

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

February 20, 2008

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B6200358
 (Supercedes Contract No. 071B0000606)
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301 <p style="text-align: right;">sgupte@sabercorp.com</p>	TELEPHONE (614) 628-4896 Sanjay Gupte
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS	
CONTRACT PERIOD: From: June 1, 2006 To: March 31, 2009	
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:	

NATURE OF CHANGE(S):

Effective immediately, this contract is hereby **INCREASED** by \$2,402,100.00 and **EXTENDED** 11 months through March 31, 2009. All other terms, conditions and pricing remain the same.

Overview of Extension

<input checked="" type="checkbox"/>	Extension (11 months):	4/30/2008 – 3/31/2009
-------------------------------------	-------------------------------	------------------------------

Overview of Contract Increase

Previous Contract Value:	\$8,387,227.80
CN 5 Increase:	\$2,402,100.00

AUTHORITY/REASON:

Per Agency request and Administrative Board Approval on 2/19/2008.

TOTAL REVISED CONTRACT VALUE: \$10,789,327.80

Saber Time and Dollars Contract Change Justification
November 9, 2007

Accepted By:

Anthony Estell
T3 Leader
WDRA

Date:

Scott Wager
Application Support Team (AST) Leader
DIT/WDRA

Date:

Accepted By:

Sunjay Gupte
Senior Vice President
Saber Corp.

Date:

Saber Time and Dollars Contract Change Justification

November 9, 2007

Document Overview and Purpose

The Department of Information Technology (DIT), in conjunction with Workforce Development and Retirement Administration (WDRA) (previously Office of Retirement Services (ORS)) is requesting a modification to the existing Saber contract. The request involves the following:

- **Time Change:** A 12-month time extension to the contract (March 1, 2008 through March 31, 2009)
- **Dollar Increase:** The 12 month extension will require \$2,402,100 of IDG funds to be added for the Application Support Team portion of the contract.

The purpose of this document is to describe the justification for these changes.

Time Change

The current Saber contract expires on April 30, 2008. A 12-month extension to the Saber contract is requested for the following reasons:

- Continue to provide critical application support to WDRA on the Vision Retirement System as outlined in the Service Level Agreement.
- To allow time to hire permanent State staff to fill positions that are currently held by contractors.
- To allow time to transition critical knowledge between contract staff and permanent State staff upon their hiring.

Dollar Increase

The 12-month Saber contract extension will require \$2,402,100 to be added for the **Application Support Team** portion of the contract.

In FY 07, WDRA/DIT is forecasting to spend \$2,738,860 on Saber staff to support WDRA's systems. On average, 21 Saber FTEs have historically been required each month. The State would like 15 vendor FTE's to continue for the duration of this contract extension.

The State is actively working to decrease its dependence on the vendor. In the event that the State is successful in decreasing the number of Saber FTE's required to support WDRA's system, Saber agrees that the \$2.4 million figure is a "not to exceed" dollar amount and that the State is not obligated to pay the vendor the entire amount.

Saber Time and Dollars Contract Change Justification

November 9, 2007

For various reasons, it is prudent to assume the worst-case scenario dollar increase to the contract:

- Exact timing of new hires is currently unknown.
 - The State has instituted a hiring freeze
 - In some cases, desired resources will not become available due to citizenship, schedules, and restrictions
- Additional, emergency assistance from Saber may be required to keep systems running or bring them back online in the event of an outage.
- Additional assistance may be required from Saber to support the many hardware and software upgrade projects planned for mid 2008 through early 2009.

AUTHORITY: Act 431 of 1984
 COMPLETION: Required
 PENALTY: Contract will not be executed unless form is filed

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

August 8, 2007

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B6200358
 (Supercedes Contract No. 071B0000606)
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301		TELEPHONE (614) 628-4896 Sanjay Gupte
		VENDOR NUMBER/MAIL CODE
sgupte@sabercorp.com		BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS		
CONTRACT PERIOD: From: June 1, 2006 To: April 30, 2008		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		
MISCELLANEOUS INFORMATION:		

NATURE OF CHANGE(S):

Effective immediately, this contract is hereby INCREASED by \$55,435.40. All other terms, conditions and pricing remain the same.

AUTHORITY/REASON:

Per Agency request and Administrative Board Approval on 8/7/2007.

INCREASE: \$55,435.40

TOTAL REVISED CONTRACT VALUE: \$8,387,227.80

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

February 8, 2007

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B6200358
 (Supercedes Contract No. 071B0000606)
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301 <p style="text-align: right;">sgupte@sabercorp.com</p>	TELEPHONE (614) 628-4896 Sanjay Gupte
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS	
CONTRACT PERIOD: From: June 1, 2006 To: April 30, 2008	
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:	

NATURE OF CHANGE(S):

Effective May 1, 2007, this contract is hereby EXTENDED to April 30, 2008 and has been INCREASED by \$3,100,000.00. All other terms, conditions and pricing remain the same.

AUTHORITY/REASON:

Per Agency request and vendor approval

INCREASE: \$3,100,000.00

TOTAL REVISED CONTRACT VALUE: \$ 8,331,792.40

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

December 20, 2006

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B6200358
 (Supercedes Contract No. 071B0000606)
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301		TELEPHONE (614) 628-4896 Sanjay Gupte
		VENDOR NUMBER/MAIL CODE
sgupte@sabercorp.com		BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS		
CONTRACT PERIOD: From: June 1, 2006 To: April 30, 2007		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		
MISCELLANEOUS INFORMATION:		

NATURE OF CHANGE(S):

Please see attached change justification agreement between Workforce Development and Retirement Administration (WDRA) and Saber Corp. outlining contract items that are being revised. All other terms, conditions and pricing remain the same.

AUTHORITY/REASON:

Per Agency request and vendor approval

TOTAL CONTRACT VALUE REMAINS: \$ 5,231,792.40

NOVEMBER 13, 2006

Accepted By:

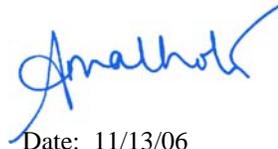
**Karen Buckwalter
Project Manager
DIT/WDRA**



Date: 11/13/06

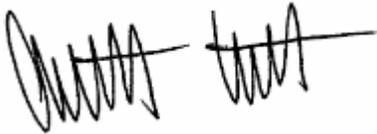
Accepted By:

**Arvind Malhotra
Senior Vice President
Saber Corp.**



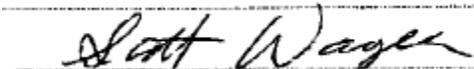
Date: 11/13/06

**Anthony Estell
T3 Leader
WDRA**



Date: 11/13/06

**Scott Wager
Application Support Team (AST) Leader
DIT/WDRA**



Scott Wager

Date: 11/13/06

Table of Contents

DOCUMENT OVERVIEW AND PURPOSE	II
PROJECT SCOPE CHANGE: PROPOSED HIGH-LEVEL COURSE OF ACTION	II
<i>Project Scope Change Justification - Summary</i>	<i>ii</i>
<i>Initiatives to Remove from Scope</i>	<i>ii</i>
<i>Dollar Value Associated with Initiatives to Remove from Scope</i>	<i>iii</i>
<i>Initiatives to Add to Scope</i>	<i>iii</i>
<i>Dollar Allocations</i>	<i>iv</i>
<i>Managing the Change - Statements of Work</i>	<i>iv</i>
PROJECT CHANGE: EARLY RELEASE OF HOLDBACK DOLLARS - JUSTIFICATION	VI
<i>Remaining Project Contract Dollar Breakdown</i>	<i>vi</i>
<i>Proposed Project Holdback Release Plan</i>	<i>vi</i>

Document Overview and Purpose

Workforce Development and Retirement Administration (WDRA) (previously Office of Retirement Services (ORS)) is requesting a modification to the existing Vision ORS Saber contract. The request involves the following:

- o **Project - Scope Change:** Replacing existing contract requirements with other, higher-value requirements, without modifying the total contract value. The scope change will position WDRA to later implement a superior Web Self Service product for its customers. The dollar value associated with the change represents a very small portion (approximately 1%) of the total Vision ORS project budget.
- o **Project - Early Release of Holdback Dollars:** The current contract states that 5% of the total Vision Project value will be held back from payment until the full project has been delivered. At this time, we are holding back more than the remaining contract value. The proposal is to tie the release of a small portion of this holdback to the delivery of key milestones as an incentive to the vendor.

The purpose of this document is to describe the justification for these changes.

Project Scope Change: Proposed High-Level Course of Action

Step 1:

Remove the Web Self Service and a few minor (and lower priority) items from the scope of the existing Saber Vision ORS contract in order to focus our remaining contract dollars on high-priority activities that maximize Saber's strengths and value to WDRA's business.

Step 2:

Pursue Web Self Service with complete, detailed requirements that reflect current technology and needs. Contract with a vendor partner that possesses a strong Web development skill set (To be identified through the State's Contracting process).

Project Scope Change Justification - Summary

- The Contract requirements for the Vision ORS project were developed in 2001. Specifically related to **Web Self Service, the requirements are incomplete and inadequate**. Since 2001, WDRA has learned a great deal more about its customers' Web Self Service needs. Additionally, Web capabilities and technology have advanced. As a result, even before the detailed requirements definition exercise has been done, WDRA has already identified many requirement needs that fall outside the scope of the current Vision ORS contract. If WDRA were to implement Web Self Service according to the requirements in the existing contract, **a severely inferior product would be delivered**.
- There are many other firms that specialize in the delivery of Web Self Service products and it would be in State's best interest to review these options in a competitive bid environment to ensure that the best value is received.
- As the Vision ORS Project has progressed, we have identified additional activities that were unknown at the time of the original contract signing. Some activities must be completed in order to enable WDRA's Web Self Service functionality. Additionally, these items (*detailed in the "Initiatives to Add to Scope" section of this document*) **provide a great deal more value to WDRA and the State than the requirements to be removed from the scope** of the Vision ORS Saber contract. More detailed justification is included later in this document.

Initiatives to Remove from Scope

After conducting an extensive analysis and prioritization exercise, it was determined that the requirements that fall in the following categories should be **removed** from the scope of the Saber Vision ORS Project contract and **replaced** by the initiatives detailed in the "Initiatives to Add to Scope" section of this document.

Functional Category	Summary: Primary Reason(s)
Web Self Service	Current requirements are incomplete and insufficient

Automated Clearing House (ACH)	Opportunity for efficiency gain by combining with Employer Statement enhancements planned with the Application Support Team
Deferred Functionality – Various functional areas	Very low priority/relatively high cost items – Add little to no value to WDRA
Fax to Image	Relatively low priority/DIT infrastructure not yet in place
User Updateable Tables	Very low value/relatively high cost
Reports and Metrics	More effectively met by Adhoc query capability, which is in scope

The attached spreadsheet ([Vision ORS Stage 3.3C Contract Change RTM 2006-06-20.xls](#)) includes all outstanding requirements for the Vision ORS Project Stage 3.3C. Each requirement is labeled with its original contract requirement number (consistent with Exhibit N of the Vision ORS Contract), and is labeled either in-scope or out-of-scope based on the following criteria:

1. **Out of scope by functional category** listed in the chart above (e.g. Web Self Service, ACH, Reports). Most of the Web Self Service requirements are broader requirements that have been fulfilled by the contractor in other stages of the project, with only the self-service portion still pending. Only the self-service portion of this requirement is being removed from scope. For example, a requirement to accurately estimate pension benefits has been met through all previous stages by the contractor, but that function has not been met in Web Self Service and is being removed from the scope of this contract.
2. **In scope for Stage 3.3C based on functional category** (e.g., Ad Hoc Queries, Forms/Letters & Barcodes, Conditional Audits). These items remain part of the current Saber contract and will be fulfilled by Saber. In general, requirements categorized as one or more "in scope" categories are in-scope for Stage 3.3C. For example, requirement F - 5 is categorized as Web Self Service (out of scope) and Forms/Letters/Bar coding (in scope). In this case, only the Forms/Letters/Bar coding portion will be in scope for Stage 3.3C of the Vision ORS Project, but the Web Self Service Portion will be out of scope.

In a few cases, (e.g. requirement F - 31, where the requirement is categorized as Web Self Service and Forms/Letters/Bar coding), requirements with one or more "in scope" category designations were actually determined to be out of scope. The reasoning is that the Web Self Service component of the Forms/Letters/Bar coding requirement is the *only* remaining portion of the requirement to be fulfilled. Because Web Self Service is out of scope, the requirement will be removed from the scope of Stage 3.3C.

3. **"Review" requirements categorized as SPEC/HRMN.** These requirements are those that will be *referenced* during the Status/Positions/Effective Dates/Closures (SPEC) project (described below). Note that the requirements with a SPEC/HRMN designation were delivered and accepted in previous stages of the Vision project. The SPEC/HRMN project will *improve upon* these requirements, thus requiring a scope change.

The requirements removed from scope will be officially tracked using the Vision ORS Project Change Control process and Requirements Traceability Matrix (RTM).

Dollar Value Associated with Initiatives to Remove from Scope

The total contract dollar value associated with the initiatives to remove from scope (as outlined in the previous section) is **\$590,720**.

Initiatives to Add to Scope

The Vision ORS Project Team conducted an extensive analysis and prioritization exercise earlier this year. As a result, it was determined that a project that improves on the "Statuses/Positions/ Effective Dates/Closures portions of the system is a necessary priority. Due to its importance, it was unanimously decided that this project should be fulfilled as part of the Vision ORS project. That is, it should **replace** a subset of the initiatives detailed in the "Initiatives to Remove from Scope" section of this document.

Status/Positions/Effective Dates/Closures (SPEC) Project

Although the current system operates according to the way the original requirements were documented in the Vision ORS contract, experience that could only be gained by working with the system has taught us that there is a better way to systematically handle some core functions of the Clarety retirement processing system. Driving factors for the SPEC changes are to improve the usability and understandability of the data, to maximize staff efficiencies, and to reduce risks associated with unclear data once Web Self Service is made available to WDRA's customers. Without the SPEC project, data issues will continue to accumulate over time, forcing WDRA to do manual workarounds and patches which will ultimately marginalize the value of Web Self Service to WDRA's customers.

The SPEC effort addresses these concerns and must be done in advance of the Web Self Service project. Without SPEC, the data displayed by the internal Clarety Application and the Web Self Service site will be:

- Less usable
- Less reliable
- Less understandable
- Less current

SPEC addresses "core" system functionality and requires Architect-level subject matter experts that fully understand all components of the Clarety retirement processing and Siebel CRM applications. The DIT/WDRA Application Support Team cannot do this work because the experience level of the team members is not yet mature enough.

Additional High Priority Initiatives

The Vision ORS Project Team has identified two additional high priority areas on which to apply the remaining effort and dollars associated with the scope change: Forms/Letters/Bar-coding/Communications and Generating Benefit Estimates. Since the Vision ORS contract was created over five years ago, needs have changed in these areas. The changes that will be done will greatly improve the usability of the system and improve WDRA's ability to provide improved customer service in less time.

Dollar Allocations

The dollar value associated with the requirements removed from scope is \$590,720. These contract dollars will be allocated in the following fashion:

SPEC Initiative:		\$462,886
Additional High Priority Initiatives:	<u>\$127,834</u>	
Total:		\$590,720

Managing the Change - Statements of Work

Separate statements of work will be produced for each functional category. Each statement of work will contain, at a minimum, the following sections:

- Project Description
- Background
- Phase Description (if applicable)
- Scope of Work – Services and Deliverables
- Milestone Schedule
- Roles/Responsibilities
- Cost/Payment Schedule (Refers back to deliverables)

The statements of work will be written as **fixed price initiatives** and will be signed off by the DIT Project Manager, WDRA T3 Leader, and Saber Project Director.

SPEC Project

The scope of work for the SPEC initiative will be presented in five separate statements of work. The vendor (Saber) will provide fixed price, deliverables-based statements of work for each of the five phases.

1. Status (S) Design and Quick Hits Analysis*
2. Status (S) Development/Implementation
3. Positions/Effective Dates/Closures (P/E/C) Detailed Requirements
4. Positions/Effective Dates/Closures (P/E/C) Detailed Design
5. Positions/Effective Dates/Closures (P/E/C) Development/Implementation

* The vendor currently has enough information (detailed requirements) to move right to the Detailed Design for the "Status" portion of the SPEC project.

Additional High Priority Initiatives

The remaining \$127,834 is reserved for changes to the Vision ORS system, in the areas of Forms/Letters/Bar-coding/Communications and Generating Benefit Estimates. All work performed in this area will require that the DIT Project Manager, T3 Leader and Saber Leadership mutually agree to the definition of the work and the fixed price deliverable prior to the work being done. This includes the effort required to define and scope the changes. The written approval will include the definition and the fixed price of the required deliverables in a Statement of Work (as described in the *Managing the Change - Statements of Work* section of this document.)

Project Change: Early Release of Holdback Dollars - Justification

The current contract states that 5% of the total Vision Project value will be held back from payment until the full project has been delivered. At this time, *we are holding back more than the remaining contract deliverable value* (see the “*Remaining Project Contract Dollar Breakdown*” section of this document for additional detail). The proposal is to tie the release of a portion of this holdback to the delivery of key milestones. In total, we propose to **release \$400,000 of the \$1,069,337** remaining holdback dollars as an incentive to the vendor to complete four project deliverables. *The remaining \$669,337 will be held back until final acceptance of the Vision ORS project is granted.* A description of the milestones to which early release of holdback is associated is as follows:

- Delivery and full WDRA acceptance of the **Tax Deferred Payment (TDP) Adjustments functionality** is extremely complex and has been in progress for several months. The vendor is making progress and WDRA believes releasing a small portion of the holdback dollars is justified upon completion of this milestone. Once in place, the burden associated with processing TDP Adjustments can be shifted from WDRA staff to the “Employers” (i.e. public schools). This will enable WDRA staff to focus on other activities and become more productive.
- The **Online Transaction Performance Closeout milestone** involves the fine-tuning of a group of agreed upon transactions so that they perform within contractual thresholds. Releasing a small portion of the holdback dollars is justified to encourage the vendor to move this project through its lifecycle more quickly. The quicker the transactions are tuned, the more productive WDRA staff will be because their system transactions will display faster.
- The **AST Tool Transition and Acceptance milestone** involves the transition and acceptance of two key tools (Perforce and Tracker) to the WDRA Application Support Team as they move toward taking over control of the configuration management processes. The plan is to move this transition requirement forward prior to the end of the Vision Project to enable the Application Support Team to become more self sufficient and less reliant on the vendor for operations support.
- Closing out **Stage 3.2 (CPP Replacement) Warranty** and accepting the associated use cases is a significant accomplishment. The sooner this is done, the sooner members of the Vision ORS project team can move forward and focus fully on closing out the Vision Project.

Remaining Project Contract Dollar Breakdown

Total Project Contract Dollars Remaining	2,379,708
STAGE 3.3C (INCLUDING SCOPE CHANGE) DELIVERABLE DOLLARS	858,163
STAGE 3.3C CONTRACT REQUIREMENTS	\$267,443
CONTRACT SCOPE CHANGE \$590,720	
Project Reserve 324,008	
Project Holdback Dollars 1,133,537	

Proposed Project Holdback Release Plan

PROJECT HOLDBACK DOLLARS	\$1,133,537
STAGE 3.1 USE CASE ACCEPTANCE HOLDBACK	<u>(64,200)</u>
Total Holdback Dollars Remaining	\$1,069,337
<i>Contract Change - Additional Holdback Release Itemization:</i>	
Delivery and Full Acceptance of TDP Adjustments	(50,000)
Online Transaction Performance Closeout Release	(125,000)
AST Tool Transition Acceptance (Perforce/Tracker)	(125,000)
CLOSE OUT STAGE 3.2 WARRANTY/USE CASE ACCEPTANCE	<u>(100,000)</u>
HOLDBACK RETAINED FOR THE COMPLETION OF THE VISION PROJECT	\$669,337

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 14, 2006

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B6200358
 (Supercedes Contract No. 071B0000606)
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301 sgupte@sabercorp.com	TELEPHONE (614) 628-4896 Sanjay Gupte
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS	
CONTRACT PERIOD: From: June 1, 2006 To: April 30, 2007	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

Effective immediately, contract is hereby **INCREASED** by \$1,800,000.00, per the attached vendor letter, to cover continued staffing support through the end of the contract. All other terms, conditions and pricing remain the same.

AUTHORITY/REASON:

Per Agency request and vendor approval

INCREASE: \$1,800,000.00

TOTAL REVISED CONTRACT VALUE: \$ 5,231,792.40

From: Sanjay Gupte,
Project Director, Saber
Vision ORS Project

To: Ray McIntosh
Project Manager
Vision ORS Project
State of Michigan, ORS

August 09, 2006

Sub: Rates for Application Support Team (AST)

Ray,

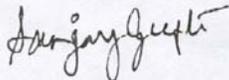
Following is a table indicating rates that are charged per the current contract to AST for services provided by Covansys. These rates were effective as of May 1, 2005.

Saber hereby accepts that we will provide services to ORS at these rates through April 30, 2007, for services amounting to \$1.8M during the period from October 2006 through April 2007.

Role	SOM 610 Rate Per Month (Fix Team)	SOM 611 Rate Per Hour (Pool Resources)
Senior Manager	\$ 22,922.00	\$ 146.00
Manager	\$ 19,625.00	\$ 125.00
Senior SME	\$ 19,625.00	\$ 125.00
SME	\$ 18,055.00	\$ 115.00
Sr. System Consultant	\$ 15,700.00	\$ 100.00
System Consultant	\$ 13,345.00	\$ 85.00
Sr. Prog/Analyst	\$ 11,775.00	\$ 75.00
Offshore Resource	\$ 5,495.00	\$ 35.00

If you have any questions feel free to contact me.

Thanks,
Sanjay



CC: Arvind Malhotra, Sabcr

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

June 26, 2006

**NOTICE
 OF
 CONTRACT NO. 071B6200358**
 (Supercedes Contract No. 071B0000606)
**between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301	TELEPHONE (506) 566-7095
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS	
CONTRACT PERIOD: From: June 1, 2006 To: April 30, 2007	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	
MISCELLANEOUS INFORMATION:	

Estimated. Contract Value: \$ 3,431,792.40

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

June 26, 2006

CONTRACT NO. 071B6200358
 (Supercedes Contract No. 071B0000606)
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Saber Solutions 3995 Hagers Grove Rd Salem, OR 97301	TELEPHONE: (506) 566-7095
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector: Cindy Turben Business Process Re-engineering – Department of Management and Budget - ORS	
CONTRACT PERIOD: From: June 1, 2006 To: April 30, 2007	
TERMS <p style="text-align: center;">NA</p>	SHIPMENT <p style="text-align: center;">NA</p>
F.O.B. <p style="text-align: center;">NA</p>	SHIPPED FROM <p style="text-align: center;">NA</p>
MINIMUM DELIVERY REQUIREMENTS	
MISCELLANEOUS INFORMATION: Estimated Contract Value: \$3,431,792.40	

This replaces Contract 071B0000606.

All terms and conditions of the contract are made a part hereof.

FOR THE VENDOR: <div style="text-align: center;"> Saber Solutions _____ Firm Name </div> <div style="text-align: center;"> _____ Authorized Agent Signature </div> <div style="text-align: center;"> _____ Authorized Agent (Print or Type) </div> <div style="text-align: center;"> _____ Date </div>	FOR THE STATE: <div style="text-align: center;"> _____ Signature Greg, Faremough, Buyer Manager </div> <div style="text-align: center;"> _____ Name/Title IT Division </div> <div style="text-align: center;"> _____ Division </div> <div style="text-align: center;"> _____ Date </div>
--	--

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 28, 2006

CHANGE NOTICE NO. 10
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Covansys 32605 West 12 Mile Road, Suite 250 Farmington Hills, MI 48334 bmier@covansys.com	TELEPHONE Beth A. Mier, Esq. (248) 848-8608
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector Cindy Turben Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: March 27, 2006 To: May 31, 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 May 31, 2006, this contract is hereby **CANCELLED** and replaced by **071B6200358** due to change in vendor and FEIN number.

AUTHORITY/REASON:

Per agreement between vendor and DMB Purchasing Operations

TOTAL ESTIMATED CONTRACT VALUE: \$0.00

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

May 4, 2006

CHANGE NOTICE NO. 8 (Revised #2)
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Covansys 32605 West 12 Mile Road, Suite 250 Farmington Hills, MI 48334 bmier@covansys.com	TELEPHONE Beth A. Mier, Esq. (248) 848-8608
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector Cindy Turben Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: April 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 following is provided regarding Change Notice #8 (Revised) to clarify the conditions surrounding the 5,866,667.00 Increase.

\$ 1,400,000.00	For the Project Supplement Attached to CN #8
\$ 4,466,667.00	For years 2 and 3 of the Application Support Team Statement of Work Attached to CN #7
\$ 5,866,667.00	TOTAL ADDED IN CN #8

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

AUTHORITY/REASON:

Per DMB/Acquisition Services, Agency and Vendor Agreement

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$36,338,605.00

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

April 19, 2006

**CHANGE NOTICE NO. 9
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 32605 West 12 Mile Road, Suite 250 Farmington Hills, MI 48334 <p style="text-align: right;">bmier@covansys.com</p>	TELEPHONE Beth A. Mier, Esq. (248) 848-8608 VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-3215 Steve Motz
Contract Compliance Inspector Cindy Turben Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: April 30, 2007	
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 May 1, 2005 the Application Support Team (AST) rates are modified per the following table.

Role	SOM 610 Rate Per Month (Fix Team)	SOM 611 Rate Per Hour (Pool Resources)	SOM 612 Rate Per Hour (SPEC – Up to 10,000 hours)
Senior Mgr	\$ 22,922.00	\$ 146.00	\$ 75.50
Mgr.	\$ 19,625.00	\$ 125.00	\$ 65.00
Senior SME	\$ 19,625.00	\$ 125.00	\$ 65.00
SME	\$ 18,055.00	\$ 115.00	\$ 60.00
Sr. System Consultant	\$ 15,700.00	\$ 100.00	\$ 52.50
System Consultant	\$ 13,345.00	\$ 85.00	\$ 45.00
Sr. Prog/Analyst	\$ 11,775.00	\$ 75.00	\$ 40.00
Programmer/Analyst	\$ 9,106.00	\$ 58.00	\$ 31.50
Offshore Resource	\$ 5,495.00	\$ 35.00	\$ 20.00

Effective immediately, Exhibit C - Project Organization, and Exhibit D – Key Vendor Personnel are hereby replaced by the attached revised documents.

Please Note: The Buyer has been changed to Steve Motz, and The Contract Compliance Inspector has been changed to Cindy Turben.

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

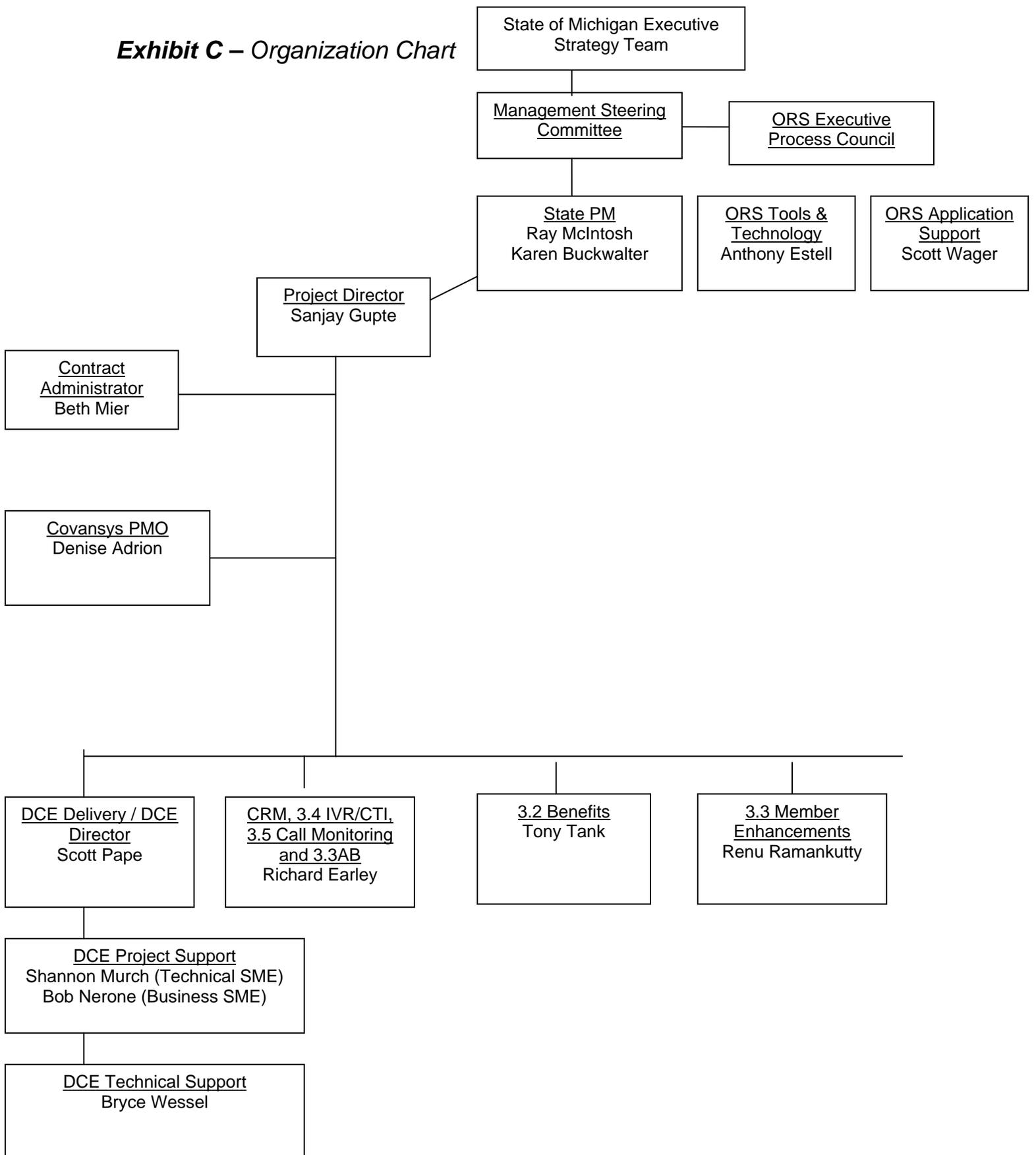
AUTHORITY/REASON:

Per DMB/Acquisition Services, Agency and Vendor Agreement

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$36,338,605.00

EXHIBIT C - PROJECT ORGANIZATION

Exhibit C – Organization Chart



Organizational Description

State of Michigan Program Governance Structure:

State of Michigan Project Manager(s) and Project Management Office

The PMO will have the responsibility to oversee the activities of the contractor and ensure that the process is being managed properly and that the products:

- ✓ are being delivered according to the scheduled timeframes;
- ✓ document the information consistent with the needs of the project; and
- ✓ meet the standards of quality required by the project.

The Project Manager(s) role includes:

- ✓ serving as the primary contact for ORS on all project related matters;
- ✓ ensuring that State of Michigan team members know their responsibilities;
- ✓ managing the project and team member performance;
- ✓ maintaining documentation on project related matters and pertinent information; and
- ✓ reporting project status to management and requesting counsel and decision making on appropriate matters.
- ✓ utilize and enforce the use of the State of Michigan Project Management Methodology and tools
- ✓ Enforcement of the contract

The ORS Executive Process Council

The primary role of the ORS Executive Process Council (Leadership Team) in conjunction with the Vision ORS Project are:

- ✓ Approve high level project/program scope is in accordance with the To Be Vision
- ✓ Regular interaction with business representatives assigned to the project
- ✓ To ensure that the project team has sufficient, appropriate personnel to carry out their responsibilities;
- ✓ To assist the PMO team, as needed, with personnel needs;
- ✓ To support the implementation and roll out of project deliverables.
- ✓ To communicate project information to their subordinates.

Members of this committee include the Director of ORS and the ORS Division Administrators.

The Management Steering Committee (MSC)

The primary role for the MSC is:

- ✓ To ensure that the project team has sufficient, appropriate personnel to carry out their responsibilities;
- ✓ To provide advice regarding requested changes to the project when appropriate.
- ✓ To monitor the status of the project and overall Program.
- ✓ Approve summary level schedule
- ✓ To intercede in project management if necessary.

The Executive Strategy Team

The Executive Strategy Team has the role for managing strategic issues. The following issues are included in their responsibility:

- ✓ manage funding issues regarding the project and Program;
- ✓ manage and control interference from outside the project;
- ✓ manage the political environment as an advocate for the Vision ORS project; and provide advice and counsel to the Management Steering Committee

Members of this committee include senior-level representation from the ORS, DMB, and DIT organizations.

The State of Michigan may, at its discretion, change the structure and membership of any State of Michigan role, committee, or the governance structure identified.

Covansys Organizational Structure:

Project Director

The Project Director will provide strategic direction to the Covansys project team. Project Director responsibilities include:

- ✓ *Monitoring project status and performance at the strategic level;*
- ✓ *Identifying and resolving strategic issues that threaten the successful completion of the project;*
- ✓ *Ensuring that Covansys has the resources required for successful project execution;*
- ✓ *Providing strategic direction and control for Covansys project team activities;*
- ✓ *Oversight of project performance to ensure that the business needs of ORS will be satisfied;*
- ✓ *Providing advice and counsel to Covansys personnel;*
- ✓ *Providing advice and counsel to State personnel as appropriate; and,*
- ✓ *Reporting project status to Covansys executive management and requesting counsel and decision making on appropriate matters.*

Covansys Project Manager(s) and Covansys Project Management Office

The Covansys PMO will have the day-to-day responsibility to oversee the activities of the Covansys project team and ensure that the process is being managed properly and that the products:

- ✓ *Are being delivered according to the scheduled timeframes;*
- ✓ *Document the information consistent with the needs of the project; and*
- ✓ *Meet the standards of quality required by the project.*

The Project Manager role includes:

- ✓ *Serving as the primary contact for ORS on project management related matters;*
- ✓ *Ensuring that Covansys team members know their responsibilities;*
- ✓ *Providing day-to-day management of Covansys team member performance;*
- ✓ *Maintaining documentation on project related matters and pertinent information;*
- ✓ *Reporting project status to management and requesting counsel and decision making on appropriate matters;*
- ✓ *Reporting project status to ORS management and requesting decision making on appropriate matters;*
- ✓ *Utilizing and enforcing the use of the agreed-upon project management processes and standards; and,*
- ✓ *Identifying and resolving issues that affect the successful completion of the project.*
- ✓ *Own the Requirements Traceability Matrix and*
- ✓ *Maintain client communication on functional issues*

Contract Administrator

The Covansys Contract Administrator will:

- ✓ *Monitor Covansys performance against the terms and conditions of the Contract;*
- ✓ *Act as liaison between the State and Covansys for any financial issues, including invoicing and payments*
- ✓ *Be responsible for the contract amendment process and approvals for Covansys, including those necessitated by approved out-of-scope conditions and approved additions to the contract.*

Technical Subject Matter Expert (SME)

The Technology Subject Matter Expert will be the overall solution Technical Architect, with the following responsibilities:

- ✓ *Coordinate the design of interfaces among Siebel, Clarety and other State systems;*
- ✓ *Identify and monitor technical systems integration between the various third party sub-components of the system;*
- ✓ *Monitor and coordinate cross team technology related issues;*
- ✓ *Perform Quality Assurance review of Clarety and Siebel architecture, design and data conversion deliverables, focusing on cross-team issues;*
- ✓ *Perform Quality Assurance review on plans dealing with upgrades, enhancements and warranty work for the system as a whole;*
- ✓ *Provide technology and architecture strategy and vision for the overall project implementation; and,*
- ✓ *Maintain client communication on technology issues.*

Retirement Subject Matter Expert (SME)

The Functional Subject Matter Expert provides overall retirement expertise to the project, with the following responsibilities:

- ✓ *Provide industry and ORS-specific retirement solution knowledge to the Covansys work teams during all phases of the overall project, with an emphasis on the definition of system requirements;*

- ✓ *Assist the Covansys work teams in the identification, selection and documentation of functionality during the Requirements Phases of each stage of the project;*
- ✓ *Provide high-level Quality Assurance review of Requirements Phase deliverables, with a focus on meeting ORS' To-Be objectives;*
- ✓ *Assist the Covansys work teams to ensure that the design, development and testing of the application is consistent with ORS' requirements;*
- ✓ *Providing advice and counsel to Covansys personnel;*
- ✓ *Providing advice and counsel to State personnel as appropriate; and,*
- ✓ *Provide access to Covansys Retirement business experience in other States that ORS may want to leverage.*

EXHIBIT D: KEY VENDOR PERSONNEL

The following personnel have been identified as key personnel, and fall within the requirements of Paragraph 5.1(b)(i) of the contract. Percent commitments for Stages do not include the warranty period for a Stage after completion of that Stage. During the warranty period, key personnel will be available as needed.

Name: Sanjay Gupte
Role: Project Director
Duration: Full Project
Location: 80% Onsite and 20% in Columbus
% Committed: 100%

Name: Bob Nerone
Role: Retirement Subject Matter Expert
Duration: Stage 1, Stage 2, Stage 3
Location: Onsite and at the Retirement Systems Development Center
% Committed: Bob Nerone will carry out the Functional Subject Matter Expert responsibilities defined in Exhibit C. Accordingly, his project hours will fluctuate during the execution of each Stage. Estimated project time is: Stage 1 – 75%, Stage 2 – 50%, Stage 3 – 50%

Name: Richard Earley
Role: CRM Team Leader
Duration: Stage 1, Stage 2, Stage 3
Location: Off Site
% Committed: 10% until closure of Stage 3.2 Warranty.

Name: Tony Tank
Role: Conversion and Bridging Manager/Warranty Manager
Duration: Stage 3.2
Location: Onsite and at the Retirement Systems Development Center
% Committed: 100% Stage 3.2

Name: Shannon Murch
Role: Technical Subject Matter Expert
Duration: Stage 1, Stage 2, Stage 3
Location: Onsite and at the Retirement Systems Development Center
% Committed: Shannon will carry out the Technology Subject Matter Expert responsibilities defined in Exhibit C. Accordingly, her project hours will fluctuate during the execution of each Stage. Estimated project time is: Stage 1 – 75%, Stage 2 – 40%, Stage 3 – 30%

Name: Bryce Wessel
Role: DCE Technical Support Lead
Duration: Full Project
Location: At the Retirement Systems Development Center
% Committed: 50%.

Name: Renu Ramankutty
Role: Stage 3.3C Enhancements Phase Manager
Duration: Stage 3.3C
Location: Onsite and at the Retirement Systems Development Center
% Committed: 100%.

Name: ALL
Role: Functional Analyst and Senior Functional Analyst
Duration: Each Subproject
Location: Onsite and at the Retirement Systems Development Center
% Committed: 100%

From: Sanjay Gupte,
Project Director, Covansys
Vision ORS Project

To: Ray McIntosh
Project Manager
Vision ORS Project
State of Michigan, ORS

April 11, 2006

Sub: Rates for Application Support Team (AST)

Ray,

Following is a table indicating rates that are charged per the current contract to AST for services provided by Covansys. These rates were effective as of May 1, 2005.

Role	SOM 610 Rate Per Month (Fix Team)	SOM 611 Rate Per Hour (Pool Resources)	SOM 612 Rate Per Hour (SPEC – Up to 10,000 hours)
Senior Mgr	\$ 22,922.00	\$ 146.00	\$ 75.50
Mgr.	\$ 19,625.00	\$ 125.00	\$ 65.00
Senior SME	\$ 19,625.00	\$ 125.00	\$ 65.00
SME	\$ 18,055.00	\$ 115.00	\$ 60.00
Sr. System Consultant	\$ 15,700.00	\$ 100.00	\$ 52.50
System Consultant	\$ 13,345.00	\$ 85.00	\$ 45.00
Sr. Prog/Analyst	\$ 11,775.00	\$ 75.00	\$ 40.00
Programmer/Analyst	\$ 9,106.00	\$ 58.00	\$ 31.50
Offshore Resource	\$ 5,495.00	\$ 35.00	\$ 20.00

If you have any questions feel free to contact me.

Thanks,
Sanjay

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 2, 2005

CHANGE NOTICE NO. 8 (Revised)
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Covansys 32605 West 12 Mile Road, Suite 250 Farmington Hills, MI 48334 bmier@covansys.com	TELEPHONE Beth A. Mier, Esq. (248) 848-8608
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector Karen Buckwalter Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: April 30, 2007	
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 this contract is hereby **INCREASED** by \$5,866,667.00 to complete the work under the attached Project Supplement. Additionally, this contract is extended through April 30, 2007.

Vendor contact is also changed to: **Beth A. Mier, Esq.**
32605 West 12 Mile Road
Suite 250
Farmington Hills, MI 48334
Phone (248) 848-8608
bmier@covansys.com

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

AUTHORITY/REASON:

Per DMB/Acquisition Services, and Agency contact (Ray McIntosh)

INCREASE: \$5,866,667.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$36,338,605.00

Project Supplement / Contract Change Notice

December 7, 2004

Project: Vision ORS

Agency: DMB Office of Retirement Services

Contractor: Covansys

Revised on 10/18/04 2:20 pm

Page 1 of 12

Contract Change Notice

This Contract Change Notice dated this 7th date of December, 2004 ("Change Notice"), is issued under and governed by the Amended and Restated Contract #071B000606 between the State of Michigan ("State"), acting by and through the DMB Office of Acquisition Services on behalf of the DMB Office of Retirement Services ("ORS") within the Department of Management and Budget ("DMB"), and Covansys Corporation ("Covansys") dated as of February 08, 2002 (the "Contract"). Capitalized terms used in this Change Notice shall have the meanings given in this Change Notice or, if not defined in this Amendment, shall have the meanings given in the Contract.

Background

Pursuant to the Contract, Contractor has provided, as of the dates noted below, the following major Deliverables, which have been deployed into production:

- Stage 1 - CRM - Siebel Base Implementation (Sub-Project Number 1) July 2002
- Stage 1 - Clarity SERS Base Implementation (Sub-Project Number 2) July 2002
- Stage 1 - Data Conversion (Sub-Project Number 3) July 2002
- Stage 2 - CRM - Siebel Stage 2 Customization (Sub-Project Number 4) January 2003
- Stage 2 - Clarity ARS/ARMS SERS Release 1 Base Replacement (Sub-Project Number 5) January 2003
- Stage 2 - Data Conversion (Sub-Project Number 6) January 2003
- Stage 3 4 - CRM - IVR/Clarity/CTI Integration (Sub-Project Number 7) July 2004
- Stage 3 1 - Clarity Employer Reporting Enhancements (Sub-Project Number 9) June 2003

The remaining major Deliverables and the estimated dates for production deployment are as follows:

- Stage 3.5 - CRM - Monitoring & Recording (Sub-Project Number 8) November 2004
- Stage 3.2 - Clarity CPP Replacement (Sub-Project Number 10) May 2005
- Stage 3 - Data Conversion (Sub-Project Number 11) May 2005
- Stage 3.3AB - Siebel & Clarity Integration and Initial Clarity Enhancements (Sub-Project Number 13) March 2005
- Stage 3.3C - Web Self Service and Remaining Enhancements (Sub-Project Number 14) March 2006

History of problems

- Starting in March 2003, the State of Michigan Vision ORS Project Management Office (State PMO) began escalations with management at Contractor. Concerns reported at that time included the number of outstanding Stage 2 problems, batch and online system performance, requirements and testing process deficiencies, and the viability of the scheduled completion dates for remaining project phases. At that time, the implementation of Stage 3.1 –

Revised on 10/18/04 2:20 pm

Page 2 of 12

Employer Reporting Enhancements was deferred from its originally planned completion in April 2003 to July 2003. Subsequently, Stage 3.1 was implemented in July, however, to only a very small group of "pilot" reporting units. Continuing problems with the system and quality problems with the deployed code resulted in an inability for ORS to roll out the system to the school districts as planned. Throughout this time, the issues continued to be escalated to the Contractor Project Management Office and to senior management at the Columbus development center (Contractor DGE).

- In July 2003, escalations moved further with a letter from the ORS Director to the Contractor Project Director. The letter expressed ORS' concern and dissatisfaction with the performance related items that continued to plague the project. The number of staff on the project, the development process, system stabilization, system performance, and system usability were the primary topics. In the months of August through November 2003, the primary focus expanded to include completing key system fixes to Stage 2 and 3.1, implementing outstanding Stage 2 functionality for the General Ledger interface, and defining the scope for a set of usability enhancements to be provided by Contractor to address the critical list of outstanding issues.
- In November 2003, further escalations took place through a series of letters and meetings between the ORS Director and the Covansys founder and Co-Chairman of the Board. The ORS Director outlined his position in a letter to Contractor dated 11/13/2003. The Contractor responded to the ORS Director in a letter dated 11/19/2003. Contractor developed a stabilization plan that included problem backlogs, scalability, usability, and quality action areas. A letter from the ORS Director summarizing the insufficient progress in these areas was delivered to Contractor in February 2004. Contractor responded to the ORS Director in a letter dated 03/08/2004. Subsequent to this letter, escalation within the State continued, with a meeting that included senior leadership in DIT and DMB in early April 2004 and a follow-up meeting in June 2004.

The ultimate purpose for this Contract Change Notice is to hold Contractor fully accountable to all Contract Deliverables and define the agreement the parties have reached as a result of the series of discussions and correspondence outlined above. This Contract Change Notice is an outgrowth of the series of escalations and will provide additional compensation for Services described herein to Contractor. The purpose is to increase the likelihood of successful delivery with a focus on high quality Deliverables and high quality project management from the Contractor. Neither party is waiving any rights under the existing contract. Dollar amounts for this Change Notice are commensurate with the value of additional work effort and project duration provided by the Contractor as documented.

Contract Changes

The following terms of the Contract are hereby amended:

1. Key Contractor Personnel (Contract Exhibit "D") is hereby replaced with the attached Revised Exhibit D, reflecting the following changes:
 - a. Replace Steve Hawley with Dan Rankin in the role of Project Director.
 - b. Remove Prashant Gunye. With the reorganization of the Contractor's project team, team members now report into the Project Director, therefore, a separate Clarity Manager is no longer required.
 - c. Remove Tarun Kumar. The on-site transition manager role is provided by the individual sub-project phase managers (Richard Earley for CRM projects, Renu Ramankutty for CPP Replacement, and an as-yet unnamed manager for Web Self-Service.)
 - d. John Dougherty shall remain 100% and Bob Nerone shall remain 50% committed through the end of the Project.
 - e. Revise the commitment for Richard Earley to 100% through the end of Stage 3 CRM Related Projects and Requirements.
 - f. Replace Ram Sastry with Shannon Murch in the role of Technical Subject Matter Expert with a 30% commitment through the end of the Project.
 - g. Add Anthony Tank in the role of Conversion and Bridging Team Leader with a 100% commitment through the end of Stage 3 Conversion.
 - h. Add Renu Ramankutty in the role of CPP Replacement Stage Manager.
 - i. Add "TBD" in the role of Web Self-Service Stage Manger. Once this person starts on the Project, he/she will be considered a Key Personnel member.
 - j. Add Mani Neti in the role of Stage 2 and Stage 3.1 Warranty Maintenance Manager (100%).
 - k. Add Dan McClure in the role of Application Support Team Manager with a 100% commitment through 2005.
 - l. Add Bryce Wessel in the role of DCE Technical Support Lead with a 50% commitment through the end of the Project.
 - m. Remove Kathy Manning. Her Key Personnel Project Deliverable has been completed.
2. Project Organization (Contract Exhibit "C") is hereby replaced with the attached Revised Exhibit C, reflecting the following changes:
 - a. Change names to reflect changes to Key Contractor Personnel
 - b. Show revision to reporting structure where Contractor staffing now reports directly to the Project Director.
3. Project Plan (Contract Exhibit "E") is hereby replaced with the attached Revised Exhibit E, reflecting the following changes:
 - a. Rebaselined schedule for Stage 3.2 - Clarity CPP Replacement.
 - b. Rebaselined schedule for Stage 3.3 - Web Self Service & Other Enhancements.

- c. Revised warranty periods.
- 4. Contractor Resource Plan (Contract Exhibit "F") is hereby replaced with the attached Revised Exhibit F, reflecting the following changes:
 - a. Revised Resource plans that support estimated completion for Contractor staff.
- 5. Amended Labor Rates (Contract Exhibit "Q") is hereby replaced with the attached Revised Exhibit Q, reflecting the following changes:
 - a. Labor rates in the existing contract are only listed through 2004. These will be revised to include 2005 and 2006.
 - b. A negotiated 10% reduction in labor rates is included in this Revised Exhibit Q.
- 6. Payment Milestones (Contract Exhibit "S") is hereby replaced with the attached Revised Exhibit S, reflecting planned payment points per the revised project schedule.
- 7. Deliverables (Contract Exhibit "H") is hereby replaced with the attached Revised Exhibit H, reflecting changes to the Deliverables.
- 8. Requirements (Contract Exhibit "N") is hereby modified with the attached (Contract Exhibit "N-1"), which provides further definition of requirements for Stage 3.3C, which are a subset of the individual requirements in Contract Exhibit "N." Each requirement, which has been modified in Exhibit "N-1", is cross-referenced to Exhibit "N." In exhibit "N-1," the original requirement is listed with modifications identified in the Column labeled ORS/CVNS clarification.
- 9. Under section 25.6 of the Contract (Notices), the Contractor information is replaced as follows:

Contractor:
Covansys Corporation
Attention: Director of Contracts
32605 West 12 Mile Road, Suite 250
Farmington Hills, Michigan 48334

with a copy to:
Covansys Corporation
Attention: Beth A. Mier, Esq.
32605 West 12 Mile Road, Suite 250
Farmington Hills, Michigan 48334

- 10. The Warranty Period as defined in Section 15.1 (a) and 15.1 (b) of the Contract are modified as follows to reflect the new Warranty Period definition:

Replacement language for Sections 15.1 (a) and (b):

15.1 Contractor's Representations and Warranties.

Warranty Paragraph

(a) The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of time defined below (Warranty Period) subject to the Punch List Process. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State. Prior to requesting warranty support, the State help desk shall first perform first-level technical support to isolate and identify the problem. All requests for warranty support shall be made by the State's help desk personnel.

Warranty Period

"Warranty Submission Period" means the period during which the State shall submit warranty issues for resolution. Unless otherwise noted, the Warranty Submission Period begins when the State has given Final Acceptance for the Deliverable and continues through the ending time identified in **Chart 1**.

"Warranty Fix Period" means the period during which the Contractor will provide resolution for all of the items identified during the Warranty Submission Period subject to the Punch List Process. Unless otherwise noted, the Warranty Fix Period begins at the end of the Warranty Submission Period and continues through the ending time identified in **Chart 1**.

Chart 1

Deliverable	Warranty Submission Period Ending	Warranty Fix Period Ending
Stage 1	Completed	Completed
Stage 2	Completed	November 30, 2004
Stage 2 – Wage and Contribution	Completed	Ends at the same time as Warranty Fix Period for Stage 3.1
Stage 3.1	Ends December 31, 2004 subject to Note 1	3 months after Warranty Submission Period Ending
Stage 3.2	Ends 5 months after Final Acceptance	1 month after Warranty Submission Period Ending
Stage 3.3A and B	Ends 2 months after Final Acceptance	1 month after Warranty Submission Period Ending
Stage 3.3C	Ends 3 months after Final Acceptance	1 month after Warranty Submission Period Ending
Stage 3.4	Completed	Completed
Stage 3.5	Ends 2 months after Final Acceptance	1 month after Warranty Submission Period Ending

Note 1: "MPSERS Reporting Units" are defined by retirement law as Michigan local public school districts, intermediate school districts, public school academies, tax supported community colleges, seven of Michigan's major universities, district libraries, and other agencies having employees on the payroll who are members of this Retirement System. The Warranty Submission Period will be tolled until the following service level is achieved. Deliverables for Stage 3.1 and Stage 2 – Wage and Contribution must be capable of supporting all of the MPSERS Reporting Units in production. Capable, in the preceding sentence, includes the performance criteria in Exhibit N as well as the posting ability language that follows. Of those MPSERS Reporting Units already placed in production, 90% of those MPSERS Reporting Units must be able to Complete Post 100% of the time for 30 consecutive days. A Completed Post is defined as when the applicable report is posted to the database via batch job SD21. This calculation will be completed with the following operational considerations:

A MPSERS Reporting Unit will be deemed able to Post 100% if there are no application defects which prevent the posting of its reports. To determine the percentage of schools able to Post 100%, ORS will provide a list of errors which are associated with application defects. ORS and Covansys will determine which of the identified errors are in fact the direct result of application defects.

The application Integrated Issue Manager (IIM) will be used to produce a count of the MPSERS reporting units that have instances of the identified errors. In the case that a particular error is not uniquely associated with a application defect, such as those caused by MPSERS Reporting Unit data errors and ORS processing errors, then a reasonable effort will be made to exclude instances of the error which are not the result of application defects.

The percentage of MPSERS Reporting Units able to Post 100% will be calculated as the total number of MPSERS Reporting Units participating in the Stage 3.1 MPSERS

program less the MPSERS Reporting Units which have one or more instances of application defect related errors (as calculated above) divided by the total number of MPSERS Reporting Units participating in the Stage 3.1 MPSERS program.

Able to Post 100% = (Total MPSERS Reporting Units – MPSERS Reporting Units with application Defect Errors) / Total MPSERS Reporting Units

The Total MPSERS Reporting Units will include all the MPSERS Reporting Units participating in the Stage 3.1 program regardless of the date of their last file submission.

- (i) MPSERS Reporting Units where any event of Excusable Failure has occurred as defined in Section 18.3 will not be used in the calculation.
- (ii) MPSERS Reporting Units will not be used in the calculation if the applicable incident could have been prevented through actions available to the State or the MPSERS Reporting Unit.

Punch List Process

At the end of the Warranty Submission Period for each Deliverable, the State and the Contractor will agree upon a list of items requiring correction (Contractor Punch List). Each week during the Warranty Fix Period, the State and the Contractor will review the Contractor Punch List to determine if items have been completed or are waiting for a response or testing from the State. Any items that are waiting for a response or testing from the State will be placed on separate list (State Punch List). Once an item is placed on the State Punch List, then the State shall have seven (7) days to provide a written response to the Contractor concerning each item. If the State fails to respond to a particular item on the State Punch List within seven (7) days, then the item will be deemed to have been completed. If the State does respond within seven (7) days, then the item will return to the Contractor Punch List until the problem is corrected. At the end of the Warranty Fix Period, any items remaining on the Contractor Punch List must be pursued by the Contractor to completion at no charge to the State regardless of the close of the Warranty Fix Period.

- (b) The parties acknowledge that certain business functions of the Applications are operated in production at a frequency that will not allow such functions to be executed during the applicable Warranty Period (the "Non-Routine Business Functions"). Accordingly, notwithstanding the Warranty Period applicable to a particular Deliverable, the Warranty Period applicable to each Application will extend for an additional nine (9) months (except for Stage 3.2, for which the warranty shall extend an additional six (6) months) beyond the Warranty Submission Period in respect of the Non-Routine Business Functions,

so that the Non-Routine Business Functions will be run in production under warranty.

11. Contractor will staff a Warranty Team of a sufficient size, quality, and knowledge to address the reported problems within the Warranty Period. At the end of the Warranty Submission Period, the list of items to be fixed will be finalized and the work effort to complete these items will be estimated. Contractor will then apply additional staff to the Warranty Team accordingly to enable the identified problems to be fixed within the Warranty Fix Period. If the staffing proves inadequate, Contractor will first add additional staff to complete the Warranty fixes within the fix period, and if that doesn't work, will continue to work beyond the fix period to complete the problems in the agreed scope list if the items were actively pursued by ORS during the fix period. Contractor will transition the current staff on the Warranty Team to the Application Support Team, with any exceptions approved by ORS and transition plans in place.

Additional State of Michigan Conditions

1. Contractor agrees to staff the Project with sufficient quantity and quality personnel needed to complete the project in adherence to the mutually agreed Quality Assurance Plan. In addition, Contractor will proactively manage to ensure delivery of Deliverables in accordance with the Quality Assurance Plan even when more or different resources are required.

Key Measures:

- a. Detailed Project Plans in place? Y/N
- b. Project staffed per the Resource Plan? Y/N
- c. Project executed per the Quality Assurance Plan? Y/N
- d. Project managed to CMM Level 3? Y/N
- e. Risks identified and mitigation plans in place? Y/N

Reporting Needed:

- a. Detailed project plans for each Sub-Project.
- b. Staffing Plans (Resource Usage Report) with planned and actual staffing levels, by Sub-Project and individual.
- c. Monthly summary of Quality Assurance Plan items and actions.
- d. Monthly summary of CMM Level 3 adherence.

2. In addition to the modifications to Exhibit C and Exhibit D, Contractor commits to the following:
 - a. Contractor shall make every reasonable effort to retain such FA resources as employees of Contractor.
 - b. Contractor will not reassign the Siebel/CRM team members, including subcontractors, through the duration of applicable Sub-Projects.

Payments

The Contract value is increased by \$1,400,000.00 for the following Services, subject to the Hold Back provision in Section 6.7, payable as follows:

(a) Upon completion of the Stage 3.1 Warranty Submission Period, the Contractor shall invoice the State \$500,000.00 in accordance with Contract Section 10.2.

(b) Upon Final Acceptance of the Stage 3.2 - Payroll Replacement Project, the Contractor shall invoice the State \$500,000.00 in accordance with Contract Section 10.2.

In addition to the Final Acceptance criteria defined in Contract Section 6.6, the Payroll Replacement Project criteria will include that payment and withholding amounts are correct, the business cycle is not interrupted, payroll is completed within the normal business cycle time and without impacting the business's ability to add people to payroll, and meets the following level of defect criteria: number of fatal defects is zero and number of major defects is less than 25. An example of a fatal defect is one that prevents payroll from running, or from the on-line system to come up. An example of a major defect is where a tax deduction amount is computed incorrectly for a large number of members, or where the G/L or another interface to an external entity is inoperable.

(c) VISION ORS RESERVED HOURS. The reserved hours deliverable will include up to \$400,000 for changes to the Vision ORS software, primarily in the area of user interfaces, reports, and customer response data, to accommodate feedback from the ORS staff about ways fully implement the software functions. All work performed under this task requires that ORS and Contractor mutually agree to the definition of the work prior to any work being done, including the effort required to define and scope potential changes. All work performed under this task requires written approval from the Vision ORS project manager prior to the work being done. The written approval from the Vision ORS project manager will include a definition of the deliverables and the fixed price for each.

Liquidated Damages

(a) The parties acknowledge that delays in beginning the Warranty Fix Period of Stage 3.1 will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any such delay. Therefore, Contractor and the State agree that in the case of any such delay in respect of which the State does not elect to exercise its rights under Section 19.1, the State shall assess liquidated damages against Contractor as specified in this Section.

If the end of the Warranty Submission Period for Stage 3.1 does not occur on or before December 31, 2004, then the State shall be entitled to collect liquidated damages in the amount of \$50,000.00 for each month, beginning January 1, 2005, that Contractor fails to achieve the Warranty Fix Period up to a maximum of \$150,000.00

(b) The parties acknowledge that delays in receiving Stage 3.2 for Final Acceptance will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of

any such delay. Therefore, Contractor and the State agree that in the case of any such delay in respect of which the State does not elect to exercise its rights under Section 19.1, the State shall assess liquidated damages against Contractor as specified in this Section.

If Final Acceptance of Stage 3.2 does not occur on or before June 30, 2005, then the State shall be entitled to collect liquidated damages in the amount of \$50,000.00 for each month, beginning July 1, 2005, that Contractor fails to obtain Final Acceptance up to a maximum of \$600,000.00.

(c) The parties acknowledge that delays in receiving Stage 3.3C for Final Acceptance will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any such delay. Therefore, Contractor and the State agree that in the case of any such delay in respect of which the State does not elect to exercise its rights under Section 19.1, the State shall assess liquidated damages against Contractor as specified in this Section.

If Final Acceptance of Stage 3.3C does not occur on or before March 30, 2006, then the State shall be entitled to collect liquidated damages in the amount of \$25,000.00 for each month, beginning April 1, 2006, that Contractor fails to obtain Final Acceptance up to a maximum of \$300,000.00.

(d) The parties acknowledge that the failure to maintain at least CMM Level 3 will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any such delay. Therefore, Contractor and the State agree that in the case of any such failure in respect of which the State does not elect to exercise its rights under Section 19.1, the State shall assess liquidated damages against Contractor as specified in this Section.

If the Contractor has failed to maintain CMM Level 3 as reported by the Contractor or through the validation of an independent audit, then the State shall be entitled to collect liquidated damages in the amount of \$25,000.00 for each month that Contractor fails to maintain CMM Level 3 up to a maximum of \$150,000.00.

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

December 22, 2004

CHANGE NOTICE NO. 8
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Covansys 2193 Association Dr., Suite 500 Okemos, MI 48864 creaume@covansys.com	TELEPHONE Chris Reaume (517) 381-2437
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector Karen Buckwalter Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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):

Effective immediately this contract is hereby INCREASED by \$5,866,667.00.

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

AUTHORITY/REASON:

Per DMB/Acquisition Services, and Agency contact (Ray McIntosh)

INCREASE: \$5,866,667.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$36,338,605.00

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

July 6, 2004

CHANGE NOTICE NO. 7 (Revised)
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Chris Reaume (517) 381-2437
Covansys 2193 Association Dr., Suite 500 Okemos, MI 48864 creaume@covansys.com		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector Karen Buckwalter Business Process Re-engineering – Department of Management & Budget Office of Retirement Services		
CONTRACT PERIOD: 6 mos From: July 1, 2000		To: June 30, 2005
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 this contract is hereby EXTENDED for one year until June 30, 2005 with two optional 1-year extensions.

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

AUTHORITY/REASON:

Per agency and vendor agreement.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$30,471,938.00

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

June 4, 2004

**CHANGE NOTICE NO. 7
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 2193 Association Dr., Suite 500 Okemos, MI 48864		TELEPHONE Chris Reaume (517) 381-2437
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector Karen Buckwalter Business Process Re-engineering – Department of Management & Budget Office of Retirement Services		
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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>		

NATURE OF CHANGE (S):

Effective immediately, the attached statement of work and revised rates are hereby incorporated into this contract.

AUTHORITY/REASON:

Per agency (Chris DeRose) and vendor (Chris Reaume) agreement.

INCREASE: \$2,233,334.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$30,471,938.00

Covansys™

Vision ORS
Application Support Team
2004-2005 Implementation
Statement of Work

between

State of Michigan

DMB

and

Covansys Corporation

Dated:

May 5, 2004

Statement of Work No. _____

2 / 2020

6/4/2004

1 Table Of Contents

1 Table Of Contents 3

2 Statement of Work Overview 5

2.1 Goals for this SOW 5

2.2 Basic Support Team Components 5

2.3 Direct Project Work (Immediate Needs) 6

2.4 Foundation Building Projects (Long Term Needs) 6

2.5 Management Overview 7

3 Benefits 8

3.1 Near Term Benefits: 8

3.2 Long Term Benefits: 8

4 Activities Part 1 - Direct Project Work 9

4.1 Project Candidates 9

4.2 Project Selection / Scheduling 9

4.3 Management of Support Services Projects 10

4.4 Cross Team Project Coordination 10

5 Activities Part 2 - Foundation Building Projects 11

5.1 Prior Support Services Planning Work 11

5.2 Summary of Foundation Building Efforts 11

ORS Support Team Resources 13

6.1 Team Skills / Size 13

6.2 State Technical Team Members 13

6.3 Covansys ORS Team Members 13

6.4 Covansys Support Services Team Manager 14

6.5 Providing for Additional Capacity 14

6.6 Selecting Additional Lansing Team Resources 14

6.7 Review and Replacement of Key Resources 14

6.8 Review and Replacement of Resources Other than Key Personnel 15

ORS Team Logistics 15

7 The Clarety Support Resource Pool 17

Clarety Support Resource Pool Features 17

7.2 Anticipated Utilization Levels 17

Statement of Work No. _____

7.3	Scheduling Clarety Support Resources	17
7.4	Conversion of Pool FTE's to Full Time Resources	17
8	Payments.....	19
8.1	Term of Agreement	19
8.2	Billing – ORS-based Team	19
8.3	Billing – Clarety Support Resource Pool	19
8.4	Payment Terms.....	19
8.5	Time Reporting	19
9	Rates	20
9.1	Other Expenses	20
9.2	Cost Not To Exceed	2021

4 / ~~2020~~

6/4/2004

2 Statement of Work Overview

This Statement of Work ("SOW") dated this 5th day of May 2004, is issued under and governed by the Amended and Restated Contract #071B0000606 between the State of Michigan ("State"), acting by and through the Office of Retirement Services ("ORS") within the Department of Management and Budget ("DMB"), and Covansys Corporation ("Covansys") dated as of February 08, 2002 (the "Contract"). This Statement of Work (SOW) defines and sets forth the staffing requirements and management, support, maintenance, development, enhancement and other professional services to be provided by Covansys (collectively, the "Support Services" as that term is defined in Section 11.3 of the Contract) as part of a blended State/Covansys application Support Team ("Support Team"), which has responsibility for providing long-term application Support Services for all software that supports ORS, including the Vision ORS Application. Capitalized used in this SOW shall have meanings given in this SOW or, if not defined in this SOW, shall have the meanings given in the Contract. In the event of any conflict between the provisions of this SOW and the provisions of the Contract, the provisions of the Contract shall prevail.

2.1 Goals for this SOW

The Support Team is a new group, which will blend Covansys and State Department of Information Technology ("DIT") resources and personnel to provide application Support Services for all production applications that support ORS, including Vision ORS Applications that are currently in production or planned for development by Covansys.

During the term of this SOW, Support Service responsibility will be progressively transitioned from Covansys to the State as set forth in this SOW or as otherwise agreed by the parties. Covansys shall manage and direct the efforts of the Support Team to realize the following goals:

- (1) *Perform Valued Software/Systems Projects:* Perform Services to provide immediate benefit to ORS, including completing enhancements and providing technical operations support.
- (2) *Perform Foundation Building:* Lay a solid foundation for successful long-term Application Support, including performing Services and projects associated with implementing tool sets, building knowledge bases, and establishing processes.
- (3) *Establish State Knowledge Base:* Build skills and Application knowledge for the State resources while providing a safety net against system or Application failure.

Realizing these goals will be an evolutionary process that involves building the Support Team's capabilities and experience while Covansys develops and warrants the performance of the Applications in accordance with the provisions of the Contract. This SOW provides the management direction, technical expertise, and program flexibility needed to successfully guide this evolution of Support Services, while meeting both the immediate and long-term needs of ORS, DIT and other State stakeholders.

2.2 Basic Support Team Components

- **ORS Team:** As of the Effective Date, the Support Team will include nine (9) ORS-based members. These ORS-based Support Team members will be comprised of five (5) State resources and four (4) Covansys resources, including Dan McClure, Mani Neti, Jimmy Isaac and Thasin Sardar (unless the parties mutually agree otherwise).

- **Clarety Support Resource Pool:** The Support Team will also include a pool of Covansys resources ("Clarety Support Resource Pool") consisting of up to six (6) FTE's (as this term is defined below in Section 6). The Clarety Support Resource Pool will not be specifically designated individuals, thus depending on the specific issue various Covansys Clarety product support resources will be utilized to provide technical expertise to the ORS-based Support Team members. In addition to this technical advice and other Support Services, the Clarety Support Resource Pool will provide to the State direct development support on enhancement projects, focusing on those projects that require advanced expertise or need close coordination with other Project or Application development efforts being managed from the Covansys Clarety Support Center. The Clarety Support Resource Pool can also be utilized by the State at its discretion to provide additional types of Application Support, including operations troubleshooting related to DIT infrastructure issues.
- **Conversion:** As the ORS-based Support Team members gain Project experience and the need for Clarety product support resources declines, specific Covansys resources, with written approval from the State, may be transitioned to the ORS-based Support Team. These transitions are expected to occur in the first half of 2005.

2.3 Direct Project Work (Immediate Needs)

The Support Team will simultaneously perform Direct Project Work (including enhancements and operational support projects) while moving forward with long-term Foundation Building Projects (including tool implementation, process implementation, and constructing an integrated knowledge base).

The initial volume of enhancements and operational support Services performed by the ORS-based Support Team members will be managed so as to allow the Support Team an opportunity to implement the foundation building projects. As the performance under this SOW progresses and significant portions of the Foundation Building Project work are completed, the Support Team will focus on performing Services related to larger volumes of project work and more complex enhancements. In addition, certain ongoing coordination and support activities currently performed by the Project Management Office (PMO) will also be handled by the Support Team, thereby freeing up additional PMO resources.

To augment the ORS-based Support Team members' capacity for Direct Work Projects, it is anticipated that as of the Effective Date between one third (1/3) and two thirds (2/3) of the Clarety Support Resource Pool will work directly on enhancements. "Direct Project Work" means work requiring the performance of Support Services that are deemed by the State to be of immediate importance and urgency as defined in Section 4.

2.4 Foundation Building Projects (Long Term Needs)

Throughout the term of this SOW, an ongoing portion of the Support Team's resources will be applied to long-term Foundation Building Projects, including:

- Implementation of version 6 of the State standard project management software, Niku and the improvements to ORS' project selection and approval process, the New Foundation Process.
- Implementation of integrated requirements, design, testing tools and their use.
- Development and implementation of a virtual DIT systems support team.
- Implementation of software configuration management and deployment controls.

- Creation of a quality assurance activity and the collection of supporting metrics.

Initially, substantial Services will be performed by the Support Team in these Foundation Building Project areas so as to provide a basis for enhancements and operations Services. As the performance of Services under this SOW progresses, smaller portions of the available Support Team resources will need to be dedicated to these Foundation Building Project Services. On average, over the entire term of this SOW approximately one-third (1/3) of the available Support Team resources are anticipated to be engaged in Foundation Building Project tasks. "Foundation Building Projects" are the projects that will design and implement the processes and supporting software to develop and maintain ORS' software as defined in Section 5.

2.5 Management Overview

An ORS-based Covansys resource will serve as Support Services Manager and will manage the day-to-day enhancement Services of the ORS-based Support Team members and establish the strategic plan for completing the Foundation Building Projects. A State DIT employee will have administrative management responsibilities for the State resources on the ORS-based Support Team.

Since Clarety Support Resource Pool resources of Covansys are temporarily assigned to Support Services responsibilities, these resources will continue to report to their regular Covansys managers on a general basis, but will report to the Support Services Manager for project Services performed under this SOW. The ORS-based Support Team will be responsible for providing overall project management Services for the Support Services projects and for integrating the Clarety Support Resource Pool into a project as appropriate. In some specific cases, such as where a project is principally conducted at the Clarety Support Center or has strong Project dependencies, project management may remain at the Covansys Clarety Support Center location.

3 Benefits

This SOW sets forth a strategy that provides a viable approach that serves the State's need for both immediate and long term Support Services.

3.1 Near Term Benefits:

- **Work on Enhancements Moves Forward:** The SOW schedule quickly begins enhancement work that provides direct business and cost management benefits to ORS. In addition, this practical Project work is one of the best forums for developing hands on expertise.
- **Provides Team with Access to Diverse Knowledge Areas:** This SOW provides access to appropriately knowledgeable resources. The use of a Clarety Support Resource Pool avoids the questionable assumption that there is one individual that "knows it all" who can provide all the technical expertise needed in all subject areas. Knowledgeable resources will be available to the Support Team to cover all subjects within the defined areas of responsibility of this SOW.
- **Operations Support is Progressively Transferred:** This SOW promptly transitions operational activities to the Support Team.
- **Provides an Outlet to Offload PMO Overload:** The Support Team will provide one of the best immediate opportunities to transfer certain PMO activities, including taking ownership of any discovered system performance issues and coordinating the solution with Covansys and the DIT. In addition to providing needed capacity to the PMO team, the Support Team will become the long term "owner" of many current PMO responsibilities.

3.2 Long Term Benefits:

- **Moves Foundation Building Projects Forward:** By leveraging the combined skill sets on the blended Support Team, the parties will possess sufficient management and technical capacity to undertake a variety of long term Foundation Building Projects, including tool, process, and knowledge base projects.
- **Enables a Progressive Transition to an ORS-Based Team:** This SOW allows conversion of experienced Covansys resources to full time ORS-based resources over the term of the SOW. In addition, the State will have near-term access to Covansys' expertise in the Clarety Support Resource Pool.
- **Leverages Key Resources While They are Available:** This SOW will leverage the knowledge of the key Covansys resources which were actively involved in the design and development of the Application and development Projects.

4 Activities Part 1 - Direct Project Work

The Direct Work Project is work and Services that provide immediate benefit to ORS and includes activities that would otherwise require CCRs for Covansys to perform. Activities include:

- **Development of Enhancements** – Performance of Services relating to new development on Clarety and related Covansys systems.
- **Other BPO Requests** – Performance of Services relating to new development on systems that are not Covansys applications, including the ORS web site and legacy applications.
- **Scheduled Operations Support** – Performance of ongoing Support Services, including ECS batch job monitoring, pilot refresh monitoring and routine user account maintenance issues.
- **Operations Problem Solving** – Performance of Support Services relating to operations problems that are linked to State Application issues or DIT activities.
- **Coordination / Tracking** – Handling day-to-day coordination and tracking of items that would otherwise be handled by the ORS PMO.

4.1 Project Candidates

The Direct Work Project selection process will limit the potential interaction of Support Services projects with other Covansys development work, thereby reducing the chance for unintended problems.

Direct Work Projects candidates will be selected from changes identified during the development of the Applications and additional enhancement requests made by the ORS Business Process Owners (BPO) and the ORS PMO. The Direct Work Projects will be targeted so that they have:

- Limited range of impact on other Projects or parts of the Application.
- Manageable complexity.
- The ability to be performed on a branch that closely matches the production version of the Application.
- The ability to serve business goals and priorities as established by the ORS BPO's.
- The ability to balance demands on key Covansys resources that may be on the critical path for other new development activities.

4.2 Project Selection / Scheduling

Once Direct Work Project candidates have been identified by the State that meet the prior criteria, the project review and approval process outlined in the updated New Foundation Process will be used to select and prioritize the work. This New Foundation Process provides for regular review of proposed Projects by the ORS BPO's with the advice of the Support Services Team Manager on scheduling and technical issues.

5 Activities Part 2 - Foundation Building Projects

The Foundation Building Project efforts are designed to position the Support Team for long-term independent support of the ORS enterprise Applications. The Foundation Building Projects will benefit the State by having both a strategic role in the long-term success of ORS as well as a more immediate impact on the Support Team's capacity to perform Support Services during the first year of the term of this SOW.

5.1 Prior Support Services Planning Work

These Foundation Building Projects arise principally out of the analysis performed as part of the earlier Application Support Planning project. That Application Support Planning project contained a number of different components that identified strategies for project management, system development lifecycle, and technology use.

The report Deliverables generated by the Application Support Planning project will identify the strategies and work plans needed to implement the Foundation Building Projects. The work under this SOW will take these Support Services strategies and plans and implement them within the team's day-to-day operations.

5.2 Summary of Foundation Building Efforts

The following list summarizes the major areas of work anticipated as part of the Foundation Building Project efforts. A significant portion of this Foundation Building Project work will be front-loaded with substantial work performed in the early stages of the term of this SOW.

The parties' intention is to create an environment that supports continuous improvement. As a result, while the Application Support Planning Deliverables provide a starting road map for these efforts, it is expected that the Foundation Building Project activities will be adjusted by mutual agreement of the parties in response to actual experience as the tools and processes are put into practice. For many of the efforts there are also significant dependencies on other groups within the State, which may result in mutually-agreed upon modifications to approach and timing.

The Support Team will perform the following Support Services with respect to the Foundation Building Projects.

- Business Process and Project Management Setup
- Piloting and deployment of Niku 6, the State's standard project management software.
- Implementation of the improvements to ORS' project selection and approval process, the New Foundation process.
- Implementation of updated project and resource tracking process.
- Implementation of Business Analyst roles.

5.2.1 Integrated Knowledge Base development

- Implementation of requirements and design Tools.
- Implementation of testing and defect tracking tools.

- Conversion of Covansys documentation / scripts where reasonable, to the new requirements, design and analysis tools.
- Development of expanded and integrated requirements and design documentation.
- Development of expanded and integrated business functional test suites.
- Update of integrated knowledge base as new application features are released.

5.2.2 Virtual DIT Systems Support Team

- Training for Support Team members in details of the technical infrastructure.
- Implementation of coordinated DIT / AST communication plan.
- Training for DIT staff in details of ORS systems architecture.
- Create knowledge repository of ORS related systems problems and solutions.

5.2.3 QA and Metrics Implementation

- Creation of a Quality Assurance role, which will include planning for movement of the blended team to a Capability Maturity Model, level 2.
- Collection of supporting metrics to augment management of the group.

5.2.4 Software Configuration Management and Deployment

- Setup source code access for the ORS-based Team and coordinated branching policy to ensure synchronization of application changes.
- Implement code check-in / check-out and build capabilities.
- Implement merging policy (in cooperation with Covansys development teams).
- Implement deployment plans and controls (in cooperation with DIT and Covansys development teams).

5.2.5 Team Development

- Build and implement process to provide for the ongoing analysis of skill needs.
- Create a process to tailor assignments and training to build skills.
- Review and update of staffing strategies to respond to evolving ORS needs in various technical areas (Clarety, FileNet, Siebel, Infrastructure).
- Create a plan for the progressive transition of responsibilities to the ORS-based Support Team members.

6 ORS Support Team Resources

The long-term strategic direction of the Support Services effort is to create an ORS-based team that works directly with ORS users and management to support the ORS enterprise Applications. In order to draw on unique expertise and qualifications within both the State DIT organization and Covansys, a blended ORS-based Support Team with an initial staffing of nine (9) resources will be established. The members of the ORS-based Support team will work full time in accordance with State requirements. The ORS-based team will be supplemented by 6 FTE's from the Clarety Support Resource Pool who will provide varied skills and experience on an as-needed basis as described in Section 7.

6.1 Team Skills / Size

This Support Team size was selected to provide solid core coverage of key roles (management, software configuration, DBA, Analyst, Developer, Testing/QA) while at the same time avoiding inefficiencies that would come from ramping up a very large team. The size of the Support Team and the relative staffing of various roles will be evaluated as the Support Team matures with the possibility of making mutually agreed strategic changes in Support Team's size and composition.

The Support Team resources have been selected principally to support the Clarety and FileNet portions of the Application. Because of the complexity of the technology and the high risk of conflicts with the ongoing development work, the initial ORS-based Support Team members will not include Siebel resources for work on the CRM portion of the system. When one or more of the Clarety Support Resource Pool positions is converted to an ORS-based position (which is anticipated to coincide with the conclusion of the Covansys work on CRM), then the State may add Siebel resource(s) to the Support Team.

6.2 State Technical Team Members

Five experienced State DIT technical staff members were identified in late 2002 as members of the Support Team for ORS. The State Support Team members and their proposed roles are:

- Mike Gallihugh – Functional Analyst / Sr. Technical Client Representative
- Tim Lott – Sr. Developer-Analyst / Systems Support
- Marc Olenzek – Sr. Developer-Analyst
- Sejin Chung – DBA
- Amita Das – QA and Testing

6.3 Covansys ORS Team Members

In addition to the personnel identified and described elsewhere in this SOW, three (3) Covansys technical resources, who have been actively involved with the setup and/or performance of Application Support activities will work as part of the Support Team. These include the following Covansys resources:

- Mani Neti – Software Configuration Lead, Testing Lead / Sr. Technical Client Representative
- Jimmy Isaac – Sr. Developer-Analyst / Technical Client Representative
- Thasin Sardar – Sr. Developer-Analyst / Technical Client Representative

6.4 Covansys Support Services Team Manager

Dan McClure will provide overall management for the Support Team. It is currently intended that this position will transition to be filled by a State employee near the end of the SOW term.

6.5 Providing for Additional Capacity

From time to time, the State may have project demands that exceed the available capacity of the Support Team. In this situation the State and Covansys may mutually agree on approach to provide additional development capacity, including the following alternatives:

- 1) **Expand the Clarety Support Resource Pool:** The Clarety Support Resource Pool size may be expanded above six FTE's to provide additional resources for a limited period. In such event, Covansys will work with the ORS PMQ to define the types of resources necessary and arrange their availability. The blended Clarety Support Resource Pool rate would be appropriately adjusted by mutual agreement, if necessary.
- 2) **Add to the ORS Based Team:** Should there be a long term need for additional capacity, the size of the Support Team based at ORS may be expanded. Unless otherwise negotiated, these additional resources added to the Support Team at ORS would continue through the end of this SOW and would be considered on par with and charged at the same cost as other ORS-based Support Team resources in any follow-up arrangements.
- 3) **Assigned Project:** Large projects or projects requiring significant specialized technical expertise may be assigned to a dedicated Covansys team which is arranged through the Change Request process as set forth under Section 8 of the Contract.

6.6 Selecting Additional ORS-Based Team Resources

When full time dedicated positions based at ORS are added to the Support Team (e.g. by converting experienced Covansys resources or by expanding the overall Support Team size), the State will work with Covansys to determine the nature of the work to be performed by the additional resource and the types of expertise and experience needed. Covansys will submit a description of the candidate's qualifications for the State's review and, if desired by the State, provide an opportunity to interview the candidate. The State will notify Covansys of the candidate's acceptability within five (5) business days of reviewing the qualifications and/or interview.

6.7 Review and Replacement of Key Resources

Key Personnel: Section 5 of the Contract will govern key Personnel under this SOW. Key personnel are:

- Dan McClure – Team Manager

6.8 Review and Replacement of Resources Other than Key Personnel

The remaining terms of Section 6.8 describe the review, replacement and reassignment of full-time dedicated ORS-based Covansys resources who are not Key Personnel.

6.8.1 Review of Resource Performance:

On request, the State will have the opportunity to meet with the Covansys Support Services Manager for regular reviews of Support Team performance and needs. This review will provide a forum for identifying areas of concern regarding performance and an opportunity to develop written plans for improving performance.

6.8.2 State Request to Replace Resources:

Should the State determine that there are substantive shortfalls in the performance of a Covansys Support Team member, the State may request in writing a replacement employee from Covansys, and Covansys will promptly submit replacement candidates for review and approval by the State. If both Covansys and the State agree that the employee's performance may be sufficiently improved Covansys will submit a performance improvement plan for the employee. The State must approve, in writing, the plan, the improvement milestones, and the adjusted billing rate during the improvement period. If the expected improvement at any milestone is not met, the State can cancel the improvement effort and request a replacement be provided.

6.8.3 Reassigning Resources:

The State has a need for continuity among the members of the Support Team and it is Covansys' intent that ORS Team Resources be provided on a long-term basis. However, Covansys may on occasion wish to replace a specific Covansys ORS Team Resource, for reasons related to Covansys' general business needs or the individual needs of the resource being replaced. Covansys may make such a replacement by providing written notice 60 days in advance of the proposed replacement, subject to the approval of the State, which shall not be unreasonably withheld. Prior to making the replacement, a transition plan will be developed by Covansys and the State which specifies the timing of the transition, plans for knowledge transfer, and identification of replacement resources. In the event the State determines that the resource replacement can be effectively executed in less than 60 days, the State will waive the requirement for 60 days notice. Said waiver will not be unreasonably withheld.

As part of the transition plan Covansys will provide at no charge for 30 calendar days an opportunity for the replacement resource to shadow the existing resource in performance of their role. For replacement resources that already possess substantial expertise and knowledge, which would reasonably reduce the need for a shadowing period, the State and Covansys will mutually agree in writing to a reduction of the shadowing period proportional to the individual's applicable expertise.

6.9 ORS Team Logistics

Full Time Resources: ORS-based Support Team members are offered by Covansys on a full time basis during the term of their engagement.

Location: The Covansys ORS-based Support Team members will work in the same facilities as the State Support Team members, in the State's Lansing, Michigan area offices. Covansys and the State may mutually agree to other work locations for reasons such as a transitional period prior to a move to Lansing. Unless otherwise agreed upon, Covansys may not charge the State any additional amount for travel-related or other incidental expenses for resources that are in the process of transitioning to the Lansing work location.

Facilities: The State will provide the Covansys ORS-based Support Team members with office space, workstations, and support infrastructure (copying machine, phone, etc) as set forth in Section 9.1 of the Contract.

7 The Clarety Support Resource Pool

7.1 Clarety Support Resource Pool Features

A pool of hours up to six (6) Full Time Equivalents (FTE's) will be provided by Covansys, principally tapping Covansys staff that has been working on Clarety projects. An "FTE" is defined as 1884 hours per year or an average of 157 hours per month.

The Clarety Support Resource Pool will provide a mechanism for Covansys resources on the Support Team that are not based at ORS to participate in a variety of roles and provide certain Services, including:

- **Consulting:** Advise the ORS-based Support Team members on their enhancement development projects.
- **Operations:** Provide Applications support for recurring operations work.
- **Trouble Shooting:** Support the diagnosis and correction of operational problems related to State systems and Applications issues
- **Foundation Projects:** Provide support for Foundation Building Project work being conducted by the ORS-based Support Team members.
- **Perform Enhancements:** Directly work on enhancement projects and other Direct Project Work.

7.2 Anticipated Utilization Levels

The work in this SOW has been defined with the anticipation that at least 3 FTE's from Clarety Support Resource Pool will be consistently utilized throughout the term of the SOW. Since over the term of the SOW the actual resource needs of the State may vary from this projected level, the State at its discretion may modify this amount upward or downward in response to actual project priorities and needs.

7.3 Scheduling Clarety Support Resources

For scheduled projects, which include application enhancements, foundation projects, and planned operations work, in advance of beginning work the Support Team Manager from Covansys will provide a project plan which projects the expected Clarety Support Resource requirements and then subsequently report actual utilization in accordance with Section 8.

For unscheduled work, such as responding to immediate operational problems, notification of State will not be required before utilizing Clarety Support Resources. However, Covansys will report all unscheduled Clarety Support Resource utilization as part of the regular time reporting described in Section 8. In addition, the Support Team Manager will submit weekly summaries of unscheduled Clarety Support Resource Pool utilization.

7.4 Conversion of Pool FTE's to Full Time Resources

Over the course of the term of the SOW, Covansys FTE's can be converted into full time positions based at ORS, when approved in writing by the State. This will allow the character of the teams to adjust as the skill base at ORS increases and Covansys' overall role is reduced at the end of new development.

Covansys and the ORS PMO will mutually agree upon the timing of a resource transition. It is currently anticipated that these conversions would happen in the 1st Quarter of 2005.

While it is planned that positions will migrate to Lansing over the term of the SOW, the State may elect to maintain some portion of the Clarety Support Resource Pool to provide continued access to expertise and technical support.

8 Payments

8.1 Term of Agreement

The term of this SOW will be 36 months, commencing on May 5, 2004 and running through April 30, 2007, unless terminated earlier in accordance with provisions of the Contract.

8.2 Billing – ORS-based Team

Covansys ORS-based Support Team members will be charged at a fixed monthly rate based on position type or skill level as set forth in Section 9.

If an ORS-based Support Team member is engaged in the performance of Support Services under this SOW for a partial month (typically either at the beginning or end of an assignment), the monthly charge to the State will be prorated based on the portion of the month worked.

8.3 Billing – Clarety Support Resource Pool

Clarety Support Resource Pool resources will be charged at an hourly rate based on actual hours worked and in accordance with position type or skill level as set forth in Section 9.

8.4 Payment Terms

Covansys will invoice the State monthly, in arrears, for the Services described herein at the rates specified in Section 9. The State shall pay Covansys in accordance with Section 10.2 of the Contract. No holdback will be applied against these payments.

8.5 Time Reporting

Time reporting for the ORS-based Support Team will be done using the project management system provided by the State and the standard time reports generated by that system. The Clarety Support Resource Pool time for the Support Team will be collected using the Covansys Time Control system.

All time reporting to the State will be in writing by number of hours, by project, and by employee on a monthly basis. All time reporting descriptions shall contain sufficiently detailed project descriptions.

9 Rates

Labor Rates for this SOW will be based on the following schedules:

Clarety Support Resource Pool Labor Classification	Hourly Rate May 2004 – April 2005
Project Manager	\$151.00
Team Leader	\$130.00
Senior SME	\$113.00
SME	\$120.00
Sr. Systems Consultant	\$105.00
Systems Consultant	\$90.00
Sr. Programmer/Analyst	\$80.00
Programmer/Analyst	\$63.00
Offshore Resources	\$40.00

When Clarety Support Resource Pool resources are converted to dedicated ORS-based Support Team resources, the monthly rate for the ORS-based resource will be calculated by multiplying the appropriate hourly rate by 157 hours.

9.1 Other Expenses

These rates include all Covansys out-of-pocket expenses, reimbursement of which is governed by Section 10.2 of the Contract. The parties may agree to adjustments in the reimbursement of travel expenses in accordance with the provisions of Schedule Q of the Contract.

Any procurement of software or hardware associated with the Support Services effort will be the responsibility of the State and will be governed by Section 10.2 of the Contract. Any such procurement must be identified and justified by Covansys and approved in writing by the State.

9.2 Cost Not To Exceed

The charges for all Services under this SOW will not exceed **\$6,700,000 over 36 months** and Covansys will not be permitted to charge, and the State will not be obligated to pay, any amount in excess of **\$6,700,000.00**.

This will have to be re-computed after the rates are negotiated.

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

July 3, 2003

**CHANGE NOTICE NO. 6
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 2193 Association Dr., Suite 500 Okemos, MI 48864	TELEPHONE Chris Reaume (517) 381-2437
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1647 Irene Pena
Contract Administrator: Karen Buckwalter Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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>	

NATURE OF CHANGE (S):

Effective 6/17/03, this contract has been INCREASED by \$442,980.00. All other terms, specifications, conditions, and pricing remain the same.

AUTHORITY/REASON:

Per agency's request and DMB/Acquisition Services.

INCREASE: \$442,980.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$28,238,604.00

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

March 19, 2003

**CHANGE NOTICE NO. 5
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 2 2193 Association Dr., Suite 500 3 Okemos, MI 48864 4 5	TELEPHONE Chris Reaume (517) 381-2437 VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 Irene Pena
Contract Administrator: Karen Buckwalter Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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>	

NATURE OF CHANGE (S):

Effective 3/4/03, this contract has been INCREASED by \$437,770.00. All other terms, specifications, conditions, and pricing remain the same.

AUTHORITY/REASON:

Per agency's request from Karen Buckwalter on 2/6/03 and DMB/Acquisition Services.

INCREASE: \$437,770.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$27,795,624.00

**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 6, 2002

**CHANGE NOTICE NO. 4
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 2 2193 Association Dr., Suite 500 3 Okemos, MI 48864 4 5	TELEPHONE Chris Reaume (517) 381-2437 VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 Irene Pena
Contract Administrator: Chris DeRose Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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>	

NATURE OF CHANGE (S):

Effective 2/5/02 this contract is hereby **INCREASED \$22,193,749.00** to perform the services described on the attached amended and restated contract.

AUTHORITY/REASON:

Per agency's request from Chris DeRose and vendor's approval by Chris Reaume and Steve Hawley and in accordance with the modification clause.

INCREASE: \$22,193,749.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$27,357,854.00

 Chris DeRose, Director
 DMB, Office of Retirement Services

 Kathryn Jones, Director
 DMB, Office of Acquisition Services

Michael S. Duffy, Chief Financial Officer
Covansys

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

December 20, 2001

**CHANGE NOTICE NO. 3
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 2 2193 Association Dr., Suite 500 3 Okemos, MI 48864 4 5	TELEPHONE Chris Reaume (517) 381-2437 VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 Irene Pena
Contract Administrator: Chris DeRose Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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>	

NATURE OF CHANGE (S):

Effective immediately, the attached interim letter of agreement is hereby incorporated into this contract. The contract is also INCREASED \$2,623,260.00 for a new total of \$5,214,114.00.

INCREASE: \$2,623,260.00

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$5,214,114.00

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

December 19, 2001

**CHANGE NOTICE NO. 2
 TO
 CONTRACT NO. 071B0000606
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Covansys 2 2193 Association Dr., Suite 500 3 Okemos, MI 48864 4 5	TELEPHONE Chris Reaume (517) 381-2437 VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 Irene Pena
Contract Administrator: Chris DeRose Business Process Re-engineering – Department of Management & Budget Office of Retirement Services	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: June 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>	

NATURE OF CHANGE (S):

Effective immediately the vendor name has been changed to Covansys.

AUTHORITY/REASON:

Per vendor request

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$2,590,854.00

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

September 20, 2001

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Chris Reaume (517) 381-2437
1 Complete Business Solutions Inc. (CBSI)		VENDOR NUMBER/MAIL CODE
2 2193 Association Dr., Suite 500		BUYER (517) 241-1647
3 Okemos, MI 48864		Irene Pena
4		
5		
Contract Administrator: Chris DeRose Business Process Re-engineering – Department of Management & Budget Office of Retirement Services		
CONTRACT PERIOD: 6 mos From: July 1, 2000		To: June 30, 2004
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, this contract is hereby extended through June 30, 2004 and increased \$483,000.00 per the attached Statement of Work.

AUTHORITY/REASON:

Per agency's request from Steve Crippen and vendor's approval in a letter dated August 1, 2001, along with approval by DMB/OOP and in accordance with the modification clause.

INCREASE: \$483,000.00

Estimated Contract Value: \$2,590,854.00

Statement of Work	11/6/01	11/26/01
Proposal Development	11/6/01	11/26/01

State of Michigan
Office of Retirement Services (ORS)
Addendum to Contract #071B0000606
Employer Reporting Analysis Project
August 1, 2001

Statement of Work

The Office of Retirement Services has successfully engaged Covansys (formerly CBSI) in the process of assessing the current business (As-Is), establishing benchmarks for comparison (Best-In-Class) and determining the future operation (To-Be) under Contract #071B0000606. This contract is hereby amended to include the Employer Reporting Analysis Project. Our intent upon completion of the Analysis project is to further engage Covansys in the overall Employer Reporting Project. Further, we retain the expressed option within the original Work Statement (Contract 071B0000606, Page 17, 1-19-00) to expand the contract to include the additional projects that are the basis for completing the entire Vision ORS project.

The Employer Reporting Analysis Project is designed to establish the scope, duration, high-level project plan and cost of the Employer Reporting project. It is being funded on a Time and Materials basis, since the scope of some of the activities described below vary based on factors not yet decided. Overall project scope will be constrained as the project proceeds to keep the project within its projected cost.

Deliverables

- Employer Reporting System (ERS) Detailed Requirements
- Employer Change Management Approach
- Employer Reporting Project Statement of Work
- Firm Fixed Bid Proposal for the Design, Development, Testing, Delivery and Warranty of the Employer Reporting System (ERS)

Cost

Estimated cost for this project is \$483,000 based on a fully loaded composite rate of \$150 per hour for an estimated 3220 hours.

High-Level Work Plan

	<u>Start</u>	<u>End</u>
Initial Project Planning	9/4/01	9/10/01
Requirements Definition	9/4/01	11/5/01
Employer Change Management Approach	9/4/01	10/29/01
Statement of Work	11/6/01	11/26/01
Proposal Development	11/6/01	11/26/01

Employer Reporting System Detailed Requirements

The Employer Reporting application will serve as the portal through which wages and contributions are reported. The complete Employer Reporting project therefore includes the design, development and deployment of business functionality for the Employer customer segment. It also includes the deployment of web self-service for employers. The Employer Reporting application will result in the replacement of the existing ARS application and will automate Processes 1.1 and 1.2 of the eleven re-engineered ORS core business processes.

The Detailed Requirements Analysis deliverable documents ERS requirements, including technology requirements based on ERS interfaces. The document content is as follows:

- ERS Business Rules

This section lists and describes the major business rules to be implemented by the system. Business rule information will be gleaned both from an analysis of ARS (code and/or documentation) as well as interviews with ORS business process experts.

- ◆ Data – what employer/employee data is needed
- ◆ Data Validations – in what ways must data be validated. The intent is to describe overall methods of validation, not on a field-by-field basis
- ◆ Business Processes – what business processes, staging or steps must be implemented or continued under the new system
- ◆ Reporting Requirements – what information is needed by ORS or third parties to satisfy reporting needs

- Employer Accounts Approach

Two fundamentally different models of handling employer accounts are available to ORS:

1. Employers transmit a given batch of transactions and the funds to cover those transactions (not necessarily at essentially the same time). The system must validate all transactions in the batch (which is generally iterative and time-consuming) and then reconcile the funds received with the validated transactions.
2. Employer transactions are transmitted to ORS in batch. After ORS validates an individual transaction, the transaction is posted to the appropriate employer account and an amount due is added to the employer account. A receivable process is required to collect due amounts.

The following topics are included in the section:

- ◆ Description of the two employer account approaches (what is entailed by each)
 - ◆ Analysis of the pros and cons of each
 - ◆ Recommendation
-

- Strategy for Using HRMN Data

The existence of ERS is necessitated by the need for a centralized mechanism to collect and reconcile data from approximately one thousand public schools' and Non Central Agencies' payroll systems. The role of ERS for state employees, state police and judges is less clear, since payroll data is available from one payroll system maintained by the State (data for only selected judges is available through HRMN). Two general approaches are available:

1. ERS collects state employee and state police information in the same (or mostly the same) manner utilized for public schools, by implementing an interface with HRMN.
2. HRMN is interfaced directly with the ORS member accounts system and no ERS interface is developed. Under this approach, member account data is retrieved directly from HRMN and validation/reconciliation of state employee data is streamlined.

The decision regarding the need for a HRMN-ERS interface is thus based on an overall decision regarding ORS' approach for obtaining, validating and using HRMN information. In addition, there should be consideration of how to handle Judges (e.g., should HRMN Judges data be transmitted to ERS and, if so, how should the data be used?). This section analyzes the factors involved with this decision. It includes:

- ◆ HRMN Data - description of the relevant data available from HRMN
- ◆ Current Use - analysis of the current use of HRMN by ORS
- ◆ Alternative Approaches – describes the alternatives for obtaining and utilizing State data, including the pros and cons of each
- ◆ Recommendations

- System Interfaces

In addition to an interface with public school payroll systems, ORS will interface with certain State of Michigan systems. This section documents the interfaces currently selected and those being considered and, makes recommendations regarding those interfaces under consideration.

- ARMS

ARMS currently exchanges employer and employee data from ARS. Until a new member accounting system replaces ARMS, it is required that ERS provide the same basic information. Hence, this section documents the ARMS/ARS interface and the technology required to replace it...

- ◆ ARMS/ARS Interface Data – what data is transmitted
 - ◆ ARMS/ARS Interface Processes – how the interface is sequenced
 - ◆ ARMS Technology – description of the technology underlying the interface and an analysis of the technology implications for the ERS/ARMS interface
-

- SRVS

ORS is currently in the process of updating SRVS capabilities and data, to allow SRVS to play a more important role in handling state employee and state police accounts. Accordingly, until SRVS is replaced by a new member accounting system, an SRVS/ERS interface may be desirable. This section documents the consideration of this interface (note that this analysis is only relevant in the event ORS decides to create a HRMN/ERS interface).

- ◆ SRVS Functional Analysis – considers the primary functional capabilities of SRVS, to determine the role the new SRVS will play in the ORS process
- ◆ SRVS Technology – documents SRVS technology, including the technology implications for a possible SRVS/ERS interface
- ◆ Alternative Approaches – describes the alternatives, including the pros and cons of each
- ◆ Recommendations

- Accounting System Interface

ERS will provide transaction detail to existing ORS Legacy Systems and summary information to MAIN. This section explores the alternatives:

- ◆ Identify Options – describes the available options
- ◆ Technology – explores the technology required to implement each option
- ◆ Evaluation of alternatives – describes the pros and cons of each option
- ◆ Recommendations

Employer Change Management Approach

The success of the Employer Reporting Project depends, in significant part, on the speed with which employers begin to use it. Yet, the changes envisioned will require significant process and technology change on the part of employers. The Employer Change Management Approach deliverable recommends a high-level strategy for successfully deploying ERS. It includes:

- Experiences at Other States

As a part of developing an ORS approach, the experiences of two to four other states will be investigated. This section documents the approaches used by each state and the corresponding results:

- ◆ Description of Approach – what strategies and techniques were employed
 - ◆ Pros and Cons – advantages and disadvantages observed by the State
 - ◆ Recommendations – specific advice provided
-

After describing the experiences of each state, overall conclusions will be presented.

- **Alternative approaches**

This section presents and evaluates employer change management alternatives. Topics to be considered include:

 - ◆ Number of employers that participate in the design of the new reporting process, data format and system
 - ◆ Manner in which employers participate in the design of the new reporting process, data format and system
 - ◆ The type of information/messages that should be presented to employers
 - ◆ The mechanism and timing for the distribution of employer information
 - ◆ What type of information should be collected from employers
 - ◆ How that information should be collected
 - ◆ Technology alternatives
- **Recommended approach for transitioning employers to the new reporting process**

Employer Reporting Project Statement of Work

The statement of work will document the remainder of the Employer Reporting Project, including:

- Scope
- Deliverables
- Project Plan
 - Schedule
 - Resources
 - Tasks
 - Logistics
- Organizational Structure
 - Organization
 - Roles and Responsibilities
- Project Management
- Assumptions

Proposal

A firm-fixed-bid proposal commensurate to the statement of work.

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

June 12, 2000

NOTICE
TO
CONTRACT NO. 071B0000606
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Chris Reaume (517) 381-2437
1 Complete Business Solutions Inc. (CBSI)		VENDOR NUMBER/MAIL CODE
2 2193 Association Dr., Suite 500		
3 Okemos, MI 48864		BUYER (517) 241-1218
4		Christian Fuller
5		
Contract Administrator: Chris DeRose Business Process Re-engineering – Department of Management & Budget Office of Retirement Services		
CONTRACT PERIOD: 6 mos From: July 1, 2000		To: January 31, 2001
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 #071I0000190 this Contract Agreement and the vendor's quote dated 3-8-00. 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: **\$2,107,854.00**

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

CONTRACT NO. 071B0000606

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR 1 Complete Business Solutions Inc. (CBSI) 2 2193 Association Dr., Suite 500 3 Okemos, MI 48864 4 5	TELEPHONE Chris Reaume (517) 381-2437 VENDOR NUMBER/MAIL CODE BUYER (517) 241-1218 Christian Fuller
Contract Administrator: Chris DeRose <p style="text-align: center;">Business Process Re-engineering – Department of Management & Budget Office of Retirement Services</p>	
CONTRACT PERIOD: 6 mos From: July 1, 2000 To: January 31, 2001	
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: <p>The terms and conditions of this Contract are those of ITB #071I0000190 this Contract Agreement and the vendor's quote dated 3-8-00. 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.</p> <p>Estimated Contract Value: \$2,107,854.00</p>	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No.071I0000190. A Purchase Order Form will be issued only as the requirements of the State Departments are submitted to the Office of Purchasing. 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.

FOR THE VENDOR:	FOR THE STATE:
Firm Name	Signature
Authorized Agent Signature	David F. Ancell
Authorized Agent (Print or Type)	Name
Date	State Purchasing Director
	Title
	Date

OFFICE OF PURCHASING
STATE OF MICHIGAN

TABLE OF CONTENTS
CONTRACT #071B0000606

SECTION I – CONTRACTUAL SERVICES TERMS AND CONDITIONS

I-A PURPOSE		1
I-B TERM OF CONTRACT		1
I-C ISSUING OFFICE		1
I-D CONTRACT ADMINISTRATOR		1
I-E COST LIABILITY		2
I-F CONTRACTOR RESPONSIBILITIES		2
I-G NEWS RELEASES		2
I-H DISCLOSURE		2
I-I ACCOUNTING RECORDS		2
I-J INDEMNIFICATION		3
I-K LIMITATION OF LIABILITY		4
I-L NON INFRINGEMENT/COMPLIANCE WITH LAWS		4
I-M WARRANTIES AND REPRESENTATIONS		4
I-N TIME IS OF THE ESSENCE		4
I-O KEY PERSONNEL		4
I-P WORK PRODUCT AND OWNERSHIP		5
I-Q CONFIDENTIALITY OF DATA AND INFORMATION		5
I-R REMEDIES FOR BREACH OF CONFIDENTIALITY		6
I-S CONTRACTOR'S LIABILITY INSURANCE		6
I-T NOTICE AND RIGHT TO CURE		7
I-U CANCELLATION		7
I-V RIGHTS AND OBLIGATIONS UPON CANCELLATION		9
I-WEXCUSABLE FAILURE		10
I-X ASSIGNMENT		11
I-Y DELEGATION		11
I-Z NON-DISCRIMINATION CLAUSE		11
I-AA	MODIFICATION OF SERVICE	11
I-BB	ACCEPTANCE OF PROPOSAL CONTENT	12
I-CC	REVISIONS, CONSENTS, AND APPROVALS	12
I-DD	ENTIRE AGREEMENT	12
I-EE	NO WAIVER OF DEFAULT	12
I-FF	SEVERABILITY	12
I-GG	HEADINGS	12
I-HH	RELATIONSHIP OF THE PARTIES	12
I-II NOTICES		12
I-JJ	UNFAIR LABOR PRACTICES	13
I-KK	SURVIVOR	13
I-LL	GOVERNING LAW	13
I-MM	YEAR 2000 SOFTWARE COMPLIANCE	13
I-NN	CONTRACT DISTRIBUTION	14

TABLE OF CONTENTS (CON'T.)

Page 2

SECTION I – CONTRACTUAL SERVICES TERMS AND CONDITIONS (con't.)

I-OO	TRANSITION ASSISTANCE	14
I-PP	DISCLOSURE OF LITIGATION	14
I-QQ	STOP WORK	14

SECTION II - WORK STATEMENT

II-A	PURPOSE, BACKGROUND, AND PROBLEM STATEMENT	17
II-B	TIME CONSTRAINTS	21
II-C	OBJECTIVES AND ANTICIPATED OUTCOMES	22
II-D	TASKS AND DELIVERABLES	23
II-E	PROJECT CONTROL	37
II-F	CONTRACT INVOICING AND PAYMENT	40

SECTION III - BIDDING INFORMATION

III-A	BUSINESS ORGANIZATION	41
III-B	AUTHORIZED CONTRACTOR EXPEDITER	41

APPENDICES

A	CONTRACTOR'S TECHNICAL PROPOSAL (EXCERPTS)
B	CONTRACTOR'S PRICING

DEFINITION OF TERMS

TERMS	DEFINITIONS
Contract	A binding agreement entered into by the State of Michigan resulting from a bidder's proposal; see also "Blanket Purchase Order."
Contractor	The successful bidder who is awarded a Contract.
DMB	Michigan Department of Management and Budget
RFP	Request For Proposal - A term used by the State to solicit proposals for services such as consulting. Typically used when the requesting agency requires vendor assistance in identifying an acceptable manner of solving a problem.
ITB	Invitation to Bid - A generic form used by the Office of Purchasing to solicit quotations for services or commodities. The ITB serves as the document for transmitting the RFP to interested potential bidders.
Successful Bidder	The bidder(s) awarded a Contract as a result of a solicitation.
State	The State of Michigan For Purposes of Indemnification as set forth in Section I-J, State means the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents.
Blanket Purchase Order	Alternate term for "Contract" used in the State's Computer system (Michigan Automated Information Network [MAIN])
Expiration	Except where specifically provided for in the Contract, the ending and termination of the contractual duties and obligations of the parties to the Contract pursuant to a mutually agreed upon date.
Cancellation	Ending all rights and obligations of the State and Contractor, except for any rights and obligations that are due and owing.
Work Product	Work Product means any data compilations, reports, and any other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of and in furtherance of performing the services required by this Contract.

**SECTION I
CONTRACTUAL SERVICES TERMS AND CONDITIONS**

I-A PURPOSE

The purpose of this agreement is to obtain the services of the Contractor to **assist the Office of Retirement Services in re-engineering their Business Processes.**

Contract awarded from this solicitation will be the following type:

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 proposed Contract cover the period **July 1, 2000** through **January 31, 2001**. 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), Office of Purchasing, hereafter known as the Office of Purchasing, for the State of Michigan, **Office of Retirement Services (ORS)**. Where actions are a combination of those of the Office of Purchasing and **ORS**, the authority will be known as the State.

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

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

Christian Fuller, Buyer
 Technical & Professional Services Division
 DMB - Office of Purchasing
 2nd Floor, Mason Building
 P.O. Box 30026
 Lansing, MI 48909
 Ph: (517) 241-1218
 FAX (517) 335-0046
 e-mail: FullerC1@state.mi.us

I-D CONTRACT ADMINISTRATOR

Upon receipt at the Office of Purchasing 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 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 the Office of Purchasing. The Contract Administrator for this project is:

Mr. Chris DeRose, Contract Administrator
Office of Retirement Services
Department of Management & Budget
PO Box 30171
Lansing, MI 48909
Ph: (517) 322-6235
e-mail: DeRoseC@state.mi.us

John Frederick, Project Manager
Office of Retirement Services
Department of Management & Budget
PO Box 30171
Lansing, MI 48909

I-E 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-F 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, responses to this Contract should include a list of subcontractors, 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-G 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-H 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-I 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 Department of 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-J INDEMNIFICATION

1. General Indemnification

The Contractor shall indemnify, defend and hold harmless the State from and against all lawsuits, liabilities, damages and claims or any other proceeding brought against the State by any third party (which for the purposes of this provision shall include, but not be limited to, employees of the State, the Contractor and any of its subcontractors), 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 breach of this Contract or negligence or intentional tortious act by the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable, in the performance of this Contract;
- (b) the death or bodily injury of any person or the damage, loss or destruction of any real or personal property in connection with the performance of this Contract by the Contractor, or any of its subcontractors, or by anyone else for whose acts any of them may be liable provided, and to the extent that the injury or damage was caused by the fault or negligence of the Contractor.
- (c) any act or omission of the Contractor or any of its subcontractors in their capacity as an employer in the performance of this Contract;
- (d) any claim, demand, action or legal proceeding against the State arising out of or related to occurrences, if any, that the Contractor is required to insure against as provided in this Contract.

2. Indemnification Obligation Not Limited

In any and all claims against the State 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 benefits acts, or any other employee benefits 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 subclause.

3. Continuation of Indemnification Obligation

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

I-K LIMITATION OF LIABILITY

Except as set forth herein, neither the Contractor nor the State shall be liable to the other party for indirect or consequential damages, even if such party has been advised of the possibility of such damages. Such limitation as to indirect or consequential damages shall not be applicable for claims arising out of gross negligence, willful misconduct, or Contractor's indemnification responsibilities to the State as set forth in Section I-J with respect to third party claims, action and proceeding brought against the State.

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

1. The Contractor warrants that all services required to be provided under this Contract shall be furnished in a professional and workmanlike manner, by the Contractor, its subcontractors and its or their employees, having the skill commensurate with the requirements of this Contract.
2. The Contractor warrants that it or its subcontractor is the lawful owner or licensee of any software programs or other material used by the either in the performance of services called for in this Contract, and has all the rights necessary to convey to the State the unencumbered ownership or licensed use of any and all materials or deliverables required to be provided by the terms of this Contract.

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 KEY PERSONNEL

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:

- | | | |
|------|----|---------------------------------|
| Name | 1. | Ralph Smith, People Lead |
| | 2. | Robert Boehringer, Process Lead |

3. Ram Sastry, Technology Lead
4. **TBD**, Project Manager
5. Steve Hawley, Project Director

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 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, but not be limited to, the right to use, execute, reproduce, display, perform and distribute copies of and prepare derivative works based upon the Work Product, and the right to authorize others to do any of the foregoing, 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.

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 \$300,000.00 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, \$300,000.00 annual aggregate.

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).

BEFORE STARTING WORK THE CONTRACTOR'S INSURANCE AGENCY MUST FURNISH TO THE DIRECTOR OF THE OFFICE OF PURCHASING, 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 reprourement 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 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. Approval(s) Rescinded. In the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, section 5, and Civil Service Rule 4-6. 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 State Purchasing Director.

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 State Purchasing Director has given written consent to the delegation.

I-Z NON-DISCRIMINATION CLAUSE

In the performance of any Contract or purchase order resulting herefrom, the bidder 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 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 which this service shall encompass and/or any other modifications deemed necessary. Any changes in pricing proposed by the Contractor resulting from the requested changes are subject to acceptance by the state. Changes may be increases or decreases.

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

I-BB ACCEPTANCE OF PROPOSAL CONTENT

The contents of this document and the vendor's proposal are contractual obligations, of this Contract. Failure of the successful bidder to accept these obligations may result in cancellation of the award.

I-CC REVISIONS, CONSENTS, AND APPROVALS

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.

I-DD ENTIRE AGREEMENT

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 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: **Chris Reaume**
CBSI
2193 Association Dr., Suite 500
Okemos, MI 48864

For the State: **Christian Fuller**
Technical & Professional Services Division
Office of Purchasing
Department of Management & Budget
PO Box 30026
Lansing, MI 48909

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

I-JJ 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-KK 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-LL 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-MM YEAR 2000 SOFTWARE COMPLIANCE

The Contractor warrants that services provided under this Contract including but not limited to the production of all Work Products, shall be provided in an accurate and timely manner without interruption, failure or error due the inaccuracy of Contractor's business operations in processing date/time data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations. The Contractor shall be responsible for damages resulting from any delays, errors or untimely performance resulting therefrom.

I-NN CONTRACT DISTRIBUTION

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

I-OO 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 (6) 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-PP DISCLOSURE OF LITIGATION

As of the effective date of this Contract, CBSI is not aware of any pending or threatened litigation which would materially, adversely affect its viability or financial stability, or which would impair its ability to perform under this Contract.

I-QQ 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.
5. 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.
6. If the State issues a stop work order, the State hereby agrees that Contractor may reassign any or all of the consultants, including any Key Personnel, assigned to the work covered by the stop work order and any related work affected by such stop work order, unless the State agrees to continue to pay such consultant's fees while such stop work order is in effect.

SECTION II

WORK STATEMENT

II-A PURPOSE, BACKGROUND, AND PROBLEM STATEMENT

1 Purpose and Background

1.A Purpose

It is a priority for the Office of Retirement Services to make every effort to provide timely and accurate information and services to their customers. ORS is anticipating a 40% increase in retirement processing by first quarter 2003 with no anticipated increase in business resources. Therefore, ORS must significantly improve its overall business efficiency and effectiveness.

The following Business goals were developed for the Vision ORS Project:

- Achieve significant & measurable increase in productivity with no increase in business resources
- Achieve significant and measurable improvement in quality of ORS services to it's customers
- Technology solution is flexible and adaptable to future business needs
- Technology solution can be supported (reasonable price / skill sets) and easy to use (end user)

With this in mind ORS has begun a seven step project methodology to ensure fulfillment of our goal. This includes: 1) Creating the foundation for success 2) Understanding the current environment 3) "Best in Class" against other service providers 4) Develop future environment "To Be" 5) Design solutions 6) Build solutions and 7) Implement our solutions. This Overall Project Methodology is shown within **Appendix E**.

ORS is currently conducting a "Customer Needs and Expectations Assessment." The customer is defined as Active/Retired Employees, as well as, Employers within all the ORS Retirement Systems. Step 4 will use this customer information in developing the future ("To-Be") environment.

As described, ORS' ultimate objectives resulting from this Contract include steps
 2 (1.A.1)
 3 (1.A.2)
 4 (1.A.3)

- 1.A.1 Identifying and documenting ORS people skills, business processes, and technologies within the organization.
- 1.A.2 Conduct "Best in Class" analysis - skills, processes, and technologies.
- 1.A.3 Documenting reengineering opportunities to improve the ORS organization.

As stated above, this contract covers Steps 2,3, and 4 of the Vision ORS Project. Based on the overall performance and recommendations of the Vendor from Steps 2,3 and 4 of this project, it is our intent to expand the scope of this contract to include Steps 5,6 and 7. However, we reserve the

right (for any reason) not to expand the contract and utilize the normal purchasing process for Steps 5,6 and 7. See Appendix E for a listing of Steps.

1.B Background

In 1999, ORS developed and adopted the following Mission and Vision Statements:

1.B.1 Mission Statement

We deliver pensions, related benefits and services to promote the future financial security of our customers.

1.B.2 Vision Statement

Fast, easy access to complete and accurate information and exceptional service.

1.B.3 Continuous Improvement Efforts

These statements are one outcome of a 2-year continuous improvement initiative. In the course of developing a continuously improving organization, ORS recognized the many unmet needs of its customers. The following represent some of the activities and initiatives undertaken to date by ORS to address those unmet needs:

- Establishment of an office wide leadership team.
- Re-alignment of key business functions within ORS.
- Established a customer information call center.
- Technology enhancements, including Y2K compliance.
- Continually working on business process improvements.

1.B.4 Enabling ORS Vision

As an overarching vision, ORS is committed to integrating Michigan's multiple retirement systems to achieve maximum efficiency and effectiveness in customer service. Fully utilizing the opportunities through process reengineering and information technology systems will achieve higher levels of service and production enjoyed by other similar systems.

In order to achieve ORS' Vision, ORS has secured executive and legislative support for the resources needed to prepare ORS for the 21st Century. This project will result in an implementation plan providing justification for executive and legislative support for an integrated retirement system with supporting technologies.

Assuming such support is given, together with necessary appropriations, an expansion of this contract or a subsequent Request(s) for Proposal will be issued for the purpose of implementing all or parts of the new systems and technologies identified, as modified to correspond to the reengineered processes resulting from this Contract. The Contractor selected for this RFP will not be precluded from the opportunity to bid on subsequent RFP's related to all or portions of steps

5,6, and 7. In like manner, the selected contractor shall not develop recommendations that would give them a strategic advantage in the selection of a steps 5,6, and 7 vendor.

1.C Problem Statement

1.C.1 People Improvement Opportunities

ORS administers the retirement systems for Public School Employees, State Employees, State Police and Judges. The current organizational structure to support these systems are defined in **Appendix A**. An assessment of the staff skills and organization structure necessary to support the reengineered environment is required.

1.C.2 Process Improvement Opportunities

The key business functions are as follows:

By functionality:

- Support Functions
 - Leadership and Business Strategy
 - Finance
 - Information and Technology
 - Support Services

- Primary Functions
 - Employer Reporting and Communication
 - Customer Accounts and Communication
 - Pension Processing

Each functional business process has informational needs in order to perform their function. These informational requirements need to be defined and accurately documented.

Inasmuch as most business functions cross multiple organizational units, the existence of multiple systems and multiple points of contact inhibits ORS' ability to provide "one point of contact" service to the client.

Additional divisions or departments provide essential support to the Office of Retirement Services:

- The Information Technology Services Division, Department of Treasury, Michigan Administrative Information Network or MAIN, DMB Office of Support Services, etc.

The following is a partial listing of areas that can be improved upon in the current environment. These are listed for illustrative purposes only and not intended to

be a complete list of all process weaknesses or areas for improvement to be addressed:

Workflow Processing: With the exception of recent initiatives in several units to identify and reduce the steps associated with processing documents, ORS has not performed an overall workflow evaluation with the goal of reducing the number of steps to only those which add value at each step. Not enough effort has been given to prioritizing error correction at the very front end of the processing, resulting in multiple corrective steps and delays in processing returns further down the process. Moreover, a significant amount of energy is expended in manually assigning and monitoring workloads. Our goal is to become a process based organization.

Customer Interaction: The current method of helping a customer involves looking at multiple systems, multiple screens, and even looking at inconsistent data across retirement records. Staff members are trained relative to their respective application and underlying mainframe systems. With some exceptions, multiple layers across multiple divisions must authorize account correction actions, resulting in less efficient customer response and multiple system error corrections. In many cases customer needs cannot be met at the initial point of inquiry and must be passed to other parts of the organization for resolution.

Systems: ORS maintains a total of seven separate retirement systems. The various systems are administered on the basis of retirement system type, rather than on the basis of customer account management. These systems were developed over a number of years, are not integrated, and in some cases, lack unified data naming convention, implementation strategy, and user interface.

Manual Processing: Due to the hard coded structure of our legacy mainframe programs, modifications to programs which could automate many transactions have been delayed due to insufficient programming staff. As a result, ORS staff is necessarily dedicated to manual processing and error correction, rather than working in a value-added environment focused on maximizing customer service and compliance.

Measurement System: ORS has not adopted and implemented a formal measurement system for all its processes. As a result, we are unable to evaluate our productivity and efficiency in a methodical way. Our goal is to identify and benchmark against best practices in both public and private sector.

Access to Business Information: UNISYS and Wang systems generate a great deal of data. Despite the reams of reports generated by the various systems, the data contained in the reports adds little value to the on-going management of ORS' functions. As the data is maintained on the mainframe, ad hoc queries are limited to those sufficiently skilled in specialized software programs. Management report data is not retained electronically for ad hoc queries. Moreover, the absence of useful reports results in management decisions that are reactive rather than proactive and information-driven.

1.C.3 Information Technology Opportunities

ORS currently maintains separate databases, systems, and support. **Appendix B** contains a list of systems maintained by Information Technology Services Division, ORS, or other support agencies.

Most of these systems are currently maintained on an older Wang VS Mainframe; Others on Unisys A18; MAIN on the MAIN network; some are maintained on PC's or networks while others are maintained on a combination of systems. These systems maintain a number of common elements, such as names, addresses, and account numbers.

Specific problems to be addressed:

- Many of ORS' manual processes have remained unchanged for years as a result of the difficulty in changing the automated systems that support these processes and many competing projects.
- Numerous processes are no longer efficient because opportunities to significantly revise computer systems have been limited.
- In many cases, processes were developed around managing large volumes of paper.
- In other cases, processes rely on the knowledge of a handful of business experts. System development limitations have not allowed us to capture and replicate their understanding of business rules.
- Many times processing rules have been developed based on the exception instead of the rule.
- Data sharing creates burdens on storage and data systems maintenance, causing inconsistency between and across systems.
- Collectively, the existence of multiple systems result in many labor-intensive manual processes to identify and correct return receipts and processing errors.
- While ORS' mainframes have served well as the "number cruncher," the systems it supports are old and costly to manage and maintain.
 - Technology skill sets are insufficient to support the multiple systems.
 - Data and standards are not consistent in format and storage across the multiple retirement systems.
 - Data is not integrated and shared across the multiple retirement systems.

II-B TIME CONSTRAINTS

The time allowed for completion of this project is seven (7) months from the date that the Contract is signed.

II-C OBJECTIVES AND ANTICIPATED OUTCOMES

1 General

ORS intends to accomplish its goals in multiple stages. The Contract awarded pursuant to this RFP is specific to reengineering, steps 2,3 and 4. These steps are considered the most important because the findings and recommendations resulting from this Contract will significantly impact all future steps to be implemented.

2 Critical Success Factors:

Some of the outcomes envisioned from the multiple stage project are:

- "One-stop customer contact" for improved customer service, based upon the knowledge of workers accessing client account profiles, correspondence, returns and transaction information (i.e. no handoffs).
- Improve interaction with outside stake holders (i.e. insurance companies, reporting units).
- Provide for an environment in which the customer can choose to access information or services without staff intervention.
- Improve voluntary compliance with retirement laws by facilitating client knowledge and more timely exchange of information.
- Enhanced retirement processes through voluntary compliance and timely processing of client request.
- Increase employee productivity by providing improved processes, efficient access to information and automating labor-intensive, non-value added tasks.
- Shift employees from data review (reactive) to account analysis (proactive) to improve client service.
- Allow for consolidation of and consistency in the data.
- Allow for expanded data capture with which to make timely and appropriate business decisions.
- Facilitate customer account resolution.
- Improve accuracy and timeliness of retirement processing.
- Reduce paper document handling, storage and maintenance.
- Decrease implementation time of new IT systems and systems changes by the use of parameter-driven programming and increased desktop applications; and
- Improve management reporting and measurement capabilities to more readily monitor progress toward benchmarked goals.
- Be a leader in the effective use of information technology to provide retirement services.
- Avail customers of responsive technology solutions which provide multiple options for interacting with ORS.
- Maximize productivity by providing employees with the dependable and well-supported information technology tools they need to be successful in their jobs.
- Provide effective electronic communications (email, web-based, etc.) to facilitate retirement filing/reporting, and payment transactions.
- Solicit customer feedback, improve business processes, enhance education and training, and increase participation from our customers in developing retirement policies, forms and instructions.
- Create a strategic focus that maximizes technology's use, develops core areas of strength, improves the efficiency of programs we administer, facilitates our ability to respond to change, and keeps pace with new technology.
- Provide ready access to comprehensive, quality data and other information that is easily stored, sorted and analyzed for use in making internal business decisions, and for determining the impact of policy analysis.
- Transfer "up-front" process activities to reporting units as appropriate.

3 High Level Deliverables (Steps 2,3 and 4)

As noted at the beginning of this Work Statement, work completed pursuant to this Contract will result in, but is not limited to, achieving the following outcomes:

- 3.A Assess the core and sub-core business processes, as initially identified in the Business Function Model **Appendix C**, related to the Office of Retirement Services business.
- 3.B Provide a benchmark with public and private industry.
- 3.C Redesign or reengineer those processes to be more effective, more efficient, and less costly (based on ROI).
- 3.D Recommend organizational structure(s) to support the redesigned processes, including the redeployment and retraining of staff, as necessary, to carry out the new processes within the new organizational structure.
- 3.E Recommend a high level technology architecture to enable the reengineered processes.
- 3.F The outcomes listed above will be incorporated into an Executive Summary Report which incorporates the processes, organization and technology which supports ORS' Mission and Vision and which documents the business case for the benefits to be derived from implementation of the reengineered processes, integrated systems and enabling technology.

II-D TASKS AND DELIVERABLES

1 Introduction

This Contract addresses the intention of ORS to evaluate, redesign and document the business in the areas of 1) people, 2) processes, 3) technology. This will lay the new foundation on which all initiatives will be based in the future.

The Contractor is not, however, constrained from supplementing this listing or suggesting additional / different steps, sub-tasks or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques.

2 Methodologies

- 2.A Among the key components to be integrated into the bidder's proposal is the methodology or approach to be used to achieve the contractual deliverables and (a description of) how that methodology addresses:
 - Project Management
 - Contractor Staffing and Organization
 - Proposed Use of state Staff
 - Strategic Planning
 - Reengineering
 - Issue Resolution

- Change Management
- Automated tools
- Risk Analysis and Risk Management Strategies

2.B All costs associated with the methodology, including costs for updates and any associated documentation shall be at the expense of the Contractor during the project. The Contractor will be expected to fully train ORS project team members and Business Process Owners on the selected methodologies related to the tasks noted in 2.A above, as well as any other methodologies used during the project.

3. Process Requirements

ORS anticipates the Contractor's methodology will include, at a minimum, the following principles¹ of reengineering. The bidder's response shall recommend modifications, additions or deletions to these principles.

- Organize around outcomes, not tasks.
- Treat geographically dispersed resources as though they were centralized.
- Put the decision point where the work is performed and build control into the process.
- Capture information once and at the source.

3.A Tasks, Deliverables and Milestone Reports

The scope of the work and the tasks and deliverables anticipated by this work statement are defined below. The Contractor's Technical Work Plan must reflect and incorporate these primary tasks, deliverables and Reports. For purposes of determining Milestones associated with Contract payments, the Required Reports Table below provides a summary list of the required Reports that will prompt Milestone payments. The information provided in the table relative to Report description is summary information. Required Report contents are described more fully in the tables beginning with 3.A.1.

REQUIRED REPORTS

Report #	Report Title and Summary Description ²
Report 1	<p>People Reports These reports will document the culture, resource levels, workloads, and skill sets within the current ORS business, similar organizations, and the future reengineered ORS business.</p>

¹ Michael Hammer, "Reengineering Work: Don't Automate, Obliterate," Harvard Business Review, July-August 1990

Report 2	Processes Reports These reports will document all ORS business processes in their current state, similar processes in other organizations, and reengineered ORS business processes.
Report 3	Technology Reports These reports will document and assess the technology currently supporting the ORS business, similar businesses, and what could be expected to support the reengineered ORS businesses processes.
Report 4	Executive Summary and Implementation Plan Report This capstone document summarizes the results of this study, outcomes, and next-step recommendations. A cost/benefit analysis (ROI) is a significant component of this report.

Milestone Reports: These reports will be delivered in groupings of: 1) “AS-Is” (People, Processes and Technology), 2) “Best-In-Class” (People, Processes, and Technology), 3) “To-Be” (People, Processes and Technology), 4) Executive Summary and Implementation Plan Report. For each Report deliverable, the Contractor must submit a draft version of the deliverable to the Contract Manager at times agreed upon in the Final Project Work Plan. The Contractor must address all comments as identified by the Contract Manager in preparing the final version of the deliverable, and obtain final approval of the Executive Strategy Team through the Contract Manager. The Contractor will deliver an electronic copy of each Milestone Report to ORS upon the ORS Contract Manager's approval of the draft Report's content. The five (5) payments to the Contractor will be issued as final acceptance and approval has been obtained by the Executive Strategy Team on each group of reports as outlined above.

3.B Expected Project Intent and Contractor Focus

The following table is a breakdown of the expected focus of the contractor's time and effort while performing the activities required for each step of this RFP. This breakdown will help delineate the intent and level of detail required for each step.

Effort Level	High Level Intent of Each Step
20%	As-Is Understand current environment and create a baseline for comparison to the To-Be.
10%	Best in Class Identify potential possibilities within other organizations that could be applied to the To-Be.
55%	To-Be Create a future environment that drives Steps 5,6,7 and meets the goals of the Vision ORS Project.
15%	Executive Summary and Implementation Plan Provide an Executive Summary of the results of this project along with strategic & tactical plans for accomplishing steps 5,6,7.

3.A.1

People
“AS-IS”

Intent and Purpose: A high level understanding of the current ORS workforce, skill levels, and ability to change. This will be the people baseline in the gap analysis created after the To-Be is designed and used in developing the strategy and tactical implementation plans.

TASKS	DELIVERABLES	Report
<p>People T.1.1</p> <p>Resource Assessment</p>	<p>People D.1.1</p> <p>This Report must address:</p> <ul style="list-style-type: none"> • Current resource skill sets • Current resource workload 	<p>1</p>
<p>People T.1.2</p> <p>Cultural Assessment</p>	<p>People D.1.2</p> <p>A report indicating the current environment within each business function. This assessment would include:</p> <ul style="list-style-type: none"> • Culture of the existing organization • Readiness to change (flexibility) • Communication processes • Existing metrics in place • Office wide training plans 	<p>1</p>

People
“Best in Class”

Intent and purpose – Identify types of skill sets, culture and required staffs found in Best in Class processes that can be applied in the To-Be design.

TASKS	DELIVERABLES	Report
<p>People T.2.1</p> <p>Best in Class Assessment</p>	<p>People D.2.1</p> <p>This report must address nationally recognized</p>	

	<p>performance best in class measures related to the core business processes being documented within both the public and private sector. This would include at a minimum:</p> <ul style="list-style-type: none"> • Skill sets of staff performing similar functions • Organizational culture of staff performing similar functions • Metrics for each function • Required staff to perform functions • Change readiness plans • Communication models • Training plans and results 	1
--	--	---

People
“TO-BE”

Intent and Purpose – Identify the skill sets, culture, organizational structure, training and staffing levels required to support the redesigned business processes and supporting technologies.

TASKS	DELIVERABLES	Report
<p>People T.3.1</p> <p>Culture and skill sets required to support the reengineered ORS business processes.</p>	<p>People D.3.1</p> <p>A report of findings, conclusions drawn, and recommendations for improvement for the following categories:</p> <ul style="list-style-type: none"> • Culture Redesign: Encompasses all 	

	<p>aspects of determining personnel change readiness and managing the change.</p> <ul style="list-style-type: none"> • Skill/Knowledge Requirements: Identification of skill sets required by staff assigned to reengineered business process. • Organization Structural Design: To include, but not be limited to organization mapping, identifying staffing levels by process, and management alignment. • Training and Education: Report must include the outline for training courses to be developed to support new jobs in the reengineered process environment. Examples include but are not limited to: interpersonal communication skills; leadership/ management skills, technical/knowledge worker, customer service, information systems analysis, design and support, problem-solving skills, and computer-based training. 	<p>1</p>
--	--	----------

Process
“AS-IS”

Intent and Purpose – Create a high level understanding of the current ORS Business Processes and priority of which to redesign. This will be the process baseline in the gap analysis created after the To-Be is designed and used in developing the strategy and tactical implementation plans.

TASKS	DELIVERABLES	Report
<p>Process T.1.1</p> <p>Reconfirm the core ORS business processes using those identified in the ORS Business Function model (Appendix C).</p>	<p>Process D.1.1</p> <p>Report on each current ORS core and sub-core business process showing, at a minimum, the following:</p> <ul style="list-style-type: none"> • Identify any differences between current ORS business function model and actual ORS business processes. 	<p>2</p>

	<ul style="list-style-type: none"> • Prioritize ORS core business process as impact on the business mission and vision. 	
<p>Process T.1.2</p> <p>Analyze current ORS business processes to determine value-added and non value-added activities, and baseline.</p>	<p>Process D.1.2</p> <p>Report on each current ORS core and sub-core business process showing, at a minimum, the following:</p> <ul style="list-style-type: none"> • Process map • Work flow chart • List of links to other processes • List of customers and suppliers • Cycle times • Resources • Costs • Metrics • Statement of value of process outputs • Overall process evaluation and opportunities for improvement • List of any “quick wins” (processes/changes that would produce added value with minimal effort) 	2

Process
“Best in Class”

Intent and purpose - Identify possible “Best in Class” processes that can be leveraged from other organizations into the ORS’ To-Be design.

TASKS	DELIVERABLES	Report
<p>Process T.2.1</p> <p>Identify organizations which perform similar activities in both the public and private sectors.</p>	<p>Process D.2.1</p> <p><i>Best in class processes</i> related to the core business processes being reviewed for reengineering, e.g., claims processing, retiree customer service, etc.</p>	2
<p>Process T.2.2</p> <p>Document how core and sub-core business processes are performed in best in class organizations.</p>	<p>Process D.2.2</p> <p>Show at a minimum, the following:</p>	

	<ul style="list-style-type: none"> • Organizational summary • High level process map • List of links to other processes • Cycle times • Resources • Costs • Metrics • Key process enablers <ul style="list-style-type: none"> • Legislative • Policies 	2
--	---	---

Process
“TO-BE”

*Intent and Purpose – Identify and redesign those business processes that have the greatest impact on ORS’ Mission and Vision. The redesigned business requirements and process flows will be used to develop the To-Be technology and the development of the RFP for steps 5,6,7. **This is the most important element within this RFP.***

TASKS	DELIVERABLES	Report
<p>Process T.3.1</p> <p>Recommend and obtain approval of which ORS business processes to be redesigned or deleted, and new processes to be implemented.</p>	<p>Process D.3.1</p> <p>For each core and sub-core ORS business process, report:</p> <ul style="list-style-type: none"> • Customer requirements • Business requirements • Streamlining opportunities; more effective methods • Unnecessary processes 	2

	<ul style="list-style-type: none"> • New processes that should be added • Recommended policy and legislative changes and the impact of each on the business process • Best practices • Metrics • Potential candidates for outsourcing • Process information requirements 	
<p>Process T.3.2</p> <p>Define and document business requirements (functional design) for each redesigned ORS business process and sub-process.</p>	<p>Process D.3.2</p> <p>Detailed business requirements shall include but not be limited to:</p> <ul style="list-style-type: none"> • Purpose of process • Business rules affecting process • Internal/External customers • Information required • Inputs/Outputs required • Reports and correspondence requirements • Metrics • Timeframes, etc. 	<p>2</p>

<p>Process T.3.3</p> <p>Justify and document each redesigned ORS business process and sub-process within ORS.</p>	<p>Process D.3.3</p> <p>Detailed specifications shall include but not be limited to:</p> <ul style="list-style-type: none"> • Object diagrams, including attributes, methods, relationships, inputs, outputs, etc. • Flow charts • Narrative • Estimated process capacity; performance targets • Cycle times • Cost/benefit analysis • Process implementation plan • Organizational requirements, e.g., process staffing and skills requirements of various positions • Enabling technologies • Facilities requirements • Policies and Procedures: Standard operating policies and procedures must be developed to support the new processes. 	<p>2</p>
--	---	----------

Technologies
“AS-IS”

Intent and Purpose – Create a high level understanding of how Technology is used to support Current ORS’ Business Processes. This will be the Technology baseline in the gap analysis created after the To-Be is designed and used in developing the strategy and tactical implementation plans.

TASKS	DELIVERABLES	Report
<p>Technology T.1.1</p> <p>Assess the current technologies within the ORS business processes as to how effective it is in meeting the business needs.</p>	<p>Technology D.1.1</p> <p>Report on each current ORS business processes as to how technology is adding value to that process.</p> <ul style="list-style-type: none"> • How is it being utilized? • Are system users satisfied? • Is proper technology in the hands of proper staff at the proper time? • Data Accuracy / Integrity / Redundancy 	3
<p>Technology T.1.2</p> <p>Assess the current technologies affecting the ORS business as to how efficient it is in meeting the business needs.</p>	<p>Technology D.1.2</p> <p>Report to include:</p> <ul style="list-style-type: none"> • Identify physical platforms and locations • Cost (Return on investment) • Resources • System reliability (Up/Down Times) • Response times • Ease of data retrieval • Data Interfaces and Feeds • Data Inventory and Model • Identify data conversion & clean-up issues • Cross referencing of systems to processes • Ease of file updating, both batch and on-line • Availability of Ad-Hoc features, e.g. Report generation, ancillary file updates, etc. 	3

Technologies
“Best in Class”

Intent and purpose - Identify possible “Best in Class” or leading edge Technologies that can be leveraged from other organizations into the ORS’ To-Be design.

TASKS	DELIVERABLES	Report
<p>Technology T.2.1</p> <p>Identify types of technologies that enable best practice or leading edge business processes.</p>	<p>Technology D.2.1</p> <p>Report successful uses of the following technologies:</p> <ul style="list-style-type: none"> • Imaging • Bar coding • Optical Character recognition • Electronic Data Interchange (EDI) • Internet • Call center • Document Management Systems • IVR • Direct Dial and Telefile • Electronic Funds Transfer • Teleconferencing • Artificial intelligence • Workflow • Decision support technology 	<p align="center">3</p>
<p>Technology T.2.2</p> <p>Identify how other private and public organizations have used enabling technology in support of core business processes.</p>	<p>Technology D.2.2</p> <ul style="list-style-type: none"> • Blue print of both hardware and software used to support each key business processes • Consultants used, if any • Time required to design, develop, migrate, test and implement • IT support required (internal and contractual) • Duration since implementation • The implementation and operational costs of each technology • The annual benefits associated with each technology implemented 	<p align="center">3</p>

Technologies
“TO-BE”

Intent and Purpose – Identify Technologies (data model, hardware, software, and support) required to support the redesigned ORS’ business processes. This information will be used as an input to Step 5 and the development of the RFP for steps 5,6,7.

TASKS	DELIVERABLES	Report
<p>Technology T.3.1</p> <p>Develop a recommended Enterprise Information Technology approach detailing the requirements to support ORS business process.</p>	<p>Technology D.3.1</p> <p>A report that will include but not be limited to:</p> <ul style="list-style-type: none"> • Data model and information flow for all ORS business process • Infrastructure Requirements • Hardware Recommendations • Software Recommendations • Data conversion strategy • Future Data Storage requirements • Resources required to support Technologies • Identify State of Michigan information technology constraints • Systems Development Strategy Recommendations 	<p>3</p>

Executive Summary and Implementation Plan

Intent and Purpose - Provide an Executive Summary of the results of this project along with strategic & tactical plans for accomplishing steps 5,6,7.

TASKS	DELIVERABLES	Report
<p>Executive T.1.1</p> <p>Identify the impact the proposed ORS business process improvements will have on the strategic objectives of ORS.</p>	<p>Executive D.1.1</p> <ul style="list-style-type: none"> • Formal definition of core business objectives of ORS associated with retirement administration • Operational cost data for each core business process • Organizational impact of proposed “To-Be” environment • Management processes/system required to integrate and coordinated day-to-day operations of retirement processes • Overall risk assessment for each of the People, Process and Technology categories. 	4
<p>Executive T.1.2</p> <p>Identify overall ORS business performance measures scorecard to support the “to be” environment.</p>	<p>Executive D.1.2</p> <ul style="list-style-type: none"> • People • Processes • Technology • Performance measurement system, which will provide a methodology for automating the collection of desired data 	4
<p>Executive T.1.3</p> <p>Cost/Benefit Analysis</p>	<p>Executive D.1.3</p> <p>A cost/benefit forecast, based upon implementation of the proposed recommendation which reflects the costs for:</p> <ul style="list-style-type: none"> • Equipment purchases (Facilities, Hardware, Software, etc.) • Internal, electronic communications network changes • Training • Ongoing operating costs • Return on Investment Analysis • Benefits Analysis 	4

<p>Executive T.1.4</p> <p>Implementation Plan</p>	<p>Executive D.1.4</p> <p>Create a recommended approach for design, development and implementation (steps 5,6 & 7) of the redesigned processes, people and recommended technologies:</p> <ul style="list-style-type: none"> • High level Approach • Timing and Phasing • Work plan 	<p>4</p>
--	--	----------

II-E PROJECT CONTROL

1 Project Control

1.A The Contractor will conduct this project under the overall direction of the Contract Manager. **Appendix D** contains a draft flow chart for the ORS Project Team organizational structure to support the initiative.

ORS will appoint a Contract Manager who will oversee the details of this engagement and provide the day-to-day direction for the Contractor. The ORS Contract Manager will meet weekly, at a minimum, with the Contractor's Contract Manager for the purpose of reviewing progress and providing guidance to resolve any issues or problems which may arise. The Contractor's Contract Manager, or designee, will be notified of these meetings and may attend when necessary.

For the purpose of project review and progress, the Senior Consultant, Managing Consultant and Project Analyst will be required to meet with the Executive Strategy Team on a weekly basis.

1.B Although there will be continuous liaison with the Contractor team, ORS' Contract Manager 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.

1.C The Contractor will submit brief written weekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the Contract Manager; and notification of any significant deviation from previously agreed-upon work plans.

1.D Within twenty (20) working days of the award of the Contract, the Contractor will submit to ORS' Contract Manager for final approval a technical work plan. The final technical plan must be in agreement with Section IV-C subsection 2 as proposed by the bidder and accepted by the State for Contract, and must include the following:

- The Contractor's project organizational structure.

- The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of the accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the Office of Purchasing.
- The Contractor's table of needed state resources and timeframe of when needed to insure a successful completion of the Contract.
- The time-phased plan in the form of a MS Project-generated display, showing each event, task, and decision point in the final technical work plan.

1.E Other Contractor Responsibilities

- 1.E.1 Microsoft Project 98 software shall be used to schedule and track the work being performed under the Contract. This project management tool will be used to track actual hours expended against estimated hours on a functional phase and activity basis and on the task level as appropriate to manage the Contract.
- 1.E.2 The Contractor, at its expense, will supply its staff with goods and services not supplied by ORS such as microcomputers, printers, transportation and lodging to accomplish the Contract.
- 1.E.3 The Contractor shall submit to ORS all work plan deliverables on a timely basis for review, approval or rejection, consistent with the work plan as approved by ORS.
- 1.E.4 The Contractor shall certify, as necessary, that it will transfer clear title of deliverables provided to ORS upon receipt of payments.
- 1.E.5 Project Management: The Contractor shall be responsible for project management for Contractor's staff and coordinate with the State's designated Contract Manager in all areas relating to the Contract.

1.F Responsibilities of ORS

Nothing in this section shall be construed to waive or excuse in any manner the Contractor's obligation to perform the work activities specifically designated as the responsibility of the Contractor unless the Contractor is unable to perform its responsibilities until the State performs its responsibilities.

- 1.F.1 Appoint an Executive Sponsor and Leadership Team comprised of ORS leadership which will have the following responsibilities but not be limited to:

Responsibilities of the Executive Sponsor:

- Provide broad direction for the Project, as requested by the Contract Manager
- Monitor Contractor's overall progress in reengineering the retirement processes
- Evaluate Contractor's timeliness and compliance with the technical work plan
- Participate in policy development as needed
- Monitor conformance with ORS' Mission and Vision

Responsibilities of the ORS Leadership Team:

- Provide ORS staff, as necessary, pursuant to I.F.3
- Be directly responsible to the executive leadership
- Technical oversight, facilitate hardware and software acquisition, consulting and project planning
- Facilitate business process reengineering, organizational design and development, change management, communication and training, and coordinate reengineering with other State agencies and departments, as necessary

1.F.2 Create a Vision ORS Project Team comprised of a staff which will have the following responsibilities:

- Provide full-time participation throughout the project
- Hold ORS accountable to agreed upon resource commitments
- Remove organizational roadblocks as required
- Review, evaluate and approve design documents and deliverables
- Assist the Contractor by
 - setting priorities for process reviews
 - participating in process review teams
 - assisting in communicating the vision and facilitating change management
- Review the deliverables/Reports to validate ease of understanding, completeness, and ability to achieve
- Establish schedules to assure completion of ORS' assigned and accepted tasks on a timely basis
- Follow the agreed upon methodologies for implementation of functions

1.F.3 Create Leadership structure around the Vision ORS Project Team. See **Appendix D.**

- Executive Sponsor
 - *Role:* Owns Project
 - *Responsibilities:* Ultimate decision maker
- Executive Strategy Team
 - *Role:* Establish overall Vision, Strategy, Charter, and Methodology for the project. Provide required funding as required.
 - *Responsibilities:* Monitoring and holding project team accountable to deliverables.
- ORS Leadership Team
 - *Role:* Provide operational and tactical direction. Provide resources as required.
 - *Responsibilities:* Make operational and tactical decisions.

1.F.4 As the need presents itself, ORS is prepared to commit the following resources at the indicated percentage level in support of this effort:

- Vision ORS Project Team (eight resources – 100%)
- ORS Leadership Team (five resources – 20%)
- Business Process Owners (twenty five resources – 35%)
- Business Process SME's (seventy five resources – 10 to 20%)

Technology Owners (eight resources – 10 to 20%)
Technology Providers (three resources – 10 to 20%)

Note: Availability of the above resources must be coordinated between ORS and the selected bidder.

- 1.F.5 Provide required office space in Dimondale, Michigan for the Contractor project Team and provide as necessary, subject to the State's security restrictions, after-hours access to the facilities provided by the State.
- 1.F.6 Provide prompt clarification of the State policies, regulations, procedures and operations.
- 1.F.7 Provide interpretations of and/or develop new or modified policies as needed.
- 1.F.8 Provide Contractor, as necessary, with existing detailed documentation of current procedures, reports and requirements related to retirement processing.
- 1.F.9 To the extent permitted, provide access to all data and records in the State's possession which the State and the Contractor agree are necessary or expedient to enable the Contractor to know of existing needs and future plans.

II-F CONTRACT INVOICING AND PAYMENT

Payments will be based upon identified deliverables, as outlined in the Final Technical Work Plan. The four (4) Reports required pursuant to II-D may, with the consensus of the Contractor and the State, be agreed upon as the individual milestones in the Final Technical Work Plan and may be proposed as the deliverable at the end of each phase of the Contract, as agreed to in the Final Technical Work Plan.

The detail requirements for each deliverable will be identified and approved by a team which will consist of Contractor staff, the Contract Administrator and the Contract Manager. The Contract Manager must accept and approve completion of each deliverable prior to issuance of payment for associated deliverable. This activity will occur only upon the specific written direction from the Office of Purchasing. Ten Percent (10%) of the total Contract price (as amended during the course of the Contract, shall be withheld pending submission and acceptance of each of the four (4) Reports on the schedule outlined in The Technical Work Plan.

SECTION III

CONTRACTOR INFORMATION

III-A **BUSINESS ORGANIZATION**

PRIMARY CONTRACTOR:

Complete Business Solutions Inc. (CBSI)
2193 Association Dr., Suite 500
Okemos, MI 48864

III-B **AUTHORIZED CONTRACTOR EXPEDITER:**

Christopher Reaume
(517) 381-2437

APPENDIX A
CONTRACTOR'S TECHNICAL PROPOSAL
(EXCERPTS)

APPENDIX B
CONTRACTOR'S PRICING