

STATE OF MICHIGAN  
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET January 17, 2012  
PROCUREMENT  
P.O. BOX 30026, LANSING, MI 48909  
OR  
530 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 6**  
**TO**  
**CONTRACT NO. 071B7200117**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR		TELEPHONE (502) 425-7744 <b>Sharon Ware</b>
<b>Policy Studies Inc.</b> <b>1515 Wynkoop, Suite 400</b> <b>Denver, CO 80202-1730</b>  <a href="mailto:sware@policy-studies.com">sware@policy-studies.com</a>		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 335-4770 <b>Tammi Hart</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>		
CONTRACT PERIOD		From: <b>January 22, 2007</b> To: <b>April 21, 2012</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE (S):**

Effective January 17, 2012, this contract is hereby EXTENDED three (3) months to April 21, 2012, and INCREASED by \$175,000.00. Please note the buyer has also changed to Tammi Hart.

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

**AUTHORITY/REASON:**

Per agency request, DTMB Procurement approval, and the approval of the State Administrative Board dated January 17, 2012.

**INCREASE: \$175,000.00**

**TOTAL REVISED ESTIMATED CONTRACT VALUE: \$2,714,329.00**

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET** December 28, 2010  
**PROCUREMENT & REAL ESTATE SERVICES ADMINISTRATION**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 5**  
**TO**  
**CONTRACT NO. 071B7200117**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR		TELEPHONE (502) 425-7744 <b>Sharon Ware</b>
<b>Policy Studies Inc.</b> <b>1515 Wynkoop, Suite 400</b> <b>Denver, CO 80202-1730</b>  <a href="mailto:sware@policy-studies.com">sware@policy-studies.com</a>		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517)335-4804 <b>Pam Platte</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>		
CONTRACT PERIOD		From: <b>January 22, 2007</b> To: <b>January 21, 2012</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE (S):**

**Effective 12/28/2010, this contract is hereby EXTENDED to January 21, 2012 and INCREASED by \$447,552.00.**

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

**AUTHORITY/REASON:**

**Per agency request, Ad Board approval on 12/21/2010 and DTMB/Procurement & Real Estate Services Administration approval.**

**INCREASE: \$447,552.00**

**TOTAL REVISED ESTIMATED CONTRACT VALUE: \$2,539,329.00**

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 3, 2010

CHANGE NOTICE NO. 4  
TO  
CONTRACT NO. 071B7200117  
between  
THE STATE OF MICHIGAN  
and

NAME & ADDRESS OF VENDOR  <b>Policy Studies Inc.</b> 1899 Wynkoop Street, Suite 300 Denver, CO 80202  <a href="mailto:sware@policy-studies.com">sware@policy-studies.com</a>	TELEPHONE (502) 425-7744 <b>Sharon Ware</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517)335-4804 <b>Pam Platte</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>	
CONTRACT PERIOD	From: <b>January 22, 2007</b> To: <b>January 21, 2011</b>
TERMS <b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE (S):**

Effective immediately, this contract is EXTENDED one year. The new contract end date is January 21, 2011. The SPOC for Policy Studies has been updated.

In addition, the buyer on this contract has been CHANGED. The new buyer is:

**Pam Platte**  
(517) 335-4804  
[plattep1@michigan.gov](mailto:plattep1@michigan.gov)

All other terms, conditions, specifications and pricing remain the same.

**AUTHORITY/REASON:**

Per DMB, DIT, DHS and vendor agreement.

ESTIMATED CONTRACT VALUE REMAINS: \$2,091,777.00

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 4, 2007

**CHANGE NOTICE NO. 3**  
**TO**  
**CONTRACT NO. 071B7200117**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR		TELEPHONE (651) <b>227-9740</b> <b>Dawn Gelle</b>
<b>Policy Studies Inc.</b> <b>1899 Wynkoop Street, Suite 300</b> <b>Denver, CO 80202</b>  <b>dgelle@policy-studies.com</b>		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517)241-7233 <b>Joann Klasko</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>		
CONTRACT PERIOD		From: <b>January 22, 2007</b> To: <b>January 21, 2010</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE (S):** The following changes are effective immediately:

- **Receiving DMB files – amending contract item #2 to read as follows:**

The Department of Management and Budget will provide a file containing newly hired employees from the State of Michigan. The file will be ready for pickup at Michigan's Data Exchange Gateway. PSI will log into the DEG mailbox using an internal automated process. DMB agrees to have the file ready and available for pick up every other Friday by 7:00pm. PSI agrees to retrieve the file from the identified DEG mail box the following Monday by close of business excluding State and Federal holidays, in which case the file would be retrieved the next business day.

- **Process rules for W4's marked as not new hires and amend contract item #11 to include:**

PSI will maintain previously establish MIW4 processing procedures on all W4 forms received at the Michigan New Hires operations center. All W4 information received at the Michigan New Hires operations center will be processed as a new hire report regardless of information proved on the W4/MIW4, this includes processing W4's which explicitly state the employee is not a new hire.

- **Procedure for processing new hire reports received that contain foreign addresses and amend contract item #11 to include:**

The State of Michigan does not have the capacity to process new hire reports which contain a foreign address using the standard address layout. In agreement with Michigan's Department of Information Technology and Michigan Office of Child Support, PSI will process new hire reports

containing foreign addresses by entering the foreign address on address line 2 while using Michigan New Hire operations center address as the city, state and zip code.

The address to be used is Lansing, Michigan 48908-5010. PSI and the State of Michigan agree this process does not degrade the integrity of the data but allows for submission into MiCSES and enhances timely compliance of new hire reporting and availability of data to all vested parties.

- **PSI is no longer required to deliver W4 forms to Treasury, contract item #11 to include:**

In agreement with Michigan's Department of Treasury, MIW4 documents meeting exemption status do not need to be returned to Department of Treasury as PSI submits all MIW4 information electronically to Michigan as described in the current contract requirements. PSI will maintain the same destruction schedule with exempt MIW4's as with all other new hire documents.

**AUTHORITY/REASON:**

**Per DHS Office of Child Support/DIT CSES and DMB concurrence.**

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$2,091,777.00**

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

March 16, 2007

**CHANGE NOTICE NO. 2**  
**OF**  
**CONTRACT NO. 071B7200117**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Policy Studies Inc.</b> <b>1899 Wynkoop Street, Suite 300</b> <b>Denver, CO 80202</b>  <b>dgelle@policy-studies.com</b>	TELEPHONE (651) <b>227-9740</b> <b>Dawn Gelle</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517)241-7233 <b>Joann Klasko</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>	
CONTRACT PERIOD From: <b>January 22, 2007</b> To: <b>January 21, 2010</b>	
TERMS  <p style="text-align: center;"><b>N/A</b></p>	SHIPMENT  <p style="text-align: center;"><b>N/A</b></p>
F.O.B.  <p style="text-align: center;"><b>N/A</b></p>	SHIPPED FROM  <p style="text-align: center;"><b>N/A</b></p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE (S):**

- **Amending Section 1.104 Work and Deliverables, #7 to read as follows:**

- a. The Contractor is responsible for retrieving all mail from the post office box on a daily basis, Monday through **Friday**, by 12:00 noon.
- b. Some employers may mail W-4 forms directly to Treasury, rather than to the Post Office Box. Treasury will deliver these misdirected W-4 forms and other records to the Contractor on a daily basis by overnight delivery. During certain heavy tax processing seasons, Treasury may not return these records to the Contractor on a timely basis. The Contractor will determine a method, such as separate batch type, or some other method, to identify the documents originally misdirected to Treasury. The current contractor receives less than 1% of new hire data from Treasury.
- c. The contractor must contact employers who have misdirected their New Hire submittals and provide the appropriate, correct contact information for the purpose of reducing future misdirects.

The contractor agrees to retrieve all mail from the post office box on a daily basis, Monday through Friday, by 12:00 noon. The contractor will contract with a local courier for mail pick up and delivery. To maintain a "same day" data-entry schedule, the Contractor will require the courier to deliver new hire mail to the center no later than 10 a.m. on **each business day**. The contractor will hire a courier that bonds its employees, which helps alleviate any concerns regarding third-party handling of this confidential information.

**Contract No. 071B7200117**  
**Change Notice No. 2**  
**Page 2**

**AUTHORITY/REASON:**

**Per DHS Office of Child Support/DIT CSES and DMB concurrence.**

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$2,091,777.00**

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 22, 2007

**CHANGE NOTICE NO. 1**  
**OF**  
**CONTRACT NO. 071B7200117**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR		TELEPHONE (651) <b>227-9740</b>
<b>Policy Studies Inc.</b> <b>1899 Wynkoop Street, Suite 300</b> <b>Denver, CO 80202</b>  <b>dgelle@policy-studies.com</b>		<b>Dawn Gelle</b>
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517)241-7233 <b>Joann Klasko</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>		
CONTRACT PERIOD		From: <b>January 22, 2007</b> To: <b>January 21, 2010</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE (S):**

**Amending Section 1.6 Compensation and Payment to change payment options and to:**

- **Reflect a decrease the one-time start-up costs to \$217,000.00**
- **Change cost per transaction rate to \$.0295/transaction for a total annual transaction cost of \$590,000.00 and a total 3-year transaction cost of \$1,770,000.00.**

**Also amending the contract to remove the following references as they are not needed:**

- **Section 1.201 – Remove the reference to attachment H as the non –key staff resumes are not included in the contract.**
- **Section 2.011 – Remove item D – regarding Attachment C as labor rates are not part of this contract.**
- **Section 2.081 – Remove reference to Attachment D – as there are no deliverables listed.**
- **Section 2.091 – item a – Remove the reference to Attachment C**
- **Section 2.092 – item ii – Remove the reference to Attachment C**

**AUTHORITY/REASON:**

**Per DHS Office of Child Support/DIT CSES and DMB concurrence. The option to pay the upfront costs was chosen, however due to the budget the agency could not pay all of the upfront charges at this time, therefore the agencies and the vendor came to this agreement.**

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$2,091,777.00**

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

January 19, 2007

NOTICE  
 OF  
 CONTRACT NO. 071B7200117  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (651) <b>227-9740</b>
<b>Policy Studies Inc.</b> <b>1899 Wynkoop Street, Suite 300</b> <b>Denver, CO 80202</b>  <b>dgelle@policy-studies.com</b>		<b>Dawn Gelle</b>
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517)241-7233 <b>Joann Klasko</b>
Contract Compliance Inspector: Patty Bogard <b>MCSES/DHS New Hires Reporting System</b>		
CONTRACT PERIOD		From: <b>January 22, 2007</b> To: <b>January 21, 2010</b>
TERMS		SHIPMENT
<b>N/A</b>		<b>N/A</b>
F.O.B.		SHIPPED FROM
<b>N/A</b>		<b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		
<b>N/A</b>		
MISCELLANEOUS INFORMATION:		

Estimated Contract Value: **\$2,091,777.00**

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

**CONTRACT NO. 071B7200117**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Policy Studies Inc.</b> <b>1899 Wynkoop Street, Suite 300</b> <b>Denver, CO 80202</b>  <p style="text-align: right;"><b>dgelle@policy-studies.com</b></p>		TELEPHONE (651) <b>227-9740</b> <b>Dawn Gelle</b> <hr/> VENDOR NUMBER/MAIL CODE  <hr/> BUYER/CA (517)241-7233 <b>Joann Klasko</b>
Contract Compliance Inspector: Patty Bogard <p style="text-align: center;"><b>MCSES/DHS New Hires Reporting System</b></p>		
CONTRACT PERIOD From: <b>January 22, 2007</b> To: <b>January 21, 2010</b>		
TERMS  <p style="text-align: center;"><b>N/A</b></p>	SHIPMENT  <p style="text-align: center;"><b>N/A</b></p>	
F.O.B.  <p style="text-align: center;"><b>N/A</b></p>	SHIPPED FROM  <p style="text-align: center;"><b>N/A</b></p>	
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>		
MISCELLANEOUS INFORMATION: <b>The terms and conditions of this Contract are enclosed. 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.</b> <b>Estimated Contract Value: \$2,091,777.00</b>		

**THIS IS NOT AN ORDER** The terms and conditions of this Contract are enclosed. 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.  
 Original contract was awarded on the basis of our inquiry bearing the req.No.084R6200230.

**FOR THE VENDOR:**

**FOR THE STATE:**

\_\_\_\_\_  
 Firm Name

\_\_\_\_\_  
 Authorized Agent Signature

\_\_\_\_\_  
 Authorized Agent (Print or Type)

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Signature  
**Greg Faremouth, Acting Director**

\_\_\_\_\_  
 Name  
**IT Division**

\_\_\_\_\_  
 Title

\_\_\_\_\_  
 Date



**STATE OF MICHIGAN**

**Department of Management and Budget**

**Purchasing Operations**

**Contract No. 071B7200117  
New Hires Reporting Services**

**Buyer Name: Joann Klasko  
Telephone Number: (517)241-7233  
E-Mail Address: KlaskoJ@michigan.gov**



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- Appendix B – File Layout New Hires
- Appendix C – Mi W4 Safeguard Requirements of Confidential Data
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- Appendix D - MICHIGAN IV-D ACTION TRANSMITTAL 2005-069
- Appendix D2 - MICHIGAN IV-D ACTION TRANSMITTAL 2004-032
- Appendix D3 -Vendor, Contractor or Subcontractor Confidentiality Agreement
- Appendix D4 – Michigan IV-D Transmittal 2005-008
- Appendix D4 – Michigan IV-D Action Transmittal 2005-008
- Appendix D5 – Michigan IV-D Transmittal 2004-021
- Appendix D5 – Michigan IV-D Action Transmittal 2004-021
- Appendix D6- Michigan Child Support Enforcement System (MiCSES) Request for Remote Access
- Appendix D6 - Michigan Child Support Enforcement System (MiCSES) Request for Remote Access
- Appendix D7 - IV/D (Child Support) SECURITY REFERENCES
- Appendix I - Outreach Assumptions



## **Article 1 – Statement of Work (SOW)**

### **1.0 Project Identification**

#### **1.001 PROJECT REQUEST**

The State of Michigan (State), through the Michigan Department of Management & Budget (MDMB), and with assistance of the Michigan Department of Information Technology (MDIT), has issued this contract to obtain ***New Hires Reporting Services***.

The State is contracting for a replacement to a current contract processing New Hire reports and W-4 forms received from employers as required by federal law. The services include:

- Processing paper and electronic submissions,
- Compiling the data using the current file formats for submittal of records,
- Transmitting the data electronically to the State, and
- Providing outreach and support to employers to ensure data is submitted as required.

The services will begin immediately after contract has been executed, with the contractor's facility fully operational by one month after contract execution, for testing and a Performance Readiness Review (PRR) by the State, to be successfully completed two months after the contract has been executed.

The contract will have a maximum term of three (3) years, with two (2) one-year extensions.

#### **1.002 BACKGROUND**

Michigan Department of Treasury (Treasury) form MI-W4 (see Appendix A) has historically been used by employees to indicate to their employers the number of exemptions claimed for Michigan income tax withholding purposes and to change their addresses or residency status. The employer has been required to submit these forms to Treasury if the employee claims exempt from withholding, claims to be a resident of a Renaissance Zone, or claims more than nine personal and dependency exemptions.

Title III of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193) required employers, effective October 1, 1997, to report to the State the name, address and social security number of each newly hired employee. Employers provide this information using a W-4 or equivalent form, and may transmit it by mail, magnetically, or electronically. Since October 1, 1997 employers have been submitting this information to a Post Office Box or electronic address, for compilation by a contracted vendor and subsequent submittal to the State of Michigan for processing.

Additional information regarding New Hires policies and procedures can be reviewed at the federal Department of Health and Human Services – Administration for Children and Families website at:

<http://www.acf.hhs.gov/programs/cse/newhire/employer/home.htm>

Beginning October 1, 2006, MDIT and the Department of Human Services (MDHS) will assume responsibility from Treasury for the administration of the contract and all associated deliverables.

The following describes the data to be collected and forwarded to the state, along with estimated volumes and required timetables:

#### **New Hires Information**

Experience indicates the number of new hires to be approximately 2 million per year, with peak times anticipated during September and October. Economic factors may affect these numbers.



The current contractor received New Hire reports in the formats and quantities for the last three years:

2003	2004	2005
Hard Copy: 31%	Hard Copy 26%	Hard Copy 23%
Electronic: 69%	Electronic 74%	Electronic 77%
Website: 26%	Website 28%	Website 34%

2003	2003	2004	2005
<b>Hard copy</b>	528,055	525,357	480,486
<b>Electronic</b>	1,177,403	1,470,507	1,601,533
<b>Total</b>	1,705,458	1,995,864	2,082,019

In 2003, website records comprised 316,672 or about 26% of electronic records processed. In 2004, website records comprised 413,896 or about 28% of electronic records processed. In 2005, website records comprised 555,507 or about 34% of electronic records processed.

The average monthly volume for records processed over the last three years was 160,650 notices per month, at a rate of 42,608 hard copy notices, and 118,040 electronic records.

Employers must submit new hires information no later than 20 days after the date the employee is hired, or in the case of an employer transmitting reports magnetically or electronically, by two monthly transmissions between 12 days and 16 days apart.

An employer who has employees in more than one state and transmits the reports either electronically or magnetically may designate one of the states in which it has employees to transmit the required new hire information.

Within five (5) business days after receipt of information regarding new hires, the data must be received in a State Directory of New Hires, maintained by the State. Within two business days after the information regarding a newly-hired employee is entered into the State Directory of New Hires, the Michigan Child Support Enforcement System (MiCSES) must transmit a notice to the employer directing the employer to withhold the appropriate amount of child support obligation from the income of the employee. Within three business days after the information regarding a newly-hired employee is captured, MDHS must furnish the captured new hires data to the National Directory of New Hires.

The contractor sorts hard copy submittals for data entry, document and data control, and for the purpose of submitting certain unidentifiable hard copy documentation to the State, as required:

1. New Hires Reports  
This could represent numerous sorts, depending on version of federal or Michigan form W-4 used.
2. MI-W4's with claims of exempt  
Approximately 5,000 employees send MI-W4's annually claiming exemption from withholding. Some of these claims are valid. However, many are not. The information on the claims must be captured so Treasury can contact the employee or employer to begin the required withholding.
3. MI-W4's with claims of more than nine (9) dependency exemptions  
Approximately 1,200 employees submit MI-W4's annually for personal and dependency claims over nine (9).



#### 4. Renaissance Zone

Individuals who are residents in a Renaissance Zone are exempt from certain state and local taxes for up to 15 years. Compared with the other types of information described, these represent a very low volume of W-4's from employees exempt from withholding by virtue of their residence in a Renaissance Zone.

The primary requirements of the contract are to capture New Hire information, data from MI-W4's with exempt claims, data from MI-W4's with claims of more than nine dependency exemptions, and data from MI-W4's with claims of Renaissance Zone exemption. This information is submitted by employers in various hard copy and electronic media. Electronic submissions are to be compiled with data entered from hard copy submissions, and the compiled data must be transmitted to the state's Data Exchange Gateway within identified timeframes. Certain hard copy documents will also be delivered to the State for verification, validation or other processing.

The contractor will also be responsible for employer outreach efforts in order to maximize participation, to provide a method for employer inquiries and response to those inquires, and to maximize employer electronic submissions via file transfers or a secure internet connection.

Contractors are advised that the State has methods, policies, standards and guidelines that have been developed over the years. Contractors are expected to follow these requirements. Specifically, the State's Project Management Methodology (PMM) must be followed. The PMM may be reviewed at [www.michigan.gov/projectmanagement](http://www.michigan.gov/projectmanagement).

### 1.1 Scope of Work and Deliverables

#### **1.101 IN SCOPE**

The Contractor will provide the following services for the complete and successful implementation, management and maintenance of a New Hire database providing the functionality required for the State's business operations for the Michigan Department of Human Services (MDHS), at Lansing, MI.

- Receive and sort electronic and hard copy New Hire and MI-W4's submittals for document and data control,
  - MI-W4 information regarding exempt claims, data from MI-W4's with claims of more than nine dependency exemptions, and data for MI-W4's with Renaissance Zone exemptions claimed
  - Collect the additional W-4 information whether in electronic, magnetic, or paper formats and deliver electronically to the Department of Treasury (Treasury), via the MDIT's Data Exchange Gateway (DEG).
- Data entry of hard copy submittals
- Compile the data using the current file formats for submittal of records,
- Transmit the data electronically to the State to DEG for processing and data loading to the State's Data Warehouse.
  - MDIT assumes responsibility for delivery of the data from the DEG to the Data Warehouse.
- Submit certain unidentifiable hard copy documentation to the State, and
- Provide outreach and support to employers to ensure data is submitted as required.

The contractor will directly train, supervise, and employ data entry and all other project staff; will not outsource the data entry function. This will enable the contractor to set and maintain high standards of productivity and accuracy, and to provide the training that develops and sustains employee proficiency and responsiveness to employers.



### 1.102 OUT OF SCOPE

It is the intention of the State to continue use of the current file formats for submittal of records from the contractor to the Data Exchange Gateway. Any modifications to the required file layouts are considered out of scope, unless otherwise agreed upon in writing by the State

The contractor is expected to provide all things necessary to complete the deliverables identified in this contract, unless otherwise specified. The State will not provide facilities; hardware, software, staffing or equipment, other than what is required for identified State responsibilities.

The Contractor understands that the State will continue to use the current file formats, and that the Contractor will use these formats to submit records to the Data Exchange Gateway. The Contractor will not make any modifications to the file layouts unless otherwise agreed upon in writing by the State. The Contractor will provide all things necessary to complete the deliverables identified in the contract, unless otherwise specified. The Contractor will provide all facilities, hardware, software, staffing, and equipment, other than what is required for identified State responsibilities.

### 1.103 ENVIRONMENT

Information regarding the State's information technology architecture and standards for hardware, database applications, network hardware and monitoring tools, identity management/authentication and development tools may be found at: <http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html>

The State maintains a Data Exchange Gateway (DEG) that is used to accept data for transfer to appropriate State entities. The DEG accepts the following protocols: Internet FTP, SSL/FTP, HTTPS, VPN, ConnectDirect, TCP/IP, SNA, DialUp PPP, ISDN, Advantis Network, and leased line.

The current contractor provides an Employer New Hire Reporting website. For informational purposes only the current URL is: <http://www.newhire-usa.com/mi/>. The current website will **NOT** be transferred to the new contractor. However, the current contractor **will** provide an extract of the current user table and a temporary re-direction notice for a period of six months.

The Contractor plans to use Connect:Direct to transmit data to the State but will adapt to another available protocol if determined necessary by the State.

The Contractor will develop a new Web site for the Michigan New Hires Reporting Services contract and will work with the incumbent contractor to obtain a user table extract and establish a re-direction notice on the incumbent's Web site for six months.

### 1.104 WORK AND DELIVERABLE

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

1. The contractor will be responsible for developing and maintaining the operational environment for the accurate, complete collection and capture of the data identified in this RFP and the subsequent delivery of the data to the State of Michigan.
  - a. Security, disaster recovery, capacity planning, maintenance and support of the operating environment will all be the responsibility of the contractor, per the terms and conditions identified in this contract and the State's information technology standards.

The contractor will establish and maintain:

**Security** - The contractor will follow all security requirements relating to the storage and protection of data, whether received in hard copy or electronically. The contractor will require each employee to sign a confidentiality agreement and provide training so they fully understand



both requirements and the penalties. The contractor will ensure their employees understand that if they breach confidentiality, they will be terminated.

**Disaster Recovery** –The contractor will develop and maintain a site-specific Business Continuity/Disaster Recovery (BCDR) plan that serves as a working document used by site management at the time of a business interruption/disaster to ensure seamless continuity of business functionality.

**Capacity Planning** – Using the automated features in HIREs, including auto-fill capabilities, the contractor’s staff will be able to process data quickly and efficiently. In addition, the contractor will handle seasonal volume increases and decreases without sacrificing performance.

**Maintenance and Support** - The contractor’s Information Technology department will support and maintain the technology used in their new hire sites across the nation. In addition to system support and upgrades, the contractor also has a help desk team that will assist in troubleshooting and resolving technical problems.

2. The Contractor will implement, support and accept secure methods to allow employers to submit New Hires information. These methods include but are not limited to: state or federal W-4 or other forms or lists, fax, computer printouts and reports, magnetic media, electronic media, telephone, and Internet. Unencrypted e-mail is not an acceptable method. The Contractor should expect to receive many different versions of state, federal, and proprietary W-4 forms from employers.
  - a. The Contractor will support as many reporting methods as possible, plus any methods that may become utilized in the future and have the ability to adapt to emerging technologies.

The Contractor will conform to the State’s requirements and will implement, support, and accept secure methods to allow employers to submit new hire information. Employers can submit reports using a variety of methods, including mail, fax, magnetic and electronic media, telephone, Internet, and FTP. The contractor will not accept new hire information via unencrypted e-mail, as this is not a secure method. The Contractor will support as many reporting methods as possible and will adapt to new, emerging technologies to provide employers with multiple reporting options.

With regard to Mailed or Faxed Hard Copy Forms or Lists:

The Contractor will receive many different versions of state, federal, and proprietary W-4 forms from employers and will accept all the following types of hard copy forms or lists.

W-4 form. A faxed or mailed photocopy of the state, federal, or proprietary W-4 form with the required and optional employee and employer information.

W-4 with claims of exemption federal form. A faxed or mailed photocopy of the W-4 form claiming exemption from withholding with the required and optional employee and employer information.

W-4 with claims of more than nine dependents. A faxed or mailed photocopy of the W-4 form with dependency claims over nine with the required and optional employee and employer information.

Renaissance Zone forms. A faxed or mailed photocopy of the Renaissance Zone form claiming exemption from certain state and local tax withholding.

New hire form. A faxed or mailed new hire reporting form, with all Michigan required and optional information.



New hire list. A faxed or mailed new employee list, computer printout, or report as long as the required employer information appears at least once on each page. The Contractor's outreach efforts will include encouraging employers who submit lists to report using the Web site or adopt one of the electronic reporting methods.

For employers wishing to fax their reports, the Contractor will provide a centralized fax server to handle high fax volumes.

The Contractor's fax server will have sufficient capacity to accept and store all incoming faxes. The Contractor will monitor incoming faxes to ensure capacity meets demand.

With regard to electronic and magnetic media:

The contractor will encourage employers to report electronically and offer several methods to make this type of reporting easy.

The contractor will accept three-and-a-half inch diskettes with ASCII-delineated files holding employer and employee records in the required record layout format. The contractor will also accept new hire files on CD in the ISO 9660 recording format.

The contractor will accept 3480 18-track and 3490 and 3490E cartridge tapes in both EBCDIC and ASCII format character sets.

The Contractor will accept Excel or CSV files submitted via magnetic media.

The contractor will provide employers with the ability to send files via FTP through a secure FTP site. This site will be available 24x7. All files received by 4 p.m. via FTP will be processed on the same day as they are received. Files received after normal business hours will be processed on the following business day.

With regard to telephone New Hire Reports:

The Contractor will accept new hire reports offered by employers over the phone. Upon receiving a call from an employer wanting to report new hire information over the telephone, a data entry operator/customer service representative (DEO/CSR) will enter the information directly into HIREs. The DEO/CSR will include the report in the batch he/she is currently keying and will designate in HIREs that the report was received via telephone. The Contractor's HIREs database is programmed to allow DEO/CSRs to select "telephone" as a report source code for tracking purposes.

With regard to Internet New Hire Reports:

The Contractor will establish and maintain a Web site, [www.mi-newhire.com](http://www.mi-newhire.com), for the Michigan New Hires Reporting Center. The Web site will be backed by robust functionality to accept and store employer registrations in a SQL database and collect employer new hire reports, both individual reports and entire files, for processing in the Contractor's HIREs databases.

The Contractor's Web site will provide an overview of the new hires reporting program, including the information that must be included in each new hire report as well describing the various reporting methods. The site allows employers to register and report new hire information online in a secure environment directly through the Web site. Additionally, the Web site will provide an opportunity for employers to submit inquiries to program staff, and they can be linked to other state agency Web sites, as appropriate. The Contractor's Web site will also allow CPA firms, payroll processors, or other service bureaus to register and report new hires for their clients with a single logon and password session. This feature will present each client-employer's FEIN, name, and address information in a straightforward display format that then allows the CPA firm or payroll processor to easily select the specific client-employer for whom they need to report.



3. The Contractor will establish a relationship with employers. Contractor will provide technical assistance, and encourage employers to report new hires data electronically, thereby reducing data entry costs and data keying errors
  - a. For employer outreach, the Contractor will develop and issue informational mailings (fax or email when possible, postal mail when email addresses are not available) for quarterly distribution to non-complying employers. The MDHS-OCS Program Development Division will approve the information mailing content.
    - i. The mailer will inform employers about the new hire procedures.
    - ii. The contractor will be responsible for creating, producing and issuing the information mailings within three (3) weeks of MDHS Office of Child Support (OCS) approval of the informational mailing.
    - iii. Mailings will not exceed six (6) double-sided pages in length.

Employer Assistance and Outreach are inclusive of the following:

The contractor will provide technical assistance to employers and promote electronic reporting. The contractor will support a variety of electronic methods, including Internet, FTP, Excel file, EFT, disk, etc. The Contractor will provide the required quarterly information mailings that the contractor will fax, e-mail, and mail to non-compliant employers.

The contractor will provide, at the State’s option, expanded outreach. The Contractor’s will tailor their approach to reach the broadest group of employers and promote compliance.

The contractor will submit all mailings and outreach materials to the State for review and approval.

The contractor will provide specific customer service to multi-state employers to both ensure that they are registered properly and to assist them in meeting their specific reporting requirements. In no way will the contractor attempt to interfere or influence any employer with their selection of Michigan (or any other state) as a multi-state reporting location.

The contractor will send informational letters (via fax or e-mail as possible, or via mail if necessary), or make telephone calls to employers who submit incomplete or incorrect reports or employers who fail to submit reports at all. In the case of an incomplete or inaccurate report, this notice will include all of the information submitted in the report and advise the employer of the exact information needing correction. The contractor will create, produce, and issue the informational letters within three weeks of receiving approval from the State. As required, the contractor will develop mailings that do not exceed six double-sided pages in length. The contractor emphasizes the benefits of electronic reporting in all communications with non-compliant employers or employers that are using other methods of reporting.

4. On a quarterly basis, the Contractor shall run the new hire database against employer quarterly wage information. This will be cross referenced from the National Directory of New Hires multi-state Employer registration reports to verify employers that haven’t contacted Michigan are reporting new hires to another state.
  - a. The Contractor shall determine which employers did not report during the quarter, and will send notification to the employers to report as required].
  - b. The Contractor will provide to OCS the report of employers not complying with new hire reporting. Prior to implementation, the State will work with the Contractor to determine source files, which may be available for this purpose.



At the request of the State, the contractor will supply the quarterly compliance matches to identify employers who are not reporting and who fail to report on a regular basis. To do this, the contractor will compare new hire data in their HIREs application to the State Quarterly Wage Report. Any employer who exists in the compliance data match, but does not have matching new hire records in the new hire database will be considered non-compliant.

The contractor will assist the State to develop a compliance notice that not only advises the employer of their legal obligation to report new hires and the potential fines that can be imposed if they remain non-compliant, but also explains the new hire reporting law and the ways in which an employer can submit reports to be compliant. The contractor will provide a sample non-compliance letter as Exhibit 1.1-1 that they have used in other states. In addition to notifying the employers, the contractor will also provide a report to OCS listing those employers that are non-compliant.

The contractor already has HIREs programmed in other states to process the quarterly data match. The contractor will offer the same automation in Michigan by finalizing the source files and files layouts, with minimal customization to HIREs.

#### Ensuring Employer Compliance

“Proactive compliance” is a term the contractor developed to describe their process of researching specific community needs, developing tailored strategies, and developing plans that target employers who show a significant variance in their new hire reporting pattern and who may have fallen out of compliance. To increase employer compliance, this process allows the contractor to identify and notify those employers who show variance and decline with their new hire reporting volume and frequency. These proactive notifications serve as a basic reminder to employers about their reporting requirements. The contractor will employ this strategy on a monthly basis in its operation of the Michigan New Hires Reporting Center.

The contractor’s HIREs database allows the contractor’s managers to run a monthly report that identifies employers who have some pattern of inconsistent reporting. This report details a six-month reporting history for all employers who meet a defined set of criteria for that timeframe; criteria can be set to identify employers who normally provide any established number of new hire reports each month. On this report, the Contractor will identify, target, and notify employers that show no reports or a significant drop in reports during the most recent month. This proactive process will be completed within the first five business days of each month, compiling the results from the previous six months.

Once the contractor identifies the lapsed employers, the contractor will generate letters to those employers, detailing their six-month reporting history and informing them that the contractor has noticed a lapse in their reporting pattern. The contractor will send approximately 100 proactive letters each month. The letter asks employers to begin reporting or to notify the Contractor of any special circumstances that have affected their ability to report. Occasionally, a personal telephone call will be placed directly to the employer as an alternative to mailing a letter.

The contractor will assist the State to track results of any compliance mailings using their HIREs database. This application will allow the contractor to generate reports detailing its progress on any compliance mailing upon demand. Reports will provide not only the number of employers responding and number of reports received, but also the method by which the employer responded and submitted reports. The database also allows the contractor to track employer responses and flag employers that need additional follow-up.

The contractor’s HIRE database allows users to monitor all employers who receive compliance notices and track those who remain non-compliant. The database allows the contractor to enter comments about the compliance status of specific employers. For instance, if an employer shows as non-compliant due to an FEIN issue (usually this occurs when new hire and quarterly wage information are submitted using different FEINs). These employers will be marked in a way that they would not be included in a list of employers remaining non-compliant.

5. The contractor must comply with the privacy and security requirements related to Title IV-D of the Social Security Act, which govern the protection of child support data. Relevant security requirements, documents and citations are outlined in Appendix D.

The Contractor will implement several measures and safeguards to assure compliance with privacy and security requirements related to Title IV-D of the Social Security Act, Section A. The Contractor will provide the information requested under Subsection (a) directly to the Title IV-D agency, in the most efficient, secure, and expeditious manner available, including electronic or automated transfer and interface. Protected information, including paper records (as described in Tasks 19 and 20) and electronic data residing in automated systems, will remain secure, highly confidential, and in compliance with the Contractor’s specified Enterprise Security policies and standards, Michigan state security requirements and confidentiality agreement, and any other or subsequent applicable state or federal laws or regulations.

In addition, the Contractor’s Enterprise Security and Risk Management Office has mandated the following Information Protection Principles, which the Contractor will use to counter data confidentiality issues and information exposures such as improper disclosure, access, loss or destruction, and reputation damage.

Information Protection Principles		
☑	<b>Principle 1— Safeguard information</b>	<ul style="list-style-type: none"> <li>• Comply with all requirements of federal and state laws regarding privacy and security of protected information.</li> <li>• Restrict access to sensitive information, through enforcement of policy, procedure, administrative, physical and technical safeguards.</li> <li>• Use safeguards that are appropriate to the sensitivity level of the information.</li> <li>• Use data and system classification procedures in accordance with corporate human resources, legal and information security policies.</li> <li>• Apply technical controls at all layers of the information architecture to protect and limit exposure to sensitive information (i.e. physical, network, system, application, data information architecture layers).</li> </ul>



Information Protection Principles		
<input checked="" type="checkbox"/>	<b>Principle 2— Accountability</b>	<ul style="list-style-type: none"> <li>• Establish roles, responsibilities, and appropriate privileges for access to sensitive data.</li> <li>• Monitor employees and establish audit controls to identify issues with segregation of duties and inappropriate access controls.</li> <li>• Require employees and contractors, with access to sensitive data, to sign confidentiality agreements once authorized for access. Perform annual reviews and updates to enforce policy and expectations for compliance.</li> <li>• Report and inform management of non-compliance issues.</li> </ul>
<input checked="" type="checkbox"/>	<b>Principle 3— Consent</b>	<ul style="list-style-type: none"> <li>• Ensure written consent for the collection, use, or disclosure of sensitive information.</li> <li>• Written statement includes: authorizing the release of account information from the parent or custodian of a family account before releasing such information to other individuals/entities and approval by the client.</li> </ul>
<input checked="" type="checkbox"/>	<b>Principle 4— Limit and Control Collection</b>	<ul style="list-style-type: none"> <li>• Limit the collection of information to only what is necessary for the business purposes identified.</li> <li>• Establish data retention standards for confidential data and deploy security safeguards for transmission, access, and storage.</li> <li>• Return all confidential data to the client and certify that the administrator no longer possesses any protected information at the conclusion of the contract.</li> </ul>
<input checked="" type="checkbox"/>	<b>Principle 5— Mitigate Known Risks</b>	<ul style="list-style-type: none"> <li>• Deploy quarterly security assessment procedures to identify security risks to confidential or protected data.</li> <li>• Mitigate, to the extent practicable, any harmful effect that is known.</li> <li>• Implement remediation and track issues to closure.</li> </ul>
<input checked="" type="checkbox"/>	<b>Principle 6— Accuracy</b>	<ul style="list-style-type: none"> <li>• Verify the accuracy of all information provided and process changes to information in a timely manner.</li> <li>• Establish audit controls and perform data matches to verify the integrity of data.</li> <li>• Verify the identity and authority of individuals needing access to confidential or protected data.</li> </ul>



Information Protection Principles		
<input checked="" type="checkbox"/>	<b>Principle 7— Notification / Responsibility to Report</b>	<ul style="list-style-type: none"> <li>• Access capabilities to information not pertinent to a user’s role or function must be reported to the Contractor’s internal Enterprise Security.</li> <li>• Report any observed abuses, exposure, and known risk to the Contractor’s internal Enterprise Security.</li> <li>• Report to the client any use or disclosure of confidential or protected data in violation of these requirements within 24 hours of the administrator’s awareness.</li> <li>• Report violations of law to appropriate federal and state authorities.</li> </ul>

6. The Contractor is required to provide dedicated fax line(s) to receive new hire reports prior to implementation and throughout the contract period.
  - a. The Contractor shall provide sufficient fax lines so that fax “resend” tries by the employers are limited to no more than two.
  - b. If the first fax line is busy, new incoming faxes must automatically switch to the next available fax line.
  - c. The current fax number is 517-318-1659. Although the State will facilitate the transfer of responsibility (including all costs) for the fax number from the current contractor, the State retain all rights to the fax number for the purposes any subsequent transfer.  
The Contractor will comply with the requirements of this task.
7. Employers are currently mailing New Hires records to the Post Office box listed below. Although the State will facilitate the transfer of responsibility (including all costs) for the Post Office box from the current contractor, the State retain all rights to the Post Office box for the purposes any subsequent transfer The current post office box is:

Michigan New Hires Operations Center  
P.O. Box 85010  
Lansing, MI 48908-5010

- d. The Contractor is responsible for retrieving all mail from the post office box on a daily basis, Monday through Saturday, by 12:00 noon.
- e. Some employers may mail W-4 forms directly to Treasury, rather than to the Post Office Box. Treasury will deliver these misdirected W-4 forms and other records to the Contractor on a daily basis by overnight delivery. During certain heavy tax processing seasons, Treasury may not return these records to the Contractor on a timely basis. The Contractor will determine a method, such as separate batch type, or some other method, to identify the documents originally misdirected to Treasury. The current contractor receives less than 1% of new hire data from Treasury.
- f. The contractor must contact employers who have misdirected their New Hire submittals and provide the appropriate, correct contact information for the purpose of reducing future misdirects.

The contractor agrees to retrieve all mail from the post office box on a daily basis, Monday through Saturday, by 12:00 noon. The contractor will contract with a local courier for mail pick up and delivery. To maintain a “same day” data-entry schedule, the Contractor will require the courier to deliver new hire mail to the center no later than 10 a.m. on each business day, including Saturday. The contractor will hire a courier that bonds its employees, which helps alleviate any concerns regarding third-party handling of this confidential information.



The contractor will only allow couriers with signed confidentiality statements to pick-up and deliver the mail. The contractor will work with the service to ensure all couriers sign agreements and will keep them on file at the Contractor's office.

The contractor will also accept delivery of misdirected W-4 forms from the Treasury. The contractor will make these their own batch type so the Contractor can identify that the documents were originally misdirected to the Treasury. Upon receipt of misdirected new hire reports, the contractor will call employers to educate them on the proper way to report and provide correct contact information to prevent future misdirected reports. If an employer cannot be contacted by phone, the contractor will notify the employer by fax or mail of correct reporting procedures and contact information.

8. Employers are currently using a contractor provided toll-free telephone number, 1-800-524-9846, for technical advice or other questions. The Contractor will use this same toll-free number. The current contractor handles an average of 15-20 calls a day. Although the State will facilitate the transfer of responsibility (including all costs) for the Toll-Free number from the current contractor, the State retain all rights to the Toll –Free number for the purposes any subsequent transfer.

In addition to meeting the requirements above, the contractor will:

- Monitor and modify the number of customer service lines as required by call volumes and to meet service-level agreements.
  - Establish additional numbers, as needed, to serve the auto-attendant and electronic reporting systems.
  - Negotiate with the telephone company on the response time and options available to transfer telephone lines to another site during disaster recovery.
  - Publicize the center's number in outreach materials, correspondence, and Web site.
  - When speaking with an employer, always provide a callback number.
9. The Contractor will develop and maintain, or otherwise implement, an internet web site for the submittal of New Hire data by employers. The web site must be developed and maintained according to State of Michigan standards, available via the following links:
    - Outline of web review process and web standards  
[http://www.michigan.gov/documents/WebReviewRoadShow\\_2005\\_125523\\_7.pdf](http://www.michigan.gov/documents/WebReviewRoadShow_2005_125523_7.pdf)
    - Look and Feel standards  
[http://www.michigan.gov/documents/Look\\_and\\_Feel\\_Standards\\_2003v2\\_72379\\_7.0.pdf](http://www.michigan.gov/documents/Look_and_Feel_Standards_2003v2_72379_7.0.pdf)
    - Usability Guidelines  
[http://www.michigan.gov/documents/Usability\\_guidelines\\_2003v1\\_72381\\_7.pdf](http://www.michigan.gov/documents/Usability_guidelines_2003v1_72381_7.pdf)
  - a. Prior to web site design and development, the contractor will attend a project review and start up meeting with the MDIT Project Manager, State of Michigan web master and the MDIT Office of Enterprise Security to discuss scope, standards and security.
  - b. A link to the new website will also be provided from the State of Michigan, Treasury and MDHS websites.
  - c. The New Hires website is to provide employers with new hire information, including general information, Frequently Asked Questions, file layouts, submission selections, and related compliance and submittal information.
    - i. The web site will also allow employers to submit new hire reporting via the web.
    - ii. MDHS-OCS will approve any new or modified content.
    - iii. If the website address changes, the Contractor is responsible for notifying employers that are currently using the site.
    - iv. The Contractor is responsible for updating any information (web-based) associated with the website, and ensuring that the website continues to provide the secure access for employers to submit of new hire reporting via the web.



The contractor will coordinate with the state and the current contractor, Northrop Grumman, to transition from the current Web site (<http://www.newhire-usa.com/mi/>) to its new Web site at ([www.mi-newhire.com](http://www.mi-newhire.com)). The contractor will adhere to the standards set forth by the state. The contractor will develop and maintain the Web site according to State of Michigan standards. Before designing or developing the Web site, the contractor will attend a project review and start-up meeting with the MDIT project manager, State of Michigan Web master, and the MDIT Office of Enterprise Security to discuss scope, standards, and security.

At this meeting, the will gather background information and ask for the State's feedback on what it feels works well with the current Web site, what doesn't work well, and collect a "wish list" of functionality that would be desirable. The contractor also will assess the current site and review historical Web data—such as a Web Trends report, if available—to understand how users are accessing and using the current site, such as common keyword search terms that are being entered. From this information, the contractor will create a target audience profile to understand user goals and what they will want to accomplish by using the Web site.

Following the meeting, the contractor's team will conduct an expert review of the current site, which will:

**Analyze the Site's Design.** Focusing on the intuitiveness and logic of the site's organization, the contractor will evaluate the site's structure and information hierarchies. The contractor will explore the different methods of searching the site to understand the navigational systems. The contractor will also analyze the look of the site, examine the graphical interface, and observe the use of special features such as databases and multimedia.

**Review the Site for Section 508 Compliance.** The contractor will discuss with State any current features which are not 508 compliant.

**Audit the Web Site's Content.** The contractor will conduct a content audit and assess how well the wording complies with standard principles of writing for the Web. The contractor's team will also randomly select sections of the site and evaluate the readability index. A critique of the quality of writing based on appropriateness for the audience, suitability for scanning, line length, grammar, typographical errors, and compliance with State style guidelines will be provided.

Next, the contractor will create a Web site design and development plan that will include a schedule of milestones and deliverables, as well as recommendations based on the information gathered. After the plan is developed, the contractor will create paper prototypes or electronic mock-ups of the Web site and perform usability testing with the State.

Before the Performance Readiness Review, the contractor will conduct a "soft launch" of the Web site to give the contractor staff an opportunity to test the Web site. During this test, the contractor will log and fix defects before the Performance Readiness Review. The contractor will also test web site online submissions as a part of the performance readiness review.

Since the contractor is establishing a new Web site address, they will include an employer notice in their communications plan that will alert employers to the new Web site.

The contractor's Web site development work in other states has broken new ground in the new hire arena, targeting employers and payroll processors and tangibly increasing their reporting through a user-friendly interface. The Web site is backed by robust functionality to accept and store employer registrations in a SQL database and collect employer new hire reports, both individual reports and entire files, for processing in the contractor's HIRES database.



The contractor's Web site will provide an overview of the new hire reporting program, including the information that must be included in each new hire report as well as describing the various reporting methods. The site will allow employers to register and report new hire information online in a secure environment directly through the Web site. Additionally, the Web site will provide an opportunity for employers to submit inquiries to program staff, and they can be linked to other state agency Web sites, as appropriate. The contractor's Web sites also allow CPA firms, payroll processors, or other service bureaus to register and report new hires for their clients with a single logon and password session. This feature presents each client-employer's FEIN, name and address information in a straightforward display format that then allows the CPA firm or payroll processor to easily select the specific client-employer for whom they need to report.

The contractor will be familiar with Section 508 Standards in the Federal Rehabilitation Act and Web Content Accessibility Guidelines. The contractor's Web design and development team is to follow an established protocol for developing usable sites including incorporating technologies optimizing Web materials for people with disabilities:

- To assist people with color blindness, the contractor will allow user control of style sheets
- For older members with low vision, the contractor will provide magnification tools to stop scrolling text and minimize the use of pop-up windows
- For blind members, the contractor will appropriately markup tables and use alternative text to synchronize with screen readers
- For enrollees who are deaf, the contractor will provide captioned audio portions of multimedia files

The contractor will use Dreamweaver MX to develop Web pages and check 508 compliance. The contractor will adhere to those standards when developing the Web site for this contract.

The contractor will develop the Web sites using HTML, VBScript, Active Server Pages, SQL Server 2000, and JavaScript. The site will be hosted on a Windows 2000 server with Internet Information Services 5.0. On the customer side, the Web application will accept input from employers via an HTML browser using client-side JavaScript validation. This enables the browsers employers use to make basic edit checks before information is sent to the server—reducing network traffic as well as the amount of time the server-side components need to spend validating information. These edit checks also help to ensure that companies report the most accurate data possible.

The contractor's Web sites will be designed and tested for client browsers Internet Explorer 5.x, Internet Explorer 6.x, Netscape 6.x, and Netscape 7.x. Providing compatibility with the most commonly used Internet browsers ensures that all employers can access and use the Contractor's Web site using the same familiar tools they use to "surf the Web."

The contractor will use a standard security protocol to ensure the privacy of the data reported by employers. A Secure Sockets Layer (SSL) certificate is applied to the Web site. SSL is a standard recognized by the Internet Engineering Task Force (IETF), the main standards organization for the Internet. With the SSL connection, information sent between an employer and a server is encrypted by the sending software and decrypted by the receiving software, thus providing a high degree of confidentiality.



The contractor’s Michigan site will provide a set of clear, uncluttered pages to lead employers to the information and support services they require.

To protect confidential new hire information employers report via the Web site, .the contractor will use Secure Sockets Layer (SSL) encryption.

10. The Contractor will use batch identification and tracking system to facilitate record identification and accountability.
  - a. The Contractor shall submit for approval by MDIT a procedure for batch accountability to assure that all data received is accounted for, captured, and delivered. MDIT Project Manager will secure comments and approval from Treasury and MDHS, and provide final approval to the contractor.
  - b. The Contractor must ensure that all documents received for each day are processed and that batching and processing of batches will not cause delay.

The contractor’s HIRE application tracks all phases of new hire report processing by assigning a unique identification number to each report. The Contractor will provide a detailed description of the HIRE application, which will explain the batching and tracking system and how this facilitates record identification and data integrity. The Contractor must submit for approval to MDIT, the Contractor’s procedures for batch accountability to assure that all data received is accounted for, captured, and delivered. The Contractor will secure comments and approval from Treasury and MDHS, the MDIT Project Manager in order to provide the Contractor with final approval for their batch tracking and accountability.

The Contractor will customize, implement, and maintain a database application, known as the Hiring Information Record Entry System (HIRE), to process new hire reports for Michigan’s new hire reporting program.

The Contractor will implement procedures that help expedite new hire report processing and will not cause any delay. All documents received, whether by mail or fax, will be scanned for processing the same day as receipt. The documents will then stored where data entry operators will process them within the required turnaround timeframes. Fax reports will automatically populated into the Contractor’s HIRE Batch Queue screen. The mail will be opened as soon after delivery by the courier as practicable, and documents outsourced, batched and scanned the same business day.

11. Treasury may need to review certain unidentifiable hard copy documents to determine the proper processing. Employers may submit MI-W4’s for which there is no apparent reason. In addition, there may be a need to retain certain types of documents, or facsimiles thereof, whereas there may be no need to retain other types. To facilitate this review, certain types of documents must be batched together. A suggested batch identification system may look like this:

Batch Type 1	New Hires only
Batch Type 2	Questions
Batch Type 3	Exempt Claims, Over Nine Personal and Dependency Exemptions, Renaissance Zone Exemptions and any W-4 which contains a combination of New Hire and any other purpose

Definitions:

- a) Batch Type 1: Documents noted or determined to be New Hires only reports, which have incomplete information and cannot be validated, will be batched and forwarded to Treasury for a further attempt at validation or completion of missing information. Successfully completed documents will be returned to the contractor for processing.
- b) Batch Type 2: Questionable documents which can not be identified as New Hires, Exempt or Exemption claims will be forwarded to Treasury for review and appropriate disposition.



- c) Batch Type 3: Exempt or Exemption claims and W-4's which contain information in combination with New Hires reports, which have incomplete information or cannot otherwise be validated for data entry, will be batched and forwarded to Treasury for a further attempt at validation or completion of missing information. Successfully completed documents will be returned to the contractor for processing.
- d) Batch Type 4:

Additional sorts to facilitate efficient data capture may be needed depending on how many versions of form W-4 are received.

All documents should be treated as a new hire unless "No" is checked in box number 5 of the MI-W4 (see Appendix A). Experience shows that the current contractor receives less than 1% of records unrelated to new hire reporting.

- a. On a weekly basis, the Contractor will return documents that are of a questionable nature (Batch type 2) to Treasury before processing.
- b. The Contractor will consult on an ongoing basis with Treasury to continually define the proper handling of questionable documents.
- c. The Contractor will return the unrelated new hire information to the employer with a form letter informing the employer the information sent is not processed by Michigan new hire.

The Contractor understands that Treasury may need to review certain unidentifiable hard copy documents to determine the proper protocols for processing and provide guidance to a vendor to ensure that all forms are processed successfully and accurately. The Contractor has an obligation to work proactively with the appropriate agency or agencies to resolve those questionable or unidentifiable hard copy documents and either process them appropriately or return them to the employer with an explanation form letter explaining that the information sent is not processed by the Michigan new hire program.

The Contractor's HIRE application uses batch-controlled entry to track every document through the document processing workflow. The Contractor will accommodate the appropriate batching and processing of unidentifiable documents that Treasury needs to review.

For all documents received by mail, The Contractor will conduct an initial review for completeness of information on all forms received. After the initial review, mail clerk staff will first sort forms into batches of complete MI-W4s, New Hire Reporting Forms #3281, and printed lists (where employers have submitted multiple new hire reports on a single list). Forms are then scanned in batches of 25. Once scanned, the batches are available for entry in the Batch Queue in HIRE.

For unidentifiable documents, mail clerk staff will then perform another outsort on all unidentifiable documents received. The Contractor understands and accepts the contract's proposed batch identification system for unidentifiable documents, which suggests that batches might be grouped into the following three types of documents:

Batch Type	Type of Document
Batch Type 1	New Hires only
Batch Type 2	Questions
Batch Type 3	Exempt Claims, Over Nine Personal and Dependency Exemptions, Renaissance Zone Exemptions and any W-4 which contain a combination of New Hire and any other purpose

The Contractor will sort documents that are determined to be new hire only reports—Batch Type 1—that have incomplete information that cannot be validated into a separate batch. The Contractor will also sort documents that are determined to be Exempt or Exemption claims and W-4s—Batch Type 3—that have incomplete information which cannot be validated for data entry into a separate batch.



The Contractor will also outsort documents that cannot be identified as New Hires, Exempt or Renaissance Zone Exemption claims into a separate batch—Batch Type 2—and forward these documents to Treasury for review and appropriate disposition. The Contractor will then forward all documents from Batch Type 1, 2, and 3 to Treasury on a daily or weekly basis, as agreed upon with Treasury representatives, so that Treasury staff can attempt to provide valid or complete information for the new hire reports in Batches Type 1 and 3, and so that appropriate review and/or disposition of Batch Type 2 documents can be made by Treasury. The Contractor understands and accepts that once Treasury has successfully completed the documents in Batch Types 1 and 3, they will be returned for processing through the Contractor’s normal new hire reporting processing workflow.

The Contractor understands and accepts that there may be additional sorts required to facilitate efficient data capture depending on how many versions of form W-4 are received. This may result in the necessity of a Batch Type 4 category. The Contractor will consult with the representatives from Treasury on a periodic and ongoing basis throughout the contract term to continually define the proper handling of questionable documents, to ensure that the contractor is processing all document types appropriately and identifying those questionable documents as quickly as possible.

The Contractor also recognizes that the unidentifiable documents may also be received via faxes (received via the fax number 517-318-1659) and not just through the mail. Since the Contractor performs all data entry from images, the Contractor will not immediately print the faxes received at the new hire operations to local printers to perform data entry, and therefore, will not complete a manual pre-sort on all faxes received. The Contractor will perform a similar, although more automated, batching and outsourcing function within the Contractor’s HIRES application.

To accommodate the efficient processing of documents received by fax and to allow for an outsort of unidentifiable documents, the Contractor’s HIRES application includes a feature which recognizes the form type submitted through optical character recognition (OCR). If the Form Type is recognized as a MI-W4 form, a New Hire Form #3281, Printed List or Other/Special W4, the faxes of each form type will be batched in groups of 25 documents each and will be populated in the Batch Queue for entry. The Other/Special W-4 category is designated for any type of document received that is unidentified.

The Contractor will work the documents in the “Other/Special W-4” queue. These faxes will then be reviewed to ensure that they are truly unidentified documents and printed on a local printer. If a document is found to be a complete new hire record, it will be processed so that it can be sent to the State in the next transmission. The documents found to be unidentified hard copy reports will be printed to local printers, and then batched, depending upon the type of form or document received, with the mail reports outsourced into Batch Types 1, 2 or 3, for review by Treasury.

If another data entry operator working a batch of complete forms, printed lists, or MI-W4 forms, comes across an unidentifiable document that the OCR did not route appropriately, the data entry operator will send the document to a local printer. The document will then be outsourced to the appropriate batch type, 1, 2 or 3, and forwarded with the rest of the unidentified documents to Treasury. The Contractor understands and accepts that ITB requirements for the proper handling of unidentified documents in batch type 1, 2, or 3 all apply regardless of whether the document is submitted via fax or mail.

The Contractor understands that all documents should be treated as a new hire document unless “No” is checked in box number 5 of the MI-W4 form. For documents that are completely unrelated to new hire, the Contractor will return the submitted documents to the employer along with a form letter informing the employer that the information sent is not processed by the Michigan new hire operation. The Contractor obtain approval from the State for the proposed form letter before sending it out to any employer.



12. To ensure that the State has sufficient time to enter information relating to new hires into the State Directory of New Hires within the timeframe required by statute:
  - a. The Contractor will ensure that all New Hire data submitted electronically is transmitted to the State within two working days of receipt of the record.
  - b. All New Hire data submitted via hard copy is to be captured and transmitted within four working days of the Contractor's receipt of the record.
  - c. Incomplete New Hire records which can not be validated or completed by research methods available to and required of the contractor are to be submitted to Treasury within seven working days of the receipt of the record.

Regardless of the reporting method used—magnetic tape, cartridge, disk, internet, or paper—the Contractor will complete entry of all required new hire reporting data elements into its HIRE database within four working days of receipt for hard copy records and two working days of receipt for electronic records. The Contractor will meet or exceed Michigan's four-day requirement. The Contractor will transmit the data to the State via file transfer protocol (FTP) each business day.

Incomplete new hire records that the Contractor cannot validate or complete through rigorous research will be submitted to the Treasury within seven days of receipt.

13. The Contractor must transmit data relating to claims of exempt from withholding, claims of more than nine dependency exemptions, and Renaissance Zone claims within one week of receipt. The Contractor should anticipate an average of 140,000 records of all batch types per month. However, MDIT does not guarantee a specific workload.

The Contractor will comply with the requirements of this task.

14. Contractor will attempt to obtain information to complete any incomplete or incorrect records it receives. An incomplete record is any record that does not contain, at a minimum, employee last name, employee first name, employee social security number, employer name, employer address, employer federal identification number.
  - a. The Contractor shall make its best effort to ensure accuracy and completeness of information received from employers.
    - i. These efforts shall include, but are not limited to, edits to ensure that data is reasonable and correct where possible; requesting the employer to complete, correct and/or verify the data before retransmitting the paper or electronic transmission data; using envelopes, cover letters, fax cover sheets, and look-up tables to determine incomplete, illegible or incorrect information. MDIT anticipates that the Contractor will not be able to complete a certain number of records; MDIT anticipates that this number will be negligible.
  - b. The Contractor will return incomplete records to Treasury in batches of no more than 100 pieces, within a time frame agreed to by the contract administrator.

The Contractor will contact employers whose reports are illegible or incomplete to obtain or verify information before transmitting the records to MDIT. The Contractor will process the corrected records using the same process used for originally submitted records. The Contractor will enter the corrected records in HIRE and transmit them to MDIT within four business days of receipt of corrected or missing information, just as is done with original records. The Contractor will return incomplete records that they are unable to complete to Treasury in batches of 100 pieces or less according to the time frame and criteria specified by the State's contract administrator.



### **Contacting the Employer by Phone**

The contractor's staff will review all hard-copy reports received in the mail for completeness and legibility. When opening the mail, a DEO will quickly scan each hard-copy report. If a report is incomplete (for example, the FEIN is missing) or illegible, the DEO will call the employer for clarification or to obtain missing information. The first time staff reviews a faxed report is at the time of data entry.

If the specialist is unable to reach the employer, (s)he will enter the report in HIREs with the appropriate rejection code so the system will generate a letter to the employer requesting correction. HIREs will not transmit a report with a rejection code to MDIT. A second review occurs during data entry. If the DEO finds an incomplete or illegible report, (s)he may follow the same procedure as when an incomplete or illegible report is found during mail opening.

### **Contacting the Employer by Letter**

The DEO enters the report in HIREs and if it is incomplete or illegible, also enters the appropriate rejection code. HIREs will not accept the report for transmission but does generate a letter to the employer requesting correction.

The letter advises the employer that the reports listed could not be processed because they contained missing or unreadable information and asks the employer to make corrections and resubmit the report. The contractor will allow employers to resubmit reports via fax, mail, phone, or any accepted electronic transmission method. We also use this letter to encourage the employers who are submitting paper reports to begin reporting electronically.

### **Running and Working the Reject Report**

The project manager will query HIREs to generate a weekly list of records coded as rejected by data entry staff. The list is separated by rejection reason. Staff "work" the list to correct as many incomplete records as possible before mailing an employer a reject notice.

### **Analyzing Rejection Trends**

The Contractor will use data analysis and special initiatives to help employers reduce errors in their reports. Using HIREs' reporting function, the Contractor will run reports to identify the types of errors employers are making on their reports and in their reporting method to determine if a trend exists. If a trend does exist, the Contractor will implement targeted, error-reduction initiatives.

15. The contractor must provide or establish an employer validation file for the purposes of matching employer names and federal identification numbers and reducing keying and reporting errors.
  - a. The contractor is responsible for verifying the accuracy of employer-supplied data, either through the validation file, or by contacting the employer regarding mismatched or incomplete data.
  - b. The contractor must identify how the validation file will be established, and the source(s) of the file. If the contractor will be reliant on a State source file, this must be identified in the contractor's response.
  - c. To further reduce keying errors, the contractor's manual data entry of employer and employee information will require, at a minimum, double keying of employer FEIN's and employee SSN's.

To establish an employer validation file, Treasury will provide an employer file to the Contractor.

The Contractor will train their staff to 1) understand that for the maximum number of matches to occur and the system to generate the maximum number of IWOs, accurate data entry is essential; and 2) to perform accurate data entry. In addition, the contractor will have programmed HIREs to "edit" for errors.



### Checking SSNs

The Contractor will check each social security number entered against the range of numbers authorized for issuance by the Social Security Administration. Should the State request a relaxation of certain range checks to allow IRS-issued alien taxpayer registrations to also be accepted, the Contractor will work with MDIT to determine the appropriate way to validate Social Security Numbers for the State of Michigan.

### Verifying Data Entry of FEINs/SSNs

The contractor will verify the data entry on all FEINs and SSNs keyed from imaged paper reports and faxes.

### Ensuring Address Accuracy

The contractor will train their DEOs on how to accurately enter addresses in HIREs and provide them with their *Data Entry and Quality Assurance Handbook* to use as a resource. The handbook instructs DEO's on how to correctly key the various address fields—what to include, what not to include, what abbreviations to use, etc. The contractor will update the handbook to reflect any changes in procedures. In addition, when a DEO keys the zip code into the ZIP field, HIREs automatically populates the corresponding city and state from zip code tables provided by the U.S. Postal Service.

### Identifying and Excluding Duplicate Records

The contractor will program the database to meet the State's definition of a duplicate record—for example, when the FEIN and SSN match. When a report is entered in HIREs (from paper reports, imaged reports, electronic media, and Web reporting), the system will check the SSN and FEIN against all records entered during the previous 90 days. This 90-day timeframe provides a wide enough window to detect duplicates while also allowing for accurate report processing of re-hires. All duplicate records are to be excluded from the file transfer to the State.

**Imaged reports.** When a DEO enters a FEIN and SSN that already exist in the database, HIREs automatically notifies him or her of a possible duplicate record. The alert provides the FEIN and SSN of the previously entered record. The DEO compares the imaged report to the alert to determine if the match is a result of a keying error or is, indeed, a duplicate record. If the DEO determines (s) he made a keying error, she corrects the error and saves the record. If the new report is a duplicate, the DEO saves the record and annotates the imaged report with a "D." The contractor saves the duplicates to monitor employer reporting trends. When the contractor identifies an employer who is submitting an excessive number of duplicate reports, staff calls the employer to discuss the reasons behind the duplicates and offer assistance. Using this approach has two benefits: 1) reducing the number of duplicate reports received; and 2) an opportunity to educate the employer on all the reporting options and encourage electronic reporting. After the required storage period, staff destroys duplicate reports, as required.

**Electronic media and Web Reports.** Whenever the FEIN and SSN on a new record matches an existing record in HIREs, the system identifies and marks it as a duplicate and withholds it from the contractor's daily file transmission.

Once the data entry process is completed, the contractor performs a comprehensive quality assurance process. The first step of this process is a key verification process. We double enter the FEIN and SSN on all non-electronic records to diminish the likelihood of transmitting an incorrect record. DEO's do not key verify new hire reports that they initially enter. If it is necessary to refer to an original document, the batch number enables easy retrieval of the correct record

The Contractor will maintain a minimum of 15 business days of files for retransmission if necessary. The Contractor will comply with the requirements of this task.



16. By 5:00 p.m. EST every state business day, the Contractor shall provide in a secure environment, via dedicated line or electronic encrypted method (to be determined by the MDIT), all new records processed for that day and deliver the data to the Data Exchange Gateway (DEG). The DEG accepts the following protocols: Internet FTP, SSL/FTP, HTTPS, VPN, ConnectDirect, TCP/IP, SNA, DialUp PPP, ISDN, Advantis Network, leased line.

a. The appropriate protocol and testing of the file transfer will occur prior to implementation.

The Contractor will comply with the requirements of this task.

17. The transmission shall contain the required data elements of the data collected during that day (See Appendix B).

a. Each record identified as New Hire only will contain the following data fields:

- i. Employee name
- ii. Employee address
- iii. Employee social security number
- iv. Employee date of birth
- v. Employee date of hire
- vi. Employee Drivers License number, if provided
- vii. Employer name as it appears on data provided by Treasury
- viii. Employer address, if required
- ix. Employer federal identification number
- x. Date of employee signature, if no date of hire is provided
- xi. State of employment, if provided

b. The remainder of the records may contain the following additional data fields in addition to data fields listed above:

- i. Number of personal and dependency exemptions
- ii. Exempt from withholding
- iii. Explanation of exemption from withholding
- iv. Spouse social security number
- v. Special exemptions: Age, deaf, disabled/blind
- vi. Claimed as dependent on someone else's return
- vii. Renaissance Zone Designation

c. The daily data transmissions shall contain header and trailer records and must be provided in the format presented in Appendix B.

d. The contractor awarded the contract as a result of this RFP will provide new hire and other data using the same file formats of the existing contractor so that no state agency (MDIT, Treasury or OCS) requires programming changes to process the data, The data will be submitted using existing file formats and the Data Exchange Gateway (DEG). However, the State may choose to make some minor deletions or alterations of some data elements during the requirements validation process.

In addition to the mandatory data elements, the Contractor will implement additional data elements to enhance program efficiency

The Contractor can capture the following fields for each file:

- Batch number (the batch number will be keyed and verified for each batch)
- Report receipt date/file creation date
- Method of reporting



The batch number and date will be defaulted and always stored on each new hire record. This feature will allow reports to accumulate statistics by batch if desired. The batch number and date allow new hire workers to easily find the physical source document or electronic file associated with the database record, if necessary.

In addition to the fields that require data entry, every new hire record will also maintain information controlled solely by the system. These additional mandatory system fields establish an audit trail and control workflow processing:

- Accept/reject status flag
- Rejection codes
- Entry date
- Entry user ID
- Update date
- Update user ID
- Verify date
- Verify user ID
- Sent-to-state date
- Sent-to-state user ID

The Contractor's HIRE application has a number of additional optional fields currently built into the database that can be activated at the State's request. These fields include:

- Secondary employer address
- Employer contact information, such as name, phone, e-mail address, and fax number or employee medical insurance indicator
- Employee salary and pay frequency

In addition to the primary and secondary addresses, the HIRE application accepts multiple entries per FEIN to allow the employer to provide multiple payroll or work site addresses.

18. The Contractor shall retain all documents identified as New Hire only for no less than 60 days, and then destroy in a confidential manner in accordance with Safeguard Requirements of Confidential Data, Appendix C.

The Contractor will adhere to the State's request to destroy any confidential or protected data in accordance with Safeguard Requirements of Confidential Data, Appendix C.22. The Contractor's secure destruction methods include a national contract with a reputable vendor that provides confidential shredding services and certificate of destruction. Confidential bins will be placed at the Contractor's facility, that processes sensitive information, and employees are trained on the secure document handling and destruction procedures. The Contractor's data destruction service contract will also include the ability to securely destroy electronic media containing confidential and protected data. Upon contract award, the Contractor will establish the specific procedures for data retention and destruction. The Contractor will implement "Principle 4" of the Contractor's "Information Protection Principles—Limit and Control Collection"—to complement the State's requirements in this area.

19. The Contractor shall retain Exempt Claims, Over Nine Personal and Dependency Exemption Claims, Renaissance Zone Exemption Claims, and forms listing a combination of purposes for no less than 60 days, and then destroy in a confidential manner in accordance with Safeguard Requirements of Confidential Data, Appendix C.

The Contractor will comply with the requirements of this task.



20. The Contractor shall agree and understand that some W-4's and other records may have letters of inquiry or other correspondence from the employer attached. The Contractor must return these documents and envelopes or copies of the envelopes in which they were received to Treasury separate from the batches of documents.

The Contractor will comply with the requirements of this task.

21. Contractor must maintain technical support hotline for employers to obtain assistance and/or information.

- a. The hotline must be operational between the hours of 8:00 a.m. and 5:00 p.m., EST, Monday through Friday, excluding legal holidays.
- b. The Contractor will continue an ongoing relationship with contacts in Treasury, MDIT and MDHS-OCS for the purpose of gaining answers to unanswered questions received by technical support staff.

The Contractor will provide a technical assistance hotline to Michigan's employers. The Contractor's staff will provide the needed education and guidance for employers to report new hire data and improve the quality of the data submitted. If an employer submits an electronic report in an incorrect format, the project manager will call or e-mail the employer, explain the correct format, and request a corrected, readable file.

Employers may also seek technical assistance by directly contacting the Michigan New Hires Reporting Center. They can call the center's toll-free number, visit the Web site ([www.mi-newhire.com](http://www.mi-newhire.com)) or send e-mail via the Web site. The will send employers their educational materials to help them understand new hire reporting requirements and processes.

In all interactions with employers the contractor's staff will:

- Explain new hire legal requirements and elicit their cooperation
- Encourage them to file more quickly than required by law and to use electronic or magnetic reporting, where possible
- Provide technical assistance with electronic and magnetic filing
- Resolve filing issues that may arise, especially the submission of incomplete, inaccurate, or illegible reports.

**22. Data Security**

- a. The Contractor is required to meet the requirements of Safeguard Requirements of Confidential Data, Appendix C.
- b. Additional security requirements and considerations to be met are outlined in Appendix D.
- c. Additional security considerations identified by future needs must be incorporated into practice as directed.

In addition to the Contracto's "Information Protection Principles", the Contractor will meet the provisions specified in the Safeguard Requirements of Confidential Data, Appendix C. In addition, the Contractor will provide technical controls to protect data and security training to all staff in the following areas:

- Identifying confidential information
- Applicable federal, state and local laws regarding confidential and protected information
- Confidential data elements and markings (i.e. confidential, restricted, proprietary)
- Confidential handling of physical and electronic data to include use of confidential and privacy disclaimers; labeling; consent; access; distribution and transmission; storage; and destruction
- Overview of the confidentiality agreements (i.e., both the Contractor's, the State of Michigan, and third-party)



- Security incident response procedures in the event of unauthorized disclosure
- Monitoring and audit trail

The Contractor will comply with any additional security requirements and considerations outlined in Appendix D or identified in the future. To facilitate future changes, the State will submit formal notification of such changes for the Contractor's review. These requests will be reviewed, tested, and approved by the contractor and the State of Michigan before implementation. The Contractor's Enterprise Security and Risk Management Office will also use a risk management process to identify potential risk areas and propose mitigating controls. The contractor's Enterprise Security and Risk Management Office will perform annual security and risk assessments as part of its compliance program and internal controls process

### 23. General

- a. The Contractor shall be responsible for furnishing all material, labor, facilities, equipment and supplies necessary to provide the services required herein.
- b. The State reserves the right to inspect the Contractor's facilities at the State's expense prior to award of the contract.
- c. The Contractor shall provide a detailed Disaster Recovery Plan, subject to acceptance by the State.
- d. Transition Assistance
  - i. At the end of the contract period, resulting from this ITB, the awarded contractor will provide transition assistance to the new contractor.
  - ii. The awarded contractor will work with the incoming contractor to develop a transition plan which will be approved by the MDIT Project Manager, which allows the new Contractor to work with the current contractor during a set period of time to transition current work loads and processes from the current contractor to the new contractor as seamlessly as possible.

The Contractor will comply with the requirements of this task. The Contractor will complete and submit the Michigan New Hire BCDR site-specific plan for review and approval within 45 days of the go-live date. The Michigan New Hire BCDR Site-Specific Plan is a working document to be used by the Michigan New Hire program manager at the time of a business interruption/disaster to ensure seamless continuity of business functionality.

24. As identified in Section B – *Services To Be Provided*, a Performance Readiness Review will be conducted by the contractor, under the direction of the State, as part of the testing and preparation for production cut-over. Using test W-4 forms, faxes and/or any other magnetic media provided by MDIT, the Contractor must produce an electronic file as described by this ITB, or as modified in subsequent requirement validation discussions.
- a. The data for the file must be captured, formatted and transmitted to the Data Exchange Gateway with 100% accuracy.
  - b. A minimum test of three simulated days will be conducted during the Performance Readiness Review.
  - c. A successful test means that three files containing a minimal of 1,000 records each are submitted to MDIT for processing.
  - d. The Contractor must keep all test material and quality assurance documents in good condition and return the material to MDIT when testing is complete.
  - e. Approval for production will not be given until a successful test is completed.

The Contractor will comply with the requirements of this task.



## B. Services to be Provided

For purposes of preparing proposals, Contractors are to plan for their proposed system to be installed and in operation no later than one month after contract execution to allow time for final testing and final system transition to occur on two months after contract execution. The Contract is scheduled to begin on or about November 1, 2006 for project initiation activities.

1. The services being provided must use the State's Project Management Methodology and must be identified as phases or milestones with associated tasks/activities and deliverables.

The Contractor understands and accepts that it will adhere to Michigan's project management methodology (PMM) and requirements.

The contract's preliminary project work plan is included in the Contract as Appendix B. On this project work plan, the contractor has identified all known tasks for the Initiation, Design, Development, Implementation, and Post-Implementation phases. The contractor has also added a sixth Phase to the work plan, and that is an Operations Phase, where they have document the tasks that the State can expect to see the contractor perform on a daily and monthly basis as the project begins the ongoing operations phase.

2. Project initiation will include a kick-off meeting with State and contractor management staff to be scheduled within 10 business days of contract award.
  - a. The contractor will present a preliminary work plan during this meeting.
  - b. The work plan will outline the project phases, aligned with the deliverables identified in this ITB, and proposed tentative dates for each milestone.

The Contractor will comply with the requirements of this task.

3. Following is a list of major activities, deliverables and milestones for project initiation and implementation, leading up to a readiness review.
  - a. Project Plan – The contractor will present a project plan, including a timeline and schedule for major tasks, milestones and deliverables. The plan is to be fully resourced. The plan will be reviewed and approved by the State prior to the start of work, and will be coordinated with the MDIT-MiCSES Project Control Office.

The contractor will use Microsoft Project to plan, track, and report project status and scope of work requirements. The contractor will present its fully resourced plan for State review and approval—and coordinate with the MDIT-MiCSES Project Control Office—before the start of work. The plan will include a timeline and schedule for major tasks, milestones, and deliverables.

The contractor's project plan as included in **Appendix B**, includes several tasks and milestones that would occur soon after contract award, and prior to actual contract start date. In order to meet the requirement of having proposed system (HIRES) installed and in operation no later than one month after contract execution, the contractor's project plan will include a series of tasks under the Project Initiation phase for facility preparation, technology installation, and HIRES development among other tasks.

- b. Requirements Validation – The contractor, in conjunction with the State, will schedule a requirements validation session. This is the contractor's opportunity to clarify any ambiguous requirements, which could have an impact on project initiation, implementation, or on-going operations. Requirements validation must include, but is not limited to:
  - i. Review of the current operations
  - ii. New operational requirements
  - iii. File transfer protocols
  - iv. Transition activities
  - v. State and contractor responsibilities



- c. Implementation Plan – The contractor will develop and provide a comprehensive implementation plan for the proposed solution. The implementation plan is to be inclusive of:
  - i. An overview of the proposed deployment plan
  - ii. A timeline for deployment with appropriate milestones
  - iii. Identification of risks and mitigation strategies
  - iv. Operational approach, logistical approach, transition and migration path from the current New Hire processing operations to the replacement solution
  - v. An implementation staffing plan, adequate to meet all deliverables within the state timeframes
  - vi. A communication plan targeted to employers and designed to facilitate a seamless transition from an employer’s reporting perspective

The contractor’s finalized project work plan will include an overview of the proposed deployment plan; a timeline for deployment with milestones; risk identification and mitigation strategies; details regarding the Contractor’s operational and logistical approach, including transition of the current operations; an implementation staffing plan; and an employer communications plan.

This work plan outlines each of the tasks within each of the Phases, and designates which are milestone and deliverables. The dates of the tasks, in many cases, will be dates running concurrently with other tasks. The resources necessary to complete the task are noted in the work plan by job title and will be activated to address the task. For each task, the work plan lists:

- Task Name or description
- Deliverable
- Start date
- Completion date
- Resources: The contractor will designate whether this is contractor staff or State staff that will be assigned to provide input to or participate in the completion of the task

**Phase 1, Initiation** The contractor has divided the initiation phase into two initiation phases—one internal for the contractor’s staff, and one for the contractor’s initiating the project with State of Michigan staff. During the contractor’s initiation phase, the contractor will prepare its technical environment for the new hire services which includes establishing a facility with appropriate physical office security, building the technology infrastructure for servers, WAN, desktop workstations, telecommunications and installation of all technology equipment in the facility. The Initiation phase with the State involves finalizing the project work plan, conducting the contract kickoff meeting which will familiarize State and contractor’s staff with each other and provide an opportunity to discuss contractor’s preliminary project plan. Additionally, this phase includes the requirements validation session, establishment of the format for all ongoing project management plan updates and status reports, and schedule of project status review meetings, and a finalization of contractor’s overall project work plan, including implementation and transition plans. Two major activities and tasks that will also occur during the project initiation phase are the employer communication plan development, and documenting the transition tasks necessary for coordination with incumbent vendor, such as transitioning the ownership of the post office box, fax lines, toll free customer service phone line, the web site redirection, and establishing the productions system cutover date, and procedures for any post-cutover receipt of any unprocessed new hire reports from Northrop.



**Phase 2, Design** In the Design phase, the contractor has defined tasks that are internal to the contractor and tasks that will be conducted with State resources. The contractor's internal tasks include the business process reviews for the design of the Contractor's HIREs application to meet Michigan's specific business requirements as laid out in the RFP and accompanying file layouts, design and drafting of a disaster recovery plan for the Contractor's facility for the new hires project office in Lansing, and lastly, configuration and creation of test files for employer file imports to HIREs and create of test data for testing the generation of an output file. The tasks in the Design phase that will require State resources include business process review for the web site application, the project review meeting with MDIT, the State Webmaster, and MDIT Enterprise Security, documentation of the State's configuration requirements for web sites, documentation of the State's "look and feel" for web sites, and creation of test data for system testing of the web site application.

**Phase 3, Development** In the Development phase, the Contractor will develop the databases, interfaces, and conversion processes for both its HIREs application and a Michigan specific web site application. The Contractor will develop the queries and reports, both its suite of standard HIREs reports, as well as the customized reports specific to the Michigan RFP requirements.

**Phase 4, Implementation** In the Implementation phase, the Contractor will build the testing and production environments, which include establishing security, completing the installation plan of the HIREs database application and the Michigan new hire web site application. The Contractor will perform system testing, including testing of the conversion process for the import of the incumbent vendor's web registration user table extract, and testing of the conversion process for the import of the employer file into HIREs, then system testing of both HIREs and the web site application, and user acceptance testing of HIREs and the web site application. During the Implementation phase, the Contractor will work closely with the State resources from MDIT to complete the Performance Readiness Review and obtain sign-off and acceptance from the State agencies.

After the Performance Readiness Review, the Contractor will document its plan for migration from testing and readiness review to production, which will include populating the production Web site with the latest incumbent vendor Web registration user table, populating the HIREs application with the employer file data and the final production data file from incumbent vendor's last day of production, validating all production systems and the production environment, and completing the application support documentation and transition plan. During this phase the Contractor will implement its disaster recovery plan for the Lansing project office. The last major milestone during the Implementation phase is the Contractor's preparation for Operations. The tasks associated with this milestone primarily focus on recruiting, selecting, and delivering training to all new Contractor staff who will work in the new hire project office. The Contractor will provide training on the new hire reporting law, data security and confidentiality of the new hire data, operations, and systems and technology training. It is also during this Implementation phase, that the Contractor will complete all the transition tasks related to transitioning the program operations from the incumbent vendor, and will execute the employer communications plan.



**Phase 5, Post-Implementation** In the Post Implementation phase, the Contractor's IT department will provide post production support which includes completing system documentation so that the documentation and applications can be turned over to application support group, revising procedures as necessary, communicating revisions to users, providing help desk support as needed. Operationally, the Contractor's management team will revise procedures if necessary, monitor the daily work processing, and establish daily, weekly and monthly internal performance monitoring. In addition, the Contractor will draft a phase out transition plan and submit to State for approval.

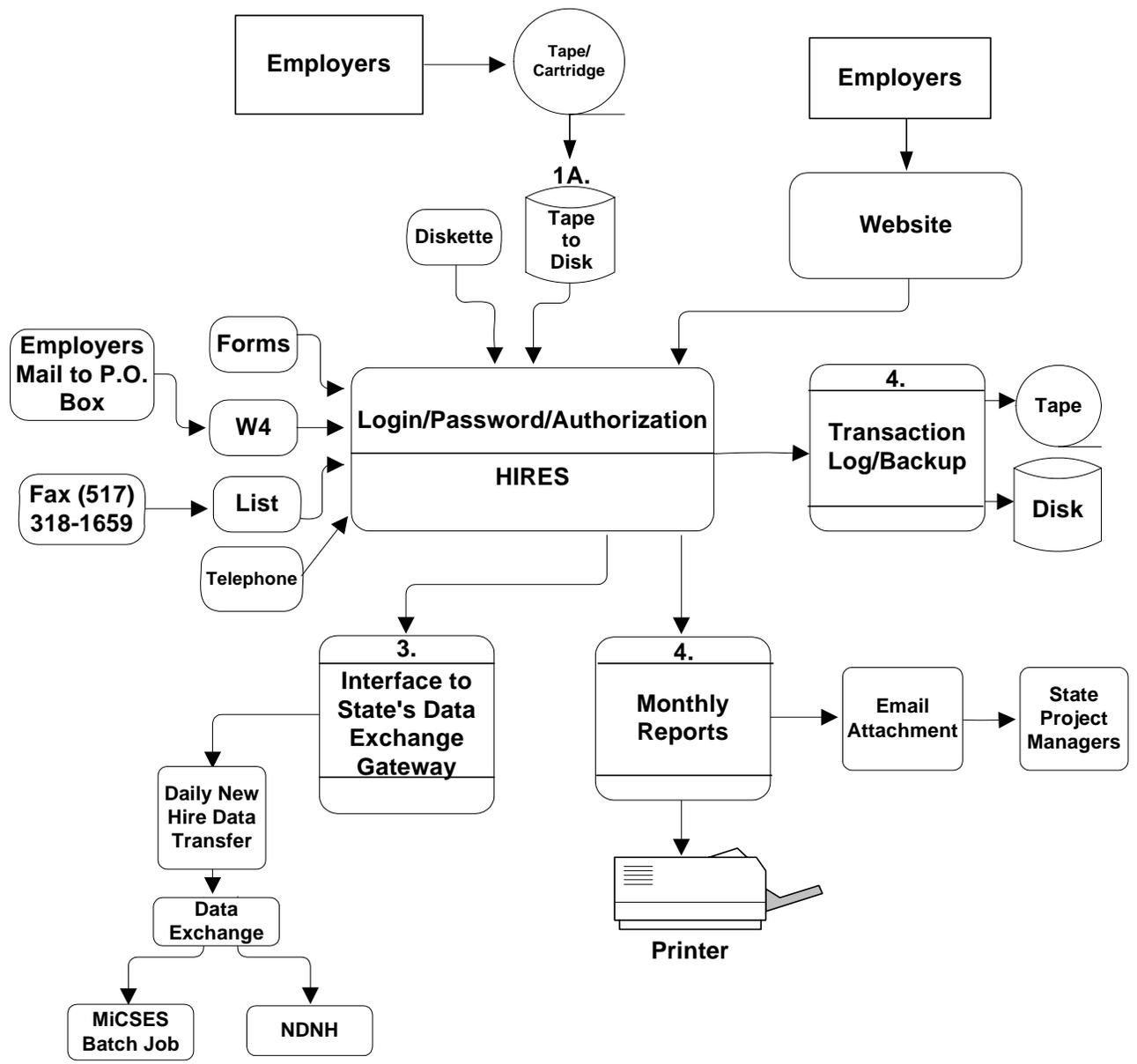
**Phase 6. Operate the Michigan New Hires Operation Center**

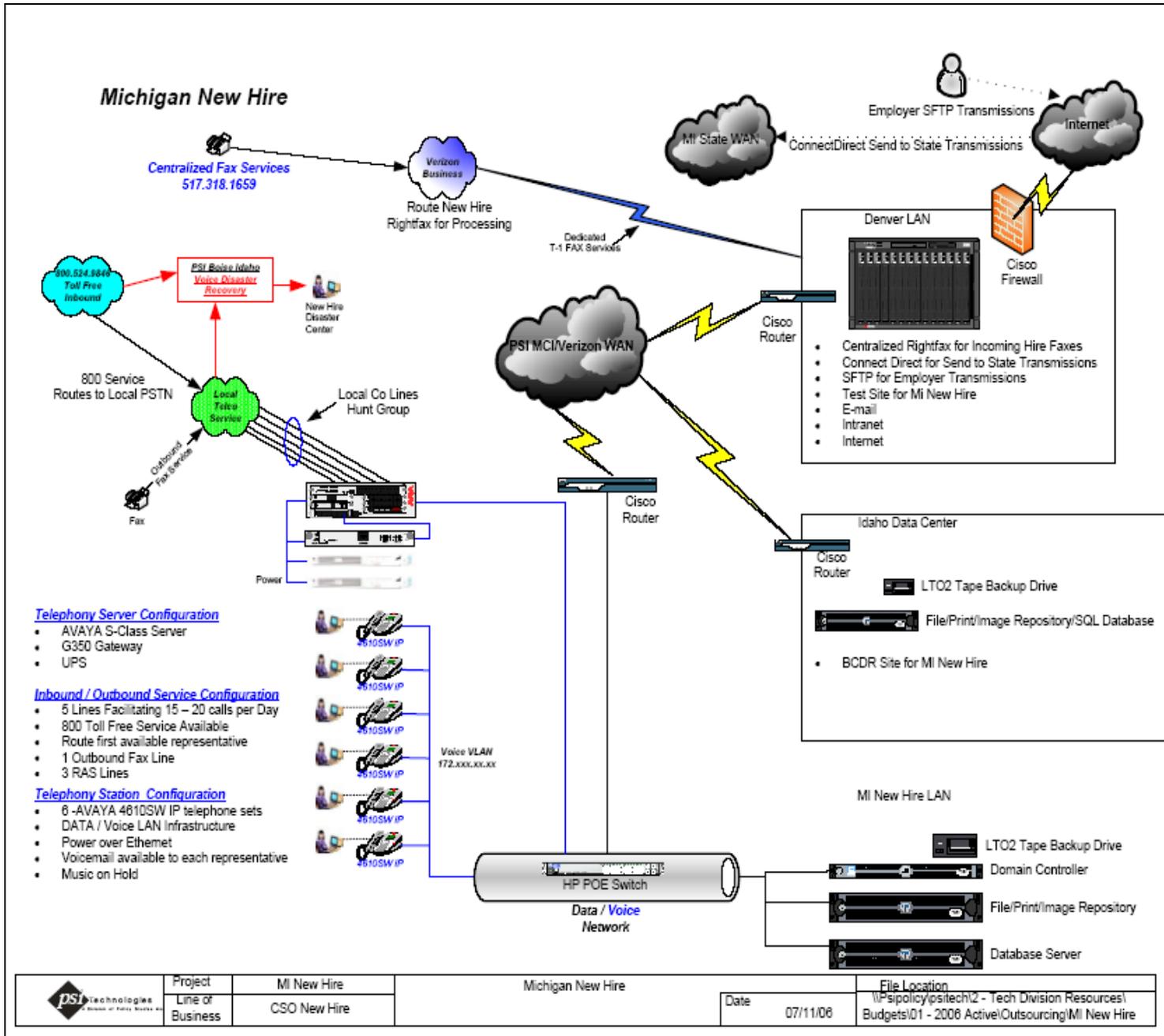
In the Operations phase, the Contractor will perform the daily tasks that will be occurring in the new hires project office including daily processing of all new hire reports, daily production file transmissions to the State's Data Exchange Gateway, ongoing employer awareness and outreach, employer compliance monitoring, production of reports to the State, bi-weekly project meetings, and Contractor performance monitoring.

- d. Transition Plan - The contractor will work with the State and current contractor to develop a transition plan which will be approved by the MDIT Project Manager. The objective of the Transition Plan will be to coordinate the appropriate and required transfer of data, facilities (e.g., Post Office Box, Toll-Free Line, Extract of User Table) related subject matter knowledge, and any work product in process between the current contractor and the awarded contractor.
- e. Operational Configuration – The contractor will provide end-to-end operational configuration diagrams, including data flows, control points and interfaces.

Contractor's Operational Configuration - Exhibit 2 – 3

Exhibit 2-3  
New Hire Reporting Dataflow





	Project	MI New Hire	Michigan New Hire	Date	File Location
	Line of Business	CSO New Hire			

- f. Testing – The New Hires contractor is responsible to delivering a fully tested and operational process that is ready for testing in conjunction with State personnel and State processes.
  - i. Testing objectives will include, but are not limited to:
    1. Validation of the receipt and transfer of electronic files
    2. Validation of the handling processes for paper reports
    3. Validation of security compliance
    4. Validation of backup and disaster plans
  - ii. The contractor is responsible to establish the test environment including the creation of test files. The State is responsible for validating the contractor’s test files from the point of retrieval from the Data Exchange Gateway.



The Contractor will comply with the requirements of this task and will:

- Quantify the degree to which the Contractor's HIREs software application supports the business requirements that exist in production for Michigan's new hire reporting program now.
- Complete the software testing activity within the contract and project schedule parameters.
- Provide auditable testing documentation.
- Provide recommendations about application readiness based on:
  - Technical risk that defects, present at a specific point in time, poses to the application.
  - Trends in defect identification and defect resolution.
  - Trends in technical risk as described above.

The Contractor's testing plan and objectives will be centered on validating all the business processes of a new hire reporting operation to prove the major system functionality exists and works as designed and required and that The Contractor will assure data accuracy and compliance with the Michigan specific requirements outlined and file layout under the requirements of the contract. Before the State's Performance Readiness Review, the Contractor will run the following processes multiple times with an appropriate daily production size of test records end-to-end to validate that the system performs its functions:

**Generate a Send to State File:** This end-to-end test will include all handling process for paper reports, including mail opening, presorting, batching and scanning. In addition, keying all employer data, all employee data from submitted new hire reports, and all verification steps to prepare a record for submission; receipt of electronic files from employers, processing an electronic or magnetic media file submitted by an employer and all steps to process electronic files for submission, and then the actual file generation would be tested and the resulting file transmitted to the State's Data Exchange Gateway.

**Generate all identified reports:** The Contractor will also generate all reports and verify content against test data on which the reports were generated and provide as sample reports for Michigan state staff to verify whether the format meets the requirements for reports.

**New Hire Reporting from Web site:** Register a new employer and enter a new hire record. Confirm receipt of the record and issuance of confirmation messages to sender. Transfer Internet records to HIREs database and transmit to the State along with daily file transmission. Upload a file through secure file transfer mechanism on Web site for processing in HIREs.

**Backup and Disaster Recovery:** Confirm all steps for recovery of critical business functions can be performed successfully in designated recovery location, Boise, Idaho. Confirm restoration of MI new hire data to HIREs recovery database in Boise, Idaho, redirect fax lines to Boise fax server, perform data entry in Boise for all form types, process electronic file submitted from employer and generate "send to state" file in Boise.



**Security Compliance:** Confirm physical security requirements of operations’ facility, confirm network and workstation security requirements for each level of user, confirm password conventions for users of the HIRES application, and confirm security requirements for file exchange through the State Data Exchange Gateway.

**Testing Environment**

To ensure that the software application does not fail in production for technical (environment) reasons, it is imperative to test the application in a production-like environment. For the Michigan new hire operation, the Contractor’s test environment will exactly duplicate the production environment.

**Server—Software**

Item	Version
Operating System	MS Windows Server 2000
Database server	MS SQL Server 2000

**Client—Software**

Item	Version
Operating System	MS Windows 2000
Web Browser	Internet Explorer 6.0

The Contractor will perform system testing and user acceptance testing (UAT) in the test environment. All business production requirements will be performed in this test environment, including the creation of test files. Upon completion of the testing phase, the system will be deployed to the production environment. The performance readiness review will take place in the production environment. The Contractor understands and accepts that the State is responsible for validating all test files that the Contractor will submit through the Data Exchange Gateway.

- g. Performance Readiness Review – The testing phase will culminate in a Performance Readiness Review (PRR), which is to commence a minimum of two weeks prior to the required cut-over date.
  - i. The PRR must successfully demonstrate, to the State’s satisfaction all required functionality.
  - ii. The PRR must demonstrate and simulate the full production environment.
  - iii. A PRR checklist and system acceptance form will be developed by the State, with input from the contractor, based on the requirements in the contract and the contractual deliverables.
  - iv. Any deficiencies or defects found during the PRR must be corrected prior to cut-over, unless otherwise accepted by the State in writing.
  - v. State signatories to the final sign-off and acceptance of the system and processes as production ready will include designated representatives from MDHS-Office of Child Support, MDIT-MiCSES and the designated contractor representative.
  - vi. Failure to begin the PRR by 30 days before system cutover shall be subject to liquidated damages of \$2,500 per calendar day for each calendar day beyond the agreed upon start date of this key deliverable.

The Contractor will comply with the requirements of this task.



- h. The table that follows provides a list of tasks to be included in the Contractor’s project plan. Contractor must identify any additional tasks, Contractors role and State roles in the project plan to be provided.

<b>Task</b>	<b>Description of Tasks</b>	<b>Contractor Role</b>	<b>State Role</b>
<b>Phase 1 Initiation</b>			
Preparation	Work planning and scheduling, Clarification of roles and responsibilities, Work environment preparation, Project team training planning	Initial project plan Project management guidelines Project standards and controls Issue resolution procedures	Coordinate State resources needed Define project standards and controls required by the State
Technical Environment Preparation	Establish security procedures Vendor prepares their facility and environment	Technical standards Security standards Technical procedures Database environments.	Schedule State staff required Ensure resources available as needed Adopt standards and procedures required
Readiness Assessment and Project Kickoff	Assess the State’s readiness to proceed with the project, identifying gaps Conduct kickoff meeting	Readiness assessment Project kickoff Pre-project checklist	Review the pre-project checklist Schedule and attend meetings
<b>Phase 2 Design</b>			
Business Process Review	Conduct detailed business process reviews for each of the business areas in the software and functionality to be implemented, Collect the data needed for implementation	Business process agendas Business process session notes	Coordinate attendance of required State staff Provide access to the State’s system Provide documents as required.
Initial Configuration	Develop initial State configuration Make key configuration enhancements more closely resembling the production environment	Initial configuration document	Review configuration document and verify accuracy
Fit Analysis	Structured walk through of operational processes to map to State’s needs; Clarify interface, file transfer and conversion requirements; Identify issues and prepare plans to address.	Module fit session agendas Module approach papers Module configuration documents	Provide resources and access required Review and verify the deliverables



<b>Task</b>	<b>Description of Tasks</b>	<b>Contractor Role</b>	<b>State Role</b>
State Configuration	Configure software and/or equipment based on the State's unique business requirements.	Initial prototype system configuration.	Assist with population of configuration. Review and verify accuracy of document
Module prototyping and testing	Create business test scenarios; Execute business test scenarios; and adapt system to resolve discrepancies Update system configuration document	Module business process templates Finalized module business process test scripts Executed/accepted business process test scripts Conduct acceptance test of prototype's module business process	Assist in population of tables Participate in testing Assist with resolution of issues Identify business process issues and suggestions for resolution
<b>Phase 3 Development</b>			
Interface design and development	Work with the State to design and develop interfaces identified in fit analysis	Interfaces Develop, design, verify design of interface Program and install interface	Provide resources to identify and test Test interface Verify each unit-tested interface meets requirements
Conversion design and development	Plan and design the conversion processes with plan and schedule for conversion. <b>(as related to the web user registration table)</b>	Conversion design for data Program and install Test conversion program conversion program	Provide resources and access Provide data extract Review and verify design Verify each unit-tested conversion meets requirements Cleanse data
Queries and Reports design and development	Develop and test reports	Custom report development Program and install reports	Provide resources and access Test reports
Security definition and setup	Prior to production, setup security as identified by State, Implement and test	Security template	Provide resources and access
Modification Development	If any additional modifications are requested by the State, subject to approved change order, design and develop modifications	Modification work as contracted Program and install modifications	Provide resources and access Review and verify design Test modifications Verify each unit-tested modification meets requirements
<b>Phase 4 Implementation</b>			



<b>Task</b>	<b>Description of Tasks</b>	<b>Contractor Role</b>	<b>State Role</b>
Build stage and production environments	Create the stage and production environments, Define and establish security, Convert data.	Stage – production planning meeting Completed stage – production planning meeting	Provide resources and access needed Develop, populate, modify stage environment Setup security Validate conversions
Stage preparation and testing	Perform a dress rehearsal of the production environment prior to live date of the system, running parallel process cycles to be validated against the production systems. Conduct system and acceptance testing	Stage- production planning meeting agenda Completed stage – production planning meeting System test scripts Acceptance test scripts Performance Readiness Review Perform full conversion testing and system test	Provide resources and access as required Develop user acceptance test criteria  Validate Perform user acceptance test Conduct PRR Signoff on system
Migration	Coordinate tasks for cutover	Production setup plan Migration task list Populated production database Create and populate the production environment	Validate the production environment
<b>Phase 5 Post Implementation</b>			
Post Production Support	Resolve issues and problems as detected. Revise procedures as needed and communicate updated procedures to the user community. Provide help desk support as needed for employers.	Provide support to project team as required	Maintain issues log to be resolved with Vendor

**C. Data Conversion**

Data file conversions will be required to import the user table from the current contractor’s web site registration extract.

**D. Interfaces**

The contractor will need to establish and maintain electronic interfaces with:

1. State’s Data Exchange Gateway for file transfers to the State
2. Employers for electronic file submissions



## 1.2 Roles and Responsibilities

### **1.201 The Contractor STAFF, ROLES, AND RESPONSIBILITIES**

#### **1. Project Staffing**

The Contractor will provide resumes for staff (Attachment H –Non-Key Staff Personnel Resumes), including subcontractors, who will be assigned to the Contract, indicating the responsibilities and qualifications of such personnel, and stating the amount of time each will be assigned to the project. The Contractor will commit that staff identified in its proposal will actually perform the assigned work. Any staff substitution must have the prior approval of the State.

The Contractor will provide, and update when changed, an organizational chart indicating lines of authority for personnel involved in performance of this Contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management and indicate who within the firm will have prime responsibility and final authority for the work.

Contractor's staff must be able to pass a security clearance check conducted by the Contractor. Contractors must present certifications evidencing satisfactory background checks and drug tests for all staff identified for assignment to this project. Contractor is responsible for any costs associated with ensuring their staff meets all requirements.

The Contractor will identify a Contract Administrator. The duties of the Contract Administrator shall include, but not be limited to: i) supporting the management of the Contract, ii) facilitating dispute resolution, and iii) advising the State of performance under the terms and conditions of the Contract. The State reserves the right to require a change in the current Contract Administrator if the assigned Contract Administrator is not, in the opinion of the State, adequately serving the needs of the State.

The Contract Administrator shall be identified as a Key Personnel subject to the State's interview and approval.

The Contractor will provide a project manager to work closely with the designated personnel from the State to insure a smooth transition to the new system. The project manager will coordinate all of the activities of the Contractor personnel assigned to the project and create all reports required by State.

The Project Manager shall be identified as a Key Personnel subject to the State's interview and approval.

The Contractor's project manager responsibilities include, at a minimum:

- Manage all defined Contractor responsibilities in this Scope of Services.
- Manage Contractor's subcontractors, if any
- Develop the project plan and schedule, and update as needed
- Serve as the point person for all project issues
- Coordinate and oversee the day-to-day project activities of the project team
- Assess and report project feedback and status
- Escalate project issues, project risks, and other concerns
- Review all project deliverables and provide feedback
- Proactively propose/suggest options and alternatives for consideration
- Utilize change control procedures
- Prepare project documents and materials
- Manage and report on the project's budget
- Approves deliverables and invoices for payment processing



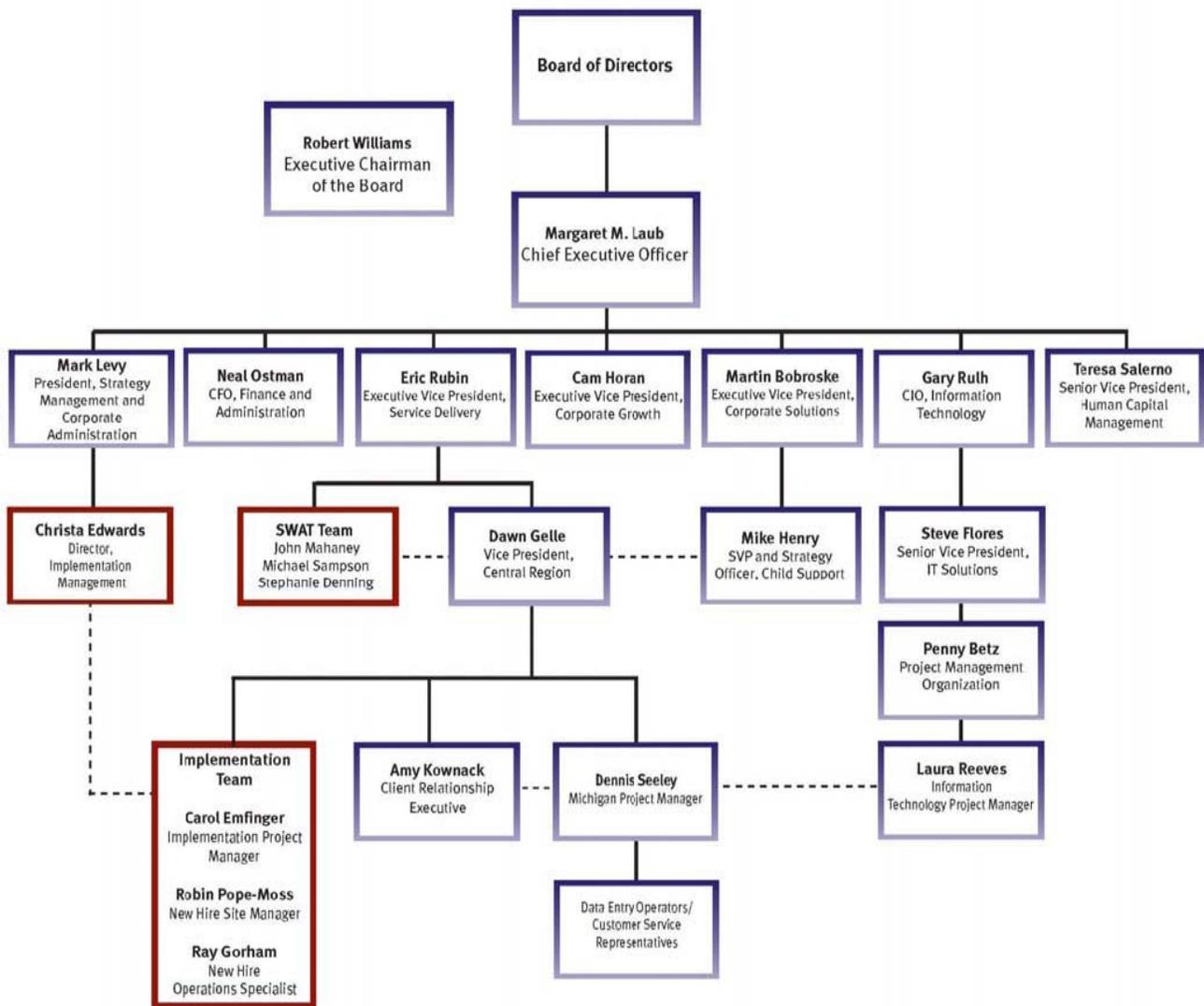
The Contractor will provide sufficient qualified staffing to satisfy the deliverables of this Statement of Work.

The contractor will provide the following individuals as key personnel:

- Dawn Gelle, Contract Administrator**
- Carol Emfinger, Implementation Project Manager**
- Dennis Seeley, Project Manager**

In addition to the named key personnel, the Contractor will provide skilled local staff members to operate Michigan New Hires Reporting Services. The contractor will provide four dedicated data entry operators/customer service representatives to satisfy the deliverables of this Statement of Work.

The Contractor’s organizational chart indicates lines of authority for those staff involved in the performance of this contract. The chart also illustrates the relationships of its Michigan new hires staff to other Contractor departments. We show the lines of authority to the next senior level of management—Regional Vice President/Contract Administrator Dawn Gelle is the individual with prime responsibility and final authority for the work. The Contractor will update this chart to reflect any future staffing and organizational changes should there be any, and provide a copy to the state.





## 2. Location of Work

- a. The work is to be performed, completed, and managed at a contractor established location in the State of Michigan.

The Contractor will perform, complete, and manage operations for Michigan New Hires Reporting Services from a facility in the State of Michigan. The Contractor's proposed facility is located at:

823 Brookside Drive  
Lansing, Michigan 48917

- b. The State *will not* provide any of the following resources for the Contractor's use on this project:
- Work space
  - Minimal clerical support
  - Desk
  - Telephone
  - PC workstation
  - Printer
  - Access to copiers and fax machine
  - Parking
  - Travel Reimbursement

### 1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES

The State project team will consist of the MDIT Project Manager, the MDHS-OCS Operational Lead (Project Lead), the Treasury Operational Lead, and appropriate designated support staff. MDIT will be responsible for the State's infrastructure and work together with the Contractor in determining the system configuration. MDHS-OCS will be responsible for subject matter expertise and business processes, in consultation with Treasury, as appropriate.

#### MDIT Project Manager:

James Fricke, Client Services Director  
MiCSES Project  
Michigan Department of Information Technology  
Lansing, MI 48913  
517-241-9637

#### MDHS- OCS Operational Project Lead:

Mark Jasonowicz, Deputy Director  
Office of Child Support  
Department of Human Services  
Lansing, MI 48909  
517-335-3481

#### Treasury Operational Lead:

Carolyn French  
Department of Treasury  
430 W. Allegan  
Lansing, MI 48922

The MDIT Project Manager and MDHS-OCS Project Lead will provide the following services:

- Approve the project schedule
- Authorize modifications for scope, resources, and budget of the project
- Ensure senior management commitment to the project



- Act as a final arbiter on proposed changes that significantly affect the business interests of the State
- Resolve project issues in a timely manner
- Review project plan, status, and issues
- Resolve deviations from project plan
- Provide acceptance sign-off
- Utilize change control procedures
- Ensure timely availability of State resources
- Make key implementation decisions, as identified by the Contractor’s project manager, within 48-hours of their expected decision

The MDIT Project Manager will provide the following services:

- Provide State facilities, as needed
- Coordinate the State resources necessary for the project
- Facilitate coordination between various external contractors
- Facilitate communication between different State departments/divisions
- Resolution of project issues
- Escalation of outstanding/high priority issues
- Utilize change control procedures
- Conducting regular and ongoing review of the project to confirm that it meets original objectives and requirements
- Documentation and archiving of all important project decisions
- Arrange, schedule and facilitate State staff attendance at all project meetings
- Escalate any contractual change requests to MDIT-Contracts and the MDMB – Purchasing Operations.

The Treasury Operational Lead will provide the following services:

- Participate in requirements validation
- Participate in establishing test conditions
- Reviewing test results

Issues shall be escalated for resolution from level 1 through level 3, as defined below:

- Level 1 – Business (Operational) leads from the State and the contractor’s designated counter part will first attempt resolution of issues. If unsuccessful the issue will be escalated to Level 2
- Level 2 – Project Managers from the State and the contractor’s designated counter part will attempt to resolve issues escalated from Level 1. Unresolved issues from Level 2 will be escalated to Level 3 for final decision authority.
- Level 3 – Contract Administrators

In addition, the following State personnel/resources may be required at stages of the project. The Contractor’s Project Manager will make every effort to provide the State with advance notice of when those services may be required.

- Systems Analyst
- User Implementation Coordinator
- Network Administrator
- Database administrator
- Remote access to test database environment

MDIT shall provide a Contract Administrator whose duties shall include but not be limited to: i) supporting the management of the Contract, ii) advising the project manager of the Contractor’s performance under the terms and conditions of the Contract, and iii) periodic verification of pricing and monthly reports submitted by Contractor.



### 1.203 OTHER ROLES AND RESPONSIBILITIES

MDIT Web Project Review Team will provide the following services to assure compliance with state standards:

- Review of project scope, as related to web site development
- Review web look and feel standards
- Provide appropriate guidance and direction
- Review usability guidelines
- Provide approval for web site development and implementation

MDIT Office of Enterprise Security will provide the following services:

- Review processes and operations for compliance with all security standards
- Provide input and direction on security compliance
- Provide approval for security compliance, as required for project cut-over

#### 1.3 Project Plan

### 1.301 PROJECT PLAN MANAGEMENT

#### A. Orientation Meeting

1. Within ten (10) calendar days from execution of the Contract, the Contractor will be required to attend a kick-off and orientation meeting to discuss the content and procedures of the Contract.
2. The meeting will be held in Lansing, Michigan, at a date and time mutually acceptable to the State and the Contractor.
3. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

#### 2. Performance Review Meetings

1. The State will require the Contractor to attend bi-weekly meetings, at a minimum, to review the Contractor's performance under the Contract.
2. The meetings will be held in Lansing, Michigan, or by teleconference, as mutually agreed by the State and the Contractor.
3. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

#### 3. Project Control

1. The Contractor will carry out this project under the direction and control of the MDIT-MiCSES and MDHS-OCS.
2. At the project kick-off meeting, the Contractor will submit to the State project manager(s) for approval a preliminary work plan. The work plan is to be finalized within fifteen (15) working days of contract award.
  - a. This work plan must be in agreement with section 1.104 Work and Deliverables, and must include the following:
    - i. The Contractor's project organizational structure.
    - ii. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
    - iii. The project breakdown (work plan) showing sub-projects, activities and tasks, and resources required and allocated to each.
    - iv. The time-phased plan in the form of a graphic display, showing each event, task, and decision point in the work plan.
3. The Contractor will manage the project in accordance with the PMBOK® (Project Management Body of Knowledge from the Project Management Institute) and the state's Project Management Methodology (PMM). Methodology is available at [www.michigan.gov/projectmanagement](http://www.michigan.gov/projectmanagement).



- a. Contractor will use an automated tool for planning, monitoring, and tracking the Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract.
- b. Contractor shall use automated project management tools, as reasonably necessary, in order to perform the cited Services, which shall include, through the end of the Contract, the capability to produce:
  - i. Staffing tables with names of personnel assigned to Contract tasks.
  - ii. Project plans showing tasks, subtasks, deliverables, and the resources required and allocated to each (including detailed plans for all Services to be performed within the next sixty (60) calendar days, updated semi-monthly).
  - iii. Updates must include actual time spent on each task and a revised estimate to complete.
  - iv. Graphs showing critical events, dependencies and decision points during the course of the Contract.
- c. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the State's standard to the extent such standard is described with reasonable detail in the Statement of Work.
- d. Project plans and schedules will be coordinated with the MDIT-MiCSES Project Control Office.

**1.302 REPORTS**

1. The State and Contractor shall mutually agree on necessary reports and frequency of reports within 1 month of contract award.

- Volumes received by day, and date they were processed to determine if 2-day and 5-day turnaround has been met;
- Backlogs by date received;
- Volume processed by day;
- Records received electronically and by paper;
- Number of records received by each media type;
- The number of reports received that had to be returned to the employer;
- The number of phone calls received over the course of the month; and
- The number of independent employers reported.

2. If the contractor is performing employer out-reach activities, then the following reports are desired:

- The number of compliance letters sent out by media type; and
- The number of first time compliance letters

The Contractor will comply with the requirements of these tasks.

1.4 Project Management

**1.401 ISSUE MANAGEMENT**

An issue is an identified event that if not addressed may affect schedule, scope, quality, or budget.

The contractor shall maintain an issue log for issues relating to the provision of services under this Contract. (Alternatively, the MiCSES Issue Tracking tool may be utilized and the Contractor provided user level access to directly input and update issues.). The issue management log must be communicated to the State's Project Manager on an agreed upon schedule, with email notifications and updates. Issue tracking will be coordinated with the MDIT-MiCSES Project Control Office. The issue log must be updated and must contain the following minimum elements:



- Description of issue
- Issue identification date
- Responsibility for resolving issue.
- Priority for issue resolution (to be mutually agreed upon by the State and the Vendor)
- Resources assigned responsibility for resolution
- Resolution date
- Resolution description

The Contractor will comply with the requirements of these tasks, and use either the MiCSES tracking tool or the Contractor’s issue tracking tool upon mutual agreement between the Contractor and the State.

**1.402 RISK MANAGEMENT**

Risk and Issues are not the same. Risks are those things that you can assume or anticipate in a project. Issues are imminent threats or things that have already occurred. A risk is a circumstance or event that, if it occurs, may have a positive or negative impact on the Contract. Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis.

Contractor’s proposal must define risks identified as being significant to the success of the project. Include how you would propose to effectively monitor and manage these risks, including reporting of risks to the State.

The Contractor identified the following Risks and Mitigation Strategies. The Contractor will work collaboratively with the State to further expand this matrix and develop approaches to eliminate or mitigate each risk element.

<b>The Contractor’s Risk Management for the Michigan New Hires Reporting Center</b>				
<b>Risk</b>	<b>Initial Probability</b>	<b>Impact</b>	<b>Mitigation Strategy</b>	<b>Revised Probability</b>
Current vendor staff unavailable for transition planning	Medium	Medium	To the extent possible, the Contractor will hire current vendor staff for ease in transition. Even if this is not feasible, the Contractor team will bring significant experience in New Hire processing and systems. The Contractor has successfully recruited the Northrop Grumman project manager to be the operations project manager, and he will be Northrop Grumman’s primary representative that The Contractor will work with to transition program operations.	Low
Lack of ability to recruit trained, experienced	Medium	Medium	The Contractor will start recruitment of staff early on in the project to ensure adequate time to train them thoroughly and assess	Low



<b>The Contractor's Risk Management for the Michigan New Hires Reporting Center</b>				
<b>Risk</b>	<b>Initial Probability</b>	<b>Impact</b>	<b>Mitigation Strategy</b>	<b>Revised Probability</b>
staff			that they can perform accurately and efficiently before the cutover date. In addition, the Contractor will call on experienced new hire staff from other sites to assist if needed.	
Proposed office space becomes unavailable before contract award	Medium	Medium	The Contractor has identified alternatives to the Contractor's proposed site in the Lansing area. If the proposed site is leased or becomes unavailable for any reason before contract award, The Contractor will work with one of its alternative sites to ensure that a space will be available.	Low
Technical difficulties— hardware, software, network issues	Low	High	The Contractor has transitioned many new hire operations successfully. The Contractor will employ a proven technical solution and staff that are knowledgeable about potential technical issues and can provide effective resolution strategies for technical issues.	Low
Disrupting services to Michigan employers by failure to achieve full operations transition from the Contract Start Date (11/2/06) to the Go Live Date (1/8/07)	Medium	High	Proposed Project Implementation Work Plan and The Contractor's Implementation Team will conduct a preliminary kickoff meeting as soon after contract approval as is practicable for the State. The Contractor's implementation team will include staff that have managed similar implementations and have a clear understanding of the project tasks necessary to complete all the Michigan requirements on schedule. The Contractor has recruited the Northrop Grumman project manager to be the operations project manager and he would be the primary representative from Northrop that the Contractor work with to transition program operations.	Low



The Contractor’s Risk Management for the Michigan New Hires Reporting Center				
Risk	Initial Probability	Impact	Mitigation Strategy	Revised Probability
Failure to be ready for the Performance Readiness Review	Low	High	The Contractor will conduct extensive testing of each technical component in the operation before the Performance Readiness Review (PRR). The Contractor’s new hire operations specialist role in implementation is primarily to ensure that its HIRES application and employer Web site are production-ready for users prior to the PRR. In addition, the Contractor will augment and bring on additional technical resources to ensure readiness for the PRR or to address the first file transmission. If the first file transmission has failed for any reason, the Contractor will enlist additional technical resources to ensure that the problem is solved and it can correct it for a second transmission that is successful. The Contractor may also request additional days of performance readiness review testing, beyond the three days required, until the Contractor can meet the requirements, and obtain State sign-off and systems acceptance.	Low

Monitoring Our Risk Management Plan

The contractor will use a Risk Management Log to track all established Risk Management Reports. This log will include both resolved and outstanding reports. This report will allow the Contractor to evaluate, assess and resolve risks. Anytime there are outstanding issues on the log, the Contractor will include the log in their reports submitted to the State. The contractor will highlight all outstanding issues for easy reference.

Once the State has recommended or approved a resolution, the contractor will immediately implement it.

**1.402 CHANGE MANAGEMENT**

Change management is defined as the process to communicate, assess, monitor, and control all changes to system resources and processes. The State also employs change management in its administration of the Contract.



Change management processes will occur on two levels, 1) internal to the New Hires project plan without contractual implications, and 2) contractual related. Any changes in planned baseline delivery schedule must be approved by the State.

Change controls related to the accepted and approved New Hires project plan, which do not have contractual implications, will be handled by the State of Michigan New Hires Project Manager and the contractor's Project Manager, with escalation to the MiCSES Project Director as appropriate. Any change controls impacting schedule, resources, milestones, or timelines will be handled through the established MiCSES change control process.

Change controls with contractual implications will be escalated to the MiCSES Project Director, and if approved, will be further escalated to the designated MDIT Contract Administrator.

If a proposed contract change is approved by the Contract Compliance Inspector, the Contract Compliance Inspector will submit a request for change to the Department of Management and Budget, Purchasing Operations Buyer, who will make recommendations to the Director of Purchasing Operations regarding ultimate approval/disapproval of change request. If the DMB Purchasing Operations Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Purchasing Operations Buyer will issue an addendum to the Contract, via a Contract Change Notice. **Vendors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Purchasing Operations, risk non-payment for the out-of-scope/pricing products and/or services.**

The Contractor must employ change management procedures to handle such things as "out-of-scope" requests or changing business needs of the State while the migration is underway.

The Contractor will employ the change control methodologies to justify changes in the processing environment, and to ensure those changes will not adversely affect performance or availability.

The Contractor will comply with the requirements of these tasks,

### 1.5 ACCEPTANCE

#### **1.501 CRITERIA**

Using test W-4 forms, faxes, web submission and/or any other magnetic media provided by Treasury, the Contractor must produce an electronic file as described by MDIT. The data for the file must be captured, formatted and transmitted to the Data Exchange Gateway with 100% accuracy. Three simulated days of testing will be conducted. A successful test means that three files containing a minimal of 1,000 records each are submitted to the State for processing. All three test files must satisfy the State's test requirements. Contractor must keep all test material and quality assurance documents in good condition and return the material to Treasury when testing is complete. Approval for production will not be given until a successful test and all items on the PRR checklist are completed.

The Contractor will comply with the requirements of these tasks. In addition, as proposed by the Contractor and at the State's option, the Contractor will use test data provided by MDIT for submission through the Contractor's Web site to simulate employers inputting new hire reports via the Contractor's secure Web site. All data, regardless of what method of submittal, will be captured and processed through the Contractor's HIRES application described earlier in Section 1.104, Task 10. The Contractor will then generate an output file formatted to meet MDIT's specifications and the file layout provided as the EDP File Description. This file will then be transmitted to the Data Exchange Gateway with 100 percent accuracy. The Contractor considers 100 percent accuracy to mean accuracy of all data contained within the file as well as accuracy of the data transmission itself.

**1.502 FINAL ACCEPTANCE**

Final acceptance is expressly conditioned upon completion of all deliverables, completion of all tasks in the project plan as approved, completion of all applicable inspection and/or testing procedures, including formal acceptance and sign-off of the PRR, and the certification by the State that the Contractor has met the defined requirements.

The Contractor will comply with the requirements of these tasks.

1.6 Compensation and Payment

**1.601 PAYMENT**

State shall pay Contractor an amount not to exceed \$2,031,777.00 dollars for the performance of all activities necessary for or incidental to the performance of work as set forth in this SOW. Authorized Services and Price List as follows:

Appendix E – Price Proposal  
MI-W4 (New Hires) Processing

**Cost Scenario #2**

Vendor Name: PSI

**Mandatory Deliverables**

One Time Start up Costs (list)

Tenant Improvement & Equipment _____	\$ 53,962	Equipment (Copier, Filing Cabinet, Security)
Computers & Software _____	\$ 78,956	Computers, Servers, Backup Tape Storage
LAN Room and Phones _____	\$ 44,651	Phone System & Dedicated AC unit for LAN Room
Software Development _____	\$ 186,913	HIRES upgrade and report development
Office Furniture _____	\$ 18,417	
Startup Labor _____	\$ 52,042	
_____	\$ _____	
_____	\$ _____	

Sub-Total – Start Up Costs \$ 434,941

Cost per transaction\* \$ .025 BAFO reduction to \$0.25 from \$0.26

Total Annual Cost\*\* \$ 500,000

Sub-Total 3-year Transaction Cost:\*\*\* \$ 1,500,000

\*All costs necessary to provide the mandatory deliverables and services identified in the RFP, with the exception of Start up costs must be included in the “cost per transaction”.

\*\*Estimated annual volume = 2,000,000

Total annual cost = estimated annual volume X cost per transaction

\*\*\*Total 3-year cost = Total Annual Cost X 3

**Desired Deliverables**

**Employer Outreach**

Per Occurrence \$ 81,081\*

Sub-Total 3 Year Cost (per occurrence X 12) \$ 81,081

\*This is a one-time all employer mailing and would be 1 occurrence at this price

**Quarterly Wage Match**

Per Occurrence \$ 1,313

Total 3 Year Cost (per occurrence X 12) \$ 15,755

**Total 3-Year Cost - Scenario #2 \$ 2,031,777**

The Contract is a fixed-priced, contract. The state will only pay for services rendered in delivering the services.

Payments will be made monthly on a per transaction basis. Payments will also be made for employer outreach services (employer outreach (one-time only and quarterly wage match). The state will only pay for services rendered.



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

1.7 Additional Terms and Conditions Specific to this SOW

**1.701 ADDITIONAL TERMS AND CONDITIONS SPECIFIC TO THIS SOW**

**A. Directives**

Final contract language and award may be dependent upon approval of the federal Office of Child Support Enforcement.

**B. Use and Ownership of Information and Documentation**

1. **Reproduction of Documentation.** All non-copyrighted documentation and printed materials provided by the Contractor to the State may be reproduced by the State, provided that such reproduction is made solely for the internal use of employees of the State or contracted resources of the State engaged in State business and further provided that no charge is made to anyone for such reproduction. If there is a requirement to copy portions of copyrighted material, Contractor will seek permission from the copyright source at the request of the State.
2. **Ownership of Materials**
  - a. The State has the right to all working papers, reports, charts, programs, and other material developed for the project by the Contractor during the course of the project.
  - b. All property rights, including publication rights in the interim, draft, and final reports and other documentation produced by the Contractor in connection with the work provided for under this contract, shall rest with the United States Department of Health and Human Services and the State.
  - c. In connection with software and associated documentation specifically developed for the State under this Contract the State shall have all ownership rights in such software and documentation that is designed, developed, or installed with Federal financial participation under 45 CFR Section 95.617. In accordance with 45 CFR 95.617(b) the United States Department of Health and Human Services "reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use for Federal Government purposes, such software, modifications, and documentation".
  - d. All property rights for materials created specifically for the State during the project, including publication rights in the interim, draft, and final reports and other documentation produced by the Contractor in connection with the work provided under this Contract, shall rest with the United States Department of Health and Human Services and the State.
  - e. The Contractor shall not publish or release any of the results of the work or any information whatsoever which pertains to work or activities covered by the contract without prior written permission of the State. No reports, forms, or other documents produced in whole, or in part, under this contract shall be the subject of any application for copyright by or in behalf of, the Contractor or any of its employees.
  - f. The Contractor may not publish or copyright any data specifically developed for the State under this Contract without prior approval, unless otherwise stated herein. The State and the Federal Government shall have the right to publish, duplicate, use, and disclose all such data in any manner, and for any purpose whatsoever, and may authorize others to do so.
  - g. "Data" shall mean all results, technical information and materials developed and/or obtained in the performance of the services hereunder including but not limited to, all reports, surveys, plans, charts, recordings (video and/or sound), pictures, drawings, analyses, source, and object code, graphic representations, computer programs and printouts, notes and memoranda, and documents whether finished or unfinished, which results from or are prepared in connection with the services performed hereunder. "Data" shall not include Contractor's proprietary or confidential data or any pre-existing materials.





5. Ownership of System

- a. The U.S. Department of Health and Human Services and the Michigan Department of Information Technology shall have royalty-free, non-exclusive and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to do so, all application software including but not limited to all source and object code, instructions, files, and documentation comprising the MiCSES which is required by this Contract. The Contractor claims no proprietary rights to the application software, files, data bases, or other components of the application developed or modified specifically for the State under this Contract, except that the Contractor shall have an irrevocable non-exclusive license to use, execute, reproduce, display, prepare derivative works based upon, copy and distribute internally and externally, such software and documentation.
- b. The provisions of this section shall be incorporated in any subcontract that relates to the subject matter of this article.



## Article 2 – General Terms and Conditions

### 2.010 Contract Structure and Administration

#### **2.011 Definitions**

Capitalized terms used in this Contract (including its Exhibits) shall have the meanings given below, unless the context requires otherwise:

- (a) “Days” means calendar days unless otherwise specified.
- (b) “24x7x365” means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
- (c) “Additional Service” means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. “Additional Service” does not include New Work.
- (d) “Amendment Labor Rates” means the schedule of fully-loaded hourly labor rates attached as **Article 1, Attachment C**.
- (e) “Audit Period” has the meaning given in **Section 2.111**.
- (f) “Business Day,” whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
- (g) “Incident” means any interruption in Services.
- (h) “Business Critical” means any function identified in any Statement of Work as Business Critical.
- (i) “Deliverable” means physical goods and/or commodities as required or identified by a Statement of Work
- (j) “Key Personnel” means any Personnel designated in **Article 1, Section 1.201 and/or Attachment B**, as Key Personnel.
- (k) “New Work” means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. “New Work” does not include Additional Service.
- (l) “Services” means any function performed for the benefit of the State.
- (m) “State Location” means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
- (n) “Subcontractor” means a company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
- (o) “Work in Process” means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

#### **2.012 Attachments and Exhibits**

All Attachments and/or Exhibits attached to any, and all Statement(s) of Work, attached to, or referencing this Contract, are incorporated in their entirety into, and form part of, this Contract.

#### **2.013 Statements of Work**

(a) The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract, or an amendment to this Contract (see 2.106). Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.



(b) Unless otherwise agreed by the parties, each Statement of Work (as defined in Article 1) will include, or incorporate by reference to the appropriate Contract Article 1 Attachment containing, the following information:

- a description of the Services to be performed by Contractor under the Statement of Work;
- a project schedule (including the commencement and completion dates for all tasks, subtasks (for all projects of sufficient duration and complexity to warrant sub task breakdown), and Deliverables;
- a list of the Deliverables to be provided, if any, including any particular specifications and acceptance criteria for such Deliverables, and the dates on which the Deliverables are scheduled to be completed and delivered to the State;
- all Deliverable price schedules and other charges associated with the Statement of Work, the overall fixed price for such Statement of Work and any other appropriate pricing and payment terms;
- a specification of Contractor's and the State's respective performance responsibilities with respect to the performance or completion of all tasks, subtasks and Deliverables;
- a listing of any Key Personnel of Contractor and/or its Subcontractors for that Statement of Work and any future Statements of Work;
- any other information or provisions the parties agree to include.

(c) Reserved.

(d) The initial Statements of Work, as of the Effective Date, are attached to this Contract.

#### 2.014 Issuing Office

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

Joann Klasko  
 Purchasing Operations  
 Department of Management and Budget  
 Mason Bldg, 2nd Floor  
 PO Box 30026  
 Lansing, MI 48909  
 Email: KlaskoJ@michigan.gov  
 Phone: (517)241-7233

#### 2.015 Contract Compliance Inspector

Upon receipt at Purchasing Operations of the properly executed Contract, it is anticipated that the Director of DMB Purchasing Operations, in consultation with MDIT/MDHS-CSES will direct that the person named below, or any other person so designated, be authorized to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of such Contract as that authority is retained by the Purchasing Operations.** The Contract Compliance Inspector for this Contract is:

Patty Bogard  
 Department of Information Technology  
 Constitution Hall, Atrium-South  
 525 West Allegan Street  
 Lansing, MI 48909  
 Email: BogardP@michigan.gov  
 Phone: (517)335-4051



## 2.016 Project Manager

The following individual will oversee the project:

Name: James Fricke  
Department of Information Technology  
Address: 1000 Long Blvd.,  
Lansing, MI 48911  
Email: [FrickeJ@michigan.gov](mailto:FrickeJ@michigan.gov)  
Phone: (517)241-9637

And Mark Jasonowicz  
Department of Human Services  
243 Grand Avenue, 12<sup>th</sup> Floor  
Lansing, MI 48909  
Email: [JasonowiczM@michigan.gov](mailto:JasonowiczM@michigan.gov)  
Phone: (517)335-3481

### 2.020 Contract Objectives/Scope/Background

## 2.021 Background

Michigan Department of Treasury (Treasury) form MI-W4 (see Appendix A) has historically been used by employees to indicate to their employers the number of exemptions claimed for Michigan income tax withholding purposes and to change their addresses or residency status. The employer has been required to submit these forms to Treasury if the employee claims exempt from withholding, claims to be a resident of a Renaissance Zone, or claims more than nine personal and dependency exemptions.

Title III of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193) required employers, effective October 1, 1997, to report to the State the name, address and social security number of each newly-hired employee. Employers provide this information using a W-4 or equivalent form, and may transmit it by mail, magnetically, or electronically. Since October 1, 1997 employers have been submitting this information to a Post Office Box or electronic address, for compilation by a contracted vendor and subsequent submittal to the State of Michigan for processing.

## 2.22 Purpose

The State is seeking a replacement for a current contract processing New Hire reports and W-4 forms received from employers as required by federal law. Services include:

- Processing paper and electronic submissions,
- Compiling the data using the current file formats for submittal of records,
- Transmitting the data electronically to the State, and
- Providing outreach and support to employers to ensure data is submitted as required.

Beginning October 1, 2006, MDIT and the Department of Human Services (MDHS) will assume responsibility from Treasury for the administration of the contract and all associated deliverables.

## 2.023 Objectives and Scope

Please refer to In Scope 1.101 section in the Statement of Work

## 2.024 Interpretation

Sections 2.021 through 2.023 are intended to provide background and context for this Contract and are not intended to expand the scope of the obligations under this Contract or to alter the plain meaning of the terms and conditions of this Contract. However, to the extent the terms and conditions of this Contract are unclear or otherwise ambiguous, such terms and conditions are to be interpreted and construed in light of the provisions of this Section.



## 2.025 Form, Function and Utility

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

### 2.030 Legal Effect and Term

#### 2.031 Legal Effect

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

#### 2.032 Contract Term

This Contract is for a period of **three (3)** years commencing on the date that the last signature required to make the Contract enforceable is obtained. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

#### 2.033 Renewal(s)

This Contract may be renewed in writing by mutual agreement of the parties not less than thirty (30) days before its expiration. The Contract may be renewed for up to **two (2)** additional **one (1) year** periods. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

### 2.040 Contractor Personnel

#### 2.041 Contractor Personnel

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

#### (b) Key Personnel

(i) In discharging its obligations under this Contract, Contractor shall provide the named Key Personnel on the terms indicated. **Exhibit C** provides an organization chart showing the roles of certain Key Personnel, if any.

(ii) Key Personnel shall be dedicated as defined in **Exhibit C** to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work. **The Vendor's Project Manager and the Vendor's Contract Administrator are Key Personnel for this contract.**



(iii) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. Additionally, the State's request shall be based on legitimate, good-faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.

(iv) Contractor shall not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. If the Contractor does remove Key Personnel without the prior written consent of the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be replaced for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides thirty (30) days of shadowing unless parties agree to a different time period. The Contractor with the State shall review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its rights under **Section 2.210**.

(v) It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.210**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount shall be \$25,000.00 per individual provided Contractor identifies a replacement approved by the State pursuant to **Section 2.041** and assigns the replacement to the Project to shadow the Key Personnel s/he is replacing for a period of at least thirty (30) days prior to such Key Personnel's removal.

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

(c) Re-assignment of non-Key Personnel. Prior to re-deploying to other projects, at the completion of their assigned tasks on the Project, teams of its non-Key Personnel who are performing Services on-site at State facilities or who are otherwise dedicated primarily to the Project, Contractor will give the State at least ten (10) Business Days notice of the proposed re-deployment to give the State an opportunity to object to the re-deployment if the State reasonably believes such team's Contract responsibilities are not likely to be completed and approved by the State prior to the proposed date of re-deployment.



(d) Re-assignment of Personnel at the State's Request. The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement personnel for the removed person shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with removed personnel results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted in **Section 2.076** for a time as agreed to by the parties.

(e) Staffing Levels.

(i) All staff requirements not specified in the applicable Statement of Work or State-approved project plan as State personnel will be supplied by Contractor. This includes secretarial, clerical and Contract administration support staff necessary for Contractor to perform its obligations hereunder.

(ii) Contractor shall provide sufficient personnel resources for the completion of Contract tasks indicated in Contractor's project plan approved by the State. If the level of personnel resources is insufficient to complete any Contractor Contract tasks in accordance with the Contract time schedule as demonstrated by Contractor's failure to meet mutually agreed to time schedules, Contractor shall promptly add additional qualified personnel resources to the performance of the affected tasks, at no additional charge to the State, in an amount sufficient to complete performance of Contractor's tasks in accordance with the Contract time schedule.

(f) Personnel Turnover. The Parties agree that it is in their best interests to keep the turnover rate of employees of Contractor and its Subcontractors who are performing the Services to a reasonable minimum. Accordingly, if the State determines that the turnover rate of such employees is excessive and so notifies Contractor, Contractor will meet with the State to discuss the reasons for the turnover rate and otherwise use commercially reasonable efforts to minimize such turnover rate. If requested to do so by the State, Contractor will submit to the State its proposals for reducing the turnover rate to an acceptable level. In any event, notwithstanding the turnover of personnel, Contractor remains obligated to perform the Services without degradation and in accordance with the State-approved Contract schedule.

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

#### **2.042 Contractor Identification**

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

#### **2.043 Cooperation with Third Parties**

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel, and, as reasonably requested by the State, to provide to the State's agents and other contractors with reasonable access to Contractor's Project personnel, systems and facilities to the extent they relate to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities and provided Contractor receives reasonable prior written notice of such request.



The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with such requests for access.

#### **2.044 Subcontracting by Contractor**

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

(b) Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Office of Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time agreed upon by the parties.

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

(d) Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.040, 2.110, 2.150, 2.160, 2.171(c), 2.172(b), 2.180, 2.260, 2.276, 2.297** in all of its agreements with any Subcontractors.

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

#### **2.045 Contractor Responsibility for Personnel**

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services.



## 2.050 State Standards

### **2.051 Existing Technology Standards**

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at [http://www.michigan.gov/dit/0,1607,7-139-30639\\_30655---.00.html](http://www.michigan.gov/dit/0,1607,7-139-30639_30655---.00.html).

### **2.052 PM Methodology Standards**

The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. See the State's PMM website at <http://www.michigan.gov/projectmanagement>.

The Contractor shall use the State's PPM to manage this Contract. If the Contractor requires training on the PMM, those costs shall be the responsibility of the Contractor, unless otherwise stated.

### **2.053 Adherence to Portal Technology Tools**

The State has adopted the following tools for its Portal Technology development efforts:

- Vignette Content Management and personalization Tool
- Inktomi Search Engine
- E-Pay Payment Processing Module
- Websphere Commerce Suite for e-Store applications

Unless otherwise stated, Contractor must use the Portal Technology Tools to implement web content management and deployment efforts. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with DIT, Enterprise Application Services Office, e-Michigan Web Development team.

Contractors that are compelled to use alternate tools must have received an exception from DIT, Enterprise Application Services Office, e-Michigan Web Development team, before this Contract is effective.

### **2.054 Acceptable Use Policy**

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see <http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--.00.html>. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

## 2.060 Deliverables

### **2.061 Ordering**

(a) Any Services/Deliverables to be furnished under this Contract shall be ordered by issuance of written Purchase Orders/Blanket Purchase Order by the State after approval by the Contract Administrator or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, the Contract shall take precedence as stated in **Section 2.293**. In no event shall any additional terms and conditions contained on a Purchase Order/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.



(b) DIT will continue to oversee the use of this Contract by End Users. DIT may, in writing, delegate to agencies the authority to submit requests for certain services directly to the Contractor. DIT may also designate, in writing, some services as non-delegated and require DIT review and approval before agency acquisition. DIT will use Contractor provided management reports and periodic random agency audits to monitor and administer contract usage for delegated services.

### **2.062 Software**

**Exhibit C** lists the items of software the State is required to purchase for execution the Contract. The list in **Exhibit C** includes all software required to complete the Contract and make the Deliverables operable; if any additional software is required in order for the Deliverables to meet the requirements of this Contract, such software shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Statement of Work or Contract Change Notice). **Exhibit C** also identifies certain items of software to be provided by the State.

### **2.063 Hardware**

**Exhibit F** lists the items of hardware the State is required to purchase for execution the Contract. The list in **Exhibit B** includes all hardware required to complete the Contract and make the Deliverables operable; if any additional hardware is required in order for the Deliverables to meet the requirements of this Contract, such hardware shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Contract Change Notice). **Exhibit B** also identifies certain items of hardware to be provided by the State.

### **2.064 Equipment to be New and Prohibited Products**

#### (a) Equipment to be New

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

#### (b) Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.106**.

## 2.070 Performance

### **2.071 Performance, In General**

The State engages Contractor to execute the Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete the Contract in its entirety in accordance with the terms and conditions of this Contract and with the participation of State representatives as specified in this Contract.

### **2.072 Time of Performance**

(a) Contractor shall use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables in accordance with the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.



(b) Without limiting the generality of **Section 2.072(a)**, Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and, in such event, shall inform the State of the projected actual delivery date.

(c) If Contractor believes that a delay in performance by the State has caused or will cause Contractor to be unable to perform its obligations in accordance with specified Contract time periods, Contractor shall notify the State in a timely manner and shall use commercially reasonable efforts to perform its obligations in accordance with such Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent such delay is caused by the State.

### **2.073 Liquidated Damages**

Failure to begin the PRR by 30 days before system cutover shall be subject to liquidated damages of \$2,500 per calendar day for each calendar day beyond the agreed upon start date of this key deliverable.

### **2.074 Bankruptcy**

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within thirty (30) days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, the State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish such Works in Process by whatever appropriate method the State may deem expedient. Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process shall be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

To secure the State's progress payments before the delivery of any services or materials required for the execution of Contractor's obligations hereunder, and any work which Contractor may subcontract in the support of the performance of its obligations hereunder, title shall vest in the State to the extent the State has made progress payments hereunder.

### **2.075 Time is of the Essence**

Reserved

### **2.076 Service Level Agreements (SLAs)**

(a) SLAs will be completed with the following operational considerations:

(i) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has occurred as defined in **Section 2.202**,

(ii) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification and/or coordination.

(iii) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. In order to invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.

(iv) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following ("Stop-Clock Conditions"):



1. Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.

2. Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.

(b) Chronic Failure for any Service(s) will be defined as three (3) unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling thirty (30) day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three (3) additional months. The termination of the Service will not affect any tiered pricing levels.

(c) Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor will provide its analysis within two (2) weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals shall be rounded to two decimal places with 5 and greater rounding up and 4 and less rounding down unless otherwise specified.

### 2.080 Delivery and Acceptance of Deliverables

#### **2.081 Delivery of Deliverables**

**Article 1 Attachment D** contains a list of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable") or a Custom Software Deliverable. All Deliverables shall be completed and delivered for State review and written approval and, where applicable, installed in accordance with the State-approved delivery schedule and any other applicable terms and conditions of this Contract.

Prior to delivering any Deliverable to the State, Contractor will first perform all required quality assurance activities, and, in the case of Custom Software Deliverables, System Testing to verify that the Deliverable is complete and in conformance with its specifications. Before delivering a Deliverable to the State, Contractor shall certify to the State that (1) it has performed such quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during such quality assurance activities and testing, (4) the Deliverable is in a suitable state of readiness for the State's review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.

In discharging its obligations under this Section, Contractor shall be at all times (except where the parties agree otherwise in writing) in compliance with Level 3 of the Software Engineering Institute's Capability Maturity Model for Software ("CMM Level 3") or its equivalent.

#### **2.082 Contractor System Testing**

Contractor will be responsible for System Testing each Custom Software Deliverable in Contractor's development environment prior to turning over the Custom Software Deliverable to the State for User Acceptance Testing and approval. Contractor's System Testing shall include the following, at a minimum, plus any other testing required by CMM Level 3 or Contractor's system development methodology:

Contractor will be responsible for performing Unit Testing and incremental Integration Testing of the components of each Custom Software Deliverable.



Contractor's System Testing will also include Integration Testing of each Custom Software Deliverable to ensure proper inter-operation with all prior software Deliverables, interfaces and other components that are intended to inter-operate with such Custom Software Deliverable, and will include Regression Testing, volume and stress testing to ensure that the Custom Software Deliverables are able to meet the State's projected growth in the number and size of transactions to be processed by the Application and number of users, as such projections are set forth in the applicable Statement of Work.

Contractor's System Testing will also include Business Function Testing and Technical Testing of each Application in a simulated production environment. Business Function Testing will include testing of full work streams that flow through the Application as the Application will be incorporated within the State's computing environment. The State shall participate in and provide support for the Business Function Testing to the extent reasonably requested by Contractor. Within ten (10) days before the commencement of Business Function Testing pursuant to this Section, Contractor shall provide the State for State review and written approval Contractor's test plan for Business Function Testing.

Within five (5) Business Days following the completion of System Testing pursuant to **Section 2.080**, Contractor shall provide to the State a testing matrix establishing that testing for each condition identified in the System Testing plans has been conducted and successfully concluded. To the extent that testing occurs on State premises, the State shall be entitled to observe or otherwise participate in testing under this Section as the State may elect.

### **2.083 Approval of Deliverables, In General**

All Deliverables (Written Deliverables and Custom Software Deliverables) require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications which, in the case of Custom Software Deliverables, will include the successful completion of State User Acceptance Testing, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.

The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables being reviewed. If Contractor fails to provide a Deliverable to the State in a timely manner, the State will nevertheless use commercially reasonable efforts to complete its review or testing within the applicable State Review Period.

Before commencement of its review or testing of a Deliverable, the State may inspect the Deliverable to confirm that all components of the Deliverable (e.g., software, associated documentation, and other materials) have been delivered. If the State determines that the Deliverable is incomplete, the State may refuse delivery of the Deliverable without performing any further inspection or testing of the Deliverable. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable and the applicable certification by Contractor in accordance with **Section 2.080**.

The State will approve in writing a Deliverable upon confirming that it conforms to and, in the case of a Custom Software Deliverable, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable that remain outstanding at the time of State approval.

If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing State approval of a Deliverable, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep this Contract in force and do, either itself or through other parties, whatever Contractor has failed to



do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the contract price for such Deliverable and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses without the need to furnish proof in substantiation of such general expenses; or (iii) terminate this Contract for default, either in whole or in part by notice to Contractor (and without the need to afford Contractor any further opportunity to cure). Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

The State, at any time and in its own discretion, may halt the UAT or approval process if such process reveals deficiencies in or problems with a Deliverable in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the review or UAT process and, in that event, Contractor will correct the deficiencies in such Deliverable in accordance with the Contract, as the case may be.

Approval in writing of a Deliverable by the State shall be provisional; that is, such approval shall not preclude the State from later identifying deficiencies in, and declining to accept, a subsequent Deliverable based on or which incorporates or inter-operates with an approved Deliverable, to the extent that the results of subsequent review or testing indicate the existence of deficiencies in the subsequent Deliverable, or if the Application of which the subsequent Deliverable is a component otherwise fails to be accepted pursuant to **Section 2.080**.

#### **2.084 Process for Approval of Written Deliverables**

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Written Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of one hundred (100) pages or less and ten (10) Business Days for Written Deliverables of more than one hundred (100) pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Written Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Written Deliverable (or at the State's election, subsequent to approval of the Written Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within five (5) Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Written Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Written Deliverable to confirm that the identified deficiencies have been corrected.

#### **2.085 Process for Approval of Custom Software Deliverables**

The State will conduct UAT of each Custom Software Deliverable in accordance with the following procedures to determine whether it meets the criteria for State approval – i.e., whether it conforms to and performs in accordance with its specifications without material deficiencies.

Within thirty (30) days (or such other number of days as the parties may agree to in writing) prior to Contractor's delivery of any Custom Software Deliverable to the State for approval, Contractor shall provide to the State a set of proposed test plans, including test cases, scripts, data and expected outcomes, for the State's use (which the State may supplement in its own discretion) in conducting UAT of the Custom Software Deliverable. Contractor, upon request by the State, shall provide the State with reasonable assistance and support during the UAT process.



For the Custom Software Deliverables listed in **Exhibit G**, the State Review Period for conducting UAT will be as indicated in **Exhibit G**. For any other Custom Software Deliverables not listed in **Exhibit G**, the State Review Period shall be the number of days agreed in writing by the parties (failing which it shall be forty-five (45) days by default). The State Review Period for each Custom Software Deliverable will begin when Contractor has delivered the Custom Software Deliverable to the State accompanied by the certification required by **Section 2.080** and the State's inspection of the Deliverable has confirmed that all components of it have been delivered.

The State's UAT will consist of executing test scripts from the proposed testing submitted by Contractor, but may also include any additional testing deemed appropriate by the State. If the State determines during the UAT that the Custom Software Deliverable contains any deficiencies, the State will notify Contractor of the deficiency by making an entry in an incident reporting system available to both Contractor and the State. Contractor will modify promptly the Custom Software Deliverable to correct the reported deficiencies, conduct appropriate System Testing (including, where applicable, Regression Testing) to confirm the proper correction of the deficiencies and re-deliver the corrected version to the State for re-testing in UAT. Contractor will coordinate the re-delivery of corrected versions of Custom Software Deliverables with the State so as not to disrupt the State's UAT process. The State will promptly re-test the corrected version of the Software Deliverable after receiving it from Contractor.

Within three (3) business days after the end of the State Review Period, the State will give Contractor a written notice indicating the State's approval or rejection of the Custom Software Deliverable according to the criteria and process set out in this **Section 2.080**.

## **2.086 Final Acceptance**

"Final Acceptance" shall be considered to occur when the Custom Software Deliverable to be delivered has been approved by the State and has been operating in production without any material deficiency for fourteen (14) consecutive days. If the State elects to defer putting a Custom Software Deliverable into live production for its own reasons, not based on concerns about outstanding material deficiencies in the Deliverable, the State shall nevertheless grant Final Acceptance of the Project.

### 2.090 Financial

## **2.091 Pricing**

### (a) Fixed Prices for Services/Deliverables

Each Statement of Work/PO issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. To the extent the parties agree that certain specific Services will be provided on a time and materials basis, such Services shall be provided at the Amendment Labor Rates (**Article 1, Attachment C**). The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

### (b) Adjustments for Reductions in Scope of Services/Deliverables

If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope, using the rates in **Article 1, Attachment C** unless specifically identified in an applicable Statement of Work.

### (c) Services/Deliverables Covered

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

### (d) Labor Rates

All time and material charges will be at the rates specified in **Article 1, Attachment C**.



## 2.092 Invoicing and Payment Procedures and Terms

### (a) Invoicing and Payment – In General

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

(ii) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates specified in **Article 1, Attachment C**. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 2.094**.

(iii) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within forty-five (45) days after receipt, provided the State determines that the invoice was properly rendered.

### (b) Taxes (See Section 2.305 and Article 3, Section 3.022-3.024 for additional )

The State is exempt from Federal Excise Tax, State and Local Sales Taxes, and Use Tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in Contract prices as long as the State maintains such exemptions. Copies of all tax exemption certificates shall be supplied to Contractor, if requested.

### (c) Out-of-Pocket Expenses

Contractor acknowledges that the out-of-pocket expenses that Contractor expects to incur in performing the Services/ providing the Deliverables (such as, but not limited to, travel and lodging, document reproduction and shipping, and long distance telephone) are included in Contractor's fixed price for each Statement of Work. Accordingly, Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State's current travel reimbursement rates. See [http://www.mi.gov/dmb/0,1607,7-150-9141\\_13132---,00.html](http://www.mi.gov/dmb/0,1607,7-150-9141_13132---,00.html) for current rates.

### (d) Pro-ration

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

### (e) Antitrust Assignment

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

### (f) Final Payment

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



### 2.093 State Funding Obligation

The State's obligation under this Contract is payable only and solely from funds appropriated for the purpose of this Contract. Contractor acknowledges and agrees that all funds for payments after the end of the current fiscal year are subject to the availability of a legislative appropriation for the purpose of this Contract. Events of non-appropriation are addressed further in **Section 2.210** of this Contract.

### 2.094 Holdback

Reserved

### 2.095 Electronic Payment Availability

Electronic transfer of funds is available to State contractors. Contractor is required to register with the State electronically at <http://www.cpexpress.state.mi.us>. Public Act 533 of 2004, requires all payments be transitioned over to EFT by October, 2005.

## 2.100 Contract Management

### 2.101 Contract Management Responsibility

(a) Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with **Article 1, Attachment E** (Project Plan) is likely to delay the timely achievement of any Contract tasks.

(b) The Services/Deliverables will be provided by the Contractor either directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

### 2.102 Problem and Contract Management Procedures

Problem Management and Contract Management procedures will be governed by the Contract and the applicable Statements of Work.

### 2.103 Reports and Meetings

#### (a) Reports.

Within thirty (30) days after the Effective Date, the parties shall determine an appropriate set of periodic reports to be issued by Contractor to the State. Such reports may include:

- (i) separately address Contractor's performance in each area of the Services;
- (ii) for each area of the Services, assess the degree to which Contractor has attained or failed to attain the pertinent objectives in that area, including on-time completion and delivery of Deliverables;
- (iii) explain the reasons for any failure to achieve on-time completion and delivery of Deliverables and include a plan for corrective action where appropriate;
- (iv) describe any circumstances that Contractor anticipates will impair or prevent on-time completion and delivery of Deliverables in upcoming reporting periods;
- (v) include plans for corrective action or risk mitigation where appropriate and describe the status of ongoing problem resolution efforts;



(vi) provide reports setting forth a comparison of actual hours spent by Contractor (including its augmented personnel and Subcontractors) in performing the Project versus hours budgeted by Contractor.

(vii) set forth a record of the material personnel changes that pertain to the Services and describe planned changes during the upcoming month that may affect the Services.

(viii) include such documentation and other information may be mutually agreed to verify compliance with, and meeting the objectives of, this Contract.

(ix) set forth an updated schedule that provides information on the status of upcoming Deliverables, expected dates of delivery (or redelivery) of such Deliverables and estimates on timing for completion of the Project.

(b) Meetings.

Within thirty (30) days after the Effective Date, the parties shall determine an appropriate set of meetings to be held between representatives of the State and Contractor. Contractor shall prepare and circulate an agenda sufficiently in advance of each such meeting to give participants an opportunity to prepare for the meeting. Contractor shall incorporate into such agenda items that the State desires to discuss. At the State's request, Contractor shall prepare and circulate minutes promptly after a meeting.

#### **2.104 System Changes**

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

#### **2.105 Reserved**

#### **2.106 Change Requests**

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

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

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable. If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.



In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(a) Change Requests

(i) State Requests

If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").

(ii) Contractor Recommendations

Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(iii) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.

(iv) By giving Contractor written notice within a reasonable time, the State shall be entitled to accept a Contractor proposal for Change, to reject it or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice shall be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(v) No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Office of Purchasing Operations.

(vi) If the State requests or directs Contractor to perform any activities that Contractor believes constitute a Change, Contractor must notify the State that it believes the requested activities are a Change prior to commencing the performance of the requested activities. If Contractor fails to so notify the State prior to commencing performance of the requested activities, such activities shall be considered to be performed gratuitously by Contractor, and Contractor shall not have any right thereafter to assert any claim for additional compensation or time for the performance of such activities. If Contractor commences performance of gratuitous services outside the scope of this Contract and subsequently elects to stop performing such out-of-scope services, Contractor must, at the request of the State, back out or reverse any changes resulting from such performance that would adversely affect the Contract.

## 2.107 Management Tools

Contractor will use an automated tool for planning, monitoring and tracking the Contract's progress. In addition, Contractor shall use automated project management tools as reasonably necessary to perform the Services, which tools shall include the capability to produce through the end of the Contract: (i) staffing tables with names of personnel assigned to Contract tasks, (ii) project plans showing tasks, subtasks, Deliverables and the resources required and allocated to each (including detailed plans for all Services to be performed within the next sixty (60) days, updated semi-monthly) and (iii) graphs showing critical events, dependencies and decision points during the course of the Contract. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the State's standard to the extent such information is described with reasonable detail in the Statements of Work and to the extent the related work is of sufficient project complexity and duration to warrant such reporting.



## 2.110 Records and Inspections

### **2.111a Records and Inspections**

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

(b) Examination of Records. Contractor agrees that the State, including its duly authorized representatives, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), shall, upon twenty (20) days prior written notice, have access to and the right to examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

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

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

### **2.112 Errors**

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

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

## 2.120 State Responsibilities



## 2.121 State Performance Obligations

(a) Equipment and Other Resources. To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.

(b) Facilities. The State shall designate space as long as it is available and as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing shall observe and comply with all rules and regulations relating to, each of the State Facilities (including hours of operation) used by Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

(c) Return. Contractor shall be responsible for returning to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

(d) Except as otherwise provided in **Section 2.220**, the State's failure to perform its responsibilities as set forth in this Contract shall not be deemed to be grounds for termination by Contractor. However, Contractor will not be liable for any default or delay in the performance of its obligations under this Contract to the extent such default or delay is caused by nonperformance of the State's obligations under this Contract, provided Contractor provides the State with reasonable written notice of such nonperformance and Contractor uses commercially reasonable efforts to perform notwithstanding the State's failure to perform. In addition, if the State's nonperformance of its responsibilities under this Contract materially increases the time required for Contractor's performance or Contractor's cost of performance, Contractor shall be entitled to seek an equitable extension via the Change Request process described in **Section 2.106**.

### 2.130 Security

## 2.131 Background Checks

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

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See <http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html>. Furthermore, Contractor personnel will be expected to agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

### 2.140 Reserved

### 2.150 Confidentiality



### **2.151 Freedom of Information**

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

### **2.152 Confidentiality**

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

### **2.153 Protection of Confidential Information**

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.

### **2.154 Exclusions**

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



### **2.155 No Implied Rights**

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

### **2.156 Remedies**

Each party acknowledges that, if it breaches (or attempts or threatens to breach) its obligations under this Section, the other party may be irreparably harmed. Accordingly, if a court of competent jurisdiction should find that a party has breached (or attempted or threatened to breach) any such obligations, the non-breaching party shall be entitled to seek an injunction preventing such breach (or attempted or threatened breach).

### **2.157 Security Breach Notification**

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within ten (10) days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

### **2.158 Survival**

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

### **2.159 Destruction of Confidential Information**

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

### **2.160 Proprietary Rights**

#### **2.161a Ownership**

**Ownership of Work Product by State.** All Deliverables shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

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

#### **2.162 Source Code Escrow Reserved**



### **2.163 Rights in Data**

(a) The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to the Contract. Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of Contractor, nor will any employee of Contractor other than those on a strictly need to know basis have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, Contractor shall only use personally identifiable information as strictly necessary to provide the Services and shall disclose such information only to its employees who have a strict need to know such information. Contractor shall comply at all times with all laws and regulations applicable to such personally identifiable information.

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

### **2.164 Ownership of Materials**

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

### **2.165 Standard Software**

If applicable and necessary, all Standard Software used in performing the Services shall be provided to the State under a separate license agreement between the State and the owner (or authorized licensor) of such software. Standard Software to be licensed to the State is listed in **Exhibit C**.

### **2.166 Pre-existing Materials for Custom Software Deliverables**

Neither Contractor nor any of its Subcontractors shall incorporate any preexisting materials (including Standard Software) into Custom Software Deliverables or use any pre-existing materials to produce Custom Software Deliverables if such pre-existing materials will be needed by the State in order to use the Custom Software Deliverables unless (i) such pre-existing materials and their owners are identified to the State in writing and (ii) such pre-existing materials are either readily commercially available products for which Contractor or its Subcontractor, as the case may be, has obtained a license (in form and substance approved by the State) in the name of the State, or are materials that Contractor or its Subcontractor, as the case may be, has the right to license to the State and has licensed to the State on terms and conditions approved by the State prior to using such pre-existing materials to perform the Services.

### **2.167 General Skills**

Notwithstanding anything to the contrary in this Section, each party, its Subcontractors and their personnel shall be free to use and employ its and their general skills, know-how and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques or skills gained or learned during the course of performing the Services, so long as it or they acquire and apply the foregoing without disclosure of any confidential or proprietary information of the other party.



## 2.170 Warranties And Representations

### **2.171 Warranties and Representations**

The Contractor represents and warrants:

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

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

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

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

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

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

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

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor shall not attempt to influence any State employee by the direct or indirect offer of anything of value.

(i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or such Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.



(k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

(m) All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

(n) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or such department within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

**2.172 Software Warranties Reserved**

**2.173 Equipment Warranty Reserved**

**2.174 Physical Media Warranty Reserved**

**2.175a DISCLAIMER**

THE FOREGOING EXPRESS WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES AND EACH PARTY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

**2.175b Standard Warranties**

(a) Warranty of Merchantability

Deliverables shall be merchantable. All Deliverables shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the Contractor on the container or label.

(b) Warranty of fitness for a particular purpose

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

(c) Warranty of title

Contractor shall convey good title in those Deliverables, whose transfer is right and lawful. All Deliverables provided by Contractor shall be delivered free from any security interest, lien, or encumbrance. Deliverables shall be delivered free of any rightful claim of any third person of ownership, interest, lien or encumbrance.



**2.176 Consequences For Breach**

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

2.180 Insurance

**2.181 Liability Insurance**

(a) Liability Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor’s performance of services under the terms of this Contract, whether such services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

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

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

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

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

See [http://www.mi.gov/cis/0,1607,7-154-10555\\_22535---,00.html](http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html).

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

Before the Contract is signed by both parties or before the purchase order is issued by the State, the Contractor must furnish to the Director of Purchasing Operations, certificate(s) of insurance verifying insurance coverage (“Certificates”). The Certificate must be on the standard “accord” form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without THIRTY (30) days prior written notice, except for ten (10) days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Purchasing Operations, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State’s sole option, result in this Contract’s termination.

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

- 1. Commercial General Liability with the following minimum coverage:

\$2,000,000 General Aggregate Limit other than Products/Completed Operations

\$2,000,000 Products/Completed Operations Aggregate Limit



\$1,000,000 Personal & Advertising Injury Limit  
 \$1,000,000 Each Occurrence Limit  
 \$500,000 Fire Damage Limit (any one fire)

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

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

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

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

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

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

4. Employers liability insurance with the following minimum limits:

\$100,000 each accident  
 \$100,000 each employee by disease  
 \$500,000 aggregate disease

5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).

6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.

8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical



loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

(b) Subcontractors

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

(c) Certificates of Insurance and Other Requirements

Contractor shall furnish to the Office of Purchasing Operations certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the “Certificates”). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer’s attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

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

2.190 Indemnification

**2.191 Indemnification**

(a) General Indemnification

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

(b) Code Indemnification

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



(c) Employee Indemnification

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

(d) Patent/Copyright Infringement Indemnification

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

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

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

## **2.192 Continuation of Indemnification Obligations**

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

## **2.193 Indemnification Procedures**

The procedures set forth below shall apply to all indemnity obligations under this Contract.

(a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the



State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.

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

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

## 2.200 Limits of Liability and Excusable Failure

### **2.201 Limits of Liability**

The Contractor's liability for damages to the State shall be limited to two times the value of the Contract or \$200,000 (for low risk contracts – Select a higher amount for moderate to high risk contracts) which ever is higher. The foregoing limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to the Contractor shall be limited to the value of the Contract.

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

### **2.202 Excusable Failure**

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent such default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or



failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of 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 commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

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

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

### **2.203 Disaster Recovery**

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

#### 2.210 Termination/Cancellation by the State

The State may terminate 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:

### **2.211 Termination for Cause**

(a) In the event that Contractor breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA as defined in **Section 2.076**), 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 (such time period not to be less than thirty (30) days), 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 termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.

(b) In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of fifty percent (50%) more than the prices for such Service/Deliverables provided under this Contract.

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

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

### **2.212 Termination for Convenience**

The State may terminate this Contract for its convenience, in whole or part, if the State determines that such a termination is in the State's best interest. Reasons for such termination 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 Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least thirty (30) days prior to the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

### **2.213 Non-Appropriation**

(a) 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 Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State shall have the right to terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State shall give Contractor at least thirty (30) days advance written notice of termination for non-appropriation or unavailability (or such time as is available if the State receives notice of the final decision less than thirty (30) days before the funding cutoff).

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



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

#### **2.214 Criminal Conviction**

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including 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 Contractor's business integrity.

#### **2.215 Approvals Rescinded**

The State may terminate this Contract without further liability or penalty 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, § 5, and Civil Service Rule 7-1. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

#### **2.216 Rights and Obligations Upon Termination**

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

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

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



### 2.217 Reservation of Rights

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

### 2.218 Contractor Transition Responsibilities

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of this Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed ninety (90) days. These efforts shall include, but are not limited to, the following:

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

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

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

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

### 2.219 State Transition Responsibilities

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

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



## 2.220 Termination by Contractor

### **2.221 Termination by Contractor**

If the State materially breaches its obligation to pay Contractor undisputed amounts due and owing under this Contract in accordance with **Section 2.090**, or if the State breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for Contractor to perform the Services, and if the State does not cure the breach within the time period specified in a written notice of breach provided to the State by Contractor (such time period not to be less than thirty (30) days), then Contractor may terminate this Contract, in whole or in part based on Statement of Work for cause, as of the date specified in the notice of termination; provided, however, that Contractor must discharge its obligations under **Section 2.250** before any such termination.

## 2.230 Stop Work

### **2.231 Stop Work Orders**

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to ninety (90) calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this **Section 2.230**. Upon receipt of the stop work order, 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) terminate the work covered by the stop work order as provided in **Section 2.210**.

### **2.232 Cancellation or Expiration of Stop Work Order**

If a stop work order issued under this **Section 2.230** is canceled or the period of the stop work order or any extension thereof expires, Contractor shall resume work. The parties shall agree upon 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 Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within thirty (30) calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.106**.

### **2.233 Allowance of Contractor Costs**

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, such termination shall be deemed to be a termination for convenience under **Section 2.212**, and the State shall allow reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.230**.

## 2.240 Reserved

## 2.250 Dispute Resolution

### **2.251 In General**

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work shall be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor shall submit a letter executed by Contractor's Contract Administrator or his designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the



adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the supporting data provided with such an affidavit are current and complete to Contractor's best knowledge and belief.

### **2.252 Informal Dispute Resolution**

(a) All operational disputes between the parties shall be resolved under the Contract Management procedures developed pursuant to **Section 2.100**. If the parties are unable to resolve any disputes after compliance with such processes, the parties shall meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve such dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State shall meet as often as the parties reasonably deem necessary in order to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within sixty (60) calendar days, the Director of Purchasing Operations, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within thirty (30) calendar days. The opinion regarding the dispute shall be considered the State's final action and the exhaustion of administrative remedies.

(b) This **Section 2.250** will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or pursuant to **Section 2.253**.

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

### **2.253 Injunctive Relief**

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.252** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

### **2.254 Continued Performance**

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.210** and **2.220**, as the case may be.

### 2.260 Federal and State Contract Requirements

### **2.261 Nondiscrimination**

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion,



national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and any breach of this provision may be regarded as a material breach of the Contract.

### **2.262 Unfair Labor Practices**

Pursuant to 1980 PA 278, 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 PA 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

### **2.263 Workplace Safety and Discriminatory Harassment**

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

## 2.270 Litigation

### **2.271 Disclosure of Litigation**

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

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

- (i) the ability of Contractor (or a Subcontractor hereunder) to continue to perform this Contract in accordance with its terms and conditions, or



(ii) whether Contractor (or a Subcontractor hereunder) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in such Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that:

(A) Contractor and/or its Subcontractors hereunder will be able to continue to perform this Contract and any Statements of Work in accordance with its terms and conditions, and

(B) Contractor and/or its Subcontractors hereunder have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in such Proceeding.

(c) Contractor shall make the following notifications in writing:

(1) Within thirty (30) days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor shall notify the Office of Purchasing Operations.

(2) Contractor shall also notify the Office of Purchasing Operations within thirty (30) days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

(3) Contractor shall also notify Purchasing Operations within thirty (30) days whenever changes to company affiliations occur.

### **2.272 Governing Law**

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

### **2.273 Compliance with Laws**

Contractor shall comply with all applicable state, federal, and local laws and ordinances (“Applicable Laws”) in providing the Services/Deliverables.

### **2.274 Jurisdiction**

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

### 2.280 Environmental Provision

#### **2.281 Environmental Provision**

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



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

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

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the affected Work shall be resumed as directed in writing by the State. Any determination by the Michigan Department of Community Health and/or the Michigan Department of Environmental Quality (whichever is applicable) that the Hazardous Material has either been removed or rendered harmless shall be binding upon the State and Contractor for the purposes of resuming the Work. If any such incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor shall bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material in accordance with Applicable Laws to the condition approved by applicable regulatory agency(ies). If the Contractor fails to take appropriate action pursuant to Applicable Laws and consistent with the State requirements, then the State may take appropriate action.

## 2.290 General

### **2.291 Amendments**

The Contract may not be modified, amended, extended, or augmented, except by a writing executed by the parties.

### **2.292 Assignment**

(a) Neither party shall have the right to assign the Contract, or to assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as such affiliate is adequately capitalized and can provide adequate assurances that such affiliate can perform the Contract. Any purported assignment in violation of this Section shall be null and void. It is the policy of the State of Michigan to withhold consent from proposed assignments, subcontracts, or novations when such transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. In the event of any such permitted assignment, Contractor shall not be relieved of its responsibility to perform any duty imposed upon it herein, and the requirement under the Contract that all payments shall be made to one entity shall continue.



### 2.293 Entire Contract; Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply as limited by **Section 2.061**.

(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of **Sections 2.110 through 2.220** of the Contract, which may be modified or amended only by a formal Contract amendment.

### 2.294 Headings

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

### 2.295 Relationship of the Parties (Independent Contractor Relationship)

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

### 2.296 Notices

(a) Any notice given to a party under the Contract 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.

State:

State of Michigan  
Office of Purchasing Operations  
Attention: Joann Klasko  
PO Box 30026  
530 West Allegan  
Lansing, Michigan 48909

with a copy to:

State of Michigan  
Department of Information Technology  
Attention: Patty Bogard  
525 West Allegan  
Constitution Hall, South Atrium  
Lansing, Michigan 48943

Contractor(s):

Name: Dawn Gelle  
Policy Studies Inc.  
1899 Wynkoop Street, Suite 300  
Denver, CO 80202



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

(b) Binding Commitments

Representatives of Contractor identified in **Exhibit I** shall have the authority to make binding commitments on Contractor's behalf within the bounds set forth in such table. Contractor may change such representatives from time to time upon written notice.

### **2.297 Media Releases and Contract Distribution**

(a) Media Releases

Neither Contractor nor the State will make any news releases, public announcements or public disclosures, nor will they have any conversations with representatives of the news media, pertaining to the Contract, the Services or the Contract without the prior written approval of the other party, and then only in accordance with explicit written instructions provided by that party. In addition, neither Contractor nor the State will use the name, trademarks or other proprietary identifying symbol of the other party or its affiliates without such party's prior written consent. Prior written consent of the Contractor must be obtained from authorized representatives.

(b) Contract Distribution

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

### **2.298 Reformation and 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.

### **2.299 Consents and Approvals**

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

### **2.300 No Waiver of Default**

The failure of a party to insist upon strict adherence to any term of the 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.

### **2.301 Survival**

Any provisions of the Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

### **2.302 Covenant of Good Faith**

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



### **2.303 Permits**

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

### **2.304 Website Incorporation**

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

### **2.305 Taxes**

Vendors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes defined in Section 3.022 for all persons involved in the resulting Contract.

The State may refuse to award a contract to any Vendor who has failed to pay any applicable State taxes. The State may refuse to accept Vendor's bid, if Vendor has any outstanding debt with the State. Prior to any award, the State will verify whether Vendor has any outstanding debt with the State.

### **2.306 Prevailing Wage**

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

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

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

### **2.307 Call Center Disclosure**

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

### **2.308 Future Bidding Preclusion**

Reserved



2.310 Reserved

2.320 Extended Purchasing

**2.321 MiDEAL**

Public Act 431 of 1984 permits DMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: <http://www.michigan.gov/doingbusiness/0,1607,7-146-6586-16656--,00.html>. Unless otherwise stated, it is the responsibility of the Contractor to ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and equipment at the established State of Michigan contract prices and terms to the extent applicable and where available. Inasmuch as these are non-state agencies, all invoices will be submitted to and payment remitted by the local unit of government on a direct and individual basis.

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

**2.322 State Employee Purchases**

Reserved

2.330 Federal Grant Requirements

**2.331 Federal Grant Requirements**

The following links contain certifications and terms which may be required for some purchases paid via Federal funds. They are included here to be utilized as required.

Lobbying Certifications are usually for agreements over \$100,000. The debarment certification is required for all agreements. The last link is where you can go and search for debarred or suspended contractors.

[http://straylight.law.cornell.edu/uscode/html/uscode31/usc\\_sec\\_31\\_00001352----000-.html](http://straylight.law.cornell.edu/uscode/html/uscode31/usc_sec_31_00001352----000-.html)

[http://www.archives.gov/federal\\_register/codification/executive\\_order/12549.html](http://www.archives.gov/federal_register/codification/executive_order/12549.html)

[http://www.archives.gov/federal\\_register/executive\\_orders/pdf/12869.pdf](http://www.archives.gov/federal_register/executive_orders/pdf/12869.pdf)

<http://www.epls.gov/epls/servlet/EPLSSearchMain/1>

**APPENDIX A**



Reset Form

**MI-W4**

(Rev. 2-05)

**EMPLOYEE'S MICHIGAN WITHHOLDING EXEMPTION CERTIFICATE  
STATE OF MICHIGAN - DEPARTMENT OF TREASURY**

*This certificate is for Michigan income tax withholding purposes only. You must file a revised form within 10 days if your exemptions decrease or your residency status changes from nonresident to resident. Read instructions below before completing this form.*

Issued under P.A. 281 of 1967.		▶ 1. Social Security Number	▶ 2. Date of Birth
▶ 3. Type or Print Your First Name, Middle Initial and Last Name		4. Driver License Number	
Home Address (No., Street, P.O. Box or Rural Route)		▶ 5. Are you a new employee? Yes <input type="checkbox"/> If yes, enter date of hire . . . .	
City or Town	State	Zip Code	No <input type="checkbox"/>
6. Enter the number of personal and dependency exemptions you are claiming .....		▶ 6. <input style="width: 50px;" type="text"/>	
7. Additional amount you want deducted from each pay (if employer agrees) .....		7. \$ .....00	
8. I claim exemption from withholding because (does not apply to nonresident members of flow-through entities - see instructions):			
a. <input type="checkbox"/> A Michigan income tax liability is not expected this year.			
b. <input type="checkbox"/> Wages are exempt from withholding. Explain: .....			
c. <input type="checkbox"/> Permanent home (domicile) is located in the following Renaissance Zone: .....			
<b>EMPLOYEE:</b> If you fail or refuse to file this form, your employer must withhold Michigan income tax from your wages without allowance for any exemptions. Keep a copy of this form for your records.		Under penalty of perjury, I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled. If claiming exemption from withholding, I certify that I anticipate that I will not incur a Michigan income tax liability for this year.	
<b>INSTRUCTIONS TO EMPLOYER:</b> Employers must report all new hires to the State of Michigan. Keep a copy of this certificate with your records. If the employee claims more than nine personal and dependency exemptions or claims a status exempting the employee from withholding, you must file their original MI-W4 form with the Michigan Department of Treasury.		9. Employee's Signature _____ ▶ Date _____  Employer: Complete lines 10 and 11 before sending to the Michigan Department of Treasury. 10. Employer's Name, Address, Phone No. and Name of Contact Person _____  ▶ 11. Federal Employer Identification Number _____	

**INSTRUCTIONS TO EMPLOYEE**

You must submit a Michigan withholding exemption certificate (form MI-W4) to your employer on or before the date that employment begins. If you fail or refuse to submit this certificate, your employer must withhold tax from your compensation without allowance for any exemptions. Your employer is required to notify the Michigan Department of Treasury if you have claimed more than nine dependency exemptions or claimed a status which exempts you from withholding.

You MUST file a new MI-W4 within 10 days if your residency status changes or if your exemptions decrease because: a) your spouse, for whom you have been claiming an exemption, is divorced or legally separated from you or claims his/her own exemption(s) on a separate certificate, or b) a dependent must be dropped for federal purposes.

**Line 5:** If you check "yes," enter your date of hire (mo/day/year).

**Line 6:** Personal and dependency exemptions. The total number of exemptions you claim on the MI-W4 may not exceed the number of exemptions you are entitled to claim when you file your Michigan individual income tax return.

If you are married and you and your spouse are both employed, you both may not claim the same exemptions with each of your employers.

If you hold more than one job, you may not claim the same exemptions with more than one employer. If you claim the same exemptions at more than one job, your tax will be under withheld.

**Line 7:** You may designate additional withholding if you expect to owe more than the amount withheld.

**Line 8:** You may claim exemption from Michigan income tax withholding ONLY if you do not anticipate a Michigan income tax liability for the current year because all of the following exist: a) your employment is less than full time, b) your personal and dependency exemption allowance exceeds your annual compensation, c) you claimed exemption from federal withholding, d) you did not incur a Michigan income tax liability for the previous year. You may also claim exemption if your permanent home (domicile) is located in a Renaissance Zone. Members of flow-through entities may not claim exemption from nonresident flow-through withholding. For more information on Renaissance Zones call the Michigan Tele-Help System, 1-800-827-4000, and listen to topic 293. Full-time students cannot claim exempt status.

**Web Site**  
 Visit the Treasury Web site at:  
[www.michigan.gov/treasury](http://www.michigan.gov/treasury)



**APPENDIX B**







<b>User File Name:</b>		<b>NEW HIRE</b>		
<b>File Type:</b> Disk		<b>Division: INCOME TAX</b>		
<b>FILE ID:</b>	TC06298TT01	<b>Label Type:</b> Standard		<b>Rec Size</b>
<b>Sequence:</b>				498
<b>LAN ID:</b>	\\Treas_data_fs2\data\Shared\its\DOC\DEV\TC06\TC06298Q01			
<b>From</b>	<b>To</b>	<b>Description</b>	<b>Format</b>	<b>Length</b>
1	1	TRAILER IDENTIFICATION	X(1)	1
2	8	TOTAL NUMBER OF DETAILS	9(7)	7
9	498	FILLER	9(490)	490
		SUBMITTER PHONE NUMBER		
		AREA CODE	9(3)	3
499	505	LOCAL NUMBER	9(7)	7
506	509	EXTENSION	9(4)	4
510	517	DATE FILE CREATED	9(8)	8
518	523	TIME FILE CREATED	9(6)	6
524	938	FILLER	X(415)	415
939	939	TRAILER IDENTIFICATION	X(1)	1
940	946	TOTAL NUMBER OF DETAILS	9(7)	7
		DATA EXCHANGE GATEWAY		
		(DXG) ID: TC06298Q01		
		Backup ID: TC06298T01		



## Appendix C

### MI-W4

#### **Safeguard Requirements of Confidential Data**

As used in this Section, “Confidential Information” of Contractor shall mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) that is marked confidential, restricted, proprietary, or with a similar designation.

“Confidential Information” of the State shall mean any information that is received by the state or on behalf of the state, in the administration of the laws of the State of Michigan. Confidential information is protected under applicable federal, state and local laws and regulations or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State “Confidential Information” shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan Freedom of Information Act (FOIA).

- a) Any Mail Carriers used by vendor must complete confidentiality agreements with the SOM Treasury to ensure that the carriers understand their responsibility to
- b) Confidentiality agreements executed by 3<sup>rd</sup> party maintenance staff assigned to the dedicated fax machines used on this contract.
- c) Encourage employers to include a confidentiality disclaimer on their fax cover sheets to ensure that they reach the intended destination.
- d) Audit trails in place to track W-4 data received from employers. An audit trail is defined as a method of capturing all user activity that occurs in an application or computer system and identifying whom, when, and where the access occurred. It also is used to track account activity to follow the routing of documents or correspondence from the time it is sent from the employer until it is stored in a permanent database.

For performance management purposes it will be important that the Contractor develop tracking logs to audit the safeguards incorporated into the work process. The following is a general list of processes to be tracked:

1. MI-W-4 forms and Exempt Claims received from Employers
2. Questionable documents forwarded to Treasury
3. Electronic transmissions of EDP files to the SOM
4. Correspondence or letters of inquiry from the employers sent under separate cover



### **Protection of Confidential Information**

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the New Hire Confidential Information received from employers to avoid unauthorized disclosure, publication or dissemination of this confidential information, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the New Hire Confidential Information, or (iii) if requested to do so, refuse for any reason to promptly return the New Hire Confidential Information to the State. Each party will limit disclosure of the New Hire Confidential Information to employees and Subcontractors who must have access thereto in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the New Hire Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.

### **News releases**

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

### **Exclusions**

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

**No Implied Rights**

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

**Survival**

The Treasury confidentiality agreement under this Section imposes a continuing obligation on the Contractor and any of its subcontractors participating in execution of this contract.

**Destruction of Confidential Information**

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all confidential information obtained during the execution of this contract.



**APPENDIX D – IV/D (Child Support)  
SECURITY REQUIREMENTS**

Attachments

- D1 - DHS – OCS Action Transmittal 2005-069
- D2 - DHS – OCS Action Transmittal 2004-032 w/Attachments 1 & 2
- D3 - DHS – OCS Transmittal 2004-032 Attachment 3
- D4 – DHS – OCS Action Transmittal 2005-008
- D5 – DHS – OCS Action Transmittal 2004-21
- D6 – DHS – OCS Action Transmittal 2004-21 Attachment 1
- D7 - Child Support Security Cites and References



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING



MARIANNE UDOW  
DIRECTOR

**MICHIGAN IV-D ACTION TRANSMITTAL 2005-069**

**TO:** All Friends of the Court (FOCs)  
All Prosecuting Attorneys (PAs)  
All Office of Child Support (OCS) staff

**FROM:** Marilyn F. Stephen, Director  
Office of Child Support

**DATE:** October 28, 2005

**SUBJECT: REVISED:** Transmission of Restricted Information via Email

**PURPOSE:**

This Action Transmittal (AT):

- Replaces AT 2004-040, *Transmission of Restricted Information via Email*;
- Provides a change bar in the left-hand margin of the document to signify procedural changes to the AT;
- Updates each reference to the Family Independence Agency (FIA) and replaces it with the Department of Human Services (DHS);
- Provides the local county offices with an attachment that outlines conversion dates for the name replacement project on existing confidentiality email accounts; and
- Provides guidelines and policy for the transmission of restricted information via email, between OCS, the Michigan Child Support Enforcement System (MiCSES) staff, the Michigan State Disbursement Unit (MiSDU) staff, the child support partners (FOCs and PAs), and customers.

**DEFINITIONS:**

- **Restricted information** — Information that contains any of the following items:
  - Internal Revenue Service (IRS) information (i.e., any information obtained from the IRS);<sup>1</sup>
  - Social Security numbers (SSNs);

<sup>1</sup> IRS information includes any taxpayer identifying information, or any taxpayer identifying information and the refund intercept amount.



- Address/location information when the *Family Violence Indicator* (FVI) is set to "Y" with a specific *Family Violence Type* (FV) code;<sup>2</sup> and
  - Any list or report<sup>3</sup> that contains identifying information<sup>4</sup> on any case participant.
- **IV-D worker** — Any staff employed or contracted by a IV-D agency doing IV-D work. This includes, but is not limited to, staff of the following offices:
    - FOCs;
    - PAs;
    - MiSDU;
    - MiCSES;
    - OCS;
    - Attorney General's child support unit; and
    - Workers contracted to help in any of these offices.
  - **State network** — Any server maintained by the State of Michigan.
  - **michigan.gov email account** — Any email address that ends with michigan.gov (e.g., doej@michigan.gov).
  - **Non-michigan.gov email account** — Any email address that ends with something other than michigan.gov (e.g., doej@county.mi.us).
  - **User name** — Everything to the left of the "@" symbol in an email address. For example, if the email address is doej@michigan.gov, then the user name is doej.
  - **User ID** — The code used to identify a user when (s)he logs into a system and starts a login session. It is used by the system to uniquely identify each user.
  - **Secure** — A transmission where there is little or no likelihood of the communication being intercepted by an unauthorized person.
  - **Firewall** — An electronic blocking mechanism that inhibits unauthorized users from accessing a computer system.

## SECURE TRANSMISSION:

An email transmission between two michigan.gov email accounts is secure; both via Novell GroupWise and Novell GroupWise web access. An email transmission between

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<sup>2</sup> The FV codes are: CT – court order; SS – sworn statement; PW – Michigan personal protection order (PPO) with confidential address; FW – Foreign PPO with confidential address; and FP – Federal Parent Locator Service (FPLS).

<sup>3</sup> A list or report is defined as a document containing case participant information from multiple cases.

<sup>4</sup> Identifying information includes any one of the following: name, SSN, address.



a michigan.gov account and a non-michigan.gov account is **not** secure. Even if the county is connected to its own secure server, the transmission between a michigan.gov account and a non-michigan.gov account is **not** secure.

Any IV-D worker using a michigan.gov account **must not**:

- Send restricted information to a non-michigan.gov account; or
- Forward any email containing restricted information to a non-michigan.gov account.

### **CONFIDENTIAL michigan.gov ACCOUNTS:**

For the purposes of transmitting and receiving restricted information, OCS requested that the Department of Information Technology (DIT) create confidential michigan.gov email accounts for all FOC and PA offices.

As a result of the recent name change to DHS, DIT will update the confidential addresses to reflect this new name change. Select county FOC offices have already undergone this transition and are listed as **converted** counties on the provided attachment. The remainder of FOC and PA offices are listed on the attachment with projected dates for the name change to each county's confidential email address account (Ref: Attachment 1).

This name change also affects the user login. At the time the account was created, the user ID naming conventions started each user ID with "FIA." The user of the confidential michigan.gov account must now use DHS instead of FIA when (s)he logs into the account. IV-D staff will continue to use the password that (s)he originally created for the account. In addition, stored email will be retained in the new account.

The FOC office account is designated "DHS-*countyname*-Confidential@michigan.gov" and the PA office account is designated "DHS-PA-*countyname*-CTY-Confidential@michigan.gov."<sup>5</sup> For example, the Alcona FOC confidential account is DHS-Alcona-Confidential@michigan.gov. The Alcona PA confidential account is DHS-PA-Alcona-CTY-Confidential@michigan.gov. The county office will assign three designated users (one primary user and two alternates) to maintain the confidential michigan.gov account. The county office does not need to identify the designated users to OCS or DIT.

If the designated user is located in a county office that is connected to the state network, (s)he can access the confidential michigan.gov account either via the Novell GroupWise software or the State of Michigan Novell GroupWise web access (<http://gw.state.mi.us>).<sup>6</sup>

<sup>5</sup> Counties with two-word names must omit the space when logging in (e.g., the Grand Traverse FOC would be DHS-GrandTraverse-Confidential@michigan.gov).

<sup>6</sup> The designated user must select "Department of Human Services" from the list and must enter the user name and password for the confidential michigan.gov account.



If the designated user is located in a county office that is **not** connected to the state network, (s)he must only access the confidential michigan.gov account via the State of Michigan Novell GroupWise web access.<sup>7</sup>

Each FOC/PA IV-D Contact<sup>8</sup> will receive a password for the confidential michigan.gov account. The FOC/PA IV-D Contact will send the password to the primary user. Then, the primary user must immediately change the password.

If the primary user accesses the account via Novell GroupWise, then (s)he must:

1. Select "Tools" from the toolbar;
2. Select "Options";
3. Double-click on "Security";
4. Enter the old password;
5. Enter the new password;
6. Confirm the new password; and
7. Click "OK."

If the primary user accesses the account via GroupWise web access, then (s)he must:

1. Select the "options" icon at the top of the page;<sup>9</sup>
2. Enter the new password;
3. Confirm the new password; and
4. Click "Save."

After the password is changed, the primary user must inform the two alternate users of the new password. These three designated users must be the only people with access to the office's confidential michigan.gov account.

## **GENERAL PROCEDURES:**

### Receiving Restricted Information From OCS

OCS and DIT will send scheduled (e.g., law enforcement information network (LEIN) validation reports, bonus reports, tax refund offset data) and unscheduled mass distributions of restricted information to confidential michigan.gov accounts, even if the county office uses michigan.gov accounts. This frees OCS and DIT from maintaining statewide distribution lists. If the county office uses michigan.gov accounts, the designated user can forward the restricted information to the appropriate staff. If the county office does not use michigan.gov accounts, the designated user must save the document containing the restricted information to a folder on his/her personal hard drive. Then, the designated user will open his/her county-based email and attach the

<sup>7</sup> <http://gw.state.mi.us>

<sup>8</sup> The FOC/PA IV-D Contact was formerly known as the Local Project Coordinator (LPC).

<sup>9</sup> The "options" icon is denoted by the following symbol at the top of the page: . This is not the same as the "internet options" function from the drop down menus of your internet browser.



document to an email addressed to the appropriate staff within his/her county office. This two-step process using two email accounts behind the same firewall ensures that the information will not be transmitted through an unprotected connection. **The designated user must not forward the email containing restricted information to a non-michigan.gov account.**

When the restricted information is not contained within a mass distribution OCS, MiSDU, and MiCSES staff will only send restricted information to michigan.gov accounts. If the recipient(s) does not use a personal michigan.gov account OCS, MiSDU, or MiCSES staff will send the restricted information to the office’s confidential michigan.gov account. The designated user must follow the same guidelines outlined above for disseminating the information to the appropriate staff. If the communication does not contain restricted information, OCS, MiSDU, and MiCSES staff will correspond with the IV-D worker’s personal account, including non-michigan.gov email accounts.

Sending Restricted Information to OCS, MiSDU, and MiCSES

County staff must only send restricted information to OCS, MiSDU, and MiCSES from a michigan.gov account. The IV-D worker can either use a personal michigan.gov account or give the information to the designated user of the office’s confidential michigan.gov account for him/her to send.

Sending Restricted Information to Customers and Employers

IV-D workers must **not** send restricted information to customers or employers via email. Before sending a response to a customer or employer, the IV-D worker **must**:

- Delete any restricted information from the body of the original email; and
- Not add any additional restricted information.

**ADDITIONAL INFORMATION:**

If an FOC or PA wants to set up michigan.gov accounts for all staff the FOC/PA IV-D Contact must notify the CSES Hotline.

**LEGAL REFERENCES:**

Federal  
 26 United States Code (USC) 6103  
 42 USC 653  
 IRS Publication 1075

State  
 Michigan Compiled Law 400.64

**POLICY REFERENCE:**

AT 2005-023, **Revised:** *Use of State Make Whole Funds*  
 AT 2004-018, *Family Violence Indicator (FVI)*



**AT MAINTENANCE:** Retain until further notice

**EFFECTIVE DATE:** Upon receipt

**REVIEW PARTICIPANTS:** Virginia Hambric, MiCSES Project Staff  
 Jan Isaacs, MiCSES Project Staff  
 Dave Clagett, Prosecuting Attorneys Association of Michigan  
 Lynn Davidson, Macomb County FOC  
 Steve Capps, State Court Administrative Office, Friend of the Court Bureau  
 Financial Work Improvement Team  
 Program Leadership Group  
 Friend of the Court Association Review Board

**CONTACT PERSON:** Suzy Crittenden  
 Policy Analyst  
 Crittendens2@michigan.gov  
 (517) 241-5083

**ENCLOSURE:** Attachment 1-*County Conversion Dates for Confidential michigan.gov Email Accounts*

**CC:** Michigan Attorney General

**MFS/SC**



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
FAMILY INDEPENDENCE AGENCY  
LANSING



MARIANNE UDOW  
DIRECTOR

**MICHIGAN IV-D ACTION TRANSMITTAL 2004-032**

**TO:** Friends of the Court (FOCs)  
Prosecuting Attorneys (PAs)  
Office of Child Support (OCS) Staff

**FROM:** Marilyn F. Stephen, Director  
Office of Child Support

**DATE:** October 7, 2004

**SUBJECT:** Internal Revenue Service (IRS) and State of Michigan Tax Return Information

**RESPONSE DUE:** December 15, 2004

**PURPOSE:**

This Action Transmittal (AT) informs all IV-D staff and contractors of the IRS and Michigan Department of Treasury tax return information confidentiality requirements. In addition, it notifies FOCs and PAs of the OCS reporting requirements.

**BACKGROUND:**

The IRS and the Michigan Department of Treasury provide tax return information to the Michigan Title IV-D program. For purposes of the Michigan Title IV-D program, tax return information is defined as: the receipts in MiCSES that are from an offset to an individual's tax refund, amount and date of offset and any hard copies showing these offsets. All persons who access/use/store this information must keep the tax return information confidential. Personal penalties apply to anyone who discloses confidential tax return information. The IRS and Michigan Department of Treasury prescribe guidelines, procedures and policies that carry out the confidentiality requirements of the Internal Revenue Code (IRC) and Michigan Codified Laws (MCL). All organizations that receive and use tax return information must have safeguards and procedures in line with these requirements. The organization must ensure that staff keep the information confidential and make staff aware of the penalties. County FOC and PA offices must report their safeguards and procedures to OCS. OCS reports to the IRS and Michigan Department of Treasury.



## PROGRAM ACTIONS AND POLICY INFORMATION:

### I. FOC/PA

#### **Each county FOC and PA must submit an Annual Safeguard Activity Report for 2004 due to OCS by no later than December 15, 2004.**

The IRS' guidelines, procedures, and reporting requirements and the consequences of unauthorized disclosure are included in Tax Information Security Guidelines for Federal, State, and Local Agencies (OMB No. 1545-0962) also called the IRS Publication 1075<sup>10</sup>. The individual or individuals responsible for the use of tax return information at the FOC/PA must read the publication and be aware of the requirements and penalties. This is necessary to ensure that the organization meets all the physical security, computer system security, and employee awareness requirements. The requirements of the MCL will be met if the IRS requirements are followed and applied to the Michigan Department of Treasury information.

As part of meeting the requirements of IRS Publication 1075 the majority of the FOC/PA offices submitted a Safeguard Procedures Report (refer to section 7.2 of IRS Publication 1075) for the calendar year ended December 31, 2003. (OCS submitted a Safeguard Procedures Report to the IRS in January, 2004, covering that same period.)

#### **A new Safeguard Procedures Report will not be due until January 31, 2010, (six years) unless there have been significant changes in procedures. However, as stated above, each county FOC and PA must submit an Annual Safeguard Activity Report for 2004 due to OCS by no later than December 15, 2004.**

In the past, FOC/PA retained these reports. However, with the need to report the system security on a statewide basis, the county staff must submit these reports to OCS. Those counties that did not submit Safeguard Procedures Report for the year ended December 31, 2003, must complete the Safeguard Procedures Report and submit it as soon as possible. FOC/PA staff must then complete the Annual Safeguard Activity Report and submit it, as described above, for the current year.

The FOC/PA staff must pay particular attention to sections 5.6 (Computer Security), 5.7 (Common Criteria), and 7.2 (Safeguard Procedures Report: Computer Security) of IRS Publication 1075. Each FOC/PA must include in the Annual Safeguard Activity Report, for 2004, a diagram of the county network and its connection to the Michigan Child Support Enforcement System (MiCSES) network. Also, FOC/PA staff must include a description of the security features maintained to secure the state network and the MiCSES application against unauthorized access. These are necessary because of potential security issues surrounding the access to MiCSES and the need to follow the standard for systems that contain IRS data. OCS has evaluated compliance with the

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<sup>10</sup> <http://www.irs.gov/pub/irs-pdf/p1075.pdf>



standard for MiCSES operations located in Lansing. However, because the MiCSES network and application are connected to county networks, the FOC/PA must also evaluate these local networks and connections against the standard. County staff may contact their computer systems departments for their evaluation. The Annual Safeguard Activity report must contain any conclusions and shortcomings in the evaluation. This will be an initial burden but for the future should only require updates.

FOC/PA staff offices must also review section 6.2 (Employee Awareness) of IRS Publication 1075, which describes the required annual certifications and training, related to confidential tax return information. Each FOC/PA must meet these requirements. The FOC/PA must report activities in the Annual Safeguard Activity Report (and the Safeguard Procedures Report every sixth year). OCS staff will summarize the information provided by FOC/PA and include it in OCS' report to the IRS. The FOC/PA must use the Michigan Department of Treasury Vendor, Contractor, or Subcontractor Confidentiality Agreement (see attachments 1, 2 and 3 for forms and instructions) to meet the above listed requirements. Each employee and any county contractor that accesses federal or state tax information must sign this form. The form is a Michigan Department of Treasury form that was not specifically designed for the relationship between OCS and FOC/PA, however, it covers tax information confidentiality requirements and penalties that apply both to the State of Michigan and the federal tax information. Each employee or county contractor must certify that (s)he understands the policies and procedures and penalties related to safeguarding tax information before (s)he is granted access to the system. In addition to the information contained on the above-mentioned form, the FOC/PA must provide additional information related to the use or storage of hard copies of any tax return information to employees and contractors.

## II. OCS Employees and Contractors

All OCS employees and OCS contractors will be required to sign the appropriate Michigan Department of Treasury agreement before OCS will grant them access to the system.

### **APPLICATION AND SCOPE:**

This AT applies to all staff (either employee or contract) that access/use/store any tax return information provided to the Michigan Title IV-D program.

### **LEGAL REFERENCES:**

#### Federal

IRC sections 6103, 7213, and 7431.

#### State

MCL section 205.28 (1)(f) and (2).

### **POLICY REFERENCE:**

AT 2003-007, *Security Guidelines for Federal, State and Local Agencies Receiving Tax Information*



**AT MAINTENANCE:** Retain Action Transmittal.

**EFFECTIVE DATE:** Upon receipt.

**REVIEW PARTICIPANTS:** Jeff Albaugh, Friend of the Court Association  
Dave Clagett, Prosecuting Attorney Association of Michigan  
Steve Capps, State Court Administrative Office, Friend of the Court Bureau  
Darrell Dontje, Enterprise Security

**CONTACT PERSON:** Duane Noworyta  
Financial Manager  
Noworytad@michigan.gov  
(517) 241-7728

**CC:** Darrell Dontje, Enterprise Security

**ATTACHMENTS:** Template for Annual Safeguard Activity Report  
Instructions for Vendor, Contractor or Subcontractor Confidentiality Agreement.  
Vendor, Contractor or Subcontractor Confidentiality Agreement

MFS/DN



**AT 2005-032 Attachment 1**  
**Template for Annual Safeguard Activity Report**

**Directions:**

Annual Safeguard Activity Reports must be submitted on agency's letterhead, and must be dated and signed by the friend of the court (FOC) or the prosecuting Attorney (PA), and must follow the outline listed below. If a report covers more than one county or covers both the FOC and PA functions in a county please indicate that fact on the report.

**Report only changes to any of the following:**

**I. RESPONSIBLE OFFICERS (added or deleted)**

Provide:

Name

Title

Address (street and email, if available); and

Telephone number

**II. LOCATION OF DATA**

Describe the functions that use the tax information.

**III. FLOW OF DATA**

Provide a chart and/or detailed narrative of:

(A) The flow of information through the Agency;

(B) How the information is used and stored;

(C) How the information is protected

**IV. SYSTEM OF RECORDS**

Describe the permanent records, which are used to document:

(A) Requests;

(B) Receipt;

(C) Distribution;

(D) Disposition of Taxpayer Information

**V. SECURE STORAGE OF DATA**

Describe the security measures for data when not in use (identify at least two levels of security, i.e., a locked building / office and a locked file cabinet within the office.)

**VI. LIMITED ACCESS TO DATA**

Describe the procedures or safeguards (including physical barriers) used to ensure only authorized individuals access the information.

**VII. DISPOSAL**

Describe the method(s) used for tax information disposal/destruction.



## VIII. COMPUTER SECURITY

For any tax information that is stored on computers outside of the Michigan Child Support Enforcement System (MiCSES) application provide for:

### (A) MICROPROCESSORS AND MAINFRAME SYSTEMS

Provide a detailed description of the systemic controls employed to ensure compliance with C2 level of access control.

### (B) Local Area Network (LAN), Wide Area Network (WAN)

Provide a detailed description of the security precautions, if the computer system is connected to a LAN or WAN.

(C) Provide your security process for employees who need or use a laptop that has access to MiCSES.

### (D) PERSONAL COMPUTERS

Provide a detailed description of the procedures used to ensure all data is protected from unauthorized access or disclosure, including those that:

- ensure storage of disks and all electronic data;
- limit access to the disks or computer screens;
- destroy data.

**Report the following information (this is not limited to just changes):**

## IX. AGENCY DISCLOSURE AWARENESS

Describe the how all persons who had access to the tax information were made aware in the current period of the confidentiality requirements, the FOC/PA security requirements, and any penalties for unauthorized inspection and or disclosure. Also include how often these people review the awareness requirements.

## X. DISPOSAL

Report on the disposal of tax information in the current period.

## XI. COMPUTER SECURITY, ADDITIONAL INFORMATION

(A) Provide a diagram of how the MiCSES network is connected to the county network. Label the equipment, on the diagram, with the manufacture's make and model. Basically the diagram should show how the county connects into the State's network (both physical and logical) as well as how the county is connected to any other Internet Service (ISP) provider (if the county is connected to an ISP). All routers, firewall, ISP and network equipment should be shown. (For example a simple diagram would be two boxes with a line between them. The box on the left



would be labeled State of Michigan router and the box on the right would be labeled FOC Hub with manufacture and series number.)

(B) Describe the hardware/software that is in place to ensure there is no unauthorized access to tax information maintained on the MiCSES system through the county connection.

(C) Provide the type of anti-virus software used as well as the process for updating the devices using this software.

(D) Provide your patch management process for your devices.

(E) What, if any session time-time outs (such as screen savers that require a password) are used.

## XII. PLANNED ACTIONS AFFECTING SAFEGUARDS

Report any planned actions that create a major change to current procedures or computer security.



## AT 2005-32 Attachment 2

### Instructions for Vendor, Contractor or Subcontractor Confidentiality Agreement

The **Vendor, Contractor or Subcontractor Confidentiality Agreement** form must be completed by friend of the court (FOC), prosecuting attorney (PA) and contract staff with access to the Michigan Child Support Enforcement System (MiCSES). FOC and PA offices must certify in the Annual Safeguard Activity Report that a **Vendor, Contractor or Subcontractor Confidentiality Agreement** is signed and on file in the local office for each MiCSES user. DO NOT send copies of the **Vendor, Contractor or Subcontractor Confidentiality Agreement** directly to the Office of Child Support or the Department of Treasury.

#### Completion by Contractor Staff

The **Vendor, Contractor or Subcontractor Confidentiality Agreement** form was designed specifically for contractor staff and therefore is self-explanatory.

#### Completion by FOC and PA staff

FOC and PA staff completing the **Vendor, Contractor or Subcontractor Confidentiality Agreement** must take note of the following sections:

1. Under Company Name and Address list County FOC/PA name.
2. The Name of the State of Michigan Agency is Family Independence Agency, Office of Child Support.
3. The Sub-Contractor section is "N/A" for FOC/PA county employees.
4. The box that requires a description of the product or service provided is "N/A" for FOC/PA county employees.



Michigan Department of Treasury  
3337 (Rev. 3-04)

Reset Form

## Vendor, Contractor or Subcontractor Confidentiality Agreement

The Revenue Act, Section 28(1)f, 1941 PA 122, MCL 205.28(1)(f), makes all information acquired in administering taxes confidential. The Act holds a vendor, contractor or subcontractor and their employees who sell a product or provide a service to the Michigan Department of Treasury, or who access Treasury data, to the strict confidentiality provisions of the Act. Confidential tax information includes, but is not limited to, information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Michigan Department of Treasury for a tax administered by the department.

**INSTRUCTIONS:** Read this entire form before you sign it. If you do not complete this agreement, you will be denied access to Michigan Department of Treasury and federal tax information. After you sign and date this form, keep a copy for your records. Send the original to: Michigan Department of Treasury, Office of Policy Communications and Disclosure, Disclosure Officer, 430 W. Allegan, Lansing, MI 48922.

Company Name and Address (Street or RR#, City, State, Zip Code)	Official or Employee Name
	Employee Identification Number or Driver's License Number
Name of State of Michigan Agency	Sub-Contractor's Name if Product/Service Furnished to Contractor
Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency.	

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

- All tax return information obtained in connection with the administration of a tax. This includes information from a tax return or audit and any information about the selection of a return for audit, assessment or collection, or parameters or tolerances for processing returns.
- All Michigan Department of Treasury or federal tax returns or tax return information made available, including information marked "Official Use Only". Tax returns or tax return information shall not be divulged or made known in any manner to any person except as may be needed to perform official duties. Access to Treasury or federal tax information, in paper or electronic form, is allowed on a need-to-know basis only. Disclosure of return information to other employees of your department, agency, division or office, must meet need-to-know criteria and be required for them to perform their official duties.
- Confidential information shall not be disclosed by a department employee to confirm information made public by another party or source which is part of any public record. 1999 AC 205.1003(3).

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

**Agency Discipline**

Absence of criminal prosecution does not prevent your agency from pursuing internal sanctions for unauthorized accessing, browsing, or disclosing state or federal tax returns or tax return information.

**Michigan Penalties**

MCL 205.28(1)(f) provides that you may not willfully browse any Michigan tax return or information contained in a return. Browsing is defined as examining a return or return information acquired without authorization and without a need to know the information to perform official duties. Violators of §28(1)(f) are guilty of a felony and subject to fines of \$5,000 or imprisonment for five years, or both per the Michigan Revenue Act, 1941 PA 122, MCL 205.28(2). State employees will be discharged from state service upon conviction.

Any person who violates any other provision of the Revenue Act, 1941 PA 122, MCL 205.1, et seq., or any statute administered under the Revenue Act, will be guilty of a misdemeanor and fined \$1,000 or imprisonment for one year, or both, MCL 205.27(4).

**Federal Penalties**

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

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

CERTIFICATION		
I acknowledge that I have read this Agreement, which is intended to help me understand applicable Michigan and Federal law related to the protection of confidential information. I understand that failure to comply with applicable law, including the laws referenced in this Agreement, may subject a violator to criminal and civil penalties.		
Print name of person signing this agreement	Signature of person named above	Date signed
<b>WITNESS</b>		
Print name of witness	Signature of witness	Date signed



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING

MARIANNE UDOW  
DIRECTOR

### MICHIGAN IV-D ACTION TRANSMITTAL 2005-008

**TO:** All Friends of the Court (FOCs)  
All Prosecuting Attorneys (PAs)  
All Office of Child Support (OCS) Staff  
State Court Administrative Office (SCAO), FOC Bureau (FOCB)  
Office of the Attorney General (AG)

**FROM:** Marilyn F. Stephen, Director  
Office of Child Support

**DATE:** March 18, 2005

**SUBJECT:** Dissemination of Ad Hoc Reports

**PURPOSE:**

This Action Transmittal (AT) provides policy for the proper dissemination and handling of ad hoc reports to IV-D workers.

**DEFINITIONS:**

- **Ad hoc report** — A report generated by running a query on the *Functional Prototype Queries* (FPRO) screen in the Michigan Child Support Enforcement System (MiCSES). The query produces information on several cases in an Internet Explorer window and the user creates the report by saving the information in a text file and importing it to Microsoft Excel or Access. The report typically contains the following types of information: party's name; case number; court action referral (CAR) number; docket number; date of birth; arrearage and payment information; bench warrant information; scheduled events; etc.
- **IV-D worker** — Any staff employed or contracted by a IV-D agency, including, but not limited to staff of the following offices:
  1. FOCs;
  2. PAs;
  3. Michigan State Disbursement Unit (MiSDU);
  4. MiCSES;
  5. OCS;



6. SCAO;
  7. AG's child support unit; and
  8. Workers contracted to help in any of these offices.
- **Federal tax information** — Data obtained from the Internal Revenue Service (IRS). This information includes any taxpayer identifying information, or any taxpayer identifying information and the refund intercept amount.
  - **Domain name** — Everything to the right of the "@" symbol in an email address. For example, if the email address is doej@michigan.gov, then the domain name is michigan.gov.
  - **Creator** — The IV-D worker who developed the ad hoc report.
  - **Recipient** — The IV-D worker who received the ad hoc report.
  - **Public folder** — A folder on a hard drive that multiple IV-D workers have access to through the network.

#### BACKGROUND:

According to AT 2004-040, *Transmission of Restricted Information via Email*, any report that contains identifying information on any case participant is considered restricted and must be protected from unauthorized persons. Therefore, an ad hoc report is restricted and must only be shared with IV-D workers that need access to the information to perform IV-D duties. The IV-D worker must protect the report as (s)he would with any other confidential information.

#### REQUIREMENTS:

The creator of an ad hoc report will:

- Only distribute to appropriate staff that portion (or portions) of a report pertaining to cases assigned to that staff;
- Immediately retrieve the report after it is printed; and
- **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container.

When sending the ad hoc report to a IV-D worker, the creator will:

- Send the report to an email address with the same domain name,<sup>1</sup> or deliver it in person or via fax; and

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<sup>1</sup> For additional information on secure transmission of information refer to AT 2004-040 at: <http://mi-support.cses.state.mi.us/policy/stateat/pdf/2004-040.pdf>.



- **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container.

The recipient of the report will:

- **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container;
- Avoid storing confidential materials in a shared electronic public folder (“public drive”) on his/her computer;<sup>2</sup>
- Immediately retrieve the report after it is printed; and
- Shred the report when it is no longer needed and serves no purpose.<sup>3</sup>

Ad hoc reports that contain federal tax information must be protected with a higher level of security. Creators and recipients of ad hoc reports that contain federal tax information must not leave any hard copies unattended, unless in a locked container.

**LEGAL REFERENCES:**

Federal  
 26 USC §6103  
 42 USC §653  
 IRS Publication 1075

State  
 MCL 400.64

**POLICY REFERENCE:**

AT 2004-040, *Transmission of Restricted Information via Email*

**AT MAINTENANCE:**

Retain until further notice.

**EFFECTIVE DATE:**

Upon receipt.

**REVIEW PARTICIPANTS:**

Steve Capps, SCAO, FOCB  
 Dave Clagett, Prosecuting Attorneys Association of Michigan  
 David Huntley, Alpena FOC  
 Lynn Davidson, Macomb FOC  
 Establishment WIT

**CONTACT PERSON:**

Ian Broughton  
 Policy Analyst  
 broughtoni@michigan.gov  
 (517) 241-5034

<sup>2</sup> If the recipient must store it in a public folder, (s)he must delete it when it is no longer needed.

<sup>3</sup> For additional information on the confidential information protection, refer to IRS Publication 1075 at: <http://www.irs.gov/pub/irs-pdf/p1075.pdf>.



**ENCLOSURE:** None

**CC:** None

MFS/IMB



235 SOUTH GRAND AVENUE \_ P.O. BOX 30037 \_ LANSING, MICHIGAN 48909  
www.michigan.gov \_ (517) 373-2035

**MICHIGAN IV-D ACTION TRANSMITTAL 2005-008**

**TO:** All Friends of the Court (FOCs)

All Prosecuting Attorneys (PAs)

All Office of Child Support (OCS) Staff

State Court Administrative Office (SCAO), FOC Bureau (FOCB)

Office of the Attorney General (AG)

**FROM:** Marilyn F. Stephen, Director

Office of Child Support

**DATE:** March 18, 2005

**SUBJECT:** Dissemination of Ad Hoc Reports

**PURPOSE:**

This Action Transmittal (AT) provides policy for the proper dissemination and handling of ad hoc reports to IV-D workers.

**DEFINITIONS:**

\_\_\_ **Ad hoc report** — A report generated by running a query on the *Functional Prototype Queries* (FPRO) screen in the Michigan Child Support Enforcement System (MiCSES). The query produces information on several cases in an Internet Explorer window and the user creates the report by saving the information in a text file and importing it to Microsoft Excel or Access. The report typically contains the following types of information: party's name; case number; court action referral (CAR) number; docket number; date of birth; arrearage and payment information; bench warrant information; scheduled events; etc.

\_\_\_ **IV-D worker** — Any staff employed or contracted by a IV-D agency, including, but not limited to staff of the following offices:

1. FOCs;
2. PAs;
3. Michigan State Disbursement Unit (MiSDU);
4. MiCSES;
5. OCS;

STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES

LANSING  
JENNIFER M. GRANHOLM  
GOVERNOR  
MARIANNE UDOW  
DIRECTOR  
AT 2005-008 Page 2

6. SCAO;
7. AG's child support unit; and
8. Workers contracted to help in any of these offices.

\_\_\_ **Federal tax information** — Data obtained from the Internal Revenue Service (IRS). This information includes any taxpayer identifying information, or any taxpayer identifying information and the refund intercept amount.

\_\_\_ **Domain name** — Everything to the right of the "@" symbol in an email address. For example, if the email address is doej@michigan.gov, then the domain name is michigan.gov.

\_\_\_ **Creator** — The IV-D worker who developed the ad hoc report.



\_\_\_ **Recipient** — The IV-D worker who received the ad hoc report.

\_\_\_ **Public folder** — A folder on a hard drive that multiple IV-D workers have access to through the network.

**BACKGROUND:**

According to AT 2004-040, *Transmission of Restricted Information via Email*, any report that contains identifying information on any case participant is considered restricted and must be protected from unauthorized persons. Therefore, an ad hoc report is restricted and must only be shared with IV-D workers that need access to the information to perform IV-D duties. The IV-D worker must protect the report as (s)he would with any other confidential information.

**REQUIREMENTS:**

The creator of an ad hoc report will:

\_\_\_ Only distribute to appropriate staff that portion (or portions) of a report pertaining to cases assigned to that staff;

\_\_\_ Immediately retrieve the report after it is printed; and

\_\_\_ **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container.

When sending the ad hoc report to a IV-D worker, the creator will:

\_\_\_ Send the report to an email address with the same domain name,<sup>1</sup> or deliver it in person or via fax; and

<sup>1</sup> For additional information on secure transmission of information refer to AT 2004-040 at:

<http://mi-support.cses.state.mi.us/policy/stateat/pdf/2004-040.pdf>.

AT 2005-008 Page 3

\_\_\_ **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container.

The recipient of the report will:

\_\_\_ **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container;

\_\_\_ Avoid storing confidential materials in a shared electronic public folder (“public drive”) on his/her computer;<sup>2</sup>

\_\_\_ Immediately retrieve the report after it is printed; and

\_\_\_ Shred the report when it is no longer needed and serves no purpose.<sup>3</sup>

Ad hoc reports that contain federal tax information must be protected with a higher level of security. Creators and recipients of ad hoc reports that contain federal tax information must not leave any hard copies unattended, unless in a locked container.

**LEGAL REFERENCES:** Federal

26 USC §6103

42 USC §653

IRS Publication 1075

State

MCL 400.64

**POLICY REFERENCE:** AT 2004-040, *Transmission of Restricted Information via Email*

**AT MAINTENANCE:** Retain until further notice.

**EFFECTIVE DATE:** Upon receipt.

**REVIEW PARTICIPANTS:** Steve Capps, SCAO, FOCB  
Dave Clagett, Prosecuting Attorneys Association of



Michigan  
David Huntley, Alpena FOC  
Lynn Davidson, Macomb FOC  
Establishment WIT  
**CONTACT PERSON:** Ian Broughton  
Policy Analyst  
broughtoni@michigan.gov  
(517) 241-5034

<sup>2</sup> If the recipient must store it in a public folder, (s)he must delete it when it is no longer needed.

<sup>3</sup> For additional information on the confidential information protection, refer to IRS Publication 1075 at:

<http://www.irs.gov/pub/irs-pdf/p1075.pdf>.

AT 2005-008 Page 4

**ENCLOSURE:** None

**CC:** None

MFS/IMB



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
FAMILY INDEPENDENCE AGENCY  
LANSING



MARIANNE UDOW  
DIRECTOR

**MICHIGAN IV-D ACTION TRANSMITTAL 2004-021**

**TO:** All Friends of the Court  
All Prosecuting Attorneys  
All Office of Child Support staff

**FROM:** Marilyn F. Stephen, Director  
Office of Child Support

**DATE:** October 26, 2004

**SUBJECT:** Emergency Remote Access to the Michigan Child Support Enforcement System (MiCSES)

**PURPOSE:**

This Action Transmittal (AT) contains the guidelines for obtaining emergency remote access to MiCSES. Remote access is defined as access outside of the official workplace. The Office of Child Support (OCS) will grant limited remote access to MiCSES in situations deemed necessary for the operation of the IV-D program<sup>1</sup>. OCS will only approve requests for these accounts under exceptional circumstances.

Note: This AT only provides the process for requesting emergency remote access approval to MiCSES. Local FOC and PA staff must continue to follow the current process for obtaining hardware. This AT is in no way meant to comment on or change the current practice for requesting or obtaining computer equipment for local office staff.

**REMOTE ACCESS:**

OCS will grant remote access accounts on either a long-term or short-term basis. A long-term account is valid for one year and is for a recurring situation that requires the IV-D worker to have continuous access outside of the workplace. A short-term account is valid for three months and is for a situation that requires the IV-D worker to have temporary access outside of the workplace.

<sup>1</sup> The IV-D worker will still need to gain approval from their local information technology (IT) department for remote access to the county network.



Valid situations include:

- A worker assigned to a satellite office on an ongoing basis and standard access is not available.
- A worker on temporary medical leave is the only worker able to complete specific work for the office (e.g. interstate work).

Invalid situations may include:

- A worker has an adjusted schedule that includes working from home and needs MiCSES to fulfill their assignments.
- A worker wants access to MiCSES on a laptop for the convenience of access outside of the designated workplace.

#### **CONDITIONS OF APPROVAL:**

The IV-D worker must have access to MiCSES before submitting a request for remote access. The IV-D worker must sign the *MiCSES Request for Remote Access* (FIA-394, see attachment 1) defining the security measures that must be followed. The FIA-394 contains the following conditions — the permitted user must:

- **Not** print or download any information contained within MiCSES;
- **Not** permit anyone access to the computer that runs MiCSES;
- **Not** permit anyone to view the screen while MiCSES runs (laptop computers included);
- Store the computer running MiCSES in a locked and secure area; and
- Only run MiCSES on an agency-owned computer.

Note: Any violation of these security measures is cause for immediate termination of the remote access account.

Pursuant to Internal Revenue Service (IRS) Publication 1075, the IV-D worker must use an agency/county-owned computer to access MiCSES. The local IV-D agency is responsible for supplying the IV-D worker with the necessary hardware. In addition, the local IV-D agency must provide the necessary access and connection costs (e.g., virtual private network (VPN) with SecurID access and digital subscriber line (DSL) or cable modem).

The Department of Information Technology's Office of Enterprise Security will conduct periodic security audits of remote access sites. If the permitted user violates any of the above security measures, OCS will immediately terminate the remote access account. All remote access sites are also subject to IRS security audits.



**APPLICATION FOR REMOTE ACCESS:**

The IV-D office requesting remote access for an employee must submit the FIA-394 form. The form requests the following information:

- Name and job title of IV-D worker;
- Reason remote access is needed;
- Type of account requested (i.e., long- or short-term);
- Address, phone number, and description of remote access site; and
- FOC/PA IV-D Contact's<sup>2</sup> or authorized requester's name and signature.

The IV-D worker and the IV-D worker's FOC/PA IV-D Contact or authorized requester must read and sign the FIA-394.

Mail or fax the FIA-394 to:

Michigan Family Independence Agency  
 Office of Child Support  
 Attn: Program Development Division  
 P.O. Box 30748  
 Lansing, MI 48909-7978  
 Fax: (517) 373-4980

OCS staff will respond to remote access requests within 30 days. If remote access is granted, OCS staff will contact the IV-D worker and log a Child Support Enforcement System (CSES) Hotline ticket under the requester's name within one business day. The requesting office will be contacted to arrange for installation of MiCSES at the remote site.

- LEGAL REFERENCES:**
- Federal
  - 45 CFR 95.621(f)(ii)(D)
  - 20 CFR 603.5
  - 20 CFR 603.7
  - IRS Publication 1075
  - IRS Manual 11.3.33.2
  
  - State
  - MCL 400.234
  - MCL 421.11

**AT MAINTENANCE:** Retain until further notice.

**EFFECTIVE DATE:** Upon receipt

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<sup>2</sup> The FOC/PA IV-D Contact was previously known as the Local Project Coordinator (LPC).



**REVIEW PARTICIPANTS:** Virginia Hambric, MiCSES Project Staff  
Carol Webber, MiCSES Project Staff  
Jim Fricke, MiCSES Project Staff  
Duane Noworyta, FIA-Office of Child Support  
Darrell Dontje, Enterprise Security  
Establishment Work Improvement Team  
Dave Clagett, Prosecuting Attorney Association of  
Michigan  
Jeff Albaugh, Friend of the Court Association  
Steve Capps, State Court Administrative Office,  
Friend of the Court Bureau

**CONTACT PERSON:** Ian Broughton  
OCS Policy Analyst  
(517) 241-5034  
broughtoni@michigan.gov

**ENCLOSURE:** MiCSES Request for Remote Access (FIA-394)

**CC:** Darrell Dontje, Office of Enterprise Security

MFS/IB



235 SOUTH GRAND AVENUE \_ P.O. BOX 30037 \_ LANSING, MICHIGAN 48909

www.michigan.gov \_ (517) 373-2035

STATE OF MICHIGAN

FAMILY INDEPENDENCE AGENCY

LANSING

JENNIFER M. GRANHOLM

GOVERNOR

## **MICHIGAN IV-D ACTION TRANSMITTAL 2004-021**

**TO:** All Friends of the Court

All Prosecuting Attorneys

All Office of Child Support staff

**FROM:** Marilyn F. Stephen, Director

Office of Child Support

**DATE:** October 26, 2004

**SUBJECT:** Emergency Remote Access to the Michigan Child Support Enforcement System (MiCSES)

### **PURPOSE:**

This Action Transmittal (AT) contains the guidelines for obtaining emergency remote access to MiCSES. Remote access is defined as access outside of the official workplace. The Office of Child Support (OCS) will grant limited remote access to MiCSES in situations deemed necessary for the operation of the IV-D program<sup>1</sup>. OCS will only approve requests for these accounts under exceptional circumstances.

Note: This AT only provides the process for requesting emergency remote access approval to MiCSES. Local FOC and PA staff must continue to follow the current process for obtaining hardware. This AT is in no way meant to comment on or change the current practice for requesting or obtaining computer equipment for local office staff.

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<sup>1</sup> The IV-D worker will still need to gain approval from their local information technology (IT) department for remote access to the county network.

MARIANNE UDOW

DIRECTOR

AT 2004-021 Page 2

Valid situations include:

\_\_\_ A worker assigned to a satellite office on an ongoing basis and standard access is not available.

\_\_\_ A worker on temporary medical leave is the only worker able to complete specific work for the office (e.g. interstate work).

Invalid situations may include:

\_\_\_ A worker has an adjusted schedule that includes working from home and needs MiCSES to fulfill their assignments.

\_\_\_ A worker wants access to MiCSES on a laptop for the convenience of access outside of the designated workplace.

### **CONDITIONS OF APPROVAL:**

The IV-D worker must have access to MiCSES before submitting a request for remote access. The IV-D worker must sign the *MiCSES Request for Remote Access* (FIA-394,



see attachment 1) defining the security measures that must be followed. The FIA-394 contains the following conditions — the permitted user must:

- Not** print or download any information contained within MiCSES;
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- Not** permit anyone to view the screen while MiCSES runs (laptop computers included);
- Store the computer running MiCSES in a locked and secure area; and
- Only run MiCSES on an agency-owned computer.

Note: Any violation of these security measures is cause for immediate termination of the remote access account.

Pursuant to Internal Revenue Service (IRS) Publication 1075, the IV-D worker must use an agency/county-owned computer to access MiCSES. The local IV-D agency is responsible for supplying the IV-D worker with the necessary hardware. In addition, the local IV-D agency must provide the necessary access and connection costs (e.g., virtual private network (VPN) with SecurID access and digital subscriber line (DSL) or cable modem).

The Department of Information Technology's Office of Enterprise Security will conduct periodic security audits of remote access sites. If the permitted user violates any of the above security measures, OCS will immediately terminate the remote access account. All remote access sites are also subject to IRS security audits.

AT 2004-021 Page 3

#### **APPLICATION FOR REMOTE ACCESS:**

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- Name and job title of IV-D worker;
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- Type of account requested (i.e., long- or short-term);
- Address, phone number, and description of remote access site; and
- FOC/PA IV-D Contact's<sup>2</sup> or authorized requester's name and signature.

The IV-D worker and the IV-D worker's FOC/PA IV-D Contact or authorized requester must read and sign the FIA-394.

Mail or fax the FIA-394 to:

Michigan Family Independence Agency  
Office of Child Support  
Attn: Program Development Division  
P.O. Box 30748  
Lansing, MI 48909-7978  
Fax: (517) 373-4980

OCS staff will respond to remote access requests within 30 days. If remote access is granted, OCS staff will contact the IV-D worker and log a Child Support Enforcement System (CSES) Hotline ticket under the requester's name within one business day. The requesting office will be contacted to arrange for installation of MiCSES at the remote site.

#### **LEGAL REFERENCES:** Federal

45 CFR 95.621(f)(ii)(D)  
20 CFR 603.5  
20 CFR 603.7



IRS Publication 1075  
IRS Manual 11.3.33.2  
State  
MCL 400.234  
MCL 421.11

**AT MAINTENANCE:** Retain until further notice.

**EFFECTIVE DATE:** Upon receipt

<sup>2</sup> The FOC/PA IV-D Contact was previously known as the Local Project Coordinator (LPC).

AT 2004-021 Page 4

**REVIEW PARTICIPANTS:** Virginia Hambric, MiCSES Project Staff

Carol Webber, MiCSES Project Staff

Jim Fricke, MiCSES Project Staff

Duane Noworyta, FIA-Office of Child Support

Darrell Dontje, Enterprise Security

Establishment Work Improvement Team

Dave Clagett, Prosecuting Attorney Association of  
Michigan

Jeff Albaugh, Friend of the Court Association

Steve Capps, State Court Administrative Office,

Friend of the Court Bureau

**CONTACT PERSON:** Ian Broughton

OCS Policy Analyst

(517) 241-5034

broughtoni@michigan.gov

**ENCLOSURE:** MiCSES Request for Remote Access (FIA-394)

**CC:** Darrell Dontje, Office of Enterprise Security

MFS/IB



**Michigan Child Support Enforcement System (MiCSES)  
Request for Remote Access**

Last Name:	First Name:	Employee's Work Email Address:
Address of Remote Access Site:		Phone Number of Remote Access Site:
Department:		Title:
IV-D Agency Name:		County:
Brief Description of Remote Access Site (e.g., locked doors, window access, wall materials, etc.)		
Reason Remote Access Is Needed:		
FOC/PA IV-D Contact:		FOC/PA IV-D Contact's Phone:
*FOC/PA IV-D Contact Signature:		Date Signed:

Access Requested:  Long-term (1 year)  Short-term (3 months)

As a user of MiCSES, I accepted and agreed to the following:

1. To use MiCSES to perform only my IV-D child support job functions and not to perform any other functions not permitted under IV-D regulations.
2. To comply with the State of Michigan Computer Crime Laws (1979 PA 53).
3. To safeguard and not divulge confidential information obtained from MiCSES (42USC 654A[d] & 45 CFR 307.13).
4. To keep confidential the MiCSES access codes issued to me.
5. To report to the child support system director any threat to or violation of system security.
6. To comply with State of Michigan Telecommunications Network Acceptable Use Policy (DMB Administrative Procedure 1460.00) and FIA-NET Acceptable Use Policies and Guidelines.

In addition to the above conditions, I also accept and agree to the following conditions pertaining to remote access:

1. To not print any information contained within MiCSES.
2. To not download any information contained within MiCSES.
3. To store the computer that runs MiCSES in a locked and secure area.
4. To not permit anyone access to the computer that runs MiCSES.
5. To not permit anyone to view the screen while MiCSES runs.
6. To only run MiCSES on an agency-owned computer.

I have read the above security agreement. I understand it, and I agree to comply with its contents. Further, I understand any violation of its contents may result in termination of access privileges and/or recommendation for prosecution.

*Employee Signature:	Office Location:	Office Phone:	Date:
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<b>*FOR OCS USE ONLY*</b>	
<b>COMPUTER ACCESS <u>WILL NOT</u> BE GRANTED UNLESS:</b>	
<input type="checkbox"/> All required (*) signatures are on the form. <input type="checkbox"/> The user has already obtained a MiCSES user account. <input type="checkbox"/> OCS deems this remote access account necessary for the operation of the IV-D program.	
Analyst Initials: _____	Today's Date: _____



## Michigan Child Support Enforcement System (MiCSES) Request for Remote Access

Last Name: First Name: Employee's Work Email Address:

Address of Remote Access Site: Phone Number of Remote Access Site:

Department: Title:

IV-D Agency Name: County:

Brief Description of Remote Access Site (e.g., locked doors, window access, wall materials, etc.)

Reason Remote Access Is Needed:

FOC/PA IV-D Contact: FOC/PA IV-D Contact's Phone:

\*FOC/PA IV-D Contact Signature: Date Signed:

**Access Requested:** Long-term (1 year) Short-term (3 months)

As a user of MiCSES, I accepted and agreed to the following:

**1. To use MiCSES to perform only my IV-D child support job functions and not to perform any other functions not permitted under IV-D regulations.**

2. To comply with the State of Michigan Computer Crime Laws (1979 PA 53).

3. To safeguard and not divulge confidential information obtained from MiCSES (42USC 654A[d] & 45 CFR 307.13).

4. To keep confidential the MiCSES access codes issued to me.

5. To report to the child support system director any threat to or violation of system security.

6. To comply with State of Michigan Telecommunications Network Acceptable Use Policy (DMB Administrative Procedure

1460.00) and FIA-NET Acceptable Use Policies and Guidelines.

In addition to the above conditions, I also accept and agree to the following conditions pertaining to remote access:

1. To not print any information contained within MiCSES.

2. To not download any information contained within MiCSES.

3. To store the computer that runs MiCSES in a locked and secure area.

4. To not permit anyone access to the computer that runs MiCSES.

5. To not permit anyone to view the screen while MiCSES runs.

6. To only run MiCSES on an agency-owned computer.

I have read the above security agreement. I understand it, and I agree to comply with its contents.

Further, I understand any

violation of its contents may result in termination of access privileges and/or recommendation for prosecution.

\*Employee Signature: Office Location: Office Phone: Date:

**\*FOR OCS USE ONLY\***

**COMPUTER ACCESS WILL NOT BE GRANTED UNLESS:**

All required (\*) signatures are on the form.

The user has already obtained a MiCSES user account.

OCS deems this remote access account necessary for the operation of the IV-D program.

Analyst Initials: Today's Date:

FIA-394 (9-04) MS Word

AT 2004-021 Attachment 1

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## APPENDIX D7 – IV/D (Child Support) SECURITY REFERENCES

Freedom of Information Act:

Michigan Compiled Law (MCL 15.232 (d)(v) [MCL 15.232\(d\)\(v\)](#), [MCL 15.235](#), [MCL 15.241](#))

Office of Child Support Act:

[MCL 400.234](#) ( Information or Records from Other Agencies)

[MCL 400.235](#) (Availability and Purposes of Information)

Social Welfare Act:

[MCL 400.64](#) (Records Maintenance and Disclosure of Information)

Michigan Employment Security Act:

[MCL 421.11](#) (Disclosure of Information)

[MCL 421.54](#) (Penalties)

Friend of the Court Act:

[MCL 552.509\(5\)](#) (Providing Statement of Account to Parties)

[MCL 552.517\(b\)\(4\)](#) (Availability of Documents)

[MCL 552.518\(6\)](#) (Information from Employer or Former Employer Relative to Parent)

Unemancipated Minors; Parental Rights [MCL 722.2](#)

Status of Minors and Child Support [MCL 722.3](#)

[Child Support Manual](#) (CSM) 500

[Combined Policy Manual](#) item 4DM 135

Federal Provisions:

Title 42 Public Health and Welfare

Federal Parent Locator Services (FPLS):42 United States Code 653(b) [42 USC 653\(b\)](#)  
(Disclosure of Information)

[42 USC 653\(l\)](#) (Restriction on Disclosure and Use)

State plan for child and spousal support

[42 USC 654A\(f\)](#) (Automated Data Processing, Information Comparisons and Other Disclosure of Information)



Use of Federal Parent Locator Service in connection with enforcement or determination of child custody in cases of parental kidnaping of child

[42 USC 663](#) (Use of FPLS in Connection with Enforcement or Determination of Child Custody in Cases of Parental Kidnapping of Child)

Collection and reporting of child support enforcement data

[42 USC 669a\(b\)](#) (Prohibition of Disclosure of Financial Record Obtained by State Child Support Enforcement Agency)

Title 20 Employees' Benefits: Income and Eligibility Verification System:

[20 CAR 603.5](#) (Disclosure of Information)

[20 CAR 603.7](#) (Protection of Confidentiality)

Title 45 Public Welfare

[45 CAR 205.50](#) (Safeguarding Information for the Financial Assistance Programs)

[45 CAR 302.34](#) (Cooperative Agreements)

[45 CAR 302.35](#) (State Parent Locator Service (FPLS))

[45 CAR 303.15](#) (Agreements to Use FPLS in Parental Kidnapping and Child Custody of Visitation Cases)

[45 CAR 303.70](#) (Requests by FPLS for Information from the FPLS)

[IRS Publication 1075](#) (Tax Information Security Guidelines for Federal, State, and Local Agencies)

TITLE 26 INTERNAL REVENUE CODE

[26 USC 6103](#) (Confidentiality and Disclosure of Returns and Return Information)