



STATE OF MICHIGAN PROCUREMENT

Department of Treasury

7285 Parsons Dr.
Dimondale, MI 48821

NOTICE OF CONTRACT

NOTICE OF CONTRACT NO. **200000001296**

between

THE STATE OF MICHIGAN

and

| | |
|-------------------|--|
| CONTRACTOR | Wolverine Mailing Packaging, Whse. Inc |
| | 1601 Clay St. |
| | Detroit Mi 48211 |
| | Darryl English |
| | 313-871-2695 |
| | denglish@wolverinemail.com |
| | CV0026142 |

| | | | |
|--------------|------------------------|-----------------------|-------|
| STATE | Program Manager | Heather Case | TREAS |
| | | 517-636-4802 | |
| | | CaseH@michigan.gov | |
| | Contract Administrator | Adam Zanetti | TREAS |
| | | 517-636-6817 | |
| | | zanettia@michigan.gov | |

| CONTRACT SUMMARY | | | |
|---|-------------------------|---------------------------|---|
| DESCRIPTION: Address Updating, Direct Mail and Bulk Distribution Services | | | |
| INITIAL EFFECTIVE DATE | INITIAL EXPIRATION DATE | INITIAL AVAILABLE OPTIONS | EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW |
| 9/1/2020 | 8/31/2023 | 2, 1-year | |
| PAYMENT TERMS | | DELIVERY TIMEFRAME | |
| Net 45 | | NA | |
| ALTERNATE PAYMENT OPTIONS | | | EXTENDED PURCHASING |
| <input type="checkbox"/> P-card <input type="checkbox"/> Payment Request (PRC) <input type="checkbox"/> Other | | | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| MINIMUM DELIVERY REQUIREMENTS | | | |
| As defined in contract | | | |
| MISCELLANEOUS INFORMATION | | | |
| | | | |
| ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION | | | \$112,903.92 |

FOR THE CONTRACTOR:

Wolverine Solutions Group
Company Name

[Signature]
Authorized Agent Signature

DANIEL ENGELST
Authorized Agent (Print or Type)

8/14/2020
Date

FOR THE STATE:

E-SIGNED by Adam Zanetti
on 2020-08-17 13:09:55 EDT

Signature

Adam Zanetti Treasury-EO Analyst

Name & Title

State of Michigan

Agency

2020-08-17 13:09:55 UTC

Date

This is a screen shot of the final signature page.

The Treasury eSignature solution protects all PDF documents, and does not allow for combining documents.

A copy of the original PDF is saved along with the contract, and can be provided upon request.



STATE OF MICHIGAN

STANDARD CONTRACT TERMS

Master Agreement 200000001296

This STANDARD CONTRACT ("**Contract**") is agreed to between the State of Michigan (the "**State**") and Wolverine Mailing Packaging, Whse. Inc. ("**Contractor**"), a Michigan company incorporated. This Contract is effective on September 1, 2020 ("**Effective Date**"), and unless terminated, expires on August 31, 2023

This Contract may be renewed for up to 2 additional 1-year period(s). Renewal is at the sole discretion of the State and will automatically extend the Term of this Contract. The State will document its exercise of renewal options via Contract Change Notice.

The parties agree as follows:

- Duties of Contractor.** Contractor must perform the services and provide the deliverables described in **Schedule A – Statement of Work** (the "**Contract Activities**"). An obligation to provide delivery of any commodity is considered a service and is a Contract Activity.

Contractor must furnish all labor, equipment, materials, and supplies necessary for the performance of the Contract Activities, and meet operational standards, unless otherwise specified in Schedule A.

Contractor must: (a) perform the Contract Activities in a timely, professional, safe, and workmanlike manner consistent with standards in the trade, profession, or industry; (b) meet or exceed the performance and operational standards, and specifications of the Contract; (c) provide all Contract Activities in good quality, with no material defects; (d) not interfere with the State's operations; (e) obtain and maintain all necessary licenses, permits or other authorizations necessary for the performance of the Contract; (f) cooperate with the State, including the State's quality assurance personnel, and any third party to achieve the objectives of the Contract; (g) return to the State any State-furnished equipment or other resources in the same condition as when provided when no longer required for the Contract; (h) not make any media releases without prior written authorization from the State; (i) assign to the State any claims resulting from state or federal antitrust violations to the extent that those violations concern materials or services supplied by third parties toward fulfillment of the Contract; (j) comply with all State physical and IT security policies and standards which will be made available upon request; and (k) provide the State priority in performance of the Contract except as mandated by federal disaster response requirements. Any breach under this paragraph is considered a material breach.

Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

- Notices.** All notices and other communications required or permitted under this Contract must be in writing and will be considered given and received: (a) when verified by written receipt if sent by courier; (b) when actually received if sent by mail without verification of receipt; or (c) when verified by automated receipt or electronic logs if sent by facsimile or email.

| If to State: | If to Contractor: |
|---------------------|-------------------|
| Adam Zanetti | Bridget Dueweke |
| 7285 Parsons Dr. | 1601 Clay St |
| Dimondale, MI 48821 | Detroit, MI 48211 |

| | |
|--|--|
| zanettia@michigan.gov 517-636-6817 | bdueweke@wolverinemail.com 313-871-6189 |
|--|--|

3. **Contract Administrator.** The Contract Administrator for each party is the only person authorized to modify any terms of this Contract, and approve and execute any change under this Contract (each a “**Contract Administrator**”):

| State: | Contractor: |
|---|--|
| Adam Zanetti 7285 Parsons Dr. Dimondale, MI 48821 zanettia@michigan.gov 517-636-6817 | Bridget Dueweke 1601 Clay St Detroit, MI 48211 bdueweke@wolverinemail.com 313-871-6189 |

4. **Program Manager.** The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a “**Program Manager**”):

| State: | Contractor: |
|---|---|
| Heather Case 7285 Parsons Dr. Dimondale, MI 48821 CaseH@michigan.gov 517-636-4802 | Geneen Mauldin 1601 Clay St Detroit, MI 48211 gmauldin@wolverinemail.com 313-871-3414 |

5. **Performance Guarantee.** Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Schedule A) if, in the opinion of the State, it will ensure performance of the Contract.
6. **Insurance Requirements.** Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by a company with an A.M. Best rating of "A-" or better, and a financial size of VII or better.

| Required Limits | Additional Requirements |
|--|--|
| Commercial General Liability Insurance | |
| <u>Minimum Limits:</u> \$1,000,000 Each Occurrence Limit \$1,000,000 Personal & Advertising Injury Limit \$2,000,000 General Aggregate Limit \$2,000,000 Products/Completed Operations | Contractor must have their policy endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 04. |
| Umbrella or Excess Liability Insurance | |
| <u>Minimum Limits:</u> \$5,000,000 General Aggregate | Contractor must have their policy follow form. |
| Automobile Liability Insurance | |
| <u>Minimum Limits:</u> \$1,000,000 Per Accident | Contractor must have their policy: (1) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds; and (2) include Hired and Non-Owned Automobile coverage. |
| Workers' Compensation Insurance | |
| <u>Minimum Limits:</u> Coverage according to applicable laws governing work activities. | Waiver of subrogation, except where waiver is prohibited by law. |
| Employers Liability Insurance | |
| <u>Minimum Limits:</u> \$500,000 Each Accident \$500,000 Each Employee by Disease | |

| | |
|------------------------------|--|
| \$500,000 Aggregate Disease. | |
|------------------------------|--|

If any of the required policies provide **claims-made** coverage, the Contractor must: (a) provide coverage with a retroactive date before the effective date of the contract or the beginning of Contract Activities; (b) maintain coverage and provide evidence of coverage for at least three (3) years after completion of the Contract Activities; and (c) if coverage is cancelled or not renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, Contractor must purchase extended reporting coverage for a minimum of three (3) years after completion of work.

Contractor must: (a) provide insurance certificates to the Contract Administrator, containing the agreement or delivery order number, at Contract formation and within 20 calendar days of the expiration date of the applicable policies; (b) require that subcontractors maintain the required insurances contained in this Section; (c) notify the Contract Administrator within 5 business days if any insurance is cancelled; and (d) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

This Section is not intended to and is not to be construed in any manner as waiving, restricting or limiting the liability of either party for any obligations under this Contract (including any provisions hereof requiring Contractor to indemnify, defend and hold harmless the State).

7. **Reserved.**

8. **Reserved.**

9. **Independent Contractor.** Contractor is an independent contractor and assumes all rights, obligations and liabilities set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor.

10. **Subcontracting.** Contractor may not delegate any of its obligations under the Contract without the prior written approval of the State. Contractor must notify the State at least 90 calendar days before the proposed delegation and provide the State any information it requests to determine whether the delegation is in its best interest. If approved, Contractor must: (a) be the sole point of contact regarding all contractual matters, including payment and charges for all Contract Activities; (b) make all payments to the subcontractor; and (c) incorporate the terms and conditions contained in this Contract in any subcontract with a subcontractor. Contractor remains responsible for the completion of the Contract Activities, compliance with the terms of this Contract, and the acts and omissions of the subcontractor. The State, in its sole discretion, may require the replacement of any subcontractor.

11. **Staffing.** The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.

12. **Background Checks.** Pursuant to Michigan law, all agencies subject to IRS Pub. 1075 are required to ask the Michigan State Police to perform fingerprint background checks on all employees, including Contractor and Subcontractor employees, who may have access to any database of information maintained by the federal government that contains confidential or personal information, including, but not limited to, federal tax information. Further, pursuant to Michigan law, any agency described above is prohibited from providing Contractors or Subcontractors with the result of such background check. For more information, please see Michigan Public Act 427 of 2018. Upon request, or as may be specified in Schedule A, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.

13. **Assignment.** Contractor may not assign this Contract to any other party without the prior approval of the State. Upon notice to Contractor, the State, in its sole discretion, may assign in whole or in part, its rights or responsibilities under this Contract to any other party. If the State determines that a novation of the Contract to a third party is necessary, Contractor will agree to the novation and provide all necessary documentation and signatures.

14. **Change of Control.** Contractor will notify within 30 days of any public announcement or otherwise once legally permitted to do so, the State of a change in Contractor's organizational structure or ownership. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.

In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.

15. **Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Schedule A.
16. **Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in Schedule A. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with Section **Error! Reference source not found.**, Termination for Cause.

Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.

If Contractor is unable or refuses to correct the deficiency within the time response standards set forth in this Contract, the State may cancel the order in whole or in part. The State, or a third party identified by the State, may perform the Contract Activities and recover the difference between the cost to cure and the Contract price plus an additional 10% administrative fee.

17. **Delivery.** Contractor must deliver all Contract Activities F.O.B. destination, within the State premises with transportation and handling charges paid by Contractor, unless otherwise specified in Schedule A. All containers and packaging become the State's exclusive property upon acceptance.
18. **Risk of Loss and Title.** Until final acceptance, title and risk of loss or damage to Contract Activities remains with Contractor. Contractor is responsible for filing, processing, and collecting all damage claims. The State will record and report to Contractor any evidence of visible damage. If the State rejects the Contract Activities, Contractor must remove them from the premises within 10 calendar days after notification of rejection. The risk of loss of rejected or non-conforming Contract Activities remains with Contractor. Rejected Contract Activities not removed by Contractor within 10 calendar days will be deemed abandoned by Contractor, and the State will have the right to dispose of it as its own property. Contractor must reimburse the State for costs and expenses incurred in storing or effecting removal or disposition of rejected Contract Activities.
19. **Reserved.**
20. **Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Schedule A. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Services purchased under this Agreement are for the State's exclusive use. All prices are exclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of

the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes 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 disputed.

The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at <http://www.michigan.gov/SIGMAVSS> to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment. Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

21. **Liquidated Damages.** Liquidated damages, if applicable, will be assessed as described in Schedule A.
22. **Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or delivery order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.
23. **Termination for Cause.** The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in Section 24, Termination for Convenience.

The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

24. **Termination for Convenience.** The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section **Error! Reference source not found.**, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.
25. **Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 180 calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding

accounts (collectively, **"Transition Responsibilities"**). This Contract will automatically be extended through the end of the transition period.

26. **General Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations.

The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense if the State deems necessary. Contractor will not, without the State's written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. To the extent that any State employee, official, or law may be involved or challenged, the State may, at its own expense, control the defense of that portion of the claim.

Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.

27. **Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against 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.
28. **Limitation of Liability and Disclaimer of Damages.** **IN NO EVENT WILL THE STATE'S AGGREGATE LIABILITY TO CONTRACTOR UNDER THIS CONTRACT, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT, EXCEED THE MAXIMUM AMOUNT OF FEES PAYABLE UNDER THIS CONTRACT.** The State is not liable for consequential, incidental, indirect, or special damages, regardless of the nature of the action.
29. **Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, **"Proceeding"**) involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.
30. **State Data.** All data and information provided to Contractor by or on behalf of the State, and all data and information derived therefrom, is the exclusive property of the State (**"State Data"**); this definition is to be construed as broadly as possible. Upon request, Contractor must provide to the State, or a third party designated by the State, all State Data within 10 calendar days of the request and in the format requested by the State. Contractor will assume all costs incurred in compiling and supplying State Data. No State Data may be used for any marketing purposes.

31. State Data.

- a. Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data collected, used, processed, stored, or generated as the result of the Contract Activities; (b) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State. This Section survives the termination of this Contract.
- b. Contractor Use of State Data. Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Contract Activities, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Contract Activities. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Contract Activities, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This Section survives the termination of this Contract.
- c. Extraction of State Data. Contractor must, within five (5) business days of the State's request, provide the State, without charge and without any conditions or contingencies whatsoever (including but not limited to the payment of any fees due to Contractor), an extract of the State Data in the format specified by the State.
- d. Backup and Recovery of State Data. Unless otherwise specified in Schedule A, Contractor is responsible for maintaining a backup of State Data and for an orderly and timely recovery of such data. Unless otherwise described in Schedule A, Contractor must maintain a contemporaneous backup of State Data that can be recovered within two (2) hours at any point in time.
- e. Loss or Compromise of Data. In the event of any act, error or omission, negligence, misconduct, or breach on the part of Contractor that compromises or is suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) with approval and assistance from the State, notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) pay for any costs associated with the occurrence, including but not limited to any costs incurred by the State in investigating and resolving the occurrence, including reasonable attorney's fees associated with such investigation and resolution; (g) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and incidental expenses, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the occurrence; (h) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and (i) provide to the State a detailed plan within ten (10) calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, not be tangentially used for any solicitation purposes, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor

has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. The State will have the option to review and approve any notification sent to affected individuals prior to its delivery. Notification to any other party, including but not limited to public media outlets, must be reviewed and approved by the State in writing prior to its dissemination. The parties agree that any damages relating to a breach of this **Section** Error! Reference source not found. are to be considered direct damages and not consequential damages. This section survives termination or expiration of this Contract.

- f. State's Governance, Risk and Compliance (GRC) platform. Contractor is required to assist the State with its security accreditation process through the development, completion and ongoing updating of a system security plan using the State's automated GRC platform and implement any required safeguards or remediate any security vulnerabilities as identified by the results of the security accreditation process.

32. Non-Disclosure of Confidential Information. The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties. The provisions of this Section survive the termination of this Contract.

- a. Meaning of Confidential Information. For the purposes of this Contract, the term "**Confidential Information**" means all information and documentation of a party that: (a) has been marked "confidential" or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked "confidential" or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked "confidential" or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term "Confidential Information" does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party's proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.
- b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor's responsibilities; 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 or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.
- c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.
- d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.
- e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party

on behalf of the other party, which are in such party's possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure described further in this Contract. Should Contractor or the State determine that the return of any Confidential Information is not feasible, such party must destroy the Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party. However, the State's legal ability to destroy Contractor data may be restricted by its retention and disposal schedule, in which case Contractor's Confidential Information will be destroyed after the retention period expires.

33. Data Privacy and Information Security.

- a. Undertaking by Contractor. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all times comply with all applicable State IT policies and standards, which are available to Contractor upon request.
- b. Audit by Contractor. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.
- c. Right of Audit by the State. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract. During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.
- d. Audit Findings. Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.
- e. State's Right to Termination for Deficiencies. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

34. Reserved.

35. Reserved.

- 36. Records Maintenance, Inspection, Examination, and Audit.** The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 4 years after the latter of termination, expiration, or final payment under this Contract or any extension ("**Audit Period**"). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.

Within 10 calendar days of providing notice, the State and its authorized representatives or designees have the right to enter and inspect Contractor's premises or any other places where Contract Activities are being performed, and examine, copy, and audit all records related to this Contract. Contractor must cooperate and provide reasonable assistance. If any financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

- 37. Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) all Contract Activities are delivered free from any security interest, lien, or encumbrance and will continue in that respect; (c) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (d) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (e) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (f) the Contract signatory has the authority to enter into this Contract; (g) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; (h) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements or omits any fact that would make the information misleading; and that (i) Contractor is neither currently engaged in nor will engage in the boycott of a person based in or doing business with a strategic partner as described in 22 USC 8601 to 8606. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section **Error! Reference source not found.**, Termination for Cause.
- 38. Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.
- 39. Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.
- 40. Prevailing Wage.** Contractor must comply with prevailing wage requirements, to the extent applicable to this Contract.
- 41. Reserved.**
- 42. Nondiscrimination.** Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and [Executive Directive 2019-09](#), Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex (as defined in Executive Directive 2019-09), height, weight, marital status, partisan considerations, any mental or physical disability, or genetic information that is unrelated to the person's ability to perform the duties of a particular job or position. Breach of this covenant is a material breach of this Contract.
- 43. Unfair Labor Practice.** Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.
- 44. Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.
- 45. Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.
- 46. Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially

reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.

47. **Dispute Resolution.** The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must include a description of the issues and all supporting documentation. The parties must submit the dispute to a senior executive if unable to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.

Litigation to resolve the dispute will not be instituted until after the dispute has been elevated to the parties' senior executive and either concludes that resolution is unlikely or fails to respond within 15 business days. The parties are not prohibited from instituting formal proceedings: (a) to avoid the expiration of statute of limitations period; (b) to preserve a superior position with respect to creditors; or (c) where a party makes a determination that a temporary restraining order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

48. **Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.
49. **Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
50. **Schedules.** All Schedules and Exhibits that are referenced herein and attached hereto are hereby incorporated by reference. The following Schedules are attached hereto and incorporated herein:

| | |
|---------------------|-------------------------|
| Schedule A | Statement of Work |
| Schedule B | Pricing |
| Attachment A | Safeguard Requirements |
| Exhibit 1 | Security Requirements |
| Exhibit 2 | Form 4621 |
| Attachment B | Quality Control Process |

51. **Entire Agreement and Order of Precedence.** This Contract, which includes Schedule A – Statement of Work, and schedules and exhibits which are hereby expressly incorporated, is the entire agreement of the parties related to the Contract Activities. This Contract supersedes and replaces all previous understandings and agreements between the parties for the Contract Activities. If there is a conflict between documents, the order of precedence is: (a) first, this Contract, excluding its schedules, exhibits, and Schedule A – Statement of Work; (b) second, Schedule A – Statement of Work as of the Effective Date; and (c) third, schedules expressly incorporated into this Contract as of the Effective Date. NO TERMS ON CONTRACTOR'S INVOICES, ORDERING DOCUMENTS, WEBSITE, BROWSE-WRAP, SHRINK-WRAP, CLICK-WRAP, CLICK-THROUGH OR OTHER NON-NEGOTIATED TERMS AND CONDITIONS PROVIDED WITH ANY OF THE CONTRACT ACTIVITIES WILL CONSTITUTE A PART OR AMENDMENT OF THIS CONTRACT OR IS BINDING ON THE STATE FOR ANY PURPOSE. ALL SUCH OTHER TERMS AND CONDITIONS HAVE NO FORCE AND EFFECT AND ARE DEEMED REJECTED BY THE STATE, EVEN IF ACCESS TO OR USE OF THE CONTRACT ACTIVITIES REQUIRES AFFIRMATIVE ACCEPTANCE OF SUCH TERMS AND CONDITIONS.

52. **Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.
53. **Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.
54. **Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.
55. **Contract Modification.** This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**"). Notwithstanding the foregoing, no subsequent Statement of Work or Contract Change Notice executed after the Effective Date will be construed to amend this Contract unless it specifically states its intent to do so and cites the section or sections amendments.

STATE OF MICHIGAN

Master Agreement 200000001296
Address Updating, Direct Mail and Bulk Distribution Services

SCHEDULE A STATEMENT OF WORK CONTRACT ACTIVITIES

BACKGROUND

The Department of Treasury is responsible for administration of the Individual and Corporate Income Tax which includes address standardizing and cleansing, direct mailing and bulk distribution of tax forms and books.

SCOPE

The Contractor will process approximately 4.5 million taxpayer addresses through the Coding Accuracy Support System (CASS) or a similar application that standardizes the addresses and return the file to Department of Treasury (Treasury). The Contractor will also provide direct mail and bulk distribution fulfillment services necessary to complete the mailing and distribution of State of Michigan (State) and City of Detroit (City) tax forms and booklets.

1. REQUIREMENTS

A. General Requirements

1. Plant Inspection

The State reserves the right to visit the plant in which the work is produced at any time during the life of the contract. The Contractor must accommodate the State in examining facilities and equipment. The Program Manager will coordinate visitation details with the Contractor prior to any visit.

2. Overtime

Requests for overtime payment for any item on this Contract will not be paid unless the Program Manager specifically requests overtime and Treasury authorizes via a Purchase Order (PO) or Delivery Order (DO) before work is performed in overtime status.

3. Legislative or Treasury Delays

The Program Manager cannot authorize printing or mailing until legislation is complete. If pending legislation delays the Program Manager's ability to authorize printing or mailing, the Contractor is not relieved of the obligation to provide service in the number of days originally estimated for each item. Treasury is not liable for the cost of any downtime incurred if legislative delays make it impossible for the Program Manager to authorize printing or mailing.

4. Lack of Need of Service

At any time, Treasury may determine that an item is no longer needed. Treasury is not obligated to pay for any services that it does not authorize via a Purchase Order (PO) or Delivery Order (DO).

5. Quality Assurance

Contractor must maintain and demonstrate a thorough quality assurance program. Any damaged, mutilated, illegibly addressed or incorrectly addressed mailings due to Contractor error MUST be corrected and new mailings processed at Contractor's expense (including printing costs).

See Attachment B: Quality Control Process – Wolverine Solutions Group.

6. Confidentiality and Data File Destruction

a. To preserve the confidentiality of the data provided by Treasury, all data must remain in the Contractor's plant or in a Subcontractor's plant. Subcontractors are subject to the same safeguard requirements of confidentiality provisions as the Contractor (Attachment A). Contractor and Subcontractor personnel

handling or that have access to confidential data will be required to sign a Vendor, Contractor, Subcontractor Confidentiality Agreement (Form 3337) provided by Treasury (Attachment A).

All agency data must be protected from unauthorized release. All electronic data must be kept under reasonable security to prevent their release to any unauthorized person (see Attachment A). UNDER NO CIRCUMSTANCES SHOULD ANY DATA BE REPRODUCED WITHOUT PRIOR WRITTEN APPROVAL FROM TREASURY.

b. All electronic data files, including original duplicated files, must be erased/destroyed three (3) business days following the Program Manager's written request. After the destruction of the requested file(s), the Contractor must provide a Certificate of Destruction to the Program Manager verifying the data was erased/destroyed five (5) business days after the original written request. The Certificate of Destruction must include the data file name(s), date of destruction and the person who certified the destruction.

Within 60 days of execution of the contract, the State requires the Contractor sends a draft Certificate of Destruction for review and approval by the Program Manager.

See Safeguard Requirements of Confidential Tax Data (Attachment A).

B. Address Updating

1. Annually, Treasury provides approximately 4.6 million taxpayer address records in an electronic file for address updating.

- a. Treasury will provide a data file for address updating. Contractor must process the data file through CASS, or a similar application that standardizes addresses to USPS standards, and parse out the standardized address.
- b. Treasury will need the file returned in the same format provided to the Contractor. Each taxpayer record must include the parsed standardized address information in each designated field of the file layout, as long as CASS, or similar application, provided a standardized address. If CASS, or similar application, doesn't work on the address Treasury provided, the fields should be returned space filled. This file must be formatted to ANSI69DEFAULT, which is an ANSI69 format and a standard file name
- c. Contractor must have an SFTP or SSL Connection to transmit the returned file (TC06702Q02) to Treasury. File must be transmitted no later than December 15 or no more than ten business days after the Contractor receives the production file.
- d. Contractor must name the returned file TC06702Q02 and the returned file must not be zipped.

2. Tentative Address Updating Schedule

| | |
|--|-------------|
| Treasury sends test data file to Contractor | November 15 |
| Contractor confirms test file receipt and record counts in file..... | November 16 |
| Contractor provides test return file * | November 26 |
| Treasury approves update test file; releases production file to Contractor | December 1 |
| Contractor confirms production file receipt and record counts in file..... | December 2 |
| Contractor provides production return file | December 12 |

- a. A test update file must be returned to Treasury for approval before the final production file is released to the Contractor

C. Direct Mailing of Forms

Treasury requires the mailing of three tax booklets directly to taxpayers for their use in filing taxes.

1. Booklet Specifications

All books are 8.5" x 11" with a self-cover. All books are either bound by glue or stitched.

2. Quantity Estimate

| Book Name | Annual Estimated Quantity | Number of Pages |
|-----------------|---------------------------|-----------------|
| MI1040 Book | 75,000 | 64 |
| MI1040 CR7 Book | 240,000 | 20 |
| City Corp Book | 4,000 | 16 |

*Quantities are estimates and subject to change.

3. Tentative Direct Mailing Schedule

| | |
|--|----------------|
| Treasury sends test direct mail data file to Contractor | November 15 |
| Contractor confirms test file receipt and record counts in file..... | November 16 |
| Contractor provides sample test PDFs of addresses from test data file | November 26 |
| Treasury approves sample test PDFs..... | November 30 |
| Treasury releases production direct mail data files to Contractor | December 1 |
| Contractor confirms production file receipt and record counts in file..... | December 2 |
| Contractor provides production PDFs of addresses from production data file | December 12 |
| Printers begin delivering tax materials to Contractor | December 12-22 |
| Treasury approves production PDFs | December 15 |
| Contractor provides a list of undeliverable addresses to Program Manager | December 15 |
| Contractor completes sorts and processes files for mailing | December 20 |
| Addressing of tax materials begins | December 22 |
| First tax materials delivered to post offices | December 27 |
| Contractor provides final inventory report of materials..... | December 30 |

The print vendors are scheduled to begin delivering tax materials between December 12 and December 22. Legislative action could delay this delivery. Treasury's Program Manager will keep the Contractor apprised of when to expect material.

4. Cleansing of Addresses

- Treasury will provide separate files for each booklet to be mailed. Contractor must process each data file through the National Change of Address (NCOA) application.
- The NCOA application must update addresses when address changes have occurred after May 1st of the mailing tax year.
- The NCOA application must use the "individual" (vs. "family" or "business") move type match logic.
- Following the NCOA process, the Contractor must provide a file of undeliverable addresses to the Program Manager. The Contractor must not mail materials to these addresses unless otherwise instructed by the Program Manager.
- Contractor must have the ability to provide standard NCOA move reports to the Program Manager if requested by the Program Manager

5. Postal Sorting

- The Contractor must match the mailing lists with the USPS Delivery Sequence File (DSF) and sort the file to maximize postal discounts. For these items, Treasury anticipates the file to sort as follows:

| | |
|----------------------------------|---|
| Item 1 (MI-1040 Book) | Standard Enhanced Carrier Route High Density rate |
| Item 2 (MI-1040 CR7 Book) | Standard Enhanced Carrier Route High Density rate |
| Item 3 (City Corp Book) | Standard 3/5-Digit rate |

- All records must be processed through CASS to determine postal discount eligibility.

- c. Currently, Enhanced Carrier Route sorting provides the lowest postal rates for this type of mail. It is possible that during the Contract, the USPS will introduce a lower postal rate for pre-barcoded carrier-route mail. The Contractor must have the ability to provide this service, if requested, and must notify the Program Manager of current postal rates.

6. Postage Payment

Contractor must be able to accommodate USPS verification of mail in the Contractor's facility. All mail must be verified at the facility before being trucked to the Bulk Mail Centers (BMCs) or Sectional Center Facilities (SCFs). All postage will be paid from a single State postal permit. Permits established by Treasury at USPS offices may be used for Treasury mail only. Any unauthorized use of these permits will be considered a breach of contract, resulting in repayment of funds and contract cancellation.

7. Production Records

Contractor must provide the Program Manager with a copy of each U.S. Postal Service Form 3602 as soon as delivery of each item is complete. Each USPS form 3602 is to contain no more than one item **clearly identified** with the name of the book being mailed. Contractor must record daily product received from the print Contractors and provide to the program Manager upon request.

8. Addressing

The direct mail addresses must accommodate six lines - four lines of address, one line of variable data (as requested), and one line of postal information. Address information must be printed in a 10 – 12-point font range and meet USPS Postal Addressing Standards. The Program Manager must be provided a test sample for approval before use.

9. Production

The target date for first mail drop to the post office is December 27. Treasury is not bound to this date, but it is highly unlikely mailing will begin before this date.

Contractor may receive several tax materials at the same time from Treasury's print Contractors.

Items must be prepared for mailing at a rate of 100,000 books/day as they are received from the printer. Delivery must be complete within seven days of receiving the first shipment of books. It is possible that books could be delivered from the printer early; in this situation, the Contractor may have more than the estimated time to complete addressing and may need to hold the addressed books a before mailing.

If approval to print tax materials is delayed past December 31, the Contractor must work with Treasury to find a suitable solution such that mailing can be increased to a rate of 200,000/day.

10. Delivery

Contractor is responsible for arrangement of materials to be delivered to USPS.

11. Storage

The Contractor must store tax materials from the time materials are received through completion of direct mail and bulk distribution. In April, the Program Manager will instruct the Contractor to either destroy or ship excess tax materials to the State.

D. Bulk Distribution of Forms

In early December, Treasury will forward to the Contractor a customer database and a list of the forms. Forms will be delivered directly to the Contractor in mid-December and early January. *All quantity estimates are subject to change.*

1. Quantity Estimate

| Form ID | Form Name | Page Count | Distribution Quantity | # Forms/Box |
|---------|-------------------------------|------------|-----------------------|-------------|
| 00 | MI1040 Book | 64 | 156,000 | 100 |
| 02 | MI1040 CR7 Book | 20 | 90,000 | 200 |
| 05 | MI1040 CR Form | 4 | 44,000 | 1,250 |
| 07 | MI1040 CR7 Form | 2 | 4,100 | 2,500 |
| 51 | MI1040 and Schedule W Form | 4 | 73,000 | 1,250 |
| 52 | Schedule 1 and 4884 Form | 4 | 32,000 | 1,250 |
| 55 | Identity Theft Brochure | 1 | 26,000 | 25/pkt |
| 80 | City Instruction Book | 32 | 9,000 | 100 |
| 81 | City Resident Return Form | 2 | 3,200 | 2,500 |
| 82 | City Non-Resident Return Form | 4 | 1,500 | 2,500 |

TOTAL 438,800

2. Site Breakdown

| | Libraries | Post Offices | Dept. of Health & Human Services Offices | Treasury Field Offices | Volunteer Sites |
|-------------------------------|------------|--------------|--|------------------------|-----------------|
| Number of Sites | 523 | 165 | 75 | 10 | 231 |
| MI1040 Book | X | X | X | X | X |
| MI1040 CR7 Book | X | | X | X | |
| MI1040/Sch W Form | X | X | | X | X |
| MI1040 CR Form | X | X | | X | X |
| Schedule 1/4884 Form | X | X | | X | X |
| MI1040 CR7 Form | | | | X | X |
| Identity Theft Brochure | X | X | X | X | |
| City Instruction Book | X | | | X | |
| City Resident Return Form | X | | | X | |
| City Non-Resident Return Form | X | | | X | |

Estimate of Total Forms Distributed = 438,800

3. Tentative Distribution Schedule

| | |
|---|-----------------------|
| Treasury releases customer data to Contractor | December 5 |
| Treasury releases draft mailing sample/packing slip to Contractor | December 12 |
| Contractor submits test mailing sample/packing slip to Treasury | December 19 |
| Printers begin delivery of booklets to Contractor | December 21 |
| Contractor notifies Treasury's Program Manager of received tax materials..... | December – January |
| Mailing address/packing slip approved; production authorized..... | January 5 |
| Contractor fulfills all initial orders | January 15-January 21 |
| Contractor fulfills reorders as needed | February 1 – April 10 |
| Contractor provides report of undeliverable deliveries | March 1 |
| Contractor provides final inventory report of materials..... | April 15 |
| Contractor recycles and/or ships remaining materials to Treasury | April 22 |

An order must be defined as one delivery to a specified location. One delivery may include several different tax materials.

4. Receipt and Storage of Inventory

The print vendor will begin delivering printed tax materials to the Contractor's warehouse/distribution center on or about December 21 and continue through early January. Note: Printing vendors are instructed to label boxes with the form name, tax year, Treasury contract release number, and quantity contained in the box (box weight is not to exceed 40# per box).

Contractor must inventory forms as received and notify Treasury of form quantity and receipt date.

5. Order Fulfillment/Process

Bulk distribution must begin when tax materials begin to be delivered and must be completed six business days after all materials have arrived. Treasury may elect to have the Contractor begin order fulfillment earlier than stated and advanced notice will be provided.

Subsequent orders must be processed within one business day of receiving the order from Treasury.

6. Initial Orders/Data Transmission

Initial orders will be communicated to the Contractor via an electronic file provided by Treasury. The Program Manager will work with the Contractor to define the contents and format of the data file. Contractor must generate test orders to be approved by the Program Manager prior to actual production.

7. Packing/Shipping

The Contractor must assure boxes are fully packed for shipping. Form quantities may be commingled to create a full box to a single customer and the Contractor may commingle with other customer mailing pieces to benefit from presort discounts (commingled boxes must be labeled as such).

8. Packing Slip/Mailing Address

Contractor must provide to the Program Manager a sample of addresses and packing slips that will accompany the shipments. The Program Manager may request that a specific message be printed with an address and/or packing slip. For multiple boxes to a single customer, Contractor must identify on the outside of the shipment which box/envelope contains the packing slip. Treasury may request an additional flyer (8.5" x 11") be inserted in addition to the packing slip.

9. Subsequent Orders

Subsequent orders may be submitted to the Contractor by Treasury; however, the majority of the distribution volume is the result of the initial order.

10. Mailing/Shipping

Shipments to U.S. Post Offices must be shipped parcel post using The State of Michigan's United Parcel Service (UPS) account.

Contractor must use The State of Michigan's United Parcel Service (UPS) account to fund UPS shipments, eliminating the need for the Contractor to fund UPS shipments. Should Contractor neglect to use the State of Michigan's UPS account for UPS shipments, the State reserves the right to deny payment for said charges.

11. Back Order Processing

It is anticipated that no back-order processing will be required. Treasury may be interested in filling specific back orders as soon as the specific tax material is available to the distribution/warehousing Contractor. Treasury may require that no backorders be fulfilled until all backorders are ready to be shipped.

12. Return Shipment Processing

Upon receipt of a returned shipment, the carton(s) must be opened, checked for accuracy according to the packing slip, and re-entered into the inventory system if undamaged. Contractor must maintain a list of bad/undeliverable addresses of customers and provide the list to the Program Manager on a bi-weekly basis.

13. Management of Excess Forms

In mid-April, the Program Manager will request a final inventory report from the Contractor. The Program Manager will recommend certain quantities be recycled by the Contractor and the remainder shipped to another facility for warehouse storage (currently Department of Technology, Management and Budget warehouse in Dimondale). The Program Manager may elect to pick up the forms rather than have the Contractor ship them.

After shipments of excess tax material have been completed, the Contractor will be responsible for destruction and recycling of the remaining tax material.

Destruction will not occur until the Program Manager has provided written authorization to the Contractor to do so.

14. Quality Assurance and Control

Contractor must provide the Program Manager with written confirmation that all orders have been shipped to the distribution sites indicated in the Requirements section, item D2.

2. Services Levels

2.1. Certificate of Destruction (COD)

A Certificate of Destruction (COD) must be submitted to the Program Manager by the end of five (5) business days as specified in Section 1.A.6 - Confidentiality and Data File Destruction (the data must be deleted in three (3) business days). Failure to submit the COD by 5pm EST of the fifth business day will result in a \$100 charge per business day starting on the sixth business day until the Contractor submits the completed COD to the Program Manager.

Total Service Level charges will be communicated by the Program Manager to the Contractor upon submission of the completed COD. Total charges will be subtracted from the first invoice issued subsequent to charges being accrued.

2.2. Delivery

All deliveries are specified in calendar days. This includes Saturdays and Sundays but does not include the following holidays: New Year's Eve third shift, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Eve third shift and Christmas Day. Third shift is any shift beginning after 6 p.m.

2.3 Additional Services

Additional services must be agreed upon between the State and Contractor and added to the Contract through a Change Notice and separate statement of work

3. Acceptance

3.1. Acceptance, Inspection and Testing

The Contractor will remain responsible to make any necessary changes if the Program Manager determines that any task has not been performed adequately or satisfactorily. The Contractor must correct the deficiency within 24 hours from notice of the deficiency, or sooner depending on the severity of the task. Liquidated damages may be assessed should the Contractor fail to correct specification deficiencies.

3.2. Final Acceptance

Payment from Treasury to the Contractor for services specified on invoice will be considered final acceptance.

4. Staffing

4.1. Contractor Representative

The Contractor must appoint one (1) individual, specifically assigned to State of Michigan accounts, that will respond to State inquiries regarding the Contract Activities, answering questions related to ordering and delivery, etc. (the "Contractor Representative").

The Contractor must notify the Contract Administrator at least 15 calendar days before removing or assigning a new Contractor Representative.

Contractor Representative:

| Name | Location | Phone Number | Email |
|----------------|----------------------------------|---------------------|----------------------------|
| Geneen Mauldin | 160 Clay St. Detroit Mi 48211 | 313-871-3414 | gmauldin@wolverinemail.com |

4.2. Customer Service Number

The Contractor's telephone number for the State to contact the Contractor Representative:

313-873-6800 – Paul Hoffman

The Contractor Representative must be available for calls during the hours of 8 am to 5 pm EST.

4.3. Technical Support, Repairs and Maintenance

The Contractor's telephone number for the State to contact the Contractor for technical support, repairs and maintenance:

313-871-6174 - Larry Lebert

The Contractor must be available for calls and service during the hours of 8 am to 5 pm EST.

4.4. Work Hours

The Contractor must provide Contract Activities during the State's normal working hours Monday – Friday, 7:00 a.m. to 6:00 p.m. EST, and possible night and weekend hours depending on the requirements of the project.

4.5. Disclosure of Subcontractors

Contractor will not utilize subcontractors during the life of the contract.

Treasury must be notified of any addition of subcontractors employed within the scope of this Contract. Subcontractor information will be added via a Change Notice.

4.6. Access to Tax Information

The Contractor must comply with the requirements of Exhibit 1 Security Requirements.

The Contractor must comply with the requirements of Michigan Department of Treasury Safeguard Requirements of Confidential Tax Data (Attachment A).

Contractor must take annual Disclosure Training provided by the State.

5. Project Management 5.1. Meetings

The State may request meetings as it deems appropriate.

5.2. Reporting

The Contractor will submit brief written summaries (as requested) of progress that outline the work accomplished during the reporting period; problems, real or anticipated, which should be brought to the attention of the Program Manager; and notification of any significant deviation from previously agreed upon work plans.

Summaries should include, but are not limited to, the following items:

a. Direct mail

1. Inventory on hand
2. Itemized postage charges

b. Bulk Distribution

1. Inventory on hand
2. Type and number of customers completed and orders pending

6. Pricing

6.1. Price Term

Although pricing is firm for the entire length of the Contract, price changes can be negotiated on a case by case basis. Price changes must be agreed upon by the State and Contractor and authorized via a contract Change Notice issued by the Department of Treasury's Purchasing Office.

7. Ordering

7.1. Authorizing Document

The appropriate authorizing document for the Contract will be a Delivery Order (DO) or Purchase Order (PO).

8. Invoice and Payment

8.1. Invoice Requirements

All invoices submitted to the State must include: (a) date; (b) purchase order; (c) quantity; (d) description of the Contract Activities; (e) unit price; (f) shipping cost (if any); and (g) total price. Overtime, holiday pay, and travel expenses will not be paid.

8.2. Payment Methods

The State will make payment for Contract Activities via EFT.

9. Liquidated Damages

Late or improper completion of the Contract Activities will cause loss and damage to the State and it would be impracticable and extremely difficult to fix the actual damage sustained by the State. Therefore, if there is late or improper completion of the Contract Activities the State is entitled to collect liquidated damages in the amount of \$5,000 and an additional \$100 per day for each day Contractor fails to remedy the late or improper completion of the Work.

STATE OF MICHIGAN

Master Agreement 200000001296
Address Updating, Direct Mail and Bulk Distribution Services

SCHEDULE B PRICING

Prices include all costs, including but not limited to, any one-time or set-up charges, fees, and potential costs that Contractor may charge the State (e.g., shipping and handling, per piece pricing, and palletizing). All pricing will remain firm/fixed for the duration of the contract.

A. Address Updating

| Description | Estimated Annual Quantity | CASS per/M | ESTIMATED ONE-YEAR TOTAL |
|------------------|---------------------------|------------|--------------------------|
| Address Updating | 4,600,000 | 1.00 | 4,600 |

B. Direct Mailing

| Item | Estimated Annual Quantity | NCOA/CASS per/M | DSF per/M | Presort per/M | Address and Mail per/M | Deliver to USPS/BMC per/M | Total/M | ESTIMATED TOTAL |
|--------------------------|---------------------------|-----------------|-----------|---------------|------------------------|---------------------------|---------|-----------------|
| MI1040 Book | 75,000 | 1.00 | .75 | 4.50 | 22.80 | .014 | 29.06 | 2179.50 |
| MI1040 CR7 Book | 240,000 | 1.00 | .75 | 4.50 | 22.80 | .014 | 29.06 | 6974.40 |
| City Corp Book | 4,000 | 1.00 | .75 | 4.50 | 22.80 | .014 | 29.06 | 116.24 |
| ESTIMATED ONE-YEAR TOTAL | | | | | | | 9270.14 | |

C. Bulk Distribution

| Category | Price Per Order | Estimated Quantity | Estimated TOTAL |
|---|-----------------|--------------------|-----------------|
| Initial Order Fulfilment (Fulfilment, labels, packing/handling) | \$ 11.60 | 1004 | \$ 11,646.00 |
| Database Programming | \$ 500.00 | 1 | \$ 500.00 |
| Monthly Storage Per Skid | \$ 15.00/Skid | 12 | \$ 180 |
| Shipping Charges for Parcel Post | \$ 20.00 | 170 | \$ 3400.00 |
| Shipping Charge for Area Deliveries (Per Order) | \$ 75.00 | 5 | \$ 375.00 |
| Subsequent Order Fulfilment | \$ 9.25 | 7 | \$ 64.75 |

| | | | |
|-------------------------------------|-----------------------|---|--------------------|
| Postage/Mailing (Based on 40lb Box) | | | |
| UPS | \$ 24.00 estimated | | \$ 5,048.00 |
| USPS | \$ 28.95 estimated | | \$ 2500.00 |
| Returned Shipments | \$ 7.25 | 7 | \$ 50.75 |
| ESTIMATED ONE-YEAR TOTAL | | | \$23,764.50 |

Attachment A

SAFEGUARD REQUIREMENTS OF CONFIDENTIAL TAX DATA

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

I. Authority

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

II. Confidentiality

It is agreed that all information exchanged under this section will be kept confidential in accordance with the confidentiality provisions contained in the Revenue Act, MCL 205.28(1)(f) which states in part;

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

Confidential information obtained under this contract will not be disclosed except as required by state law, or in the proper administration of applicable laws, promulgated rules and procedures. In the event, confidentiality statutes are amended, Treasury will notify Contractor of any changes. No employee, agent, authorized representative or legal representative of Contractor will disclose any information obtained by virtue of this section to any other division within their company or any other governmental agency, department or unit within such governmental agency whether local, state, federal or foreign, department or unit within such governmental agency, or any unauthorized third party. No tax returns or tax return information accessed by Contractor will be duplicated or disseminated within or outside the company without the written approval of the Contract Compliance Inspector. Tax returns and tax return information remain the property of

Treasury.

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

Confidential information obtained under this agreement will not be disclosed in part of a report or document that is subject to FOIA.

The penalties for violating the confidentiality provisions of the Revenue Act are contained in, MCL 205.28(2) and MCL 205.27(4). MCL 205.28(2) states:

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

MCL 205.27(4) states:

A person who is not in violation pursuant to subsection (2), but who knowingly violates any other provision of this act, or of any statute administered under this act, is guilty of a misdemeanor, punishable by a fine of not more than \$1,000.00, or imprisonment for not more than 1 year, or both.

Information received by Treasury from the U.S. Internal Revenue Service, pursuant to section 6103(d) of the Internal Revenue Code or any other federal agency will not be subject to the exchange.

III. Procedure for Security

Contractor will safeguard any tax return information obtained under the Contract as follows:

- A. Access to the tax returns and tax return information will be allowed only to those authorized employees and officials of Contractor who need the information to perform their official duties in connection with the uses of the information authorized in this Contract.
- B. Any records created from tax returns and tax return information will be stored in an area that is physically safe from access by unauthorized persons during duty hours and locked in a secure area during non-duty hours, or when not in use.
- C. Any records matched and any records created by the match will be processed under the immediate supervision and control of authorized personnel in a manner in which will protect the confidentiality of the records, and in such a way that unauthorized persons cannot retrieve any such records by means of a computer, remote terminal or other means.

- D. All personnel who will have access to the tax returns and tax return information and to any records created by the tax return information will be advised annually of the confidential nature of the information, the safeguards required to protect the information and the civil and criminal sanctions for noncompliance contained in MCL 205.28 (2) and MCL 205.27(4) and will sign confidentiality certifications.
- E. All confidential information, electronic and paper, will be secured from unauthorized access and with access limited to designated personnel only. State tax return information will not be commingled with other information. All Michigan tax returns and return information will be marked as follows: **CONFIDENTIAL - DO NOT DISCLOSE - MICHIGAN TREASURY TAX RETURN INFORMATION**
- F. Treasury, Office of Privacy and Security or Contract Compliance Inspector may make onsite inspections or make other provisions to ensure that adequate safeguards are being maintained by the Contractor.
- G. The Treasury Office of Privacy and Security may monitor compliance of systems security requirements during the lifetime of the Contract or any extension.
- H. Contractor will also adopt policies and procedures to ensure that information contained in their respective records and obtained from Treasury and taxpayers will be used solely as stipulated in the Contract.

IV. Computer System Security of Tax Data

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

A.

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

A. Controlled Access Protection

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

- 1) **Security Policy** – A security policy is a written document describing the system in terms of categories of data processed, users allowed access and access rules between the users and the data. Additionally, it describes procedures to prevent unauthorized access by clearing all protected information on objects before they are allocated or reallocated out of

or into the system. Further protection must be provided where the computer system contains information for more than one program/project, office, or Agency and that personnel do not have authorization to see all information on the system.

- 2) **Accountability** – Computer systems processing Michigan tax information must be secured from unauthorized access. All security features must be available (audit trails, identification and authentication) and activated to prevent unauthorized users from indiscriminately accessing Michigan tax information. Everyone who accesses computer systems containing Michigan tax information is accountable. Access controls must be maintained to ensure that unauthorized access does not go undetected. Computer programmers and contractors who have a need to access databases, and are authorized under the law, must be held accountable for the work performed on the system. The use of passwords and access control measures must be in place to identify who accessed protected information and limit that access to persons with a need to know.

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

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

b) Operating Features of System Security

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

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

NOTICE TO EMPLOYEES AND AUTHORIZED REPRESENTATIVES

This system contains Michigan Department of Treasury tax return information. **DO NOT DISCLOSE OR DISCUSS MICHIGAN RELATED TAX RETURN INFORMATION** with unauthorized individuals. The Revenue Act at MCL 205.28(1)(f) prohibits such disclosure.

MICHIGAN PENALTIES

A person making a willful unauthorized disclosure or inspection (browsing) of tax return information may be charged with the following Michigan penalties:

- Criminal penalties up to \$5,000 and/or imprisonment for 5 years, plus costs and dismissal from employment if it is found that a current or former employee or authorized representative has made an unauthorized disclosure of a tax return or tax return information or divulged audit selection or processing parameters. [MCL 205.28(2)]
- A misdemeanor, punishable by a fine of not more than \$1,000.00, or imprisonment for not more than 1 year, or both if the person is not in violation pursuant to MCL 205.27(2), but who knowingly violates any other provision of this act, or of any statute administered under this act.

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

- 3) **Assurance** – Contractor must ensure that all access controls and other security features are implemented and are working when installed on their computer system. Significant enhancements or other changes to a security system must follow the process of review, independent testing, and installation assurance. The security system must be tested at least annually to assure it is functioning correctly. All anomalies must be corrected immediately.
 - a) The Contractor must initiate corrective action for all non-conformities as soon as detected and immediately advise the Contract Compliance Inspector. Notice of the corrective action must be provided to the Contract Compliance Inspector. All non-conformities must be reported to the Contract Compliance Inspector with the following:
 - a. Duration of non-conformity/interruption
 - b. Reason for non-conformity/interruption
 - c. Resolution.
 - b) All non-conformities to the specifications/tasks of the Contract must be corrected within four (4) hours. The State recognizes there will be instances when adherence to this time frame will not be possible. However, the State will only tolerate this on an

exception basis. To request an exception to this time frame, the Contractor must submit a detailed project plan to address the non-conformity within four (4) hours to the Contract Compliance Inspector for approval.

- 4) **Documentation** – Design and test documentation must be readily available to the state. The developer or manufacturer should initially explain the security mechanisms, how they are implemented and their adequacy (limitations). This information should be passed on to the security officer or supervisor. Test documentation should describe how and what mechanisms were tested and the results. If recognized organizations/tests/standards are used, then a document to that effect will suffice. For example, a system that has been tested and certified as meeting certain criteria may have a document stating this fact, without detailed tests/results of information. Contractor, however, must ensure the documentation covers the exact system and that it includes the specific computer system used by Contractor.

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

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

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

V. Electronic Transmission of Michigan Tax Information

The two acceptable methods of transmitting Michigan tax information over telecommunications devices are encryption and using guided media. Encryption involves altering data objects in a way that the objects become unreadable until deciphered with the appropriate software at the intended destination. Guided media involves transmission of data over twisted pair cable, coaxial cable or end to end fiber optics which are typically used in secure computer networks like the state's Local Area Network (LAN), telephone systems, and television distribution.

Cryptography standards have been adopted by the IRS and can be used to provide guidance for encryption, message authentication codes or digital signatures and digital signatures with or

without an associated certification infrastructure. For further information, see IRS Publication 1075 at the IRS web site.

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

A. Remote Access

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

D.

E. For remote access, the contractor is required to use an identification security card that requires both PIN and card in possession. The State identified and approved methods for remote vendor access are as follows:

F.

- SecureID through VPN – State provided SecureID token and VPN software in order to access State of Michigan resources. Appropriate Acceptable Use policies and signoffs are required
- Follow-the Sun SecureID – Vendor is provided with VPN software and a SOM technical resource coordinates with the DTMB Client Service Center to provide secure ID code access to specific State of Michigan resources. Appropriate Acceptable Use Policies and signoffs are required.

G.

B. Portable Computer Devices

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

I.

VI. Record Keeping Requirements for Information Received

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

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

The Contractor will adopt and implement formal procedures to:

- Ensure proper handling of tax returns and tax return information;
- Secure and safeguard information from unauthorized use; and
- Ensure appropriate destruction of information and materials retrieved from Treasury.

A. Electronic Media

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

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

B. Recordkeeping Requirements of Disclosure Made to State Auditors

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

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

VII. Contract Services

To the extent the Contractor employs an independent agency, consultant, or agent to process confidential information which includes Michigan tax return information; the Contractor will notify the Treasury Disclosure Officer before the execution of any such agreement. Each agreement will include in the agreement the following recommended safeguard provisions:

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

Definition of Treasury Tax Return Information as defined in Revenue Administrative Bulletin (RAB) 1989-39:

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

- K. An acknowledgment that a taxpayer has filed a return is known as a “fact of filing” and may not be disclosed. All tax return data made available in any format will be used only for the purpose of carrying out the provisions of the Contract between Contractor and the subcontractor. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of the Contract between Contractor and the subcontractor. In addition, all related output will be given the same level of protection as required for the source material.
- L. The subcontractor will certify that the data processed during the performance of the Contract between Contractor and the subcontractor will be completely purged from all data storage components of the subcontractor’s computer facility, and no output will be retained by the subcontractor at the time the work is completed.
- M. Destruction of tax data, including any spoilage or any intermediate hard copy printout which may result during the processing of Michigan tax return information, will be documented with a statement containing the date of destruction, description of material destroyed, and the method used. Destruction parameters must meet the standards of Section IX, Disposal of Tax Information, of this agreement.
- N. Computer system security and physical security of tax data stored and processed by the subcontractor must be in compliance with security guidelines and standards established by this contract. See section VI (Record Keeping Requirements for Information Received in Paper Format) for more details.
- O. The Contractor will be responsible for maintaining a list of employees authorized to access Michigan tax return information and will provide a copy of such list to Treasury.
- P. No work involving information furnished under the contract will be subcontracted without the specific approval of Treasury. Contractor and approved subcontractors handling Michigan tax return information will be required to sign the *Vendor, Contractor or Subcontractor Confidentiality Agreement* provided by Treasury, (Form 3337, see Attachment A). The original agreements will be returned to the Disclosure Officer for the Department of Treasury and a copy sent to the Contract Compliance Inspector.

VIII. Transport of Tax Information

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

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

Any such incidents must be reported to the Contract Administrator immediately.

IX. Disposal of Tax Information

Materials furnished to Contractor, such as tax returns, remittance vouchers, W-2 reports, correspondence, computer printouts, carbon paper, notes, memorandums and work papers will be destroyed by burning, mulching, pulverizing or shredding. If shredded, destroy paper using cross cut shredders which produce particles that are 1 mm x 5mm (0.04in x 0.2 in.) in size (or smaller).

Data tracks should be overwritten or reformatted a minimum of three times or running a magnetic strip over entire area of disk at least three (3) times to remove or destroy data on the disk media. Electronic data residing on any computer systems must be purged based on Treasury's retention schedule.

Contractor and its subcontractor(s) will retain all confidential tax information received by Treasury only for the period of time required for any processing relating to the official duties and then will destroy the records. Any confidential tax information that must be kept to meet evidentiary requirements must be kept in a secured, locked area and properly labeled as confidential return information. See Procedure for Security (Section III of this agreement) for more details.

X. Security Responsibility

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

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

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

XI. Security Breach Notification

The Contractor is required to report to Treasury, on Form 4000, Incident Reporting (Attachment B) any use or disclosure of confidential information, whether suspected or actual, **immediately** after becoming aware of the misuse or disclosure. The Contractor may substitute its internal form for Form 4000 if all pertinent information is included.

The Contractor agrees to immediately contain the breach if it is determined ongoing.

Treasury has the right to terminate the Contract when a breach has occurred, and the Contractor cannot demonstrate proper safeguards were in place to avert a breach. Treasury must approve Contractor's resolution to the breach.

XIII. Certification of Compliance

The Contractor will fully protect State Tax Information (STI) entrusted to them. Each Contractor or subcontractor who will have access to STI must read and sign a confidentiality agreement. This contract requires that all information obtained from the Michigan Department of Treasury under the Revenue Act, PA 122 of 1941, MCL 205.28 (1)(f) be kept confidential. In the event of a security breach involving STI in the possession of the Contractor, the Contractor agrees to provide full cooperation to conduct a thorough security review. The review will validate compliancy with the Contract, and state laws and regulations.

If, as a result of the Contractor's failure to perform as agreed, the State is challenged by a governmental authority or third party as to its conformity to or compliance with State, Federal and local statutes, regulations, ordinances or instructions; the Contractor will be liable for the cost associated with loss of conformity or compliance.

The Contractor understands the cost reflects violation fines identified by the Michigan Social Security Number Privacy Act, 454 of 2004 and the Michigan Identity Theft Protection Act, Act 452 of 2004 as amended.

XI. Effective Date

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

Attachment A

Reset Form

Michigan Department of Treasury
3337 (Rev. 10-16)**Vendor, Contractor or Subcontractor Confidentiality Agreement**

The Revenue Act, Public Act 122 of 1941, MCL 205.28(1)(f), the City Income Tax Act, Public Act 284 of 1964, MCL 141.674(1), and Internal Revenue Code (IRC) 6103(d), make all information acquired in administering taxes confidential. The Acts and IRC hold 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 Acts and IRC. Confidential tax information includes, but is not limited to, information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Michigan Department of Treasury for a tax administered by the department.

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

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

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

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

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

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

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

City Penalties

MCL 141.674(2) provides that any person divulging confidential City Tax information is guilty of a misdemeanor and subject to a fine not exceeding \$500 or imprisonment for a period not exceeding 90 days, or both, for each offense.

Federal Penalties

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

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

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

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

Submit your form to the following address:

Office of Privacy and Security/ Disclosure Unit
Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922

Questions, contact the **Office of Privacy and Security** by telephone, 517-636-4239; fax, 517-636-5340; or email:

Treas_Disclosure@michigan.gov

Attachment A

Michigan Department of Treasury
4000 (Rev. 05-14)

Reset Form

Incident Report

INSTRUCTIONS: Complete Parts 1 and 2 and immediately submit Initial Report to the Office of Privacy and Security. After incident resolution, submit Final Report (Parts 1, 2 and 3) to the Office of Privacy and Security. Refer to Procedure PT-03253, Incident Reporting and Handling.

| PART 1: A. CONTACT INFORMATION (Reporting Entity) | | | |
|--|---|--|--------------------------|
| Full Name (Last, First, Middle Initial) | | Division/Office | |
| Telephone Number | Fax Number | E-Mail Address | |
| B. CONTACT INFORMATION (Affected Entity) | | | |
| Full Name (Last, First, Middle Initial) | | Division/Office | |
| Telephone Number | Fax Number | E-Mail Address | |
| PART 2: INCIDENT INFORMATION | | | |
| Whose information was involved in the incident? | | | |
| <input type="checkbox"/> Treasury <input type="checkbox"/> Federal Tax Information <input type="checkbox"/> Other State Agency, specify _____ <input type="checkbox"/> Other _____ | | | |
| Incident Category (select all that apply) | | | |
| <input type="checkbox"/> Passwords Shared/Stolen | <input type="checkbox"/> Computer Virus/Spam | <input type="checkbox"/> Paper Archives Compromised | |
| <input type="checkbox"/> Misrouted Communications | <input type="checkbox"/> Data Destruction/Deletion | <input type="checkbox"/> Safe/Lockbox/other Compromise | |
| <input type="checkbox"/> Unauthorized Access | <input type="checkbox"/> Backups Missing or Stolen | <input type="checkbox"/> Delivery of Documents Lost | |
| <input type="checkbox"/> Fraudulent Actions | <input type="checkbox"/> Hacking of Networks/Systems | <input type="checkbox"/> Inappropriate Destruction Paper | |
| <input type="checkbox"/> Lost/Stolen Information/Data | <input type="checkbox"/> Improperly Secured Sys/Web | <input type="checkbox"/> Inappropriate Destruction Media | |
| <input type="checkbox"/> Lost/Stolen Cash/Checks | <input type="checkbox"/> Circumvention of Security Protocols | <input type="checkbox"/> Lost/Stolen Equipment | |
| <input type="checkbox"/> Inappropriate Building Access | <input type="checkbox"/> _____ | <input type="checkbox"/> _____ | |
| Incident Affects | | | |
| <input type="checkbox"/> Financial Information/Resources | <input type="checkbox"/> Personal Information (SSN, Driver License No. Financial information) | <input type="checkbox"/> Unauthorized/Unlawful Activity | |
| <input type="checkbox"/> Confidential/Sensitive Information | <input type="checkbox"/> Human Resources (threat) | <input type="checkbox"/> Other _____ | |
| Date Incident Occurred | Time Incident Occurred | Date Incident Discovered | Time Incident Discovered |
| Incident Location | | Number of Individuals Affected | |
| Involved Parties/Entities | | Does this involve personal information (first and last name along with a SSN, driver license number, or credit/debit card account number)? | |
| | | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Date of Initial Report | | | |
| Description of Incident | | | |

| PART 1: CONTACT INFORMATION (Affected Entity) | | | |
|--|-----------------------------------|---|-----------------------------|
| Full Name (Last, First, Middle Initial) | | Division/Office | |
| PART 3: INCIDENT RESOLUTION | | | |
| Notification issued to affected individuals? <input type="checkbox"/> Yes <input type="checkbox"/> No | How many notifications were sent? | Breach Notification Method? <input type="checkbox"/> E-mail <input type="checkbox"/> Telephone <input type="checkbox"/> US Mail <input type="checkbox"/> Web | |
| Who was notified? | | Date notification was issued | |
| Incident Cost <input type="checkbox"/> Check if incident costs are less than \$250. If \$250 or more, complete the detailed summary of costs below. | | | |
| <u>Manhours:</u> Treasury \$ _____ DTMB-OES \$ _____ DTMB-Treasury Agency Services \$ _____ | | <u>Other:</u> Postage \$ _____ Credit Monitoring Service \$ _____ _____ \$ _____ Total Cost of Incident \$ _____ | |
| Action Taken | | | |
| Incident Impact | | | |
| Post Incident Recommendations | | | |
| PART 4: REPORT PREPARER INFORMATION | | | |
| Final Report Prepared By: | Date Prepared | Preparer Title | Preparer's Telephone Number |
| Preparer Signature | | | Date |
| OFFICE OF PRIVACY AND SECURITY USE ONLY | | | |
| Administrator, Office of Privacy and Security Signature | | | Date |

Exhibit 1
Security Requirements
Version 6.1

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

The Contractor must perform annual testing of all security control requirements to determine if they are working as intended. Annual certification must be provided, in writing, to the Program Manager (PM) or designee, in the form of a SOC 1, Type 2, or similar independent report, as requested by the PM.

The Contractor must make the Department of Treasury (Treasury) aware when utilizing any cloud-based solution. Treasury must approve the use of any cloud-based solution and the solution must be FISMA compliant and FedRAMP certified, with enabled continuous monitoring.

A. Governing Security Standards and Publications

The Department of Treasury's information is an asset that must be protected from unauthorized disclosure, modification, use, or destruction. Prudent steps must be taken to ensure that its integrity, confidentiality, and availability are not compromised.

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

1. The Michigan Identity Theft Protection Act, MCL 445.61 et seq;
2. The Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
3. Family Educational Rights and Privacy Act
4. National Institute of Standards and Technology 800-53 (most current version)
5. State of Michigan: The Contractor must comply with the State of Michigan information technology PSPs
6. If the data consists of Federal Tax Information (FTI), the Contractor agrees to comply with the requirements identified in IRS Publication 1075's Exhibit 7, Safeguarding Contract Language.
7. Treasury PSPs

B. Security Accreditation Process

The Contractor must develop, document, and implement a security plan that provides detailed security controls implemented within the information system. If a security plan does not exist, the Contractor shall provide a description of the security controls planned for implementation. The security plan must be reviewed annually, or when there is a significant change, and revised to address system/organizational changes or problems.

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

Each Treasury business owner is responsible for completing a Data Classification Declaration (Form DTMB-3544). Data classification is a process that prioritizes the risk level or resources. Data

classification identifies and categorizes the business area's information and information system based on the data's sensitivity, criticality, and risk.

C. Data Security

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

The Contractor must ensure compliance with Treasury and State of Michigan PSPs when processing, transmitting or storing confidential or sensitive data on a Treasury-owned application, system or database on Treasury's behalf.

The use of live FTI and production data, in test environments, should generally be avoided and is not authorized unless specifically approved by Treasury's Office of Privacy and Security. Requests will be evaluated on an individual basis.

D. System Auditing

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

The Contractor must observe the following guidelines regarding system auditing:

1. Audit record should contain the following:
 - a. date and time of the event
 - b. subject identity
 - c. type of event
 - d. source of event (how data changed)
 - e. where the event occurred
 - f. outcome of the event.
2. System alerts if audit log generation fails
3. System protects audit information from unauthorized access
4. Audit record should be reviewed by individuals with a "need to know" on a regular basis
5. Audit logs must be retained either for five years plus current year or in accordance with the applicable Records Retention and Disposal Schedule, whichever is longer.

E. Incident Reporting

1. The Contractor must immediately notify the Program Manager of any security incidents and/or breaches; see **Exhibit 2**, Form 4621, *What is an Incident?* (brochure).
2. The Contractor must have a documented and implemented Incident Response Policy and Procedure.
3. In the event a security incident occurs, the Contractor must complete Form 4000* and submit it to the Department of Treasury, Office of Privacy and Security.

Note: *Another form may be substituted for Form 4000 if all pertinent information is included.

4. The Contractor must have an incident response resource identified to assist users in handling and reporting incidents.
5. Personnel is trained, at least annually, in their incident response roles and responsibilities.

F. Physical and Environmental Security

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

1. The Contractor must have established environmental protection, for magnetic and other media, from fire, temperature, liquids, magnetism, smoke, and dust.
2. The Contractor must control all physical access points to facilities containing information systems (except those areas within the facilities officially designated as publicly accessible), review physical security logs periodically, investigate security violations or suspicious physical access activities, and initiate remedial actions.
3. The Contractor must periodically review the established physical and environmental security controls to ensure that they are working as intended.

G. Disaster Recovery and Business Continuity Plan

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

H. Security Awareness Training

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

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

Exhibit 2

Form 4621, What is an Incident? (Brochure)

Michigan Department of Treasury
4621 (Rev. 04-18)

What is an Incident? What is a Security Breach?

What is an Incident?

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

Examples of Incidents:

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

Examples of Material Incidents:

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

What makes an incident a Security Breach?

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

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

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

Examples of a Potential/Actual Security Breach:

- Missing laptop computer, other mobile device, or portable media that contains Treasury personal information
- Missing paper records that contain personal information
- Accessing personal information when there is no business need for it
- Using another individual's User ID and Password to access personal information
- Stealing Treasury records that include personal information
- Hacking into records containing Treasury personal information
- Obtaining Treasury personal information from employees without proper authorization to access the information
- Unauthorized and unescorted persons entering secure areas that house personal information
- Theft of a server.

What is Personal Information?

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

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

Personal information may be in written or printed form or may reside electronically on devices or media such as mainframes, servers, personal computers (desktops and laptops), CDs, DVDs,

tapes, flash drives, memory sticks, USB keys, microfiche, PDAs, cell phones, or may exist on other state-of-the-art devices that have been or may be developed.

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

Employee must:

1. File a report with local police immediately if asset valued at \$100 or more is missing.
2. Notify immediate supervisor no later than beginning of the next business day.
3. Complete Parts 1 and 2 of Form 4000, *Incident Report* (available on Treasury's Intranet).
4. Forward the Incident Report (with attached police report, if applicable) to immediate supervisor and a copy to the Department of Treasury, Office of Privacy and Security.

Management Staff must:

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

Exception: If another state agency/governmental entity, report incident to Treasury Disclosure Officer, Office of Privacy and Security. If contractor or vendor, report incident to Program Manager and the Office of Privacy and Security.

2. The Administrator must notify the Bureau Director if it is a material incident or involves non-Treasury information.
3. The Bureau Director must notify the other entity immediately.
4. The Office Administrator/Bureau Director must inform the Department of Technology, Management and Budget (DTMB) Agency Services (Treasury) Director immediately if incident involves information technology resources.
5. Notify other Treasury divisions/offices that may be affected or should be involved with investigation.
6. The Disclosure Officer must notify the IRS Office of Safeguards if federal tax information is involved.
7. Investigate and resolve the incident.
8. Finalize Form 4000* and submit it to the Department of Treasury, Office of Privacy and Security.

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

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

Employee must:

1. Report the security breach immediately (no later than beginning of the next business day) to immediate supervisor.
2. Complete Parts 1 and 2 of Form 4000.
3. Forward Form 4000 (with attached police report if applicable) to immediate supervisor and a copy to the Department of Treasury, Office of Privacy and Security.
4. Office of Privacy and Security contacts Michigan Cyber Security (MCS) within 24 hours, if the suspected breach involves electronic data.

Management Staff must:

1. If the breach is ongoing, **CONTAIN IT**.
2. Report the potential breach immediately, through the chain of command, to the Bureau Director or Deputy Treasurer, whichever is applicable.
3. The Bureau Director or the Deputy Treasurer, whichever is applicable, must notify the Chief Deputy Treasurer/Treasurer immediately if a breach involves a database of personal information.
4. The Bureau Director must notify the other entity if the potential breach involves non-Treasury information.
5. The Office Administrator/Bureau Director must inform the DTMB Agency Services (Treasury) Director right away if incident involves information technology resources and personal information.
6. The Disclosure Officer must notify the IRS Office of Safeguards if federal tax information is involved.
7. Convene appropriate personnel, so the scope of the breach can be determined, and a plan for appropriate action can be agreed upon.

Note: If a database of personal information is involved, the Chief Deputy Treasurer/Treasurer must approve the Plan of Action.

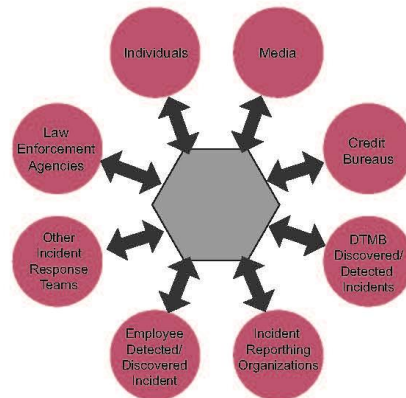
8. If appropriate, issue breach notifications by telephone, in writing, on the Web or by e-mail.
9. Notify the three major credit bureaus of the breach if more than 1,000 residents of the State of Michigan will receive or have received breach notifications.
10. Finalize Form 4000* and submit it to the Department of Treasury, Office of Privacy and Security.
11. Office of Privacy and Security contacts the Social Security Administration (SSA), if the data involves SSA provided personally identifiable information (PII).

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

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

- Do not store confidential, personal, or sensitive Treasury information on mobile devices or portable media (including laptops, notebooks, memory sticks, CDs, DVDs, floppies) unencrypted. ENCRYPT files or the full disk. (Refer to DTMB Standard 1340.00.110.03, Storage of Sensitive Information on Mobile Devices and Portable Media; also refer to Treasury Policy ET-03169 Data Security).
- Avoid sending or receiving unencrypted confidential, personal, or sensitive information via e-mail.
- Avoid sending confidential, personal, or sensitive information via fax.
- Secure confidential, personal, or sensitive papers on the fax, printer, or copy machines.
- Keep conversations at a volume level and/or in a location that will protect information.
- Back-up data on a regular basis; make sure data files from an approved portable device are stored on the network server.
- Store data on a "need to know" basis.

- Shred documents with confidential, personal, or sensitive information (see Treasury Policy ET-03115 Confidential Information, Handle and Discard).
- Have computers and hard drives properly wiped or overwritten when discarding or transferring (see DTMB Procedure 1340.00.110.04, Secure Disposal of Installed and Removable Digital Media and Treasury Policy ET-03169).
- Use a log-in password that complies with DTMB's 1340.00.080.01 Identification and Authentication Standard.
- Never set any log-in dialog box to remember your password (see Treasury Policy ET-03175 Passwords).
- Use a password-protected screen saver that comes on after a few minutes of inactivity. Initiate screen lock system (if a Treasury employee, press the key with Microsoft Windows logo and "L" on the keyboard) when you leave your office, even for a short period.
- Limit access to confidential, personal, or sensitive information to those who need to use it to perform their job duties (see DTMB Policy 1340.00.020.01, Information Technology Access Control, and Treasury Policy ET-03164 Access Control).



For additional information, see the following guidelines in the Security Guide:

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

Other References:

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

Contact Information:

If questions, please contact Office/Division/Bureau Security Liaison or the Office of Privacy and Security at 517 636-4081.

Incident Report

INSTRUCTIONS: Complete Parts 1 and 2 and immediately submit Initial Report to the Office of Privacy and Security. After incident resolution, submit Final Report (Parts 1, 2 and 3) to the Office of Privacy and Security. Refer to Procedure PT-03253, Incident Reporting and Handling.

| | | | |
|--|------------------------|--|--------------------------|
| PART 1: A. CONTACT INFORMATION (Reporting Entity) | | | |
| Full Name (Last, First, Middle Initial) | | Division/Office | |
| Telephone Number | Fax Number | E-Mail Address | |
| B. CONTACT INFORMATION (Affected Entity) | | | |
| Full Name (Last, First, Middle Initial) | | Division/Office | |
| Telephone Number | Fax Number | E-Mail Address | |
| PART 2: INCIDENT INFORMATION | | | |
| Whose Information was Involved in the Incident? | | | |
| <input type="checkbox"/> Treasury <input type="checkbox"/> Federal Tax Information <input type="checkbox"/> Other State Agency, specify _____ <input type="checkbox"/> Other _____ | | | |
| Incident Category (select all that apply) | | | |
| <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"><input type="checkbox"/> Passwords Shared/Stolen</div> <div style="width: 33%;"><input type="checkbox"/> Computer Virus/Spam</div> <div style="width: 33%;"><input type="checkbox"/> Paper Archives Compromised</div> <div style="width: 33%;"><input type="checkbox"/> Misrouted Communications</div> <div style="width: 33%;"><input type="checkbox"/> Data Destruction/Deletion</div> <div style="width: 33%;"><input type="checkbox"/> Safe/Lockbox/other Compromise</div> <div style="width: 33%;"><input type="checkbox"/> Unauthorized Access</div> <div style="width: 33%;"><input type="checkbox"/> Backups Missing or Stolen</div> <div style="width: 33%;"><input type="checkbox"/> Delivery of Documents Lost</div> <div style="width: 33%;"><input type="checkbox"/> Fraudulent Actions</div> <div style="width: 33%;"><input type="checkbox"/> Hacking of Networks/Systems</div> <div style="width: 33%;"><input type="checkbox"/> Inappropriate Destruction Paper</div> <div style="width: 33%;"><input type="checkbox"/> Lost/Stolen Information/Data</div> <div style="width: 33%;"><input type="checkbox"/> Improperly Secured Sys/Web</div> <div style="width: 33%;"><input type="checkbox"/> Inappropriate Destruction Media</div> <div style="width: 33%;"><input type="checkbox"/> Lost/Stolen Cash/Checks</div> <div style="width: 33%;"><input type="checkbox"/> Circumvention of Security Protocols</div> <div style="width: 33%;"><input type="checkbox"/> Lost/Stolen Equipment</div> <div style="width: 33%;"><input type="checkbox"/> Inappropriate Building Access</div> <div style="width: 33%;"><input type="checkbox"/> _____</div> <div style="width: 33%;"><input type="checkbox"/> _____</div> </div> | | | |
| Incident Affects | | | |
| <input type="checkbox"/> Financial Information/Resources <input type="checkbox"/> Personal Information (SSN, Driver License No. Financial Information) <input type="checkbox"/> Unauthorized/Unlawful Activity <input type="checkbox"/> Confidential/Sensitive Information <input type="checkbox"/> Human Resources (threat) <input type="checkbox"/> Other _____ | | | |
| Date Incident Occurred | Time Incident Occurred | Date Incident Discovered | Time Incident Discovered |
| Incident Location | | Number of Individuals Affected | |
| Involved Parties/Entities | | Does this involve personal information (first and last name along with a SSN, driver license number, or credit/debit card account number)? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Date of Initial Report | | | |
| Description of Incident | | | |

Attachment B

QUALITY CONTROL PROCESS – WOLVERINE SOLUTIONS GROUP

Quality Control Workflow

Wolverine Solutions Group's (WSG) quality assurance procedures have been refined over 30 years as we've built an infrastructure that is exclusively focused on complex, variably imaged documents that require 100% accuracy from file receipt through inserting and mailing/shipping. Producing over 300+ million personalized direct mail communications each year, our quality focus is evident in all areas of the organization, from the attitudes of our employees, and through significant technology investments that automate the quality assurance process across all critical production points.

WSG's mindset of "zero defects" is the high standard to which WSG holds itself. The zero defects philosophy encourages everyone to accept no mistakes, delays or rework as a business practice, but rather to learn from the mistakes, set an obtainable goal, develop a plan to reach that goal, and then raise the goal. As employees utilize their quality training, the results have proven to be beneficial to both the employee and more importantly - to our partner clients. Quality issues are tracked on a weekly basis and evaluated by management.

The information below provides an overview of the quality assurance procedures used throughout the entire production cycle, not just the final stages of imaging and mailing. Our comprehensive approach to quality ensures that the appropriate checks and balances are in place to provide complete data and document integrity throughout the production process.

Production Control

Our goal is 100% accuracy and total client satisfaction for every document we produce. All of our professionals are keenly focused on our TQM procedures to ensure consistent quality, and everyone is involved in the quality improvement process. We've also made significant technology investments to provide our customers with industry leading quality performance. Everyone is responsible for the integration of quality values into day-to-day operations. HAP's dedicated Project Manager(s) are responsible for managing all quality functions related to the management, movement, and handling of the project until the time it leaves the facility.

Project Managers initiate the production cycles by reviewing and verifying all production requirements and specifications through a "Storyboard" platform approach. Key points include:

- (Data processing specifications
- (Imaging specifications
- (Production/finishing systems and requirements
- (Project planning time schedule
- (Production commitment
- (Mailing/distribution and special handling requirements, and any other instructions pertinent to the project.

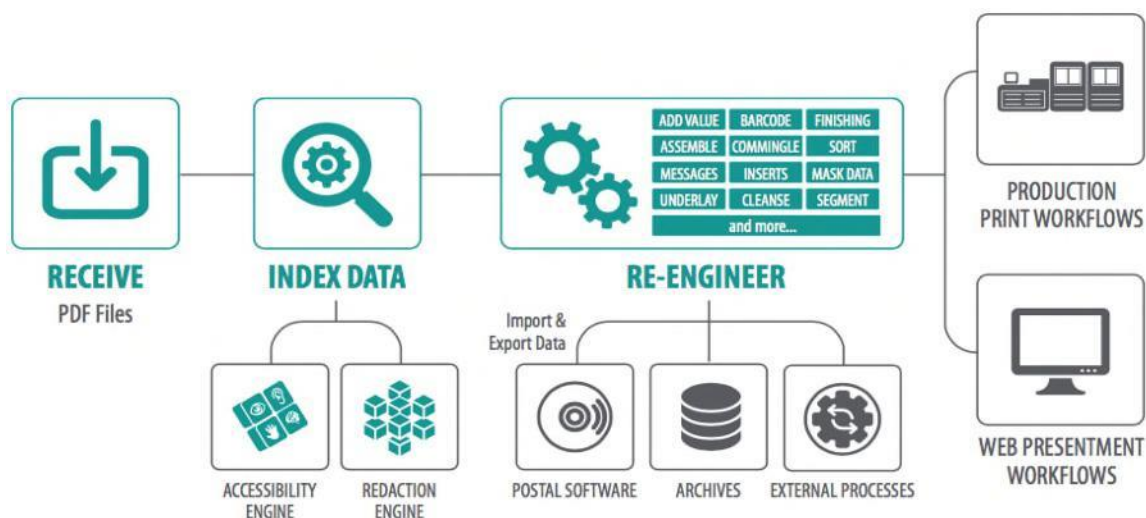
Storyboards follow each and every job throughout the facility and is a physical reporting tool used to ensure quality processing for all customers. The storyboard contains specific information related to the job such as SLAs, time stamps, quantities, materials, visual references for production personnel, and customer information. During each phase of the job, it is scanned into the database and the personnel or operator is required to initial the physical storyboard.

As part of the preliminary data processing phase, a unique control number is appended to each mail piece. A quality check form (Z-pattern) is inserted every 500 data records. This form is imaged real-time throughout the production run. The operator will pull the quality check (Z-pattern) forms and carefully inspect them for imaged areas, image quality, registration, perforations, folding, gluing, and overall construction. These forms are then logged into the production docket and filed at the completion of the production run. If a quality control issue were to arise, the operator can easily isolate that portion of the run that might be affected. The data production tapes would be reconfigured to begin imaging at the point of the last valid data record. This assures the client of data integrity and eliminates duplicate or missing records.

Quality Control - Production Operations:

This section outlines our procedures and quality controls of the process, verification procedures, and reliability features of the imaging, inserting, and Mail Center areas are provided in this section.

- Balancing document counts and inserts throughout the production process by applying a 2D barcode on every document.
- The Control Number is a sequential serial number assigned during data processing to each mail piece after the records have been mail sorted for an imaging run. These numbers are imaged on the mail pieces during production.
- A Z-pattern is a mail piece periodically imaged during production with Z's replacing the customer record. These are used for quality checks during the imaging and inserting runs.
- The Load Sheet is a document used to identify a cart of mail pieces by listing the beginning and ending control numbers on the cart and the production tape reel used to image those pieces.
- The Missing Number List is where the operator lists the control numbers of any damaged mail pieces that need to be rerun.
- The Production Log is generated during data processing and lists the total number of customer records generated, as well as the first and last control number.



Digital Print Operations

WSG's high-speed web inkjet devices images all of the documents variable data, as well as the assigned document control number, which is bar-coded. Each stack of 500 pieces is loaded on a cart and, when the cart is full, a Load Sheet is completed listing the first and last control numbers on the cart.

Verification Procedures: Z-patterns are produced every 500 imaged sheets and reviewed thoroughly. If any fault is identified on the Z-pattern control document, a quality review of that production segment is initiated to identify unacceptable pieces. Any unacceptable documents are re-run immediately by using the control number, thus assuring the integrity of the production run. For any imaged pieces requiring off-line folding, the folder has a counter that can verify that 500 sheets are in each stack. The first and last control numbers are then again checked against the Production Log.

Intelligent Insertion Operations

The imaged sheets from the production equipment are loaded into a state-of-the-art intelligent inserter. The intelligent inserter optically scans the document control number on each page and performs the programmed instructions (groups/verifies recipient sheets, pulls defined/selectable inserts). Then, in an automated fashion, the unit places the appropriate sheet(s) and nested inserts in the designated Outgoing Mailing Envelope (OME).

Verification Procedures: WSG's Document Integrity System describes the idea that vital client communications should be produced in such a way as to guarantee the highest possible level of completeness and that there is nothing in the production process that will compromise their information or its personal nature. In our business we focus on the insertion step as the area that can have the largest impact on document integrity. WSG has developed a unique, multi-level approach that focuses as much on procedures as it does on technology.

Utilizing our strict Standard Operating Procedures, developed and refined throughout our long history of fulfilling critical personalized documents, we have created unique Advanced Procedures that go well beyond what is normally expected in our industry. Our "Touch and Toss" procedure dictates that all diverted packages requiring manual intervention, must be removed from the production stream and recorded as a damaged package to be recreated through the Damaged Document Process. Because history has shown us that personalized documents prior to and after the diversion may also have integrity issues, these too are part of the "Touch and Toss" procedures. All remakes going through the Damaged Document Process are automated by scanning the barcode in the window rather than hand keyed.

Enhanced Handwork has been implemented to add a level of automation and validation to those packages that are diverted to the handwork area for insertion. This area has specialized accumulator equipment that reads the usual 3 of 9 barcode that defines page accumulation for our inserters. The accumulator breaks the job into unique documents and eliminates the need for the handwork associate to decide where one document stops, and another starts. Once the document is inserted into the appropriate envelope, a scan is done of a 2-D barcode in the address block to update the ADF database that the package is complete and accounted for. The result is that WSG has created a procedure that gives us the best possible chance of eliminating human error—even in a process that is manual by

definition.

All of the investments that we've made in processes and technology for Document Integrity are driven by the need to provide concrete benefits to our clients. These benefits include:

- Piece level tracking that allows us to report on specific packages to our clients.
- Reducing manual intervention, increasing integrity and efficiencies.
- Allows us to provide our clients with a record of mail piece history, especially useful in meeting privacy expectations.
- Automated reconciliation of the mail reduces cycle times allowing us to improve cycle times for our clients.

USPS Business Partnership:

WSG has over 20 intelligent inserters which serve as backups for each other. Also, maintenance contracts are in place for each inserter.

In the Mail Center:

Completed mail pieces are sent to the WSG's Mail Center where they are sorted, trayed, sleeved, banded, and then turned over to the U.S. Postal Service. In the Mail Center, the Load Sheets for the same order are added up and checked against the Production Log to verify that the number of mail pieces equals the number of customer records processed by the Data Center. The number of pieces mailed for a particular order is entered on the appropriate USPS Form 3600/3602 Series, a copy of which is kept on file in the facility for four years. The USPS verifies the number of mail pieces by weight and ZIP Code random sampling.