

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

September 12, 2008

CHANGE NOTICE NO. 7
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 101 N. First Ave., #2250 Phoenix, AZ 85003	TELEPHONE Debbie Sheren (602) 412-2000
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2002 To: September 30, 2010	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE (S):

Effective immediately the contract is INCREASED by \$59,345.00.

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and DMB approval and State Administrative Board approval dated 9/12/2008.

INCREASE: \$59,345.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$5,216,305.60

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

October 12, 2007

CHANGE NOTICE NO. 6 (REVISED)
 TO
 CONTRACT NO. 071B3001208
 between
 THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 101 N. First Ave., #2250 Phoenix, AZ 85003	TELEPHONE Debbie Sheren (602) 412-2000
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2002 To: September 30, 2010	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

Effective immediately the contract is extended to September 30, 2010 and INCREASED by \$1,650,531.00.

New pricing:

Tobacco Tracking Maintenance \$110,000.00 per year/3 years
 Motor Fuel Tracking Maintenance \$440,177.00 per year/3 years

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and DMB approval and State Administrative Board approval dated 9/11/2007.

INCREASE: \$1,650,531.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$5,156,960.60

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

October 01, 2007

CHANGE NOTICE NO. 6
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 101 N. First Ave., #2250 Phoenix, AZ 85003	TELEPHONE Debbie Sheren (602) 412-2000
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2002 To: September 30, 2010	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

Effective immediately the contract is extended to September 30, 2010 and INCREASED by \$1,650,531.00.

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and DMB approval and State Administrative Board approval dated 9/11/2007.

INCREASE: \$1,650,531.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$5,156,960.60

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

January 24, 2007

**CHANGE NOTICE NO. 5
 TO
 CONTRACT NO. 071B3001208
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 101 N. First Ave., #2250 Phoenix, AZ 85003	TELEPHONE Debbie Sheren (602) 412-2000
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2002 To: September 30, 2007	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE (S):

Effective immediately the contract is extended to September 30, 2007.

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and DMB approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$3,506,429.60

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

September 26, 2006

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 101 N. First Ave., #2250 Phoenix, AZ 85003	TELEPHONE Debbie Sheren (602) 412-2000
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2002 To: December 31, 2006	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE (S):

Effective immediately the contract is extended to December 31, 2006.

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and State Administrative Board approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$3,506,429.60

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

October 26, 2005

CHANGE NOTICE NO. 3 (Revised)
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Debbie Sheren (602) 412-2000
ACS State & Local Solutions, Inc. 101 N. First Ave., #2250 Phoenix, AZ 85003		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury		
CONTRACT PERIOD: From: November 05, 2003 To: September 30, 2006		
TERMS	N/A	SHIPMENT
		N/A
F.O.B.	N/A	SHIPPED FROM
		N/A
MINIMUM DELIVERY REQUIREMENTS		
N/A		

NATURE OF CHANGE (S):

Effective immediately the following commodity code is hereby incorporated into this contract:

920-45-11 NON-JURIS FOR SOFTWARE MAINTENANCE

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per request from Barb Suska, DIT.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$3,506,429.60

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

October 25, 2005

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 40 North Central, #2250 Phoenix, AZ 85004	TELEPHONE Craig Galler (602) 416-6036
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2003 To: September 30, 2006	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE (S):

Effective immediately the following commodity code is hereby incorporated into this contract:

920-45-11 NON-JURIS FOR SOFTWARE MAINTENANCE

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per request from Barb Suska, DIT.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$3,506,429.60

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

October 7, 2005

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 40 North Central, #2250 Phoenix, AZ 85004	TELEPHONE Craig Galler (602) 416-6036
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0239 Jacque Kuch
Contract Compliance Inspector: Reid Sisson Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2003 To: September 30, 2006	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE (S):

The purpose of this change notice is to **EXTEND** the Contract to **September 30, 2006** and to **INCREASE** the value of the contract to cover maintenance for fiscal year 2006.

Annual Maintenance- Motor Fuel Project	\$415,479.19
Annual Maintenance- Tobacco Project	<u>\$10,000.00</u>
Total Increase	\$425,479.19

All other terms and conditions remain the same.

AUTHORITY/REASON:

Per mutual agreement between State and vendor.

INCREASE: \$425,479.19

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$3,506,429.60

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

June 7, 2004

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 40 North Central, #2250 Phoenix, AZ 85004	TELEPHONE Craig Galler (602) 416-6036
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector: Juan Chapa Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2003 To: September 30, 2005	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE (S):

The purpose of this change notice is to provide funding for two major initiatives as described herein, and to **EXTEND** the Contract to **September 30, 2005**. Please see attached work statements. All other terms and conditions remain the same.

AUTHORITY/REASON:

Per mutual agreement between State and vendor.

INCREASE: \$1,753,412.54

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$3,080,953.54



A. Introduction

ACS State and Local Solutions (ACS) is pleased to provide our proposal to automate the collection, processing and reconciliation of Cigarette and Other Tobacco Product (OTP) taxes for the Michigan Department of Treasury (Treasury). The approach to this project is fairly simple in scope since it is based upon applying the existing applications and technology infrastructure currently supporting the ongoing Motor Fuel Automation Project. The timing of this project also has advantages since it is scoped to coincide with Phase 2 of the Motor Fuel Automation project. This allows both ACS and Treasury staff to capitalize on the experience gained in Phase 1 and also allows us to combine some project resources to deliver this project to the state at a minimal risk and cost.

ACS and Treasury staff have jointly defined a set of requirements for an integrated tax reporting and auditing system for cigarette and OTP wholesalers and unclassified acquirers, as well as, auditing and reporting from participating and non-participating manufacturers, Indian countries, and transporters to reconcile taxable and non-table product. Included with the processing of tax returns, schedules and other reports, ACS will also incorporate the forms, validations, and reports needed to integrate and control the issuance of cigarette stamps. Automating this aspect of the system shall provide additional cross-check capabilities against tax returns. Finally, additional checks and balances will be implemented to assist the Attorney Generals office in tracking Non Participating Manufacturers (NPM) for escrow liabilities. Although there is no intention in this project phase to track or process escrow payments, the system can be used to rapidly identify non registered NPMs.

With this procurement, ACS is ready to help Michigan rapidly recover lost tax revenues by adapting VISTA/FT (our fuel tracking system) to process and track cigarette and OTP taxes. Since VISTA/FT is already integrated into Michigan's legacy systems and newly developed technologies, Treasury can benefit from the highly automated processes already in place for fuel. We believe our approach will ensure Michigan meets its obligations for superior customer service while potentially increasing revenues by as much as 1% over current revenue collections. This could represent as much as a 6 million dollar increase in cigarette and OTP taxes per year.



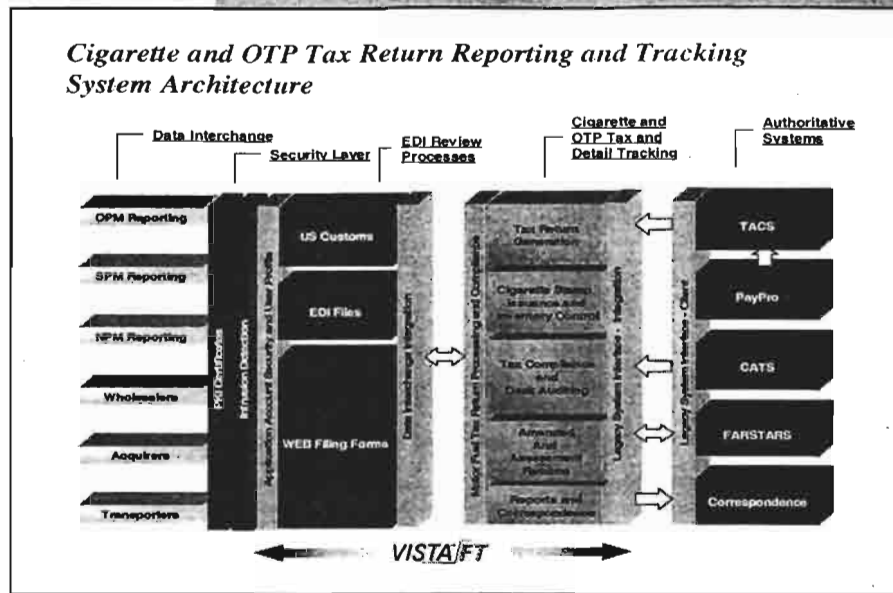


Figure 1 - Vision for the Michigan Motor Fuel Reporting and Tracking System

As illustrated above the proposed effort incorporates combined ACS and Treasury infrastructures and applications to accelerate automation of Cigarette and OTP tax processing and reconciliation. The proposed infrastructure will use ACS' VISTA/FT application and support the following processing capabilities:

- internet reporting capabilities for all required cigarette and/or OTP business entities;
- external data sources for tracking and reconciliation, such as, US Customs files, regional data sharing, etc.;
- manufacturer's reports;
- tax forms and detail supporting schedules;
- cigarette stamp issuance recording, validation and reconciliation;
- other state reporting forms for inventory and/or tax control;
- tax return / reports amendment and correction processes;
- standard and AdHoc reports (Bi-Query);
- TACS interfaces for account license and demographic data;
- PayPro for electronic payment receipt and cashiering;
- CATS integration for liability and revenue posting;
- FARSTARS interfaces to provide data for audit selection criteria; and
- Correspondence integration for automated correspondence generation and Siebel CRM integration





ACS began the development of a comprehensive fuel tax tracking system, currently known as VISTA/FT, in the mid-1990s. This effort was based on the national recognition that tax avoidance and erroneous fuel tax filings were costing federal and state agencies billions of dollars in lost revenues annually. After the system was developed and successfully deployed, ACS began to look to other tax and commodity tracking arenas in state government where the technologies could be applied to improve compliance and increase revenues. With significant increases in state tax rates on cigarettes and OTP coupled with complex and voluminous reporting requirements, cigarette and tobacco tax was a natural progression. After reviewing the functional requirements in the state of Michigan and as defined in this proposal proposed, ACS is confident you will see the obvious benefits and potential revenue gains from adapting the existing applications to process cigarette and OTP taxes. **Since 1996, we remain the only company whose client's testimonies attribute increased state fuel tax revenue collections directly to our approach, our technology, and our service.**

ACS plans to incorporate a two phased approach, as well as, many of the same successful implementation tasks as performed for the Motor Fuel Tax Automation project. Reference Section D, Cigarette and OTP Automation Project Schedule or WBS (Work Breakdown Structure) for a complete list of all identified tasks. The project is phased to accelerate the implementation of the automated tax processing capabilities (Phase 1) which includes the interfaces to: TACS for account license and demographic data; CATS for liabilities and revenue postings, and finally Correspondence for automated TBOR (Taxpayer Bill of Rights) billing letter generation. Accelerating this implementation should provide an 'early on' benefit of reducing the current manual processing efforts to allow these resources to pursue tax compliance and revenue issues. Phase 2 will address the task associated with electronic reporting, stamp issuance and, of course, tracking and discrepancy processing.

In addition to the two phases identified in Phase 1, ACS is also planning on assisting in developing a comprehensive a Market Outreach and Public Awareness program to promote new reporting capabilities with industry and public awareness about purchasing cigarettes tax free over the internet. Data Mining will be performed to review existing sources of electronic and paper data to research and identify potential revenues early on in the project lifecycle. This effort would also include the development of 'fishing letters' and further defining audit criteria to be applied to the automation processes for tracking in Phase 2. ACS will also assist the state in the development of a Business Reorganization Plan to address organizational changes to align with newly automated business functions.





The timeframe proposed for this project does coincide closely with Phase 2 of the Motor Fuel Automation project with the final completion date for Cigarettes and OTP following just 60 days after Motor Fuels. ACS is proposing to utilize additional resource hours of existing Motor Fuel Automation project management, subject matter expertise and business analyst personnel (currently allocated to Fuels on a part time basis) to perform many of the scheduled tasks. In addition, ACS is also planning to add additional development resources to ensure the timely completion of scheduled tasks and to reduce or eliminate any impacts on existing Motor Fuel Automation Project development staff.

We are confident that as you read through this proposal, review the proven approach, and analyze costs, you will agree that the Treasury/ACS team has an exciting opportunity to place the Michigan Department of Treasury once again in the forefront for creative state government initiatives in increasing state revenues and customer service.

B. Standard Features

Account Demographic Data

Account demographic data and overall account status will be maintained on TACS. This information will be downloaded to VISTA/FT (FT) using the existing data interchange file format and FTP mechanisms for the fuel tax accounts.

All process criteria and edit checks are the same as fuel tax accounts with one exception. The user would like the ability to verify if the customer owes tax monies to the state before allowing a cigarette stamp order to be processed. There are several ways to process this check.

1. CATS can update a new status on the account profile records in TACS if tax monies are owed and/or over XX days. FT will pull this status down from the TACS interface and check prior to processing stamp order.
2. CATS can allow a query via SOAP from FT for liability status
3. User can check manually before issuing cigarette stamps

ACS would prefer the first option. This keeps the interfaces consistent and requires no modification to the FT /CATS/TACS interfaces.



To facilitate the reporting and tracking of tobacco, a TACS account record will be established for every known reporting entity, including foreign NPM's that are not currently licensed in the system. In addition, Michigan will begin a effort to collect FEIN numbers on all domestic business entities. For foreign entities, this field may be omitted or substituted with a US Customs ID depending on availability and format.

Tax Types

The following entities need to be supported for cigarettes and tobacco:

Tax Type	Name	Description	License Nbr.
OP	Original Participating Manufacturers	Philip Morris, Brown & Williamson, Lorillard and RJ Reynolds. The entities are liable for Settlement escrow payment but not tax. They also report to the state on all manufactured cigarettes shipped to Michigan. Similar to Terminal Reports.	4
SP	Subsequent Participating Manufacturers	Other manufacturers that have subsequently signed and participate actively in the Master Settlement Agreement.	36
NP	Non Participating Manufacturer	Manufactures cigarette and is not a participant of the Master Settlement Agreement (MSA). NP's are responsible for submitting escrow contributions to the state as contributors for settlement funds. NPs should license with the state and it is the responsibility of Treasury and the Attorney General's (AG) offices to track and collect these escrow funds.	15
PW	Wholesaler	Licensed annually and required to file monthly. Wholesalers are the primary tax payer source cigarettes and receive tobacco products shipped to Michigan from manufacturers and can be reconciled to the data submitted by the manufacturers.	40
SW	Secondary Wholesalers	Licensed annually but not required to file any reports. Secondary wholesaler can purchase only taxed product. ACS is not planning on any processing requirements for this tax type.	250
UA	Unclassified Acquirers	Licensed annually and are required to file monthly. Unclassified Acquirers are basically cigarette and tobacco product importers. Product is imported from out of state tax free and is stamped, distributed and taxed by the UA.	400





Tax Type	Name	Description	License Nbr.
TR	Transporter	Licensed annually and are required to file monthly. Transporters cover trains and or any interstate transporter where cigarettes or tobacco products are sold retail while in route. i.e. Amtrak	0
PI	Permissive Indian Tribes	Licensed with signed tribal agreement in place to report cigarette sales on reservation. Cigarettes and tobacco product are received 'tax free' and are stamped for Indian Country usage.	4
OI	Occasional Indian Tribes	Licensed but without tribal agreement. Cigarettes and tobacco product are acquired 'tax paid', sold in Indian Country and a refund is requested from the state. Refunds cannot exceed allowable allocations based upon population densities.	8
VD	Vendors	Licensed annually but not required to file any reports. Vendors are associated with vending machines sales and can purchase only taxed product. ACS is not planning on any processing requirements for this tax type.	250

Tax Returns and Schedules General Processing Requirements

The processing requirements are identical to fuel taxes. The following forms will be supported for both Internet processing as well as paper / image / data entry support:

- Form 322 Michigan Tobacco Products Tax Return
- Form 2382 Michigan Multiple Tobacco Products Tax Schedule
 - Schedule A – Report of all Tobacco Products acquired by wholesalers or imported by unclassified acquirers
 - Schedule B – Sales to U.S. Agencies
 - Schedule C(R) – Unsalable Returns to out-state manufacturers
 - Schedule C(T) – Transfers from Michigan into other states
 - Schedule D – Tax paid sales to other licensees
 - Schedule F – Imports into Michigan by a license wholesaler
 - Schedule G – Tax paid purchases from other wholesalers
 - Schedule H – Untaxed cigarettes or other tobacco products sold to Michigan licensed wholesalers
- Form 47 – Schedule E: Physical Inventory of Tobacco Products in Michigan



- Form 373 – Schedule I: Tobacco Products Sold to Indian Tribes, Tribal Members or Other Retailers Located Within Indian Country
- Form 3353 – Schedule J: Physical Inventory of Affixed And Unaffixed Cigarette Stamps
- Form 3669 – Schedule K: Cigarettes and “Roll-Your-Own” (RYO) Tobacco Products Acquired from Non-Participating Manufacturers Including Importers on Record (NPM’s)
- Form 4032 – Schedule L: Tax-Free Tobacco Products Sold to Michigan Tribes
- Form 4028 – Schedule M: Bad Debt Deduction
- Form 3592 – Claim for Tobacco Tax Refund
- Form 3593 – Summary of Sales Worksheet/Tribal Government of Tribal Members
- Form 3383 – Request for Adjustment to Cigarette Stamp Inventory
- Form 3896 – Annual Certification of Compliance for Manufacturer of Cigarette and/or “Roll-Your-Own” Tobacco
- Form 3762 – Notification of Compliance by Non-Participating Manufacturer Regarding Escrow Payments

Some of the above listed forms are not tax return forms but are related to re-certification or licensing of certain classes of business entities in Michigan and should ultimately be processed by TACS. However, TACS may not be adaptable to some of these forms and further; they do contain data valuable to tracking and compliance auditing. Therefore, during the analysis phase of this project it will be determined how this data is to be stored and processed while keeping within the process data flows established for this project.

From the physical layout, calculation and processing requirements for these forms we see very little deviation from fuel forms with the exception of enforcing FEIN type identifiers. We have recommended that FEIN be added to all forms referring to the transfer of tobacco product to another business entity. Although currently not required on some forms, both ACS and Treasury staff feel the information is probably available to the filer and should be reported to the state. This data would facilitate tracking for tax revenue purposes, as well as, rapidly identifying potential NPMs that have not submitted escrow payments to the state. ACS will assist Michigan in re-designing the forms to accommodate this data element. Reference Attachment A – Cigarette and OTP Forms for the existing form layouts and instructions.





ACS will provide the Web based filing forms for most of the filing community. For OPMs and SPMs, ACS will provide the EDI file transfer forms to allow ASCII file submission of the manufacturing and shipment data.

All of the standard Fuel tax return processing features will also be available for Cigarette and OTP tax return processing including Originals, Amendments, Assessments, Corrections, and Audit type returns. Forms and data will be stored in sequences, as also stored with fuel, so that precise audit trails can be maintained. Return periods will be established to control the filing frequencies and postmark dates.

Stamp Issuance Recoding and Validation

ACS is proposing additional forms to be developed for recording and reporting on cigarette stamp issuance. From a processing standpoint, stamp issuance varies from tax returns since stamps are more demand driven but ACS feels that the similarity in forms and product types lends itself to be included in this project. The following forms will be supported for both Internet processing as well as paper / image / data entry support:

- Form 3345 – Cigarette Tax Stamp Order Form
- Form 323 – Application for Non-Cigarette Tobacco Products Stamp

Additional forms will be established that will allow the state user to enter information pertaining to each roll of stamps issued to a Wholesaler or Unclassified Acquirer, i.e. quantity, type, serial number, etc. At the option of Treasury, ACS can establish and make available, limited Internet forms to the Wholesalers and Unclassified Acquirers to apply for additional stamps but not actually order stamps via the Internet. Before an order is processed into the system, the account will be checked to ensure there are no outstanding monies due for taxes in the CATS system.

Issued stamp data will be stored in the data base and associated with the licensee. This will be used for additional compliance and discrepancy checks against data reported on the tax return.





Discrepancy Processing

Discrepancy checks will be added to the system to facilitate the cross-checking and desk audit activities associated with Cigarette and OTP tax processing. Preliminary analysis has revealed several cross-checks that can be addressed with automation. Some of these include:

- Cross checking the manufacturers reports with tax return details by shipment number
- Cross checking data reported on the Schedule K with data reported on the Tax Return
- Balancing inventories against receipts and disbursements to expose unreported supply sources
- Cross checking, processing and reporting on import and export activities with surrounding states
- Cross-checking and balancing sales to Indian Country against allowable allocations based upon population
- Balancing cigarette inventories, receipts, disbursements and adjustments with issued cigarette stamps
- Reconciling stamp issuance with adjustments and returns.

As the technical analysis unfolds and ongoing data mining activities reveal potential sources of additional revenues, the Discrepancy Process will be refined as the project life-cycle runs its course.

C. Recommended or Proposed Legislative Issues

During the initial discovery and fact finding efforts associated with this project ACS and Treasury staff identified some topics / issues that may warrant further addressing with the state legislature as part of this overall program. Although none of the following issues are imperative to automating Cigarette and OTP tax processing, we feel that some these issues could significantly benefit the state's efforts in revenue collection, automation and customer service. Some of the issues we have identified to date are:

- Ability for the Department to mandate electronic filing
- Bond requirements for New Licensees
- Elimination of license requirements for Secondary Wholesalers or Vendors (see above)
- Collecting taxes at the point of Stamp Issuance





We realize that some, if not all, of these issues may not be viable for legislative action, however, as part of this project we thought it would be beneficial to list these issues so that they are exposed for discussion. It is also important to note that some of these projects may actually impact the costs associated with this proposal. For example, ACS has not estimated the efforts associated with a mandated electronic filing program for Cigarette and OTP taxes which may increase costs associated with additional development as well as, support personnel.

As part of the project reporting, ACS recommends keeping a list of these issues as they come up for further action or as reference material for future projects.

D. Cigarette and OTP Automation Project Schedule

WBS Number	Task Description	Start Date	Finish Date
1	Michigan Cigarettes and OTP Tax Automation Project	Fri 8/1/03	Fri 6/18/04
1.1	Planning and Definition	Fri 8/1/03	Fri 6/18/04
1.1.1	Project Master Plan	Fri 8/1/03	Fri 8/29/03
1.1.1.1	Project Organization	Fri 8/1/03	Fri 8/29/03
1.1.1.2	Functional Task Table	Fri 8/1/03	Fri 8/29/03
1.1.1.3	State Activity Record Diagrams (life cycle)	Fri 8/1/03	Fri 8/29/03
1.1.1.4	Refine Outreach Marketing Plan	Fri 8/1/03	Fri 8/29/03
1.1.1.5	Refine Performance Metrics Plan	Fri 8/1/03	Fri 8/29/03
1.1.1.6	Refine Testing and Quality Control Plan	Fri 8/1/03	Fri 8/29/03
1.1.1.7	Refine Acceptance Test Plan	Fri 8/1/03	Fri 8/29/03
1.1.1.8	Refine Project Schedule and WBS	Fri 8/1/03	Fri 8/29/03
1.1.1.9	Refine Schedule Deliverables and Invoice Schedule	Fri 8/1/03	Fri 8/29/03
1.1.1.10	Publish Project Master Plan	Fri 8/1/03	Fri 8/29/03
1.1.2	Planning and Definition Approval and Sign-off	Tue 9/2/03	Fri 9/5/03
1.1.2.1	Project Master Plan Approval and Sign-off Sheet	Tue 9/2/03	Fri 9/5/03
1.1.3	Technical Infrastructure	Fri 8/1/03	Fri 10/17/03
1.1.3.1	Technical Infrastructure Analysis and Design	Fri 8/1/03	Fri 8/29/03
1.1.3.1.1	Define VISTA/FT Tobacco ORACLE Infrastructure Requirements	Fri 8/1/03	Fri 8/29/03
1.1.3.1.2	Refine WAN / LAN Diagrams	Fri 8/1/03	Fri 8/29/03
1.1.3.1.3	Refine Data Storage Requirements	Fri 8/1/03	Fri 8/29/03
1.1.3.2	Technical Infrastructure Design Approval and	Tue 9/2/03	Fri 9/5/03





WBS Number	Task Description	Start Date	Finish Date
	Sign-off		
1.1.3.2.1	Technical Infrastructure Design Approval and Sign-off Sheet	Tue 9/2/03	Fri 9/5/03
1.1.3.3	Technical Infrastructure Implementation	Mon 9/8/03	Fri 10/10/03
1.1.3.3.1	Order Additional Data Storage	Mon 9/8/03	Tue 9/30/03
1.1.3.3.2	Install and Test Additional Data Storage	Mon 9/8/03	Tue 9/30/03
1.1.3.3.3	Establish VISTA/FT Tobacco ORACLE Development Region and Forms Libraries for Prototyping	Mon 9/8/03	Tue 9/30/03
1.1.3.3.4	Establish VISTA/FT Tobacco ORACLE Development Region and Forms Libraries for Phase 1 and 2 Implementation	Mon 9/29/03	Fri 10/10/03
1.1.3.3.5	Establish VISTA/FT Tobacco ORACLE QA Region and Forms Libraries for Phase 1 and 2 Implementation	Mon 9/29/03	Fri 10/10/03
1.1.3.3.6	Establish VISTA/FT Tobacco ORACLE Production Region and Forms Libraries for Phase 1 and Phase 2 Implementation	Mon 9/29/03	Fri 10/10/03
1.1.3.4	Technical Infrastructure Approval and Sign-off	Mon 10/13/03	Fri 10/17/03
1.1.3.4.1	Technical Infrastructure Approval and Sign-off Sheet	Mon 10/13/03	Fri 10/17/03
1.1.4	Data Mining and Outreach Programs	Mon 9/8/03	Fri 5/7/04
1.1.4.1	Data Mining and Outreach Program Analysis and Documentation	Mon 9/8/03	Fri 10/3/03
1.1.4.1.1	EDI Filing Outreach Program Plan	Mon 9/8/03	Fri 10/3/03
1.1.4.1.2	Identify EDI Filing Requirements	Mon 9/8/03	Fri 10/3/03
1.1.4.1.3	EDI Filing Letter	Mon 9/8/03	Fri 10/3/03
1.1.4.1.4	Create Fishing Letters	Mon 9/8/03	Fri 10/3/03
1.1.4.1.5	US Customs Import/Export Data Analysis	Mon 9/8/03	Fri 10/3/03
1.1.4.1.6	Regional State Data Exchange Data Analysis	Mon 9/8/03	Fri 10/3/03
1.1.4.2	Data Mining Analysis Approval and Sign-off	Mon 10/6/03	Fri 10/10/03
1.1.4.2.1	Data Mining Analysis and Documentation Acceptance Sheet Approval	Mon 10/6/03	Fri 10/10/03
1.1.4.3	Data Mining Implementation	Mon 10/13/03	Fri 4/30/04
1.1.4.3.1	Issue Fishing Letters	Mon 10/13/03	Fri 4/30/04
1.1.4.3.2	Outreach Campaign	Mon 10/13/03	Fri 4/30/04
1.1.4.4	Data Mining Approval and Sign-off	Tue 5/4/04	Fri 5/7/04
1.1.4.4.1	Data Mining Acceptance Sheet Approval	Tue 5/4/04	Fri 5/7/04
1.1.5	Phase 1 - Cigarette and OTP Tax Processing	Mon 9/8/03	Fri 1/9/04





WBS Number	Task Description	Start Date	Finish Date
1.1.5.1	Analysis and Design	Mon 9/8/03	Fri 9/26/03
1.1.5.1.1	State Tobacco Tax Forms Layouts (Prototyping)	Mon 9/8/03	Fri 9/26/03
1.1.5.1.2	State Tobacco Reports Layouts (Prototyping)	Mon 9/8/03	Fri 9/26/03
1.1.5.1.3	TACS Interface Requirements	Mon 9/8/03	Fri 9/26/03
1.1.5.1.4	CATS Interface Requirements	Mon 9/8/03	Fri 9/26/03
1.1.5.1.5	Correspondence Interface Requirements	Mon 9/8/03	Fri 9/26/03
1.1.5.1.6	State and Filer Roles and Security Requirements	Mon 9/8/03	Fri 9/26/03
1.1.5.1.7	Publish Cigarette and OTP Tax System Detail Specifications	Mon 9/8/03	Fri 9/26/03
1.1.5.2	Phase 1 Analysis Approval and Sign-off	Fri 10/3/03	Fri 10/3/03
1.1.5.2.1	Cigarette and OTP Tax Processing Detail Specifications Acceptance Sheet Approval	Fri 10/3/03	Fri 10/3/03
1.1.5.3	Phase 1 Implementation	Mon 10/6/03	Fri 11/14/03
1.1.5.3.1	State Tobacco Tax Forms Processing	Mon 10/6/03	Fri 11/14/03
1.1.5.3.2	State Tobacco Reports Processing	Mon 10/6/03	Fri 11/14/03
1.1.5.3.3	TACS Interface Processing	Mon 10/6/03	Fri 11/14/03
1.1.5.3.4	CATS Interface Processing	Mon 10/6/03	Fri 11/14/03
1.1.5.3.5	Correspondence Interface Processing	Mon 10/6/03	Fri 11/14/03
1.1.5.3.6	Establish State and Filer Roles and Security	Mon 10/6/03	Fri 11/14/03
1.1.5.4	Phase 1 Interoperability and System Testing	Mon 11/17/03	Fri 12/5/03
1.1.5.4.1	Data Interchange Testing with Pilot E-Filers	Mon 11/17/03	Fri 12/5/03
1.1.5.4.2	System Interoperability Testing	Mon 11/17/03	Fri 12/5/03
1.1.5.4.3	Full System Testing	Mon 11/17/03	Fri 12/5/03
1.1.5.5	Phase 1 Documentation	Mon 11/17/03	Fri 12/5/03
1.1.5.5.1	Training Course Materials	Mon 11/17/03	Fri 12/5/03
1.1.5.5.2	User Reference Manuals	Mon 11/17/03	Fri 12/5/03
1.1.5.5.3	Production Cutover Plan	Mon 11/17/03	Fri 12/5/03
1.1.5.6	Phase 1 Training and User Acceptance Testing	Tue 12/9/03	Mon 1/5/04
1.1.5.6.1	User Training	Tue 12/9/03	Tue 12/9/03
1.1.5.6.2	User Acceptance Testing	Wed 12/10/03	Mon 1/5/04
1.1.5.7	Phase 1 Implementation Approval and Sign-off	Mon 1/5/04	Fri 1/9/04
1.1.5.7.1	Phase 1 Acceptance Sheet Approval	Mon 1/5/04	Fri 1/9/04
1.1.5.8	Phase 1 Business Process Restructuring	Mon 11/17/03	Fri 12/12/03
1.1.5.8.1	Phase 1 BPR Analysis and Design	Mon 11/17/03	Fri 12/5/03
1.1.5.8.1.1	Project Resource Allocation Matrix for remaining project tasks	Mon 11/17/03	Fri 12/5/03
1.1.5.8.1.2	BPR Plan for Phase 1	Mon 11/17/03	Fri 12/5/03



WBS Number	Task Description	Start Date	Finish Date
1.1.5.8.2	Phase 1 / Thread 8 - BPR Approval	Mon 12/8/03	Fri 12/12/03
1.1.5.8.2.1	BPR Acceptance	Mon 12/8/03	Fri 12/12/03
1.1.6	Phase 2 - Cigarette Stamp and Tobacco Tax Tracking	Mon 12/8/03	Fri 6/4/04
1.1.6.1	Analysis and Design	Mon 12/8/03	Fri 2/6/04
1.1.6.1.1	Analysis of Electronic Data Received from Manufacturers	Mon 12/8/03	Fri 2/6/04
1.1.6.1.2	Analysis of Electronic Data Received from Wholesalers	Mon 12/8/03	Fri 2/6/04
1.1.6.1.3	Analysis of Electronic Data Received from Acquirers	Mon 12/8/03	Fri 2/6/04
1.1.6.1.4	EDI Filing Instructions	Mon 12/8/03	Fri 2/6/04
1.1.6.1.5	E-Filer File Transfer Forms Layouts (Prototype)	Mon 12/8/03	Fri 2/6/04
1.1.6.1.6	E-Filer Tax Forms Layouts (Prototyping)	Mon 12/8/03	Fri 2/6/04
1.1.6.1.7	E-Filer EDI Review Forms Layouts (Prototyping)	Mon 12/8/03	Fri 2/6/04
1.1.6.1.8	E-Filer Stamp Request Forms Layouts (Prototyping)	Mon 12/8/03	Fri 2/6/04
1.1.6.1.9	State Stamp Issuance Forms Layouts (Prototyping)	Mon 12/8/03	Fri 2/6/04
1.1.6.1.10	State Discrepancy Processing Requirements	Mon 12/8/03	Fri 2/6/04
1.1.6.1.11	FARSTARS Interface Requirements	Mon 12/8/03	Fri 2/6/04
1.1.6.1.12	US Customs Import/Export Data Analysis	Mon 12/8/03	Fri 2/6/04
1.1.6.1.13	Regional State Data Exchange Data Analysis	Mon 12/8/03	Fri 2/6/04
1.1.6.1.14	Publish Cigarette Stamp and Tobacco Tax Tracking System Detail Specifications	Mon 12/8/03	Fri 2/6/04
1.1.6.2	Phase 2 Analysis Approval and Sign-off	Mon 2/9/04	Mon 2/9/04
1.1.6.2.1	Cigarette Stamp and Tobacco Tax Tracking Detail Specifications Acceptance Sheet Approval	Mon 2/9/04	Mon 2/9/04
1.1.6.3	Phase 2 Implementation	Mon 2/9/04	Fri 4/9/04
1.1.6.3.1	E-Filer File Transfer Forms Processing	Mon 2/9/04	Fri 4/9/04
1.1.6.3.2	E-Filer Tax Forms Processing	Mon 2/9/04	Fri 4/9/04
1.1.6.3.3	E-Filer EDI Review Forms Processing	Mon 2/9/04	Fri 4/9/04
1.1.6.3.4	E-Filer Stamp Request Forms Processing	Mon 2/9/04	Fri 4/9/04
1.1.6.3.5	State Stamp Issuance Forms Processing	Mon 2/9/04	Fri 4/9/04
1.1.6.3.6	State Discrepancy Processing Requirements	Mon 2/9/04	Fri 4/9/04
1.1.6.3.7	FARSTARS Interface Requirements	Mon 2/9/04	Fri 4/9/04
1.1.6.3.8	US Customs Import/Export Data Analysis	Mon 2/9/04	Fri 4/9/04
1.1.6.3.9	Regional State Data Exchange Data Analysis	Mon 2/9/04	Fri 4/9/04
1.1.6.3.10	State and Filer Roles and Security Requirements	Mon 2/9/04	Fri 4/9/04
1.1.6.4	Phase 2 Interoperability and System Testing	Mon 4/12/04	Fri 5/7/04





WBS Number	Task Description	Start Date	Finish Date
1.1.6.4.1	Data Interchange Testing with Pilot E-Filers	Mon 4/12/04	Fri 4/30/04
1.1.6.4.2	System Interoperability Testing	Mon 4/12/04	Fri 4/30/04
1.1.6.4.3	Full System Testing	Tue 5/4/04	Fri 5/7/04
1.1.6.5	Phase 2 Documentation	Mon 4/5/04	Fri 5/7/04
1.1.6.5.1	Training Course Materials	Mon 4/5/04	Fri 5/7/04
1.1.6.5.2	User Reference Manuals	Mon 4/5/04	Fri 5/7/04
1.1.6.5.3	Production Cutover Plan	Mon 4/5/04	Fri 5/7/04
1.1.6.6	Phase 2 Training and User Acceptance Testing	Fri 5/7/04	Fri 5/28/04
1.1.6.6.1	User Training	Fri 5/7/04	Fri 5/7/04
1.1.6.6.2	User Acceptance Testing	Mon 5/10/04	Fri 5/28/04
1.1.6.7	Phase 2 Implementation Approval and Sign-off	Mon 5/31/04	Fri 6/4/04
1.1.6.7.1	Phase 2 Acceptance Sheet Approval	Mon 5/31/04	Fri 6/4/04
1.1.6.8	Phase 2 Business Process Restructuring	Mon 2/9/04	Fri 6/4/04
1.1.6.8.1	Phase 2 BPR Analysis and Design	Mon 2/9/04	Fri 4/9/04
1.1.6.8.1.1	Collect State Activity Record Diagrams (life cycle) for BPR	Mon 2/9/04	Thu 3/25/04
1.1.6.8.1.2	BPR Plan for Phase 2	Mon 2/9/04	Fri 4/9/04
1.1.6.8.2	Phase 2 BPR Analysis and Design Approval	Mon 4/12/04	Fri 4/16/04
1.1.6.8.2.1	BPR Plan User Acceptance	Mon 4/12/04	Fri 4/16/04
1.1.6.8.3	Phase 2 BPR Implementation	Mon 4/19/04	Fri 5/28/04
1.1.6.8.3.1	Implementation of BPR	Mon 4/19/04	Fri 5/28/04
1.1.6.8.4	Phase 2 BPR Approval	Mon 5/31/04	Fri 6/4/04
1.1.6.8.4.1	BPR Acceptance	Mon 5/31/04	Fri 6/4/04
1.1.7	Contract / Project User Acceptance	Mon 6/7/04	Fri 6/18/04
1.1.7.1	Project Critique	Mon 6/7/04	Fri 6/11/04
1.1.7.2	Final Contract Completion Approval and Signoff	Mon 6/14/04	Fri 6/18/04





D. Project Costs and Billing Schedule

Initial Development Costs:	No Charge
Annual License and Maintenance Fee (minimum 5 year period):	\$ 74,864.00

Invoicing Terms:

Annual License and Maintenance Fee is payable upon start of the **Michigan Cigarettes and OTP Tax Automation Project** (Reference Section C - Cigarette and OTP Automation Project Schedule) and will be billed each month in equal monthly payments.

In the event of cancellation of this project, payments will be made for work completed through the date of cancellation only.

IF THE STATE REQUESTS ANY CHANGES TO THIS SPECIFICATION DOCUMENT, AFTER IT HAS BEEN APPROVED AND SIGNED, A DESCRIPTION OF THE CHANGES AND ASSOCIATED COST ESTIMATE (IF ANY) WILL BE AMENDED BY WRITTEN INSTRUMENT.





Attachment A – Cigarette and OTP Forms



Sole Source Justification for Contract 071B3001208

Definition:

Only one vendor possesses the unique and singularly available capability to meet the requirement of the solicitation, such as technical qualifications, ability to deliver at a particular time, or services from a public utility.

- 1; Provide an explanation of the agency's 'need' that has to be fulfilled. (Focus on the requirements, not a description of the produce or service that satisfies the need.)
To track the distribution of cigarettes and other tobacco products in order to establish tax filing discrepancies. To handle the tobacco stamp distribution processes and connect it to Treasury's financial systems. This process should deliver 6 million dollars by 9/2004.

2. Is the request for a product or service?
It is an Application Service Provider...both a product and a service.
 - a. If a product, is only manufactured by a single vendor?
Yes, ACS is the only vendor with a Tobacco Tracking solution
 - b. If a service, is it unique to a single organization?
Yes, ACS has the system located at their site in New York.
 - c. Is the produce or service sold through multiple distributors?
No, ACS is the only one.

3. Why is this vendor the only one that can fulfill the need identified in question one above? Describe the unique aspects of their produce or service?
ACS is the only vendor with a product tracking system (VISTA/FT) that can be configured for Tobacco. The current motor fuel solution, which uses the proprietary VISTA/FT system, can easily be configured to process and track cigarette and OTP taxes in the same way it processes and tracks fuel. VISTA/FT is already integrated into four major Treasury systems, Business Registration, Customer Financials, Outbound Correspondence and Single Sign-on Security. After Motor Fuel Phase 2, VISTA/FT will also be integrated with the Field Audit and Application & Licensing systems. The Cigarette and OTP data would flow into these Treasury systems from VISTA/FT with very little alteration. ACS's production and test sites are already connected to the State's telecommunication and security infrastructure with interfaces that will not need technical modification. The web front end, used for electronic filing of fuel returns, is also integrated into the Michigan.gov templates and pages. The same web infrastructure would be used to facilitate electronic filing of Cigarette and OTP returns.

4. What activities have already occurred at the agency level prior to submitting this request? Discuss what other products and services in the market were reviewed and why they didn't fulfill the agency's need. Has the agency already evaluated products or services available on the market and then made a determination that this produce or service is the

only one that meets their need? Has the vendor already done any work related to this project?

For the Motor Fuel project, the state held a significant procurement process, which included weeklong teamwork sessions with 3 selected vendors. ACS was the only vendor with an existing system to track products. The cost for the other vendors willing to develop systems for Motor Fuel tracking was significantly higher.

When we determined the efficiencies to be gained by using the same system to track tobacco products, we did an internet search for other vendors and reviewed national committees that work in the tobacco area. No other vendors were found with an existing system, especially one that was already integrated with Treasury's systems. In preparation for the Tobacco system, we arranged with ACS to include business requirements gathering sessions with the agency staff as a gratis deliverable on the Motor Fuel project. The business requirements are completed and approved by the agency.

5. Are there other State contracts in place for similar products or services? Could a modification to an existing contract potentially fulfill the need?

No.

6. Does the need meet one of the following 'best source' definitions instead of the sole source definition referenced above; 1) The product or service must match or be compatible with current equipment or services, 2) It would not be economically feasible for another vendor to provide the product or service needed, 3) A single vendor is uniquely qualified to fulfill the State's need?

Please provide a detailed explanation, including a cost/benefit analysis to support the request.

With this Amendment and Extension to an existing contract, lost tax revenues modestly estimated by ACS at more than \$6Million per year can be recovered through the highly automated processes that have already been business tested. This ensures compatibility with existing supplies and services. Included with the processing of tax returns, schedules and other reports, ACS will incorporate the forms, validations, and reports needed to integrate and control the issuance of cigarette stamps. Automating this aspect of the system will provide additional cross-checking opportunities against tax returns. Additional checks and balances will be implemented to assist the Attorney General's office in tracking Non Participating Manufacturers for escrow liabilities.

The timing of the Cigarette and OTP Automation project also has advantages since it will coincide with the Phase 2 activities of the Motor Fuel Automation Project. This allows both ACS and Treasury staff to capitalize on the experience gained in Phase 1 and also allows combining of project resources to deliver the Amendment and Extension at minimal cost and risk.

To further minimize the risks and insure success, ACS has already gathered the business requirements for the implementation of the Cigarette and OTP tax system and insured that the requirements can be met with the proposed amendment. Finally, the existing Cigarette and OTP system is built on a desktop Paradox system. Paradox is not easily supported since the State has moved to MS Access or SQL Server as the tools of choice. The aging system, built in 1994, has no significant security for the data or the applications whereas both Treasury and DIT Enterprise security have approved the new system. The existing system has no audit functionality and ledger functions leading to refunds or assessments are not automated. Essentially, the system is a glorified typewriter and data storage system.

Michigan Department of Treasury
DIT-0015 - Ref. #408

Breakdown of Costs and Funding Source:

Project	Amount	Funding Source:	AY:	Agy Code 3
Tobacco Project - Development Cost	300,000.00	* Non-IDG DIT/Treasury Agreement	04	3 00001
Annual Maintenance - Motor Fuel Project	169,583.35	IDG MTF	04	3 12444
	407,000.00	IDG MTF	05	3 12444
	415,479.19	IDG MTF	06	3 12444
	427,350.00	IDG MTF	07	3 12444
Annual Maintenance - Tobacco Project	10,000.00	IDG MTF	06	3 12444
	24,000.00	IDG MTF	07	3 12444
	\$ 1,753,412.54			

Summary By AY:

469,583.35	AY04	300,000.00	Non-IDG
		169,583.35	IDG
407,000.00	AY05		IDG
425,479.19	AY06		IDG
451,350.00	AY07		IDG
\$1,753,412.54			

Note *: Start/end date of Tobacco Tax Project is March 2004 through November 2004.
Costs are only spread out over a six month period in AY04, from March 2004 through August 2004.
Per Dave Borzenski, it will NOT cost more than \$300,000, regardless of the start/end date.



IV.B.3.C.5 MAINTENANCE AND SUPPORT PLAN

If awarded the Michigan Motor Fuel Automation Project contract, ACS will provide all operating system software, enhancements, maintenance, and training, minimizing the effort and resources necessary by Michigan to operate and maintain the software. An overview of the maintenance and support that will be provided follows:

Comprehensive Suite of Services

- IFTA - Inter and Intra-jurisdictional Tax Reporting and Licensing
- motor fuels module - tax reporting and licensing
- motor fuel tracking services (VISTA/FT)
- electronic cashiering

Centralized and distributive systems and network management

- maintenance of all software
- upgrades of software to ensure maximum efficiency
- data and media management
- database administration
- version / change / configuration management
- performance / capacity planning and management
- metrics reporting

Operational Support

- full-time customer help desk support from an assigned Business Analyst (single point of contact for Michigan)
- continuous product support and upgrades to meet ongoing requirements
- interface with other member jurisdictions, associations and technical groups
- peer review support
- user support meetings
- product upgrades
- support for national and international initiatives

Production Control

- job scheduling and control
- input / output management and control



Software Maintenance

- dedicated staff for development of new or enhanced functionality
- dedicated staff for system modification
- dedicated staff for jurisdictional changes
- quality assurance, testing, log maintenance and production

**Subject Matter and Product Experts**

- business analysis and recommendations before, during and after installation
- complete documentation of operations and requirements
- custom tailoring of requirements
- pre-implementation training and production testing
- “go live” on-site support for operations and technical staff

Administrative

- subject matter expertise to advise others on program
- interface with industry authorities
- customized client training and other client support
- supervision of all required enhancements and modifications
- assume all liability for system software failure
- provide client user meeting, sharing of ideas and newsletters

ACS' business model has always involved a close professional relationship with our client states. We view our relationships with our clients a long-term partnership that involves all levels of both the client jurisdiction and ACS management and staff. ACS utilizes a service level agreement that describes our level of support, our responsibilities for system maintenance and services, and issue resolution and escalation procedures. This agreement was developed in concert with our client jurisdictions through annual user meetings, and it serves as our guideline for meeting our responsibilities and role within our partnership with the client.

As part of ACS' support, we routinely provide on-site assistance during system implementation. The ACS Project Team is available to conduct the initial BAA, develop and design the detailed specifications for each work item, and assist the state during the testing phases of each work element. ACS will provide on-site staff for approximately two weeks after the system is placed into production to assist in resolution of any problems or issues that may arise. The ACS business analyst assigned to Michigan will provide whatever on-site assistance and support is necessary to ensure successful implementation of the system threads provided by ACS.

Proposed Amendment to Michigan Motor Fuels Tracking Contract
 Addition of Tobacco Tracking Development, Installation and Maintenance

Option 1

All Time Lines are based on a Calendar Year

Tobacco
 Development Cost of Tobacco Project \$ 300,000
 Payable Starting March 2004 - November 2004
 No support & maint charge for Tobacco during 2 yr contract term.

MFT
 Contracted Annual Maint begins May 2004 - April 2006 at \$407,000
 Proposed new Annual Maint begins May 2006 to new contract end date with a 5% annual increase

Calendar Year 2004												
	January-04	February-04	March-04	April-04	May-04	June-04	July-04	August-04	September-04	October-04	November-04	December-04
Annual Maintenance of MI MFT Payments					\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67
Development of Tobacco Project Payments	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -

Calendar Year 2005												
	January-05	February-05	March-05	April-05	May-05	June-05	July-05	August-05	September-05	October-05	November-05	December-05
Annual Maintenance of MI MFT Payments	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67
Tobacco Tracking Support Maint	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Calendar Year 2006												
	January-06	February-06	March-06	April-06	May-06	June-06	July-06	August-06	September-06	October-06	November-06	December-06
Annual Maintenance of MI MFT Payments	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67	\$ 33,916.67
Proposed Change in Annual Maintenance of MI MFT Payments thru contract term						\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50
Tobacco Tracking Support Maint thru contract term	\$ -	\$ -	\$ -	\$ -	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00

Calendar Year 2007												
	January-07	February-07	March-07	April-07	May-07	June-07	July-07	August-07	September-07	October-07	November-07	December-07
Annual Maintenance of MI MFT Payments												
Proposed Change in Annual Maintenance of MI MFT Payments thru contract term	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50	\$ 35,612.50
Tobacco Tracking Support Maint thru contract term	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00

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

February 26, 2003

NOTICE
 TO
 CONTRACT NO. 071B3001208
 between
 THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 40 North Central, #2250 Phoenix, AZ 85004	TELEPHONE Craig Galler (602) 416-6036
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1647 Irene Pena
Contract Administrator: Juan Chapa Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2003 To: April 30, 2004	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

The terms and conditions of this Contract are those of **ITB # 071I2000374**, this Contract Agreement and the vendor's quote dated **10/08/2002**. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: **\$1,327,541.00**

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

CONTRACT NO. 071B3001208
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR ACS State & Local Solutions, Inc. 40 North Central, #2250 Phoenix, AZ 85004	TELEPHONE Craig Galler (602) 416-6036 VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 Irene Pena
Contract Administrator: Juan Chapa Motor Fuel Tax Automation Project – Department of Treasury	
CONTRACT PERIOD: From: November 05, 2003 To: April 30, 2004	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: The terms and conditions of this Contract are those of ITB # 071I2000374, this Contract Agreement and the vendor's quote dated 10/08/2002. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.	
Est. Contract Value: \$1,327,541.00	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. 071I2000374. A Purchase Order Form will be issued only as the requirements of the Department of Treasury are submitted to Acquisition Services. Orders for delivery may be issued directly by the State Departments through the issuance of a Purchase Order Form.

All terms and conditions of the invitation to bid are made a part hereof.

<p>FOR THE VENDOR:</p> <p style="text-align: center;">ACS State and Local Solutions, Inc.</p> <hr/> <p style="text-align: center;">Firm Name</p> <hr/> <p style="text-align: center;">Authorized Agent Signature</p> <hr/> <p style="text-align: center;">Authorized Agent (Print or Type)</p> <hr/> <p style="text-align: center;">Date</p>	<p>FOR THE STATE:</p> <hr/> <p style="text-align: center;">Signature</p> <p style="text-align: center;">Anthony J. Des Chenes, Acting Director</p> <hr/> <p style="text-align: center;">Name</p> <p style="text-align: center;">Acquisition Services</p> <p style="text-align: center;">Strategic Business Development</p> <hr/> <p style="text-align: center;">Title</p> <hr/> <p style="text-align: center;">Date</p>
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**SECTION I
CONTRACTUAL SERVICES TERMS AND CONDITIONS**

I-A PURPOSE

The purpose of this Contract is to obtain quotations for Treasury's Motor Fuel Automation Project.

This Contract will be a lump sum/fixed price Contract.

I-B TERM OF CONTRACT

The State of Michigan is not liable for any cost incurred by any bidder prior to signing of a Contract by all parties. The activities in the Contract include design, development, training, implementation, maintenance and support covering the period November 5, 2002 through April 30, 2004. The State fiscal year is October 1st through September 30th. The prospective Contractor should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations.

I-C ISSUING OFFICE

This Contract is issued by the State of Michigan, Department of Management and Budget (DMB), Acquisition Services, hereafter known as Acquisition Services, for the State of Michigan, Department of Treasury. Where actions are a combination of those of Acquisition Services and Michigan Department of Treasury, the authority will be known as the State.

Acquisition Services is the sole point of contact in the State with regard to all procurement and contractual matters relating to the services described herein.

Acquisition Services is the only office authorized to change, modify, amend, alter, clarify, etc., the prices, specifications, terms, and conditions of this Contract. Acquisition Services will remain the SOLE POINT OF CONTACT throughout the procurement process, until such time as the Director of Purchasing shall direct otherwise in writing. All communications concerning this procurement must be addressed to:

Irene Pena, Buyer
Strategic and Supply Chain Management Division
DMB, Acquisition Services
2nd Floor, Mason Building
P.O. Box 30026
Lansing, MI 48909
(517)241-1647
Penai1@Michigan.gov

I-D CONTRACT ADMINISTRATOR

Upon receipt at Acquisition Services of the properly executed Contract Agreement, it is anticipated that the Director of Purchasing will direct that the person named below or any other person so designated be authorized to administer the Contract on a day-to-day basis during the term of the Contract. However, administration of this Contract implies no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions, and specifications of such Contract. That authority is retained by Acquisition Services. The Contract Administrator for this project is:

Juan S. Chapa
Assistant Administrator
Michigan Department of Information Technology
7285 Parsons Drive
Dimondale, MI 48821
ChapaJ@Michigan.gov
Phone: (517)636-5031
fax: (517)636-5032

I-E PURCHASE ORDERS

Orders for delivery of commodities and/or services may be issued directly by the State Departments through the issuance of a Purchase Order Form referencing this Contract (Blanket Purchase Order) agreement and the terms and conditions contained herein. Contractor is asked to reference the Purchase Order Number on all invoices for payment.

I-F COST LIABILITY

The State of Michigan assumes no responsibility or liability for costs incurred by the Contractor prior to the signing of this Contract. Total liability of the State is limited to the terms and conditions of this Contract.

I-G CONTRACTOR RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities offered in this proposal whether or not that Contractor performs them. Further, the State will consider the Prime Contractor to be the sole point of contact with regard to contractual matters, including but not limited to payment of any and all costs resulting from the anticipated Contract. If any part of the work is to be subcontracted, the contractor must notify the state and identify the subcontractor(s), including firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's organizational abilities. The State reserves the right to approve subcontractors for this project 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.

I-H NEWS RELEASES

News releases pertaining to this document or the services, study, data, or project to which it relates will 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 program are to be released without prior approval of the State and then only to persons designated.

I-I DISCLOSURE

All information in a bidder's proposal and this Contract is subject to the provisions of the Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, *et seq.*

I-J ACCOUNTING RECORDS

The Contractor will be required to maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan. Financial and accounting records shall be made available, upon request, to the State of Michigan, its designees, or the Michigan Auditor General at any time during the Contract period and any extension thereof, and for three (3) years from the expiration date and final payment on the Contract or extension thereof.

I-K INDEMNIFICATION

1. General Indemnification

Upon receipt of written notice, as required herein, the CONTRACTOR shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

- a. any claim, demand, action, citation or legal proceeding against the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents for any negligence or wrongful acts arising out of or resulting from (1) the services and products provided or (2) performance of the work, duties, responsibilities, actions or omissions of the CONTRACTOR or any of its subcontractors under this CONTRACT;
- b. any claim, demand, action, citation or legal proceeding against the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents arising out of or resulting from a material breach by the CONTRACTOR of any representation or warranty made by the CONTRACTOR in the CONTRACT;

- c. any claim, demand, action, citation or legal proceeding against the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents arising out of or related to occurrences that the CONTRACTOR is required to insure against as provided for in this CONTRACT;
- d. any claim, demand, action, citation or legal proceeding against the State, its departments divisions, agencies, sections, commissions, officers, employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the CONTRACTOR, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused by the negligence or reckless or intentional wrongful conduct of the State;
- e. any claim, demand, action, citation or legal proceeding against the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents which results from an act or omission of the CONTRACTOR or any of its subcontractors in its or their capacity as an employer of a person.

2. Patent/Copyright Infringement Indemnification

The CONTRACTOR shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents from and against all losses, liabilities, penalties, fines, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State by a third party to the extent that such 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 such equipment, software, commodity or service, infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in the Contractor's opinion be likely to become the subject of a claim of infringement, the CONTRACTOR shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the CONTRACTOR, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such 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.

3. Indemnification Obligation Not Limited

In any and all 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 shall 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 subclauses, 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 subclauses. In no event, however, will Contractor or its Subcontractors be liable for indirect, incidental, special or consequential damages of any kind arising out of their performance of this Contract, including without limitation, any loss of revenue, profit, savings or loss of use.

4. Continuation of Indemnification Obligation

The duty to indemnify will continue in full force and effect notwithstanding the expiration or early termination of the contract with respect to any claims based on facts or conditions, which occurred prior to termination.

I-L NON INFRINGEMENT/COMPLIANCE WITH LAWS

The Contractor warrants that in performing the services called for by this Contract it will not violate any applicable law, rule, or regulation, any contracts with third parties, or any intellectual rights of any third party, including but not limited to, any United States patent, trademark, copyright, or trade secret.

I-M WARRANTIES AND REPRESENTATIONS

The Contract will contain customary representations and warranties by the Contractor, including, without limitation, the following:

1. The Contractor will perform all services in accordance with high professional standards in the industry;
2. The Contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;
3. The Contractor will use its best efforts to use efficiently any resources or services necessary to provide the services that are separately chargeable to the State;
4. The Contractor will use its best efforts to perform the services in the most cost effective manner consistent with the required level of quality and performance;
5. The Contractor will perform the services in a manner that does not infringe the proprietary rights of any third party;
6. The Contractor will perform the services in a manner that complies with all applicable laws and regulations;

7. The Contractor has duly authorized the execution, delivery and performance of the Contract;
8. The Contractor has not provided any gifts, payments or other inducements to any officer, employee or agent of the State;
9. The Contractor will maintain all equipment and software for which it has maintenance responsibilities in good operating condition and will undertake all repairs and preventive maintenance in accordance with applicable manufacturer's recommendations;
10. The Contractor will use its best efforts to ensure that no viruses or similar items are coded or introduced into the systems used to provide the services;
11. The Contractor will not insert or activate any disabling code into the systems used to provide the services without the State's prior written approval;
12. A ninety (90) day warranty on all purchased and developed software, data conversion programs, and data and customization to the product performed by the contractor.

I-N TIME IS OF THE ESSENCE

The Contractor agrees that time is of the essence in the performance of the Contractor's obligations under this Contract.

I-O STAFFING

The State reserves the right to approve the Contractor's assignment of Key Personnel to this project and to recommend reassignment of personnel deemed unsatisfactory by the State.

The Contractor shall not remove or reassign, without the State's prior written approval any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

The State and the Contractor agree that the following personnel are Key Personnel for purposes of this Contract: [To be named at the signing of the final contract]

Name_____Title_____

Name_____Title_____

I-P WORK PRODUCT AND OWNERSHIP

1. Work Products shall be considered works made by the Contractor for hire by the State and shall belong exclusively to the State and its designees, unless specifically provided otherwise by mutual agreement of the Contractor and the State. If by operation of law any of the Work Product, including all related intellectual property rights, is not owned in its entirety by the State automatically upon creation thereof, the Contractor agrees to assign, and hereby assigns to the State and its designees the ownership of such Work Product, including all related intellectual property rights. The Contractor agrees to provide, at no additional charge, any assistance and to execute any action reasonably required for the State to perfect its intellectual property rights with respect to the aforementioned Work Product.
2. Notwithstanding any provision of this Contract to the contrary, any preexisting work or materials including, but not limited to, any routines, libraries, tools, methodologies, processes or technologies (collectively, the “Development Tools”) created, adapted or used by the Contractor in its business generally, including any and all associated intellectual property rights, shall be and remain the sole property of the Contractor, and the State shall have no interest in or claim to such preexisting work, materials or Development Tools, except as necessary to exercise its rights in the Work Product. Such rights belonging to the State shall include the right to use, execute, reproduce, display, perform and distribute copies *internally to State employees*, irrespective of the existence therein of preexisting work, materials and Development Tools, except as specifically limited herein.
3. The Contractor and its subcontractors shall be free to use and employ their general skills, knowledge and expertise, and to use, disclose, and employ any generalized ideas, concepts, knowledge, methods, techniques or skills gained or learned during the course of performing the services under this Contract, so long as the Contractor or its subcontractors acquire and apply such information without disclosure of any confidential or proprietary information of the State, and without any unauthorized use or disclosure of any Work Product resulting from this Contract.

I-Q CONFIDENTIALITY OF DATA AND INFORMATION

1. All financial, statistical, personnel, technical and other data and information relating to the State’s operation which are designated confidential by the State and made available to the Contractor in order to carry out this Contract, or which become available to the Contractor in carrying out this Contract, shall be protected by the Contractor from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the State. The identification of all such confidential data and information as well as the State’s procedural requirements for protection of such data and information from unauthorized use and disclosure shall be provided by the State in writing to the Contractor. If the methods and procedures employed by the Contractor for the protection of the Contractor’s data and information are deemed by the State to be adequate for the protection of the State’s confidential information, such methods and procedures may be used, with the written consent of the State, to carry out the intent of this section.

2. The Contractor shall not be required under the provisions of this section to keep confidential, (1) information generally available to the public, (2) information released by the State generally, or to the Contractor without restriction, (3) information independently developed or acquired by the Contractor or its personnel without reliance in any way on otherwise protected information of the State. Notwithstanding the foregoing restrictions, the Contractor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the State has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.
3. In performance of this contract, the contractor agrees to comply and assume responsibility for the compliance by his/her employees with the following requirements:
 - a. All work shall be performed under the supervision of the contractor or the contractor's responsible employees.
 - b. Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Disclosure to anyone other than an officer or employee of the contractor shall require written approval of the Michigan Department of Treasury, Revenue and the Internal Revenue Service. Requests to make such disclosures should be addressed to the Michigan Department of Treasury Disclosure Officer.
 - c. All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output shall be given the same level of protection as required for the source material.
 - d. The contractor certifies that the data processed during the performance of this contract shall be completely purged from all data storage components of his/her computer facility, and no output will be retained by the contractor at the time the IRS work is completed. If immediate purging of all data storage components is not possible, the contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
 - e. Any spoilage or any intermediate hard copy printout, which may result during the processing of Michigan or IRS data, shall be given to the Michigan Department of Treasury Disclosure officer. When this is not possible, the contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and shall provide the Michigan Department of Treasury Disclosure Officer with a statement containing the date of destruction, description of material destroyed, and the method used.
 - f. No work involving information furnished under this contract will be subcontracted without the specific approval of the Michigan Department of Treasury Disclosure Officer and the IRS Contracting Officer.

- g. All computers or networks which process, store, or transmit Michigan and Federal tax return information shall meet or exceed the requirements for Common Criteria level protection as evaluated by the National Security Agency (NSA) or National Institute for Standards and Technology (NIST). The operating security features of the system must:
 - h. Ensure individual accountability through identification and authentication of each individual system user;
 - i. Control access to objects according to the user's authorization;
 - j. Maintain and audit trail of accesses to the objects and data it protects;
 - k. Prevent unauthorized access by clearing all protected information on objects before they are allocated or reallocated out of or into the system.
1. The Contractor, who by virtue of his/her employment or official position, may have possession of, or access to, agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulation established thereunder, and who knowing that disclosure of the specific material is so prohibited, willfully disclosure the material in any manner to any person or agency not entitled to receive it, shall guilty of a misdemeanor.

The Contractor, all subcontractors, and all employees, agents, consultants, and any other persons working for the Contractor that are granted access to computer systems that contain confidential Michigan and federal tax return information shall be required to sign a Vendor Confidentiality Agreement (Form 3337) before such access is granted and shall be required to strictly maintain the confidentiality of all tax return information to which they are granted access pursuant to the Michigan Department of Treasury Revenue Act, MCL 205.28(1)(f) and (2).

The contractor will maintain a list of employees authorized access. Such list will be provided to the Michigan Department of Treasury Disclosure Officer.

MICHIGAN CRIMINAL/CIVIL SANCTIONS:
MCL205.28(1)(f) and (2) states in part that;

(1)(f) 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 shall 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. An employee or authorized representative shall not willfully inspect any return or information contained in a return unless it is appropriate for the proper administration of a tax law administered under this act.

(2) A person who violates subsection (1)(e) or (1)(f) 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 shall be dismissed from office or discharged from employment upon conviction.

INTERNAL REVENUE SERVICE CRIMINAL/CIVIL SANCTIONS

Each officer or employee of any contractor or subcontractor at any tier to whom returns or return information is or may be disclosed shall be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent authorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as five years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized future disclosure of returns and return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by Internal Revenue Code Sections 7213, 7213A and 7431 and set forth in 26 CFR 301.6103(n).

Additionally, it is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 USC 552a(I)(1), which is made applicable to contractors by 5USC552a(m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of specific material is so prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

The contractor accepts the conditions set forth in Section I-Q of this contract, subject to all the terms and conditions set forth, and agree to perform as stated herein.

I-R REMEDIES FOR BREACH OF CONFIDENTIALITY

The Contractor acknowledges that a breach of its confidentiality obligations as set forth in section I-Q of this Contract, shall be considered a material breach of the Contract. Furthermore the Contractor acknowledges that in the event of such a breach the State shall be irreparably harmed. Accordingly, if a court should find that the Contractor has breached or attempted to breach any such obligations, the Contractor will not oppose the entry of an appropriate order restraining it from any further breaches or attempted or threatened breaches. This remedy shall be in addition to and not in limitation of any other remedy or damages provided by law.

I-S CONTRACTOR'S LIABILITY INSURANCE

The Contractor shall purchase and maintain such insurance as will protect him/her from claims set forth below which may arise out of or result from the Contractor's operations under the Contract (Purchase Order), whether such operations be by himself/herself or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

1. Claims under workers' disability compensation, disability benefit and other similar employee benefit act. A non-resident Contractor shall have insurance for benefits payable under Michigan's Workers' Disability Compensation Law for any employee resident of and hired in Michigan; and as respects any other employee protected by workers' disability compensation laws of any other State the Contractor shall have insurance or participate in a mandatory State fund to cover the benefits payable to any such employee.
2. Claims for damages because of bodily injury, occupational sickness or disease, or death of his/her employees.
3. Claims for damages because of bodily injury, sickness or disease, or death of any person other than his/her employees, subject to limits of liability of not less than \$300,000.00 each occurrence and, when applicable \$1,000,000.00 annual aggregate, for non-automobile hazards and as required by law for automobile hazards.
4. Claims for damages because of injury to or destruction of tangible property, including loss of use resulting therefrom, subject to a limit of liability of not less than \$50,000.00 each occurrence for non-automobile hazards and as required by law for automobile hazards.
5. Insurance for Subparagraphs (3) and (4) non-automobile hazards on a combined single limit of liability basis shall not be less than \$300,000.00 each occurrence and when applicable, \$1,000,000.00 annual aggregate.
6. Claims for damages because of Errors and Omissions in the performance of duties inherent to the profession of computer software and hardware developers subject to a limit of liability of not less than \$300,000.00 each occurrence and, when applicable, \$1,000,000.00 annual aggregate. For this coverage, the State requires that it be named as a co-insured party.

The insurance shall be written for not less than any limits of liability herein specified or required by law, whichever is greater, and shall include contractual liability insurance as applicable to the Contractor's obligations under the Indemnification clause of the Contract (Purchase Order).

UPON CONTRACT EXECUTION, THE CONTRACTOR'S INSURANCE AGENCY MUST FURNISH TO THE DIRECTOR OF ACQUISITION SERVICES, ORIGINAL CERTIFICATE (S) OF INSURANCE VERIFYING LIABILITY COVERAGE. THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING. These Certificates shall contain a provision that coverage's afforded under the policies will not be canceled until at least fifteen days prior written notice bearing the Contract Number or Purchase Order Number has been given to the Director of Purchasing.

I-T NOTICE AND RIGHT TO CURE

In the event of a curable breach by the Contractor, the State shall provide the Contractor written notice of the breach and a time period to cure said breach described in the notice. This section requiring notice and an opportunity to cure shall not be applicable in the event of successive or repeated breaches of the same nature 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.

I-U CANCELLATION

The State may cancel this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

1. Material Breach by the Contractor. In the event that the Contractor breaches any of its material duties or obligations under the Contract, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State, or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess procurement costs and damages shall not be considered by the parties to be consequential, indirect or incidental, and shall not be excluded by any other terms otherwise included in the Contract. In no event, however, will Contractor or its Subcontractors be liable for indirect, incidental, special or consequential damages of any kind arising out their performance of this Contract, including without limitation, any loss of revenue, profit, savings or loss of use.

In the event the State chooses to partially cancel this Contract for cause charges payable under this Contract will be equitably adjusted to reflect those services that are cancelled.

In the event this Contract is cancelled for cause pursuant to this section, and it is therefore determined, for any reason, that the Contractor was not in breach of contract pursuant to the provisions of this section, that cancellation for cause shall be deemed to have been a cancellation for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in the Contract for a cancellation for convenience.

2. Cancellation For Convenience By the State. The State may cancel this Contract for its convenience, in whole or part, if the State determines that such a cancellation is in the State's best interest. Reasons for such cancellation shall 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 Contract services no longer practical or feasible, and (c) unacceptable prices for additional services requested by the State. The State may cancel the Contract for its convenience, in whole or in part, by giving the Contractor written notice 30 days prior to the date of cancellation. If the State chooses to cancel this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those services that are cancelled.

3. Non-Appropriation. In the event that funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available. The Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this project. If funds are not appropriated or otherwise made available, the State shall have the right to cancel this Contract at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of cancellation to the Contractor. The State shall give the Contractor written notice of such non-appropriation or unavailability within 30 days after it receives notice of such non-appropriation or unavailability.

4. Criminal Conviction. In the event the Contractor, an officer of the Contractor, or an owner of a 25% or greater share of the Contractor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Contractor's business integrity.

5. Approvals Rescinded. In the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Article 11, Section 5 of the Michigan Constitution of 1963, and Chapter 7 of the Civil Service Rules. Notwithstanding any other provision of this Contract to the contrary, the State Personnel Director is authorized to disapprove contractual disbursements for personal services if the Director determines that the Contract of the disbursements under the Contract violate Article 11, Section 5 of the Constitution or violate applicable Civil Service rules or regulations. Cancellation may be in whole or in part and may be immediate as of the date of the written notice to the Contractor or may be effective as of the date stated in such written notice.

I-V RIGHTS AND OBLIGATIONS UPON CANCELLATION

1. If the Contract is canceled by the State for any reason, the Contractor shall, (a) stop all work as specified in the notice of cancellation, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Work Product or other property derived or resulting from the Contract that may be in the Contractor's possession, (c) return all materials and property provided directly or indirectly to the Contractor by any entity, agent or employee of the State, (d) transfer title and deliver to the State, unless otherwise directed by the Contract Administrator or his or her designee, all Work Product resulting from the Contract, and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or cancellation settlement costs, to the maximum practical extent, including, but not limited to, canceling or limiting as otherwise applicable, those subcontracts, and outstanding orders for material and supplies resulting from the canceled Contract.
2. In the event the State cancels this Contract prior to its expiration for its own convenience, the State shall pay the Contractor for all charges due for services provided prior to the date of cancellation and if applicable as a separate item of payment pursuant to the Contract, for partially completed Work Product, on a percentage of completion basis. In the event of a cancellation for cause, or any other reason under the Contract, the State will pay, if applicable, as a separate item of payment pursuant to the Contract, for all partially completed Work Products, to the extent that the State requires the Contractor to submit to the State any such deliverables, and for all charges due under the Contract for any cancelled services provided by the Contractor prior to the cancellation date. All completed or partially completed Work Product prepared by the Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and the Contractor shall be entitled to receive just and fair compensation for such Work Product. Regardless of the basis for the cancellation, the State shall not be obligated to pay, or otherwise compensate, the Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.
3. If any such cancellation by the State is for cause, the State shall have the right to set-off against any amounts due the Contractor, the amount of any damages for which the Contractor is liable to the State under this Contract or pursuant to law and equity.
4. Upon a good faith cancellation, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and materials provided under this Contract, and may further pursue completion of the Work Product under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

I-W EXCUSABLE FAILURE

1. Neither party shall be liable for any default or delay in the performance of its obligations under the Contract if and to the extent such default or delay is caused, directly or indirectly, by: fire, flood, earthquake, elements of nature or acts of God; riots, civil disorders, rebellions or revolutions in any country; the failure of the other party to perform its material responsibilities under the Contract (either itself or

through another contractor); 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 such party; provided the non-performing party and its subcontractors are without fault in causing such default or delay, and such 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. In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its best efforts to recommence performance or observance whenever and to whatever extent possible without delay provided such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

2. If any of the above enumerated circumstances substantially prevent, hinder, or delay performance of the services necessary for the performance of the State's functions for more than 14 consecutive 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 from an alternate source, and the State shall not be liable for payments for the unperformed services under the Contract for so long as the delay in performance shall continue; (b) the State may cancel any portions of the Contract so affected and the charges payable thereunder shall be equitably adjusted to reflect those services canceled; or (c) the Contract will be canceled without liability of the State to the Contractor as of the date specified by the State in a written notice of cancellation to the Contractor. 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 as a result of the excusable failure condition. Defaults or delays in performance by the Contractor which are caused by acts or omissions of its subcontractors will not relieve the Contractor of its obligations under the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and the 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.

I-X ASSIGNMENT

The Contractor shall not have the right to assign this Contract or to assign or delegate any of its duties or obligations under this Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the State. Any purported assignment in violation of this section shall be null and void. Further, the Contractor may not assign the right to receive money due under the Contract without the prior written consent of the Director of Acquisition Services.

I-Y DELEGATION

The Contractor shall not delegate any duties or obligations under this Contract to a subcontractor other than a subcontractor named in the bid unless the Director of Acquisition Services has given written consent to the delegation.

I-Z NON-DISCRIMINATION CLAUSE

In the performance of any Contract or purchase order resulting herefrom, the Contractor agrees not to discriminate against any employee or applicant for employment, with respect to their 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, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The bidder further agrees that every subcontract entered into for the performance of any Contract or purchase order resulting herefrom will contain a provision requiring non-discrimination in employment, as herein specified, binding upon each subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 Public Act 453, as amended, MCL 37.2101, *et seq*, and the Persons with Disabilities Civil Rights Act, 1976 Public Act 220, as amended, MCL 37.1101, *et seq*, and any breach thereof may be regarded as a material breach of the Contract or purchase order.

I-AA WORKPLACE SAFETY AND DISCRIMINATORY HARASSMENT

In performing services for the State pursuant to this Contract, the Contractor shall comply with Department of Civil Service Rules 2-20 regarding Workplace Safety and 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service Regulations governing workplace safety and discriminatory harassment and any applicable state agency rules on these matters that the agency provides to the Contractor. Department of Civil Service Rules and Regulations can be found on the Department of Civil Service website at www.state.mi.us/mdcs/Regindx.

I-BB MODIFICATION OF SERVICE

The Director of Purchasing reserves the right to modify this service during the course of this Contract. Such modification may include adding or deleting tasks that this service shall encompass and/or any other modifications deemed necessary.

This Contract may not be revised, modified, amended, extended, or augmented, except by a writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

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. The Contractor shall provide a change order process and all requisite forms. The State reserves the right to negotiate the process during contract negotiation. At a minimum, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

1. Within five (5) business days of receipt of a request by the State for any such change, or such other period of time as to which the parties may agree mutually in writing, the Contractor shall submit to the State a proposal describing any changes in products, services, timing of delivery, assignment of personnel, and the like, and any associated price adjustment. The price adjustment shall be based on a good faith determination

- and calculation by the Contractor of the additional cost to the Contractor in implementing the change request less any savings realized by the Contractor as a result of implementing the change request. The Contractor's proposal shall describe in reasonable detail the basis for the Contractor's proposed price adjustment, including the estimated number of hours by task by labor category required to implement the change request.
2. If the State accepts the Contractor's proposal, it will issue a change notice and the Contractor will implement the change request described therein. The Contractor will not implement any change request until a change notice has been issued validly. The Contractor shall not be entitled to any compensation for implementing any change request or change notice except as provided explicitly in an approved change notice.
 3. If the State does not accept the Contractor's proposal, the State may:
 - a. withdraw its change request; or
 - b. modify its change request, in which case the procedures set forth above will apply to the modified change request.

If the State requests or directs the Contractor to perform any activities that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to so notify the State prior to commencing performance of the requested activities, any such activities performed before notice is given by the Contractor shall be conclusively considered to be In-scope Services, not New Work.

If the State requests or directs the Contractor to perform any services or functions that are consistent with and similar to the services being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the scope of the Contractor's responsibilities and charges as set forth in the Contract, then prior to performing such services or function, the Contractor shall promptly notify the State in writing that it considers the services or function to be an "Additional Service" for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing such services or functions. If the Contractor does so notify the State, then such a service or function shall be governed by the change request procedure set forth in the preceding paragraph.

IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATIONS.

I-CC NOTICES

Any notice given to a party under this Contract must be written and shall be deemed effective, if addressed to such party as addressed below 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 (3rd) 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.

For the Contractor:

For the State: *Irene Pena, Buyer; 530 W. Allegan St., Lansing, MI 48933*

Either party may change its address where notices are to be sent giving written notice in accordance with this section.

I-DD ENTIRE AGREEMENT

The contents of this document and the vendor's proposal will become contractual obligations. Failure of the Contractor to accept these obligations may result in cancellation of the award.

This Contract shall represent the entire agreement between the parties and supersedes all proposals or other prior agreements, oral or written, and all other communications between the parties relating to this subject.

I-EE NO WAIVER OF DEFAULT

The failure of a party to insist upon strict adherence to any term of this Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

I-FF SEVERABILITY

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

I-GG 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 this Contract.

I-HH RELATIONSHIP OF THE PARTIES

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

I-II UNFAIR LABOR PRACTICES

Pursuant to 1980 Public Act 278, as amended, MCL 423.231, et seq, the State shall 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 pursuant to 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, shall not enter into a Contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 Public Act 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of the Contractor as an employer, or the name of the subcontractor, manufacturer or supplier of the Contractor appears in the register.

I-JJ SURVIVOR

Any provisions of the Contract that impose continuing obligations on the parties including, but not limited to the Contractor's indemnity and other obligations shall survive the expiration or cancellation of this Contract for any reason.

I-KK GOVERNING LAW

This Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

I-LL YEAR 2000 SOFTWARE COMPLIANCE

The vendor warrants that all software for which the vendor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure year 2000 compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

I-MM CONTRACT DISTRIBUTION

Acquisition Services shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Acquisition Services.

I-NN STATEWIDE CONTRACTS

If the contract is for the use of more than one agency and if the goods or services provided under the contract do not meet the form, function and utility required by an agency, that agency may, subject to state purchasing policies, procure the goods or services from another source.

I-OO STATE STANDARDS

- 1. EXISTING TECHNOLOGY STANDARDS.** The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at www.state.mi.us/cio/oits.
- 2. PM METHODOLOGY STANDARDS.** The State has adopted a standard, documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. This policy is referenced in the document titled "Project Management Methodology" – DMB Administrative Guide Procedure 1380.02 issued June 2000. Vendors may obtain a copy of this procedure by contacting the DMB Office of Information Technology Solutions. The State of Michigan Project Management Methodology can be obtained from the DMB Office of Project Management's website at <http://www.state.mi.us/cio/opm>.

The contractor shall use the State's PMM to manage State of Michigan Information Technology (IT) based projects. The requesting agency will provide the applicable documentation and internal agency processes for the methodology. If the vendor requires training on the methodology, those costs shall be the responsibility of the vendor, unless otherwise stated.

- 3. ADHERANCE TO PORTAL TECHNOLOGY TOOLS.** For all projects involving e-Government, all bidders are expected to read, understand and support compliance with the provisions of Executive Order No. 2000-6 and Executive Directive 2001-1, issued by the State of Michigan, Office of the Governor.

The State of Michigan, e-Michigan Office has adopted the following tools as its Portal Technology development efforts:

- Vignette Content Management and personalization Tool
- Inktomi Search Engine
- Tivoli Directory Services (Presentation Layer)
- WebSphere Application Server
- WebSphere e-Pay Payment Processing Module

Vendors must use the Portal Technology Tools to implement web content management and deployment efforts for agencies. Tools used for web based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with the Center of Excellence at the Office of e-Michigan.

Under special circumstances vendors that are compelled to use alternate tools must submit an exception request to the e-Michigan Office for evaluation and approval of each alternate tool prior to proposal evaluation by the State.

I-PP ELECTRONIC FUNDS TRANSFER

Electronic transfer of funds is available to State contractors. Vendors are encouraged to register with the State of Michigan Office of Financial Management so the State can make payments related to this Contract electronically (www.state.mi.us/dmb/ofm/).

I-QQ TRANSITION ASSISTANCE

If this Contract is not renewed at the end of this term, or is canceled prior to its expiration, for any reason, the Contractor must provide for up to *six months* after the expiration or cancellation of this Contract, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance. If the State cancels this Contract for cause, then the State will be entitled to off set the cost of paying the Contractor for the additional resources the Contractor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said cancellation.

I-RR DISCLOSURE OF LITIGATION

1. The Contractor shall notify the State if it, or any of its subcontractors, or their officers, directors, or key personnel under this Contract, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. Contractor shall promptly notify the State of any criminal litigation, investigations or proceeding which may have arisen or may arise involving the Contractor or any of the Contractor's subcontractor, or any of the foregoing entities' then current officers or directors during the term of this Contract and three years thereafter.
2. The Contractor shall notify the State in its bid proposal, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments that may have arisen against it or its subcontractors during the five years preceding its bid proposal, or which may occur during the term of this Contract or three years thereafter, which involve (1) products or services similar to those provided to the

State under this Contract and which either involve a claim in excess of \$250,000 or which otherwise may affect the viability or financial stability of the Contractor , or (2) a claim or written allegation of fraud by the Contractor or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Contractor or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Contractor or subcontractor, in any an amount less than \$250,000 shall be disclosed to the State to the extent they affect the financial solvency and integrity of the Contractor or subcontractor.

3. All notices under subsection 1 and 2 herein shall be provided in writing to the State within fifteen business days after the Contractor learns about any such criminal or civil investigations and within fifteen days after the commencement of any proceeding, litigation, or arbitration, as otherwise applicable. Details of settlements which are prevented from disclosure by the terms of the settlement shall be annotated as such. Semi-annually, during the term of the Contract, and thereafter for three years, Contractor shall certify that it is in compliance with this Section. Contractor may rely on similar good faith certifications of its subcontractors, which certifications shall be available for inspection at the option of the State.
4. Assurances - In the event that such investigation, litigation, arbitration or other proceedings disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract, causes the State to be reasonably concerned about:
 - a. the ability of the Contractor or its subcontractor to continue to perform this Contract in accordance with its terms and conditions, or
 - b. whether the Contractor or its subcontractor in performing services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of this Contract or violation of Michigan or Federal law, regulation or public policy, then

The Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that: (a) the Contractor or its subcontractors hereunder will be able to continue to perform this Contract in accordance with its terms and conditions, (b) the Contractor or its subcontractors will not engage in conduct in performing services under this Contract which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

5. The Contractor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of this Contract.

I-SS STOP WORK

1. The State may, at any time, by written stop work order to the Contractor, require that the Contractor stop all, or any part, of the work called for by this Contract for a period of up to 90 days after the stop work order is delivered to the Contractor, and for any

further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this section. Upon receipt of the stop work order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of 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 shall either:

- a. Cancel the stop work order; or
 - b. Cancel the work covered by the stop work order as provided in the cancellation section of this Contract.
2. If a stop work order issued under this section is canceled or the period of the stop work order or any extension thereof expires, the Contractor shall resume work. The State shall make an equitable adjustment in the delivery schedule, the contract price, or both, and the Contract shall be modified, in writing, accordingly, if:
- a. The stop work order results in an increase in the time required for, or in the Contractor's costs properly allocable to the performance of any part of this Contract; and
 - b. The Contractor asserts its right to an equitable adjustment within 30 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 proposal submitted at any time before final payment under this Contract.
3. If the stop work order is not canceled and the work covered by the stop work order is canceled for reasons other than material breach, the State shall allow reasonable costs resulting from the stop work order in arriving at the cancellation settlement.
4. If a stop work order is not canceled and the work covered by the stop work order is canceled for material breach, the State shall not allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop work order.
6. An appropriate equitable adjustment may be made in any related contract of the Contractor that provides for adjustment and is affected by any stop work order under this section. The State shall not be liable to the Contractor for loss of profits because of a stop work order issued under this section.

I-TT PERFORMANCE AND RELIABILITY EVALUATION (PARE)

This Contract requires that a performance and reliability evaluation (PARE) be performed. The standard of performance for the PARE will be closely monitored during the acceptance period.

1. DETERMINATION OF SYSTEM READINESS

The PARE will begin on the implementation date when:

- a. The contractor certifies that the equipment and third party software is ready for use by the State.
- b. The State certifies that the User Acceptance Testing has been completed successfully. Successful completion of the User Acceptance Test is the correction by the contractor and successful re-testing by the State of all reported problems of the following types:
 1. Cannot continue processing the test until the problem is resolved. This would include, but is not limited to, programs or processes that do not complete execution as designed or may incompletely apply data that is necessary for a subsequent program or process to complete execution as designed.
 2. The system solution does not execute as designed and no alternative agreed on by the Contractor and the State can be defined or implemented. However, the basic functional processes still run from start to finish.

The Performance and Reliability Evaluation will consist of two phases.

2. PHASE I

The first phase shall be comprised of a specification compliance review of any equipment or third party software provided by the Contractor as listed on the ordering documents. Such equipment shall be checked for total compliance with all required specifications of the Contract. In the event that the State determines that any component or feature of the delivered equipment or third party software does not comply with the mandatory specifications of the Contract, the State shall so notify the Contractor, allowing 14 calendar days for rectification by the Contractor. Should the Contractor be unable to rectify the deficiency, the State reserves the right to cancel the ordering document. Should the equipment and third party software pass the specification conformance review, the equipment and third party software shall enter Phase II of the PARE.

3. PHASE II

The second phase of the PARE shall be comprised of a functional and technical requirement compliance review of any program, process or component provided by the Contractor. This compliance review will be performed by the PARE committee. The PARE committee will consist of one Contractor representative and two State personnel. This functional and technical evaluation shall commence on the implementation date, at which time the operational control becomes the responsibility of the State. The functional and technical evaluation will continue for 30 consecutive calendar days, unless restarted, and shall be known as the PARE period. All programs, processes and components will be scheduled and evaluated during the PARE period.

The PARE committee, during the PARE period and under normal system operation, shall evaluate each functional and technical requirement as it is encountered by assigning a grade as follows:

- Pass: (1) The program, process or component satisfies the functional and technical requirements approved by the State and (2) executes from start to finish.
- Incident: (1) The program, process or component does not execute according to State functional or technical requirements but a reasonable workaround can be defined and (2) the program, process or component will execute from start to finish.
- Fail: (1) A program, process or component impedes processing such that processing cannot continue until the problem is resolved or (2) the program, process or component does not execute according to State functional or technical requirements and no alternative agreed on by the Contractor and the State can be defined or implemented. However, the basic functional processes still run from start to finish. (3) A program, process or component that records three (3) Incidents is considered to have failed.

If any program, process or component provided by the Contractor has 3 failures during the PARE period, then the State shall so notify the Contractor, allowing 14 calendar days for rectification by the Contractor. Once the Contractor has rectified the failure, the PARE period will restart from the beginning. It is not required that one PARE period expire in order for another PARE period to begin. During the successful PARE period, all rerun time resulting from program, process, component or equipment failure or preventive maintenance shall be excluded from the PARE period. Re-run time shall be measured by those intervals during the PARE period between the time that the Contractor is notified of any failure and the time that the program, process, component or equipment is returned to the State in operating condition. All reconfigurations and reload time shall be excluded from the PARE period. No more than one hour will accrue to the PARE period during any one wall clock hour. Should the Contractor be unable to rectify the failure, the State reserves the right to cancel the contract. However, Contractor shall not be held responsible for failure to meet any performance standard or for failure to meet schedule if such failure is due to reasons beyond the reasonable control of Contractor and are not due to his fault or negligence.

4. STANDARD OF PERFORMANCE

If each program, process or component is certified by the PARE committee to have a passing grade during the PARE period, the solution delivered by the Contractor shall be deemed to have met the State's standard of performance and the PARE will be complete. Promptly upon successful completion of the PARE period, the State shall notify the Contractor in writing of the successful completion of the PARE period and acceptance of the terms of this Contract and authorize the appropriate payments to be made effective back to the first day of the successful PARE period.

Programs, processes, components and equipment shall not be accepted by the State and no charges will be paid by the State until the standard of performance is met. If the State's standard of performance is not attained within 90 days of the implementation date, the State shall have the option of terminating the Contract, or continuing the PARE period. The State's option to terminate the contract shall remain

in effect until such time as the State's standard of performance is attained. The Contractor shall be liable for all outbound preparation and shipping costs for contracted items returned under this clause. However, Contractor shall not be held responsible for failure to meet any performance standard or for failure to meet schedule if such failure is due to reasons beyond the reasonable control of Contractor and are not due to his fault or negligence.

I-UU STATE OF MICHIGAN SELECTED OPTIONS

The following are the proposed project threads accepted by the State of Michigan for purposes of this contract:

- Standard Thread 1 Phase 1 & 2
- Optional Thread 1 Phase 1 & 2
- Standard Thread 4 Phase 1
- Standard Thread 5 Phase 2
- Standard Thread 6 Phase 1 & 2
- Standard Thread 7 Phase 2
- Standard Thread 8 Phase 2

The State of Michigan, Department of Treasury agreed to consider the Contractor's alternative to house the solution at the Contractor's New York site pending additional information from the Contractor.

SECTION II

WORK STATEMENT

II-A BACKGROUND/PROBLEM STATEMENT

Michigan’s current Motor Fuel system was implemented in 1993 to support the law moving the point of taxation to the Terminal rack. The entire design and implementation was accomplished in 4 months. Hence, the current system is not very robust and it is mostly manual. With the advent of Michigan’s Dyed Diesel bill in 2000, Treasury developed new forms and an application/licensing system that paralleled the Federation of Tax Administrators (FTA) Motor Fuel Uniformity committee recommendations.

A Motor Fuel Analysis project was completed in 2000 focusing on the processes and systems in the Motor Fuel Section of the Revenue Bureau. Various problem areas were identified, which can be summarized as:

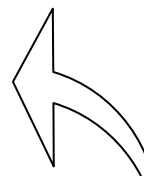
1. *The way we get the data* - manual data entry.
2. *The way we process the data* – primarily manual processes, limitations to design, closed technology and poor system performance.
3. *The way we use the data* – inability to provide process metrics, data statistics and conversion of data to information to support reporting objectives.
4. *The way we share the data* – inaccessibility of significant data for reconciliation, evaluation and partner reciprocity.

The analysis pointed out that data is a valuable item that should be optimally managed and leveraged to obtain a variety of benefits, some of which are:

- Increases in Revenue.
- Increases in Compliance.
- Improvements in Processing Timeliness.
- Improvements in Data Quality.
- Improvements in Audit Consistency

This led to the vision that:
Data is the gold of the 21st century.

A complete plan with a business case and a roadmap was submitted to Michigan Department of Treasury management for review. The plan was formed around the following data cycle because Treasury believed it would provide the most benefit.





*Data is received in the purest form,
Electronic*

*Data is processed in the most efficient way,
Automation using new technology and methods*

*Data is used to provide useful information,
Easily available, understandable and accurate*

*Data is shared freely and safely,
Establish reciprocity and consistency*

In order to implement the data cycle effectively, Treasury started the Motor Fuel Automation Project and developed the following project threads:

- 1) Electronic Motor Fuel Tax Return Filing system.
- 2) Electronic Motor Fuel Payment Processing system.
- 3) Customer Account Tracking system.
- 4) Data Mining projects to retrieve revenue.
- 5) Federal and State Motor Fuel data sharing initiatives.
- 6) A Motor Fuel Tax Return Reporting and Tracking system.
- 7) Handling of Service Interruption Authorization Numbers, Import Verification Numbers and Diversion Numbers.
- 8) Motor Fuel business environment restructuring and training.

The Motor Fuel Automation Project includes roles for State development staff and the procurement of Vendor supplied tools and staff. Treasury has chosen to begin the implementation of the project with several Treasury led initiatives. It is hoped that by using existing State tools and resources to complete some of the dependant tasks early, expectations of quick and significant revenue gains will be met while also achieving a cost saving on the procurement.

The first Treasury led thread is aimed at getting the return data. Treasury will utilize the State's network infrastructure, an enterprise wide Electronic Data Interchange (EDI) translator and Treasury staff expertise with EDI by initiating the development of an ANSI X12 EDI Version 4030 map complete with an EDI Implementation Guide. This map was presented to the FTA Motor Fuel Uniformity committee in May of 2002. It will be implemented by September 2002. Treasury will then involve a single industry Trading Partner to join in a pilot of the newly developed EDI architecture. Treasury's lead of the EDI development and marketing will end when the vendor is procured to assume leadership of this thread.

The second Treasury controlled thread will begin to coordinate existing State initiatives related to the receipt of payments. Existing initiatives include an agreement with Bank One, N. A. who has subcontracted with ANEXSYS to provide an Automated Response Unit (touch tone) to facilitate payments to Treasury. A Statewide Internet payment module that will handle credit cards and ACH debit transactions is also due for rollout in the summer of 2003. Treasury will be developing a single point of distribution between these initiatives and Treasury's backend processing systems.

In order to process the financial data effectively, Treasury has initiated the development of the Customer Account Tracking (CAT) system (thread 3). This module will be temporary for Motor Fuel only until an enterprise-wide module can be made available. The CAT system will maintain taxpayer financial accounts down to the account and tax period level. It will balance the accounts and initiate balancing transactions into Treasury's refund and collection systems. It will eventually roll up the financial information to the enterprise-wide fund level and interface to the State's accounting system, MAIN. Timelines have been established for requirements gathering, design, development and testing with completion in the spring of 2003 (as referenced in Appendix B).

Treasury has high expectations of revenue gains that need to be realized as soon as possible. To support legislative expectations, Treasury will need to show a significant revenue increase over last year by June of 2003. Promised revenue gains spike upwards from there for each succeeding year. To meet these revenue deadlines and capture revenue specific to this project, Treasury has allocated several staff members who will plan and implement small mining projects that use the data Treasury receives. The data from existing return processing and eventual EDI transmissions can be placed into Michigan's NCR 5250 Terradata datawarehouse. The data can be analyzed manually using existing reporting tools. Correspondence and manual assessments will be generated to produce revenue. This process also has added value by manually developing rules and procedures that can be implemented later in an automated system.

Although Treasury intends to lead several of the program threads, Treasury intends to procure the services of a vendor to assist Treasury with their vision that *Data is the Gold of the 21st Century*. See Section II.C.3 for the specific tasks we are requesting of the vendor.

See Appendix A for the pre-engagement timeline.

II-B OBJECTIVES

The Motor Fuel Automation Project's primary objective is to increase revenue from Motor Fuel taxes as quickly as possible by initiating electronic receipt of data, detecting and reducing evasion and by enforcing compliance.

A secondary objective is to support Treasury's Customer Service orientation by improving the timeliness of tax processing, providing quality tax data for the use of all authorized stakeholders and insuring consistency of audit rules for all taxpayers.

In order to meet these broad objectives as quickly as possible, Treasury requires a vendor whose motor fuel expertise, experience and tools are needed to assist Treasury with receiving, processing, analyzing and sharing its motor fuel tax data. Specifically, Treasury is seeking a vendor to provide solutions for:

- Continuation of Treasury's Electronic Motor Fuel Tax Return Filing initiative after the completion of the pilot (thread 1).
- Federal and State Motor Fuel data sharing initiatives (thread 5).
- A Motor Fuel Tax Return Reporting and Tracking system (thread 6).

- Handling of Service Interruption Authorization Numbers, Import Verification Numbers and Diversion Numbers (thread 7).
- Motor Fuel business environment restructuring and training (thread 8).

II-C TASKS

1. Project Control

- a. The Contractor will carry out this project under the direction and control of the Department of Treasury.
- b. Change Control will be in accordance with the State's standard Project Management Methodology described in Section I-OO.2.
- c. Although there will be continuous liaison with the Contractor team, the client agency's project director will meet weekly as a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
- d. The Contractor will submit brief written biweekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real and anticipated, which should be brought to the attention of the client agency's project director; and notification of any significant deviation from previously agreed-upon work plans. A copy of this report will be forwarded to the named buyer in Acquisition Services.
- e. Within fifteen (15) working days of the award of the Contract, the Contractor will submit to the Michigan Department of Treasury project director for final approval a work plan. This final implementation plan must be in agreement with Section IV-B.3.b as proposed by the bidder and accepted by the State for Contract, and must include the following:
 - 1) The Contractor's project organizational structure.
 - 2) 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.
 - 3) The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
 - 4) The time-phased plan in the form of a graphic display, showing each event, task, and decision point in your work plan

2. Reports

Reporting requirements will be in accordance with the State's standard Project Management Methodology described in Section I-OO.2. The specific reports required will be agreed upon by the Contract Administrator.

3. Project Organization

The project will have the following key organizational components:

- Contract Administrator
- Agency Project Manager
- Contractor Project Manager
- Project Steering Committee

4. Enterprise IT Standards

The State of Michigan has enterprise wide technology standards that need to be reviewed and adhered to as applicable. Vendors may obtain a copy of these procedures by contacting the DMB Office of Information Technology Solutions or by visiting the web site – www.state.mi.us/cio/oits/index.htm (click on "Standards" then "Enterprise IT Standards").

II-E PRICE FOR FINAL PROPOSAL

All prices/rates quoted will be firm for the duration of the Contract. No price changes will be permitted.

II-F CONTRACT PAYMENT

All invoices must reflect actual work done and list the contract number and/or purchase order number, task and the hours by person/function (i.e. developer, designer, project manager, etc.) needed to complete any request.

The payment distribution schedule for the vendor services for this contract will be:

1. 15% on submission of an acceptable work plan
2. 15% will be held until successful completion of the PARE and acceptance of the final deliverables
3. 70% due based on acceptance of scheduled deliverables provided during the project period defined by the work plan. The vendor must submit as part of the final proposal a schedule of deliverables that increments this percentage across the intervening period.

Invoices must be submitted to the following address:

**Michigan Department of Treasury
Attn: Finance and Accounting
430 West Allegan
LANSING, MI 48922**

**SECTION III
VENDOR’S RESPONSE TO RFP 071I2000374**

EXECUTIVE SUMMARY

ACS State and Local Solutions is pleased to provide our proposal for Michigan’s Motor Fuel Automation Project. The Michigan Department of Treasury has defined a set of requirements for an integrated tax reporting and auditing system for motor fuel suppliers and other taxable entities handling, transporting, and/or dispensing taxable fuel commodities. With this procurement, ACS State and Local Solutions is ready to help the state rapidly recover lost tax revenues by installing VISTA/FT (our fuel tracking system) and integrating our product solution into the state’s legacy systems and newly developed technologies. **Because VISTA/FT is an operable and proven product set, ACS can deliver this technology to the state in a timeframe that allows state staff to start collecting tax revenues faster than current project expectations.** We believe our approach will ensure that the state meets its obligations for increasing state revenues and providing superior customer service.

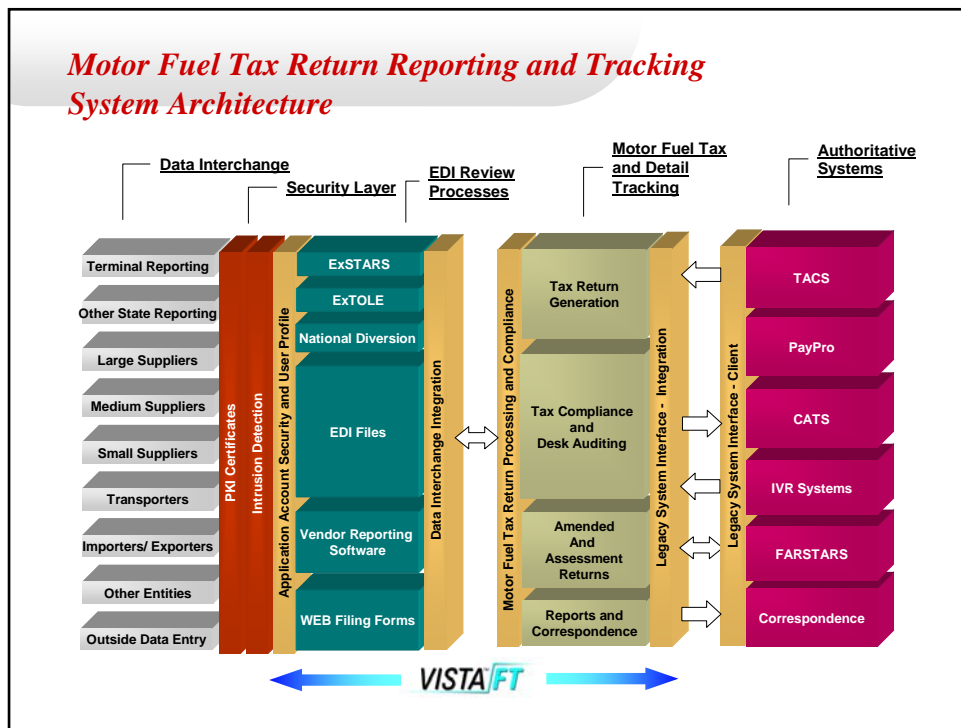


Figure 1 - Vision for the Michigan Motor Fuel Reporting and Tracking System

ACS began the development of our comprehensive VISTA/FT system in the mid-1990s. This effort was based on the national recognition that tax avoidance and erroneous fuel tax filings were costing federal and state agencies billions of dollars in lost revenues annually. ACS deployed the first fully automated motor fuel tax and audit system (VISTA/FT) to audit tax return information on a load-by-load basis in a public/private partnership with the state of Montana. Since Montana’s 1996 installation, VISTA/FT has been installed in Virginia, Nevada and Arkansas. Each state has reported significant

increases in fuel tax revenue since installing VISTA/FT. **Even today, we remain the only company whose client's testimonies attribute increased state fuel tax revenue collections directly to our approach, our technology, and our service.**

ACS recognized that states' resources to provide new and sophisticated systems were limited. As a result, VISTA/FT is designed to ensure that state computer system capacities and administrative operations are not adversely impacted. We handle day-to-day help desk support, as well as on-going maintenance, freeing your staff to perform core responsibilities.

VISTA/FT is designed to significantly reduce tax-filing errors, provide the tools required to reduce or eliminate tax avoidance, and increase customer (filer) service by streamlining tax return processing through electronic filing methodology.

ACS' motor fuel compliance program has produced real and proven results through increases in fuel tax revenues and enhanced compliance. **We are confident that the Michigan Department of Treasury will recognize increased revenues in excess of \$20 million during the first full year of operation of VISTA/FT.**

ACS combined state-of-the-art technology with some of the country's leading experts on motor fuel tax evasion to develop the most comprehensive fuel tracking system and service available today. VISTA/FT was created to specifically address the issues states face when monitoring motor fuel compliance. The system electronically tracks all fuel types and amounts throughout the entire distribution chain. It automates desk audits by electronically comparing tax returns and searching for discrepancies at the detail level. ACS' Internet portal provides for web filing of tax return information, which will result in an acceleration of the electronic tax filing programs being developed by Michigan. Paperwork will be reduced and administrative efficiencies will be gained through the installation of VISTA/FT. In addition, on-line imaging of tax returns, details and compliance results are provided by the system. VISTA/FT was designed to interface with ExSTARS, the IRS program for reporting fuel movement above the rack, which will assist in achieving Thread 5.

In addition to significant revenue increases, implementation of VISTA/FT brings other important benefits to Treasury. Some of the major benefits include:

- improved reporting efficiencies
- improved customer service
- additional revenue gains through regional processing
- improved reporting efficiencies and compliance
- accurate statistics on fuel usage by geographical areas to support local option taxes
- targeting of future audits

We are pleased to have assembled for Michigan, one of the most knowledgeable motor fuel tax project teams available in the private sector today combining state fuel tax, financial, and auditing experts with our leading experts in system integration, e-business and business re-engineering. ACS State and Local Solutions has been providing motor fuel tax processing and tracking systems since 1994, backed by over 15 years of state tax, registration and financial systems experience on a national scale.

As one of the leading Application Service Providers (ASP) in the country, ACS is uniquely positioned to offer Michigan two service options; a full-service solution for all eight (8) project threads or, a state-installed solution for seven (7) of the threads. With either approach, ACS is confident of our ability to meet, or exceed, Michigan's expected timeframes. To best meet the state's long-term objectives for an integrated enterprise-level solution, ACS is proposing to install our system in the state's data center, which can then also be used as the foundation for future tax and customer service initiatives.

We understand and acknowledge that only six (6) of the eight (8) threads are required for this response, but we believe that ACS' existing product sets and technologies will be beneficial to Michigan in reaching Treasury's project objectives with minimal risk and costs. To that end, ACS is proposing solutions for:

- Thread 1 Electronic Motor Fuel Tax Return Filing System
- Thread 2 Electronic Motor Fuel Payment Processing System
- Thread 4 Data Mining Projects to Retrieve Revenue
- Thread 5 Federal and State Motor Fuel Data Sharing Initiatives
- Thread 6 A Motor Fuel Tax Return Reporting and Tracking System
- Thread 7 Handling of Service Interruption Authorization Numbers, Import Verification Numbers and Diversion Numbers
- Thread 8 Motor Fuel Business Environment Restructuring and Training.

In addition to fulfilling the six (6) required threads, and two (2) optional threads, ACS has additional software capabilities available to assist Michigan in developing a centralized correspondence generation and control system. As discussed in our teamwork period, ACS is also recommending an approach for the correspondence system to receive straight text formatted files from each legacy application and controlling the formatting and publication by using templates and control numbers. After reviewing these requirements in detail, we have determined that existing ACS technology may be useful as a foundation for Michigan's correspondence system and have included details in our proposal.

We are confident that as you read through this proposal and discover the exciting and extensive features and functions contained within the ACS systems, you will agree that there is no other vendor that can come close to meeting all of your motor fuel compliance needs.

BUSINESS ORGANIZATION

ACS Inc. Organizational Structure

ACS, State and Local Solutions (ACS) parent company is **Affiliated Computer Services, Inc.**, is a premier provider of business process outsourcing (BPO) and information technology (IT) services and solutions to government and commercial clients worldwide. Affiliated Computer Services, Inc. (ACS, Inc.) delivers a full range of services and solutions to build and operate the dynamic info-structure that companies rely on for success in the new economy. ACS Inc. delivers proven, innovative means to meet our clients’ business and program requirements and enables them to achieve high levels of customer satisfaction. Founded in 1988, ACS Inc. is a publicly held Fortune 1000 company comprised of more than 35,000 people operating in 46 countries and 500 office locations. Headquartered at 2828 North Haskell Avenue, Dallas, Texas, and incorporated in Delaware, the company achieves annual revenue of more than \$3 billion.

The organizational charts on the following pages provide the structures of ACS, Inc. and ACS.

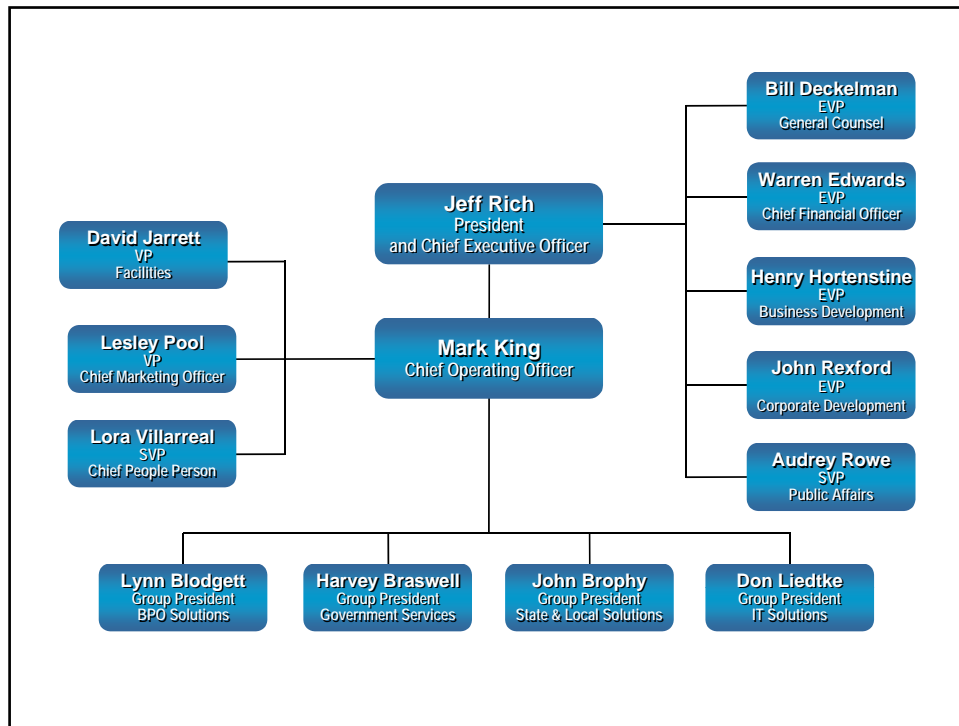


Figure 2 – ACS, Inc. Organizational Chart

ACS State and Local Solutions Organizational Structure

As shown in Figure 2, ACS State and Local Solutions (ACS) is one of four operating groups within ACS, Inc. While partnering with our government clients to solve their intractable programmatic and service delivery problems, we have at the same time, been solving problems for the users of government services—the businesses and citizen customers who interact with governments every day. Our offerings are technology-based and have incorporated appropriate levels of electronic processing and e-commerce functionality since 1981, making us an e-business long before the term was ever coined. ACS’ strength is that our systems and services complete hundreds of millions of transactions annually, while touching over two million customers every day. ACS specializes in transportation safety solutions, parking management and violations processing, electronic toll collection and other intelligent transportation services involving the trucking industry, child support enforcement, welfare and workforce services, childcare management, and IT outsourcing. ACS is a New York profit corporation validly authorized to transact business or conduct affairs in Michigan, and is currently in good standing with the state.

ACS is the industry leader in multiple segments of the state and local marketplace. Led by an impressive group of more than 350 state and local government subject matter experts (SMEs) and industry luminaries, ACS today serves clients in 44 states and Washington, D.C., more than 200 domestic jurisdictions (states, counties, cities, public authorities), and serves international clients in Australia, Canada, the United Kingdom, and the Netherlands. As former public officials, our SMEs know and understand state and local government, and their first-hand experience and knowledge extends deep within specified business areas. Our SMEs professional standing is a critical gateway toward forging the strategic partnerships that enable our clients to effect substantial quality of life improvement in providing quality service to their customers. ACS has a national network of 256 operational offices and over 5,400 employees. The company is currently organized into six lines of business:

Municipal Services (MS) -- The industry leader in providing services to the large city and county market, with 70% of the outsourced parking management/violations processing market, 80% of the North American photo enforcement market, and key positions in additional product segments.

Transportation Systems and Services (TSS) -- An industry leader and e-business services provider in three large segments of the transportation market: Motor Vehicle Services (serving 30% of the US motor carrier market), Commercial Vehicle Operations (with an installed base of more than 92% of all trucks equipped for electronic weigh station bypass), and Electronic Toll Collections (handling 60% of electronic tolls in the U.S.).

Children and Family Services (CFS) -- The industry leader in child support services (processing over 44% of all US support payments), electronic benefit transfer (EBT) and e-Childcare (first to market with an e-commerce solution). This division currently operates the State Disbursement Unit for the Family Independence Agency.

Welfare and Workforce Services (WWS) -- The leading private provider of welfare and workforce programs, with a caseload that would rank us—if we were a state—as the eleventh largest in the country.

Information Management Services (IMS) -- IMS is a recent entrant into the emerging \$23 billion state and local government information technology services business.

Revenue and Financial Services (RFS) -- A leader in assisting state and local governments realize financial savings and additional revenue generation capabilities by using the latest technology solutions.

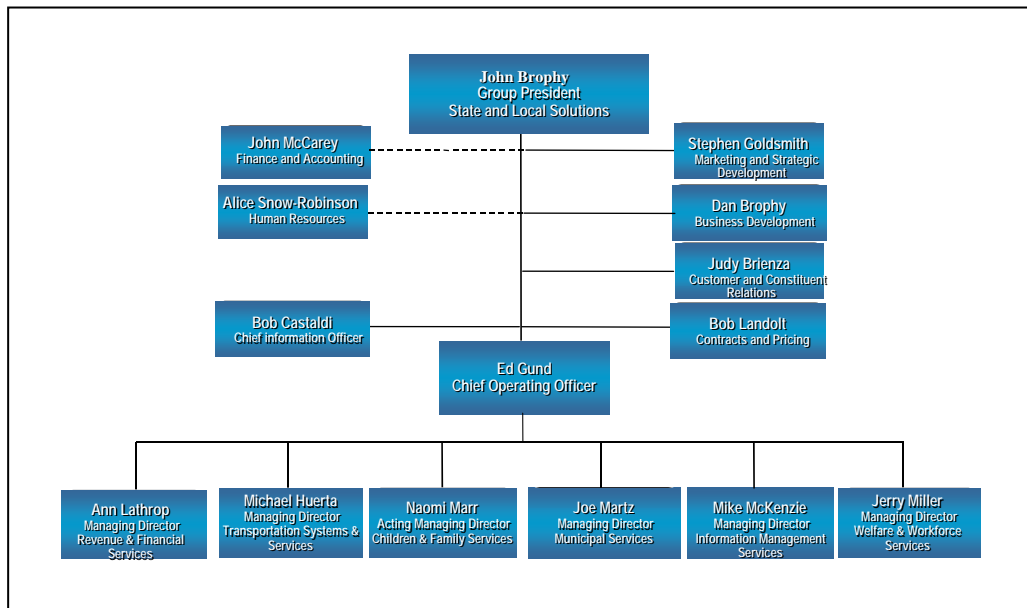


Figure 3 – ACS Organizational Chart

Michigan's Partner

Upon award of the contract, Motor Vehicles Services (MVS), part of the Transportation Systems and Services division of ACS State and Local Solutions (ACS) will fulfill all requirements of the Michigan Motor Fuel Automation Project. MVS provides transportation and financial systems for state governments, and supports more than 66 applications in 23 states. MVS is the leading provider of full-service solutions that process, track and issue motor carrier credentials. MVS has extensive experience in managing large projects and providing business requirement analysis/gathering, quality assurance testing, application development/support, data analysis/conversion and integration strategies. MVS is located at 40 North Central Avenue, Suite 2250, Phoenix, Arizona 85004.

Subcontractor Relationship

Motor Vehicle Services will be the organization within ACS that will partner with the Michigan Department of Treasury to design, develop, implement and maintain Michigan's desired motor fuel solution. We have the experience and expertise required to meet Treasury's objectives and timelines, and will not be subcontracting with another vendor to provide any required services.

STATEMENT OF THE PROBLEM

The Michigan Department of Treasury is currently operating a motor fuel system designed in 1993 to support a legislative change that moved the point of taxation to the terminal rack. The system design and implementation was completed in a very short timeframe and as a result, system functionality is limited, with many manual processes required. The Dyed Diesel bill of 2000 led to the development of new forms and an application / licensing system.

In 2000, Treasury completed an analysis of motor fuel processes and systems used by the Revenue Bureau. Four (4) major problem areas were identified:

- Data is received, entered into the system and processed manually.
- The majority of the procedures involved in motor fuel tax processing are manual. The system is limited in functionality, performance is poor, and technology is outdated.
- Because of limited system design and extensive manual processes, it is extremely difficult to compile metrics and data statistics. Data cannot be readily converted into reports or formatted for use by any specific area.
- Data is inaccessible to perform tasks such as reconciliation and evaluation and to exchange reciprocal information with Treasury’s partners.

In addition to these major findings from the study, additional issues existing in today’s motor fuel tax environment include tax evasion and reporting errors.

Evasion in the reporting of taxes is estimated to exceed \$4 billion annually. Our experience in deploying motor fuel tracking has verified that the majority of missing tax dollars is due to reporting errors. Although our states have identified specific areas of evasion through utilization of the VISTA/FT system, the largest increase in revenue has come from increasing compliance and eliminating tax-reporting errors.

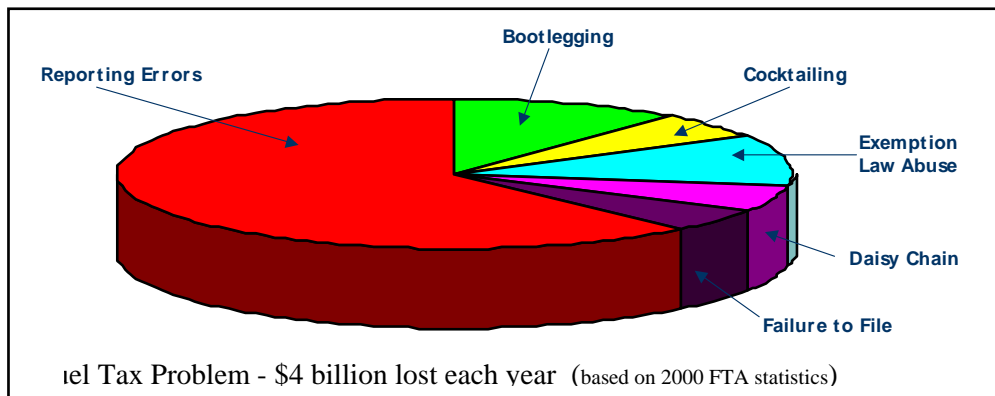


Figure 4 – Estimated Tax Evasion

The initiation of electronic receipt, processing, retrieval and exchange of motor fuel tax data, and electronic payment of motor fuel taxes will allow the Department of Treasury to recognize a significant increase in revenue, as well as increased compliance and efficiencies in processing.

MANAGEMENT SUMMARY

The following seven (7) sections contain information relative to how ACS will manage the threads required for Michigan's Motor Fuel Automation Project.

RESPONSES TO SECTION II-C.1 TASKS OF THE RFP

Pre-Qualification Requirements

a. Identify at least one (1) public entity (city, state, province or country) which the bidder has an operational motor fuel tax return electronic filing, processing or tracking system.

ACS has three (3) motor fuel tax processing / compliance systems currently in operation.

- The Arkansas Department of Revenue served as the beta site for installation and operation of VISTA/FT. The system has been in full production since January 2000.
- The Nevada Department of Motor Vehicles initially installed VISTA/FT for tracking special fuels, including diesel, in 2000. A phased approach allowed for the subsequent installation of gasoline tax processing in 2002.
- The Virginia Department of Motor Vehicles installed VISTA/FT in 2000 to track fuel movement and audit reporting compliance in conjunction with moving the point-of-taxation to the terminal.

b. Confirm that the bidder possesses staff or consultants familiar with motor fuel tax filing that are available for the final project and for the one-week teamwork period.

MVS' staff possesses both industry and state specific experience with motor fuel tax filing. Staff members who participated in the September teamwork period and are members of the project team for development and implementation include Craig Galler, Mike Albin and Brian Soltis. Resumes detailing ACS team members' experience in developing and operating motor fuel tax solutions are found in Section IV-B.3.E of our proposal.

c. Commit to provide the necessary resources to fulfill the requirements of the one-week teamwork period if selected (see section II-C.2. for a description of teamwork period). The bidder must provide the following dedicated personnel resources at no cost to Treasury, during the initial one-week period.

1. The person who would be the project manager in the event the contract is awarded to the bidder.

2. The Motor Fuel business expert who would be the team leader for the final project. This person should have at least two years experience in Motor Fuel tax administration.

ACS sent a team to participate in the one-week teamwork period. ACS staff who participated in the teamwork period included Craig Galler, who will serve as project manager, Mike Albin who will serve as the motor fuel business expert, and Brian Soltis who will be the lead system developer for this project.

d. Proof of bidder's financial stability, including the latest financial statements.

ACS State and Local Solutions has been providing motor vehicle systems and services since the late 1980s. We continuously focus on delivering exceptional client service and creating long-term relationships built on mutual values and trust. This business method has proven to bring positive, measurable results for us, as well as our clients. We have enclosed the 2001 Annual Report that contains the latest audited financial statement so the Michigan Review Team can see first-hand the financial stability of ACS.

e. A full resume of each person designated in Sections II-C.1.c.(1) and II-C.1.c.(2) and as requested in Section IV. This must provide recent implementation experience in an environment of similar size and scope to the proposed Treasury project.

Resumes for Craig Galler, Project Manager and Mike Albin, Motor Fuel Business Expert are included in this Section.

f. A statement describing the willingness of the bidder and the means necessary to insure that all tax return data provided by Michigan's filers during the contract period will be in Treasury's immediate possession after the contract period has expired. Treasury must have all tax return data to continue its tax return processing in the future (see also Section I-QQ - Transition Assistance).

Since ACS is proposing an in-house solution, all data will be stored on Michigan equipment during the term of the contract period. If any data provided by Michigan's filers during the contract period is in ACS' possession, all data will be provided to

Treasury immediately upon expiration of the contract. In addition, ACS guarantees that all of the information entered into the motor fuel system developed and installed for the Michigan Department Treasury belongs to the state and not to ACS.

ACS agrees to provide reasonable transition assistance as requested by the state for up to six (6) months after expiration or cancellation of the contract, to allow Treasury to continue providing services without interruption or adverse effect. ACS will assist with the orderly transfer of such services to the state or its designees.

- g. The primary bidder's experience and performance history in motor fuel tax system implementations. This must include a description and current status of two (2) motor fuel tax system engagements with reference contacts. An explanation of each engagement will comprise processes, procedures, policies, security and staffing. Implementations of particular relevance would be those containing project threads similar to those that Treasury will expect to use.**

ACS System and Service Description

ACS' Motor Fuel Compliance Program combines a software and service delivery process that has been proven to increase motor fuel tax reporting compliance and revenues in all of our client states using the system. VISTA/FT provides:

- web-based filing of motor fuel tax forms and data
- batch data filing of motor fuel tax reporting data via web, mailbox, and/or Value Added Network (VAN)
- electronic filing verification for tracking account tax data filings and data content
- generation of tax returns including supplemental return type, such as amended and state assessed returns
- full detail data mining for ad hoc reporting and specialized queries
- a complete fully automated desk audit feature that rapidly identifies reporting discrepancies across all filer return data
- data interchanges with external state systems, such as, tax, collection, revenue and import verification systems

New features currently being implemented include:

- import / export data interchange with Arkansas, Virginia and Tennessee via ExTOLE
- data retrieval and cross-match on diverted fuel shipments from the Wisconsin Fuel Diversion program
- ExSTARS data retrieval to provide terminal operator reports as a third tier verification on reported fuel disbursements from the terminal.

ACS can provide varying levels of service to our customers from standard product installation and integration to a complete outsourcing of the state's business unit. All VISTA/FT customers have selected the full-service approach because it provides the following services:

- centralized and distributive systems and network management
- software maintenance
- administration
- help desk
- production control

Project Approach

While each VISTA/FT application is customized to the client state, our proven approach to development and implementation is fairly similar. Our installation and service methodology embraces software customization along with the appropriate level of business process reengineering to ensure the participating agencies / departments (stakeholders) are receiving the highest level of benefit and service with our products.

Upon project initiation the ACS Fuel Tracking project team (ACS) and the Michigan Motor Fuels Automation Project team (MMFAP) shall conduct a series of project meetings to formulate the Pre-Implementation Plan. The Pre-Implementation Plan consists of the work definitions from the Michigan RFP correlated with the ACS proposal responses, the proposed implementation schedule and all specified deliverables. The Pre-Implementation Plan is used / refined during the initial project sessions with ACS staff and staff from the participating agencies to review and recap the project. This becomes the foundation for the Project Master Plan (PMP) which serves as the driving document for development and operation of the motor fuel project in that it consists of all engineering, operational and support functions, as well as management and management support functions. Each PMP includes comprehensive program planning that details the integration and management required to successfully complete each motor fuel services project. This document serves as a reference guide for how the motor fuel services project is to be managed and describes the plans and policies being put in place to minimize risk and maximize success. Initially, our Pre-Implementation Plan sessions will cover:

- Project Deliverables
- Proposed Project Schedule
- Business Process Reengineering (BPR) Plan
- Refine progress report formats and scheduled delivery
- Refine Risk Management Plan
- Refine Project Escalation Procedures
- Identification and role responsibilities for Project Team Matrix

The basic steps for analysis and design follow our Capability Maturity Module (CMM) methodologies and include:

- a) In participation with stakeholder staff members, ACS and the MMFAP team will conduct analysis to ascertain requirements for the BPR Plan.
- b) ACS along with the MMFAP team will conduct analysis and develop the functional, interface and process requirements (logical design) for the installation of the VISTA/FT product.
- c) Upon approval of the logical design by the MMFAP team, ACS will prepare the physical design for the installation of VISTA/FT.
- d) ACS will complete the BPR Plan based upon the user requirements identified in (a) and the logical and physical design requirements identified in (b) and (c).
- e) Upon approval of the physical design and the BPR Plan by the MMFAP team and in accordance with approved standards and practices, ACS will begin installation procedures, customization of the base product, development of the interface requirements and any other related development requirements.
- f) ACS will implement approved unit test procedures for each new program module and process, and will produce documentation test results.
- g) ACS will conduct a complete integration test approved by the MMFAP team.
- h) ACS will implement approved user acceptance test procedures for the installed VISTA/FT product and all new program modules and produce documentation of test results.
- i) ACS will integrate the tested program modules into the VISTA/FT production code base.
- j) ACS will prepare user and operational documentation on all program modules.
- k) ACS will conduct a comprehensive VISTA/FT training program for all stakeholders inclusive of the BPR Plan's approved process changes.

Arkansas

The Arkansas Department of Finance and Administration (DFA) served as the beta site for installation and operation of ACSVISTA/FT. The system has been in full production in Arkansas since January 2000. Arkansas was our first fully mandated electronic reporting state with filer data being submitted to the state's VAN and then transmitted electronically to VISTA/FT for verification, posting and auditing.

Since inception, Arkansas has recognized significant improvements to its motor fuel tax collections through the installation of the motor fuel compliance system. In addition to overall fuel tax revenue increases, Arkansas has also assessed an additional \$3.4 million in taxes due in 2000 through discrepancies identified by VISTA/FT. Analysis of 2001 and 2002 revenue is currently underway. In addition, the state has realized major improvements in filer compliance through automated reporting.

THE MAJOR MILESTONE TASKS PERFORMED IN ARKANSAS WITH THE INSTALLATION OF VISTA/FT ARE DESCRIBED BELOW.

Task 1 included planning and preparation in migrating paper tax returns and detail to a complete electronic data interchange (EDI) environment. ACS assisted in the development of both ANSI.X12, 813, 3050 mapping guide for the electronic filers. In addition we worked with state staff to define the filing procedures and rules for electronic filing.

VISTA/TS is used by the Arkansas Department of Finance and Administration to process license and tax information including, but not limited to, complete processing of original, amendment, correction, balance, audit and assessment return types that are automatically generated based upon data processed in VISTA/FT and interfaced with VISTA/TS. Once the data is interfaced into VISTA/TS, payments are applied and reconciled, and assessment letters, invoices and other related correspondence are generated. VISTA/FT is used by Arkansas to receive EDI input from the filers, generate face copy and summary schedule information, and analyze detail reporting data for discrepancies. The interface mechanism that exists between VISTA/FT and VISTA/TS is primarily oriented towards the generation of the return face copies and summary schedules based upon the EDI data received from the filers.

Task 2 was the analysis, customization and set-up of the VISTA/TS motor fuels tax-processing module. Because VISTA/TS and VISTA/FT are integrated and perform exchanges of data, significant analysis efforts were performed. VISTA/TS serves as the system of record in that most of the interfaces currently in place are structured to ensure VISTA/FT is always in sync with VISTA/TS.

Task 3 consisted of the implementation of the full VISTA/FT baseline cross-match and related automated processes for receiving data, tagging data for review and interfacing data. Successful completion of three key segments was required to make VISTA/FT a success in Arkansas.

- a) An EDI review process whereby Arkansas staff is notified if errors or discrepancies occur in the electronic submissions
- b) Interface controls for tax information submitted to VISTA/TS.
- c) Data Interchange with Arkansas Importer Permit System, which validates import activities against, issued permits.

ACS also provided Arkansas with support in getting buy-in and participation from its industry customers and in training industry on system procedures and processes. Details of our participation follow.

- **Industry participation** – is critical to the overall acceptance and success of motor fuel compliance initiatives. Our experience has proven that having the cooperation and support of the motor fuel industry results in a dramatic increase in voluntary compliance which in turn results in dramatically increased tax revenues. Industry participation has been a “partnered” effort between the state tax collection agencies and ACS. Working with the state, we develop a comprehensive plan for getting buy-in and participation from industry.
- An **industry marketing plan** – was developed for the state of Arkansas to detail, for the industry, the benefits, requirements and responsibilities attached to their involvement in the motor fuel tracking initiative. ACS, in conjunction with Arkansas staff, set-up and provided seminars in strategic areas of the state that were determined to be convenient for industry participation. The seminars outlined the industry benefits of the motor fuel compliance initiative, as well as the requirements and responsibilities as participants.
- An **industry training and education guide** – was developed for the state of Arkansas to provide information on the data filing options available, the support provided for each and directions on how to implement them. It also served to educate filers on how they will be notified in the event of a discrepancy and what information they will be given to support the claim. The guide also provided information to industry detailing the resolution process. ACS developed and provided brochures, manuals and related training on what was required of industry
- An **industry support plan** - was developed for the state of Arkansas to detail ACS’ on-going support for industry’s involvement in the motor fuel compliance initiative. The document detailed the ongoing support for industry and included information regarding the support of changes in electronic filing formats; exchange methods, supporting voluntary compliance, supporting legislative changes (tax form changes), and supporting recommendations from outside agencies such as the Federation of Tax Administrators, Federal Highway Administration, and others.

The ACS team responsible for development and implementation of Arkansas' motor fuel solution included technical as well as operational staff. Team members and their responsibilities for the Arkansas project follow.

Craig Galler, Chief Systems Development Manager

- Project Oversight

Eddie Tompkins, Project Manager, Motor Fuel Tracking System

- Project Manager
- System Development/Implementation Manager

Ray Mayfield, LAN Administration

- Communication Engineer

Katie Spitza, Senior Business Analyst

- Project Control Manager

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Virginia

In January 2000, the Virginia legislature passed an initiative to move the point of taxation for motor fuels to the “rack”. The Virginia Department of Motor Vehicles made changes to its tax reporting forms and processing procedures utilized to collect motor fuel taxes. In order to facilitate the change in the point of taxation, Virginia requested ACS to enhance its IFTA system (VISTA/TS) by installing the motor fuels module for processing the new tax forms and to install the Motor Fuel Tracking System (VISTA/FT) to assist in monitoring compliance and auditing supporting detail transactions.

The biggest challenge in this project was getting the detailed tax supporting information received from the filers into an electronic format. The DMV requested filers to voluntarily file electronic returns. However, because the majority of filers opted to continue filing paper returns, the DMV was forced to explore other options and contracted with a data entry company to input details. DMV staff is responsible for keying face copy information into the system. Electronic entry enabled the DMV to facilitate the ‘Tax at the Rack’ initiative through a fully automated integration of electronic tax data into the tax processing system (VISTA/TS) and enabled complete detailed record retention, compliance monitoring and auditing support capabilities with the motor fuel tax solution (VISTA/FT).

There were several major tasks to this project; some were performed concurrently to ensure expected completion time frames were met.

Task 1 included planning and preparation in migrating the current paper submission of distributor tax returns and detail to a complete tax-at-the-rack electronic data interchange (EDI) environment. ACS recommended full Internet support as the primary transmission method for filers to submit EDI data including a web-direct tax form; full EDI ANSI X.12 translation, processing and archiving; and alternative ASCII file support for EDI file submissions. In order to accelerate input of paper tax reports into VISTA/FT for compliance, discrepancy and audit purposes, manual data entry and OCR image scanning were specified as options for inputting data.

Task 2 was the analysis, customization and set-up of the VISTA/TS motor fuels tax-processing module. Because VISTA/TS and VISTA/FT are integrated and perform exchanges of data, significant process analysis efforts were performed. ACS staff worked very closely with Virginia staff to develop a joint Business Process Reengineering effort. ACS prepared process flow diagrams and documentation to support Virginia's new business rules as part of the tax-at-the-rack program. This resulted in a business process re-engineering for the department to accommodate the new filing procedures and technology.

Task 3 was the analysis of the VISTA/FT and VISTA/TS installation requirements. The first analysis effort dealt with the account information, bonding requirements and licensing. This analysis and customization was completed first to enable state staff to enter the new tax accounts. Included in this effort was the design and implementation of custom correspondence, business process rules, license forms, tax forms, and reports. The second analysis effort centered on their tax return forms. Virginia has 19 motor fuel tax types to categorize their licensed filers. Each tax type is established with its own processing criteria, bond requirements, operational dates, correspondence, etc. Each tax form is customized into the systems to fit the exact data requirements on the state's forms. It is important to note that VISTA/TS does not store any of the detail (load-by-load) fuel data that support the motor fuel tax returns but works entirely from the face copy and summary schedule data. Detail data is maintained and processed in the VISTA/FT module which is integrated with VISTA/TS.

Task 4 consisted of the implementation, testing and turnover of the full VISTA/FT baseline cross-match and related automated processes for receiving data, tagging data for review, and interfacing data. ACS implemented a web filing page where smaller filers / reporters can file their information online directly into the VISTA/FT system. In addition to the processes set-up for the new point of taxation, the Department of Motor Vehicles requested ACS to customize certain discrepancy checks to assist in identifying missing tax revenue. ACS designed a fuel tracking system that conducts a cross-match of detailed loads and supplies the Department with the tools to conduct field or desk audits.

The ACS team responsible for development and implementation of Virginia's motor fuel solution included technical as well as operational staff. Team members and their responsibilities for the Virginia project follow.

Craig Galler, Director of Strategic Growth and Development

- Project Oversight

Fred Hernandez, Project Manager, Motor Fuel Tracking System

- Project Manager
- System Development/Implementation Manager

Dave Dahlberg, Client Services Manager

- System Development/Implementation Manager

Brian Swan, Network Manager

- Communication Engineering

Katie Spitza, Senior Business Analyst

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Nevada

The Nevada Department of Motor Vehicles initially installed VISTA/FT for tracking special fuels. A phased implementation allowed for a subsequent installation of motor fuels tax processing in 2002.

A feature of the VISTA/FT, which is extremely important to the DMV, allows for distribution of county fuel taxes on a daily basis vs. a weekly distribution, which had been the practice in the past. Daily distribution provides Nevada with significant processing efficiencies. Analysis of revenue increases resulting from VISTA/FT installation is underway.

The Nevada Department of Motor Vehicles requested ACS' assistance in transferring all motor fuels tax return processing from the Department of Taxation and combining them with the special fuel tax return processing. In addition, Nevada requested ACS' assistance to change the standard special fuel tax return forms to accommodate gasoline reporting. This resulted in a change in the supplier's tax reporting form (special fuels) and processing used by the DMV in its motor fuels tax and licensing system - VISTA/TS. In order to facilitate the inter-departmental transfer of gasoline tax processing, Nevada and ACS worked closely together to accomplish this task.

To automate the collection of filings, Nevada requested ACS to support the existing VISTA/TS taxation system by installing the Motor Fuel Tracking System (VISTA/FT) to assist in auditing supporting detail transactions. The biggest challenge in this project was and continues to be, the ability to receive detailed tax supporting information in an electronic format from the filers on a voluntary basis vs. the paper reports traditionally submitted. Nevada has plans to mandate electronic filing in January 2003. Once Nevada establishes compliance using electronic format either by voluntary or legislative mandate, this will enable the DMV to facilitate the collection and auditing of special fuel tax returns. With a fully automated integration of electronic tax data into the VISTA/TS tax processes along with VISTA/FT, which supports auditing capabilities, Nevada will be able to fully utilize the tax processing and tracking system.

There were several major tasks to this project. Some tasks were performed concurrently in order to meet the expected time frames for completing this project.

Task 1 was planning and preparation in the migration from the paper submission of tax returns and detail to a complete electronic data interchange (EDI) environment. ACS recommended two methods for facilitating the migration of paper tax return information into electronic data files. We recommended full Internet support as the primary transmission method for filers to submit EDI data including a web-direct tax form; full EDI ANSI X.12 translation, processing and archiving; and alternative ASCII file support for EDI file submissions.

The result of this task over the life cycle of the project provides the state of Nevada with automated processes and manual procedures to create a seamless environment for receiving and processing tax return data submitted either electronically or on paper for special fuels. This also provided the foundation for electronic filing of gasoline tax returns, which was transferred to Nevada in July of 2002.

Task 2, conducted concurrently with Task 1, was the analysis and customization of the interface between VISTA/TS, the state's IFTA system, and VISTA/FT, the motor fuel solution. Three major analysis segments were performed to complete the installation of VISTA/FT and VISTA/TS. It is important to point out that VISTA/TS and VISTA/FT have automated interface mechanisms and all of the custom work performed in VISTA/TS was also performed in VISTA/FT. This work synchronized the two physical RDBMS data sets. As in all installations of the combined VISTA/TS and VISTA/FT systems, VISTA/TS is the system of record in that most of the interfaces currently in place are structured to ensure VISTA/FT is always in sync with VISTA/TS.

The first segment dealt with the tax return forms themselves. Each tax form was customized into VISTA/TS and VISTA/FT to fit the exact data requirements of the state's paper forms. It is important to note that VISTA/TS does not store any of the detail (load-by-load) fuel data that supports the motor fuel tax returns but works entirely off of face copy and summary schedule data. Detail data is maintained and processed in the VISTA/FT module that integrates with VISTA/TS.

Task 3 was the implementation of a full VISTA/FT baseline cross-match and related automated processes for receiving and interfacing data and tagging data for review. Nevada was unique in many areas. The point of taxation was moved from the retail level to the distributor level. A law was passed to establish a special fuel tracking system. Before the fuel tracking system was completed, the collection of motor fuel taxes was moved from the Department of Taxation to the Department of Motor Vehicles. Occurring simultaneously was a reorganization within the Department of Motor Vehicles which changed business processes. Many of the new staff working with ACS had either no knowledge or extremely limited knowledge of the VISTA/FT system.

Like Virginia, Nevada uses VISTA/TS to process license and tax information and VISTA/FT for the purpose of bringing motor fuel suppliers into compliance and to detect fuel tax evasion. When Nevada changed the point of taxation and merged the two tax agencies, five (5) motor fuel tax types were created which they wanted included in one tax return. Each of the tax types are established with its own criteria, i.e. bond requirements, operational dates, correspondence, etc. Each of the new tax types had to be customized in both VISTA/TS and VISTA/FT to fit the exact data requirements prescribed by Nevada.

The ACS team responsible for development and implementation of Nevada's motor fuel solution included technical as well as operational staff. Team members and their responsibilities for the Nevada project follow.

Craig Galler, Director of Strategic Growth and Development

- Project Oversight

Fred Hernandez, Project Manager, Motor Fuel Tracking System

- Project Manager

Dave Dahlberg, Director of Client Services

- System Development/Implementation Manager, VISTA/TS

Brian Swan, Network Manager

- Communication Engineering

Katie Spitz, Senior Business Analyst

- Project Control Manager

Jason Stein, Client Services Manager

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h. The primary bidder's willingness and ability (shown by appropriate Motor Fuel system experience) to meet Treasury's project milestone dates across threads as referenced in Appendix B.

Michigan's motor fuel recommendation summary roadmap describes eight (8) threads to automating motor fuel tax processing. ACS staff possesses the skills, ability, expertise and desire to meet Treasury's milestone dates.

Thread 1 is the continuation of Treasury's Electronic Motor Fuel Tax Return Filing System. As described throughout our proposal, ACS has extensive experience in developing, implementing and supporting motor fuel tax solutions.

Thread 2 is implementation of an Electronic Motor Fuel payment processing system. ACS understands that the state will supply these efforts and ACS will assist in any way possible to ensure Michigan's dates and goals are met.

Thread 3 is development of a Customer Account Tracking System (CATS) to provide accounting processes for use by the Motor Fuel Automation program. As it is not required as part of this project, ACS is not proposing a solution for Thread 3.

Thread 4 is data mining to research and analyze current data to identify fuel leakage and other compliance issues to generate additional revenue. ACS' recommendation will result in Threads 4 and 6 eventually being merged.

Thread 5 is defined as federal and state data sharing initiatives. ACS is currently working with several jurisdictions, some non-VISTA/FT users, on the exchange of import/export information. The information exchange will be funneled through the ExTOLE system. Once ExSTARS is operational VISTA/FT can integrate the reports the states will be receiving from the IRS into our tracking system for a cross-match.

Thread 6 is the development of a motor fuel tax return reporting and tracking system. Our VISTA/FT system is currently operational in three (3) states and has proven to increase revenue and enhance operating efficiencies. This system was customized for each state's laws, rules and requirements. Implementation in each state was completed within the state's specified timelines.

Thread 7 consists of handling of service interruption authorization numbers, import verification numbers and diversion numbers. The fuel shipment diversion system can be added to the system as part of the setup of Michigan's processing rules and forms. For example, one jurisdiction has a specific discrepancy check that identifies all returns claiming a credit, such as a bad debt credit, on the tax return. Another jurisdiction wants VISTA/FT to identify all licensed ultimate vendors (bulk dealers) who have been in business for less than six (6) months. These state specific validations and cross checks are defined and implemented during the installation phase of the project.

Using accumulated data and statistics, VISTA/FT can report on fluctuations and trends in fuel movement from different terminals or to different cities, import/export trends, volumes, export/import states and filers. VISTA/FT can also report on trends in filer activity, whom they do business with, how much, when, and where. All discrepancies generated are available for viewing and processing on-line and are also reported in a standard PC readable format.

Thread 8 requires motor fuel business environment restructuring and training. Our business area experience and technical expertise will allow us to provide suggestions for restructuring. Our proven training programs will ensure both state staff and industry representatives are completely and comprehensively trained.

Our experience and available resources will allow us to meet, or even exceed, Treasury's deadlines for every thread of the motor fuel automation project. Only with are you assured of meeting your deadline and ensuring development and installation of a proven, efficient motor fuel tracking system.

i. Bidder's willingness and ability (shown by appropriate Motor Fuel system experience) to maintain and support Treasury's Motor Fuel solution from the date of first production implementation until the end of the contract period, to include:

- **Selected software suite**
- **Software vendor liaison**
- **Expansion of new functionality**
- **Upgrade installation and regression testing**
- **Technical support**
- **New features research**
- **Technical configuration**
- **Consulting**
- **Disaster Recovery**
- **Staff resources**

ACS agrees to install, maintain and support Treasury's motor fuel solution from the date of production implementation until the end of the contract period. We will develop and install a system that fully meets Treasury's needs in motor fuel processing and will work with Treasury to enhance the system throughout the contract period. We understand that a selected software suite, software vendor liaison, expansion of new functionality, upgrade installation and regression testing, technical support, new features research, technical configuration, consulting, disaster recovery and staff resources are included in the services to be contracted.

ACS has extensive experience in development, maintenance and support of states' motor fuel tracking and other transportation solutions. Our technical staff possesses experience and expertise in Michigan's selected software suite and we have relationships with a multitude of software vendors. Our performance on many other contracts confirms our willingness and ability to research and expand functionality to enhance the original product offering. We have successfully completed upgrades and all required testing in numerous applications and have state-of-the-art disaster recovery processes in place. We currently provide 24 x 7 technical and operational support to each of our 23 client states that are utilizing a total of 66 ACS applications.

Our experience in successful development, implementation and operation of motor fuel tracking systems in numerous states verifies our willingness and ability to meet Michigan's motor fuel solution needs. Motor Vehicle Services has not only the technical and project management experience required to develop and install a motor fuel solution for Michigan, but we have named as our business expert, an authority on motor fuels who has state administrative and operations experience and can provide unique insight to the state's needs.

As proposed, the components will be installed and operated in Michigan's data center. ACS recommends that back-up and recovery tests be performed under several different scenarios. Daily backups should be executed to external tape media, and archived weekly. Off-site storage is recommended for a period of 90 days. Standard backup tests and data recovery should be part of Michigan's daily operations and should be constantly tested as part of our normal system test cycles.

As an alternative, ACS is happy to provide information on our full-service solution in which the VISTA systems would be supported out of our state-of-the-art data center in Tarrytown, New York.

NARRATIVE

We are proposing a phased implementation approach in order to reach the objectives of generating additional revenue as quickly as possible. ACS believes this can be accomplished by focusing on those components needed to process Permissive Supplier Tax Return information since they account for a significant amount of the motor fuel tax revenue. Therefore, Phase I will include components from Threads 1, 4 and 6 required to establish electronic filing for supplier tax returns only. We feel that at the conclusion of Phase 1, Michigan will be positioned to begin collecting additional revenue. Phase 2 is designed to bring the remaining components into production to create the enterprise level solution Michigan is looking for as their next objective. Therefore, our recommended Phase 2 incorporates the remaining components of Threads 1,4 and 6, required Threads 5, 7 and 8 and optional Thread 2.

The following sections describe the threads and process flows as identified in the teamwork sessions, including external interface requirements with other Michigan systems. We acknowledge that some of the desired Michigan systems are either in requirements and/or implementation phases of development, however we have identified these systems as being included in the long range plans for the Motor Fuel Automation Project and other enterprise-level system initiatives. Within each thread we have also identified components, or tasks, that are optional within the thread. Those components that are included with VISTA/FT are identified as “standard”.

THREAD 1 - RECEIVING TAX RETURNS

The timely receipt and processing of data received by filers is one of the most critical factors to a successful state operation today. Detailed below are the elements required to provide a successful solution to Thread 1 of Michigan’s Motor Fuel Automation Project.

Receiving Electronic Data (Standard – Phase 1)

As part of the VISTA/FT installation, ACS examines each step in the processing cycle to ensure that any manual data handling, critical path processing and potentially slow computations are either reduced, or eliminated entirely, with the electronic receipt of filer data.

There are two distinct components involved in receiving electronic tax return data. The first is the Data Interchange in which filers send data electronically for acknowledgement, translation and processing. This is accomplished using secured file transfer technologies over an HTTP or HTTPS protocol to allow files to be sent via the Internet. Michigan currently uses a third-party provider to receive and process EDI ANSI X.12 transmissions from its pilot industry filer. ACS is prepared to assume responsibility for the management of this project thread upon contract award by either continuing to use the third-party company or, optionally, constructing a custom data interchange facility.

The second component is the EDI Review in which the files that have been prepared for processing are verified, scrubbed, and where applicable, manually reviewed before processing. This is necessary whether the existing third party EDI ANSI X.12 translation services are used or whether ACS installs a custom data interchange. The reason this component is a mandatory part of the process is that both user and technical errors occur within EDI transmissions that should not be processed into a tax return. This component allows these transmissions to be staged and verified before tax returns are generated and processed for payment.

Data Interchange (Optional –Phase 1)

Since one of Michigan’s early project deliverables is to mandate and receive electronic data from all large filers, the data interchange option has been identified for implementation during Phase 1 of the Motor Fuel Automation Project. This will result in 85% of Michigan’s current reporting requirements being received in an electronic format, allowing for automated processing, data mining and auditing. Ultimately, this is the key component to rapid recovery of additional tax revenues.

The ACS Data Interchange facility is an optionally priced feature offered to the Department of Treasury as part of this proposal. The incumbent third party operation for EDI translation can be retained, managed and incorporated into our proposed solution without any additional cost. However, this option is available if the state desires to process electronic data receipts directly from the filer and offer expanded capabilities. ACS believes this option is best for the state as future demand for electronic processing (e-business), technology advancements and controlled government costs increase. Further, our solution addresses Michigan’s objective for enterprise level solutions and/or channel management by providing an electronic data interchange solution that can be used for any type of external data exchange beyond motor fuel reporting. Our current plan incorporates the functions and features described in this section into the state’s Data Exchange Gateway (DXG) since that has been defined as the single point of electronic entry into the state’s internal network.

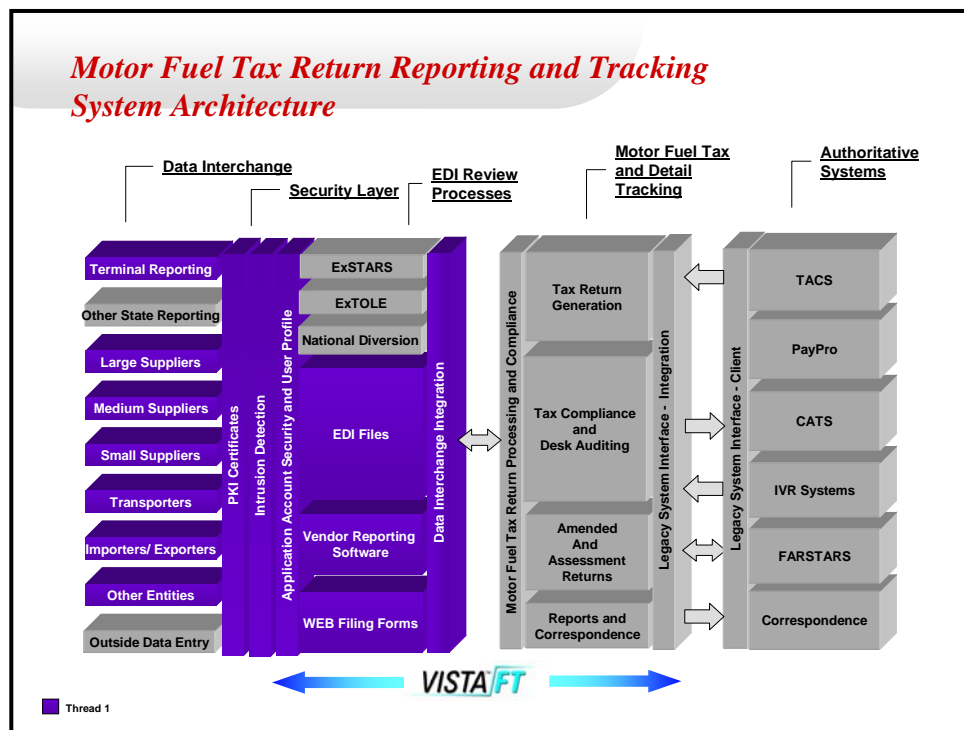


Figure 5 - Tax Return Reporting and Tracking System Architecture

The ACS Data Interchange facility, as proposed, offers secured data filing services for all electronic filers. The Data Interchange facility accepts, controls and processes data file transfers, as opposed to web direct form filing. It is targeted to electronic reporting entities that have internal application software that can format the data into required state file layouts and content. The shipment of the data file to the state site (file transfer) is handled via HTTPS (secured) protocols via a HTML front-end page that allows the user to initiate the file transfer. The Data Interchange facility will accept files in the ANSI X.12, XML and ASCII formats depending on how the state wishes to standardize mandated filing. ACS recommends at a minimum, Michigan should offer ANSI X.12 to ease the filing burden on industry already filing in this format, and XML for industry utilizing newer data exchange technologies. ASCII, or standard text file formatting, is exported from almost every MS Windows based application and is the easiest for electronic reporting entities (businesses) that are not very sophisticated in the use of computer technologies. In addition, from a data management perspective, ASCII has proven to be a good fallback format as file transfer technology changes and evolves.

Filers wishing to use FTP to transmit their data will pre-register, either by completing an on-line application form on the state web site, or by submitting a paper registration form. This registration/application is completed to establish an FTP account for the user and

ensure secured access for filers using the web for electronic filing of their tax return data. A separate FTP directory, accessible from the Internet, will be established for the registered user. The account information (user ID, password and FTP site address) will be sent to the mailing address registered with the state. Anonymous FTP transmissions will not be allowed. All FTP directories will be polled hourly for new transmissions.

Please note that our current plan is to incorporate the functions and features listed below into the state's Data Exchange Gateway (DXG). An extensive detail review of the DXG will be conducted during the initial phases of the project to ensure the best fit for these features into the DXG. If some features, e.g secured FTP servers, are found to be redundant and not needed, ACS will adjust the project plans and costs accordingly. The ACS Data Interchange facility will be customized for the Department of Treasury and will offer the following features:

- **Secured FTP Drop Box** - At the core of the Data Interchange facility is an FTP Drop Box that controls, receives and processes electronic files sent to the state. The FTP drop box is located in the state's DMZ area of its network infrastructure and is secured via user-ID and password. Each electronic filer will have their own mailbox area where incoming data files are deposited and outgoing messages and reports can be viewed and or retrieved.
- **Message Logging** - Every step and every event that occurs during the life of an EDI message is logged. As a result, customers can go on-line and query the network for message status or generate status reports. EDI message acknowledgments are sent and logged to each electronic filer's mailbox upon successful receipt and translation of the EDI data submission.
- **Reports** - The Data Interchange facility will provide users with a variety of flexible tracking and reporting options. Message tracking may be accomplished on-demand or via user-defined flexible scheduled reporting. Two types of reports are available to users of the EDI network -- exception (errors or pending only) or full reports. These reports are available in either a paper or electronic format.
- **EDI Standard Format Interface**- The Federation of Tax Administrators (FTA), along with most of the motor fuel industry, has adopted the ANSI X.12 813 transaction set standard for tax filings. Recently, XML formats have been adopted to support newer technologies. Although not officially adopted/formatted by the FTA, many states allow ASCII file formats for EDI reporting. ACS supports and provides translation for all ANSI standard releases of the ANSI X.12 813 transaction set from version set 4010 and 4030 version sets. We understand that Michigan currently desires to support the 4010 version set for Terminal reporting and a 4030 version for the remaining Tax Return reports. ACS also supports XML and ASCII. ACS will provide necessary mapping services to

publish a Michigan EDI and XML mapping to accommodate all data format requirements for all of Michigan's motor fuel tax and reporting forms. [*Note: We have priced the mapping services for the Retail Reporting forms separately, since this requirement may be necessary pending current proposed legislation.*]

- **Message Screening** – The Data Interchange facility will screen messages based on EDI values in the interchange header. This will allow Michigan to reject messages from a particular electronic filer for any business reason deemed appropriate by the state.
- **Data Transfer Validation** - ACS will validate EDI control headers and trailers for accuracy, as well as validate the number of characters transmitted/received in an EDI document to ensure that no data was lost during the transfer to/from the EDI network. Standard EDI translation software is used to validate EDI documents for standard conformance.

Web Direct Form Filing (Standard - Phase 2)

Web direct form filing allows smaller reporting entities to file electronically by completing the tax reporting forms directly on-line over the Internet. This is particularly effective for those reporting entities that have 20 or less transactions to report and/or whose internal applications are not set up to transmit output files. The on-line forms are designed to replicate paper forms and are easy to complete. Further, with the technology employed by ACS for web form filing, the filer communicates directly with the application system with all data edits and validation processed in a real-time mode. This allows the user to submit validated and accurate tax data one time, without the potential of multiple filings and/or 'thrashings' associated with batch filing.

This option has been identified for Phase 2 of the Motor Fuel Automation Project since it is primarily designed to be used by small filers and does not have a major impact on overall filer data and fuel tax revenue sources.

It is the intent of ACS to use the existing Michigan web infrastructure to provide the ability to deliver a consistent look and feel and to provide a single point of entry. This will also provide for conformity with the Vignette Content Management Platform. All Michigan Web Site Design Elements can be maintained including, Images, Portal brands and Agency brands. The entry web page can be designed and controlled by e-Michigan office.

Motor Fuel Carriers will access the site via the Internet with a published Michigan URL. A state user can either use the Internet or the Michigan Intranet. The content of that URL, and the Michigan web entry page will be managed by the Michigan Webmaster and can be used to profile users per Michigan standards. ACS will provide the Michigan Webmaster with a URL link to the motor fuel application, hosted on a Windows 2000 server within the Michigan infrastructure.

By using the Michigan web infrastructure, security remains consistent with Michigan standards. User ID and password profiling will be maintained within the current design standards. The ACS motor fuel application will accept transaction ID, timestamp and user ID from the Michigan web page. This will be used to determine security acceptance into the electronic motor fuel application when the motor fuel URL link is accessed from the Michigan web page, creating a 2 tiered user ID security profile. Additional security will be controlled by the application based on the user ID profiling.

An Internet website will be set up using Secure Socket Layer (SSL) to ensure the security of all data entered by the filer. The recommended browser for viewing this website will be Microsoft Internet Explorer 6.0 with the latest security patches. These browsers are compatible with nearly every platform available today, require a reasonable level of hardware investment, and accommodate Year 2000 compliance.

Web direct form filers will have to pre-register with the state prior to accessing the system. Pre-registration can be completed via an on-line application posted to the state's web site or by paper registration. This is done to ensure secured access for filers using the web to electronically file their tax returns. Upon approval from the state, the filer will receive a state assigned log-in ID and password. Thereafter, the filer may change his/her password on-line and is responsible for all information submitted from their log-in ID.

Web direct form filing is part of the standard services offered by ACS as part of the VISTA/FT product set. It is not dependent on the Data Interchange facility discussed previously and is available to Michigan whether the ACS Data Interchange facility is selected, the incumbent EDI third-party services are retained, or another vendor is selected to perform Thread 1.

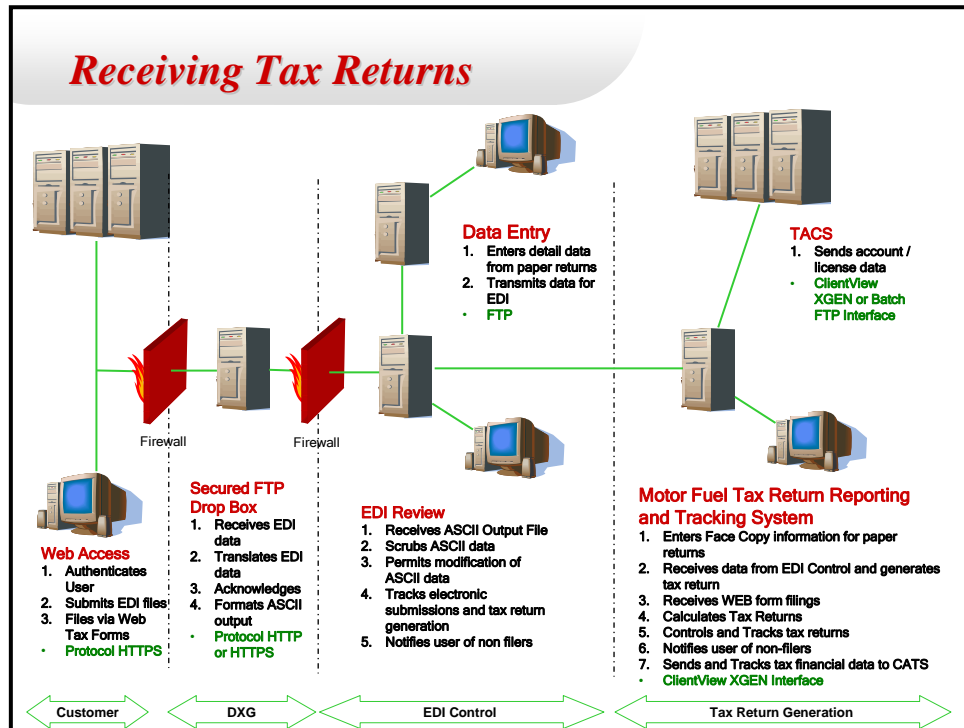


Figure 6 – Receiving Tax Returns

The process flow diagram shown in Figure 6 describes various methods for receiving electronic data submissions from filers. The following section describes processing for paper returns and the EDI Review product set of VISTA/FT that allows the user to control, scrub and process electronic and data entered data into motor fuel tax returns and supporting reports.

Paper Forms – Data Entry Support (Standard – Phase 2)

One of the first assignments in this subtask will be to assist Michigan in the redesign of its current paper tax and reporting forms. ACS performed this task with both Virginia and Nevada, where new tax forms were required either to accommodate a new taxation point and/or a new set of filers. In Virginia, ACS assisted in the creation of more than 12 new reporting forms. We assisted Nevada in merging multiple paper tax forms into a single tax filing form for all fuel types reported in the state. In both cases, ACS helped the state design its forms to follow FTA standards and mirror electronic filing submissions. As part of the EDI mapping already published by Michigan, all reported fuel types are merged into one electronic file format, where paper returns currently require a separate tax return for each fuel type. Our objective in this subtask is to assist Michigan in the redesign of its paper tax forms to reflect the same reporting requirements as specified in the electronic formats. Also, where applicable, ACS will review, identify and recommend changes to both the paper and electronic formats to support the desk auditing and tracking features of this project.

The mandating of electronic data submissions is currently targeted for middle and large tiers of tax filers responsible for a majority (80-90%) of the tax reporting data and revenue. Web forms are proposed to allow smaller filing entities to file taxes electronically by completing tax forms on-line via the Internet. In order to provide the best customer service, it is recognized that Michigan will still allow smaller filers to submit their tax information via paper. The tier for reporting on paper vs. electronically will be determined by the state and may encompass both data volume and reporting types into an algorithm that determines who is allowed to file via paper. The key to this decision falls partially into the tasks described in Thread 8, where the level of data entry support vs. processing time vs. costs will be evaluated.

In any event, Michigan is planning to support data entry of paper return information into the system. ACS will supply Michigan staff with the file layouts required for data entry. File layouts can be used with the redesigned paper forms to design new data entry forms for state staff. File outputs of data entry data will be transferred to the EDI Review area for submission control, validation, data scrubbing (if needed) and processing into tax return support data.

Postmarking Each Transmission (Standard – Phase 1)

The method by which postmark dates are recorded on the various receipt methods proposed in this offering is at the discretion of the state. However, based upon ACS' experience and knowledge of other jurisdictions' procedures, the following are recommended:

- **FTP Postmarking** - The DXG FTP drop box will establish the postmark on each EDI submission received by a validated electronic filer. This procedure assumes that, at a minimum, the EDI header segments can be interpreted by the DXG FTP drop box and/or ANSI x.12 translator to identify the electronic filer submitting the file. This method of transmission for EDI files has perhaps the most controversy surrounding the method for obtaining the postmark. Some jurisdictions feel that there is a possibility for the filer to intentionally cause delays in the transmission or cause premature interruptions in the file submitted. Nevertheless, our recommendation is to take the date and time-stamp of the **start of file transfer** as the postmark date for these types of filings.
- **Web Page Postmarking**—This method of data entry directly updates VISTA/FT with the information entered into the web site. Any web page entry will be date and time stamped as of the **end or submission of filer entry** as the postmark date for this type of filing.
- **Paper Returns**—The Michigan staff entering return information via manual data entry will record the postmark date indicated on the envelope as the postmark date for the filing.

Processing Amended Information (Standard – Phase 1)

VISTA/FT supports electronic submission of amended return data. However, there are system, process and legislative constraints that must be identified and customized into the automated process for amended return information. Upon receipt of an amended filing the state will be notified of the receipt in EDI Review and any pending issues. ACS, in accordance with FTA guidelines, is recommending that only changed data be submitted for all amended returns. In other words, the amended return is not to be a duplication of the original return with amended information, but only the changed data items for the amendment. Other standard process rules can include:

- do not accept amended return information unless an original return has been submitted
- do not accept amended returns for tax periods older than what is accepted by the Motor Fuel Tax Reporting and Tracking System (Thread 6)
- accept amended returns, but do not allow amended returns to be processed into tax returns unless the original return has been processed successfully
- accept amended returns, but do not allow amended returns to be processed into tax returns if tax period is currently under audit

ACS is prepared to assist the state in defining all business rules, processes, notification methods and constraints and incorporate these processes into both Thread 6 and Thread 8.

EDI Review (Standard – Phase 1)

The EDI Review product set of VISTA/FT is a crucial element in the management of electronic data. Once data has been accepted either from the ANSI X.12 translator, converted from XML or ASCII from the DXG FTP drop box or data entry system, it is placed into data queue areas for further validation, editing, scrubbing and/or processing into tax returns. The EDI review area is designed to be a staging area for all incoming electronic files including those files described in Thread and Thread 7. The EDI Review helps the user control electronic submissions by identifying erroneous data transmissions and content before processing it into tax return information. Automated processes examine each electronic file for process filing errors and data errors. Some of the standard processes include checks for:

- duplicate filings for the same tax period, i.e., two originals for the same tax period
- duplicate details for the same file transmission, i.e., details are replicated within the same file
- wrong detail information for the return period, i.e., details for all February shipments on a May return
- wrong detail information for state filing, i.e., detail data submitted for another state
- erroneous fuel types for the return type and schedule filed, i.e., gas shipments on a diesel form
- incorrect schedule numbers and/or detail data for the return filed, i.e., details filed under a schedule number not accepted by Michigan
- various data edits for correct FEIN's, tax types, terminal codes, fuel codes, etc.
- or any combination of the above

All data exceptions are logged, flagged and queued for the user to examine. Upon examining the exception, the user will be presented with three (3) classifications of exceptions.

The first class of exception is so severe that the only option is to reject the filing and have the filer resubmit a corrected file. *Note: If the electronic file submitted does not have any exceptions and/or only system corrected exceptions, it is logged and automatically processed into a tax return.*

The second class of exception allows for some data correction by the user who corrects the transmission. For example, the filer has submitted a file with the wrong FEIN or state license number. The user can opt to change this information to allow the file to process correctly. The user will make the change and document the action taken. These types of correctable exceptions are provided to prevent having to go back to the original filers and have the filer resubmit the electronic filing to fix this type of simple error.

The third classification are errors flagged and, in some cases, corrected by the system automatically. These exceptions generally have no direct impact on the tax return process but are corrected to make the data easier to read/view. These types of errors include such items as changing incorrect date formats, incorrect terminal formats, etc. Each system corrected exception is logged and, if no other exceptions exist, the file is processed into the Fuel Tax Return Reporting and Tracking System (Thread 6).

As stated previously, the EDI review area is not only used for EDI tax return information, but is used for all electronic data receipts. We believe that the EDI Review file process and content controls are just as valuable on files received from the IRS (ExSTARS), other states (ExTOLE), the national diversion system, other externally sourced Michigan systems, such as IVR, and as a secondary control and electronic check on all manually entered data.

Proposed Marketing Approach (Optional - Phase 2)

The ACS team is willing assist Michigan in developing a marketing strategy to promote electronic filing to suppliers and reporting entities of fuel tax. With the ultimate goal being a high adoption rate of those not mandated to use the system, ACS will work with Michigan and employ the following steps within the marketing plan:

- **Industry participation** is critical to the overall acceptance and success of motor fuel compliance initiatives. Our experience has proven that having the cooperation and support of the motor fuel industry results in a dramatic increase in voluntary compliance which in turn results in dramatically increased tax revenues. Industry participation has been a “partnered” effort between the state tax collection agencies and ACS. Working with the state, we develop a comprehensive plan for getting buy-in and participation from industry.

- An **industry marketing plan** will be developed to detail, for the industry, the benefits, requirements and responsibilities attached to their involvement in the motor fuel tracking initiative. ACS, in conjunction with Michigan staff, will set-up and provided seminars in strategic areas of the state that are determined to be convenient for industry participation. The seminars will outline the industry benefits of the motor fuel compliance initiative, as well as their requirements and responsibilities as participants.
- An **industry training and education guide** will be developed for the state of Michigan to provide information of the data filing options available, the support provided for each and directions on how to implement them. It will serve to educate filers on how they will be notified in the event of a discrepancy and what information they will be given to support the claim. The guide will also provide information to industry detailing the resolution process. ACS will develop and provided brochures, manuals and related training on what was required of industry
- An **industry support plan** will be developed for the state of Michigan to detail ACS' on-going support for industry's involvement in the motor fuel compliance initiative. The document will detail the ongoing support for industry and include information regarding the support of changes in electronic filing formats; exchange methods, supporting voluntary compliance, supporting legislative changes (tax form changes), and supporting recommendations from outside agencies such as the Federation of Tax Administrators, Federal Highway Administration, and others.

The ACS Project Team brings a multitude experience to Michigan for the Motor Fuel Automation Project. This level of experience not only assists with avoiding possible implementation issues with a project of this magnitude, it also ensures that Michigan is getting the best product and service by selecting our team. ACS is currently providing our electronic fuel-tracking product to three states and with each implementation, we employ lessons learned which assists with increasing the adoption rate by suppliers/distributors to use the system in those states. ACS truly is the leader in motor fuel compliance systems and will assist Michigan in receiving the best return on investment from the Motor Fuel Automation Project.

THREAD 2 - ELECTRONIC MOTOR FUEL PAYMENT PROCESSING SYSTEM (OPTIONAL – PHASE 2)

Thread 2 is not a requirement of Michigan’s Motor Fuel Automation Project, however in reviewing the current system descriptions of Treasury’s planned development project for an enterprise-level solution, ACS has another product we believe will meet all requirements for this thread.

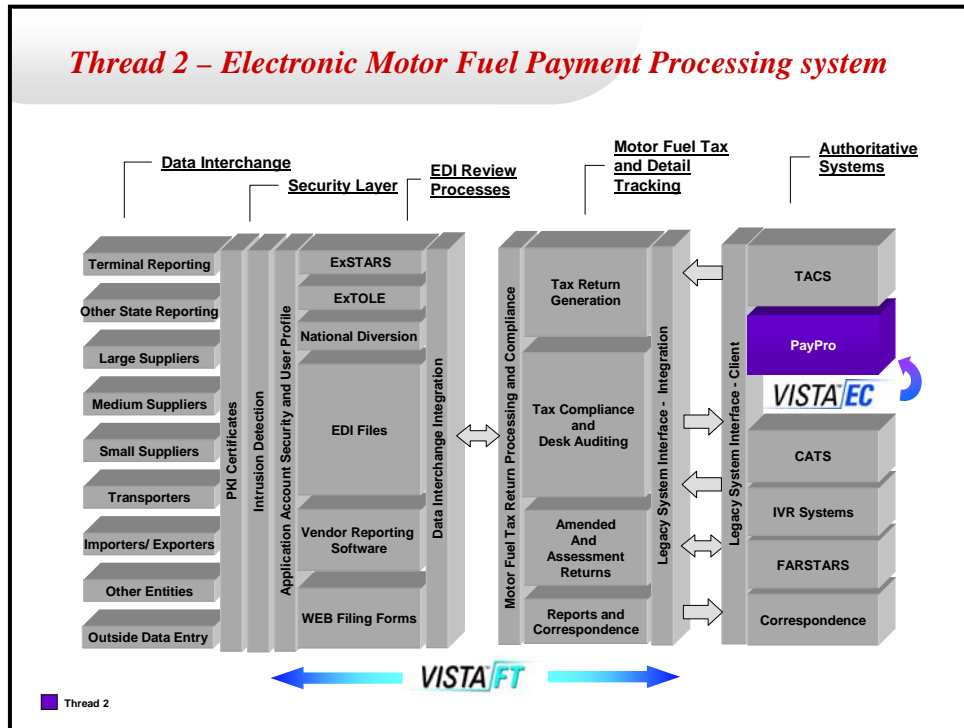


Figure 7 – Electronic Motor Fuel Payment Processing System

ACS proposes using VISTA/EC (Electronic Cashiering) to meet Thread 2 objectives. VISTA/EC is currently being utilized by the state of Montana and the District of Columbia to process all electronic payments for the Departments of Transportation and Motor Vehicles, respectively. This includes e-commerce (Internet), point-of-sale (POS), Interactive Voice Response (IVR) systems and back office (mail room) processing.

VISTA/EC is a combined e-commerce and payment-processing solution designed to provide jurisdictions with a single interface for consumer payments, whether submitted on-line from the Internet, over the counter for point-of-sale transactions, or mailed to a central site for back office applications. VISTA/EC is built to service government remittance processing requirements from individual departmental application needs, to a consolidated process point for all agency / department payment processing. VISTA/EC enables government to easily expand the types of payments accepted from the consumer to better serve the business community and adapt to newer technologies as they become available to the public, i.e., e-check. VISTA/EC represents an opportunity for Michigan to enable a full e-commerce solution that goes well beyond the ability to simply receive motor fuel tax payments.

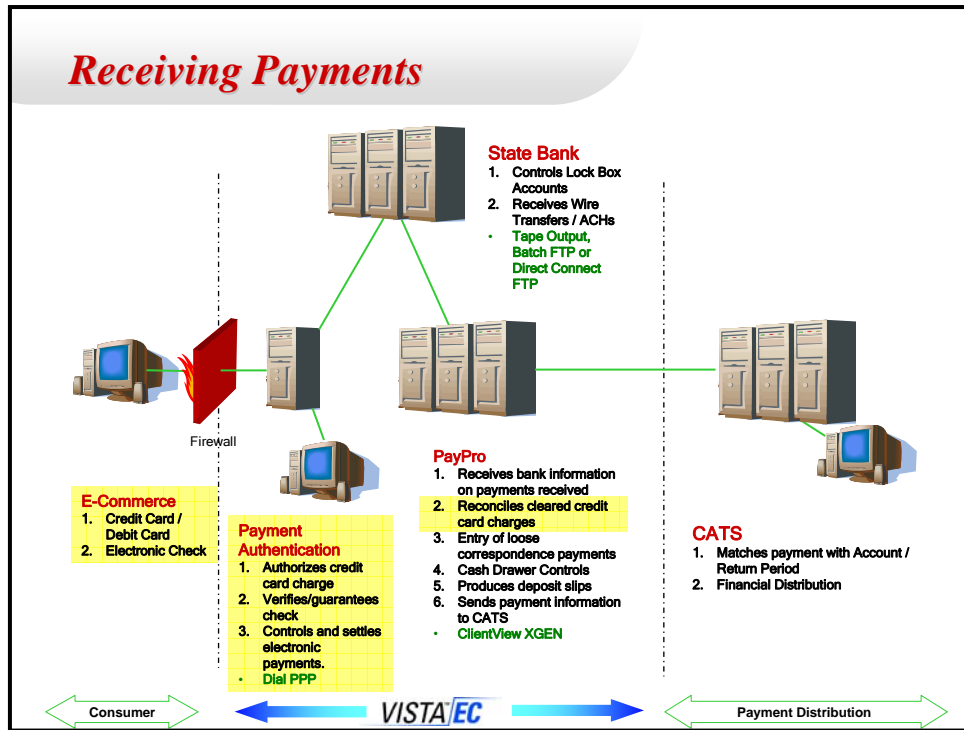


Figure 8 – Receiving Payments

The process flow diagram for Michigan’s current electronic payment solution, PayPro also illustrates the functions performed by the VISTA/EC system. As discussed in the teamwork sessions, the areas highlighted in yellow represent possible future capabilities for PayPro. These features are available today in VISTA/EC and may be implemented at the discretion of the state and in a timeframe that suits Michigan. For purposes of cost comparison, ACS has included only the baseline costs for VISTA/EC and not the costs associated with credit card processing or future capabilities.

Consumer Service Interfaces (Future Capability)

In the future, Michigan may allow a consumer to pay motor fuel taxes via the Internet. The functionality is currently available within VISTA/EC and can be provided to Michigan upon request. The payment screens used by the consumer to submit e-commerce payments for jurisdiction provided goods, services, and/or obligations include the following payment types:

- credit cards
- debit card used as a credit card (those containing a VISA or MasterCard logo) for real-time authorization and charge back
- bank account information and or notification to the jurisdiction from the consumer to record payments via ACH debit/credit transactions, Internet checks, and/or EFT payment submissions*.

** Initiation of these types of electronic payment is dependent on the capabilities of the third party payment processor. If the current third party processor does not support these forms of electronic payment, ACS can implement these forms of payment with specially built custom interfaces. If desired, this functionality is a separately priced effort that necessitates specific detail requirements to be identified before implementation efforts can proceed.*

Cashiering Transactions Performed by Michigan Agencies (Standard)

VISTA/EC provides point-of-sale (POS) cashiering screens directly accessible by Michigan personnel that integrate with the state's application systems. The module provides data through a published Application Program Interface (API) which may be transmitted directly as the payments are processed. The cashiering module will accommodate the following payment transactions:

- Internet (future), phone-in (future), mail-in or point-of-sale
- bank account information (Internet checks) to perform ACH debit/credit transactions

The cashiering module will support the following types of payments:

- credit cards (future)
- debit cards with PIN entry at POS counter (future)
- cash
- check (business, personal, com-check)
- debit balance accounts
- credit balance accounts

Financial System Integration and Reconciliation

VISTA/EC is structured to be integrated with any number of financial systems operated by Michigan and can accommodate any method of interface. VISTA/EC is flexible in design, allowing for other business-to-financial system interfaces to co-exist with the cashiering and payment functions. For example, a tax collection system may already have interface capabilities with a revenue system and merely lacks the ability to process and reconcile electronic payments. Under such circumstances, VISTA/EC can be installed to collect, verify, post and reconcile all forms of payments including Internet based e-commerce transactions. Using the end-of-day processes, VISTA/EC can post deposit information directly to the jurisdiction's Treasury system(s) and a paper deposit report is generated for the physical bank deposit. The revenue interfaces can be disabled to allow VISTA/EC integration with the tax system to record payments received so the tax system can continue to post revenues and adjustments to the financial system. This modular processing design enables VISTA/EC to be easily retrofitted into existing business systems with almost no impact to the legacy system or related business processes. VISTA/EC's standard financial integration processes are described below.

Point of Sale (POS) and Batch Payment Collection

VISTA/EC is set up to handle centralized office processing, as well as any number of branch processing operations needed by the jurisdiction. This may include branch processing, mail room or centralized batch cashiering, Internet transactions, agency specific transactions and/or agency/branch office transactions. Payment collections are identified, secured and tracked by branch location, merchant ID, physical terminal and user. VISTA/EC is also set up to record, process and track deposit information made by Michigan personnel in different banking institutions. This is necessary in some jurisdictions where the agency's branch office locations are too far from a jurisdiction bank branch for daily deposits. *Note: Users are not locked into a specific terminal location. This allows authorized personnel to have the flexibility to use different physical devices and be relocated to different locations to post payments.*

Internet e-Commerce Payment Collection (future)

Internet based e-commerce transactions are usually associated with a single location and merchant ID per agency for collection purposes. It is not necessary to have e-commerce transactions associated with each branch location since these types of transactions are usually centralized. Although it is not necessary to have e-commerce transactions segregated by agency, we recommend this approach so e-commerce payments can be reconciled and associated with the business applications that originated the payment request.

End-of-Day Posting of Payments

Each operator has the option of producing an End-of-Day Deposit Report at any point during his/her daily payment collection activities. This enables the operator to close out the cash drawer on time schedules that align with the operator's shift or other duties. On-line forms are available to the operator at any time during his/her session to list, sort and total the payments received to facilitate reconciling the physical payments to entered payments received into VISTA/EC.

Once the drawer is reconciled, the End-of-Day Cashier Deposit Report is available for each physical cash drawer/operator and is produced to record the days payment transactions for deposit. A version of this report can also be produced in an electronic file format including the posting of entries for cash, clearing accounts and/or account distribution, such as posting directly to the objects of revenue. The electronic files associated with the End-of-Day Posting of Payments process can be produced at summary levels and/or detail levels depending on the Department of Treasury's financial reporting requirements. *Note: At Michigan's option, only the physical payments, i.e. cash, checks, etc., received can be distributed directly to the objects of revenue to conform with cash basis accounting practices. Electronic payments, such as credit card, ACH or EFT are held in suspense until the deposit is received by the state's bank.*

Revenue Distribution

At a scheduled end-of-day processing time specified by the jurisdiction, another process is available to distribute funds deposited/reconciled with the bank, to the jurisdiction's revenue systems. This process is separate from the deposit activities because most jurisdictions operate on a cash basis for accounting and funds can only be distributed when deposited into the state's bank accounts. This is particularly important when posting electronic payments, since it may take 24 to 36 hours after settlement to actually receive the funds in the account.

VISTA/EC contains Revenue Object reference tables enabling the system to relate jurisdiction fee codes to an object of revenue. This allows the interfacing application systems to pass the codes and fees associated with a payment transaction that can be later translated into a revenue object for posting. Other tables are available for the Revenue Distribution process that allow the fees to be associated with departments, locations, sub-objects and bank identifiers for further classification of entries posted as part of this process. All of the daily detail transactions for posting to revenue distribution are summed up into each object of revenue to simplify the posting process. For each daily posting, detail reconciliation reports are available that provide a complete list of each detail transaction for the summarized revenue entry.

Electronic Payment Reconciliation

Since electronic payments are delayed in deposit to jurisdiction's bank account, these transactions are held in suspense in VISTA/EC and not posted via the Revenue Distribution process to the jurisdiction's revenue systems until the deposit has been verified. If electronic data files for cleared payment transactions are available from the Department of Treasury and/or direct from the partnering bank, electronic reconciliation for all payments including electronic payments are provided. However, if the agency can only obtain this information in paper report form, VISTA/EC on-line forms are provided to the user to check off the electronic payments that have cleared the bank for revenue posting and reconciliation purposes. Once electronic payments have been verified for deposit, the revenue distribution is produced and included in the Revenue Distribution process scheduled for that business day.

Financial System Interface Methods

VISTA/EC has the ability to send and receive data in almost any method and format required by the state's legacy systems. Our standard financial interface is based upon General Accounting Procedures (GAP) dual accounting entries. However, single account entries can be accommodated depending on the jurisdiction's revenue system requirements. Data can be interfaced directly to the CATS and other revenue system databases using Michigan's ClientView XGEN technologies or transmitted in file format via FTP or NJE to be included in a nightly batch process. File formats include ASCII, ANSI X.12 and/or XML as specified by Michigan.

Application Payment Interfaces

VISTA/EC also offers various technology solutions for accepting payment information directly and indirectly from businesses and/or consumers. This allows Michigan to adapt a variety of third party applications that best fit the payment process desired. Various interface technologies include:

1. **HTML Web Page (future)** – Easiest to install and integrate. This technology solution offers a complete HTML web page to be imbedded into a web application for credit card payment processing on the Internet. The HTML web page conforms to Michigan’s web standards and contains all the required and optional data fields to ensure against fraudulent card usage and get the best possible credit card rates.

2. **HTTP/HTTPS Comm Object** – This module is used for an Interactive Voice Response (IVR) application or forms based application, which may already have a payment screen and cannot adopt the HTML solution described above. This module can be accessed as a background process for both e-commerce credit card authorization and POS credit card, debit card and check authorization. This module uses HTTP or secured HTTPS communications over a dedicated frame relay connection. XML message formats are used to communicate with the HTTP/HTTPS Comm Object.

3. **Socket Comm Object** – This module is similar to the HTTP/HTTPS Comm Object with the exception of communication methods. This object uses IP Sockets communication instead of HTTP or HTTPS and is not a secured protocol.

THREAD 3 – CUSTOMER ACCOUNT TRACKING SYSTEM (OPTIONAL - PHASE 2)

- A. *As discussed in our teamwork sessions, CATS is an integral part of the overall Motor Fuel Automation Project. Because CATS is a new system and has not been identified as a critical path item for Phase I, we have not included a solution for Thread 3 in our proposal. We realize CATS may not be completed by the end of the first phase of this project since the priority is to increase revenue from tracking and auditing fuel taxes.*

- B. *If Michigan wishes to consider an alternative solution for CATS, ACS can provide additional information on our tax processing software which has equivalent functionality.*

We have included this section to provide clarity to the overall process flows of the Motor Fuel Automation Project and to identify specific processes that we feel will be needed for processing information from Thread 6.

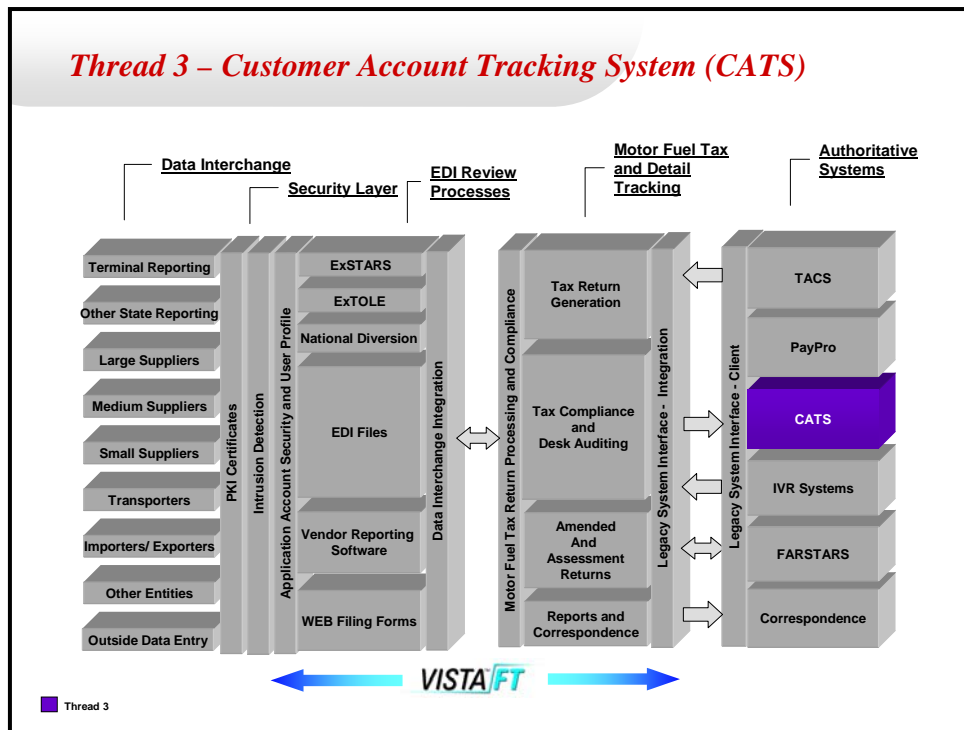


Figure 9 – Customer Account Tracking System

The Customer Account Tracking System (CATS) is a financial tax processing system for motor fuel tax filers in Michigan. In many ways CATS is a complete tax processing system except that it contains only tax return, payment and related financial transactions and does not contain the actual tax forms or form calculations. ACS has identified certain core functions needed in CATS to work in an integrated environment with Thread 6. Although some additional requirements may be identified during the detail analysis tasks of this project, core functions are as follows:

- tax return financial processing
- tax payment processing
- penalty and interest calculations
- financial adjustment and waiver processing
- receivables / refund processing
- financial revenue distribution processing
- correspondence generation (see Other Additional Information for details on our recommended solution)

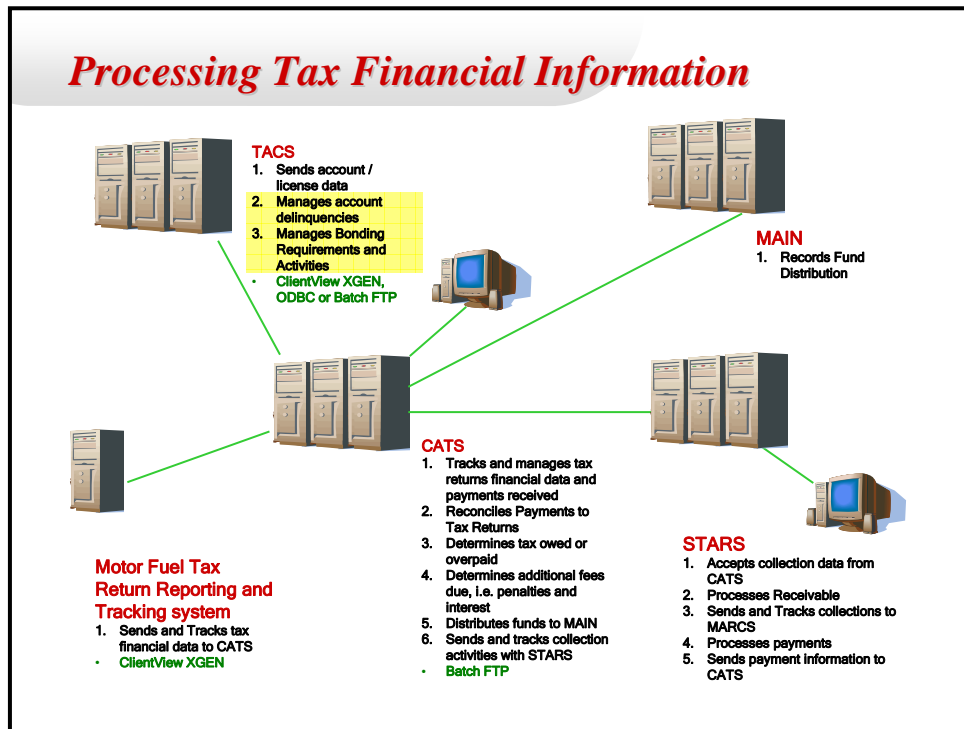


Figure 10 – Processing Tax Financial Information

The process flow diagram shown above identifies the basic processes that must be performed by CATS, and those processes needed in other systems related to either sending data to or receiving data from CATS. The processes highlighted in yellow were identified as future requirements during our teamwork sessions.

THREAD 4 – DATA MINING PROJECTS TO RETRIEVE REVENUE

With ACS' proposed solution, Thread 4 is in essence being provided as part of our base installation. With the exception of FARSTARS data mining, this thread almost completely overlaps Thread 6 of our VISTA/FT solution. Resident data tables supporting our product may be used to query and retrieve data. There are no additional product costs associated with this Thread. However, if ACS is selected for Thread 4, it is mandatory that we be selected for Thread 6. In our teamwork sessions, we discussed the fact that this thread will eventually merge with Thread 6. ACS is in complete agreement with such a concept; particularly in light of the fact that our VISTA/FT system includes nearly all of the functionality required for Thread 4. And although VISTA/FT produces standard and custom discrepancies, both our clients and our support personnel will continue throughout the life cycle of this system to mine data for other potential discrepancies and statistical data.

Up to this point, we have identified two distinct areas of data mining for the Motor Fuel Automation project. One area is US data currently imported into FARSTARS. This data mining activity is relatively straightforward in that we need to create a routine that will export the data needed from US Customs to incorporate into the discrepancy processes identified for this data (reference Thread 6). ACS will assist Treasury in identifying the elements needed to identify the shipment within US Customs data, and creating the format to be imported in to VISTA/FT. For consistency in product usage, ACS recommends Crystal Reports for this data mining area.

The second data mining area is more abstract in nature and is the data mining of generated tax information to locate and identify special discrepancies. Since VISTA/FT comes with standard and customized discrepancy processes, some of which have been identified in Thread 6, this area will focus on the very specialized types of discrepancies that may be buried several tiers down in the tax return and supporting data.

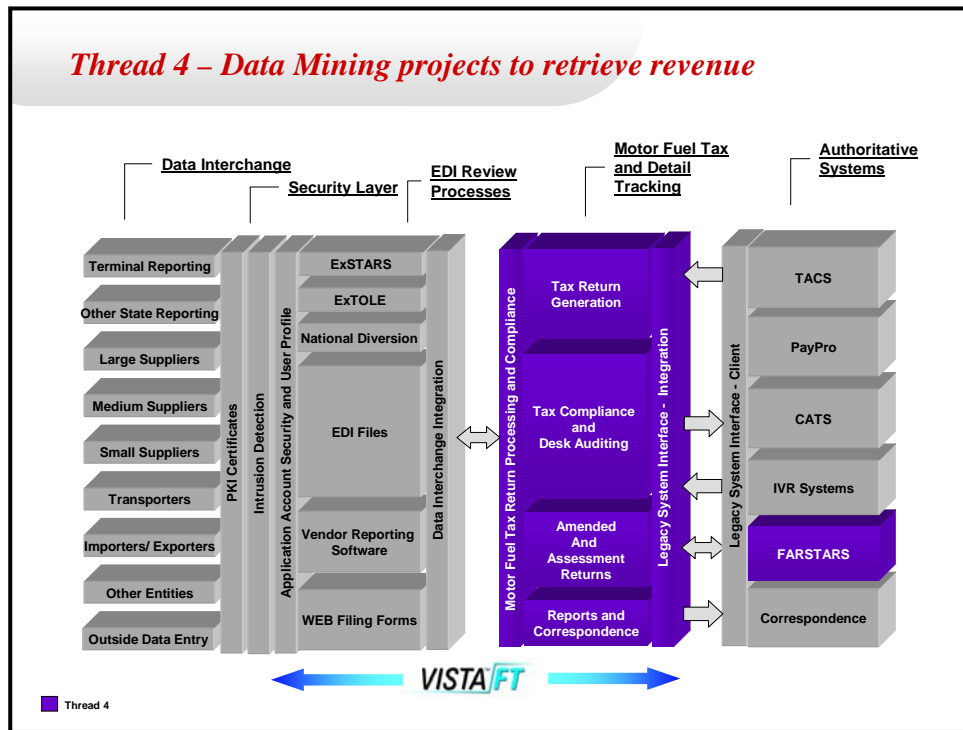


Figure 11 – Data Mining Projects to Retrieve Revenue

All motor fuel tax and related data, i.e., discrepancies, externally interfaced in relational tables are contained in the ORACLE database tables supporting VISTA/FT. Although our discrepancy processes are quite complex in practice, the underlying table structures are relatively simple. Separate tables are available for users, accounts, tax return face copies and summary schedules, tax return details, discrepancies, and data stored from external data sources, i.e. ExTOLE, ExSTARS, IVR systems, etc. This makes it extremely easy for a novice user to build reports and queries on this data for other reporting requirements.

During the teamwork sessions, ACS discussed several options for tools to be used for this activity and since Michigan already has product licenses for Crystal Reports, we recommend that this product be used to perform data mining activities on the VISTA/FT data structures. Crystal Reports is a standard recommended product set for ORACLE databases, and allows the user to create ad hoc reports and queries on demand. ACS will provide the technical assistance necessary to install Crystal Reports in VISTA/FT and to build data views to make access for the user even easier. Complete training on our data structures is scoped as part of Thread 8.

ACS will provide our subject matter experts to assist Michigan staff with both areas of data mining. ACS can bring direct experience in this area from working with other states. However, the real key to making this thread successful is the Michigan fuel tax processing and audit staff members who are the true subject matter experts, since they are intimately familiar with Michigan tax forms and statutes, but more importantly with the filers. Familiarity with the filer community can lead to discrepancies specially created as a result of actual problems encountered during manual desk and/or field audits. Automation to these areas can increase revenue for the state.

THREAD 5 – FEDERAL AND STATE MOTOR FUEL DATA SHARING INITIATIVES

ACS and the state of Michigan have identified two major initiatives as part of this thread. One is to interface or receive data from the federal ExSTARS program currently under deployment by the Internal Revenue Service. ExSTARS is chartered to collect electronic information on IRS forms about motor fuel, to support the federal taxation points ‘above the rack’, and to provide data to the states for ‘below the rack’ taxation.

The second initiative is to share data relative to imports and exports with other states, primarily neighboring states where fuel is most often imported and exported. This may be accomplished via ExTOLE, the federal data exchange system specifically designed for states to exchange information via a direct exchange.

ExSTARS as currently designed, is expected to provide states with electronic information derived from the IRS Form 720TO Terminal Operator Report. At the FTA meeting held in Anchorage, Alaska in September 2002, the IRS gave an update on the status of states being able to use ExSTARS to collect information. According to the IRS, 1,419 terminals are identified as active (971 are filing EDI, 251 are filing paper and 197 are non-filers).

According to the IRS, ExSTARS is available to the states as of October 1, 2002. Michigan will have the ability to download, in an ASCII flat file format, information such as fuel products disbursed through the terminal rack. Available information will include:

- fuel product type
- transportation type
- position holder
- original terminal
- carrier name and EIN
- destination state
- documentation number (similar to a bill of lading)
- net gallons
- gross gallons

Considering that the ExSTARS program is very new and that only 68% of the terminals are currently providing electronic data, we recommend postponing the downloading of information from ExSTARS into the VISTA/FT system until all of the bugs have been worked out of this new system. We will of course work with Treasury and the Michigan filers to perfect the reporting process. As soon as both teams are confident the information is relatively error-free, we will work towards exchanging information with ExSTARS. In our opinion, it is quite likely at that time that you will be able to drop your terminal reporting requirements.

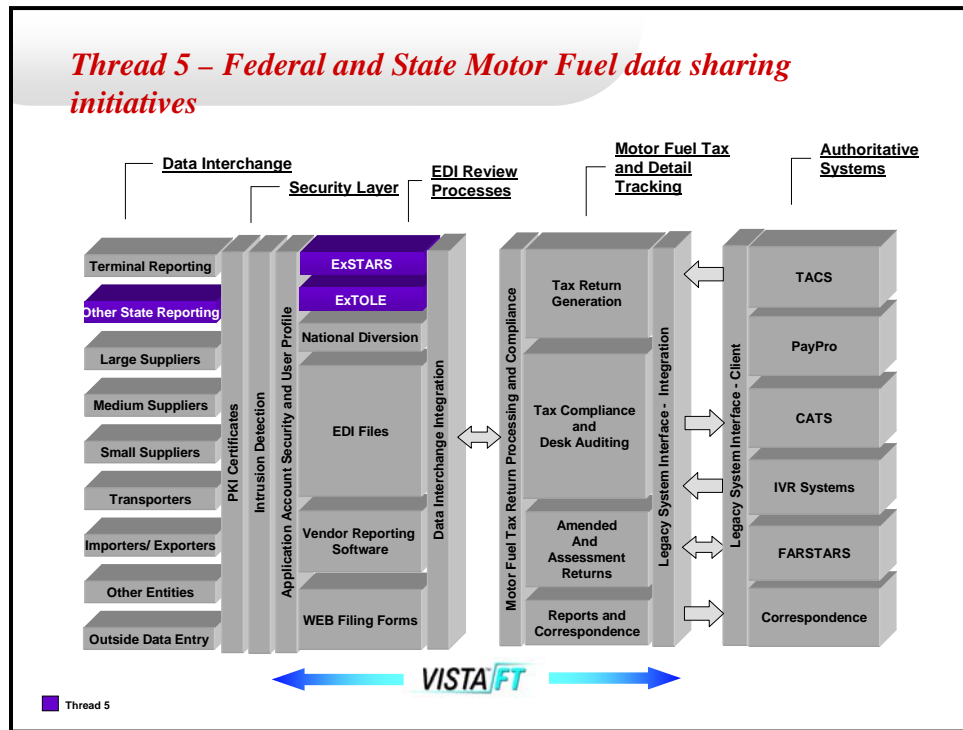


Figure 12 – Federal and State Motor Fuel Data Sharing Initiatives

ExTOLE is currently designed to allow states to exchange information. The initial design allows for information to be entered by a state relative to industry accounts currently doing business in their state. One objective of ExTOLE is to allow states to share information about the industry with the idea of collaborating on field audits and investigating questionable businesses. Of course any data exchanged in ExTOLE is subject to each state’s policies regarding data privacy issues. Another feature of ExTOLE was intended to allow states to share information on imports and exports using mailboxes.

ACS currently has a project underway with two of our customers - Virginia and Arkansas, and with the state of Tennessee, to exchange import and export information via ExTOLE. We are in the process of designing the file layouts for exchanging information and working on the accessibility of ExTOLE for this exchange. The objective of this project is to exchange import and export information in a totally automated environment, where the file will be retrieved from ExTOLE and placed into the EDI Review queues of VISTA/FT (reference Thread 1) where it will be logged and validated for processing.

Once processed, this information will be used as part of the discrepancy processes described in Thread 6.

The exchange, as currently designed, is to be completed on a return period or monthly basis and will be automated within VISTA/FT. The user will merely select the return period for each participating state to be sent, and VISTA/FT will create the export file in the agreed format for exchange. If the transport mechanism can be accomplished with an FTP, the system will automatically sign into the state's designated mailbox and send all specified export files to ExTOLE. If communication constraints exist, i.e., dial-up access only, the user may have to initiate the transfer of data directly. Retrieving data from ExTOLE will be completed in the exact same fashion - the user will select the files to be retrieved and VISTA/FT will initiate the FTP call to retrieve the export files from other participating states.

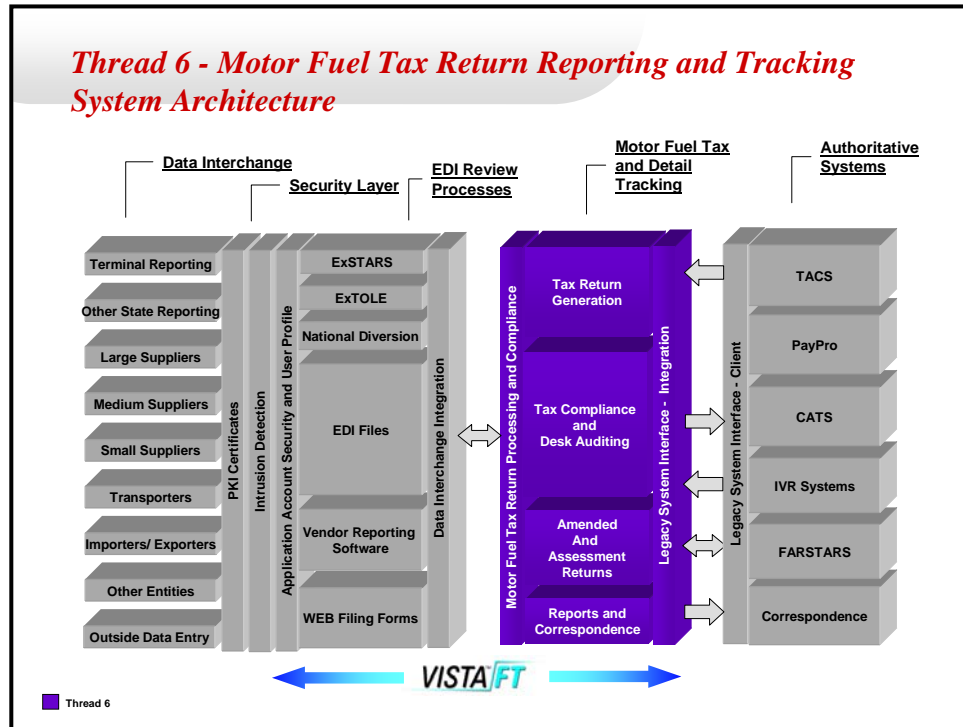
ACS is managing and implementing this project as part of our client's maintenance agreement and at no additional cost to our client states. Michigan can opt to participate in this program as part of the Motor Fuel Automation Project at no additional cost.

If for some reason, Michigan or any of its neighboring states do not wish to use ExTOLE to exchange import and export information, ACS can adapt the same procedures used for ExTOLE to exchange data directly with their neighboring state(s) using any number of automated processes. One option is to have Michigan's neighboring state(s) exchange data via the FTP server set-up for filers to file tax returns (see Thread 1 description). Another option is email. However, the degree that email can be retrieved automatically would require additional analysis and may require manual intervention to import the data into VISTA/FT. Finally, Michigan may prefer to exchange this data on some form of physical media such as CD or floppy disc. In this case, manual intervention will be required to import the data on the physical media to VISTA/FT. In any case, VISTA/FT will match both input and output requirements for Michigan data to send to participating states. ***There will be no additional costs for a direct exchange of import and export data with another state.***

THREAD 6 – MOTOR FUEL TAX RETURN REPORTING AND TRACKING SYSTEM (STANDARD – PROJECT PHASE 1)

For Thread 6 of the Michigan Motor Fuel Automation Project, ACS is proposing the installation of our VISTA/FT product. We believe this product is a 100% match to the requirements and capabilities requested in the RFP and can be easily installed, customized and integrated with other external/internal Michigan systems in a timeframe that exceeds Treasury's current expectations. Because VISTA/FT is an existing and proven product set, the normal risks associated with development of a new system are virtually eliminated, thus ensuring success for the project and for state objectives.

Figure 13 – Motor Fuel Tax Return Reporting and Tracking System Architecture



VISTA/FT is the only motor fuel processing system that electronically tracks and reports all of the fuel reported in a jurisdiction on a load-by-load basis. It is evident in jurisdictions like Arkansas, Nevada and Virginia (current VISTA/FT customers), that processing details into a useable format creates an accurate environment for monitoring fuel movements within the jurisdiction. VISTA/FT provides the state with the tools you need to efficiently handle load-by-load reporting and to assist your filer community in entering information into VISTA/FT by using detail references. The system improves the accuracy and compliance of tax returns and ultimately, and more importantly, **VISTA/FT will increase your fuel tax revenues.**

Features of the VISTA/FT system identified for Michigan include:

- monitoring fuel movement throughout the fuel distribution chain
- tracking all fuel product types and amounts at the manifest level
- generation and on-line imaging of tax returns and details
- automated desk audit capabilities for rapid identification of filing omissions, errors, fraud and evasion
- integration of tax financial data with CATS
- integration of account demographic data with TACS
- tracking US Customs data for Canadian imports and Barge Imports on Michigan’s waterways (Thread 4)
- tracking diverted loads via an automated interface with the national fuel diversion reporting system (Thread 7)

- tracking Michigan Import Verification Numbers (Thread 7)
- tracking Michigan Service Interruption Authorization Numbers (Thread 7)
- electronic exchange and tracking of import / export information with other states (ExTOLE) (Thread 5)
- tracking Federal Terminal Operator report information from ExSTARS (Thread 5)

In addition, VISTA/FT supports all types of reporting used by Michigan to process and validate information submitted with tax returns. This includes, but is not limited to, terminal, carrier, and retail reporting used as part of the discrepancy identification process to flag inconsistencies in data received.

VISTA/FT is a comprehensive motor fuel tracking system constructed to enable jurisdictions to readily identify details about fuel movements within the jurisdiction in a manner never before available. VISTA/FT provides a clear and concise view of the filer's return and all discrepancies reported to the detail line item, which is extremely useful information for investigators, auditors and tax administrators.

In essence, VISTA/FT automatically audits each tax return by checking calculations, verifying supporting details and crosschecking manifests with other reporting entities. The system provides investigators with the tools to allow them to focus on trends and variances in reporting data, to identify potential tax evasion, and to identify future audits.

DATA PROCESSES AND STORAGE

The architecture underlying VISTA/FT allows enormous amounts of data to be input, stored, processed and archived. Considering a single shipment of fuel can be transacted among multiple filers, and given the overall volume of fuel consumed in any given jurisdiction, VISTA/FT is capable of storing millions of data records and still providing rapid response time and processing speed.

Data Storage

Our data structures will be sized to accommodate approximately six (6) million active data records allowing for storage of up to 12 months of continuous active filer data. ACS will establish, with Michigan, the optimum time period for active records to be stored before archiving. Based on Michigan's terminal point of taxation (Tax at the Rack), current reporting forms and entities, and fuel volume information reported to the Federation of Tax Administrators (FTA), ACS estimates transaction volumes in Michigan to be as high as 600,000 detail transactions per month. Regardless of the volume of input, VISTA/FT categorizes and processes all of the detail disbursements and receipts by the return period date.

Processing Filer Data

In addition to the generation of 35 identifiable discrepancies, VISTA/FT performs a magnitude of assorted tests, ranging from FEIN, filer data and product integrity, to multiple schedules claiming a load of fuel. The schedule type determines the number of generic tests performed on the record. Statistically, VISTA/FT performs an average of 653,000 matches per hour. This average may vary depending on validation processes required by Michigan. Based on the worse case scenario (every transaction passing through every discrepancy check), we have estimated the entire discrepancy process for the estimated filer submissions for the state of Michigan will take no longer than 20 hours to run. Michigan will select a pre-determined date each month for ACS to run a crosscheck on data supplied during the previous month. The discrepancy process will be handled without interruption to Michigan's daily workflow. For example; if the crosscheck discrepancy data is set to be reviewed by Michigan's staff on the 15th of the month, the data will be available for discrepancy verification on the morning of the 15th.

VISTA/FT DETAIL SYSTEM DESCRIPTION

Account Information

VISTA/FT contains information on all filing entities within a jurisdiction. Filing entities can consist of both taxpayers and non-tax payers (i.e., information reporting only). Some of the non-taxpayer information already supported in VISTA/FT in other jurisdictions includes independent carriers, retail entities, or end-users by fuel type and geographical location. Filer entity information includes data elements such as name, identification number, address, contact name, fuel type bought/sold, storage capacities, fleet statistics and average fuel movement.

For account demographic data, we are recommending that Michigan's Tax Account Customer Support (TACS) system, which currently processes account licenses and registrations, act as the primary system (authoritative source) for on-going maintenance of basic filer data and that the TACS system includes this data as part of the automated interface capability between VISTA/FT and Treasury's system. The ClientView XGEN interface mechanism will be the primary consideration for this data, however, we may find that the ODBC Gateway or FTP batch file will work more efficiently given that VISTA/FT needs this data resident for numerous on-line and batch processing requirements.

Our interface processes are designed to ensure a synchronization of data between VISTA/FT and the state's licensing, financial, tax and other related systems. VISTA/FT includes import and export routines to facilitate this type of interface in an append type processing mode so that additional information, which may be separately maintained in VISTA/FT, will be preserved during the interface.

VISTA/FT also contains the ability to extract historical and current filer information in any format Treasury requires, whether electronic or hard copy. Filer account, tax and detail reporting data can be quickly compiled, displayed or formatted for investigation purposes utilizing the querying and reporting abilities of ORACLE and Crystal Reports.

VISTA/FT can report on trends in fuel movement from different terminals to various storage locations by all filers, or by specific filers. VISTA/FT can also report on import/export trends, volumes, export/import jurisdictions and discrepancy levels and types. It can report on trends in filer activity, who a filer does business with, how much, when, and where.

US Customs Information

As a result of data mining exercises (Thread 4), US Customs data will be imported and used to crosscheck Canadian imports reported by Importers and Suppliers. Barge shipments (imports) will also be checked against Terminal Operator reports to ensure all waterway shipments were received into state terminal locations. The type of information from US Customs data should include, if possible, the importer's name and TIN (Tax Identification Number) or state license number, shipper's name and TIN or license number, recipient name and TIN or license number, bill of lading or manifest number, fuel types and quantities (net gallons, gross gallons), date shipped, point of destination (city or state), terminal code number or TCN, and Import Verification Number (if called in) for the imported shipment.

US Customs data will be received on a periodic basis from FARSTARS and stored in VISTA/FT. An ODBC Gateway or FTP batch file interface mechanism is recommended for this interface since this data is required only for batch discrepancy processes and is not required dynamically.

Import Verification Numbers and Related Import Information

Michigan, via a third party, operates an Interactive Voice Response (IVR) system for the purpose of issuing / recording fuel imports from non-licensed and occasional importers (Thread 7). For each import reported, an Import Verification Number is issued to the caller, and data relative to the import is stored in the IVR system's data files. This data will be extracted, imported and used to crosscheck all imports reported by Importers and Suppliers. The type of information from the IVR data files should include, if possible, the importer's name and TIN (Tax Identification Number) or state license number, shipper's name and TIN or license number, recipient name and TIN or license number, bill of lading or manifest number, fuel types and quantities (net gallons, gross gallons), date shipped, point-of-destination (city or state), terminal code number or TCN, and Import Verification Number for the imported shipment.

Import Verification Number data will be received on a periodic basis from the IVR system and stored in VISTA/FT. An ODBC Gateway or FTP batch file interface mechanism is recommended for this interface since this data is required only for batch discrepancy processes and is not required dynamically.

Service Interruption Authorization Numbers and Related Import Information

Michigan, via a third party, operates an Interactive Voice Response (IVR) system for the purpose of issuing / recording bill-of-lading and or manifest numbers for fuel shipments leaving a terminal that has had some form of service interruption. This service

interruption must be one that prevents bill-of-ladings and or manifests from being generated with each disbursed (usually by truck) shipment (Thread 7). Although this does not occur frequently, this data will be extracted, imported and used to crosscheck all disbursements reported by Suppliers. The type of information from the IVR data files should include, if possible, the terminal number and location, supplier's name and TIN (Tax Identification Number) or state license number, shipper's name and TIN or license number, recipient name and TIN or license number, fuel types and quantities (net gallons, gross gallons), date shipped, point-of-destination (city or state), terminal code number or TCN, and Service Interruption Authorization Number for each disbursement.

Service Interruption Authorization Number data will be received on a periodic basis from the IVR system and stored in VISTA/FT. An ODBC Gateway or FTP batch file interface mechanism is recommended for this interface since this data is required only for batch discrepancy processes and is not required dynamically.

National Fuel Diversion System

VISTA/FT, via the EDI Review module, will interface with the National Fuel Diversion System (Thread 7) to retrieve information on shipments of fuel that have been reported diverted (re-routed) from the original point of destination as indicated on the bill-of-lading and/or manifest for the shipment. The type of information from the IVR data files should include, if possible, supplier name, TIN or license number, shipper name and TIN or license number, recipient name and TIN or license number, bill of lading or manifest number for the diverted shipment, date of diversion, fuel types and quantities (net gallons, gross gallons), terminal code number or TCN, the original and new destination (minimum city and state location), and the diversion number.

The National Fuel Diversion System data will be received on a periodic basis from the host site and stored in VISTA/FT. Email or FTP batch file interface mechanism is recommended for this interface since this data is required only for batch discrepancy processes and is not required dynamically.

Filing Tax Returns and Summary Schedules

VISTA/FT supports all summary schedule, face copy, and detail line tax and informational reporting in accordance with the data elements required by the FTA Uniformity 11 Point Plan and the state. Summary schedules and face copy forms are stored and represented in the exact layout as defined by the state. This provides an electronic image for all motor fuel tax and reporting information as if submitted on paper forms, to enhance user readability and reduce interpretation difficulties.

VISTA/FT is designed to accommodate and maintain changes in the layout of all reporting forms. Therefore, when the Department of Treasury adopts the final format of a form, changes will be implemented. Further, if forms or reporting requirements change after filer reporting has commenced, part of ACS' maintenance offering is to adapt VISTA/FT to the new reporting requirements.

As often happens over time, new legislation alters form designs to either provide additional data elements or to change existing reporting requirements. Critical system aspects of these types of changes not only provides ease in making system changes, but also contain the ability to maintain both the old and the new form designs and reporting requirements. For example, in January 1998, Montana adopted a new summary schedule form for motor fuel tax reporting. The new form design was implemented to clarify reporting requirements and reduce potential filer reporting errors. Although the new forms were mandated for the January 1998 reporting period, prior period amended and late returns were still accepted on the old forms and were successfully processed by the system.

VISTA/FT maintains a reporting forms library by reporting period that allows multiple versions of any form to be used concurrently, depending on the tax period being filed.

Discrepancy Processing and Exception Reporting

VISTA/FT is designed to track motor fuel deliveries on any motor fuel product type at any point of taxation, using all forms of reporting currently allowed by Treasury. VISTA/FT tracks deliveries from the terminal, or rack, location to a supplier of gasoline, diesel, liquefied petroleum gas and other distillate special fuel products. VISTA/FT is designed with an intelligent tracking module (part of the Discrepancy Identification Process) that tracks and finds fuel shipments, even if a portion of the record keeping has been intentionally altered. VISTA/FT contains the ability to track shipments of fuel that have been split into multiple loads, fuel types that have been swapped at any point in the reporting chain, incorrect manifest number, or erroneous changes in reported buyers and sellers.

Scheduled Discrepancy Processes

Depending on fuel volumes and tax liabilities, Michigan has established different filing periods for different tax entities. For example, fuel suppliers (the primary source of tax revenue for the state) are required to file tax return information on a monthly basis. Other tax entities such as Importers are allowed to file on a quarterly basis. Fuel terminals

reporting gains and losses are allowed to file an annual tax return. Since the VISTA/FT discrepancy process works from this data, the crosscheck routines will need to be segregated by filer type, i.e., supplier vs. importer, and run on a periodic basis that matches the states' filing requirements. Where applicable, other interface requirements needed for a discrepancy process, such as Import Verification numbers, will be set to match the periodic processes.

Summary Discrepancy Checks

VISTA/FT is designed to track reporting errors on each reported load of fuel on each tax return. ACS believes this is truly the only way to identify misreported fuel tax information and support the audit activities of the state. However, with a high volume state such as Michigan, ACS realizes that trying to manage discrepancies at the detail level may not be the ideal way to approach investigations on misreported tax information. For Michigan, ACS proposes to provide a Summary Discrepancy Management form to provide an on-line queue of summary level discrepancy information to identify and quantify discrepancies at filer levels rather than individual load levels. For example, in the case of missing receipts, which usually indicates taxes are due on fuel received but not reported, the Summary Discrepancy Management form will show total summary information for missing receipts from one filer to another. From this queue, Michigan staff can then drill down to the actual detail loads missing for this filer.

Detail Discrepancy Checks

VISTA/FT matches all terminal transactions against supplier, importer/exporter, and transporter/carrier data for the same monthly, quarterly and annual reporting period. Once discrepancies in the reporting period are identified, they are stored as active discrepancy records in the VISTA/FT database until the discrepancies are resolved.

Active discrepancy records are stored electronically and processed via multiple on-line forms. The primary entry point to the discrepancy file is the on-line open discrepancy queue where exception records can be individually displayed, sorted, exported, and reported in almost any form Treasury desires.

From this queue, the user can determine the validity of exception loads, assess the taxpayer for any unreported fuel or untimely transaction, and update the status of the discrepancy records.

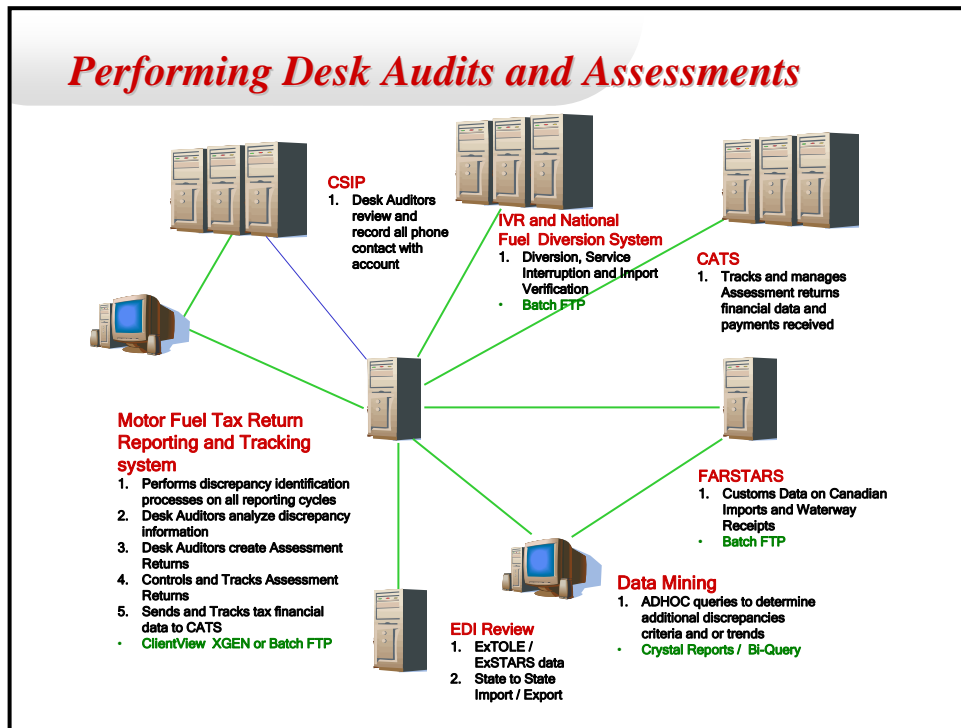


Figure 14 – Performing Desk Audits and Assessments

The discrepancy database is populated from the Discrepancy Identification Process executed on a monthly basis against each month’s filing, supporting and interfaced data. As stated earlier, due to the high volume of transactions in Michigan, some of the following discrepancies can be merely reported on, as opposed to displayed, in the on-line Discrepancy Queues. For example, Michigan may want the system to produce a paper report of missing FEIN’s and other reporting compliance discrepancies on a taxpayer’s detail support data rather than displaying this data in an on-line queue. As a follow-up activity, this report can then be attached to a letter requesting the taxpayer to comply with the state’s reporting regulations. Keep in mind, all discrepancy data will be retained in VISTA/FT to support audits, however the on-line discrepancy queues can be set up to only show ‘tax related’ or ‘audit related’ discrepancies to make the amount of data more manageable. We believe this type of filtering of discrepancy data along with Summary Discrepancy Management described above will make VISTA/FT easier to manage Michigan’s anticipated high volume of reporting data.

The Discrepancy Identification Process currently validates on the following standard criteria.

- **Data Compliance** - All required and desired fields are included in the data records submitted by the filer, and include FEI numbers and carrier names. Each type of missing required/desired data is flagged as its own discrepancy type. This allows state personnel to perform a sort on the type of missing data and prioritize according to data compliance.
- **Wholesalers/Suppliers** - All records are crosschecked to ensure all fuel loads have been shipped and received as reported on the appropriate schedules.

- **Terminal Reports** - Each record for a detail load of motor fuel requires a manifest number once the fuel leaves the terminal. Numbers are crosschecked against wholesalers/suppliers reports to ensure accurate reporting. If not accurate, it is flagged in VISTA/FT as a non-reported load of fuel and missing manifest number.
- **Non-Filer** - All suppliers licensed in Michigan are crosschecked through VISTA/FT to the Department of Treasury's tax system to ensure that the required tax return has been filed. If not filed, VISTA/FT will flag the account as a non-filer.
- **Transaction with an Unknown Filer** - Each detail record containing buyer/seller information is electronically verified to ensure the transaction was conducted with a supplier licensed in Michigan.
- **Missing Loads (*Unreported Loads*)** - Each detail load of motor fuel is electronically crosschecked to ensure that every entity identified as having handled the fuel, has, in fact reported it on the appropriate detail schedule. If VISTA/FT locates a missing load, the system will flag and report the missing load, which then will be available under the standard report section.
- **Late Loads (*Loads Reported Late*)** - Each detail load record requires a shipment date. This date is checked to ensure it has been reported in the proper reporting period. If not, it is flagged as a discrepancy. As discussed in the teamwork sessions, Michigan will allow late loads to be reported for the prior periods tax return without penalty or interest. Only detail loads with ship dates older than the prior tax period will be flagged as a late load. *It is important to note that this type of discrepancy should decline dramatically once the system is operational due to the fact that late loads are usually caught in the prior month as a missing load.*
- **Gallon Quantity** - Gallon quantities are checked with each fuel transfer to ensure that the amount of fuel exchanged has not changed dramatically since it was first reported. The gallon quantity discrepancy check has been implemented to intelligently handle reporting of split or consolidated loads among different reporters. The design was completed so that gallon discrepancies are not generated due to one filer reporting a load of fuel as split (numerous) quantities and the next filer reporting the same load as one quantity. Treasury should establish acceptable tolerance levels for this check. Levels can be set from as little as one gallon, to an unlimited number of gallons.
- **Disbursements Without Receipt** - All disbursements are checked on a load-by-load basis to ensure that a receipt for the fuel is recorded within the same reporting period. Not showing the receipt of fuel on a disbursement claimed as exempt (i.e. export or exchange) can result in an understatement of the total tax due. This is reported into VISTA/FT as non-paid receipt.

- **In-State Disbursement on an Export Schedule** - Checks are completed to ensure that all destination points declared on exported fuel shipments do not contain an in-state address that would not qualify as an export. In-state distributions detected on export details are reported in VISTA/FT as fuel that may have been reported as tax exempt.
- **Exports on an In-State Disbursement Schedule** - Checks are made to ensure that all destination points declared on in-state fuel shipments do not contain an out-of-state address that should be reported on an export schedule.
- **Invalid Account** – The invalid account cross-match will highlight any discrepancies in the buyer’s and seller’s detail schedule on the shipment of fuel.
- **Fuel Type Mismatch** - Each detail record reported on a fuel shipment is checked to ensure that the fuel type was not changed in the reporting chain. An example of mismatch fuel includes clear diesel changed to dyed diesel by one or more of the suppliers handling the fuel.
- **Schedule Conflict** - The filer and the Buyer/Seller are reporting receiving/disbursing the same load to each other.
- **Reporter Error (*Loads Reported Taxes Not Paid and Exempt Sales*)** - VISTA/FT calculates each return and can either generate the face copies and summary schedules, or verify the entries submitted by a filer for the face copies and summary schedules. This calculation takes all of the detail support data and tallies the numbers according to fuel and schedule types. This tally is either verified against the entries on the face copies and summary schedules (paper forms), or against separate EDI Tax Information and Amount (TIA) segments used to identify summary totals claimed by the filer (EDI). If they do not match, a discrepancy indicator is set for the return and each field containing an error is displayed electronically.
- **US Customs Loads Not Reported with Michigan Tax Due** - This discrepancy may result in multiple detail discrepancy checks and will be designed further with Michigan auditing and fuel tax management staff as part of the detail design phase of this project.
- **Import Verification Number Loads Not Reported with Michigan Tax Due** - This discrepancy may result in multiple detail discrepancy checks and will be designed further with Michigan auditing and fuel tax management staff as part of the detail design phase of this project.
- **Service Interruption Loads Not Reported with Michigan Tax Due** - This discrepancy may result in multiple detail discrepancy checks and will be designed further with Michigan auditing and fuel tax management staff as part of the detail design phase of this project.

- **Diverted Loads Not Reported with Michigan Tax Due** - This discrepancy may result in multiple detail discrepancy checks and will be designed further with Michigan auditing and fuel tax management staff as part of the detail design phase of this project.

Other specific discrepancy checks can be incorporated into VISTA/FT if so desired by the Michigan Department of Treasury. As an example, one jurisdiction requested a discrepancy check that would identify all returns claiming a credit, such as a bad debt credit on the face copy form. Another jurisdiction requested that VISTA/FT identify all licensed bulk dealers in business for less than six (6) months. These jurisdiction specific validations and crosschecks will be defined and implemented during installation of the Michigan project.

All generated discrepancies are available for electronic viewing and on-line processing. Discrepancies are also reported in the formats described below.

- **Discrepancy Summary Report** - Displays and prints a summary of the filer's total number of discrepancies by discrepancy type for each reporting period.
- **Discrepancy Detail Report** - Displays and prints detailed information about an individual discrepancy generated for the filer.

Standard Reporting Capabilities

VISTA/FT generates several standard reports to provide a broad range of information, including exception reporting, statistical analysis, trends analysis, filing data, and audit support. All reports are generated on-line in a standard PC readable format, via report request windows. This functionality provides investigative staff with ad hoc capabilities, allowing the operator to sort and filter standard reports using a wide array of parameters. Standard reports provided in VISTA/FT are described below.

- **Filer Profile Report** - Displays and prints detailed information about a filer.
- **Export Carrier Names** - Displays and prints a listing of all export carriers.
- **Import Carrier Names** - Displays and prints a listing of all import carriers.
- **Supplier's License Tax Report** - Displays and prints summary information of the tax return and transactions filed by a filer for a given period.
- **Schedule of Receipts and Disbursements** - Displays and prints detailed information receipt and disbursement transactions for a given period.
- **State Import Report** - Displays and prints all import transactions reported in the base jurisdiction and includes detail load-by-load information such as carrier, buyer, manifest number, date received, and total gallons by import jurisdiction and filer.
- **State Export Report** - Displays and prints all export transactions reported in the base jurisdiction and includes detail load-by-load information such as carrier, buyer, manifest number, date received, and total gallons by export jurisdiction and filer.
- **Carrier Export Totals Report** - Displays and prints all export transactions of a carrier and includes detail data, such as bill of lading, shipment date, total gallons delivered, origin, destination, and exporter.
- **Carrier Import Totals Report** - Displays and prints all import transactions of a carrier and provides vital information such as bill of lading, ship date, total gallons delivered, origin, destination, and importer.
- **Destination Gallons by County Report** - Displays and prints total gallons of gasoline delivered by county by supplier.
- **Destination Gallons by Filer Report** - Displays and prints total gallons delivered to a destination by filer and fuel type.
- **Summary of Fuel Origin by Supplier Report** - Displays and prints total gallons by fuel type delivered by a supplier based upon the origination terminal.
- **Summary of Fuel Origin by Location Report** - Displays and prints total gallons delivered based upon the origination terminal.

- **State Discrepancy Summary Report** - Displays and prints a summary of each filer's total number of discrepancies, by discrepancy type, for each reporting period.
- **State Discrepancy Detail Report** - Displays and prints detailed information about an individual discrepancy generated for each filer.
- **Non-Filer Gallons Report** - Displays and prints total gallons bought/sold by all non-filers for a given return period.
- **Taxable Discrepancy Detail Report** - Displays and prints detailed information about discrepancies generated for each filer that have been resolved and identified as taxable.
- **Excessive Load Report** - Displays and prints total gallons of fuel reported transported by truck, rail, or barge when it exceeds the normal amount of fuel that can be transported by such means of transportation. For example, a fuel truck may only have the capacity to transport 10,000 gallons of fuel, but the filer reports 20,000 gallons transported. VISTA/FT will recognize the discrepancy and report the error under the excessive load report.

The Michigan Department of Treasury will have the ability, through Crystal Reports, to create custom reports, request statistical information, or establish your own ad hoc query. This includes any type of output report in a PC readable format, or data extract to another windows based product, such as Microsoft, Excel, Access and Lotus 123. In addition, any number of historical reports can be generated from the CD-ROM archives in an ad hoc fashion or in defined formats utilizing querying and reporting abilities of ORACLE and Crystal Reports.

Interfacing with State Systems

TACS

The VISTA/FT Filer Profile Import Interface was built to eliminate the need for jurisdiction staff to initially set-up and then continually maintain motor fuel supplier, exporter, importer, and/or fuel carrier account data in two different systems. This feature allows account data to be maintained by state staff in the TACS system and via the import interface to synchronize VISTA/FT with any changes that may occur to the filer's account profile data.

In addition to account demographic and license information, information about audit selections shall be interfaced from TACS. This interface will cause the return periods to be locked from amendment processing.

The ClientView XGEN interface mechanism will be the primary consideration for this data, however we may find that the ODBC Gateway or FTP batch file will work more efficiently given that VISTA/FT needs this data resident for numerous on-line and batch processing requirements.

CATS

The VISTA/FT Tax Return Export Interface was built to address two basic processing considerations. The first is to allow jurisdictions to maintain motor fuel tax return data in VISTA/FT without having to re-key financial data into the CATS system for processing taxes, payments, billing notices, correspondence, penalties and/or interest. The second consideration allows jurisdictions to correct discrepancies in VISTA/FT at the detail line item level based upon resolution with the filer. This function also exports new summary schedule financial data to CATS as a corrected or amended type return financial data. It is our recommendation that if a new return is created, whether or not financial data is altered, the financial entries are sent to CATS as a new sequence. This allows the jurisdiction to maintain full accountability and audit trails for electronic exception processing.

Financial data within the Motor Fuel Tax Return Reporting and Tracking system will be sent to CATS as a GAP dual financial entry. Financial entries will be derived from all summary objects on the summary schedules generated for the tax return. Even though current financial data requirements (objects of revenue) are only needed at the balance due or owed levels of the tax return, future legislative changes may alter these criteria. For example, if future legislative changes require gas revenue distribution to counties based upon delivered gallons, this would require multiple financial entries to be derived from each county distribution on a county distribution summary form. Therefore, ACS believes it is important that financial entries be addressed at all applicable levels within the tax return data and not just at the total due or owed levels. *Note: If CATS is not able to accept GAP dual financial entries at the time that the Motor Fuel Tax Return Reporting and Tracking system is placed into production, a temporary mask routine will be put into place to create a single sided financial entry for interface purposes.*

The ClientView XGEN interface mechanism will be the primary consideration for this data. However, we may find that the ODBC Gateway or FTP batch file will work more efficiently given that VISTA/FT needs this data resident for numerous on-line and batch processing requirements.

The VISTA/FT Tax Return Export Interface is secured to allow only designated Department staff to control the export of tax return information. This was done to allow for the segregation of departmental duties. For example, the audit bureau may be responsible for resolving discrepancies identified as errors in reporting from the filers, and also may determine whether these discrepancies represent additional tax, interest or penalty liabilities. At this point, the discrepancies may be adjusted in the form of a corrected return, which is submitted to the tax bureau for final review and submission. The tax bureau may view the proposed corrected return and then "push the button" for the corrected return to be submitted to the designated tax processing system. Once submitted, VISTA/FT is structured to disallow another return for the same filer and tax period to be submitted to the tax system until the interface reports that the tax return has been received and processed.

FARSTARS

We have identified two interface requirements for FARSTARS. The first interface requirement is for US Customs data as described in Thread 4 and in the US Customs data requirements described in this thread. This data will need to be sent from FARSTARS to VISTA/FT on a periodic basis to coincide with the discrepancy process cycle needing the data. As planned as part of the Data Mining exercise in Thread 4, a data extract file will be created. At that point, either the SQL code can be extracted and developed into an application program, or the Crystal Report extract used in the Data Mining exercise can be placed into a scheduled production basis.

The second interface is in support of field audits. FARSTARS operates on a Terradata warehouse of data exported by various state legacy systems for the purpose of providing data to field auditors to query and prepare for selected account audits. The same export facility will be needed to establish motor fuel tax data into FARSTARS for motor fuel account audits. For the initial interface, we recommend using standard ORACLE utilities to copy all motor fuel tax related data including discrepancies into the FARSTARS Terradata warehouse to allow the auditing group to model data for audit preparation. Based upon this modeling exercise, the auditing staff will be able to determine the best data model for supporting field audits. At this point the ORACLE utilities can be converted into extract utilities to provide the specific data needed by the auditing staff. The ultimate interface mechanism will be one that is dynamic. In other words, instead of just copying all updated data into the warehouse, it is be a more efficient use of processing capabilities to let the auditors request the data specific to the account being audited.

DESK AUDITS

Using the VISTA/FT Discrepancy Forms

The discrepancies found in each supplier return can be sorted and prioritized by discrepancy type using the on-line open discrepancy queue. Certain discrepancy types should take priority. For example, non-filers, transactions with unknown filers and missing/late loads should have a higher priority for resolution than data compliance discrepancies. By sorting discrepancies, each discrepancy can be investigated on a type-by-type basis within the account. Departmental investigative staff can then focus on groups of discrepancies rather than randomly moving from one discrepancy type to the next. This organization helps streamline investigations and reduces the chance of missing a potential pattern of tax evasion (schemes) within the account.

Discrepancies are examined on an individual basis. By selecting the discrepancy type, by account, from the open discrepancy queue, detail discrepancy records are displayed by type for the account selected. This allows the investigative staff to look at all detail records relating to the type of discrepancy being investigated. Additional investigative

tools are provided through hyper-link and pop-up windows within the detail discrepancy window form. Discrepancies include, but are not limited to, the following:

- **Bill of Lading** - A pop-up window is linked to the discrepancy detail record that allows a user to examine an electronic fuel manifest record as reported to VISTA/FT. This window displays the other buyer/seller transactions associated with the fuel shipment being investigated. *This is one of the most important features of VISTA/FT since it allows a user to see the movement of fuel regardless of the number of tax returns submitted for the fuel.* The bill of lading screen also contains an option to view the manifest by ship date or by originating terminal. This feature was designed to help investigative staff isolate bill of lading information in cases involving duplicate manifest numbers.
- **Import Verification Number** - This pop-up window is linked to the discrepancy detail record and allows a user to examine discrepancies relating to an Import Verification Number. It displays the same information as the bill of lading.
- **Service Interruption Authorization Number** - This pop-up window is linked to the discrepancy detail record and allows a user to examine discrepancies relating to a Service Interruption Authorization Verification Number. It displays the same information as the bill of lading.
- **National Fuel Diversion System Number** - This pop-up window is linked to the discrepancy detail record and allows a user to examine discrepancies relating to a National Fuel Diversion System Number. It displays the same information as the bill of lading.
- **Import Verification Number** - This pop-up window is linked to the discrepancy detail record and allows a user to examine discrepancies relating to an Import Verification Number. It displays the same information as the bill of lading as well as information relating to the original and new destinations for the shipment.
- **Carrier Bill of Lading** - If you have independent carriers reporting into the system, VISTA/FT will electronically process and match the carrier reports against what has been reported by the supplier. The carrier bill of lading pop-up window, linked to the bill of lading pop-up window, helps your investigative staff quickly isolate discrepancies based on independent reporting on the fuel. For example, Filer A reports that 10,000 gallons of clear diesel fuel was sold to Filer B, but Filer B reports that only 5,000 gallons of clear diesel was purchased from Filer A. The investigator typically does not know who is accurately reporting the quantity of fuel exchanged and needs to contact both reporting entities for resolution. *With the carrier bill of lading pop-up window, your investigator can view what the carrier reported hauling and identify the reporting error.*

- **Discrepancy Bill of Lading** - This pop-up window is linked to the discrepancy detail record and allows investigative staff to review other types of discrepancies associated with the shipment of fuel. This window also allows a user to transfer control of the discrepancy display to the discrepancy type selected from the window. This gives investigative staff a complete picture of the load as reported by suppliers.

Once an investigator identifies the source of the discrepancy, it can be resolved. Resolution usually falls into two general categories.

- **Taxable Discrepancies** – State investigators will have the ability to flag (checkbox) the return as a taxable discrepancy during resolution. This enables the investigator to sort the resolved discrepancies by taxable versus non-taxable. This data is used to support and create a correction return
- **Non-Tax Related Discrepancies** - Incorrect demographics may affect the tax liability. They may also skew trend analysis and statistics generated from the system.

Operators are not allowed to add, update or delete any discrepancy information. This prohibition was included to ensure that all supporting data is available for historical, statistical and audit purposes. The only updates that occur in the discrepancy process include a “flag” for taxable or non-taxable discrepancies, and the alteration of the discrepancy status (i.e. “open/resolved”).

Field Audits

Supporting field audit activities will focus on several processes both internal and external to VISTA/FT. Data to support field audits will be extracted and copied to FARSTARS as described above. In addition, there are other interfaces and processes that need to be established to support this activity.

In the process flow diagram shown in Figure 15 the yellow highlighted area represents a future interface capability between FARSTARS and the Motor Fuel Tax Return Reporting and Tracking System.

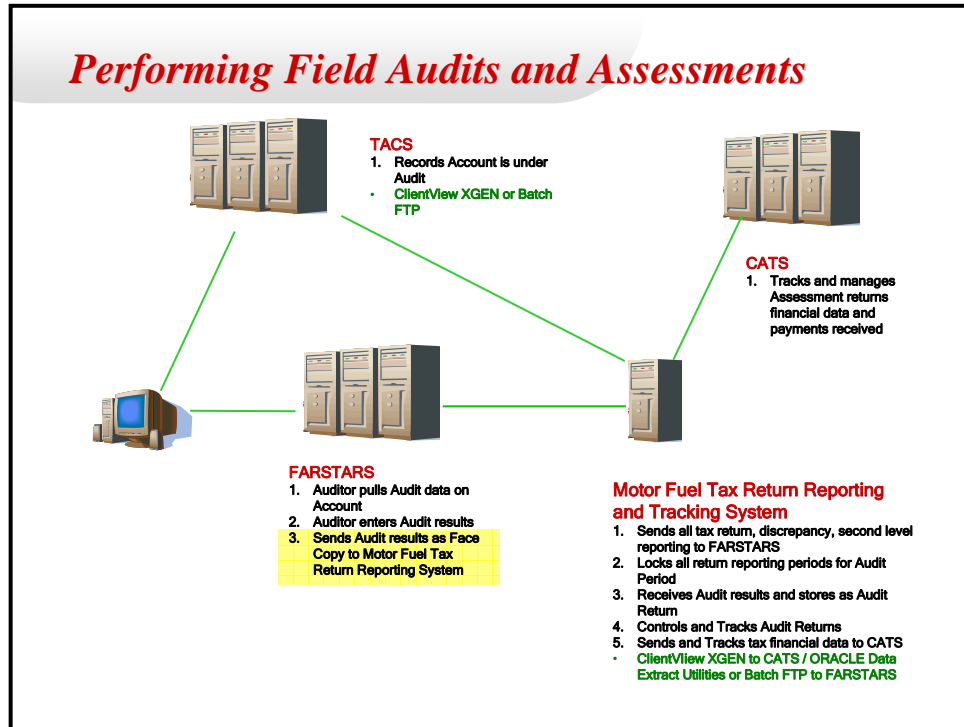


Figure 15 – Performing Field Audits and Assessments

As is done today, the initial audit request indicating the account and tax return periods to be audited will be entered into TACS. This request will then be interfaced to the VISTA/FT system via ClientView XGEN and/or Batch FTP processing depending on process and timing constraints. Upon receipt of the audit request from TACS, VISTA/FT will flag the account as an audited account and lock all returns requested for audit. Audit locking will not allow any additional tax returns to be generated from input received from the filer being audited. In other words, if an amended return is received either electronically and/or on paper for any period flagged for audit, VISTA/FT will not allow the return information to be updated. This does not mean that VISTA/FT will reject the initial submission; it simply means that the return data is held in suspense and cannot be generated / processed until the audit periods are released. If the audit is completed and an audit assessment return is generated for the period, the amended submission still will not be allowed since the audit return supercedes any amended returns submitted by the filer.

ACS will provide the capability of releasing returns from audit. This means that regardless of the reason for canceling or not performing the audit, the return may be released in the system allowing the filer to submit amended return information for the period. If an amended return was held in suspense due to locked periods, the filer does not have to resubmit the return. State staff may request the information to be processed once it has been released.

Once an audit is completed and an assessment or credit is generated as a result of the audit, an audit return type will be entered into VISTA/FT as the superceded return type for the periods being audited. This will continue to lock these return periods from further

filer submissions and they can only be updated with another audit type return. The results of the audit return whether resulting in additional taxes owed, credits due or no financial change, will be interfaced to CATS as part of the normal interface mechanism established for these two systems.

Using VISTA/FT to Assess Additional Taxes

Using VISTA/FT to assess additional taxes should only be completed for discrepancies that result in additional taxes, interest and/or penalties due, or credit due to the filer for overpayment of taxes. Alterations of tax returns can be filed as one of two types described below.

- **Amended Tax Return** - An amended return is defined as a return submitted by a filer to correct missing, incomplete or incorrect information on a previously submitted return. The filer usually initiates amended returns.
- **Corrected Tax Return** - A corrected return is defined as a return that has been corrected by the state on behalf of the filer as a result of discrepancies identified by VISTA/FT. This is the most frequently used type of return as the data can be corrected on-line as part of the resolution process and does not require processing of a complete amended return.

It should be noted that collection of any additional tax due, penalties or interest accrued, as well as all billing notices and assessment correspondence is the responsibility of CATS, STARS and/or MARCS depending on the status of the receivable.

ACS recommends using the Corrected Tax Return for all discrepancy resolutions that result in the alteration of tax information. This return allows a correction of erroneous detail records via a “pick list” that allows a user to add, modify, and/or delete based upon the prior return’s detail information. VISTA/FT also allows a user to add each detail record by bill of lading, or to create an adjustment detail record containing a total adjustment amount (i.e., journal entry). New face copy and summary schedules are recalculated as the resolution is identified. This is more efficient than waiting until an amended return is filed and then entering the information into VISTA/FT and reprocessing the amended data. All types of returns can be entered into VISTA/FT as an additional sequence return for the filing period. In other words, the original tax return will be sequence one; the corrected and amended returns will be sequences two, three and so on. This allows retention of all sequences in the format originally filed, including the summary schedules and detail support data.

Non-Tax Related Discrepancies

Discrepancies that fall under the resolution category of “Non-Tax Related Discrepancies” are those that do not result in any additional taxes due from, or credits due to, the filer. Data compliance discrepancies, for example, such as missing FEIN numbers fall into this category. This type of discrepancy is usually resolved over the phone, or with a letter to the filer requesting the information be provided in the future. All state-initiated communications with the filer are entered in the contact pop-up window and are retained for historical or support reasons along with the discrepancy detail once it is resolved.

Once a discrepancy, or a group of discrepancies, are resolved, the status of the discrepancies, along with any supporting documentation in the form of on-line notes, is changed to “resolved”. This process does not physically delete the discrepancy, but rather changes the status so that it no longer appears on the open discrepancy queue.

VISTA/FT System Audit Trail

VISTA/FT provides full write capabilities with complete audit tracing to ensure the integrity and synchronization of the data contained in the VISTA/FT data warehouse with interfaced data to external systems (i.e. state tax systems). *We believe that the security and ability to audit VISTA/FT is one of the most comprehensive aspects of our product.*

To best describe these features, this section is segmented into each major feature of VISTA/FT and details the controls, procedures and recordings for updating data associated with that feature.

Account Demographic Data (Account Profile) - ACS realizes that an external licensing or tax system (TACS) will be used to import and maintain account-related data (i.e., name, addresses, contacts, identification numbers, etc.) To this end, VISTA/FT does not allow any on-line updates to occur to account related data. The only on-line update that is allowed to account profiles is the updating of filer notes. “Filer notes” is a note pad area used to record free-form information about the account. Note pad data is maintained separately from the imported filer demographic data to ensure data integrity. In other words, a refresh of the imported data will not overlay or erase existing filer notes, nor will existing filer notes interfere with refreshed data. As with most free-form note pad areas, each note is stored as a separate record in the note area. Each note is stamped with the date and time of the update and the log-on ID of the user recording the information.

Tax Returns - Tax returns are handled a variety of ways depending on the method of data entry. All tax returns and non-tax reports submitted by EDI or the web page are protected in a read-only mode and no on-line updates are allowed. This is true for detail records as well as summary schedules because these are the original filer records and are interfaced directly to the jurisdiction’s tax system, no revisions are allowed. The only type of original tax return to which updates are allowed are those entered by an operator for paper returns. Each return record is date and time stamped, along with the user ID of the operator who entered the record. Separate date and time stamps are maintained for add, update and delete functions. Once a data entered form is transmitted to the Department’s tax system, it is protected in a read-only mode and cannot be updated electronically.

If changes are needed on tax return information for any type of return (i.e., EDI, web page or manually entered), an on-line manual correction or amendment return is completed. When an on-line manual correction or amendment return is entered, VISTA/FT creates another sequence of the summary schedules of the return, preserving the original, or prior sequence, in its original protected form. Since all summary schedules are based on totals generated from details, on-line updates are not allowed to summary schedules. Direct on-line modifications are completed at the detail level, which

creates a new sequence of the record (before and after image) preserving the details as they were originally submitted.

It is important to realize that this process does not copy all of the supporting detail schedules filed with the tax return, as this would duplicate thousands of unnecessary details already submitted to VISTA/FT. VISTA/FT only copies and sequences the details that are directly affected by an update or delete, and preserves the original records as originally filed. Note that a 'delete detail' does not delete a record, it simply creates a new sequenced detail with zero values. An 'add' of a new detail record will allow a user to make a summary adjustment type record (similar to a journal entry for the return). Any new add details are sequenced to correspond directly to the return (summary schedules) being adjusted, and do not affect the original or prior sequenced returns.

Once the detail corrections are entered, or at any time during entry, a user can re-calculate the summary schedules based upon the details from the original or prior sequenced returns and the new sequenced detail records. The on-line manual correction or amendment type return is identical to the way an adjusted return is submitted in a paper-based system. VISTA/FT is constructed to allow users to switch between details and re-calculated summary schedules during this process to allow a user to conduct 'what if' type scenarios. This is especially important when trying to formulate an assessment for unpaid taxes and give certain allowances to the filer at the Department's discretion. At no time during this process is a user allowed to update the summary schedules directly. As with any update activity in VISTA/FT, the new sequence records are date and time stamped along with the user ID at the time of update.

To further create an audit trail, all detail modifications associated with a new return sequence will require a user to enter a notation (utilizing the note pad) for the modification. This requirement was included to provide a form of documentation that explains, for future reference or detail support of an audit activity, why a change was made. All notes are accessible on-line regardless of the sequence of return.

Once the on-line manual amendment or correction return is approved and transmitted to Treasury's tax system that sequence of return is locked into a read-only mode and can no longer be updated on-line. If additional adjustments are needed, another sequence return can be created and the process can be repeated. It is important to note that VISTA/FT can also be set up to expedite the amount of interface data being sent to your tax system. For example, if a return has been sent to the tax system and another sequence of the return (amendment or correction) needs to be sent (via EDI mailbox), VISTA/FT can be set up to disallow the additional return to be sent until some form of EDI notification indicating the first return has been processed is received from your tax system. This mechanism is built into VISTA/FT to prevent return data sequences overlaying each other in a multiple send scenario.

Discrepancy Process - Discrepancies are only generated from the off-line discrepancy identification process and are protected from direct user update. VISTA/FT does not allow any discrepancy data elements to be added, modified or deleted. One modification that is allowed is the alteration of the discrepancy status from 'open' to 'resolved.' This places the discrepancy in a different classification, which can be viewed, in various on-line queues. When changing a discrepancy classification from 'open' to 'resolved', VISTA/FT will require the user to enter a notation (using the note pad) for the modification. This is required to provide a form of documentation to support the resolution (i.e., 'additional taxes due and paid' or 'error in reporting'). Notes on resolutions are retained for future reference or detail support of an audit activity. The note pad also works on a paging sequence and is directly linked to each detail modified. As with any update activity in VISTA/FT, the discrepancy records that have been re-classified, and all associated notes, are date and time stamped, along with the user ID, at the time of update.

On-line Reports, Queues, and Queries – On-line reports are pre-designed in VISTA/FT to allow Michigan quick access to the most common discrepancies. For example, "loads delivered for unpaid receipt" provides a quick look at identifying nontaxable fuel. This area of the system is read-only and does not allow a user to make any on-line modifications.

THREAD 7 – HANDLING SERVICE INTERRUPTION AUTHORIZATION NUMBERS, IMPORT VERIFICATION NUMBERS AND DIVERSION NUMBERS.

During the September teamwork sessions, Treasury and ACS identified three (3) major initiatives as part of Thread 7. One is to interface or receive data from the National Fuel Diversion System to collect electronic information on loads of fuel reported by the carriers as being diverted from the original point of destination. This happens quite frequently when a shipment of fuel to a retail station results in a short delivery, leaving enough fuel in the tanker to be delivered to another retail location and/or the load is diverted enroute by the supplier to meet market demands of its customers. The concern for most states is fuel that is diverted into their state as an import, when the manifest and/or bill of lading show the fuel being disbursed into the originating jurisdiction.

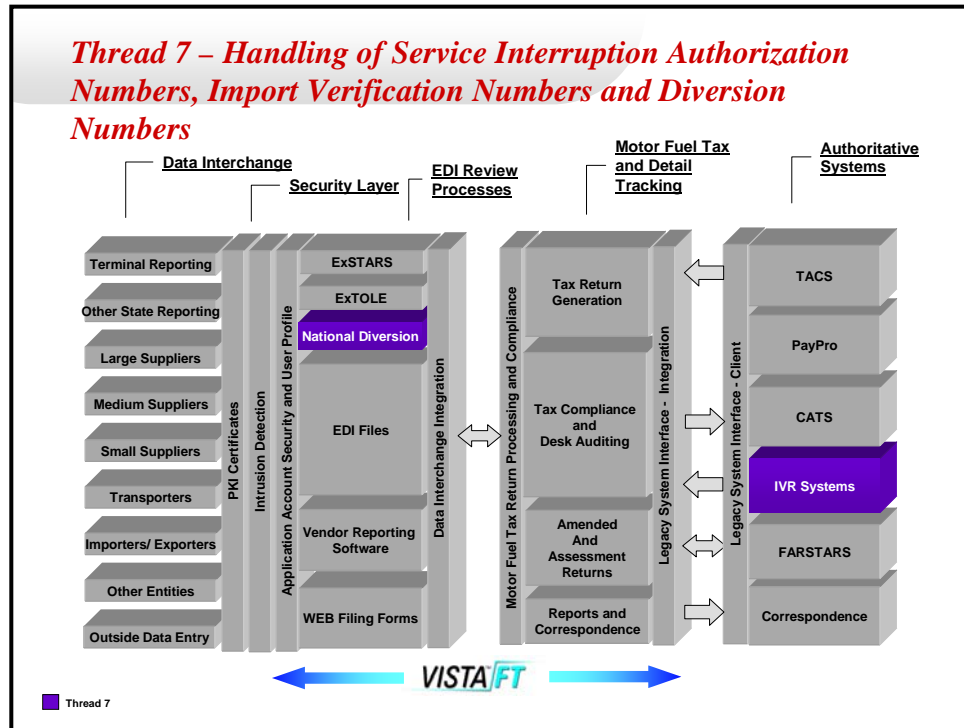


Figure 16 – Service Interruption Authorization, Import Verification and Diversion Numbers

The second and third initiatives are to accept and process data from Michigan’s current IVR systems established to record Import Verification Numbers and Service Interruption Authorization Numbers. Import Verification Numbers are used by Unlicensed and Occasional Importers to identify shipments inbound for Michigan. Service Interruption Authorization Numbers are used to identify specific disbursements from state fuel terminals (racks) in lieu of a manifest or bill-of-lading which cannot be issued from the terminal because of some form of service interruption.

The National Fuel Diversion System makes data available to states electronically. ACS currently has a project commitment with Virginia to automate this interface to incorporate electronic diversion data directly into VISTA/FT. Virginia currently receives diversion information on paper reports. We have received the file formats containing all normal data elements of a manifest/bill of lading that also includes data relative to the diverted destination for the fuel shipment. We are working with Virginia on the physical exchange methods. One exchange method option may be by email, with the diversion information attached. However the degree that this can be retrieved automatically will require additional analysis and may require manual intervention to import the data into VISTA/FT. Another method may be by physical media such as CD or floppy disk. Manual intervention will be required to import the data on the physical media to VISTA/FT.

In either case, the diversion data will be sent to the EDI Review queues of VISTA/FT (reference Thread 1) where it will be logged and validated for processing. Once processed, this information will be used as part of the discrepancy processes described in Thread 6.

ACS is managing and implementing this project for our clients as part of their maintenance agreements and at no additional cost. Michigan can also opt to participate in this program as part of the Motor Fuel Automation Project at no additional cost.

For the IVR systems currently operated by third parties for Treasury, ACS will develop the file formats needed from the IVR systems for both the Import Verification Number and the Service Interruption Authorization Number systems. We will request Michigan staff to provide data from both of these systems in the form of an ASCII flat file i.e., text file, that will be imported directly into VISTA/FT. We will provide the state with automated routines to import the data file once it has been received via FTP or some other form of file transport into pre-established file directories. The import will be completed for a return period or on a monthly basis. The user merely selects the return period to be imported, and VISTA/FT will initiate the FTP call to retrieve the IVR data files from the directory location for processing. Once processed, this information will be used as part of the discrepancy processes described in Thread 6.

THREAD 8 – MOTOR FUEL BUSINESS ENVIRONMENT RE-STRUCTURING AND TRAINING

ACS recognizes the need to assist Michigan in re-structuring their business environment to adopt new technologies and automation brought into various departments in the state as a result of this project. ACS has assisted all of our VISTA/FT clients in organizing department flows to match automated process flows of the new system. This includes processes from all eight threads identified in the RFP and supporting documentation, as well as processes identified in the teamwork sessions conducted with state staff. As we outlined on the final day of the teamwork session, ACS has identified the following automated processes, which will require business environment restructuring.

- Process Flow 1. Receiving Tax Returns (see Thread 1)
- Process Flow 2. Receiving Payments (see Thread 2)
- Process Flow 3. Processing Tax Financial Information (see Thread 3)
- Process Flow 4. Performing Desk Audits and Assessments (see Thread 6)
- Process Flow 5. Performing Field Audits and Assessments (see Thread 6)
- Process Flow 6. Correspondence (see Other Additional Information)
- Process Flow 7. Customer Support (see Other Additional Information)

During the course of the project, the areas identified for restructuring may change, and/or additional processes may be identified that will require restructuring.

ACS will create and publish, with the assistance of Treasury project staff, department management and IT staff, a Business Process Restructuring (BPR) plan to create a smooth business process flow that best meets the new processes. This plan, along with other training materials, will be used for both the technical and user training sessions.

The BPR will document the workflow through a specific business process and produces recommended actions to achieve the objectives of the state. ***BPR activities are scaled to fit the client's needs, objectives and timeframes.*** For example, if some of the BPR stages for collecting and analyzing data have already been completed, ACS will only need to enhance the documentation, leaving the later stages of documenting the restructured business processes to be completed and implemented. As is the case with Michigan in that the Information Package supplied with the RFP is a good example of business data already collected and documented.

ACS believes that with the rapid changes in technology today, information technology (IT) solutions play a predominant role in BPR. The concept of workflow systems that use IT to directly support the flow of work through business processes is leading to gains in office productivity and organizational responsiveness. The objective of the BPR is to establish a roadmap to provide a completely integrated workflow based IT solution for Michigan's Motor Fuel Automation Project.

The delivery of successful workflow systems requires a new kind of development team - a hybrid of staff who are comfortable with evaluating and improving business processes, and who can also design and develop complex systems based on new technologies for implementation in the enterprise system. In addition to ACS' experience in providing systems for 23 states, our unique blend of subject matter experts and technically savvy personnel uniquely positions ACS to deliver the right kind of expertise to Michigan. Our solution incorporates capturing and designing of workflows and business processes and the available technology options to create and integrate workflow systems within a state's infrastructure.

There are four basic BPR stages to follow when designing and implementing workflow systems:

- Stage 1. Identify Customer Objectives and Requirements
- Stage 2. Identify Existing Business / IT Processes
- Stage 3. Analyze Workflows Within Business Processes
- Stage 4. Develop New Process Restructuring Design, Implementation and Integration

The BPR plan will also take into consideration business process factors, which will alter in scope over time. For example, we know from practical experience that a great deal of

state resources will need to be applied in Process Flow 1 – Receiving Tax Returns, to work with the filing community on electronic submissions, correcting errors in reporting data, establishing procedures for data entry, monitoring web direct form submissions, etc. In Arkansas, three (3) to four (4) months of intensive effort was required with the filers to clean up their electronic submissions and an additional six (6) to eight (8) months of medium effort to monitor electronic submissions and work with filers still having problems. Today, almost no effort is expended on this process and it has been working smoothly for the last two (2) years. Obviously, the BPR plan will take these types of issues into consideration with a plan on how staff can be best allocated for the ‘crunch periods’ and then re-allocated once the process begins to smooth out and become ‘hands off’.

TECHNICAL WORK PLAN

TECHNICAL PLAN

A detailed project implementation plan for the threads ACS will provide for the Motor Fuel Automation Project are located in the latter part of this Section labeled, Other Additional Information and Comment.

STEPS TO MEASURE AND MONITOR PERFORMANCE

There are several different areas of measurement metrics available in our proposed solution to statistically measure progress of the Motor Fuel Automation Project. Numerous standard reports are available in our products that focus on statistics and trends based upon historical data. Beyond the standard reports there are also ad hoc capabilities via Crystal Reports which can report on the raw data in a variety of views. However, for the purposes of this section, we would like to focus on several reports designed to assist the state in measuring progress relative to increased revenue collection.

One very crucial statistical report in measuring system/program progress is provided in a standard report on compliance trends. This report was developed to measure the progress in filer's complying with the state's reporting requirements. The reason this trend is important, stems from what we term as 'soft revenue'. We have seen significant revenue increases in motor fuel tax revenue in each of our client states using VISTA/FT that are above and beyond what is actually assessed from the Desk Audit capabilities of the system. In conjunction with revenue increases, is a significant voluntary improvement in compliance. We believe this comes from an increased awareness in the filer community regarding issues relative to compliance now that the state has the ability to quickly identify discrepancies.

The Compliance Trend report shows 'revenue potential' discrepancies by filer, by discrepancy type, and for each tax period requested in the reporting range. This report shows the progress the state is making in increasing filer awareness and increasing compliance by using the system. This report was first developed for the state of Montana during a joint trend analysis project to identify the causes of a significant spike in revenue

during the first year of operation. This report showed a 65% improvement in tax return reporting compliance during a 12 month period.

Another report that can be made available to Michigan will be designed to capture statistics on 'hard revenue'. This report will be based on all desk audit assessments generated and sent to the CATS system for collection. Data will be reported by filer, return type, fuel type for each period requested in a reporting range.

Other statistical reports can be easily created to show trends in imports/exports, geographical usage by destination, import verification numbers, diversions, and unlicensed imports based upon the discrepancies described for Three-Day Payment Vouchers.

TREASURY STAFF SUPPORT REQUIREMENTS

For the purpose of this project, and during initial development and implementation of the RFP requirements, ACS recognizes Michigan will provide staff knowledgeable in the RFP requirements to assist in the development of detailed specifications to implement all of the new functionality. We trust that Michigan will ensure appropriate staff is available for testing to make certain the new functionality operates in the production environment as specified.

Estimated Treasury staff requirements are as follows:

Phase 1, Thread 1 (Standard)

- Tax Specialist/Auditor – 42 hours
- Network Administrator – 138 hours
- System Architect – 114 hours

Phase 1, Thread 1 (Optional)

- Tax Specialist/Auditor – 42 hours
- Network Administrator – 138 hours
- System Architect – 114 hours

Phase 1, Thread 4 (Standard)

- Tax Specialist/Auditor – 55 hours
- Network Administrator – 100 hours
- System Architect – 93 hours
- Product Specialist – 46 hours
- Database Administrator – 3 hours

Phase 1, Thread 6 (Standard)

- Tax Specialist/Auditor – 57 hours
- Network Administrator – 147 hours
- System Architect – 129 hours
- ClientView XGEN Developer – 60 hours

Phase 2, Thread 1 (Standard)

- Tax Specialist/Auditor – 27 hours
- Network Administrator – 111 hours
- System Architect – 99 hours

Phase 2, Thread 1 (Optional)

- Tax Specialist/Auditor – 27 hours
- Network Administrator – 111 hours
- System Architect – 99 hours

Phase 2, Thread 2 (Optional)

- Tax Specialist/Auditor – 37 hours
- Network Administrator – 99 hours
- System Architect – 110 hours
- Financial Analyst – 22 hours

Phase 2, Thread 5 (Optional)

- Tax Specialist/Auditor – 38 hours
- Network Administrator – 54 hours
- System Architect – 108 hours
- Financial Analyst – 11 hours
- FTP Developer – 59 hours

Phase 2, Thread 6 (Standard)

- Tax Specialist/Auditor – 27 hours
- Network Administrator – 117 hours
- System Architect – 84 hours

Phase 2, Thread 7 (Standard)

- Tax Specialist/Auditor – 27 hours
- Network Administrator – 104 hours
- System Architect – 126 hours
- FTP Developer – 59 hours

Phase 2, Thread 8 (Standard)

- Tax Specialist/Auditor – 90 hours
- Network Administrator – 60 hours
- System Architect – 120 hours
- Product Specialist – 30 hours
- Financial Analyst – 30 hours

Phase 2 - Correspondence System (Optional)

- Tax Specialist/Auditor – 27 hours
- Network Administrator – 589 hours
- System Architect – 546 hours
- FTP Developer – 462 hours

COMMITMENT TO TREASURY’S PROJECT TIMELINE

ACS is committed to assisting Michigan with meeting the Motor Fuel Automation Project timeline as part of the Treasury Department’s vision that *Data is the Gold of the 21st Century*.

In order to meet the many objectives of our clients, ACS has adopted the Software Engineering Institute's Capability Maturity Module (CMM) for managing the development, testing and implementation of a project as a whole, as well as by each project module (thread). CMM is inherently flexible and after reviewing the State of Michigan’s methodology for project management, ACS recognized similarities in the project phases. Of course, ACS will use any methodology the state chooses to manage the threads we provide for the Michigan Automated Motor Fuel Project. The following is provided as a summary of the CMM project management procedures and how they associate to Michigan’s project management methodology.

Project Master Plan (PMP) – Michigan’s Initiation Phase

A PMP is a high level document that identifies the project requirements and includes a description of the current business processes and functions, and the recommended business processes and functions that will be implemented. A PMP will be prepared for each thread of the Motor Fuel Project. In the case where threads overlap, a single PMP will be created. The PMP will serve as the Project Overview, and will clearly identify and document all management objectives and priorities.

Business Area Analysis (BAA) – Michigan’s Planning Phase

The BAA describes how the new system/feature will be implemented to meet the state's objectives and includes a comprehensive programming plan that details the time schedule, integration and management required to successfully complete the specific project. The BAA becomes an integral part of the PMP describing the functional aspects of the system to be developed.

Logical Design – Michigan’s Planning Phase

During the Logical Design Procedure, design and functional specifications are prepared. For specific projects that do not require a BAA or PMP, the business analysts will begin the initiation of work by entering all of the work items into the ACS Work Log System, based on the priorities established by the Michigan project team.

Detail Specifications – Michigan’s Planning Phase

During the Detail Specifications phase, the business analysts will develop detailed functional specifications necessary to convert the work requirements to specific work elements. These specifications will be reviewed and approved by appropriate Michigan staff before being assigned to the ACS development manager.

Software Construction and Testing – Michigan’s Execution Phase

Once the Detail Specifications are approved, development and testing begins. Each enhancement or new feature is controlled and monitored through the ACS Work Log System. By managing the status of each Work Log task, the project manager can manage the project schedule and identify potential overruns on estimated completion dates. As the Work Log task moves forward in its life cycle, the project manager will be able to determine the date users can be brought into the unit and/or QA cycles for additional application testing.

Communications and Control – Michigan’s Control Phase

Upon the formal award of the contract to ACS, the ACS Project Manager and other key participants will meet with the Michigan staff to:

- Identify specific tasks within the Motor Fuel Automation project that require a BAA, PMP and/or Logical Design to be prepared, and assign a ACS project team member to complete this task
- Establish communication protocols
- Establish escalation procedures for issue resolution
- Identify and resolve any issues needing clarification or further explanation
- Establish monthly/weekly reporting and project status schedules, if appropriate
- Initiate the prioritization of deliverables that were identified as mandatory in the RFP and selected by Michigan for inclusion in the contract

ACS will maintain detailed documentation identifying requirements and any modifications made to the requirements. Such documentation will be provided to the Michigan Project Team at the conclusion of the project.

ACS follows a structured project management process to ensure that all projects proceed on schedule, and will be happy to use whatever project management method Michigan chooses for the Motor Fuel Automation Project.

ACS has established firm guidelines and requirements for system testing and turnovers. Testing is performed in stages within our organization before it is submitted to the end user for final acceptance testing. Separate tests are performed for each system condition to verify that the business rules have been implemented as specified. Tests and turnovers are performed in isolated areas of the VISTA central product operations. These areas are:

- Test Region
- QA Region
- Production Region

ACS and the Michigan Project Team will complete a Jurisdiction Profile Form to include all relevant information for the Motor Fuel Automation Project. Once the information is completed and approved, the client support staff will enter each set-up task associated with the overall effort into the Work Log System. The task is then assigned to the programming staff for development. Once development has been completed for each assignment, the programming staff performs an installation test of the set-up tasks based upon the definition entered into the log. An installation test is a full system test.

For all additions and product upgrades, the jurisdiction profile database tables are established in the QA Region of the VISTA central product operations. This will become the region for all Michigan user and acceptance testing. All testing related to these conditions (new installation, additions and upgrades) are performed in the QA Region.

Upon successful completion of the installation test in the QA Region, the systems programming staff will forward the work log tasks back to the client support staff for the second independent installation test. Once the client support staff has completed the second installation test, the QA Region will be turned over to Michigan staff for a third and final installation test. When the third installation test is completed by the Michigan user and assigned ACS client support staff, the Department of Treasury must provide written authorization to implement the system into the Production Region and close all associated logs in the Work Log System.

If errors occur during any installation test, they are documented in the Work Log System as either assignment notes attached to the original log or as a new log. Each reported error is supported with all applicable documentation, such as screen prints, report layouts and/or data queries. Depending on the nature of the error encountered, installation testing may be continued in other areas unaffected by the error. Once the error is corrected, the installation test for the affected area is repeated as outlined above.

Upon award of the contract, Michigan will be provided a Quality Assurance Region for testing all system features required in the RFP and supporting documents.

MAINTENANCE AND SUPPORT PLAN

If awarded the Michigan Motor Fuel Automation Project contract, ACS will provide all operating system software, enhancements, maintenance, and training, minimizing the effort and resources necessary by Michigan to operate and maintain the software. An overview of the maintenance and support that will be provided follows:

Comprehensive Suite of Services

- IFTA - Inter and Intra-jurisdictional Tax Reporting and Licensing
- motor fuels module - tax reporting and licensing
- motor fuel tracking services (VISTA/FT)
- electronic cashiering

Centralized and distributive systems and network management

- maintenance of all software
- upgrades of software to ensure maximum efficiency
- data and media management
- database administration
- version / change / configuration management
- performance / capacity planning and management
- metrics reporting

Operational Support

- full-time customer help desk support from an assigned Business Analyst (single point of contact for Michigan)
- continuous product support and upgrades to meet ongoing requirements
- interface with other member jurisdictions, associations and technical groups
- peer review support
- user support meetings
- product upgrades
- support for national and international initiatives

Production Control

- job scheduling and control
- input / output management and control

Software Maintenance

- dedicated staff for development of new or enhanced functionality
- dedicated staff for system modification
- dedicated staff for jurisdictional changes
- quality assurance, testing, log maintenance and production

Subject Matter and Product Experts

- business analysis and recommendations before, during and after installation
- complete documentation of operations and requirements
- custom tailoring of requirements
- pre-implementation training and production testing
- “go live” on-site support for operations and technical staff

Administrative

- subject matter expertise to advise others on program
- interface with industry authorities
- customized client training and other client support
- supervision of all required enhancements and modifications
- assume all liability for system software failure
- provide client user meeting, sharing of ideas and newsletters

ACS' business model has always involved a close professional relationship with our client states. We view our relationships with our clients a long-term partnership that involves all levels of both the client jurisdiction and ACS management and staff. ACS utilizes a service level agreement that describes our level of support, our responsibilities for system maintenance and services, and issue resolution and escalation procedures. This agreement was developed in concert with our client jurisdictions through annual user meetings, and it serves as our guideline for meeting our responsibilities and role within our partnership with the client.

As part of ACS' support, we routinely provide on-site assistance during system implementation. The ACS Project Team is available to conduct the initial BAA, develop and design the detailed specifications for each work item, and assist the state during the testing phases of each work element. ACS will provide on-site staff for approximately two weeks after the system is placed into production to assist in resolution of any problems or issues that may arise. The ACS business analyst assigned to Michigan will provide whatever on-site assistance and support is necessary to ensure successful implementation of the system threads provided by ACS.

PROPOSED TRAINING PLAN

ACS structures our training programs to meet the specific needs of the client. Since Michigan is a new client unfamiliar with the fuel tracking system, ACS will conduct training in a structured, classroom environment, complete with manuals and other materials. In many cases, the individuals conducting the user testing of the new functionality will learn what is needed through the testing process and will need limited, if any, additional training, and can transfer this knowledge to the other staff that were not involved with testing. ACS provides detailed user manuals in both hard copy and disk versions. The user manuals are kept up to date, and revisions are immediately provided to the users.

ACS prefers to utilize a “train-the-trainer” methodology for the technical training of in-house solutions. This training includes server operations, telecommunication, network configuration, and hardware operation.

ACS business analysts are available and will conduct on-site training of all of the VISTA/FT functionality at the appropriate time for designated staff.

ACS routinely provides on-going training through a variety of methods. During our annual user meetings we routinely set time aside for training of new functionality being offered system-wide, or arrange for state-specific training when necessary or requested.

ACS visits each client jurisdiction at least once a year to conduct up-to-date training on any new system-wide or state-specific functionality, provide information as to what projects are underway, discuss any issues the state needs addressed, and discuss future goals and system needs. In the event a client state has undergone significant turnover of staff and a commensurate loss of expertise, ACS provides for impromptu on-site visits to conduct training and discuss other system features.

PRIOR EXPERIENCE

ACS has significant experience in motor fuel tax processing, electronic filing, data mining, data sharing, and integration with mainframe systems, business restructuring and training. A detailed description of our experience in each of these areas follows.

Experience in Motor Fuel Tax Processing

ACS has three (3) motor fuel tax processing / compliance systems in operation today.

- The Arkansas Department of Finance and Administration served as the beta site for installation and operation of ACS' motor fuel compliance system, commonly referred to as VISTA/FT. The system has been in full-production since January 2000. ACS began development in June of 1998 and implemented the system in January of 1999. Initial development costs to the state of Arkansas were \$470,000. Annual maintenance for the system was \$470,000 for year 1, \$484,000 for year 2, \$495,000 for year 3, \$483,000 for year 4 and \$420,000 for years 5 through 7.
- The Nevada Department of Motor Vehicles initially installed VISTA/FT for tracking special fuels, including diesel, in 2000. A phased approach allowed for the subsequent installation of gasoline tax processing in 2002. ACS began development in September of 2001 and implemented the system in March of 2002. Costs to the state included \$240,000 in initial development and \$262,000 in annual maintenance.
- The Virginia Department of Motor Vehicles installed VISTA/FT in 2000 to track fuel movement and audit reporting compliance in conjunction with moving the point-of-taxation to the terminal. ACS began development in April of 2000 and implemented the system in March of 2001. Costs to the state included \$600,487 in initial development costs and \$327,000 per year in maintenance costs.

The Motor Fuel Compliance Program developed and installed in each of these states combines a software and service delivery process that has been proven to increase motor fuel tax reporting compliance and revenues in all of our installed states. This software component is referred to as VISTA/FT (Fuel Tracking) and was initially developed as part of a public/private partnership between the Montana Department of Transportation (MDT) and Motor Vehicle Services.

Upon initiation of the ACS Fuel Tracking project, the ACS team, in conjunction with state staff, develops several documents that serve as guides throughout the project. The Pre-Implementation Guide contains details of the work required by the state, a narrative of ACS' solution, a proposed project schedule and a description of all specified deliverables. The Project Master Plan (PMP) serves as the driving document for development and operation of the motor fuel project in that it consists of all engineering, operational and support functions, as well as management and management support functions. Each PMP includes comprehensive program planning that detailed the integration and management required to successfully complete each motor fuel services project.

A detailed description of our efforts in developing and installing motor fuel compliance systems in Arkansas, Nevada and Virginia is outlined in Section 3.A, Response to Section IIC-1 Tasks of our proposal.

Contacts who can discuss our experience in motor fuel tax processing follow:

Contacts: Russ Benzler, Administrator
555 Wright Way
Carson City, NV 89711
Phone: (775) 684-4790 *Fax:* (775) 684-4619
e mail: rbenzler@dmv.state.nv.us

Tammy West, Director of Motor Fuels
2300 Broad Street
Richmond, VA 23269
Phone: (804) 367-0883 *Fax:* (804) 367-1123
e mail: dmvtpw@dmv.state.va.us

Vicki Haydon, Senior Auditor
P O Box 2261
Little Rock, AR 72203
Phone: (501) 569-2237 *Fax:* (501) 569-2399
e mail: vlhd106@ahtd.state.ar.us

Experience in Data Mining

VISTA/FT gives states tremendous flexibility in extracting information from the system. All motor fuel tax and related data, i.e. discrepancies, are externally interfaced in relational tables contained in our ORACLE database. Although our discrepancy processes are quite complex in practice, the underlying table structures are relatively simple. This makes it extremely easy for a novice user to build reports and queries on this data for other requirements. Also even though VISTA/FT produces standard discrepancies and is also customized for state specific discrepancies, both our clients and our support personnel continue to mine data for other potential discrepancies and statistical data. One of our most recent examples, is one where during a routine examination of tax return data in Nevada, we notice very large gallon quantities being reported on exempt schedules for local and federal government sales. We began a data mining exercise to discover more about these large quantities. What we found was unusual amounts of fuel being disbursed tax exempt to golf courses, resorts and construction companies. From this activity we created a set of additional discrepancies in VISTA/FT that would examine these schedules looking for large gallon quantities. We then put this into production for both Nevada and Virginia. What we found to be very interesting was that there appeared to be a great deal of abuse of this schedule in Nevada, there was no discrepancies of this type to be found in Virginia.

State contacts who can discuss our experience in data mining follow:

Contacts: Russ Benzler, Administrator
555 Wright Way
Carson City, NV 89711
Phone: (775) 684-4790 *Fax:* (775) 684-4619
e mail: rbenzler@dmv.state.nv.us

Tammy West, Director, Motor of Fuels
2300 Broad Street
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e mail: dmvtpw@dmv.state.va.us

Vicki Haydon, Senior Auditor
PO Box 2261
Little Rock, AR 72203
Phone: (501) 569-2237 Fax: (501) 569-2399

e mail: vlhd106@ahtd.state.ar.us

Experience in Interfacing with State Legacy Systems

ACS has extensive experience in interfacing with state legacy systems to exchange information. Descriptions of our efforts follow.

Legacy System Interfaces for Motor Fuel Tax Processing – ACS has developed a number of Legacy System Interfaces (LSIs) for states utilizing our motor fuel compliance (VISTA/FT) system. The VISTA/FT Filer Profile Import Interface was built to eliminate the need for jurisdiction staff from having to initially set-up and then continually maintain motor fuel supplier, exporter, importer, and/or fuel carrier account data in two different systems. This feature allows account data to be maintained by state staff in their primary tax reporting system, and via the import interface to synchronize VISTA/FT with any changes that may occur to the filer’s account profile data.

The VISTA/FT Tax Return Export Interface was built to address two basic processing considerations. The first is to allow jurisdictions to maintain motor fuel tax return data in VISTA/FT without having to re-key summary schedule data into the host system for processing taxes, payments, billing notices, correspondence, penalties, and/or interest. The second consideration allows jurisdictions to correct discrepancies in VISTA/FT at the detail line item level based upon resolution with the filer. This function also exports new summary schedule data to the designated tax processing system as a corrected or amended type return. This allows the jurisdiction to maintain full accountability and audit trails for electronic exception processing.

The VISTA/FT Tax Return Export Interface is secured to allow only designated Department staff to control the export of tax return information. This was done to allow for the segregation of departmental duties. For example, the audit bureau may be responsible for resolving discrepancies identified as errors in reporting from the filers, and also may determine whether these discrepancies represent additional tax, interest, or penalty liabilities. At this point, the discrepancies may be adjusted in the form of a

corrected return, which is submitted to the tax bureau for final review and submission. The tax bureau may view the proposed corrected return and then "push the button" for the corrected return to be submitted to the designated tax processing system. Once submitted, VISTA/FT is structured disallow another return for the same filer and tax period to be submitted to the tax system until the interface reports that the tax return has been received and processed.

VISTA/FT contains extensive data export and import capabilities that allow data to be interchanged with multiple jurisdiction-based systems. Data can be interchanged directly with the jurisdiction's systems and/or through a designated EDI mailbox. Standard interfaces are available and jurisdiction specific interfaces can be customized for each installation.

Data can be imported or exported from a variety of file formats including:

- ASCII files
- EBCDIC
- Excel/Lotus Spreadsheet Files
- ANSI X.12 Formatted Files
- Access/SQL Server Files

Legacy System Interfaces for Cashiering - LSIs have been implemented to provide financial data to state cashiering, revenue, budget and warrant issuance systems in Montana, Nevada, New Mexico, North Carolina, Tennessee and Virginia. These LSIs are set-up on a daily basis with timing parameters set to match various state processing constraints, i.e., 4:00pm for cash / payment deposit data and again at 6:00pm for revenue posting. Data can be interchanged to state LAN locations and/or mainframe systems.

Legacy System Interfaces for IFTA Systems - As part of the federal Department of Transportation CVISN initiative, ACS has created several Legacy System Interfaces (LSIs) for the International Fuel Tax Agreement (IFTA). An LSI was built to enable data to be transmitted from ACS' IFTA system to the IFTA Clearinghouse. On a daily basis, all account demographic information is forwarded for those client jurisdictions that are members. On a monthly basis, transmittal information is also sent.

The LSI built for the Commonwealth of Virginia allows the state's web front-end application to send data to the ACS IFTA application. This data is interchanged and processed for IFTA credentials and taxes. The output or result of the transaction is then interchanged with the web front-end and displayed on the user's computer terminal.

ACS also implemented an LSI that sends IFTA information on a nightly basis to Washington's roadside safety enforcement system. This information is then used by the jurisdiction to populate other internal and external databases, for information sharing purposes.

Legacy System Interfaces for IRP - As part of the federal CVISN (Commercial Vehicle Information Systems Network) initiative, ACS has created several Legacy System Interfaces for the International Registration Plan (IRP). We built an LSI to enable data to be transmitted from the ACS IRP system to the IRP Clearinghouse. On a monthly basis, transmittal data for all member jurisdictions is sent for the monthly financial netting process.

The LSI built for the Commonwealth of Virginia allows the state's web front-end application to send data to the ACS IRP application. This data is interchanged and processed for IRP credentials. The output or result of the transaction is then interchanged with the web front-end and displayed on the user's computer terminal.

ACS also implemented LSIs that sends IRP information on a nightly basis to Washington's and Minnesota's roadside safety enforcement system. This information is then used by the jurisdictions to populate other internal and external databases for information sharing purposes.

Legacy System Interfaces for Credentialing Interfaces - To date, ACS has designed, implemented and deployed Credentialing Interfaces (CI), known as the ACS Common Account module, in three (3) jurisdictions. In addition, as part of the CVISN prototype projects for Maryland and Virginia, ACS interfaced legacy applications with other vendor or state built CIs in order to create an "open system" architecture for the states. The ACS CI has been implemented for both real-time and batch interfaces using either ODBC gateway or ASCII FTP technologies.

State contacts for interfaces with state legacy systems follow:

Contacts: Dennis Hult, Technology Coordinator
Department of Transportation
2701 Prospect Avenue
Helena, MT 59260
Phone: 406-444-9237 Fax: 406-444-7670
e mail: dhult@state.mt.us

Russ Benzler, Administrator
555 Wright Way
Carson City, NV 89711
Phone: (775) 684-4790 Fax: (775) 684-4619
e mail: rbenzler@dmv.state.nv.us

Experience with Web Applications

Motor Vehicle Services has developed and maintains web portal applications in five (5) states with full transaction interaction with production databases for IRP, IFTA, oversize/overweight permits, motor fuel supplier, and electronic payment functions. Collectively, the ACS web portal processes over 300,000 transactions a year. Currently we are contracted to deliver web portal applications for some or all of the functions listed to seven (7) additional states.

ACS Commercial Vehicle Operations (CVO) developed and provides a web portal application for carriers to apply for PrePass.

ACS Electronic Toll Collections (ETC) developed and provides a web portal application for EZPass account set-up, transponder issuance and account payment (credit card). This web site receives over 12 million hits per month.

State contacts who can discuss our experience with web applications follow:

Contacts: Dennis Hult, Technology Coordinator
Department of Transportation
2701 Prospect Avenue
Helena, MT 59260
Phone: 406-444-9237 *Fax:* 406-444-7670
e mail: dhult@state.mt.us

Art Farley, LSM II
Department of Licensing
P.O. Box 9036
Olympia, WA 98507
Phone: 360-664-1820 *Fax:* 360-586-5905
e mail: afarley@dol.wa.gov

Experience Operating and Maintaining eBusiness Portals -- General

ACS has been providing eBusiness portals to our customers since 1998. We support and maintain several major Internet applications for county public records, tolls/transponder fee collection, electronic payment processing, commercial carrier registration, tax licenses, tax processing, and commercial carrier permitting. ACS provides all the hardware, software, communications infrastructure, operations service, disaster backup and recovery services to maintain a 24/7 scalable system. ACS also provides extensive subject matter expertise, business analysis, technical application development and maintenance and comprehensive help desk support. ACS provides eBusiness portals for:

- MVS Express®
- Orange County
- San Diego County
- New York EZPass®
- Maryland MTag® Program
- Golden GatePass®

Two of our most recent eBusiness initiatives include:

- Child and Family Services – KidStar®
- Parking Tickets - eTIMS®

Experience Operating and Maintaining eBusiness Portals -- Specific

ACS also offers its clients a complete integrated electronic cashiering application for centralized payment processing control. This product set combines point-of-sale (POS) functions (cash drawer), e-commerce (Internet / Interactive Voice Response, IVR, sales), and back office payment processing (postal remittance) into a single software solution. The system also provides full cash drawer reconciliation, credit card settlement and reconciliation, deposit logging and receipt, and full financial integration. Currently the District of Columbia uses our solution in all Department of Motor Vehicles offices, at over 100 POS terminal locations for check guarantee and credit card payments, Internet and IVR for credit card. The District of Columbia DMV operation processes approximately 5,600 payment transactions a week. The District is currently in negotiations with ACS to expand the electronic cashiering application to an enterprise wide level for all agencies and departments within the District.

In Montana, our electronic cashiering applications are used in support of their oversize/overweight permit self-issuance program where OS/OW permits are applied for, paid for and self-issued by the motor carrier community via Montana's eBusiness portal. Our electronic cashiering application is also used to support POS terminal locations in headquarters, branch, and roadside weigh station locations throughout the state. This payment process supports approximately 75,000 permit transactions a year.

In Arkansas, ACS interfaces electronic files received by the state from its banking partner so that EFTs are automatically applied against tax liabilities within the system. Working with state staff, ACS deployed this electronic interface in 1997.

In Ohio, our online IRP program set up with Penske allows the carrier to register fleets directly from its remote office locations. For all transactions processed in a day, Penske submits an EFT directly to the state bank account where our application retrieves the information and applies it to the state end-of-day financial interface.

State contacts who can discuss our experience in operating and maintaining eBusiness portals follow:

Contacts: Dennis Hult, Technology Coordinator
Department of Transportation
2701 Prospect Avenue
Helena, MT 59260
Phone: 406-444-9237 *Fax:* 406-444-7670
e mail: dhult@state.mt.us

Art Farley, LSM II
Department of Licensing
P.O. Box 9036
Olympia, WA 98507
Phone: 360-664-1820 *Fax:* 360-586-5905
e mail: afarley@dol.wa.gov

PROJECT STAFFING

ACS is heavily immersed in the deployment of tax processing systems and activities. Since 1994, both technical and support staff have been involved in the many products ACS provides. This includes project managers, business analysts, application developers, quality assurance testers, technical support personnel, and contract administrators. Approximately 25 staff, housed in our Phoenix-based ACS office play key roles in implementing these projects.

ACS, through lessons learned by working on an extensive list of projects, possesses the knowledge and experience to know what solutions do and do not work. Lessons learned are applied to every new project to assist jurisdictions in implementing the solution that works best for them. We have developed plans and schedules that are easily customized to fit a specific jurisdictional project. We have built relationships within the industry that ensure future success. ACS employs Subject Matter Experts (SMEs) and people with real world experience who can help Michigan in finding the best possible path. ACS works with its client jurisdictions in a partnership to not only implement systems, but to obtain an all-encompassing business solution.

Our project team for the Michigan Motor Fuel Automation Project consists of 11 experts with more than 164 years of combined experience in motor fuel tax operations and systems development and deployment.

Craig Galler will serve as Project Manager for the Michigan Motor Fuel Automation Project. Craig has more than 25 years of automated data processing experience and was one of the original architects of ACS' Motor Fuel Tracking System (VISTA/FT). He currently provides oversight for our existing motor fuel compliance installations as well as our electronic commerce and financial integration systems. Craig is our resident expert on discrepancy processing and identification of missing state revenue. He is key to the successful completion of the project and is expected to spend a minimum of 45% of his time managing the Michigan project. He works out of our Phoenix, Arizona office and is available to travel as much as necessary.

Mike Albin will serve as the Business Subject Matter Expert. He worked in the Nevada Department of Motor Vehicles and Public Safety tax collection arenas for more than 18 years and possesses detailed knowledge and hands-on experience as both a customer and an ACS team member in utilizing ACS' Motor Fuel Tracking System. Mike participated on a statewide committee in Nevada whose goal was to identify methods to reduce Department expenditures. He provides expertise on state operations to ACS development and implementation staff. His experience as a customer for many of ACS' motor vehicle systems allows him to identify and recommend solutions beneficial to the states, providing system efficiencies, or in the case of motor fuel tracking, increased revenue collections. In addition Mike has been very active in FTA association committees and meetings providing him a global picture of the motor fuels industry. Mike is a key player and is expected to spend 43% of his time on the Michigan project. He works out of our Phoenix office and is available to travel whenever necessary.

Fred Hernandez will serve as the Technical Team Lead. He has more than 17 years of programming and development experience and currently manages day-to-day operations for all our motor fuel tracking system customers. When first employed by ACS, Fred served as a programmer for VISTA/FT system and has an intimate knowledge of the system. Fred is involved in the Federation of Tax Administrators and has a good understanding of motor fuel tax processing issues across the country. He works out of our Phoenix office and can travel whenever necessary.

Brian Soltis will serve the role of Lead Developer for this project. He has more than 10 years of experience in software development, systems analysis, application design, program development, and testing and implementation of applications. Brian is a member of the Motor Fuels Tracking System development team, responsible for the design, development, testing, maintenance and system enhancement of the VISTA/FT system. He is directly involved with the definition and implementation of our clients' state-specific rules and requirements. He served as a lead developer for ACS' motor fuel tracking installations in Virginia and Nevada. He is a key player, is expected to spend 70% of his time on the Michigan project. Brian works out of his home in Jackson, Michigan.

Dave Wells will serve as an IT analyst and developer for the project. He has more than 15 years experience in software development, application design, data analysis, testing, implementation and technical support of commercial practice management applications for the CPA industry. He is a senior developer for the VISTA/FT system and works out of our Phoenix office.

Brian Swan will serve as Communication Architect and has more than 20 years of experience in technical management, network administration and mainframe administration. He is currently responsible for all communications required in development, testing, installation and maintenance of all MVS applications. Brian designs and supports WAN and LAN security including firewall technology. He has a key role in ensuring successful customer integration to ACS State and Local Solutions' Intranet and Extranet. Brian also has state experience from employment with the Arizona Department of Transportation, where he was responsible for the design, implementation, security, support and administration of the Motor Vehicle Division's re-engineering and automation projects. Brian works out of our Phoenix office and is available to travel as needed.

Cande Cerniglia will serve as Business Analyst for the motor fuel automation project. She has over 20 years of experience in motor vehicle regulations and transportation policy, in both the public and private sectors. Her current responsibilities include providing design input to technical staff in development and maintenance of ACS products used by state governments to collect fuel tax and registration fees. She assures compliance of ACS products with state laws and regulations and provides state users with assistance in determining administrative and staffing changes necessitated by new office systems and provides assistance to states during implementation and daily operations as needed. Cande works out of her home in Des Moines, Iowa and is available to travel as needed.

Lee Freeman will serve as an IT programmer for the electronic cashiering portion of the Michigan Motor Fuel Automation Project. She has more than 10 years experience in software development, systems analysis, application design, program development, testing and implementation of commercial vehicle, legal, accounting and manufacturing applications. She is currently responsible for the design, development, integration testing and implementation of the electronic cashiering system, the common payment module of the MVS Express system. Lee works out of our Phoenix office and is available to travel when necessary.

Chris Randall will serve as a Business Analyst for the electronic cashiering portion of the project. He has more than four (4) years of experience in supporting ACS' tax and financial applications and three (3) years experience in technical specification writing for production software enhancements. He also provides design input to technical staff in development and maintenance of ACS products used by state governments to collect fuel tax and process electronic payments. He provides quality assurance testing and is the primary contact for many of our state users providing assistance with issues on a day-to-day basis. Chris works out of our Phoenix office and is available to travel as needed.

Ling Shen will serve as the Oracle Database Administrator for the project. She has more than 11 years experience in software development, systems analysis, application design, program development, testing and implementation of commercial vehicle, insurance and account applications. She is responsible for setting up database environments, validating key structures, monitoring processes and improving database efficiencies. Ling works in our Phoenix office.

Theona Tacorda will serve as an Oracle Programmer. She has more than 14 years experience in software development, systems analysis, application design, program development, testing and implementation of commercial vehicle, healthcare, pharmaceutical, insurance and general business applications. She is currently responsible for the external/internal design, data modeling, development, integration testing and implementation of ACS' credentialing system. She developed the Transmittal Tracking module that tracks the inbound and outbound funds for interstate activity. She was fully responsible for the design, development, integration testing, implementation and support of this module. Theona works in our Phoenix office.

Resumes for each of our Michigan motor fuel automation project team members can be found at the end of this section. The ACS project teams for each thread are shown below. As with every phase of this project, Craig Galler will serve as Project Manager and will direct all activities of every thread.

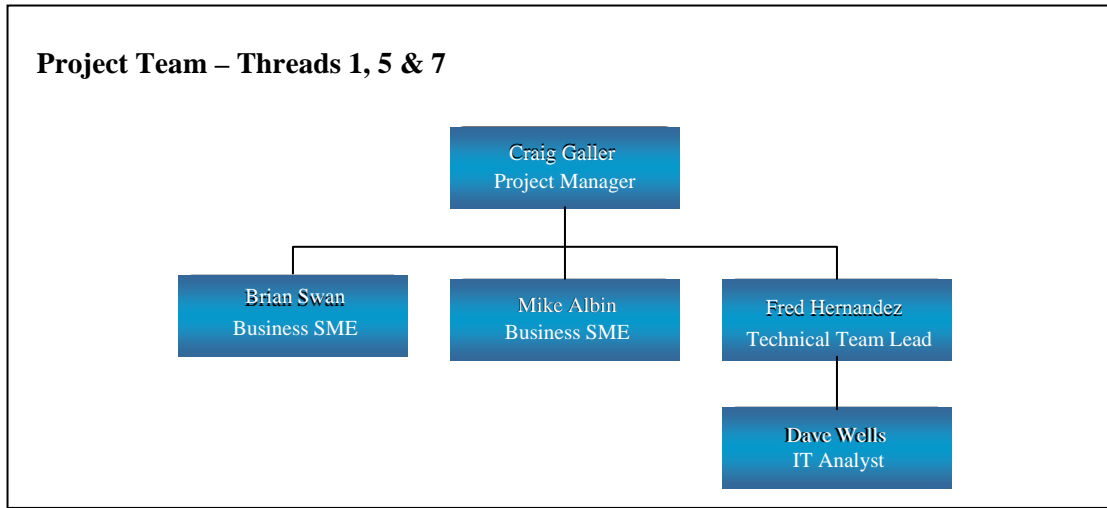


Figure 17 – Project Team – Threads 1, 5 & 7

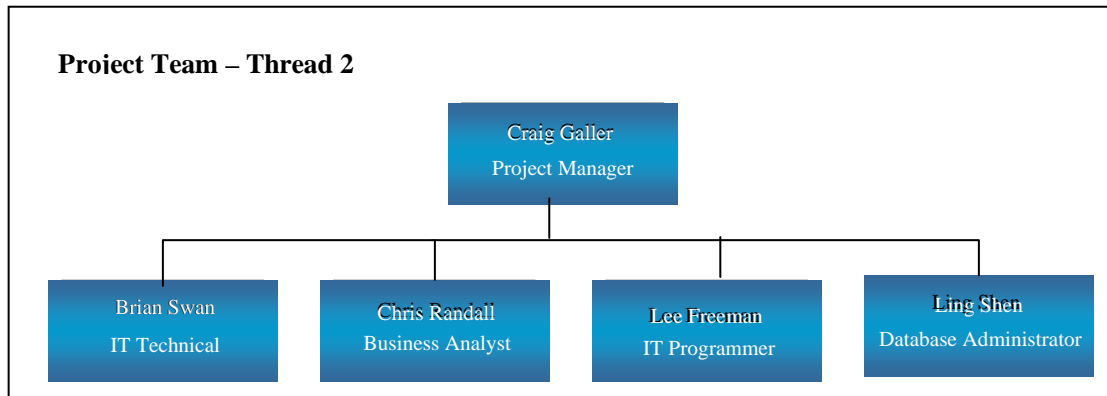


Figure 18 – Project Team – Thread 2

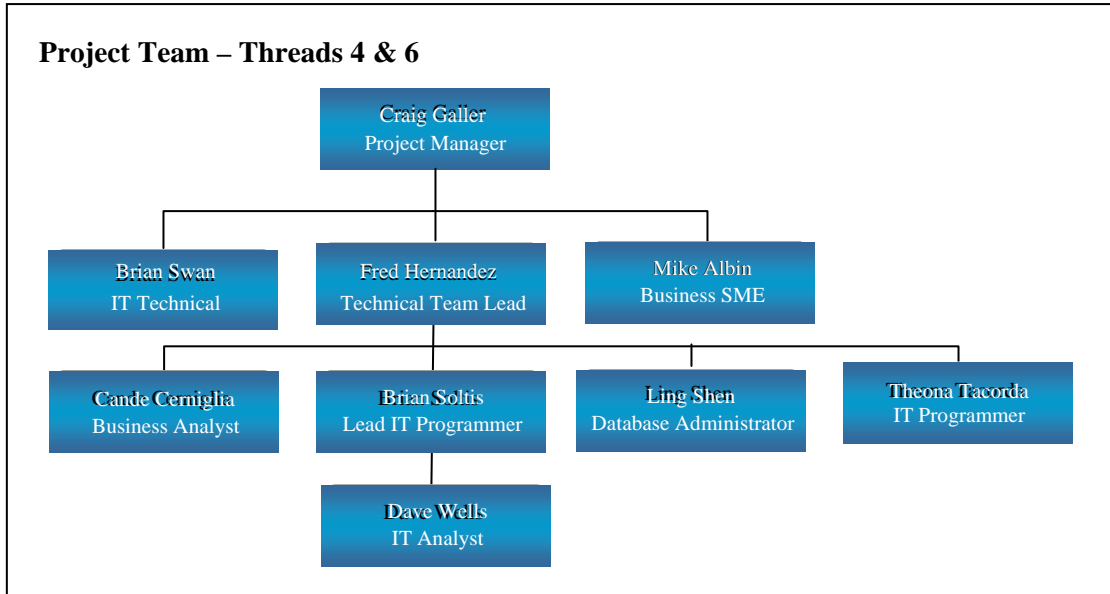


Figure 19 – Project Team – Threads 4 & 6

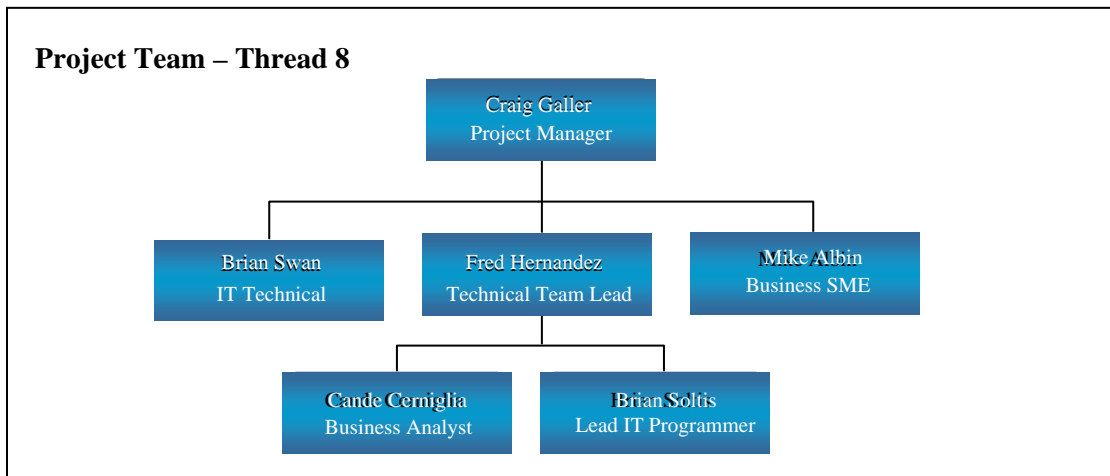


Figure 20 – Project Team – Thread 8

RESUME

**MICHAEL ALBIN
Business Subject Matter Expert**

QUALIFICATIONS

Mr. Albin has worked in state government and tax collection arenas for more than 18 years. He has hands-on experience in utilizing ACS' IFTA, IRP and Motor Fuel Tracking Systems as well as the financial integration program. Mike participated on a state-wide committee whose goal was to identify methods to reduce Department expenditures. He provides expertise on state operations to ACS development and implementation staff. His experience as a customer for many of ACS' motor vehicle systems allows him to recommend solutions beneficial to the states, providing system efficiencies or in the case of motor fuel tracking, increased revenue collections.

MOTOR FUEL TAX EXPERIENCE

1999 – 2000 *Nevada Motor Fuel Tracking, System User / Customer, Nevada Department of Motor Vehicles and Public Safety*

The Nevada Department of Motor Vehicles initially installed VISTA/FT for tracking special fuels, including diesel. This phased approach allowed for a subsequent installation of gasoline tax processing in 2002. VISTA/FT allows Nevada to distribute county fuel taxes on a daily vs. weekly basis, providing Nevada significant processing efficiencies. Analysis of revenue increases resulting from VISTA/FT installation is underway.

2001 – present *Virginia Motor Fuel Tracking, Customer Relations*

The Virginia Department of Motor Vehicles installed VISTA/FT to track fuel movement and audit reporting compliance in conjunction with moving the point-of-taxation to the terminal. Virginia recognized increases in staff efficiencies and is currently evaluating the first year's data to assess revenue maximization.

2001 – present *Arkansas Motor Fuel Tracking, Customer Relations*

The Arkansas Department of Revenue served as the beta site for installation and operation of VISTA/FT. The system has been in full-production since January, 2000. Arkansas attributes a revenue increase of nearly 2% directly to the motor fuel tracking system. Plus, Arkansas has assessed an additional \$3.4 million in taxes due. The state realized major improvements in filer compliance through automated reporting.

EXPERIENCE

- 2001 – present** *Marketing Manager, Motor Fuel Tracking, ACS State and Local Solutions*
Mr. Albin is responsible for marketing ACS' Motor Fuel Tracking System (VISTA/FT). He also provides assistance in marketing other ACS products and services. He utilizes his state experience to provide assistance in the design and implementation of IRP, IFTA and motor fuel tracking systems. He represents ACS at Federation of Tax Administrator conferences and handles client relations.
- 1996 - 2001** *Tax Administrator I, Nevada Department of Motor Vehicles and Public Safety*
Mr. Albin had responsibility for the collection of \$100 million tax dollars annually through the management of day-to-day operations of the Licensing and Fuel Tax Sections of the Motor Carrier Bureau. He worked with the Department of Transportation on numerous initiatives and was a customer of ACS for Motor Fuel Tracking, IFTA, IRP, Special Fuels and Financial Interface systems used by the DMV&PS.
- 1993-1996** *Revenue Officer, Nevada Department of Motor Vehicles and*
1989-1992 *Public Safety*
As a Revenue Officer, Mr. Albin collected bad debts, reviewed customer financial records, assisted with writing legislative and administrative language, researched and examined employer histories, investigated and resolved customer complaints and processed bankruptcies and prepared court papers.
- 1992-1993** *Project Grants Analyst, Nevada Department of Motor Vehicles and Public*
Safety
Mr. Albin worked on grant requests related to vehicle safety initiatives. He was responsible for 25 grantees and 20 sub-grantees. He provided information to the traffic safety community and assisted in the development of the state's annual safety plan and Child Safety Seat Program.

EDUCATION

B.A., Business Administration, University of Nevada, Reno
Psychology, Western Nevada Community College, Carson City, NV
Accounting, Truckee Meadows Community College, Reno, NV

RESUME

CANDE CERNIGLIA
Business Analyst

QUALIFICATIONS

Ms. Cerniglia has over 20 years of experience in motor vehicle regulations and transportation policy, in both the public and private sectors.

EXPERIENCE

1991 - Present *Senior Client Analyst, ACS State and Local Solutions, Inc.*

Provides design input to technical staff in development and maintenance of ACS products used by state governments to collect fuel tax and registration fees from commercial motor vehicle companies. Assures compliance of ACS products with state laws and regulations. Provides state government users with assistance in determining administrative and staffing changes necessitated by new office systems and membership in interstate regulatory compacts. Provides assistance to states during implementation and daily operations as needed.

1988 – 1991 *Manager, CNA Insurance*

Responsible for the correct billing of approximately \$167 million annually in premium payments for the company’s Universal Security product. Supervised staff of eight technical employees. Interfaced with data processing personnel to insure regulatory compliance in each of the 21 states in which the product was marketed.

1987 – 1988 *Consultant, Lockheed Martin IMS*

Member of the installation team for the VISTA/RS product, used to calculate, collect and document registration fee requirements for commercial motor vehicles. Worked with users in state agencies to identify staffing or functional problems, and recommended solutions. Documented user requirements and supervised development of user guides and procedure manuals. Interfaced with the American Association of Motor Vehicle Administrators (AAMVA) to insure acceptability and quality of the product.

1983 – 1986 *Director, Air and Transit Division, Iowa Department of Transportation*

Chief administrator of Iowa’s transit program. Managed development of policy and programs by professional level staff, including formula and discretionary allocation of state and federal funds. Also administered the state’s aeronautics program, including funding and implementation of the airport improvement program. Developed the division’s legislative program and worked with the Iowa General Assembly on transit and aeronautics legislation. Served as legislative chair, responsible for developing a federal legislative program for the association of transit systems serving the elderly and handicapped in the midwest. Created Aeronautics Advisory Board to address areas of mutual interest with the constituent community.

1978 – 1983 *Director, Office of Motor Carrier Services, Iowa Dept. of Transportation*

Managed all administrative duties of the office and supervised fifty employees. Duties included budgeting, personnel, data processing and employment compliance. Evaluated for final adoption, all program changes. Administered the International Registration Plan (IRP), a prorate and licensing agreement among states and provinces. Served as International Chair of the Motor Carrier Services Committee of AAMVA from 1981 to 1983 and as Region III Chair in 1980. Served as Iowa's chief administrator for interstate motor fuel reporting. Coordinated development of the International Fuel Tax Agreement (IFTA) with Washington and Arizona. Served as IFTA treasurer from 1982 to 1983. Administered Iowa's interstate and intrastate regulatory laws and oversize and overweight permitting functions. Developed the office's legislative program and worked closely with the Iowa General Assembly to insure passage of the program. Responsible for planning and implementation of improvement in Iowa's commercial vehicle regulatory system, including creation of an advisory board of commercial vehicle interests. Expanded the Iowa Truck Permit Center to include permits for other states.

1976 – 1978 *Assistant Director, Office of Motor Carrier Services, Iowa DOT*

Administered the Truck Permit Center, the first such facility in the country to offer all state regulatory services to the commercial trucking industry in one location. Coordinated Iowa's entry into the IRP and served as faculty for IRP seminars sponsored by the US DOT. Prepared the office budget and administered all personnel functions.

1974 – 1976 *Administrative Assistant, Office of Motor Carrier Services, Iowa DOT*

Coordinated activities of three functional sections. Conducted a feasibility study to establish the Regional Permit Center, and prepared and presented the final recommendation to the Iowa Transportation Commission. Determined all office data processing needs and served as liaison to the data processing office.

1973 – 1974 *Administrative Assistant, College of Medicine, University of Iowa*

Organized field clinics, seminars and public meetings. Determined federal grant compliance and prepared the department budget.

EDUCATION

B.A. History, University of Iowa

Four-year recipient, Iowa Merit Scholarship and University of Iowa Merit Scholarship

RESUME

LEE FREEMAN
Senior Analyst / Developer

QUALIFICATIONS

Ms. Freeman has more than 10 years experience in software development, performing systems analysis, application design, program development, testing and implementation of commercial vehicle, legal, accounting and manufacturing applications. She is currently the senior developer for VISTA/PS (Permitting System) and the Common Account and Common Payment Module features of MVS Express®.

EXPERIENCE

1996 - Present *Senior Analyst/Developer, ACS State and Local Solutions*

Ms. Freeman is responsible for the design, development, testing and maintenance of VISTA/PS. She was instrumental in the definition and implementation of our client's state-specific rules and requirements. She is also responsible for design, development, integration testing and implementation of the Common Account module and Common Payment Module for MVS Express functionality.

1995 – 1996 *Programmer/Analyst, Colorado State Court Administrators Office*

Ms. Freeman was responsible for the development and coding of the court processing, probation and integrated on-line judicial system. She installed the new systems and enhanced program to 15 remote CPUs.

1993 – 1995 *Programmer/Analyst, Adams County Government, Colorado*

Ms. Freeman was responsible for the support and maintenance of COBOL/400 software for the county government, including the Assessor, Treasurer, Elections, Building and Planning Departments. She developed a ballot system for a mail election, implemented advanced function printing and source code checker and was the project leader of the Assessor/Treasurer year-end and reappraisal processes.

1991 – 1992 *Software Systems Administrator, Hewlett Packard*

Ms. Freeman was the primary support person for the COBOL cost accounting application. She was also responsible for the development of a COBOL transaction register.

1991 – 1991

Information Technology Representative, Hewlett Packard

Ms. Freeman performed the needs analysis and developed the enhancements of the financial software for customers and team members. She was the primary support person for the finance, payroll, personnel and marketing applications.

1990 – 1990

Software System Administrator, Hewlett Packard

Ms. Freeman was the primary support person for the manufacturing, shipping and invoice tracking software. She was also responsible of the migration of materials requirements planning application from an HP/3000 MPE-V to MPE-XL.

SYSTEMS AND SOFTWARE KNOWLEDGE

Software:

Oracle Developer/2000, RPG/400, COBOL/400, COBOL, C, OS/400, OS/2, MPE-V, MPE-XL, MS DOS, HP-UX, CL, JCL

Hardware:

IBM AS/400, HP 3000, HP 9000

Languages:

PL/SQL, ILE RPG, COBOL, C

Databases:

Oracle 8i, Oracle 9i, DB2/400

Operating Systems:

OS/400, MPE-V, MPE-XL, HP-UX, Windows 95/98/NT/2000

EDUCATION

Masters Candidate, Computer Science, Colorado State University, Ft. Collins, Colorado

B.S., Mathematics, Phillips University, Enid, Oklahoma, 1987

Associate of Arts Degree, Liberal Arts, Northeastern JR. College, Sterling, Colorado, 1976

RESUME

**CRAIG GALLER
Project Manager**

QUALIFICATIONS

Mr. Galler has more than 25 years of experience in automated data processing and system development. He is responsible for the management, support and design of all ACS Motor Vehicle Services product lines. He was one of the original creators and a system architect for the Motor Fuel Tracking System (VISTA/FT). Mr. Galler also directed the design and implementation of VISTA/EC (Electronic Cashiering), which provides a single interface for e-commerce and all forms of payment processing. Mr. Galler provides training and assistance to states utilizing the ACS' motor fuel tracking system to help identify additional taxes due through generation of state-specific discrepancy reports. He serves as an expert in software matters for MVS and other lines of business, conducts technical research and provides marketing support.

MOTOR FUEL TAX EXPERIENCE

1999 – present *Arkansas Motor Fuel Tracking, Project Oversight Director*

The Arkansas Department of Revenue served as the beta site for installation and operation of VISTA/FT. The system has been in full-production since January, 2000. Arkansas attributes a revenue increase of nearly 2% directly to the motor fuel tracking system. Plus, Arkansas has assessed an additional \$3.4 million in taxes due. The state realized major improvements in filer compliance through automated reporting.

1999 – present *Nevada Motor Fuel Tracking, Project Oversight Director*

The Nevada Department of Motor Vehicles initially installed VISTA/FT for tracking special fuels, including diesel. This phased approach allowed for a subsequent installation of gasoline tax processing in 2002. VISTA/FT allows Nevada to distribute county fuel taxes on a daily vs. weekly basis, providing Nevada significant processing efficiencies. Analysis of revenue increases resulting from VISTA/FT installation is underway.

2000 – present *Virginia Motor Fuel Tracking, Project Oversight Director*

The Virginia Department of Motor Vehicles installed VISTA/FT to track fuel movement and audit reporting compliance in conjunction with moving the point-of-taxation to the terminal. Virginia recognized increases in staff efficiencies and is currently evaluating the first year's data to assess revenue maximization.

EXPERIENCE**2002 - present *Director, Strategic Growth and Development, ACS State and Local Solutions***

Mr. Galler manages large development and/or integration projects where there is considerable custom development of one or more VISTA products. He is responsible for assessing client system and operational needs and determining how ACS products can be utilized to provide the best solution. He is also responsible for new product development to meet federal initiatives. He continues to provide oversight on all new product installations, as well as maintenance for existing customer systems, with specific emphasis on motor fuel tracking and e commerce.

1997 – 2002 *Chief System Development Manager, ACS State and Local Solutions*

In this position, Mr. Galler was responsible for the management and support of information processing and systems development, including large development and/or integration projects where there is considerable custom development of one or more VISTA products. He is responsible for the daily operations support of all MVS products, including MVS Express, motor fuel tracking, registration, fuel tax and permitting systems.

1996 - 1997 *Project Leader, Lockheed Martin IMS*

Mr. Galler managed a staff of four professionals with responsibility for implementing a software system to be used by an external processing center for tracking motor fuels. This system was being developed for a Microsoft Access 95 (v7.0) AS/400 client/server platform. His responsibilities included client liaison and JAD (Joint Application Design) activities; GUI design and process standards; software implementation; and software presentations and demonstrations. He assisted in the production processing center start-up; technical training; and general project management and administration.

1995 - 1996 *Consultant, Ciber Corporation*

Mr. Galler was assigned to the Lockheed Martin IMS VISTA/TS project, and as such was responsible for various tasks associated with the maintenance and development of VISTA/TS. These tasks included upgrade, installation, test and distribution of a PC application development environment for the Phoenix operation. The new environment included: Windows 95, APS 3.1 GUI Client Server development suite, Microfocus COBOL 3.2, XDB 3.0, and PVCS. He established change control procedures and standards, development environment training for technical staff, and maintenance and enhancement of the software product set.

1994 - 1995 *Consultant, SRA Corporation*

Mr. Galler was responsible for various tasks associated with the development of Intersolv's APS GUI Client/Server Generator for Tandem developed by SRA for Tandem Computers, Inc. These tasks included development of the Product Test Plan for the new release (APS 3.1 Tandem Generator); analysis for product enhancements for future releases; development of training courses for the new product set; development of the product demonstration software including storybook and actual software used by Tandem marketing on a worldwide basis; and revised and tested SRA's recommended APS Tandem Application Development Environment (ADE). He installed APS Tandem ADE and trained various client sites in usage of the product.

EDUCATION

- 1972 - 1973 - Accounting, Arizona State University
- 1973 - 1975 - Accounting, American University
- 1975 - 1977 - Accounting, Benjamin Franklin University

RESUME

FREDRICK HERNANDEZ
Technical Team Leader

QUALIFICATIONS

Mr. Hernandez has 17 years of programming and development experience. He is currently the Project Manager for all new implementations of the Motor Fuel Tracking System.

EXPERIENCE

2000 – Present *Project Manager, Motor Fuel Tracking System, ACS State and Local Solutions*

Mr. Hernandez currently manages the Motor Fuel Tracking System. He is responsible for new site implementation management. Mr. Hernandez also managed the conversion of the Motor Fuel System from its initial Microsoft ACCESS application to its evolution to the WEB based oracle System.

1994 – 2000 *Senior Analyst/Developer, Lockheed Martin IMS*

In this position, Mr. Hernandez was responsible for the development and maintenance of the Motor Fuel Tracking System. He developed the Discrepancy Generator on the AS/400 using the Synon application and was responsible for migrating the Discrepancy Generator to Access 97 using Visual Basic. He coordinated the relocation of the Lockheed Martin AS400 system from Teaneck, NJ to Phoenix, AZ and served as the AS400's System Administrator.

1987 - 1984 *Analyst/Programmer, Arizona Supreme Court*

Mr. Hernandez utilized his experience with SDLC's Project Development, and Case Tool implementation and methodologies. He implemented a platform conversion from a

VAX to an AS/400 environment, which included time schedules, installation, communication implementation, peripheral setup, system administration, and security implementation. He developed and implemented a business needs assessment for the Arizona Supreme Court. He implemented and managed the OS/2 Database Network, which interfaced with VAS, AS/400 and PC platforms. He was also responsible for implementing data conversion transfers between all the Arizona Supreme Court platforms.

1985 – 1986 *Systems Coordinator, City of Guadalupe, Arizona*

Mr. Hernandez implemented the first PC-based environment for the City, coordinated software installations, conducted user training, coded specialized programs for inventory reports and generated databases using IBM Basic.

1984 – 1985 *Test Engineer and Programmer Technician, Motorola*

Mr. Hernandez was responsible for programming TTL devices for development of new and existing product lines. He was also involved in the development and improvement of the NOVA operating system.

SYSTEMS AND SOFTWARE KNOWLEDGE

Software:

Microsoft Office 97, Word 97, Access 97, OFFICEVISION, VAX All-In-One, WordPerfect, Lotus, Dataperfect, TimeLine, Harvard Graphics Project Manager

Languages:

Access 97 Visual Basic, RPG400, AS/400 CL, SYNON Case Tool, Fortran IV and V, 4GL Knowledgeman, Pascal, Basic, VAX DCL, Cobol, Datatrieve, Motorola 6800 Assembler

Operating Systems:

AS/400, Digital VMS, Windows 95, OS/2, Banyan Vinces, Nova-PMS

Hardware:

AS/400, VAX, token Ring, IBM PS/2's PC Clones, Twinax, Ethernet

EDI Translation Software:

Harbinger TLE EDI

Communications:

PC Support, Kermit, Path Works, TCP/IP Open Systems Connect

EDUCATION

B.S. in Computer Science, Arizona State University, 1984

RESUME

CHRIS RANDALL

Business Analyst

QUALIFICATIONS

Mr. Randall has over four years of experience in supporting the VISTA/TS application. He has extensive knowledge and understanding of the IFTA laws and regulations. Mr. Randall has three years experience in technical specification writing for production software enhancements, as well as quality assurance testing.

EXPERIENCE

1995 – Present *VISTA/TS Client Analyst, ACS State and Local Solutions*

Mr. Randall works on the VISTA/TS system, identifying user requirements and determining functionality needed. He is the primary contact for end users of VISTA/TS and provides users with assistance on day-to-day issues.

1992 - 1995 *Sales Manager, Thomas Nelson Publishing Company*

Mr. Randall was responsible for recruiting and leading various personal sales teams. He interviewed, selected, trained and motivated college students in the door-to-door selling of educational books and bibles. He was involved in the process of training student managers for recruiting their own personal sales team.

1990 - 1991 *Salesman, Thomas Nelson Publishing Company*

While attending school, Mr. Randall was responsible for the direct sales of educational books and bibles in North Carolina and Tennessee. He was a student manager and direct sales person for the company. He was responsible for conducting 12 to 15 demonstrations per day and developing prospective clients using cold call techniques.

EDUCATION

B.S., Finance, University of Arizona, Tucson, 1995

Currently attending DeVry University, majoring in Computer Information Systems

RESUME

LING SHEN
Database Administrator

QUALIFICATIONS

Ms. Shen has more than 11 years experience in software development, performing systems analysis, application design, program development, testing and implementation of commercial vehicle, insurance and account applications. She is currently a system developer for VISTA/PS (Permitting System) and the Common Account feature of MVS ExpressSM.

EXPERIENCE

1998 - Present *Developer/DBA, ACS State and Local Solutions*

Ms. Shen is responsible for the design and development of VISTA/PS that is used by states to process oversize/overweight permits. She designed and developed the security module used in VISTA/PS. She is also responsible for the design, development and implementation of the Common Account module used in MVS Express to integrate three of MVS' legacy systems on multiple platforms.

1998 – 1998 *Information System Engineering Specialist, Motorola*

Ms. Shen was involved in redesigning and maintaining an Oracle database application for the Customer Analysis Tracking System (CATS). She was responsible for year 2000 compliance, the redesign of existing database structures for converting from Oracle Form 3.0 to Form 4.5, for setting up the Oracle 8 server on Sun Solaris, modifying and generating forms and reports, and developing a Web version of the CATS.

1997 – 1997 *Contract Oracle Developer, Lockheed Martin IMS*

Ms. Shen was responsible for the database design and application development of VISTA/PS. She was also responsible for designing, developing and implementing the client's business rules and requirements into the system.

1996 – 1997 *Senior Programmer/Analyst, Department of Information System,
Louisiana Workers' Compensation Corporation (LWCC)*

Ms. Shen maintained and redesigned the company's Workers' Compensation Information System (WCIS) Oracle database to meet the business needs of internal customers. She was also responsible for the user requirements and analysis of the Gumbeaux project whose purpose was to develop a customer service database application for the Marketing and Communications Department to manage meeting schedules, newsletter distribution and policyholder information.

1994 – 1996 *Programmer, Center for Advanced Microstructures and Devices, Louisiana State University*

Ms. Shen developed a beamline control system. She was responsible for the normalization analysis, GUI design and implementation, coding, debugging, and modular and integrated testing tasks of the project.

1996 – 1996 *Consultant, Prime Medicare*

Ms. Shen was a team member for MedManager Plus, a computerized charging billing system for a local primary care clinic. Her responsibilities included reviewing, coding and implementing enhancements.

1989 – 1991 *Software Engineer, Green Island Advance Technology, Inc. (Beijing, China)*

Ms. Shen was a team member for developing the Beijing Subway Operation Scheduling System. She was responsible for designing the software, coding, testing, emergency reporting, safety enforcement and operations monitoring. She was fully responsible for designing and implementing an electronic display system for a passenger railway. She also developed a database in FoxPro that maintained the parts inventory.

SYSTEMS AND SOFTWARE KNOWLEDGE

Languages/Tools: Oracle Developer/Designer 2000, PL/SQL, SQR, Pro C, Oracle Web Server – OAS/9iAS, HTML, Visual Basic, C, C++

Database Management Systems: Oracle 7/8i, Microsoft SQL Server 6.x, MS Access, ODBC

Platforms: Windows 3.1/95/98/NT, Sun Solaris, VAX/VMSWORKING, HP UNIX

EDUCATION

M.S. Nuclear Science, Louisiana State University, Baton Rouge, 1999

M.S., Computer Science, Louisiana State University, Baton Rouge, 1996

B.S., Mechanical Engineering, University of Science and Technology of China, Hefei, 1989

RESUME**BRIAN SOLTIS**
Lead Software Developer**QUALIFICATIONS**

Mr. Soltis has more than ten (10) years of experience in software development, performing systems analysis, application design, program development, and testing and implementation of applications. He served as a lead developer for ACS' motor fuel tracking installations in Virginia and Nevada. Mr. Soltis has extensive technical and operational skills which he utilizes in developing and enhancing the VISTA/FT product.

EXPERIENCE**2000 – Present** *Senior Software Engineer, ACS State and Local Solutions*

Is a member of the Motor Fuels Tracking System development team, responsible for the design, development, testing, maintenance and system enhancement of the VISTA/Ft motor fuel tracking system. He is directly involved with the definition and implementation of our clients' state-specific rules and requirements.

1997 – 2000 *Self Employed*

Cadinha & Co., Inc. - Designed, prototyped, coded and tested a GUI program using MS Visual C++ and MFC. The application process a user input file, reads and stores parameters from the system registry and prints (print preview and print setup enabled) the processed information.

Rollin Carlblom - Designed and implemented a DOS application using Borland C++ that facilitates file maintenance (file deletions) for systems using tape back ups. The application is executed from a batch file where it is passed the appropriate arguments.

Continental Circuits Corporation - Developed the second revision of a Visual Basic application which access data from text files, formats, displays, and prints the information.

1995 – 1997 *Manufacturing Fabrication Engineer, Continental Circuits Corporation*

Authored a DOS utility in C++ which allowed route machine tool information to be transferred from paper tape boxes to network text files; responsible for fabrication and view (optical CMM) department ISO documentation, data analysis and departmental measurable tracking; Process Improvement Leader.

1993 – 1995 *Quality Systems Engineer/Process Routing Technician, General Products Corporation*

Implemented customer design change including design, quotation, and implementation of tooling and gauging on Hitachi Seiki VK65 CNC machine; facilitated quality system training and implementation in accordance with customer and plant quality requirements and standards.

1992 – 1993 *Graduate Teaching Assistant, Michigan Technological University*

Instructed thermodynamic laboratory for undergraduate students, including pressure and temperature measurements, airflow measurements, and pump and stream turbine performance characteristics.

SYSTEMS KNOWLEDGE

- Software:* Basic, Word, Excel, Access 97, FrontPage, PowerPoint, Microsoft Visual C++, GNU compilers, Oracle Forms 6i, Oracle Reports 6i, SQL*Plus
- Languages:* C, C++, MS Visual Basic, FORTRAN, PL/SQL, Perl, HTML
- Databases:* MS Access 97, Oracle
- Methodologies:* Object Oriented Design, Rapid Application Development
- Operating System* UNIX, Windows 3.11/95/98/NT, DOS

EDUCATION

B.S., Mechanical Engineering, Michigan Technological University

M.A., Computer Science, Arizona State University

RESUME

BRIAN SWAN
Communications Architect

QUALIFICATIONS

Mr. Swan has more than 20 years of experience in technical management, network administration and mainframe administration. His expertise includes network infrastructure, information security, RACF security, data encryption, Internet/Intranet/Extranet, network protocols, firewalls and EDI infrastructure. Mr. Swan's most recent experience has been with the Arizona Department of Transportation, where he was responsible for the design, implementation, security, support and administration of the Motor Vehicle Division's re-engineering and automation projects.

EXPERIENCE

1999 - Present *Technical Administrator, ACS State and Local Solutions*

Mr. Swan is responsible for the management of an integrated NetWare and Windows NT LAN in the Phoenix office. His responsibilities include WAN architecture design, implementation, client/server application deployment, WEB Page development and WEB transaction integration, Mainframe, and AS/400 and HP-9000 legacy system integration. He also designs and supports WAN and LAN security including firewall technology. He has a key role in ensuring successful customer integration to ACS State and Local Solutions' Intranet and Extranet. He also has the challenge of planning, developing and integrating ACS SLS' open systems architecture as the company moves into the new millennium.

1996 - 1999 *Information Technology Manager, Arizona Department of Transportation*

Mr. Swan provided technical support to the Motor Vehicle Division for business re-engineering and automation projects. He was responsible for all network connectivity issues for multiple projects, including all technical and security-related issues. He designed, implemented and supported the frame-relay network to include TCP/IP protocol functionality, network management software, firewall protection, T1 and 56kb connectivity, BayNetworks routers and Paradyne DSU/CSUs. He installed and supported LAN for Lan Server, OS/2, OS/2 Warp and Windows NT. He provided network security analysis and data security checkout for IBM Service Arizona E-Commerce Internet solution (vehicle registration by Internet). Provided a 5-level security design for external MVD customers' interface with department mainframe and client/server environment. He was also responsible for the technical development of ADOT's third party program.

1993 - 1996 *Senior WAN/LAN Consultant, Blackstone Group*

Mr. Swan designed and installed WAN and LAN equipment and software, including the configuration of 70 LAN and 1400 PCs with over 80 servers for multi-protocol and multi-topology configurations for the Department of Transportation's Enterprise project. He implemented the Enterprise applications along with support and training and provided security configurations for client/server interface with mainframe applications. Worked with users for configuration of RACF security.

1991 - 1994 *Senior Consultant, Computer Training Associates*

Mr. Swan built and marketed IBM compatible computer systems. He was responsible for the installation and configuration of all hardware and software. He supervised the employee staff and provided employee training. He deployed and implemented help desk operations.

1985 - 1991 *Product Specialist, Honeywell, Inc.*

Mr. Swan implemented and developed automatic test computer systems and associated equipment for avionics computer systems for commercial airlines. He implemented electronic design changes, tested, debugged and evaluated software and hardware for 68,000 CPU based system. Worked with clients for project planning and delivery and developed quality assurance methods and implementations.

1983 - 1985 *Senior Technician R&D Lab, TRW, Inc.*

Designed, tested, debugged and integrated the analog and digital circuitry for microwave devices for electronic warfare applications DC-22Ghz. Responsible for application of all engineering equipment, including environmental test procedures.

SYSTEMS AND SOFTWARE KNOWLEDGE

Mainframe Operations and AS/400:

IBM, 3745 controller:MVS, IMS, CICS, 3270 and 5250 Emulation, NT SNA Server, Attachmate, IBM Personal Communicator, Communications Manager Gateways

EDI: NJE, Information Exchange, IBM Global Network Telecommunication, PPP, SLIP, Secure IDs, Harbinger Translation

Software:

Microsoft, XDB, DB2, IBM, CAD and Network Management, Microsoft SQL, Oracle, Hewlard Packard, Cisco, Microsoft IIS, Apache, FTP, Adobe, UNIX, Linux, XML, .NET

Networks, OS and Special Applications:

Token Ring, Ethernet, LAN Manager, IBM LAN Server, Microsoft NT, Microsoft Windows, Microsoft Workgroups, Windows 95 and 98, LAN Server, OS/2, OS/2 Warp, Linux, Microsoft Back Office Server, Front Page 98, Microsoft mail, Microsoft Exchange, Network Management Tools, Citrix Winframe, Citrix Metaframe

Hardware:

PCs, printers, Network cards, Routers, Bridges, Gateways, Firewalls, Switches, Servers, Tape devices, UPS, Mau's, WAN, LAN, NAS, SAN, IBM, Compaq, HP, Sun

Protocols and Connectivity:

NetBIOS, NetBeui, TCP/IP, IPX, DLC, DHCP, FTP, DNS, RAS, Terminal Server, Telnet, SNA, SNMP, Sntp, Frame-Relay, SSL, IP Printing

Windows NT Administration:

NT Administration, Digital imaging, Proxy servers, Remote Access connections, Security servers, Application servers, MS IIS, CheckPoint, PC and hardware maintenance, PC and LAN installation and configuration, Tomcat

Architecture Design:

WAN/LAN Design, Frame Relay, Firewall Security, E-Commerce Solutions, PKI Encryption, Client/Server, WEB Content Internet Transactions, Payment Processing, Digital Certificates, Load Balancing Server Applications, Real Time Transaction Processing, Legacy System Interfaces, Credential Interfaces, Disaster Recovery, Storage Design, VPN, WEB Portals

Systems Integration:

CVIEW, PRISM, SAFERS, IRP, IFTA, PREPASS, SSRS, CVISN, EDI, WEB Content, E-Commerce, Security

EDUCATION

Arizona State University / West EDI
Glendale Community College, 1979 - 1981

RESUME

THEONA TACORDA
Senior Oracle Developer

QUALIFICATIONS

Ms. Tacorda has more than 14 years experience in software development, performing systems analysis, application design, program development, testing and implementation of commercial vehicle, healthcare, pharmaceutical, insurance and general business applications. She is currently a senior developer for VISTA/PS (Permitting System), the Common Account feature of MVS ExpressSM and VISTA/TS.

EXPERIENCE**1996 – Present *Senior Systems Program Engineer, ACS State and Local Solutions***

Ms. Tacorda is responsible for the development and maintenance of VISTA/PS and VISTA/TS (IFTA system). She is also responsible for the external/internal design, data modeling, development, integration testing and implementation of the CVISN credentialing system. She developed the Transmittal Tracking module in VISTA/TS that tracks the inbound and outbound funds for interstate activity. She was fully responsible for the design, development, integration testing, implementation and support of this module.

1996 – 1994 *Consultant, Medical, Pharmaceutical and Healthcare Companies*

Ms. Tacorda was responsible for the internal design, development and integration testing of a Practitioner Data Warehouse System, which tracked logistics, specialties and other information about practitioners throughout the nation. She also managed the design and implementation of a Pharmaceutical Care Measurement Data Warehouse System, which tracked pharmacy and medication data. Ms. Tacorda oversaw multiple systems including, the Accounts Receivable System, an Agency Rental System, which tracked agent utilization of products, and an Electronic Funds Transfer (EFT) System, which automatically posted payments to the Accounts Receivable System.

1993 – 1993 *Consultant, National Office Supplier*

Ms. Tacorda was responsible for the design, development, integration testing and implementation of the Enhanced Order Entry System, which provided more user-friendly access by a complete restructure/rewrite of the previous Order Entry system.

1992 – 1992 *Consultant, Major Banking Institution*

Ms. Tacorda was responsible for the design, data modeling, development and implementation of the Integrated Security System, which consolidated four platforms' security packages into one central security system.

1991 – 1992 *Project Leader, Major Hospital*

Ms. Tacorda managed a team of seven individuals. She was responsible for the design, development, integration testing and implementation of the Pharmacy System, which allowed the light-pen order entry of medications and the Automated Tablet Controller system, which allowed for automatic analysis and dispensing of ordered medications to each station per patient.

1990 – 1991 *Senior Programmer/Analyst and Team Lead, Major Insurance Company*

Ms. Tacorda managed a team of six individuals. She was responsible for the external/internal design, development, integration testing and implementation of the Cash With Applications System, which tracked life insurance purchases, and recorded the method of payment for initial and subsequent payments and the Collections System, which performed Accounts Receivable functions for the life policies ordered.

1987 – 1990 *Programmer/Analyst, Major Equipment Distributor*

Ms. Tacorda was responsible for the design, development, integration testing and implementation of enhancements to the Time Reporting system, which internally reported Information Systems time and utilization.

1986 – 1987 *Programmer, Major Metal Distributor*

Ms. Tacorda was responsible for the Assembler to COBOL conversion of the Selected Purchases Order system, which tracked customer orders for infrequently purchased items and the creation of the Vendor Performance System, which reported timeliness, reliability and costs of current vendors.

SYSTEMS AND SOFTWARE KNOWLEDGE

Access Methods:

CICS-BMS, IMS/DC-MFS, ISAM, SAM, VSAM

Databases:

Access, Datacom, DB2, IDMS, IMS/DB, Watcom, XDB, ORACLE

Time-Share/Editors:

Librarian, Microfocus Workbench, Panvalet, PFS, SPF/PC, TSO/ISPF

Languages:

Access, APS (S-COBOL), Assembler, Basic, COBOL-II, DOS/JCL, Dy1280, Easytrieve Plus, Ideal, Microfocus COBOL, MVS/JCL, OS/COBOL, PC-Script, PL/1, Powerbuilder, SAS, SQL, Telon, Visual Basic, ORACLE Forms & Reports

Operating Systems:

DOS/VE, MS/DOS, MVS/XA, OS/2, Windows NT/95

Tools:

Animator, Comparex, Datavantage, DATAPERT, Fileaid, IMSXPRT, Intertest, Microsoft Products, Platinum Products, QuickStart, QMF, SDF2, SPUFI, Syncsort, Version Merger, Via-Insight, Xpediter, Numerous flow tools and text editors

EDUCATION

B.S., Computer Science, DePaul University, Chicago, Illinois, 1986

Masters Candidate, Management Information Systems, DePaul University, Chicago, Illinois

RESUME

DAVID E. WELLS
Senior Software Developer/ IT Analyst

QUALIFICATIONS

Mr. Wells has over fifteen (15) years experience in software development, application design, data analysis, testing, implementation and technical support of commercial practice management applications for the CPA industry. He is currently a senior developer on the VISTA/FT (Fuel Tracking System).

EXPERIENCE

2000 – PRESENT SENIOR SOFTWARE DEVELOPER, LOCKHEED MARTIN IMS
Redesigned legacy Access front-end application from processing Access data for a single state to processing Oracle data for multiple states. Also developed PERL scripts that FTP files from main data center to local servers and email EDI filers regarding their file submission status.

Enhanced existing Access '97 project management / timekeeping system. Created VBA automation routines from Access to Word, Excel and MS Project.

1998-2000 SYSTEM ENGINEER LEAD II, RESEARCH INSTITUTE OF AMERICA
Developed & implemented GoSystem Practice, an industry leader in practice management software for medium to large sized CPA firms using Access '97 with extensive VBA and SQL. Devised innovative 'Invoice Format Wizard' which allowed firms to custom design complex invoices in an easy-to-use wizard. Designed data conversion system which offered new customers the ability to convert existing firm data into the format needed by the system. Also worked directly with many firms in actual data conversion. Designed and coded dozens of forms, reports, queries and tables spanning over 10 updates and upgrades of the product. Responsible for modifying all VBA code in main system and 3 sub-systems in upgrade from Access 2.0 to Access '97.

1995-1997 APPLICATION DEVELOPER, E.F. HASKELL & ASSOCIATES
Developed & implemented ACE Practice, an industry leader in practice management software for medium sized CPA firms using Access 2.0 with extensive VBA and SQL. Developed company's sixth generation practice management system using Access 2.0. Converted 5th generation DOS based product to Windows. Worked with support department compiling and prioritizing customer design requests to be structured into the final product.

1994-1995

Atlas II Project Manager, E.F. Haskell & Associates

Managed the development of company's first Windows based product using Visual Basic 3.0. Project was based on converting existing DOS based client write-up system. Analyzed and documented existing product functionality. Consulted with CPA's to determine current needs and trends in write-up software. Mapped project implementation, designed database structure, managed form and report design, and wrote all programming code. Designed installation routine and coordinated documentation rewrite.

1993-1994

Programmer, E.F. Haskell & Associates

Programmed DOS based practice management, fixed asset accounting, and client write-up systems using Borland C and BASIC. Implemented customer enhancement requests, assisted in bug fixes. Managed conversion of user data from various existing products.

1992-1993

Technical Support, E.F. Haskell & Associates

Provided tech support and data analysis to CPA firms on practice management, fixed-asset and client write-up systems.

SYSTEMS AND SOFTWARE KNOWLEDGE

Databases - Access, Dbase, Oracle

Languages - **Visual Basic, VBA, SQL, C, Dbase, Perl, PL/SQL**

Operating Systems - MS/DOS, Windows 3.1/95/98/NT

Tools - Word, Lotus Notes, Excel, Front Page

EDUCATION

B.S., Management Information Systems, University of Arizona, Tucson
Associate of Arts, Scottsdale Community College, Scottsdale, Arizona

SUBCONTRACTORS

The Motor Vehicle Services' division of ACS, located in Phoenix, Arizona, will partner with the Michigan Department of Treasury to design, develop, implement and maintain Michigan's desired motor fuel solution. We have the experience and expertise required to meet Treasury's objectives and timelines and will not be subcontracting with another vendor to provide any required services.

EXTENDED MAINTENANCE AND SUPPORT

As long as Michigan opts to operate ACS' VISTA/FT system, annual licensing and maintenance fees will apply. As with all of our clients, ACS staff will be available to meet all of Michigan's maintenance and support needs. Estimated annual costs are included in the Price Proposal.

BIDDER'S AUTHORIZED EXPEDITOR

The individual authorized to expedite any proposed contract for MVS with the state of Michigan for the Motor Fuel Automation Project is:

Debbie Sheren
Director of Business Operations
40 N. Central Avenue, Suite 2250
Phoenix, AZ 85004
Phone: (602) 262-5223 *Fax:* (602) 254-4451
E mail: debbie.sheren@acs-inc.com

ADDITIONAL INFORMATION AND COMMENTS

In response to the RFP, ACS felt it was important to address certain business processes/system capabilities referenced either in the RFP, the Information Pack or in our teamwork sessions. In our opinion, these processes and/or capabilities were not specifically associated with any one of the eight (8) project threads identified for this project. The following sections describe our processes and capabilities for Michigan's Customer Service Improvement Project, Correspondence and Control Generation and Three-Day Payment Voucher. In some cases, applicable costs have been included in the cost proposal.

CUSTOMER SERVICE IMPROVEMENT PROJECT (CSIP)

As part of our proposed solution, ACS recognizes the second highest priority in the Motor Fuel Automation Project is Customer Service. As discussed in our teamwork sessions, the Customer Service Improvement Project (CSIP) has software capabilities that allow customer service representatives to support the public with rapid identification of their account, history and status. Customer service representatives can access the CSIP system to, at a minimum, perform the following functions:

- identify the caller
- view past phone conversations with the caller
- record current phone call with the caller
- review all correspondence sent to the caller
- review system information on the caller

Inherent in the Motor Fuel Automation Project, is a general need to access tax return information when a caller asks about a current billing notice and/or status on their motor fuel tax return. To meet this need we will provide authorized individuals with access to VISTA/FT to view the latest status and data on a return. It is our understanding that although the workstation interfaces to the CSIP system are MS Windows based, the system is not currently capable of a direct interface with external systems for viewing data. However, we recommend that inquiry access be provided to customer service representative to allow the state user to view tax return data for the account. This can be accomplished quite simply by using the security features in VISTA/FT to identify the class of user, i.e., provide the customer service representative with query only rights and establish access to the system directly on their desktop. Switching between systems can be completed by using the Alt Tab keys to switch from one system to another. Training should be provided to the customer service representatives by Michigan tax specialists, after completing ACS training sessions, so that issues regarding data privacy can be covered during the training.

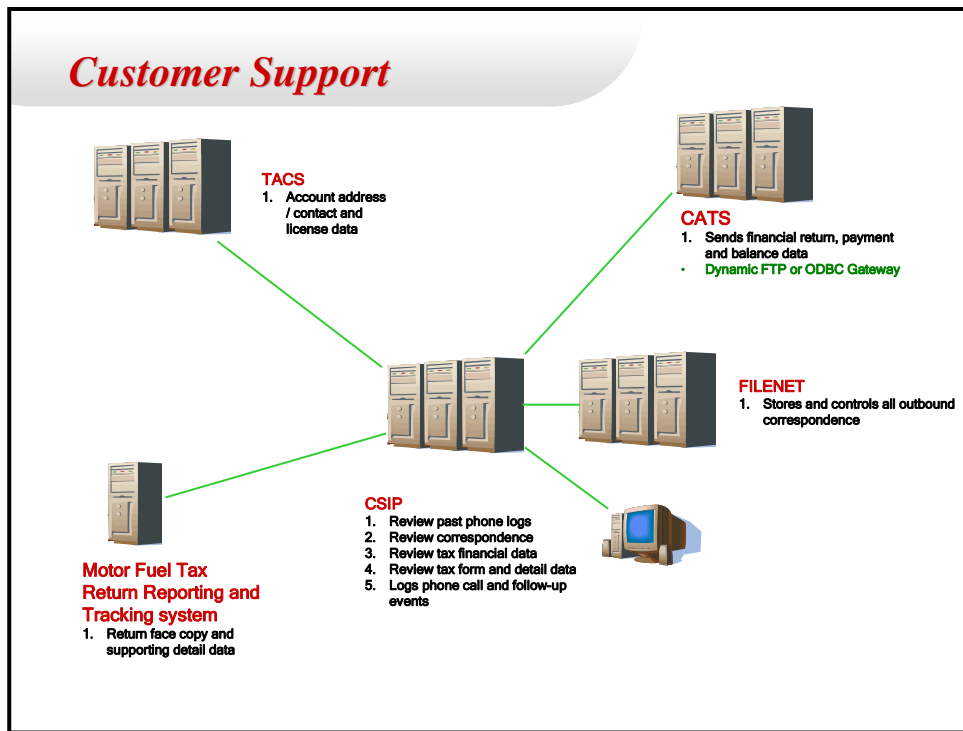


Figure 21 – Customer Support

There are two specific business processes for which we recommend interfaces to the CSIP system. The first is the process flow for desk audits (see Thread 6). As desk audits are performed and as discrepancies are reviewed, there will be occasions for which the desk auditor will need to contact one or more filers or other related business entities to clarify the discrepancy and identify the true party owing the tax. Our recommendation is to provide access to the CSIP system for the motor fuel tax staff, in order to ensure all phone conversations with a filer or other business entity are notated in a central system.

The second business process flow is for correspondence. All correspondence generated either directly from the Motor Fuel Tax Return Reporting and Tracking System (VISTA/FT) and/or via the Correspondence Control and Generation System described below, will need to be stored in Michigan’s FILENET system. As we have discussed, correspondence will be stored in a PDF format and identified with the unique index numbering criteria required by FILENET. This process ensures all correspondence is centrally stored and viewable by Michigan’s customer service representatives.

CORRESPONDENCE CONTROL AND GENERATION

Correspondence Control and Generation was discussed conceptually with Michigan state staff during our teamwork sessions. The result was a concept for a jointly developed Correspondence Control and Generation System. We envision an enterprise-level solution to provide a single area in which all correspondence for the state is controlled, generated and archived into the FILENET system.

We discussed several options for this capability, including a data dictionary based correspondence system where the data dictionary would contain pointers to variable information values in numerous state systems. This will allow the user to format the correspondence in any manner desired, and to identify those variables from the data dictionary needed for the letter/form. When the correspondence is generated, the variable data element is retrieved from the authoritative system and placed in the appropriate location on the letter or form. ACS currently has a similar capability on one of our product sets and, as we discussed, we have found numerous maintenance difficulties associated with synchronizing data with the systems and forms.

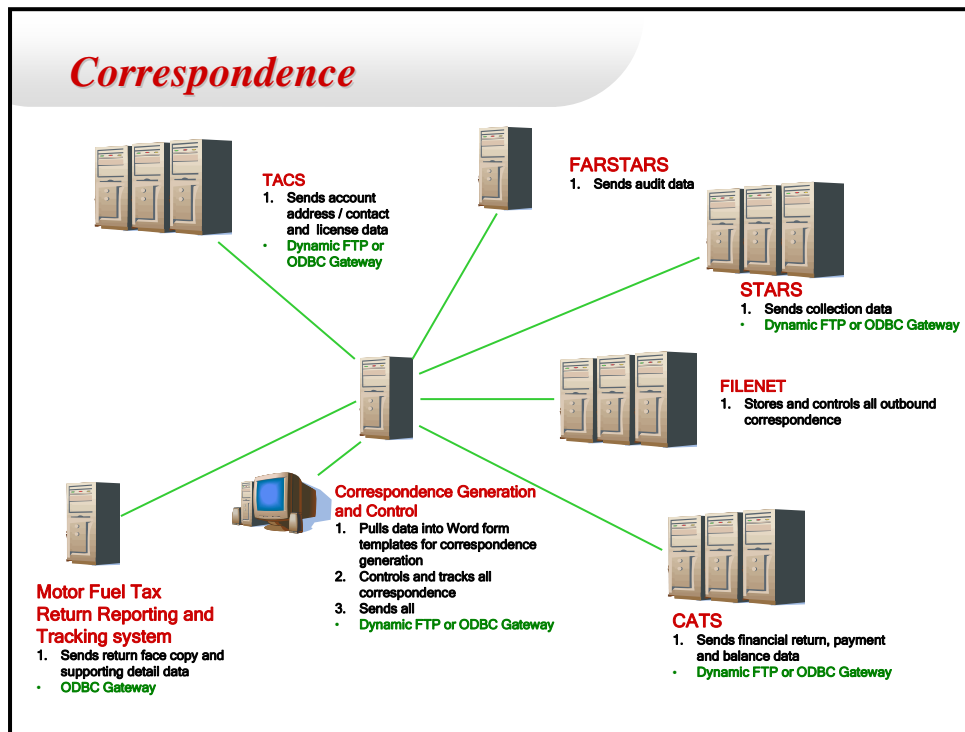


Figure 22 - Correspondence

As an alternative, we discussed creating a centralized correspondence system that is somewhat incoherent to the variable data sources for the letter or form data, but is more geared towards controlling correspondence components from each system. Under this method, each system would be responsible for sending unformatted text with the pertinent variables of the letter or form to the Correspondence Control and Generation system to be placed in a standard letter or form template to be formatted and printed.

ACS is currently deploying similar technologies within our MVS Express product which require centralized correspondence from a variety of legacy systems to be presented over the Internet to a commercial carrier performing registration and tax functions via the web. This printing technology receives .txt files from a variety of different systems containing the text and variable data for a particular letter or form. This text file does not contain

graphics since graphics are incorporated into the letter or form as part of the template. Once the .txt file is received, its corresponding template file is located and the text is inserted into the template to format the final print job. All print output files are created in an Acrobat® Reader standard .PDF format.

Letter and form templates are created using tables of available graphics, i.e., logos, lines, watermarks, etc. and form text to create a template that is stored with a unique identifier used to tie the inbound .txt files with the template.

For our proposed effort, ACS is recommending expanding the functionality of this technology to create the Correspondence Control and Generation System. We have identified several features that are necessary to create a truly enterprise solution. They include the following:

- The ability to create multiple paged / sourced templates for letters or forms created from data originating out of multiple systems. For example, let's look at the letter components needed to create an assessment or billing notice for fuel tax resulting from a desk audit. First, the company name and mailing address from TACS needs to be addressed on the cover page and mailing envelopes. Other required information includes actual amounts due, net total of payments received and all applicable penalties and interest from CATS which will likely be contained in the main pages of the notice. Finally, all of the details of the desk audit (discrepancy detail line items, shortages, etc.) pertaining to the assessment created in VISTA/FT may need to be formatted as an attachment to the letter. In this case, .txt files will stream in from different sources to be formatted in a multi-part letter or form. The Correspondence Control and Generation System will need to store each component until all components are received from each of the systems to complete the letter or form.
- Unique numbering/index scheme for controlling correspondence. *Note: Upon further analysis of the FILENET system, ACS may adopt the same numbering/index scheme used by FILENET to eliminate redundancy.*
- Control forms that monitor the pending vs. completed correspondences.
- Interface file formats for other external state systems.
- Email/FAX and printer queues and controls.

As indicated in the work plan for this effort, ACS will work closely with state personnel to jointly develop this project.

THREE-DAY PAYMENT VOUCHER

Three-day payment vouchers are required forms of payment for each fuel shipment imported into Michigan. According to the Information Pack and teamwork sessions, when an occasional or un-licensed importer obtains an Import Verification Number from the state’s IVR system, the requesting party must pay taxes due on that particular shipment within three (3) days of the transaction date.

ACS recommends an additional discrepancy check be incorporated into the Motor Fuel Tax Return Reporting and Tracking System (VISTA/FT - Thread 6) to verify that all Import Verification Numbers issued by the IVR system, do in fact have a corresponding and timely Three-Day Payment Voucher. This discrepancy will also highlight all Three-Day Payment Vouchers that do not have a corresponding Import Verification Number and verify the fuel type to determine whether the Import Verification Number is required.

The Payment Process described in Thread 2 (PayPro or VISTA/EC) must also be modified to record all relative information relating to the Three-Day Payment Voucher. On a periodic basis, Three-Day Payment Voucher data will be sent to VISTA/FT for processing discrepancies. Each Three-Day Payment Voucher record will be matched with the corresponding Import Verification Number, if available, and also crosschecked against any import information relating to the shipment.

MICHIGAN MOTOR FUEL AUTOMATION PROJECT SCHEDULE

ID	Task Name	O / S	Work	Start	Finish	CP
1	Michigan Motor Fuel Automation Project		15,003.1 hrs	Mon 11/18/02	Thu 3/25/04	
2	Project Phase 1		3,823.83 hrs	Mon 11/18/02	Tue 7/1/03	
3	<u>Thread 1 - Electronic Filing</u>		2,193.82 hrs	Mon 11/18/02	Fri 5/30/03	
4	Data Interchange (Suppliers Only)	Optional	1,072.12 hrs	Mon 11/18/02	Mon 5/19/03	
5	Analysis and Design		243 hrs	Mon 11/18/02	Fri 12/20/02	
6	Project Master Plan		27 hrs	Mon 11/18/02	Wed 11/20/02	
7	Pre-Implementation Guide		66 hrs	Thu 11/21/02	Fri 12/6/02	6
8	Business Area Analysis		150 hrs	Mon 12/9/02	Fri 12/20/02	7
9	User Design Acceptance		45 hrs	Mon 1/6/03	Fri 1/17/03	
10	User Acceptance		45 hrs	Mon 1/6/03	Fri 1/17/03	8
11	Implementation		216 hrs	Wed 2/12/03	Wed 3/26/03	
12	FTP Utilities and Control Development		216 hrs	Wed 2/12/03	Wed 3/26/03	29
13	ACS Testing		85.9 hrs	Thu 3/27/03	Wed 4/9/03	
14	Unit Testing		85.9 hrs	Thu 3/27/03	Wed 4/9/03	12
15	Documentation		119 hrs	Thu 3/27/03	Wed 4/23/03	
16	Test and Production Cutover Plans		54 hrs	Thu 3/27/03	Wed 4/9/03	12
17	Technical Documentation		24 hrs	Thu 3/27/03	Wed 4/23/03	12

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18	Industry Marketing Plan		19 hrs	Thu 3/27/03	Wed 4/9/03	12
19	Users and Training Documentation		22 hrs	Thu 3/27/03	Wed 4/23/03	12
20	Training		84 hrs	Thu 4/24/03	Tue 4/29/03	
21	Technical Training		45 hrs	Thu 4/24/03	Fri 4/25/03	19
22	User Training		39 hrs	Mon 4/28/03	Tue 4/29/03	21
23	User Testing		120 hrs	Wed 4/30/03	Wed 5/14/03	
24	Acceptance Test		120 hrs	Wed 4/30/03	Wed 5/14/03	22
25	Production Turnover		16.72 hrs	Thu 5/15/03	Mon 5/19/03	
26	Release Cutover		16.72 hrs	Thu 5/15/03	Mon 5/19/03	24
27	Infrastructure		142.5 hrs	Tue 1/21/03	Fri 4/18/03	
28	Order Hardware		6 hrs	Tue 1/21/03	Tue 1/21/03	10
29	Configure Hardware		67.5 hrs	Wed 1/22/03	Tue 2/11/03	28
30	Install Application Software		45 hrs	Thu 3/27/03	Wed 4/16/03	12
31	Configuration Test		24 hrs	Thu 4/17/03	Fri 4/18/03	30
32	EDI Review (Suppliers Only)	Standard	1,121.7 hrs	Mon 11/18/02	Fri 5/30/03	
33	Analysis and Design		110.6 hrs	Mon 11/18/02	Wed 12/11/02	
34	Project Master Plan		27 hrs	Mon 11/18/02	Wed 11/20/02	
35	Pre-Implementation Guide		27 hrs	Thu 11/21/02	Mon 11/25/02	34
36	Business Area Analysis		56.6 hrs	Tue 11/26/02	Wed 12/11/02	35
37	User Design Acceptance		45 hrs	Thu 12/12/02	Wed 1/8/03	
38	User Acceptance		45 hrs	Thu 12/12/02	Wed 1/8/03	36
39	Implementation		396 hrs	Mon 2/3/03	Mon 4/21/03	
40	Convert Batch EDI Process to ORACLE		324 hrs	Mon 2/3/03	Mon 4/7/03	57
41	EDI Review Modifications for Supplier		72 hrs	Tue 4/8/03	Mon 4/21/03	40
42	ACS Testing		109.9 hrs	Tue 4/22/03	Tue 5/13/03	
43	Unit Testing		109.9 hrs	Tue 4/22/03	Tue 5/13/03	41
44	Documentation		97 hrs	Tue 4/22/03	Tue 5/20/03	
45	Test and Production Cutover Plans		54 hrs	Tue 4/22/03	Tue 5/6/03	41
46	Technical Documentation		24 hrs	Tue 4/22/03	Tue 5/20/03	41
47	Users and Training Documentation		19 hrs	Tue 4/22/03	Tue 5/6/03	41
48	Training		84 hrs	Wed 5/7/03	Mon 5/12/03	
49	Technical Training		45 hrs	Wed 5/7/03	Thu 5/8/03	47
50	User Training		39 hrs	Fri 5/9/03	Mon 5/12/03	49
51	User Testing		120 hrs	Tue 5/13/03	Tue 5/27/03	
52	Acceptance Test		120 hrs	Tue 5/13/03	Tue 5/27/03	50
53	Production Turnover		16.7 hrs	Wed 5/28/03	Fri 5/30/03	
54	Release Cutover		16.7 hrs	Wed 5/28/03	Fri 5/30/03	52
55	Infrastructure		142.5 hrs	Thu 1/9/03	Wed 4/30/03	
56	Order Hardware		6 hrs	Thu 1/9/03	Thu 1/9/03	38
57	Configure Hardware		67.5 hrs	Fri 1/10/03	Fri 1/31/03	56
58	Install Application Software		45 hrs	Tue 4/8/03	Mon 4/28/03	40
59	Configuration Test		24 hrs	Tue 4/29/03	Wed 4/30/03	58
60	<u>Thread 6 - VISTA/FT</u>		1,205.03 hrs	Thu 12/12/02	Fri 5/23/03	

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61	VISTA/FT Installation (Suppliers Only)	Standard	1,205.03 hrs	Thu 12/12/02	Fri 5/23/03	
62	Analysis and Design		245.68 hrs	Thu 12/12/02	Tue 2/11/03	
63	Project Master Plan		27 hrs	Thu 12/12/02	Mon 12/16/02	36
64	Pre-Implementation Guide		90 hrs	Tue 12/17/02	Mon 1/13/03	63
65	Business Area Analysis		128.68 hrs	Tue 1/14/03	Tue 2/11/03	64
66	User Design Acceptance		45 hrs	Wed 2/12/03	Wed 2/26/03	
67	User Acceptance		45 hrs	Wed 2/12/03	Wed 2/26/03	65
68	Implementation		319.8 hrs	Thu 2/27/03	Tue 4/15/03	
69	Forms Development		22.8 hrs	Thu 2/27/03	Tue 3/4/03	87
70	Conversion Discrepancy Batch Process to ORACLE		216 hrs	Wed 3/5/03	Tue 4/15/03	69
71	Interfacing with TACS		81 hrs	Wed 3/5/03	Tue 3/18/03	69
72	ACS Testing		133.9 hrs	Wed 4/16/03	Wed 5/14/03	
73	Unit Testing		133.9 hrs	Wed 4/16/03	Wed 5/14/03	70
74	Documentation		106.5 hrs	Wed 4/16/03	Wed 5/14/03	
75	Test and Production Cutover Plans		10.8 hrs	Wed 4/16/03	Thu 4/17/03	70
76	Technical Documentation		69.7 hrs	Wed 4/16/03	Wed 5/14/03	70
77	Users and Training Documentation		26 hrs	Wed 4/16/03	Tue 4/29/03	70
78	Training		84 hrs	Wed 4/30/03	Tue 5/6/03	
79	Technical Training		45 hrs	Wed 4/30/03	Thu 5/1/03	77
80	User Training		39 hrs	Fri 5/2/03	Tue 5/6/03	79
81	User Testing		153 hrs	Wed 5/7/03	Tue 5/20/03	
82	Acceptance Test		153 hrs	Wed 5/7/03	Tue 5/20/03	80
83	Production Turnover		27.17 hrs	Wed 5/21/03	Fri 5/23/03	
84	Release Cutover		27.17 hrs	Wed 5/21/03	Fri 5/23/03	82
85	Infrastructure		90 hrs	Wed 2/26/03	Wed 5/7/03	
86	Order Hardware		0 hrs	Wed 2/26/03	Wed 2/26/03	67
87	Configure Hardware		0 hrs	Wed 2/26/03	Wed 2/26/03	86
88	Install Application Software		30 hrs	Wed 4/16/03	Tue 4/29/03	70
89	Configuration Test		60 hrs	Wed 4/30/03	Wed 5/7/03	88
90	<u>Thread 4 - Data Mining</u>		424.98 hrs	Wed 2/12/03	Tue 7/1/03	
91	Crystal Reports Installation	Standard	424.98 hrs	Wed 2/12/03	Tue 7/1/03	
92	Analysis and Design		31.5 hrs	Wed 2/12/03	Fri 2/14/03	
93	Project Master Plan		9 hrs	Wed 2/12/03	Wed 2/12/03	65
94	Pre-Implementation Guide		9 hrs	Thu 2/13/03	Thu 2/13/03	93
95	Business Area Analysis		13.5 hrs	Fri 2/14/03	Fri 2/14/03	94
96	User Design Acceptance		45 hrs	Tue 2/18/03	Mon 3/3/03	
97	User Acceptance		45 hrs	Tue 2/18/03	Mon 3/3/03	95
98	Implementation		41.32 hrs	Wed 5/21/03	Wed 5/28/03	
99	Develop User Views		41.32 hrs	Wed 5/21/03	Wed 5/28/03	82
100	ACS Testing		6 hrs	Thu 5/29/03	Wed 6/4/03	
101	Unit Testing		6 hrs	Thu 5/29/03	Wed 6/4/03	99
102	Documentation		56.5 hrs	Thu 6/5/03	Wed 6/11/03	

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103	Test and Production Cutover Plans		8.93 hrs	Thu 6/5/03	Fri 6/6/03	101
104	Technical Documentation		29.33 hrs	Thu 6/5/03	Wed 6/11/03	101
105	Users and Training Documentation		18.23 hrs	Thu 6/5/03	Wed 6/11/03	101
106	Training		61.5 hrs	Thu 6/12/03	Mon 6/16/03	
107	Technical Training		22.5 hrs	Thu 6/12/03	Thu 6/12/03	105
108	User Training		39 hrs	Fri 6/13/03	Mon 6/16/03	107
109	User Testing		120 hrs	Tue 6/17/03	Mon 6/30/03	
110	Acceptance Test		120 hrs	Tue 6/17/03	Mon 6/30/03	108
111	Production Turnover		12.17 hrs	Tue 7/1/03	Tue 7/1/03	
112	Release Cutover		12.17 hrs	Tue 7/1/03	Tue 7/1/03	110
113	Infrastructure		51 hrs	Mon 3/3/03	Mon 6/16/03	
114	Order Hardware		0 hrs	Mon 3/3/03	Mon 3/3/03	97
115	Configure Hardware		0 hrs	Mon 3/3/03	Mon 3/3/03	114
116	Install Application Software		15 hrs	Thu 6/5/03	Wed 6/11/03	101
117	Configuration Test		36 hrs	Thu 6/12/03	Mon 6/16/03	116
118	Project Phase 2		11,179.27 hrs	Mon 11/18/02	Thu 3/25/04	
119	Thread 1 - Electronic Filing		3,312.73 hrs	Wed 7/2/03	Thu 3/11/04	
120	Data Interchange (All other filers)	Optional	1,572.63 hrs	Wed 7/2/03	Thu 3/11/04	
121	Analysis and Design		565.5 hrs	Wed 7/2/03	Wed 9/24/03	
122	Project Master Plan		27 hrs	Wed 7/2/03	Tue 7/8/03	2
123	Pre-Implementation Guide		66 hrs	Wed 7/9/03	Tue 7/22/03	122
124	Business Area Analysis		472.5 hrs	Wed 7/23/03	Wed 9/24/03	123
125	User Design Acceptance		45 hrs	Thu 9/25/03	Wed 10/8/03	
126	User Acceptance		45 hrs	Thu 9/25/03	Wed 10/8/03	124
127	Implementation		459 hrs	Thu 10/9/03	Fri 1/16/04	
128	FTP Utilities and Control Development		216 hrs	Thu 10/9/03	Wed 11/19/03	146
129	Web Form Filing		243 hrs	Thu 11/20/03	Fri 1/16/04	128
130	ACS Testing		85.9 hrs	Tue 1/20/04	Mon 2/2/04	
131	Unit Testing		85.9 hrs	Tue 1/20/04	Mon 2/2/04	129
132	Documentation		127.53 hrs	Tue 1/20/04	Tue 3/2/04	
133	Test and Production Cutover Plans		54 hrs	Tue 1/20/04	Mon 2/2/04	129
134	Industry Marketing Plan		27.53 hrs	Tue 1/20/04	Tue 3/2/04	129
135	Technical Documentation		24 hrs	Tue 1/20/04	Tue 2/17/04	129
136	Users and Training Documentation		22 hrs	Tue 1/20/04	Tue 2/17/04	129
137	Training		84 hrs	Wed 2/18/04	Mon 2/23/04	
138	Technical Training		45 hrs	Wed 2/18/04	Thu 2/19/04	136
139	User Training		39 hrs	Fri 2/20/04	Mon 2/23/04	138
140	User Testing		120 hrs	Tue 2/24/04	Mon 3/8/04	
141	Acceptance Test		120 hrs	Tue 2/24/04	Mon 3/8/04	139
142	Production Turnover		16.7 hrs	Tue 3/9/04	Thu 3/11/04	
143	Release Cutover		16.7 hrs	Tue 3/9/04	Thu 3/11/04	141
144	Infrastructure		69 hrs	Wed 10/8/03	Tue 12/16/03	
145	Order Hardware		0 hrs	Wed 10/8/03	Wed 10/8/03	126

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146	Configure Hardware		0 hrs	Wed 10/8/03	Wed 10/8/03	145
147	Install Application Software		45 hrs	Thu 11/20/03	Fri 12/12/03	128
148	Configuration Test		24 hrs	Mon 12/15/03	Tue 12/16/03	147
149	EDI Review (All other filers)	Standard	1,740.1 hrs	Wed 7/2/03	Thu 2/12/04	
150	Analysis and Design		477 hrs	Wed 7/2/03	Wed 9/10/03	
151	Project Master Plan		27 hrs	Wed 7/2/03	Tue 7/8/03	2
152	Pre-Implementation Guide		135 hrs	Wed 7/9/03	Tue 7/29/03	151
153	Business Area Analysis		315 hrs	Wed 7/30/03	Wed 9/10/03	152
154	User Design Acceptance		45 hrs	Thu 9/11/03	Wed 9/24/03	
155	User Acceptance		45 hrs	Thu 9/11/03	Wed 9/24/03	153
156	Implementation		648 hrs	Fri 10/17/03	Mon 1/5/04	
157	Conversion of EDI Review to ORACLE		324 hrs	Fri 10/17/03	Mon 1/5/04	174
158	EDI Review Modifications for Supplier		324 hrs	Fri 10/17/03	Mon 1/5/04	174
159	ACS Testing		109.9 hrs	Tue 1/6/04	Tue 1/27/04	
160	Unit Testing		109.9 hrs	Tue 1/6/04	Tue 1/27/04	157
161	Documentation		97 hrs	Tue 1/6/04	Tue 2/3/04	
162	Test and Production Cutover Plans		54 hrs	Tue 1/6/04	Tue 1/20/04	157
163	Technical Documentation		24 hrs	Tue 1/6/04	Tue 2/3/04	157
164	Users and Training Documentation		19 hrs	Tue 1/6/04	Tue 1/20/04	157
165	Training		84 hrs	Wed 1/21/04	Mon 1/26/04	
166	Technical Training		45 hrs	Wed 1/21/04	Thu 1/22/04	164
167	User Traininig		39 hrs	Fri 1/23/04	Mon 1/26/04	166
168	User Testing		120 hrs	Tue 1/27/04	Mon 2/9/04	
169	Acceptance Test		120 hrs	Tue 1/27/04	Mon 2/9/04	167
170	Production Turnover		16.7 hrs	Tue 2/10/04	Thu 2/12/04	
171	Release Cutover		16.7 hrs	Tue 2/10/04	Thu 2/12/04	169
172	Infrastructure		142.5 hrs	Thu 9/25/03	Thu 1/29/04	
173	Order Hardware		6 hrs	Thu 9/25/03	Thu 9/25/03	155
174	Configure Hardware		67.5 hrs	Fri 9/26/03	Thu 10/16/03	173
175	Install Application Software		45 hrs	Tue 1/6/04	Tue 1/27/04	157
176	Configuration Test		24 hrs	Wed 1/28/04	Thu 1/29/04	175
177	<u>Thread 2 - VISTA/EC</u>		874.6 hrs	Wed 7/2/03	Tue 11/4/03	
178	Payment Module w/o Credit Card	Optional	874.6 hrs	Wed 7/2/03	Tue 11/4/03	
179	Analysis and Design		198 hrs	Wed 7/2/03	Thu 7/31/03	
180	Project Master Plan		27 hrs	Wed 7/2/03	Tue 7/8/03	2
181	Pre-Implementation Guide		66 hrs	Wed 7/9/03	Tue 7/22/03	180
182	Business Area Analysis		105 hrs	Wed 7/23/03	Thu 7/31/03	181
183	User Design Acceptance		45 hrs	Fri 8/1/03	Thu 8/14/03	
184	User Acceptance		45 hrs	Fri 8/1/03	Thu 8/14/03	182
185	Implementation		144 hrs	Fri 8/15/03	Fri 9/12/03	
186	EC Form and Application Modifications		144 hrs	Fri 8/15/03	Fri 9/12/03	202
187	ACS Testing		85.9 hrs	Mon 9/15/03	Fri 9/26/03	
188	Unit Testing		85.9 hrs	Mon 9/15/03	Fri 9/26/03	186

TERMS AND CONDITIONS.....CONTRACT NO. 071B3001208

189	Documentation		100 hrs	Mon 9/15/03	Fri 10/10/03	
190	Test and Production Cutover Plans		54 hrs	Mon 9/15/03	Fri 9/26/03	186
191	Technical Documentation		24 hrs	Mon 9/15/03	Fri 10/10/03	186
192	Users and Training Documentation		22 hrs	Mon 9/15/03	Fri 10/10/03	186
193	Training		96 hrs	Mon 10/13/03	Thu 10/16/03	
194	Technical Training		45 hrs	Mon 10/13/03	Tue 10/14/03	192
195	User Training		51 hrs	Wed 10/15/03	Thu 10/16/03	194
196	User Testing		120 hrs	Fri 10/17/03	Thu 10/30/03	
197	Acceptance Test		120 hrs	Fri 10/17/03	Thu 10/30/03	195
198	Production Turnover		16.7 hrs	Fri 10/31/03	Tue 11/4/03	
199	Release Cutover		16.7 hrs	Fri 10/31/03	Tue 11/4/03	197
200	Infrastructure		69 hrs	Thu 8/14/03	Tue 10/7/03	
201	Order Hardware		0 hrs	Thu 8/14/03	Thu 8/14/03	184
202	Configure Hardware		0 hrs	Thu 8/14/03	Thu 8/14/03	201
203	Install Application Software		45 hrs	Mon 9/15/03	Fri 10/3/03	186
204	Configuration Test		24 hrs	Mon 10/6/03	Tue 10/7/03	203
205	Thread 6 - VISTA/FT		1,572.57 hrs	Wed 7/2/03	Thu 3/25/04	
206	VISTA/FT Installation (All other filers)	Standard	1,572.57 hrs	Wed 7/2/03	Thu 3/25/04	
207	Analysis and Design		432 hrs	Wed 7/2/03	Wed 9/3/03	
208	Project Master Plan		27 hrs	Wed 7/2/03	Tue 7/8/03	2
209	Pre-Implementation Guide		90 hrs	Wed 7/9/03	Tue 7/22/03	208
210	Business Area Analysis		315 hrs	Wed 7/23/03	Wed 9/3/03	209
211	User Design Acceptance		30 hrs	Thu 9/4/03	Wed 9/17/03	
212	User Acceptance		30 hrs	Thu 9/4/03	Wed 9/17/03	210
213	Implementation		580.5 hrs	Thu 9/18/03	Mon 2/9/04	
214	Forms Development		256.5 hrs	Thu 9/18/03	Wed 11/19/03	231
215	Specialized Crossmatch and Other Development		324 hrs	Thu 11/20/03	Mon 2/9/04	214
216	ACS Testing		109.9 hrs	Tue 2/10/04	Tue 3/2/04	
217	Unit Testing		109.9 hrs	Tue 2/10/04	Tue 3/2/04	215
218	Documentation		99 hrs	Tue 2/10/04	Tue 3/2/04	
219	Test and Production Cutover Plans		10.8 hrs	Tue 2/10/04	Wed 2/11/04	215
220	Technical Documentation		53.2 hrs	Tue 2/10/04	Tue 3/2/04	215
221	Users and Training Documentation		35 hrs	Tue 2/10/04	Tue 3/2/04	215
222	Training		84 hrs	Wed 3/3/04	Mon 3/8/04	
223	Technical Training		45 hrs	Wed 3/3/04	Thu 3/4/04	221
224	User Training		39 hrs	Fri 3/5/04	Mon 3/8/04	223
225	User Testing		120 hrs	Tue 3/9/04	Mon 3/22/04	
226	Acceptance Test		120 hrs	Tue 3/9/04	Mon 3/22/04	224
227	Production Turnover		27.17 hrs	Tue 3/23/04	Thu 3/25/04	
228	Release Cutover		27.17 hrs	Tue 3/23/04	Thu 3/25/04	226
229	Infrastructure		90 hrs	Wed 9/17/03	Tue 3/2/04	
230	Order Hardware		0 hrs	Wed 9/17/03	Wed 9/17/03	212
231	Configure Hardware		0 hrs	Wed 9/17/03	Wed 9/17/03	230

TERMS AND CONDITIONS.....CONTRACT NO. 071B3001208

232	Install Application Software		30 hrs	Tue 2/10/04	Tue 2/24/04	215
233	Configuration Test		60 hrs	Wed 2/25/04	Tue 3/2/04	232
234	<u>Thread 5 - Federal and State Data Exchange</u>		726.02 hrs	Wed 7/2/03	Mon 9/29/03	
235	ExSTARS and ExTOLE Interfaces	Standard	726.02 hrs	Wed 7/2/03	Mon 9/29/03	
236	Analysis and Design		177 hrs	Wed 7/2/03	Thu 7/24/03	
237	Project Master Plan		27 hrs	Wed 7/2/03	Tue 7/8/03	2
238	Pre-Implementation Guide		45 hrs	Wed 7/9/03	Tue 7/15/03	237
239	Business Area Analysis		105 hrs	Wed 7/16/03	Thu 7/24/03	238
240	User Design Acceptance		45 hrs	Fri 7/25/03	Thu 8/7/03	
241	User Acceptance		45 hrs	Fri 7/25/03	Thu 8/7/03	239
242	Implementation		108 hrs	Fri 8/8/03	Thu 8/28/03	
243	File Acceptance and Crossmatch		108 hrs	Fri 8/8/03	Thu 8/28/03	259
244	ACS Testing		85.9 hrs	Fri 8/29/03	Fri 9/12/03	
245	Unit Testing		85.9 hrs	Fri 8/29/03	Fri 9/12/03	243
246	Documentation		47.3 hrs	Fri 8/29/03	Fri 9/5/03	
247	Test and Production Cutover Plans		10.8 hrs	Fri 8/29/03	Tue 9/2/03	243
248	Technical Documentation		19.5 hrs	Fri 8/29/03	Thu 9/4/03	243
249	Users and Training Documentation		17 hrs	Fri 8/29/03	Fri 9/5/03	243
250	Training		84 hrs	Mon 9/8/03	Thu 9/11/03	
251	Technical Training		45 hrs	Mon 9/8/03	Tue 9/9/03	249
252	User Training		39 hrs	Wed 9/10/03	Thu 9/11/03	251
253	User Testing		132.12 hrs	Fri 9/12/03	Thu 9/25/03	
254	Acceptance Test		132.12 hrs	Fri 9/12/03	Thu 9/25/03	252
255	Production Turnover		16.7 hrs	Fri 9/26/03	Mon 9/29/03	
256	Release Cutover		16.7 hrs	Fri 9/26/03	Mon 9/29/03	254
257	Infrastructure		30 hrs	Thu 8/7/03	Thu 9/4/03	
258	Order Hardware		0 hrs	Thu 8/7/03	Thu 8/7/03	241
259	Configure Hardware		0 hrs	Thu 8/7/03	Thu 8/7/03	258
260	Install Application Software		6 hrs	Fri 8/29/03	Tue 9/2/03	243
261	Configuration Test		24 hrs	Wed 9/3/03	Thu 9/4/03	260
262	<u>Thread 7 - Import, Interruption and Diversion</u>		880.43 hrs	Wed 7/2/03	Fri 10/24/03	
263	IVR and Diversion Interfaces	Standard	880.43 hrs	Wed 7/2/03	Fri 10/24/03	
264	Analysis and Design		261.87 hrs	Wed 7/2/03	Tue 8/5/03	
265	Project Master Plan		27 hrs	Wed 7/2/03	Tue 7/8/03	2
266	Pre-Implementation Guide		90 hrs	Wed 7/9/03	Tue 7/22/03	265
267	Business Area Analysis		144.87 hrs	Wed 7/23/03	Tue 8/5/03	266
268	User Design Acceptance		45 hrs	Tue 8/5/03	Tue 8/19/03	
269	User Acceptance		45 hrs	Tue 8/5/03	Tue 8/19/03	267
270	Implementation		144 hrs	Tue 8/19/03	Wed 9/17/03	
271	File Acceptance and Crossmatch		144 hrs	Tue 8/19/03	Wed 9/17/03	287
272	ACS Testing		85.9 hrs	Wed 9/17/03	Wed 10/1/03	
273	Unit Testing		85.9 hrs	Wed 9/17/03	Wed 10/1/03	271
274	Documentation		73.5 hrs	Wed 9/17/03	Wed 10/1/03	

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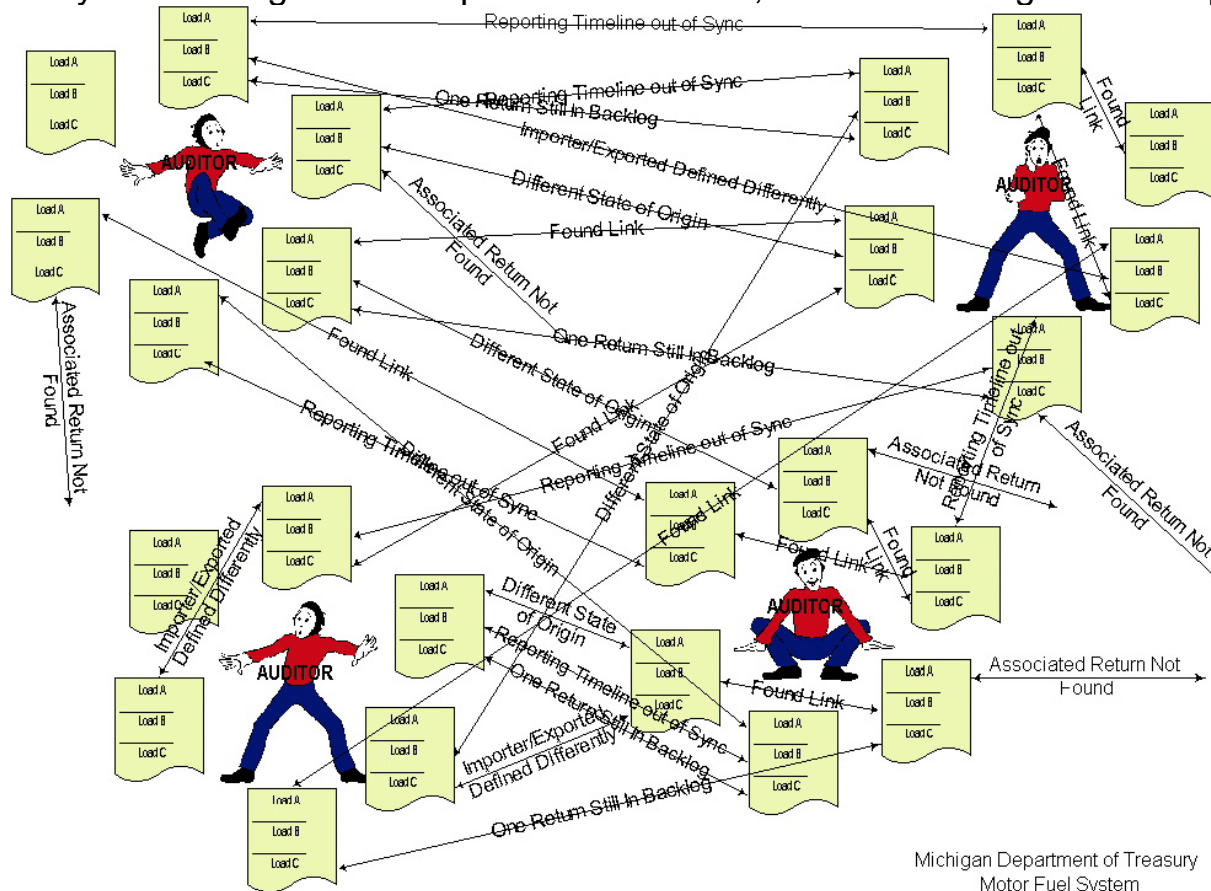
275	Test and Production Cutover Plans		10.8 hrs	Wed 9/17/03	Fri 9/19/03	271
276	Technical Documentation		36.7 hrs	Wed 9/17/03	Wed 10/1/03	271
277	Users and Training Documentation		26 hrs	Wed 9/17/03	Wed 10/1/03	271
278	Training		84 hrs	Wed 10/1/03	Tue 10/7/03	
279	Technical Training		45 hrs	Wed 10/1/03	Fri 10/3/03	277
280	User Training		39 hrs	Fri 10/3/03	Tue 10/7/03	279
281	User Testing		120 hrs	Tue 10/7/03	Tue 10/21/03	
282	Acceptance Test		120 hrs	Tue 10/7/03	Tue 10/21/03	280
283	Production Turnover		27.17 hrs	Tue 10/21/03	Fri 10/24/03	
284	Release Cutover		27.17 hrs	Tue 10/21/03	Fri 10/24/03	282
285	Infrastructure		39 hrs	Tue 8/19/03	Thu 8/28/03	
286	Order Hardware		0 hrs	Tue 8/19/03	Tue 8/19/03	269
287	Configure Hardware		0 hrs	Tue 8/19/03	Tue 8/19/03	286
288	Install Application Software		15 hrs	Tue 8/19/03	Tue 8/26/03	287
289	Configuration Test		24 hrs	Tue 8/26/03	Thu 8/28/03	288
290	<u>Thread 8 - Business Process Restructuring</u>		847.5 hrs	Thu 9/4/03	Tue 2/24/04	
291	BPR	Standard	847.5 hrs	Thu 9/4/03	Tue 2/24/04	
292	Analysis and Design		210 hrs	Thu 9/4/03	Wed 10/29/03	
293	BPR Analysis		90 hrs	Thu 9/4/03	Wed 10/1/03	210
294	BPR Plan		120 hrs	Thu 10/2/03	Wed 10/29/03	293
295	Acceptance of BPR Plan		180 hrs	Thu 10/30/03	Wed 11/12/03	
296	User Acceptance		180 hrs	Thu 10/30/03	Wed 11/12/03	294
297	Training		457.5 hrs	Thu 10/30/03	Tue 2/24/04	
298	Technical Training		112.5 hrs	Thu 10/30/03	Wed 11/12/03	294
299	User Training		165 hrs	Thu 10/30/03	Wed 11/12/03	294
300	Implementation		180 hrs	Thu 11/13/03	Tue 2/24/04	
301	Implementation of BPR		180 hrs	Thu 11/13/03	Tue 2/24/04	299
302	<u>Additional - Correspondence System</u>		2,965.42 hrs	Mon 11/18/02	Fri 10/31/03	
303	Correspondence Control and Generation	Optional	2,965.42 hrs	Mon 11/18/02	Fri 10/31/03	
304	Analysis and Design		831.08 hrs	Mon 11/18/02	Wed 3/5/03	
305	Project Master Plan		27 hrs	Mon 11/18/02	Wed 11/20/02	
306	Pre-Implementation Guide		90 hrs	Thu 11/21/02	Fri 12/6/02	305
307	Business Area Analysis		714.08 hrs	Mon 12/9/02	Wed 3/5/03	306
308	User Design Acceptance		30 hrs	Wed 3/5/03	Wed 3/19/03	
309	User Acceptance		30 hrs	Wed 3/5/03	Wed 3/19/03	307
310	Implementation		1,044 hrs	Fri 3/28/03	Fri 9/19/03	
311	Forms Development		252 hrs	Fri 3/28/03	Tue 6/24/03	328
312	Interface Controls		792 hrs	Tue 6/24/03	Fri 9/19/03	311
313	ACS Testing		460.28 hrs	Fri 9/19/03	Fri 10/31/03	
314	Unit Testing		460.28 hrs	Fri 9/19/03	Fri 10/31/03	312
315	Documentation		244.38 hrs	Fri 9/19/03	Wed 10/15/03	
316	Test and Production Cutover Plans		132.3 hrs	Fri 9/19/03	Fri 10/10/03	312
317	Technical Documentation		72.38 hrs	Fri 9/19/03	Wed 10/15/03	312

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318	Users and Training Documentation		39.7 hrs	Fri 9/19/03	Wed 10/8/03	312
319	Training		84 hrs	Wed 10/8/03	Tue 10/14/03	
320	Technical Training		45 hrs	Wed 10/8/03	Fri 10/10/03	318
321	User Training		39 hrs	Fri 10/10/03	Tue 10/14/03	320
322	User Testing		120 hrs	Tue 10/14/03	Tue 10/28/03	
323	Acceptance Test		120 hrs	Tue 10/14/03	Tue 10/28/03	321
324	Production Turnover		27.17 hrs	Tue 10/28/03	Fri 10/31/03	
325	Release Cutover		27.17 hrs	Tue 10/28/03	Fri 10/31/03	323
326	Infrastructure		124.5 hrs	Wed 3/19/03	Fri 10/10/03	
327	Order Hardware		12 hrs	Wed 3/19/03	Fri 3/21/03	309
328	Configure Hardware		22.5 hrs	Fri 3/21/03	Fri 3/28/03	327
329	Install Application Software		30 hrs	Fri 9/19/03	Fri 10/3/03	312
330	Configuration Test		60 hrs	Fri 10/3/03	Fri 10/10/03	329

Automation of Tracking Schedules

The Product Tracking Schedules are the data sources that form the basis of the tax. Manually uncovering the discrepancies is difficult, time consuming and error prone.



Michigan Department of Treasury
Motor Fuel System
As Is Tracking

October 22, 2000

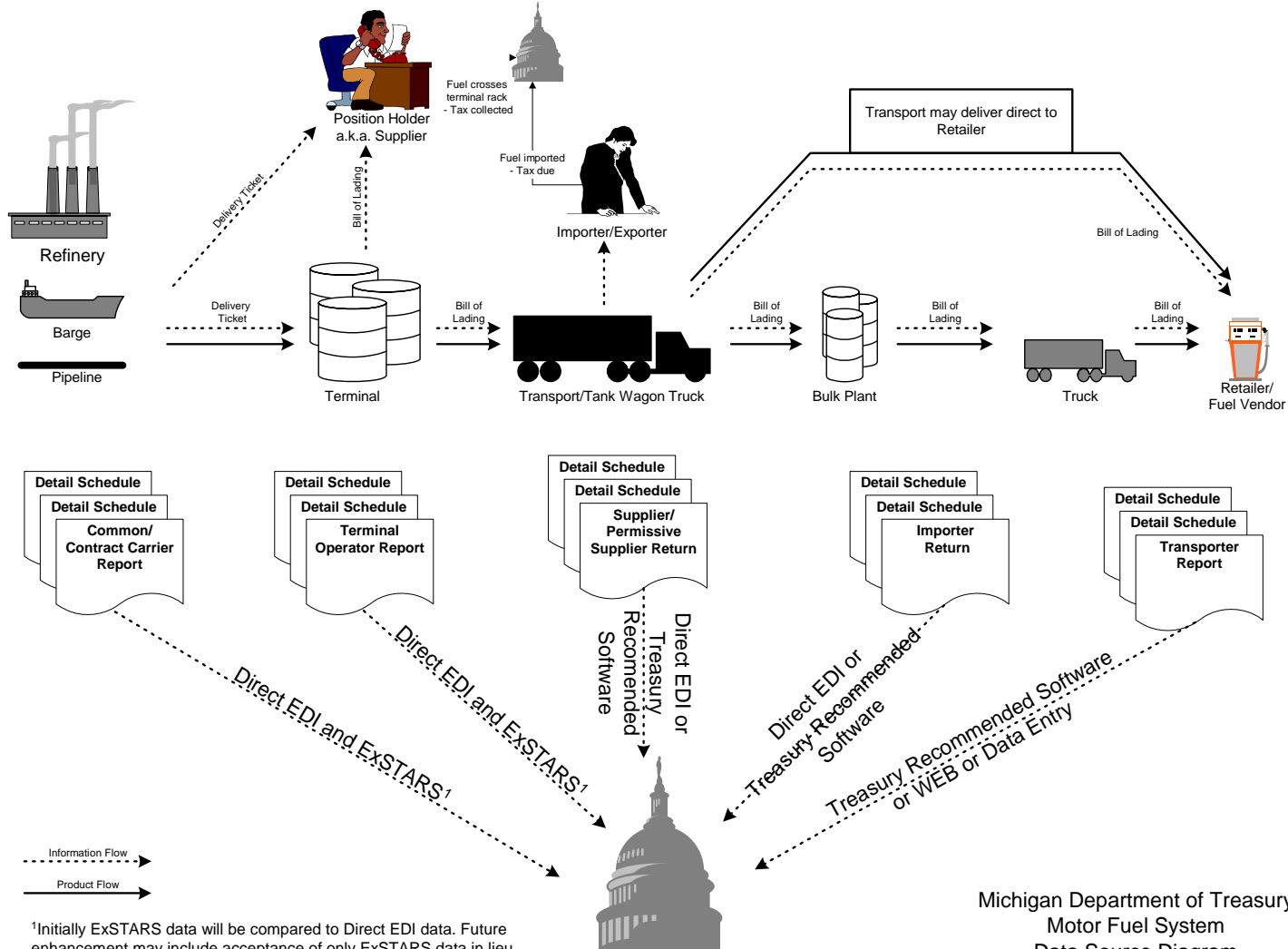
Re-direct the staff towards value-added tasks!
Increase Revenues...Establish Deterrence...Improve Consistency.

Review the Problem

Fuel Accountability - Get the Data

A view of the Flow of Fuel through the Supply System.

Establishing a reporting system with the reports as shown provides for the independent verification of reported schedules by using the Bill of Lading number.



¹Initially ExSTARS data will be compared to Direct EDI data. Future enhancement may include acceptance of only ExSTARS data in lieu of Direct EDI.

Review the Problem

How Much Data Is There?

Small number of returns...BUT...look at all the processing!

Return Type	Revenue per year (x 1million)	Trading Partner Count	Annual Keystrokes		Desired Channel
			MIN (x 1000)	MAX (x 1000)	
Supplier/Permissive Supplier	\$1,007.94	56	151,011	1,307,654	<i>Direct EDI or Wrapping Software</i>
Importer/Exporter	\$104.50	124	3,564	594,000	
TOTALS	\$1,112.44	180	154,575	1,901,654	

Retail Dealer/Fuel Vendor	\$8.71	1,502	18,749	197,469	Data Entry Or Web or Wrapping Software
Marine Diesel Waterways	\$0.24	70	1,086	7,178	
Liquefied Petroleum Gas	\$1.00	107	2,402	2,402	
Blender/Industrial Process Resell	\$0.20	17	102	2,040	
Transporter Report	n/a	37	8,600	8,600	
TOTALS	\$10.15	1,733	30,940	217,690	

Common/Contract Carrier Report	n/a	n/a	104,816	607,269	ExSTARS
Terminal Operator Report	n/a	n/a	103,740	598,728	
TOTALS			154,575	1,901,654	

GRAND TOTALS \$1,122.59 1,913 290,331 2,726,613

The actual number of Annual Keystrokes will fall somewhere in between the MIN and MAX figures.

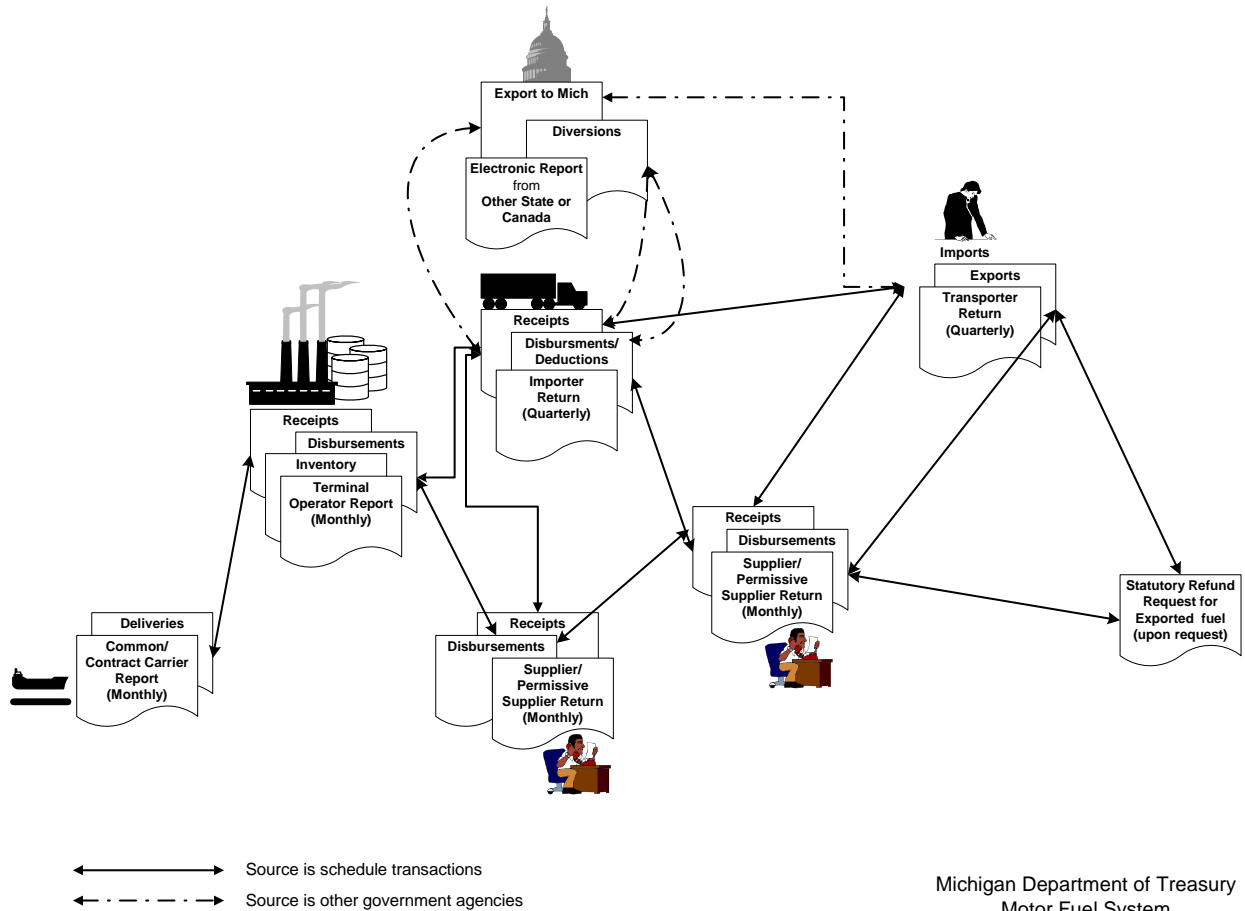
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Fuel Accountability – Process the Data

Once you have the Data...specific rule checks can be established.
This kind of Cross Checking would establish an independent verification system.



Michigan Department of Treasury
Motor Fuel System
Cross Check Diagram (High Level)
February 28, 2002

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Increase Revenues...Establish Deterrence...Improve Consistency.

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Establish ACH Payment Capability (Current Treasury Initiative)

Establish the Use of ANSI X12 EDI (Current Treasury Initiative)

Establish Federal ExSTARS Interface (Future Vendor)

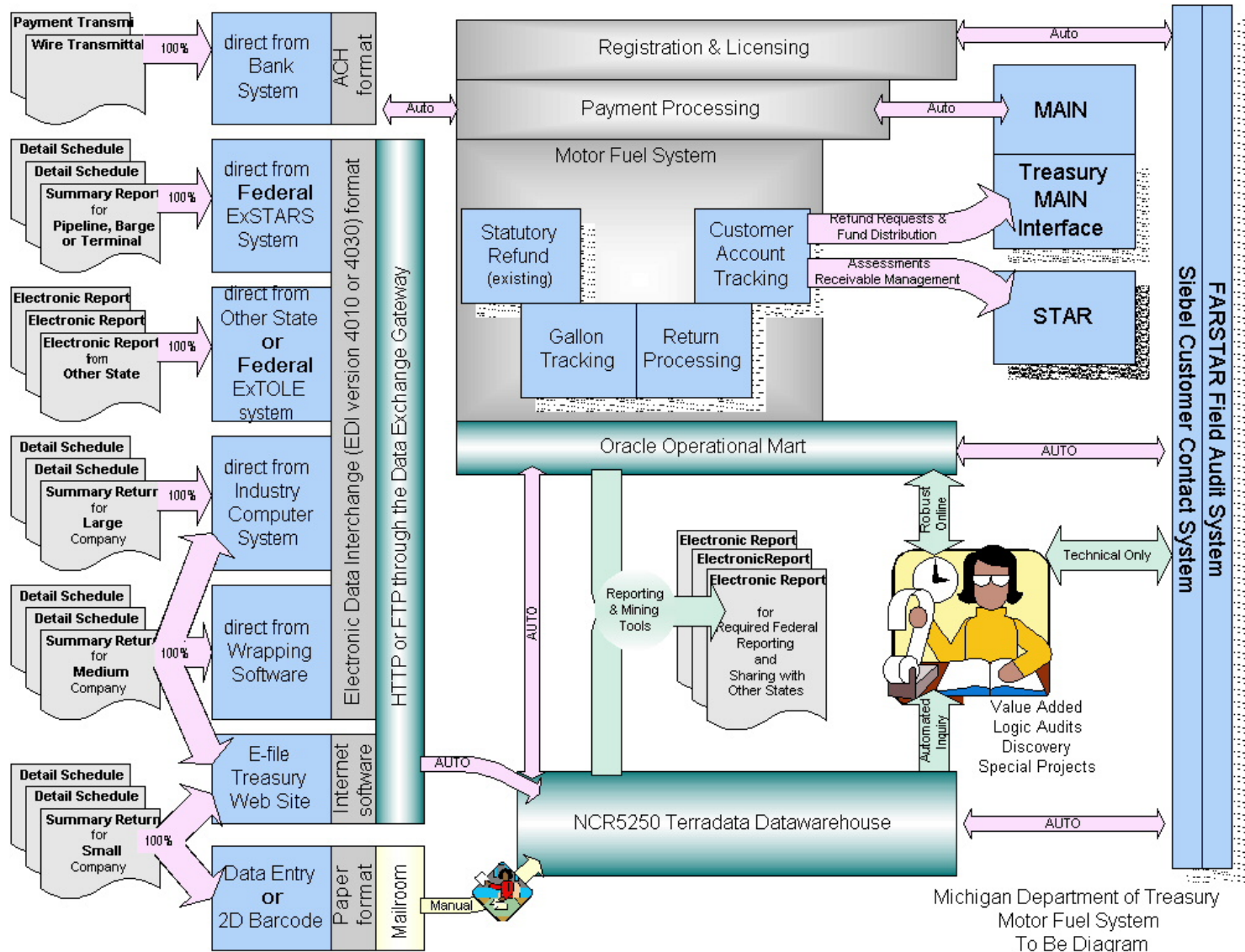
Software Wrapping Package for Industry (Future Vendor)

Procure a Transfer Solution to Automate Fuel Tax Processing (Future Vendor)

Enhance an Existing Taxpayer Accounting System (Future Treasury Initiative)

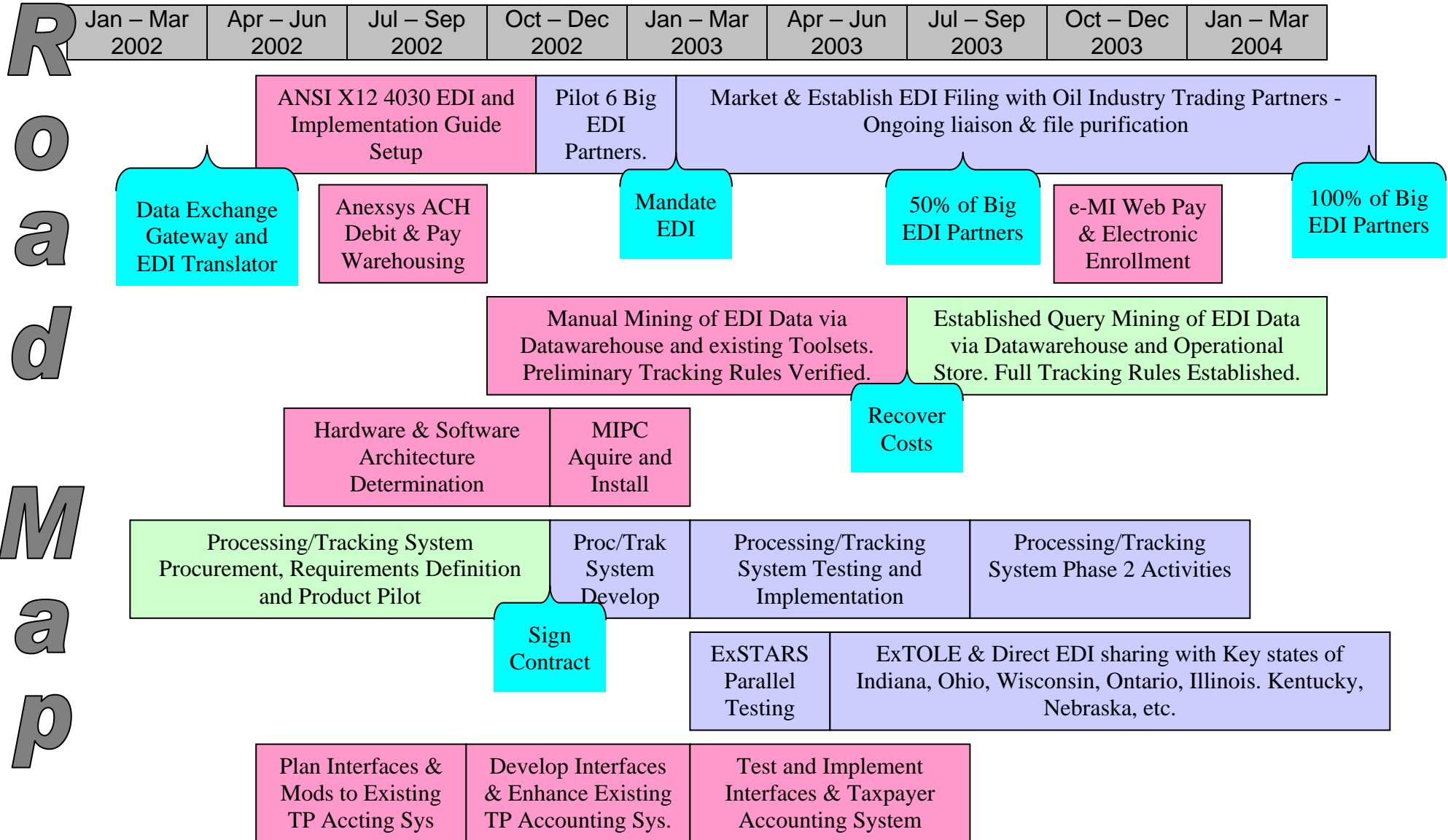
A New Motor Fuel System

Recommendations



Motor Fuel Recommendation Summary Roadmap

State Lead
Vendor Lead
Both



Appendix C – Vendor Confidentiality Statement

Michigan Department of Treasury
3337 (Rev. 5-01)

Vendor, Contractor, Subcontractor Confidentiality Agreement

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 sign and date this form, keep a copy for your records. File the original with the Michigan Department of Treasury, Disclosure Officer, Office of Legal and Hearings, 430 West Allegan Street, Lansing, Michigan 48922.

Company Name and Address (Street or RR#, City, State, ZIP)	Official or Employee Name
	Social Security or Driver's License Number

Describe here or in a separate attachment the product or service being provided to the Michigan Department of Treasury
--

Safeguards

The Revenue Act, P.A. 122 of 1941, being section 28(1)(f), makes all information gained in administering taxes confidential, except as otherwise provided in the Act. The Act holds a vendor, contractor or subcontractor and includes their employees who sells a product or provides a service to the Michigan Department of Treasury and/or has access to confidential tax information to the strict confidentiality provisions of the Act. Confidential provisions apply to the anyone connected with administering Michigan tax law. Confidential tax information includes, but is not limited to, information obtained in connection with 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.

Confidentiality Provisions. It is illegal to reveal or inspect (browse), except as authorized,

- Any 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.
- Any Michigan Department of Treasury or federal tax returns or tax return information made available, which also includes information marked "Official Use Only," shall not be divulged or made known in any manner to any person except as may be necessary in the performance of your official duties. Access to Treasury or federal tax information, both paper and electronically-based information, is allowed on a "need to know" basis to perform your official duties. Before you disclose returns or return information to other employees of your department, agency, division or office, they must also have a "need to know" the information in the performance of their official duties.

Penalties Violating confidentiality is a felony. It is punishable by:

Michigan Penalties

The Michigan Revenue Act (P.A. 122 of 1941, as amended) imposes criminal penalties of up to \$5,000 and/or imprisonment for five years, plus costs, if it is found that an employee has made an unauthorized inspection or disclosure of a tax return or tax return information or divulged audit selection or processing parameters. Inspection (browsing) is defined as examining a return or return information acquired by a person or another person without authorization and without a need to know the information to perform your official duties.

Federal Penalties

The Internal Revenue Code (IRC), Section 7213, imposes a felony penalty up to \$5,000 and/or imprisonment of not more than 5 years, plus prosecution costs, for willful disclosure to any person of federal tax return and tax return information obtained by the Michigan Department of Treasury under its agreement with the IRS. In addition to the above penalties, IRC Section 7213A imposes a fine up to \$1,000 and/or imprisonment up to one year, plus prosecution costs for unauthorized inspection (browsing) of federal tax return or tax return information.

The IRS amended IRC Section 7431 to provide an expanded cause of action for civil damages for unauthorized inspections as well as disclosures of returns or return information. The IRS must notify the affected taxpayer if a federal or state employee or contractor is criminally charged under either of the above IRC sections. The injured taxpayer may bring civil action within 2 years against the United States and against the employee or contractor. The penalty is \$1,000 or actual damages sustained by the taxpayer.

CERTIFICATION: I acknowledge that I have read this Agreement, which is intended to help me understand applicable Michigan and Federal law related to the protection of confidential information. I understand that failure to comply with applicable law, including the laws referenced in this Agreement, may subject a violator to criminal and civil penalties.
Print or Type Name of Official or Employee Signing This Affidavit
Signature of Person Named Above
Date Signed

WITNESS
Print or Type Name of Witness
Signature of Witness
Date Signed

White Copy - Treasury - Yellow Copy - Employee

FIRST VENDOR CLARIFICATIONS

- 1. What is the date on your schedule that the State must have the development and production hardware procured and installed if the solution is to be housed at the State? The schedule shows the earliest implementation in February. If the State intends to procure the hardware and software for the project under the State's existing contract, it has taken up to 3 months to acquire and install hardware in the past.**

The state will not be required to purchase / install any development hardware. Development of Michigan's motor fuel automation system will be built on hardware owned and operated by ACS. Once developed, the application and database will be installed on the Michigan production hardware. In order to meet the timelines proposed in the project schedule, the production hardware / software must be procured, installed, configured and operational no later than March 27, 2003.

- 2. Where would the end points of the Data Line specified in the Thread 6 Price Sheet be if the solution was housed at and maintained/operated by the State?**

The data line is a bi-directional data circuit between our data center in Tarrytown, New York, and an address to be specified for the Automated Motor Fuel Project systems housed within the Michigan infrastructure. The data line will be used to support our extended maintenance service and for new releases / updates. This data line is required whether the solution is housed at the State or whether operated out of our data center in Tarrytown, New York.

- 3. The State would like additional details on the nature of your Extended Support and Maintenance. For example: How would the Extended Support & Maintenance figures differ from those proposed if the solution was housed at and maintained/operated/scheduled by the State? What mechanisms impact your Extended Support and Maintenance costs? How many dedicated staff would be available for development of new or enhanced functionality or system modification (page 90) if the system were located at the State? Would the State control and direct the priorities of this dedicated staff?**

The figures proposed for Extended Support and Maintenance were for an in-house system to be operated out of Michigan's data center. Quoted costs include a "license to use" fee, data communication lines, upgrades to software to ensure maximum efficiency, and client support services via a 1-800 help desk. Development of new system functionality is not included and will be priced on a time and material basis. ACS development staff is responsible for enhancements / maintenance of the system as requested by the State. Requests for enhancements / maintenance / revisions should be made through the Motor Fuel Project Tracking Manager who will work with the State to direct and prioritize the staff's efforts. The methodology for the implementation of the motor fuel project outlined on page 87 of our proposal should continue be utilized for future enhancements / modifications required by the state of Michigan.

ACS has a full-time staff dedicated solely to the motor fuel-tracking product supported by a resource pool of 28 developers / client analysts who are responsible for enhancements / maintenance of all of our products. Our client support staff is further augmented by 19 additional technical staff located in our data center in Tarrytown, New York.

Please note that page 90 under the first bullet – Comprehensive Suite of Services – mistakenly includes support for IFTA Inter-/Intra Jurisdictional Tax Reporting and Licensing. IFTA support was not proposed as part of this project.

- 4. Would the Optional Thread 1 Data Interchange price sheet replace the Standard Thread 1 Data Interchange price sheet or would both price sheets apply if the Optional Thread 1 Data Interchange were chosen? Likewise, if the Optional Thread 1 Data Interchange were chosen, would we plan on all the State staff hours listed on page 84 for both the Standard and Optional Thread 1 items (Tax Specialist / Auditor hours = 42 or 84)?**

The Standard Thread 1 Data Interchange price sheet reflects efforts required to complete the EDI review portion of our motor fuel tracking product and is a required component of the product. The Optional Thread 1 Data Interchange is for additional efforts and does not replace the standard pricing. If the state selects the Optional efforts, the additional costs and state staff hours will apply. For example, if the standard and optional solutions are both selected, Tax Specialist / Auditor hours = 84.

- 5. Please confirm that the Optional Thread 1 Data Interchange price sheet is specifying the ACS Data Interchange facility described in the last paragraph on page 30. Would this Optional Thread 1 Data Interchange be housed at the State?**

Yes, the Optional Thread 1 Data Interchange price sheet does specify the ACS Data Interchange facility described in the last paragraph of page 30. Yes, the Optional Thread 1 Data Interchange would be housed at the state. All corrections are highlighted in yellow on the revised pricing sheets.

- 6. Is ACS proposing to construct a custom data interchange, if the State desires, as part of the Standard Thread 1 Data Interchange price? (reference Section IV-B.3.B.1 Thread 1 – Receiving Electronic Data (Standard – Phase 1) paragraph 2 on page 30). If so, does the proposed schedule provide for the development of this custom interchange?**

ACS is proposing to construct a custom data interchange if so desired by the state. This work would be completed as part of the Optional Thread 1 Data Interchange design and is included in the optional price sheet (see Phase 1, Thread 1 Optional in the price sheet). The proposed schedule does include timelines for development of this custom interchange (see page 152, line 4, of the Project Schedule). However, the second paragraph of page 30 refers to the EDI Review portion of Thread 1, which is standard in our VISTA/FT product.

- 7. In specific reference to Section I-P of the RFP, will the State be able to assume sole support and maintenance activities on your solution's Application, Interfaces and/or Database if your solution is housed at the State on servers operated and maintained by the State? For example: Will the Source Code of your applications or interfaces be available to the State? Will State staff have the right to modify any or all Source Code and implement such modifications? Will the State have the rights to alter data in the underlying database(s) via separate State written applications?**

Michigan will have sole support and maintenance responsibilities for operational maintenance of the entire solution. Application maintenance to the base product is as described in the Extended Support and Maintenance section of our proposal and clarified in

this response. The source code for VISTA/FT is proprietary and is not available to the state for modification except under escrow type conditions, which stipulate that release of the deposited materials to the Customer will only be made in the event ACS becomes insolvent or bankrupt, discontinues support of the products involved, or is held to be in material default of the contract.

All custom software development done by ACS, including the EDI Data Interchange described in IV-B.3.B.1 Thread 1 – Receiving Tax Returns; the Correspondence Generation and Control System described in Section IV-B.5 Additional Information; and interfaces to state systems including, the IVR, CAT, TACS, PayPro (if the option for VISTA/EC is not selected), FARSTARS, and the Correspondence System will be the property of the state of Michigan and can be modified accordingly.

Please keep in mind that all of our systems, including VISTA/FT, are built for an open-architecture environment. This means that although the source code cannot be modified directly by the State, the data and processing results are very accessible by the State. It would be very easy for additional enhancements or functions to be built outside the system source code and interfaced with the data structures or proprietary applications.

Although the source code for the base VISTA/FT system is considered ACS intellectual property and proprietary, the data belongs to the State. Michigan has full rights to alter the data in the underlying database via separate State-written applications. The State will have full access to the data structures and data for this purpose and other functions specified in our proposed solution.

- 8. **What price sheet columns should we use to determine the Total Contract Cost? The Extended Costs column of your price sheets does not always match the Hours times the Amount/Hour. The differences are minor, for example: On Phase 1 – Standard Thread 1 under Vendor Staff, should we use \$103,702 or \$103,657? The other sheets have similar problems.**

Vendor Staff	Hours	Amount/Hr	Extended Costs	My Result
PROJECT MANAGER	84	\$116.00	\$9,714.00	\$9,744.00
Database Admin.	14	\$220.00	\$3,090.00	\$3,080.00
Business Analyst	107	\$100.00	\$10,730.00	\$10,700.00
Business SME	54	\$75.00	\$4,075.00	\$4,050.00
Lead Software Dev	384	\$162.00	\$62,215.00	\$62,208.00
Comm. Architect	185	\$75.00	\$13,878.00	\$13,875.00
Totals			\$103,702.00	\$103,657.00

The Total Contract Cost is dependent upon which solutions are chosen by Michigan via Threads, phases and standard/option selections. The calculations can be made by adding all of the State’s selections’ “Extended Costs” columns together to give a total contract cost for initial development and implementation.

Labor hours were taken from the project schedule and rounded to whole numbers in the original cost sheets. Revised price sheets, with the rounding differences eliminated, are attached. All corrections are highlighted in yellow on the revised pricing sheets.

- 9. Assuming your solution were housed at the State, would it be necessary for the State to provide development tools, proprietary software licenses such as Oracle, reporting software licenses, etc. or are the costs for such items included in other line items of the Price Sheets? The Price Sheets appeared to lack any software requirements.**

The price sheets reflect our cost to purchase hardware and software to develop Michigan's solutions. Such hardware and software will be operated out of ACS' facilities.

In summary the State will need to have the following hardware/software, either through existing agreements or purchased outright from their approved vendors:

STATE NEEDED HARDWARE

Thread 1 -- EDI Translator Server

Compaq EVO W4000 Workstation
2.0 GHz P4 512 MB DDR Memory
30 Gig Hard Drive
CD Drive
100 MHz Ethernet
Windows 2000

SECOND VENDOR CLARIFICATIONS

- 1. Please provide a general impression of how your proposal would change if the solution was house at your site (New York?) rather than the State. Would the development or maintenance costs change dramatically? Would the State hours vary dramatically? Would the integration with CATS, PayPro or Correspondence be more or less difficult?**

Our proposal for the Motor Fuel Automation Project would change to include additional services for support and maintenance, require less State staff hours for development / implementation / maintenance, and eliminate State hardware / software requirements.

In addition to the maintenance and support plan described on pages 89-91 of our original proposal, Michigan would also receive the following with ACS' full-service solution:

Security and Disaster Recovery Services

- Security and access control
- Stringent backup / recovery procedures
- Provide disaster recovery planning, contracting and management

Production Control

- Off-site and vaulting control
- Daily backup procedures
- Data and physical security and control

Help Desk - Tarrytown Data Center

- Technical availability 24 hours a day, 7 days per week
- Dedicated customer service staff providing system and subject matter expertise during client work hours
- Problem tracking and reporting with built-in reporting tool
- System and network monitoring

Hardware / Software

- Provide all production-related hardware / software
- Maintain current versions / releases of 3rd party software
- Increase hardware capacities as needed

As mentioned in our first set of clarification answers, the development costs will vary depending on which Threads, phases and options Michigan selects. From the development stand point, the only area that may result in a cost reduction for an in-house system is the technical documentation and training requirements that were outlined in our original proposal.

The extended support and maintenance costs for a solution housed in our data center will increase approximately \$45,000 annually. This increase is to cover depreciation costs on production equipment, expanded bandwidth of the communication line and all other services listed above as part of our full-service solution.

State staff hours are significantly reduced with a full-service solution. The business staff identified in the original, proposed project schedule for analysis, testing, and training is still needed. However, the technical staff hours will be reduced, primarily in the areas of network administration and system architecture. We have identified a potential reduction of 1,100 hours for the technical staff.

The integration of the CATS, PayPro and Correspondence System should not be affected with either solution. We have already factored an increase in the bandwidth of the proposed communication line to compensate for these interfaces with a full-service solution.

Thread 1 -- FTP Server

Sun Fire V120
550 MHz Ii Processor
1 GHz memory
10 GHz Drive Space

Thread 6 -- 9IAS Server

Compaq DL380
1.5 GHz P4 Dual processors
4 Gig Memory
36 Gig SCSI Drive space
Hot swappable drives
Redundant power supplies
Raid 0, 5
100 MHz Ethernet Dual Channel
Compaq SCSI Array
Windows 2000 Server, SP6

Thread 6 -- Oracle Database

Can reside on a Unix Server or Windows 2000 Server
650 MHz or above
1 or 2 processors
30 Gig Drive space
4 Gig Memory
Estimated database size 3 to 15 Gig

STATE NEEDED SOFTWARE

- Unix (release dependent on platform)
- Enterprise version of Oracle Database 8i
- ORACLE 9IAS
- ORACLE Developer 2000 (optional)
- Microsoft 2000 OS Operating System
- Mercator EDI translator
- Crystal Reports
- Acrobat (free shareware)

Costs for Michigan required software and hardware were not included in the pricing schedules, as stipulated by the State. Details of the required State software can also be found in the revised pricing sheets (attached). All corrections are highlighted in yellow on the revised pricing sheets.

10. Were the hardware items listed on your price sheets specifically required or were they provided as an example of the nature and size machine required? If your solution were housed at the State, we may need to modify your hardware requirements somewhat to align with the State's hardware contract. For example, we might need to change the Compaq EVO to a Dell of equal stature or make other such changes.

The requirements for ACS hardware are included in the pricing sheets and reflect hardware required for ACS development of Michigan's solutions.

The hardware items listed on our price sheet were not specific requirements for the State. They were simply to provide examples of the nature and size of equipment required. The State is allowed to use whatever hardware is necessary as long as it is compatible and meets the required specifications as outlined in our answer to Question 9.

All corrections are highlighted in yellow on the revised pricing sheets.

11. It appears that the solution you are proposing is that the responsibility for data retrieval would need to reside in every system that would create a correspondence. It is our opinion that data retrieval would take place in one central place, the correspondence system. What are your experiences that make you feel it would be otherwise? Why do you feel it necessary that all others systems would need to provide the correspondence system with the content of the letter? How would your ideal correspondence system handle a template that contains objects (text, calculated totals, etc.) that are derived from different applications if you were to have all data retrieval be the responsibility of the Correspondence system (and not utilize the Correspondence Control and Generation System)? For example, Return Processing rules trigger the need for letter type A. Letter type A requires text from Return Processing and payment block information that resides on CAT.

ACS is currently maintaining both methods for generating correspondence and really both have their pluses and minuses. One of our correspondence solutions operates centrally by retrieving the data from the originating system source. This method requires a fairly extensive data dictionary with location pointers for the data. We have found that maintenance for the data dictionary to be labor intensive with regard to synchronizing data between the originating source application and the correspondence generation system.

Our other correspondence technology, and the one recommended in our proposed solution, blends .PDF form templates with data from the originating source. This allows the applications to drive the correspondence with variable data at the time the event occurs. The amount of variable data versus the letter text sent from the originating system is determined by the .PDF form itself. In other words, if the form letter is standard in text form, the originating system only needs to send variable data. We have found this method to be much more flexible in adapting new forms and letters and requires less maintenance. Data is shipped with a form identifier flowed by the text and or variables of the correspondence. Delimiters are used to separate variable data and or sections of the correspondence. Once loaded, the form is merged with the template to generate the final correspondence.

There are many factors to consider in developing the approach that best would fit the State's needs. We may find that trying to retrofit the generation of the correspondence into the legacy systems currently operated by Michigan may be labor intensive, as opposed to using the data dictionary method whereby the Correspondence System is responsible to retrieve the data. If the State desires to have data retrieved from the Correspondence System and not as proposed in the Correspondence Control and Generation System, ACS is also prepared to support this development. Our recommendation is that this technology be implemented and supported with an AdHoc SQL tool. For example, Crystal Reports can generate queries / reports based upon data from a variety of sources; and for those sources which cannot be directly accessed via Crystal Reports, ODBC gateways may provide the solution.

Using an AdHoc SQL query tool is not how our data dictionary based correspondence system was originally implemented and if we were to re-implement the technology, that would be one of our first considerations. However, in any case, the originating system's data structure needs to be defined and synchronized to the Correspondence System.

For event driven actions, i.e., billing notice for a tax balance due, either the correspondence or the originating system needs to establish an event log using a 'tickler' process. One method would be to have the originating system, e.g., the system where the event occurred, store the event in a 'tickler file' that is retrieved and processed by the correspondence system on a periodic or daily basis. The tickler file would indicate the form to be printed and the variable data to be retrieved for the correspondence.

12. We would like more information on the difficulties that ACS has experienced with synchronizing data as it relates to correspondence. Is this done to prevent potential issues due to timing? If so, can you describe a timing issue? Remember that the need to reprint letters would be accomplished by retrieving the letter (the image) that was stored in FileNET, not rerunning the process to recreate the letter. If the Correspondence system was responsible for data retrieval from one to many systems to

build a letter, and an action took place on an account that effected the need to send a letter, would it be the responsibility of the system (which handled the action) to query the Correspondence system and ensure that the appropriate action took placed on the created letter?

As indicated in our answer to Question 11, the synchronization problems we have experienced with our correspondence system were due to maintaining the data dictionary variables and adding extra data elements or views as new correspondence is formatted as opposed to synchronizing data content. Granted, new correspondence will cause changes in one system or another. However, we find it easier to control the correspondence in the system that is responsible for the data as opposed to an independent system designed to be generic in its purpose and scope. This is mostly due to where our resources and subject matter expertise are applied. In other words, if a new piece of correspondence is needed, the staff that knows the most about how the correspondence should be worded and what data should be contained in the letter are usually assigned to maintain or support the originating system. The individuals who work in the correspondence system are focused on how to control the flow of data, format the text with graphics and produce the proper output files for distribution.

There are timing issues with any automated correspondence and should be accounted for in the design of your system. The best example to use is correspondence that may be generated on a monthly rollover. If this correspondence has variable data in it that represents a time calculated amount, such as interest on an overdue tax amount, it is important that the interest shows an amount calculated for the following month even if the generation date for the correspondence happens to be at 12:01am on the first of the month.

The correspondence system we envision is one that will have several control queues for monitoring correspondence generation. These control queues would indicate to the user that an automated action occurred in one system that generated part of a multi-part correspondence, but that the remaining parts had not been received from the other systems. From this point the users could track the other responsible systems and investigate the reason for missing data.

13. Generated Correspondence may have to follow an approval process. It would need to be flexible enough that an approval would be required based on a variety of business rules using a variety of different data items. Would your application be able to support this functionality?

The same queues as describe in the answer to Question 12 would also track the approval process for a particular piece of correspondence. The correspondence system would need the ability to identify / enter the approval processes (users) for each form letter in the system. The correspondence can be controlled so that it cannot be printed unless all approvals have been received.

14. The Correspondence systems will need a user interface so users can create, preview, update, approve, etc., correspondence. Would your application be able to support this functionality? Is that what is referenced as “control forms” in the proposal?

Yes, the control forms would allow the user to create, preview, update and approve correspondence. The queues mentioned in our answers to Questions 12 and 13 would allow the user to control and track the process flows of the correspondence from initiation to generation.

15. What is VISTA/FT written in? Is Correspondence (MVS Express product) written in the same language?

VISTA/FT is written using an Oracle Enterprise Database Model utilizing Oracle Forms development tool. MVS Express is written in the same language, but also includes Jacada for some HTML access to legacy applications and Adobe Mark-up Language for printed output files.

16. Can you describe what is involved in the Infrastructure task for Correspondence?

This item was included in the schedule in the event separate hardware needed to be ordered and configured for this system. It is feasible to use the existing hardware proposed for the Motor Fuel Tax Return Reporting and Tracking system to also operate the Correspondence System, however the State may want the Correspondence System to operate on a completely independent stand-alone platform. The schedule was created with this task to allocate enough time to set-up additional hardware. The configuration for this hardware will need to be determined after the system design has been completed.

17. To what extent does your current design handle US Customs data? For example: How does your solution handle invalid destination information from US Customs data? Will your system convert barrels and liters to US Gallons?

Our system currently does not import US Customs data for any of our clients, however we do import data from other systems, which is similar in content and function. All data received from external systems are kept separate from the filer's data and used as secondary level discrepancy checks. Invalid destination information is checked by verifying the destination against static data tables, i.e., state terminal locations. If a barge shipment identified in the US Customs data shows a terminal destination that does not match by either terminal code, receiving party (possible position holder), or by terminal address. It will be flagged as a discrepancy for follow-up by the desk-audit staff.

Yes, our system will be modified to covert liters and barrels to gallons.

18. How will your solution accept unverified information from the National Fuel Diversion System? How does your solution handle alterations or discrepancies to the NFDS data?

Our system will handle the NFDS data in the same way that US Customs data is handled (described above). If loads are reported as diversions both in and out of the state, the system will look for a corresponding import and export from the taxpayer and in some cases (if the business rules match the criteria) a corresponding Import Verification Number. If this criteria is not matched within the taxpayer details a discrepancy will be generated.

Typically this type of discrepancy check, as also with the US Customs check described in Question 17, will generate multiple classifications of error conditions. For example, in Arkansas, a similar interface works to crosscheck import permit information against tax return data. There are eight (8) discrepancy classifications (types) for this data verification.

19. When the system that issues Import Verification Numbers is out of order, how will manually/office issued numbers be accounted for?

In the absence of an automated interface, manually/office issued Import Verification Numbers will need to be entered into the Motor Fuel Tax Return Reporting and Tracking System to be used for discrepancy checking. There may be several options available to the State to accomplish this task. One option would be for the State to create a MS Excel spreadsheet to manually enter the data, then export to an ASCII file using the same file layout as the IVR system uses, then import the information into VISTA.FT as if it were a file from the IVR system. Another option would be for ACS to allow the user to enter the data directly into VISTA/FT. This data would be stored with the electronic data imported from the IVR system. There will be no additional charge for allowing the user to enter this information directly into VISTA/FT.

20. Please describe in general how you envision Vista's online system interacting with the CAT system or licensing systems online. Will they be completely integrated, partially integrated or Alt Tab to separate systems? Your Thread 8 discussion described the integration of the process flow to insure an efficient business process but yet very little was discussed about how the process flow would be integrated related to the online.

We believe the proper answer to this question would actually be two of the integration methods listed above. From our discussions in the teamwork sessions, we identified a potential real-time interface mechanism using the ClientView XGEN method to communicate data between various Michigan systems and VISTA/FT. This in effect will create a partial integration between systems where data from a variety of applications can be viewed in one system. We envision this being used for summary type data variables and not necessarily an entire tax return and supporting details. For that type of view, we are proposing the Alt/Tab key process to switch from one system to another. We realize this is not as integrated as 'a form within a form' type of view, but will provide a stop gap until additional interface mechanisms or technology can be put in place to facilitate an online linkage between various systems and VISTA/FT. For example, if ClientView can produce HTML / Java forms in the CAT or TACS systems, integration is easily accomplished via URL calls to each system giving you the appearance of a 'form within a form

THIRD VENDOR CLARIFICATIONS

- 1. In our clarifications, we requested your general impression of how you would change your proposal if the solution was housed at your site. We would like you to provide your proposal for housing the solution at your site as a possible alternative that the State may choose. Please provide specific ammendments to your original technical solution, a complete set of cost sheets, specific impacts on State business and IT staff and revisions to the microsoft project schedule. Please include a physical diagram of the solution including the servers (yours and the State's), networking and telecom showing how your site connects to the Michigan network. Specify the nature of the line (eg: T1, etc.) the protocol used (eg: tcp/ip, etc.), who maintains the line and costs for the line. Detail the hardware and licenses that the**

State would need to buy (similar to clarification question #9). Provide information, if not already provided, on how your system would integrate with the State's CAT, PayPro and Correspondence systems across the dedicated line. Assume that the State would be interested in a solution which included Standard and Optional Thread 1 (including data interchange & marketing), Thread 4, Thread 5, Thread 6, Thread 7 and Thread 8.

I will provide you with a revised project schedule, cost sheets and architectural diagrams. As far as the write up, I do not think it will require any further modifications if the additional full service info provided by email is acceptable as an addendum to our proposal. *(He refers to the clarification from 10/17/2002)*

- 2. The State would like to use Hummingbird's BiQuery User version 8.0 adhoc reporting tools rather than the Crystal Reports toolset proposed. It primarily accesses via ODBC. Does this create any problem if the solution were housed at your site?**

We have also updated the cost sheets to reflect a change from Crystal Reports to Hummingbird BI/Query. We see no problems in swapping these product sets.

- 3. Who would be responsible for initiating, establishing and facilitating maintenance of the AT&T Extranet Frame Relay Cloud?**

Usually, ACS places the order with AT&T and maintains all circuits, lines and equipment including routers on both sides of the circuit. Once the frame relay circuit is established and tested, ACS monitors the connection on a 24/7 basis, places trouble calls with AT&T and tracks the problem from inception through resolution. We have had some exceptions and that would be when the state places an order for their side of the circuit. In this case, both ACS and the client maintain their respective sides of the circuit.

- 4. If the solution were house at your site, would the State have unlimited access to the database for ad hoc queries and data downloads? What limitations, if necessary, would be established**

Yes, the state has unlimited access to the database for ad hoc queries and downloads. The only hard limitation that would be necessary would be during the scheduled hardware/software maintenance window (usually on Mondays anywhere from 12:00am - 5:00am EDT). Soft limitations may be placed on the amount of data queried and/or downloaded during peak business hours and can usually be set within the Query software package.