connected state network will only be permitted after a dial-in user has been authenticated. Authentication is provided through ID and password.

B. Portable Computer Devices

Any entrusted confidential information collected or accessed during this Contract must be encrypted when stored on all storage devices and media. This includes, but not limited to, disk drives for servers and workstations, and portable memory media (PDAs, RAM drives, memory sticks, etc.).

VI. Record Keeping Requirements for Information Received in a Paper Format

Each Contractor employee or contractor requesting and receiving information will keep an accurate accounting of the information received. The audit trail will be required which will include the following information:

- a. Taxpayer's name
- b. Identification number (SSN, FEIN, etc.)
- c. Information requested
- d. Purpose of disclosure request
- e. Date information received
- f. Name of Agency/Division and employee making request
- g. Name of other employees who may have had access
- h. Date destroyed
- i. Method of destruction

A. Electronic Media

Contractor will keep an inventory of magnetic and electronic media received under the Contract.

Contractor must ensure that the removal of tapes and disks and paper documents containing Michigan tax return information from any storage area is properly recorded on charge-out records. Contractor is accountable for missing tapes, disks, and paper documents.

B. Recordkeeping Requirements of Disclosure Made to State or Federal Auditor General

When disclosures are made by Contractor to State or Federal Auditors, these requirements pertain only in instances where the Auditor General's staff extracts Michigan tax returns or tax information for further review and inclusion in their work papers. Contractor must identify the hard copies of tax records or if the tax information is provided by magnetic tape format or through other electronic means, the identification will contain the approximate number of taxpayers records, the date of inspection, the best possible description of the records and the name of the Auditor(s) making the inspection.

The Disclosure Officer must be notified, in writing, of any audits done by auditors, internal or otherwise, of Contractor that would involve review of Treasury processing parameters.

VII. Contract Services



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The following language will be included in any contract entered into by Contractor with a subcontractor if the subcontractor will process Michigan tax return information provided under this Safeguard Provision.

- A. The identification of confidential tax records and defining security controls are intended to protect Treasury tax return information from unlawful disclosure, modification, destruction of information and unauthorized secondary uses.

B. Definition of Treasury Tax Return Information

Treasury tax return information is defined in RAB 1989-39 as follows:

Taxpayer's identity, address, the source or amount of his/her income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, over assessments, or tax payments whether the taxpayer's return was, is being or will be examined or subject to their investigation or processing, or any other data, received by, recorded by, prepared by, furnished to or collected by the agency with respect to a return or with respect to the determination of the existence, or liability (or the amount thereof) of any person under the tax laws administered by the Department, or related statutes of the state for any tax, penalty, interest, fine, forfeiture, or other imposition or offense. The term "tax return information" also includes any and all account numbers assigned for identification purposes.

- C. An acknowledgment that a taxpayer has filed a return is known as a "fact of filing" and may not be disclosed. All tax return data made available in any format will be used only for the purpose of carrying out the provisions of the Contract between Contractor and the subcontractor. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of the Contract between Contractor and the subcontractor. In addition, all related output will be given the same level of protection as required for the source material.
- D. The subcontractor will certify that the data processed during the performance of the Contract between Contractor and the subcontractor will be completely purged from all data storage components of the subcontractor's computer facility, and no output will be retained by the subcontractor at the time the work is completed. If immediate purging of all data storage components is not possible, the subcontractor will certify in writing that any Michigan data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- E. Destruction of tax data, including any spoilage or any intermediate hard copy printout which may result during the processing of Michigan tax return information, will be documented with a statement containing the date of destruction, description of material destroyed, and the method used.
- F. Computer system security and physical security of tax data stored and processed by the subcontractor must be in compliance with security guidelines and standards established by this contract. See section VI (Record Keeping Requirements for Information Received in Paper Format) for more details.



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- G. The Contractor will be responsible for ensuring that each employee authorized to access Michigan tax information has agreed to abide by the confidentiality provisions of the Revenue Act by signing the *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) and provide a copy to the Department of Treasury, Disclosure Officer and Contract Compliance Inspector.
- H. No work involving information furnished under the contract between Contractor and a subcontractor will be further subcontracted without the specific approval of the Michigan Department of Management and Budget. Contractor and approved subcontractors handling Michigan tax return information will be required to sign the *Vendor, Contractor or Subcontractor Confidentiality Agreement* provided by Treasury, (Form 3337, see Attachment A). The original agreements will be returned to the Disclosure Officer for the Department of Treasury and a copy sent to the Contract Compliance Inspector.

VIII. Transport of Tax Information

In the event, it is necessary to transport confidential tax return information the Contractor is responsible for holding the carrier responsible for safeguarding the records. The Contractor must obtain a signed *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) for each carrier employee who has access to Michigan tax return information. The original agreements will be returned to the Department of Treasury, Disclosure Officer and a copy sent to the Contract Compliance Inspector.

If it is necessary to transfer records and responsibility for transport to a third carrier due to a mishap during transportation, the Contractor is responsible for ensuring safeguard standards remain enforce. This type of incident will be documented in accordance with the incident reporting guidelines in procedure PT-03253.

Any such incidents must be reported to the Contract Compliance Inspector immediately.

IX. Disposal of Tax Information

Materials furnished to Contractor, such as tax returns, remittance vouchers, W-2 reports, correspondence, computer printouts, carbon paper, notes, memorandums and work papers will be destroyed by burning, mulching, pulverizing or shredding. If shredded, strips should not be more than 5/16-inch, microfilm should be shredded to effect a 1/35-inch by 3/8-inch strip, and pulping should reduce material to particles of one inch or smaller.

Disk media must be destroyed by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three (3) times. If the CD or DVD cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on Treasury's retention schedule.

Contractor and its subcontractor(s) will retain all confidential tax information received by Treasury only for the period of time required for any processing relating to the official duties and then will destroy the records. Any confidential tax information that must be kept to meet



Exhibit 1

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evidentiary requirements must be kept in a secured, locked area and properly labeled as confidential return information. See Procedure for Security (Section V of this section) for more details.

X. Security Responsibility

Contractor will designate a security person who will ensure that each individual having access to confidential tax information or to any system which processes Michigan tax return information is appropriately screened, trained and executes a *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) before gaining access or transaction rights to any process and computer system containing Treasury tax return information.

Each Contractor or their subcontractor(s) employees' access and transaction rights will be reviewed periodically to ensure that there is a need to know Treasury tax return information displayed in any media.

Michigan tax return information will be made available only to individuals authorized by the Contract. State and Contractor will maintain a list of persons authorized to request and receive information and will update the list as necessary. A copy of the list must be furnished to the Michigan Department of Treasury Disclosure Officer and Contract Compliance Inspector.

XI. Effective Date

These Safeguard requirements will be reviewed whenever the Contract modifications include specifications or processes that affect tax data.



Exhibit 1

Attachment A

Michigan Department of Treasury
3337 (Rev. 2-06)

Reset Form

Vendor, Contractor or Subcontractor Confidentiality Agreement

The Revenue Act, Public Act 122 of 1941, MCL 205.28(1)(f), makes all information acquired in administering taxes confidential. The Act holds a vendor, contractor or subcontractor and their employees who sell a product or provide a service to the Michigan Department of Treasury, or who access Treasury data, to the strict confidentiality provisions of the Act. Confidential tax information includes, but is not limited to, information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Michigan Department of Treasury for a tax administered by the department.

INSTRUCTIONS. Read this entire form before you sign it. If you do not complete this agreement, you will be denied access to Michigan Department of Treasury and federal tax information. After you and your witness sign and date this form, keep a copy for your records. Send the original to the address listed below.

Company Name and Address (Street or R/R, City, State, ZIP Code)			Last Name	First Name
			Driver License Number	
State of Michigan Department	Bureau	Division	Subcontractor Name if Product/Service Furnished to Contractor	
Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency.				

Confidentiality Provisions. It is illegal to reveal or browse, except as authorized:

- All tax return information obtained in connection with the administration of a tax. This includes information from a tax return or audit and any information about the selection of a return for audit, assessment or collection, or parameters or tolerances for processing returns.
- All Michigan Department of Treasury or federal tax returns or tax return information made available, including information marked "Official Use Only". Tax returns or tax return information shall not be divulged or made known in any manner to any person except as may be needed to perform official duties. Access to Treasury or federal tax information, in paper or electronic form, is allowed on a need-to-know basis only. Before you disclose returns or return information to other employees in your organization, they must be authorized by Michigan Department of Treasury to receive the information to perform their official duties.
- Confidential information shall not be disclosed by a department employee to confirm information made public by another party or source which is part of any public record. 1999 AC, R 2005.1004(1).

Violating confidentiality laws is a felony, with penalties as described:

Michigan Penalties

MCL 205.28(1)(f) provides that you may not willfully browse any Michigan tax return or information contained in a return. Browsing is defined as examining a return or return information acquired without authorization and without a need to know the information to perform official duties. Violators are guilty of a felony and subject to fines of \$5,000 or imprisonment for five years, or both. State employees will be discharged from state service upon conviction.

Any person who violates any other provision of the Revenue Act, MCL 205.1, et seq., or any statute administered under the Revenue Act, will be guilty of a misdemeanor and fined \$1,000 or imprisonment for one year, or both, MCL 205.27(4).

Federal Penalties

If you willfully disclose federal tax returns or tax return information to a third party, you are guilty of a felony with a fine of \$5,000 or imprisonment for five years, or both, plus prosecution costs according to the Internal Revenue Code (IRC) §7213, 26 USC 7213.

In addition, inspecting, browsing or looking at a federal tax return or tax return information without authorization is a felony violation of IRC §7213A, subjecting the violator to a \$1,000 fine or imprisonment for one year, or both, plus prosecution costs. Taxpayers affected by violations of §7213A must be notified by the government and may bring a civil action against the federal government and the violator within two years of the violation. Civil damages are the greater of \$1,000 or actual damages incurred by the taxpayer, plus the costs associated with bringing the action. 26 USC 7431.

Failure to comply with this confidentiality agreement may jeopardize your employer's contract with the Michigan Department of Treasury.

Certification		
By signing this Agreement, I certify that I have read the above confidentiality provisions and understand that failure to comply is a felony.		
Print name of employee signing this agreement	Signature of person named above	Date signed
Print Witness Name (Required)	Signature of Witness (Required)	Date signed

Submit your form to the following address:
Technical Services Division, Disclosure Unit
Michigan Department of Treasury
P.O. Box 30898
Lansing, MI 48909

For Express Deliveries, use:
Technical Services Division, Disclosure Unit
Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922

Questions, contact the Technical Services Division, Disclosure Unit by telephone, (517) 636-4239; fax, (517) 636-5340; or email: Treas_Disclosure@michigan.gov