

STATE OF MICHIGAN  
 DEPARTMENT OF TREASURY  
 PURCHASING  
 430 W. ALLEGAN, LANSING, MI 48922

**CHANGE NOTICE NO. 2**

to

**CONTRACT NO. 271B1300002**

between

**THE STATE OF MICHIGAN**

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
<b>Wolverine Solutions Group</b> <b>1601 Clay Street</b> <b>Detroit, MI 48211-1913</b>	Darryl English	denglish@wolverinemail.com
	TELEPHONE	(MAIL CODE)
	313-873-6800	001

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	Treasury	Darron Birchmeier	517-241-3548	birchmeierd@michigan.gov
BUYER:	Treasury	Greg Pawlak	517-373-8699	pawlakg@michigan.gov

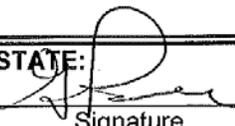
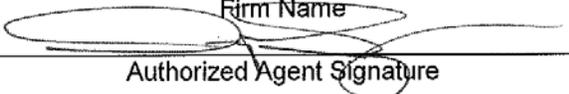
**CONTRACT SUMMARY:**

DESCRIPTION: Direct Mail and Bulk Distribution of Income Tax Forms

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
October 1, 2010	September 30, 2013	(2) 1 Year	September 30, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
NET 30			
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			

**DESCRIPTION OF CHANGE NOTICE:**

OPTION EXERCISED:	IF YES, EFFECTIVE DATE OF CHANGE:	NEW EXPIRATION DATE:
<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES	10/1/2013	9/30/2015
<b>Effective immediately this Contract is hereby AMENDED as follows:</b>		
<ol style="list-style-type: none"> <li>1. Renew Contract two years per Section 2.002</li> <li>2. Amended Pricing per attached proposal dated 7/22/13</li> </ol>		
<p style="text-align: center;"><b>All other terms, conditions, specifications remain unchanged.</b></p>		
VALUE/COST OF CHANGE NOTICE:	\$99,554.50	
ESTIMATED REVISED CONTRACT VALUE:	\$269,117.05	

FOR THE CONTRACTOR:	FOR THE STATE:
Wolverine Solutions Group Firm Name	 Signature
 Authorized Agent Signature	Gregory Pawlak / Purchasing Analyst Name/Title
DARRYL ENGLISH Authorized Agent (Print or Type)	Department of Treasury Enter Name of Agency
9/20/13 Date	9/24/13 Date

**Wolverine Contract Amendment 271B300002**

**Contract Change 2**

**September 09, 2013**

**Note:** Addressing for all books will be applied directly via ink jet. The peel-off label used in prior years is no longer necessary.

1. The MI-1040 Book for Tax Year 2013 will be 64 pages. The quantity for Tax Year 2013 direct mailed books will be approximately 150,000.
2. The 1040 CR7 Book for Tax Year 2013 will be 20 pages. The quantity for Tax Year 2013 direct mailed books will be approximately 500,000.
3. The 1040 CR5 Book for Tax Year 2013 will be 16 pages. The quantity for Tax Year 2013 direct mailed books will be approximately 200.
4. The 1040 CR2 Book for Tax Year 2013 will be 16 pages. The quantity for Tax Year 2013 direct mailed books will be approximately 800.
5. The FTW Annual Book for Tax Year 2013 will be 24 pages. The quantity for Tax Year 2013 direct mailed books will be approximately 25,000.
6. Revised 2014 and 2015 contract renewal pricing (see Appendix A and D)

**Appendix A**

**Income Tax Book Direct Mail Pricing**

Item #	Description	Quantity	NCOA/CASS per/M	DSF per/M	Presort/M	Address and Mail per/M	Deliver to USPS/BMC per/M	Year One Renewal Price Total/M	Year Two Renewal Price Total/M	2014 Pricing	2015 Pricing
1	MI-1040 Income Tax Instruction 2013 Booklet (64 pages)	150,000	\$1.00	\$0.75	\$4.25	\$18.00	Plus Freight	\$24.00	\$23.28	\$3,600.00	\$ 3,492.00
2	MI-1040 CR7 Home Heating Credit Instruction 2013 Booklet (20 pages)	500,000	\$1.00	\$0.75	\$4.25	\$18.00	Plus Freight	\$24.00	\$23.28	\$12,000.00	\$11,640.00
3	MI-1040 CR5 Farmland Preservation Tax Credit 2013 Booklet (16 pages)	200	\$1.00	\$0.75	\$4.25	\$500.00/Lot	Plus Freight	\$500.00/Lot	\$485.00	\$500.00/Lot	\$ 485.00
4	MI-1040 CR2 Homestead Property Tax Credit Claim for Veterans and Blind People Book (16 pages)	800	\$1.00	\$0.75	\$4.25	\$500.00/Lot	Plus Freight	\$500.00/Lot	\$485.00	\$500.00/Lot	\$485.00
5	NCOA/DSF files not direct mailed	4,040,000	\$1.00	\$0.75				\$1.75	\$1.75	\$7,070.00	\$7,070.00
6	FTW Annual Books	25,000	\$1.00	\$0.75	\$4.25	\$20.00	Plus Freight	\$26.00	\$25.22	\$650.00	\$ 630.50
							<b>TOTALS:</b>			\$24,320.00	\$23,802.50

Delivery Cost Estimates

Location	Mileage	Cost Per Mile	Total
Detroit BMC			
Detroit SCF			
Flint			
Gaylord			
Grand Rapids			
Iron Mountain			
Jackson			
Kalamazoo			
Lansing			
Royal Oak			
Saginaw			
Traverse City			
		<b>GRAND TOTAL</b>	\$6500.00 estimated

Appendix D						
Bulk Distribution Pricing Sheet						
Category	Quantity	One-Year Renewal Price	Two-Year Renewal Price	Price/Unit (i.e., each, order, thousand, etc.)	2014 Pricing	2015 Pricing
Initial Order Fulfillment (Fulfillment, labels, packing/handling)	1,274	\$ 10.00	\$ 9.70	Order	\$12,740.00	\$12,350.00
Database Programming	1	\$ 500.00	\$ 500.00	Annual	\$500.00	\$485.00
Monthly storage per skid	12	\$ 15.00	\$ 15.00	Skid	\$180.00	\$180.00
Shipping Charge for area deliveries (per order)	15	\$ 75.00	\$ 75.00	Order	\$1,125.00	\$1,125.00
Subsequent Order Fulfillment	50	\$ 8.00	\$ 7.50	Order	\$ 400.00	\$375.00
Parcel Post Cost for 203 Post Office customers (based on 40# box)	406	\$ 18.50	\$ 18.50	Boxes	\$ 7,511.00	\$7,511.00
Returned Shipments	20	\$ 5.00	\$ 5.00	Order	\$ 100.00	\$100.00
Management of Excess Forms (quantity is in skids of materials)	5	\$ 25.00	\$ 25.00	Skid	\$ 125.00	\$125.00
				<b>Totals per year</b>	<b>\$ 22,681.00</b>	<b>\$22,251.00</b>
<p><b>Note: Treasury will utilize the State of Michigan United Parcel Service (UPS) account to charge all orders not shipped Parcel Post (Libraries, Volunteers, SOS, DHS, Treasury orders). Contractor will not need to charge these shipments to the contractor's account.</b></p>						



STATE OF MICHIGAN  
 DEPARTMENT OF TREASURY  
 PURCHASING  
 430 W. ALLEGAN, LANSING, MI 48922

**CHANGE NOTICE NO. 1**  
 to  
**CONTRACT NO. 271B1300002**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Wolverine Solutions Group 1501 Clay Street Detroit, MI 48211-1913	Darryl English	Denglish@wolverinemail.com
	TELEPHONE	CONTRACTOR / MAIL CODE
	313-873-6800	2382233061

AGENCY	NAME	PHONE	EMAIL	
CONTRACT COMPLIANCE INSPECTOR:	Treasury	Darron Birchmeier	517-241-3548	birchmeierd@michigan.gov
BUYER:	Treasury	Greg Pawlak	517-373-8699	pawlakg@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Direct Mail and Bulk Distribution of Income Tax Forms			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
October 1, 2010	September 30, 2013	(2) 1 Year	September 30, 2013
PAYMENT TERMS	F.O.B.	SHIPPED	SHIPPED FROM
NET 30			
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MIDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			

DESCRIPTION OF CHANGE NOTICE		
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE:	NEW EXPIRATION DATE:
PROVIDE THE DETAIL OF THE CHANGE NOTICE 1. Amend the contract value to include additional funds due to tax law changes (\$6226.00). 2. Change Department of Treasury Contract Administrator/Buyer from Bruce Hanes to Greg Pawlak. 3. Add deliverables per attached Contract Amendment Contract Change 1 dated 10/24/12 (\$10,274.00). 4. Add updated Appendix A Price list		
VALUE/COST OF CHANGE NOTICE:	\$16,500.00	
ESTIMATED REVISED AGGREGATE CONTRACT VALUE:	\$169,562.55	

**FOR THE CONTRACTOR:**

Wolverine Solutions Group

Firm Name

Belinda Schultz-Borkowski  
Authorized Agent Signature

Belinda Schultz-Borkowski  
Authorized Agent (Print or Type)

1-2-13

Date

**FOR THE STATE:**

[Signature]  
Signature  
Gregory Pawlak / Purchasing Analyst

Name/Title

Department of Treasury / Departmental Services  
Division

Enter Name of Agency

1-3-13

Date

## Wolverine Contract Amendment 271B300002

### Contract Change 1 October 24, 2012

1. The MI-1040 Book for Tax Year 2012 will be 64 pages. The quantity for Tax Year 2012 direct mailed books will be approximately 800,000. These books will need to be addressed and prepared to mail **without** the peel-off label that was used in prior tax years. Explain the timeline necessary to complete the mail preparation of the Tax Year 2012 MI-1040 book. In addition, the CR7, CR5 and CR2 books will also be mailed without the peel-off labels. Please complete

#### Contractor Response to this Task:

Wolverine will inkjet the addresses onto the books. This will allow daily Production to increase to 150,000 per day.
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2. Treasury requests to add an additional book to the list of mail projects. The new book will be a 24-page Flow-Through Withholding Annual Reconciliation book. The book will be produced similar to the other Income Tax books Wolverine mails. Wolverine will need to prepare the mail data and print the name/address on the back of the books. Anticipated quantity: 25,000. The books will be delivered around November 15 and need to be placed in the mail by December 1.

For Tax Year 2012 only, Wolverine will also need to prepare a separate fiscal filer mailing (approximately 1,500 filers). For this project, a Flow-Through book will need to be inserted into a 10" x 13" envelope (provided by Treasury) and then shipped back to Treasury in Lansing.

#### Contractor Response to this Task:

The timeline required for this process is 5 days. We have added this request to the Appendix A.
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**Appendix A**

**Income Tax Book Direct Mail Pricing**

Item #	Description	Quantity	NCOA/CASS per/M	DSF per/M	Presort/M	Address and Mail per/M	Deliver to USPS/BMC per/M	Total/M	Total
1	MI-1040 Income Tax Instruction Booklet	800,000	\$1.00	\$0.75	\$3.75	\$18.00	N/C	\$23.50/M	\$18,800.00
2	MI-1040 CR7 Home Heating Credit Instruction Booklet	500,000	\$1.00	\$0.75	\$3.75	\$18.00	N/C	\$23.50/M	\$11,750.00
3	MI-1040 CR5 Farmland Preservation Tax Credit Booklet	1,000	\$1.00	\$0.75	\$3.75	\$200.00/Min.	N/C	\$200/Lot	\$200.00
4	MI-1040 CR2 Homestead Property Tax Credit Claim for Veterans and Blind People Book	250	\$1.00	\$0.75	\$3.75	\$200.00/Min.	N/C	\$200/Lot	\$200.00
5	NCOA/DSF files not direct mailed	4,040,000	\$1.00	\$0.75					
6	FTW Annual Books	25,000	\$1.00	\$0.75	\$3.75	\$18.00	N/C	\$23.50/M	\$587.50
<b>One-Year Total</b>									\$31,537.50

**Delivery Cost Estimates**

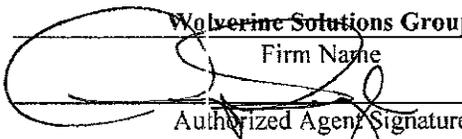
Location	Mileage	Cost Per Mile	Total
Detroit BMC			
Detroit SCF			
Flint			
Gaylord			
Grand Rapids			
Iron Mountain			
Jackson			
Kalamazoo			
Lansing			
Royal Oak			
Saginaw			
Traverse City			
<b>GRAND TOTAL</b>			\$6,500.00 Estimate

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
PURCHASING  
430 West Allegan  
Lansing, MI 48922

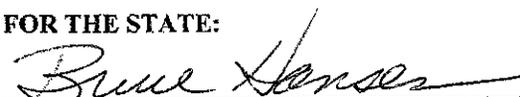
**CONTRACT NO. 271B1300002**  
between  
**THE DEPARTMENT OF TREASURY**  
and

NAME & ADDRESS OF VENDOR <b>Wolverine Solutions Group</b> 1601 Clay Street Detroit, MI 48211-1913  <div style="text-align: right; border: 1px solid black; padding: 2px;">Denglish@wolverinemail.com</div>	TELEPHONE <b>313-873-6800</b>	<b>Darryl English</b>
VENDOR NUMBER/MAIL CODE <b>2382233061</b>		
AGENCY CONTACT: (517) 335-0967  <div style="text-align: right; border: 1px solid black; padding: 2px;">Bruce Hanses</div>		
Contract Administrator: Darron Birchmeier		
Description: Direct Mail and Bulk Distribution of Income Tax Forms		
CONTRACT PERIOD: From: <b>October 1, 2010</b> To: <b>September 30, 2013</b>		
TERMS	Net 30 days	
MISCELLANEOUS INFORMATION:		
<p>The terms and conditions of this Contract, including any applicable information from the vendor's proposal are attached. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.</p> <p>Est. Contract Value: \$ 153,062.55</p>		

**FOR THE VENDOR:**

Wolverine Solutions Group  
 Firm Name  
  
 Authorized Agent Signature  
Darryl English  
 Authorized Agent (Print or Type)  
12/02/2010  
 Date

**FOR THE STATE:**

  
 Signature  
Bruce Hanses  
 Name  
 Administrator, Departmental Services  
 Division, Department of Treasury  
 Title  
12/3/10  
 Date



**STATE OF MICHIGAN  
Department of Treasury  
Purchasing**

Direct Mail and Bulk Distribution of Income Tax Forms

Buyer Name: Bruce Hanses  
Telephone Number: 517-335-0967  
E-Mail Address: [hansesb@michigan.gov](mailto:hansesb@michigan.gov)



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- Appendix C      Bulk Distribution Quantity Estimate
- Appendix D      Bulk Distribution Pricing Sheet
- Appendix E      Form 3337, *Vendor, Contractor and Subcontractor Confidentiality Agreement*

Attachment 1: Disaster Recovery Plan



## **DEFINITIONS**

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

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

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

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

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

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

**CCI** means Contract Compliance Inspector.

**Days** means calendar days unless otherwise specified.

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

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

**DMB** means the Michigan Department of Management and Budget.

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

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

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

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

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

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

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



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

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

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

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

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

**SLA** means Service Level Agreement.

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

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

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

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

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

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

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

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



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

***Note to Bidders: Proposals must include detailed responses to all tasks as requested in Article 1 and provide all information requested in Article 4. Bidders should provide thorough responses to each task, or, when appropriate, state their agreement that the Bidder will provide the requested services. Bidders are encouraged to provide detailed responses in order to allow the State to fully evaluate the Bidder's capabilities.***

***As stated in Section 3.012 of this document, Bidders are reminded that the sole point of contact concerning the RFP is the Buyer, listed on the cover page of this document, in Treasury Purchasing. Any communication by a potential Bidder in regards to this RFP with anyone other than the Buyer during the RFP process may result in disqualification and/or debarment.***

***Throughout this RFP, language referring to Contract or Contractor(s) refers to any Contract awarded from this RFP. This RFP in itself is not to be construed as a Contract.***

### **1.010 Project Identification**

Direct mail and bulk distribution services necessary to complete the mailing and distribution of State of Michigan (State) income tax booklets.

### **1.011 Project Request**

This is an RFP for direct mail and bulk distribution services necessary to complete the mailing and distribution of State of Michigan income tax booklets. This is a formal request to prospective Bidders to solicit bids. Bidders must submit written proposals according to the instructions contained within this document, discussing how they will meet the specific requirements.

The Work and Deliverables section (section 1.022) separates the services into two sub-sections (**Bidders may choose to provide a proposal for one or both of these sub-sections. This RFP may result in issuance of 1-2 contracts.**)

- A. Address Updating/Cleansing and Direct Mailing of Forms - Processing approximately 4.9 million taxpayer addresses through an address cleansing process and formatting a file containing address updates for use by the Department of Treasury (Treasury). Direct mailing of tax materials to United States Postal Service (USPS) facilities.
- B. Bulk Distribution of Forms - Bulk distribution of tax materials and shipment to specified locations in Michigan.

Any awarded Contract(s) between the State and any awarded Contractor(s) is a separate document, whose terms are limited by Article 2.

### **1.012 Background**

The Department of Treasury is responsible for administration of the Individual Income Tax which includes address updating and cleansing, direct mailing of forms and bulk distribution of forms for tax years 2010, 2011 and 2012.

#### **A. Address Updating/Cleansing and Direct Mailing of Forms**

Annually Treasury provides approximately 4.9 million taxpayer address records on an electronic file for address cleansing (i.e., National Change of Address). All records must be processed through the address cleansing process and the entire data file, including address updates, is returned to Treasury. Treasury provides the file around November 18 and requires address update no later than December 15.

Treasury requires the mailing of tax materials directly to taxpayers for their use in filing taxes. This process typically occurs at the end of December through early January each year. Contractor will be responsible for postal sorting and mailing of the following Michigan tax booklets:



1. Michigan Individual Income Tax Instructions (MI-1040 Book)
2. Home Heating Credit Claim (MI-1040CR-7 Book)
3. Farmland Preservation Tax Credit (MI-1040CR-5 Book)
4. Homestead Property Tax Credit Claim for Veterans and Blind People (MI-1040CR-2 Book)

Booklets range from 16 to 52 pages, self-cover, and are bound with either staples or glue. The contractor will receive the completed books on wrapped pallets directly from the print contractor in December and/or January of each year.

**B. Bulk Distribution of Forms**

Treasury requires the bulk distribution of varying quantities of seven (7) different booklets/forms to approximately 1,500 libraries, post offices and other public sites. (See Appendix B for additional details). The individual customer order fulfillment and distribution season normally occurs in mid-January each year. Reorders are fulfilled and distributed in February through April.

Exact quantities to be mailed are unknown. Quantities specified are estimates based on prior mailings, and the State is not obligated to mail in these exact quantities.

**1.020 Scope of Work and Deliverables**

**1.021 In Scope**

Short-term warehousing of tax materials throughout the direct mail and bulk distribution processes is required. After the tax season is completed (mid-April), Treasury will elect to have the contractor recycle the unused materials or ship the materials to Treasury.

**A. Address updating/cleansing and direct mailing of forms**

1. Process data file (approximately 4.9 million records) through an address cleansing software, update the data records and return the data file to Treasury.
2. Sort taxpayer addresses to achieve the best postal sort.
3. Print customer addresses on peel-off labels and affix to booklets for mailing.
4. Ship materials to USPS locations.
5. Report various information to the Contract Compliance Inspector (CCI) including, but not limited to, items received, quantity of materials shipped, and remaining inventory following delivery.

**B. Bulk distribution of forms**

1. Fulfill and ship bulk distribution orders.
2. Report various information to the Contract Compliance Inspector including, but not limited to, items received, quantity of materials shipped, and remaining inventory following delivery.

**Bidder Response:**

Wolverine Solutions is licensed by the United States Post Office to process data using the most up-to-date data hygiene software programs. USPS personnel are on-site daily to verify all mailings and we have assigned bays at the Bulk Mail and Sectional Center facilities.

Wolverine Solutions has the capabilities to print and affix peel off labels on mail pieces.

Wolverine Solutions has the capabilities to distribute mail to all requested Postal Facilities.

Wolverine Solutions can and has provided various report information to the Contract Compliance Inspector as required.

Wolverine Solutions uses a Computerized Parcel System (CPS). The CPS stores data about every parcel and shipment processed. This data can be easily extracted for use in accounting, order tracking, inventory management and shipment planning. To calculate the customer type information, as required, we would use our "On-line Order Processing System". Order levels may be set on a company basis as requested and designated by the customer. The data file format that is required is a ".csv" (comma separated value), excel fixed length file or ".dat" file.



Wolverine will fulfill order and bulk ship distribution orders as required. Inventory reports can be handled in one of two ways: 1.) Wolverine could provide on-line real-time access, or 2.) reports could be sent electronically as requested.

**1.022 Work and Deliverables**

**A. General specifications (applicable to address updating/cleansing, direct mailing of forms and bulk distribution of forms)**

- 1. Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work identified in this section.

Bidder Response to this Task:

Wolverine agrees to all things necessary for or incidental to the performance of work identified in this section.

- 2. The State reserves the right to inspect the plant in which the work will be produced, to examine the equipment and facilities, and to determine the ability of the contractors to perform the work in accordance with the requirements. Failure to pass plant inspection will disqualify bidder from further consideration for award.

Bidder Response to this Task:

Wolverine is open to inspections/visits from the State of Michigan prior to and/or during production.

- 3. 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.

Bidder Response to this Task:

Wolverine Solutions can process and deliver on all calendar days, including Saturdays and Sundays.

- 4. The CCI cannot authorize printing or mailing until legislation is complete. If pending legislation delays the CCI'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 CCI to authorize printing or mailing.

Bidder Response to this Task:

Wolverine agrees that Treasury is not liable for the cost of any downtime incurred if legislative delays make it impossible for Treasury to authorize printing or mailing.

- 5. All data provided by Treasury and duplicates made by the contractor or the contractor's representatives and any resulting printed material must be kept secure to prevent release to unauthorized persons. Data may not be duplicated in whole or in part for any other purpose other than to create material to be used in the performance of this contract. All data supplied by Treasury must be deleted immediately upon completion of this contract. All duplicate files must be destroyed and procedures provided for destruction of confidential data. See Appendix E – Safeguard Requirements of Confidential Tax Data for additional details.

Bidder Response to this Task:

- Data is managed in a secure area with limited employee access
- Access via independent password protected FTP sites



- Client FTP sites are isolated
  - Independent upload and download sub folders
  - Downloads restricted from upload folders
  - Uploads restricted from download folders
  - Internal access to FTP site restricted to limited DP staff only
  - DP servers restricted to Data staff only
  - Client data converted, verified and stored in isolated client job folders on isolated dedicated server.
  - DP Quality control and record keeping based on ISO standards
- Wolverine enforces a strict data policy, with access only to personnel required to perform work functions.

6. Requests for overtime payment for any item on this contract will not be paid unless the CCI specifically requests and authorizes overtime in writing **before** mailing and/or fulfillment services begin.

Bidder Response to this Task:

Wolverine agrees with this provision.

7. At any time, Treasury may determine that an item is no longer needed. Treasury is not obligated to pay for any services which it does not authorize.

Bidder Response to this Task:

Wolverine agrees with this provision.

8. The Contractor shall include in the bid response an emergency disaster plan to continue providing service without interruption to Treasury. The plan should include the name of contractor to be used in case of an emergency, contractor location, and a letter of understanding from the emergency contractor confirming its ability to provide assistance. The Contractor shall not be liable for liquidated damages when delays arise out of causes beyond the control and without fault or negligence of the Contractor (see Section 2).

Bidder Response to this Task:

See appendix E – Disaster Recovery Plan

9. 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). Provide a copy of procedures used to ensure quality standards with the bid response.

Bidder Response to this Task:

Wolverine Solutions is dedicated to on-going improvements for all client jobs and processes. As a result of the commitment the following technology has already been implemented to enhance the quality of our current programs.

- Continuously updating software and computer hardware with the latest technology
- Network infrastructure has been updated to include 1 gb connections to the desktop to allow for substantial improvements in processing time.
- All continuous and sheet fed laser printing systems have been updated to provide additional speed, quality and laser capabilities.
- A customer web enabled inventory management system has been designed to allow our clients to review current inventory levels, run reports, such as low level, inventory usage, postage usage and current balances.
- Network perimeter protection has been updated to include the latest in firewall & VPN technology
- Our Data Department maintains a 35 point Client Image sign off form
- Production samples are provided to the Production Supervisor prior to any production processing to verify production set up is correct and correct data files are used on correct stock.



- The assigned Customer Service representative verifies data, printing and production to ensure that procedures are followed and client timing is met.

In addition, Wolverine treats all State of Michigan mail campaigns with 100% mail verification. In the event that any pieces are damaged during production, Wolverine will reproduce those pieces and appropriately present them to the United States Postal Service for delivery. Damaged pieces that contain any confidential information are shredded prior to disposal.

Wolverine's quality assurance program includes:

QA Procedures included:

- Work Group Instructions are created for each cycle
- QC forms developed for each operation.
- Hourly sample pulls / checks for each operation
- Batch Processing / sequence verifications / count verifications
- Metrics
- Corrective action process
- Final inspection
- Management review

**B. Address Updating/Cleansing and Direct Mailing of Forms**

1. Treasury will provide one file of taxpayer addressing data for all direct mailed income tax booklets.
  - a. Contractor must process the entire file (approximately 4.9 million records) through the National Change of Address (NCOA) application to create the "NCOA Update File" (subcontractor must be specified in the bid if one is utilized).
  - b. The NCOA application must update addresses when address changes have occurred after May 1<sup>st</sup> of the mailing tax year.
  - c. The NCOA application must use the "individual" (vs. "family" or "business") move type match logic.
  - d. The NCOA Update File must contain updated address information including all addresses standardized, ZIP codes corrected, and NCOA moves. NCOA updates must be appended to each taxpayer record using NCOA record/file standards and returned to Treasury for uploading to Treasury's master file. This file must be formatted to ANSI69DEFAULT, which is an ANSI69 format and a standard file name must be on the label.
  - e. Contractor must have an SFTP or SSL Connection to transmit the NCOA Update File to Treasury. File must be transmitted no later than December 15.
  - f. If the contractor chooses to zip the file, Treasury must be notified by December 10.
  - g. Contractor is responsible for educating the CCI on the NCOA application functions utilized for the records provided by Treasury. Written approval from the CCI is required prior to use of the NCOA application.

**Bidder Response to this Task:**

Wolverine agrees with this provision. Wolverine utilizes the most current updates for the both NCOA and DPV processing. Processing reports display the activation and expiration dates for the files.

2. The NCOA application is to occur using the file provided by Treasury. A single address may be used for multiple documents/mailings. Treasury will only pay to update an address one time.

**Bidder Response to this Task:**

Wolverine agrees with this provision.

3. Following the NCOA process, the contractor must provide a file of undeliverable addresses to the CCI on a CD-ROM. The contractor shall not mail materials to these addresses unless otherwise instructed by the CCI.



Bidder Response to this Task:

Wolverine agrees with this provision.

4. Contractor must provide standard NCOA move reports to the CCI as requested by the CCI.

Bidder Response to this Task:

Wolverine agrees with this provision.

5. The estimated annual volumes and document size are as follows. All books are 8.5" x 11" with a self cover. All books are either bound by glue or stitched.

Item	Annual Quantity (est.)	Size
a. MI-1040 Book Income Tax Instruction	350,000	52 pages
b. MI-1040CR-7 Book Home Heating Credit Claim	500,000	16 pages
c. MI-1040 CR-5 Book Farmland Preservation Tax Credit	200	16 pages
d. MI-1040CR-2 Book Homestead Property Tax Credit Claim for Veterans and Blind People	800	16 pages

\*Quantities are estimates and are subject to change.

Indicate any limitations which may be encountered when processing these documents.

Bidder Response to this Task:

Wolverine has the capabilities to process the above quantities.

6. The tentative address cleansing/updating and direct mailing schedule is as follows:

Treasury sends test data file to contractor.....	October 15
Contractor provides sample labels from test data file.....	November 1
Contractor provides test NCOA Update File * .....	November 7
Treasury approves Update File; releases production file to contractor .....	November 18
Contractor provides sample labels from production file.....	December 10
Contractor provides NCOA Update File * .....	December 15
Contractor provides a list of undeliverable addresses to CCI.....	December 15
Contractor completes sorts and processes files for mailing .....	December 15
Contractor completes first notification of mailing for initial mailing .....	December 18
Printers begin delivering tax materials to contractor.....	December 12
Labeling of tax materials begin .....	December 22
First tax materials delivered to post offices.....	December 27
Contractor provides final inventory report of materials .....	January 4
Contractor recycles and/or returns residual materials .....	January 10

\* A test NCOA Update File must be submitted to the CCI for approval before the final production file is released to contractor.

The print vendors are scheduled to begin delivering tax materials between December 12 and December 22. Legislative action could delay this delivery. Treasury's CCI will keep the contractor apprised of when to expect material (See Appendix C for tentative delivery dates.)



The contractor will be granted a minimum of two weeks to sort and process files prior to providing the final NCOA Update File on December 15th, and to provide the CCI with any necessary postal review before labeling begins. Once postal determinations are made, the contractor will have an additional week to create mailing labels.

**Bidder Response to this Task:**

Wolverine Solutions can comply with all mailing schedules set forth by Treasury. Including meeting deadline of NCOA Update Tape test file prior to final production tape being released. Wolverine prefers the transmission by FTP vs. tape for both testing and production files. The process has proven to be more cost effective, and reduces the time it takes to receive files.

**7. File Sorting**

After the addressing data for all items in Section 1.021.A.1 has been processed through the NCOA application, the NCOA Update File must be sorted by file type. Each record is coded with a file type to indicate the documents the addressee will receive. The contractor must use these codes to sort this file into different mailing lists, and then perform the postal sort specified for each list.

**Bidder Response to this Task:**

Wolverine Solutions will sort all files into separate files based on types of mailings. The postal sort will be processed after files are separated.

**8. Postal Sorting**

The contractor must match the mailing lists with the USPS Delivery Sequence File<sup>2</sup> (DSF<sup>2</sup>) and sort the file to maximize postal discounts. For these items, Treasury anticipates the file to sort as follows.

- Item 1 (MI-1040): Standard Enhanced Carrier Route High Density rate
- Item 2 (MI-1040CR-7): ..... Standard Enhanced Carrier Route High Density rate
- Item 3 (MI-1040CR-5): ..... Standard 3/5-Digit rate
- Item 4 (MI-1040CR-2): ..... Standard 3/5-Digit rate

Contractor must perform postal sorting and analysis and provide the CCI with information necessary to determine the cost-effectiveness of USPS Sectional Center Facilities (SCF) drop shipments. If the mail sort allows delivery to some SCFs, the CCI may choose to redirect some shipments to the SCF. Contractor must communicate with the CCI the viability and cost effectiveness to deliver to each SCF prior to making deliveries. Contractor is required to complete the necessary sorting and paperwork for all USPS Bulk Mail Center (BMC) and SCF deliveries.

For materials shipped to Post Offices, records must be processed through **CASS™ System** to determine postal discount eligibility. The **CASS™ System** improves the accuracy of carrier route, five-digit ZIP®, ZIP + 4®, and delivery point codes that appear on mail pieces.

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-bar coded carrier-route mail. The contractor must have the ability to provide this service if requested and must notify the CCI of current postal rates.

**Bidder Response to this Task:**

Wolverine Solutions can match the mailing list with the DSF file and sort the file to maximize postal discounts. We will provide postal sort analysis to the Contract Compliance Inspector to determine the cost-effectiveness of drop shipments. We can provide all necessary paperwork for USPS deliveries. Wolverine will also continue to advise the Treasury of any changes in postal rates.



## 9. Postage Payment

A minimum of two days before mail is delivered to a post office, contractor must fax or e-mail to the CCI a completed Form 2562, *Notice of Mail Drop to Treasury USPS Permit*. Contractor must be able to accommodate USPS verification of mail in the contractor's plant. All mail must be verified at the plant before being trucked to the BMCs or SCFs. All postage will be paid from a single State of Michigan postal permit. Permits established by the 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.

### Bidder Response to this Task:

Wolverine Solutions will provide the Contract Compliance Inspector a completed Form 2562 a minimum of two (2) days prior to mailing. All mail will be verified by the USPS at Wolverine Solutions prior to being trucked to the BMC or SCF. One State of Michigan postal permit will be used for postage. Meter strips will be affixed for postage on foreign mail pieces. This postage will be invoiced to the Treasury.1

## 10. Production Records

Contractor shall provide the CCI with a copy of all U.S. Postal Service Forms 3602 and a *Statement of Mailing with Permit Imprints* as soon as delivery of each item is complete. Each USPS 3602 form is to contain no more than one item with each item **clearly identified** with the name of the book being mailed.

Contractor must record daily product received from the print contractors. These daily records shall be submitted to the CCI with the USPS 3602 forms for each job.

### Bidder Response to this Task:

Wolverine Solutions will provide Treasury's Contact Compliance Inspector with a copy of the 3602 that will be presented to the USPS. We will not mix items on statements. Form 3602 will clearly marked each item mailed.

## 11. Labeling

Contractor must create labels for each of the mailing groups. Labels must be in a peel-off format so the user can remove it from the book and affix it to a form. Contractor must affix one label to each item mailed.

The label must accommodate 6-lines (4 lines of address, 1 line of account number, 1 line of postal information) that is 30-characters wide plus target marks at the right and left margin outside the address block. Information can be printed in a font no smaller than 10 point for the account number line, and 9 point for the remaining address lines; the account number line must be in bold. Contractor must print a 16-point bold round bullet (target mark) in the upper-left and lower-right corners of the label. Contractor must verify with USPS that the target marks will not interfere with the barcode read.

The CCI must be provided a test label for approval before use.

### Bidder Response to this Task:

Wolverine Solutions can create and affix "piggy back" labels for each of the mailing groups. Labels will accommodate a 6-line mailing address with the correct point sizes. Test labels will be provided.

## 12. 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 250,000 books/day as they are received from the printer. Delivery must be complete within 7 days of receiving the first shipment of books (see section 1.022.B.6). 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 labeling and may need to hold the labeled books a short while before mailing.

If approval to print tax materials is delayed past December 31, the contractor will work with Treasury to find a suitable solution such that mailing can be improved to a rate of 400,000/day. Indicate your ability to handle this accelerated mailing schedule.

**Bidder Response to this Task:**

Wolverine Solutions has the capability to process 400,000 mail forms per day as required. In the event that approval to print tax materials is delayed past December 31<sup>st</sup>, Wolverine Solutions will increase the number of machines used to process mail to improve the rate to 600,000 per day.

**13. Delivery**

Treasury may elect to utilize contractor delivery services, State of Michigan delivery services or a combination of the two for direct mail. Complete the Delivery Costs Pricing Sheet (Appendix A) to indicate the delivery costs to the postal facility location/destination.

**a. Packaging**

Packaging and containers, etc., shall be in accordance with the contractor's commercial practice and shall meet the requirements of Department of Transportation (D.O.T.) and rail and motor carrier freight classifications in effect at time of shipment, which will permit application of the lowest freight rate.

The cost of all pallets shall be included in the Contract price and become the property of the State.

**b. Palletizing**

Shipments must be palletized and must conform to the following:

1. Manufacturer's standard 4-way shipping pallets are acceptable.
2. Maximum height: 5'6" (including pallet).
3. Maximum weight: 3,500 pounds (including pallet).
4. Pallets are to be securely banded or shrink-wrapped.
5. The cost of palletizing shall be included in the unit price.

**c. Storage**

The contractor must store tax materials from the time materials are received until early January. In April, the CCI will instruct the contractor to either destroy or ship excess tax materials to the State.

**Bidder Response to this Task:**

Wolverine Solutions has the storage capacity required.

Form disposal will be initiated by Treasury. Inventory counts will be provided for each remaining item. When CCI provides the Customer Service Representative with written authorization, Wolverine Solutions will recycle the balance of stock. The CSR supplies a sample of the item and a request to recycle to our Warehouse Manager. The Warehouse Manager arranges for items to be recycled.

**14. Reporting**

The Contractor shall submit weekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period;



problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed-upon work plans.

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

- a. Inventory on hand
- b. Returned mail/bad addresses
- c. Itemized postage charges

If Treasury requires a new report, describe the process and time required to fulfill the request. For this task, use the resources that you would use to develop an average report.

**Bidder Response to this Task:**

Wolverine Solutions will provide reports in excel format. These reports will include: Inventory on hand, returned amil/bad addresses and itemized postage charges. Microsoft Excel will be used to develop these reports. Wolverine regularly reports these items back to Treasury. Should a custom report be required, timing would be 24-48 hours.

**C. Bulk Distribution of Forms**

1. Tentative Distribution Schedule

In early December, Treasury will forward to the contractor a customer database, a list of the forms, and the printing contractors' tentative delivery dates (see Appendix C). Forms will be delivered directly to the distribution contractor in mid-December and early January.

Treasury releases customer data to Contractor .....	December 5
Treasury releases draft mailing label/packing slip to Contractor .....	December 12
Contractor submits test mailing label/packing slips to Treasury .....	December 19
Printers begin delivery of booklets to contractor .....	December 21
Contractor notifies Treasury of received tax materials .....	December – January
Mailing label/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 weekly reports of materials on hand.....	February 1 – April 10
Contractor provides report of undeliverable addresses .....	March 1 and April 15
Contractor provides final inventory report of materials .....	April 15
Contractor recycles and/or ships remaining materials to Treasury .....	April 22

See Appendix B for details regarding estimated form orders by customer type.

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

**Bidder Response to this Task:**

Wolverine can comply with this schedule.

2. Receipt and Storage of Inventory

Treasury currently has multiple print vendors responsible for printing tax-related forms and booklets. The print vendors will begin delivering printed tax materials to the distribution contractor's warehouse/distribution center on or about December 22 and continue through early January. Note: Printing vendors are instructed to label boxes with the form name, form number, tax year, Treasury contract release number, and quantity contained in the box (box weight is not to exceed 40# per box). See Appendix C for additional details.

Describe your organization's ability to manage the volumes and your process for inventory control. Indicate whether or not multiple warehousing sites will be necessary. Provide address information for each site and the proposed documents to be warehoused at each site.

Contractor shall inventory forms as received and notify Treasury of form quantity and receipt date. Indicate the process used to maintain and manage the inventory of forms and booklets included in Appendix C.



Contractor must monitor form quantities and inform CCI when inventory levels meet minimum quantities as set by Treasury (see Section 1.022.C.11).

**Bidder Response to this Task:**

Wolverine has space at our main production facility, located on 1601 Clay Street, Detroit, MI 48211-1913, for all material. Our on-line inventory/order system would be used to manage orders and inventory. Inventory is reduced as orders are placed through the system. A program is already in place to convert the files received via FTP into our system. The Treasury Department can view inventory and orders online 24 hours a day/7 days a week.

Multiple locations will not be necessary to warehouse inventory.

**3. Order Fulfillment/Process**

Bulk distribution must begin no earlier than January 15. All initial orders must be fulfilled no later than January 21. 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 (1) business day of receiving the order from Treasury.

Describe the process used to fill orders.

**Bidder Response to this Task:**

Wolverine Solutions processes orders through an online system. Initial order files are received and run through our online program (already established). Pick and pack slips are generated, items are pulled from the warehouse and packed for shipping. Subsequent orders are received via email. Order are manually entered and processed through our online system. Inventory is reduced as orders are entered. Subsequent orders are fulfilled within one day.

Programs are already in place and there will be no additional programming charges.

**4. Initial Orders/Data Transmission**

Initial orders will be communicated to the distribution contractor via an electronic file provided by Treasury. The CCI will work with the contractor to define the contents and format of the data file (see Section 1.022.B.1). Contractor must generate test orders to be approved by the CCI prior to actual production (see Section 1.022.C.1).

**Bidder Response to this Task:**

Wolverine agrees with this process and can fulfill orders using MC Excel.

**5. 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).

**Bidder Response to this Task:**

Wolverine will ensure that boxes are fully packed for shipping. We will commingle forms to create full boxes to maximize the presort discounts.

**6. Packing Slip/Mailing Label**

Contractor must provide, to the CCI, a sample of labeling and packing slips that will accompany the shipments (see Section 1.022.C.1). The CCI may request that a specific message be printed on a label 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 list. It may be possible Treasury will request an additional flyer (8.5" x 11") be inserted in addition to the packing slip.

**Bidder Response to this Task:**

Wolverine will provide samples of labels and packing slips. We can add a specific message on a label or packing slip as requested by the CCI. We will identify which box has the packing slip in it for multiple boxes going to one customer.

## 7. Subsequent Orders

Subsequent orders may be submitted to the distribution contractor by Treasury; however, the majority of the distribution volume is the result of the initial orders. Indicate the process/system used to manage and process subsequent orders.

**Bidder Response to this Task:**

Subsequent orders will be received and processed within one (1) working day. Orders are received via email and manually keyed into our online system. Pick and pack slips are printed, inventory is pulled, packaged and orders are shipped. Inventory is reduced as orders are entered into the system.

## 8. Mailing/Shipping

**Note: Shipments to U.S. Post Offices must be shipped parcel post.**

The State of Michigan's United Parcel Service (UPS) account will be used to fund UPS shipments, eliminating the need for the contractor to fund UPS shipments.

It is possible that Treasury will request the contractor to deliver orders to area bulk sites as opposed to shipping through UPS or Parcel Post. Explain your capability to make area deliveries (within a radius of 15 miles of the fulfillment center) and include the cost per order to do so in Appendix D.

**Bidder Response to this Task:**

Wolverine Solutions is licensed to run CASS Certification on site. This will determine postal discount eligibility and ensure that the best postal discounts are applied.

Wolverine Solutions will ship orders via UPS, our trucks or USPS Parcel Post. We will use treasury's permit only for the purpose of mailing Treasury items.

Wolverine Solutions has the capabilities to deliver (using our trucks) to various locations within a ½ hour of our location as required.

## 9. Back Order Processing

It is anticipated that no backorder processing will be required. However, contractor should indicate the process/system used to manage and process backorders. Treasury may be interested in filling specific backorders as soon as the specific tax material is available to the distribution/warehousing contractor. For efficiency purposes, Treasury may require backorders to be filled when all items of the backorder are available. Indicate the ability/inability to allow for this.

**Bidder Response to this Task:**

Our inline system will store all backorders in the event that inventory is not available. When stock is received, the system will automatically generate pick and pack list for order processing. If the Treasury requires, we hold orders until all items are received, we can manipulate the system to hold orders.

## 10. 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 for weekly reporting (see Section 1.022.C.11).

**Bidder Response to this Task:**



As return shipments are received, Wolverine Solutions provides Treasury with report listing name, address, city, state, zip and items on order. Treasury can then provide Wolverine Solutions with updated information to re-mail or advise not to re-mail.

## 11. Reporting

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

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

- Inventory on hand (weekly)
- Type and Number of customers completed and orders pending (daily)
- Returned mail/bad addresses (weekly)
- Itemized postage charges (weekly)

If Treasury requires a new report, describe the process and time required to fulfill the request. For this task, use the resources that you would use to develop an average report.

### Bidder Response to this Task:

Wolverine will submit brief written summaries of progress during the mailing period. Summaries will include, but are not limited to: Inventory, orders completed, returned items and tracking numbers for orders sent. Wolverine utilizes an online system, which Treasury can access via the internet 24 hours/7 days a week. The online system will provide inventory levels and usage, including, specific orders processed. Tracking information is not yet available through the online system. New reports can be created as needed.

## 12. Management of Excess Forms

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

After shipments of excess tax material have been completed, the contractor will be responsible for destruction and recycling of the tax material. Destruction will not occur until the CCI has provided written authorization to the contractor to do so. Bidder shall describe its ability to fulfill the shipping and recycling requirements and include shipping and recycling costs associated with this task in Appendix D.

### Bidder Response to this Task:

Wolverine will store materials as requested, charging only for items stored over 30 days.

In April, with the written authorization from the CCI, Wolverine will prepare items for pick up from Treasury as requested. We will also recycle the balance of the inventory. After receiving a written request from treasury, our CSR will initiate the proper paper work to have the warehouse manager pull the balance of inventory and send it to a recycling facility.

## 13. Quality Assurance and Control

Bidder shall describe its processes and ability to assure quality control of the fulfillment process. Contractor must provide the CCI with written confirmation to confirm all orders are shipped to the distribution sites indicated in Appendix B.

### Bidder Response to this Task:

A custom import process is in process is in place to convert the Treasury's file and allow for importing



into the online order processing system. Orders are checked against the packing slip twice during our fulfillment process, to ensure that the proper items and quantities are being shipped. Our online system allows Treasury to view orders processed and inventory 7 days a week/24 hours a day. Wolverine will utilize industry standard Quality Control steps to insure orders are processed correctly. Orders are picked by an individual (or individuals), packed and verified by another group, and a final quality control inspection is performed by a third group prior to shipping.

**1.030 Roles and Responsibilities**

**1.031 Contractor Staff, Roles, and Responsibilities**

1. Contractor shall identify personnel requirements by number and skill including names and proposed physical location of executive and professional personnel who would be employed in this project in its work-plan (and shall indicate through the use of organizational diagrams and/or narrative statements, the specific functions of each assigned individual with detailed qualifications of employees and Subcontractors assigned to his project), for at least the following:

- Project Manager
- Site Supervisor
- Staff Support
- Subcontractors

Bidder Response:

Wolverine Project Manager: Belinda Schultz (Customer Service Manager) 17 years with Wolverine.

Site Supervisor: Darryl English (Vice President) 13 years with Wolverine.

Staff Support: Mia Kajdic (Customer Service) 4 years with Wolverine.

IT Support: Brian Anger; 11 years with Wolverine.

Subcontractors: N/A

**1.040 Project Plan**

**1.041 Project Plan Management**

A. For each location, a project work plan for managing implementation of the services shall be specified and submitted to the CCI for review and approval.

B. Project management plan shall identify methods, tools and processes proposed to oversee the project, address issues and changes as they arise, and keep the appropriate parties apprised of progress.

Bidder Response:

Due to the nature of this program, Wolverine is unable to define a specific project work plan. Planning is strictly based on the actual date books are received from the print vendor. Based on that theory, Wolverine commits to the following timelines:

Data Processing: 5 business days.

Label Proofs: 2 business days from data approval.

Printing of Labels: 1 business day(s)

Application of Labeling and Sorting: Up to 400,000 per day, unless the schedule has run behind, and production needs to be increased to complete by assigned deadline.

Deliver to USPS: 1-2 day(s)

Based on the presumed numbers, Wolverine does not foresee any issues with the desired timeline.



**1.042 Reports**

Deleted – not applicable

**1.050 Acceptance**

**1.051 Criteria**

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

The CCI will conduct inspections for all specifications identified in the Contract and will provide performance evaluations to the Contractor noting any deficiencies. The CCI (or his/her appointed representative) shall make the final determination as to whether any task has been satisfactorily performed.

The CCI will also maintain a record comprised of complaints from agency or departmental staff and provide record of this to the Contractor; this record will identify the areas requiring special attention on that day, which must to be completed by Contractor within eight hours of its receipt.

Contractor will remain responsible to make any necessary changes if the CCI determines that any task has not been performed adequately or satisfactorily. Contractor must correct the deficiency within 24 hours from notice of the deficiency, or sooner depending on the severity of the task.

Should the Contractor fail to correct specification deficiencies, a Complaint to Vendor (Vendor Performance form) will be filed by the CCI. Repeated failure to correct specification deficiencies resulting in issuance of subsequent Complaint to Vendor (Vendor Performance form) may result in cancellation of the Contract.

**1.052 Final Acceptance**

Deleted – not applicable

**1.060 Proposal Pricing**

**1.061 Proposal Pricing**

See Appendix A and Appendix D

Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See [www.michigan.gov/dmb](http://www.michigan.gov/dmb) for current rates.

**1.062 Price Term**

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

**1.063 Tax Excluded from Price**

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

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale



will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

**1.064 Holdback**  
Reserved

**1.070 Additional Requirements**

**1.071 Additional Terms and Conditions**  
Deleted – not applicable



## **Article 2, Terms and Conditions**

### **2.000 Contract Structure and Term**

#### **2.001 Contract Term**

The Contract is for a period of 3 years with an anticipated beginning date of October 1, 2010. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

#### **2.002 Options to Renew**

The Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to 2 additional 1 year periods.

#### **2.003 Legal Effect**

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

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

#### **2.004 Attachments & Exhibits**

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

#### **2.005 Ordering**

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

#### **2.006 Order of Precedence**

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

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

#### **2.007 Headings**

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

**2.008 Form, Function & Utility**

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

**2.009 Reformation and Severability**

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

**2.010 Consents and Approvals**

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

**2.011 No Waiver of Default**

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

**2.012 Survival**

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

**2.020 Contract Administration****2.021 Issuing Office**

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

Bruce Hanses, Administrator  
Departmental Services Division  
Department of Treasury  
Austin Bldg, 2nd Floor  
430 West Allegan  
Lansing, MI 48922  
Email: hansesb@michigan.gov  
Phone: 517-335-0967

**2.022 Contract Compliance Inspector**

After Treasury Purchasing receives the properly executed Contract, it is anticipated that the Director of Treasury Purchasing, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of the Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by Treasury Purchasing.** The CCI for the Contract is:

Darron Birchmeier  
Department of Treasury  
430 West Allegan  
Email: birchmeierD@michigan.gov



Phone: 517-241-3548

### **2.023 Project Manager**

The following individual will oversee the project:

Darron Birchmeier  
Department of Treasury  
430 West Allegan  
Lansing, MI 48922  
Email: birchmeierD@michigan.gov  
Phone: 517-241-3548

### **2.024 Change Requests**

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

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

Change Requests:

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

### **2.025 Notices**

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

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

### **2.026 Binding Commitments**

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

### **2.027 Relationship of the Parties**



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

#### **2.028 Covenant of Good Faith**

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

#### **2.029 Assignments**

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

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

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

### **2.030 General Provisions**

#### **2.031 Media Releases**

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

#### **2.032 Contract Distribution**

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

#### **2.033 Permits**

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

#### **2.034 Website Incorporation**

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

#### **2.035 Future Bidding Preclusion**



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

### **2.036 Freedom of Information**

All information in any proposal submitted to the State by Contractor and the Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, MCL 15.231, et seq (the "FOIA").

### **2.037 Disaster Recovery**

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

## **2.040 Financial Provisions**

### **2.041 Fixed Prices for Services/Deliverables**

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

### **2.042 Adjustments for Reductions in Scope of Services/Deliverables**

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

### **2.043 Services/Deliverables Covered**

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

### **2.044 Invoicing and Payment – In General**

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

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

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

(d) All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the CCI and the Contractor

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) must mutually agree upon. The schedule must show payment amount and must reflect actual work done by the



payment dates, less any penalty cost charges accrued by those dates. As a general policy, statements must be forwarded to the designated representative by the 15th day of the following month.

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

#### **2.045 Pro-ration**

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

#### **2.046 Antitrust Assignment**

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

#### **2.047 Final Payment**

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

#### **2.048 Electronic Payment Requirement**

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

### **2.050 Taxes**

#### **2.051 Employment Taxes**

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

#### **2.052 Sales and Use Taxes**

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

### **2.060 Contract Management**

#### **2.061 Contractor Personnel Qualifications**

All persons assigned by Contractor to the performance of Services under the Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of the Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be



treated by the State as if they were employees of Contractor for the Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

#### **2.062 Contractor Key Personnel**

- (a) The Contractor must provide the CCI with the names of the Key Personnel.
- (b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.
- (c) The State reserves the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor must notify the State of the proposed assignment, must introduce the individual to the appropriate State representatives, and must provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State must provide a written explanation including reasonable detail outlining the reasons for the rejection.
- (d) Contractor must not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements and appropriate transition planning must be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.
- (e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

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

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

#### **2.064 Contractor Personnel Location**

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

#### **2.065 Contractor Identification**



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

#### **2.066 Cooperation with Third Parties**

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

#### **2.067 Contractor Return of State Equipment/Resources**

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

#### **2.068 Contract Management Responsibilities**

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

### **2.070 Subcontracting by Contractor**

#### **2.071 Contractor Full Responsibility**

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

#### **2.072 State Consent to Delegation**

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

#### **2.073 Subcontractor Bound to Contract**

In any subcontracts entered into by Contractor for the performance of the Services, Contractor must require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of the Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by the Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any



proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor is the responsibility of Contractor, and Contractor must remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor must make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under the Contract will not relieve Contractor of any obligations or performance required under the Contract.

#### **2.074 Flow Down**

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

#### **2.075 Competitive Selection**

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

### **2.080 State Responsibilities**

#### **2.081 Equipment**

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

#### **2.082 Facilities**

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

### **2.090 Security**

#### **2.091 Background Checks**

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

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

#### **2.092 Security Breach Notification**



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

### **2.093 PCI Data Security Requirements**

Deleted – not applicable

## **2.100 Confidentiality**

### **2.101 Confidentiality**

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

### **2.102 Protection and Destruction of Confidential Information**

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

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

### **2.103 Exclusions**

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



and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

#### **2.104 No Implied Rights**

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

#### **2.105 Respective Obligations**

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

### **2.110 Records and Inspections**

#### **2.111 Inspection of Work Performed**

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

#### **2.112 Examination of Records**

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

#### **2.113 Retention of Records**

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

#### **2.114 Audit Resolution**

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

#### **2.115 Errors**

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



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

## **2.120 Warranties**

### **2.121 Warranties and Representations**

The Contractor represents and warrants:

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

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

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

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

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

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

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

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

### **2.122 Warranty of Merchantability**

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

### **2.123 Warranty of Fitness for a Particular Purpose**

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



### **2.124 Warranty of Title**

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

### **2.125 Equipment Warranty**

Deleted – not applicable

### **2.126 Equipment to be New**

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

### **2.127 Prohibited Products**

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

### **2.128 Consequences For Breach**

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

## **2.130 Insurance**

### **2.131 Liability Insurance**

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

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

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

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

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

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



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

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

- \$2,000,000 General Aggregate Limit other than Products/Completed Operations
- \$2,000,000 Products/Completed Operations Aggregate Limit
- \$1,000,000 Personal & Advertising Injury Limit
- \$1,000,000 Each Occurrence Limit

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

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

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

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

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

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

- 4. Employers liability insurance with the following minimum limits:

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

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

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

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

- 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under the Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the



Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

### **2.132 Subcontractor Insurance Coverage**

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

### **2.133 Certificates of Insurance and Other Requirements**

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

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

## **2.140 Indemnification**

### **2.141 General Indemnification**

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

### **2.142 Code Indemnification**

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

**2.143 Employee Indemnification**

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

**2.144 Patent/Copyright Infringement Indemnification**

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

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

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

**2.145 Continuation of Indemnification Obligations**

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

**2.146 Indemnification Procedures**

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

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



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

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

## **2.150 Termination/Cancellation**

### **2.151 Notice and Right to Cure**

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

### **2.152 Termination for Cause**

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

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

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

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



and the rights and obligations of the parties must be limited to that otherwise provided in the Contract for a termination for convenience.

### **2.153 Termination for Convenience**

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

### **2.154 Termination for Non-Appropriation**

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

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

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

### **2.155 Termination for Criminal Conviction**

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

### **2.156 Termination for Approvals Rescinded**

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

### **2.157 Rights and Obligations upon Termination**

(a) If the State terminates the Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from the



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

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

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

#### **2.158 Reservation of Rights**

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

#### **2.160 Termination by Contractor**

##### **2.161 Termination by Contractor**

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

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

#### **2.170 Transition Responsibilities**

##### **2.171 Contractor Transition Responsibilities**

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

**2.172 Contractor Personnel Transition**

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

**2.173 Contractor Information Transition**

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

**2.174 Contractor Software Transition**

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

**2.175 Transition Payments**

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

**2.176 State Transition Responsibilities**

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

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

**2.180 Stop Work****2.181 Stop Work Orders**

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

**2.182 Cancellation or Expiration of Stop Work Order**



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

### **2.183 Allowance of Contractor Costs**

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

## **2.190 Dispute Resolution**

### **2.191 In General**

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

### **2.192 Informal Dispute Resolution**

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

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

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

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

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

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

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



### **2.193 Injunctive Relief**

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

### **2.194 Continued Performance**

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

## **2.200 Federal and State Contract Requirements**

### **2.201 Nondiscrimination**

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

### **2.202 Unfair Labor Practices**

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

### **2.203 Workplace Safety and Discriminatory Harassment**

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

### **2.204 Prevailing Wage**

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

The Contractor, its subcontractors, their subcontractors and all persons involved with the performance of the Contract in privity of contract with the Contractor must keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Energy, Labor and Economic Development, the office responsible for enforcement of the wage rates and fringe benefits.



The Contractor must keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with the Contract. This record must be available to the State upon request for reasonable inspection.

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

### **2.210 Governing Law**

#### **2.211 Governing Law**

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

#### **2.212 Compliance with Laws**

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

#### **2.213 Jurisdiction**

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

### **2.220 Limitation of Liability**

#### **2.221 Limitation of Liability**

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

### **2.230 Disclosure Responsibilities**

#### **2.231 Disclosure of Litigation**

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



- (b) Assurances. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of the Contract would cause a reasonable party to be concerned about:
- (i) the ability of Contractor (or a Subcontractor) to continue to perform the Contract according to its terms and conditions, or
  - (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of the Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:
    - (a) Contractor and its Subcontractors must be able to continue to perform the Contract and any Statements of Work according to its terms and conditions, and
    - (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.
- (c) Contractor must make the following notifications in writing:
- (1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify Treasury Purchasing.
  - (2) Contractor must also notify Treasury Purchasing within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.
  - (3) Contractor must also notify Treasury Purchasing within 30 days whenever changes to company affiliations occur.

#### **2.232 Call Center Disclosure**

Deleted – not applicable

#### **2.233 Bankruptcy**

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

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

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

#### **2.240 Performance**

##### **2.241 Time of Performance**

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
- (b) Without limiting the generality of **Section 2.241(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.



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

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

Deleted – not applicable

#### **2.243 Liquidated Damages**

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

#### **2.244 Excusable Failure**

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

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

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

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



## **2.250 Approval of Deliverables**

### **2.251 Delivery Responsibilities**

**Deleted – not applicable**

### **2.252 Delivery of Deliverables**

Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document (“Written Deliverable”), a good (“Physical Deliverable”) or a Service. All Deliverables must be completed and delivered for State review and written approval and, where applicable, installed according to the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

### **2.253 Testing**

(a) Before delivering any of the above-mentioned Statement of Work Physical Deliverables or Services to the State, Contractor must first perform all required quality assurance activities to verify that the Physical Deliverable or Service is complete and conforms with its specifications listed in the applicable Statement of Work or Purchase Order. Before delivering a Physical Deliverable or Service to the State, Contractor must certify to the State that (1) it has performed the quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during the quality assurance activities and testing, (4) the Deliverable or Service is in a suitable state of readiness for the State’s review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.

(b) If a Deliverable includes installation at a State Location, then Contractor must (1) perform any applicable testing, (2) correct all material deficiencies discovered during the quality assurance activities and testing, and (3) inform the State that the Deliverable is in a suitable state of readiness for the State’s review and approval. To the extent that testing occurs at State Locations, the State is entitled to observe or otherwise participate in testing.

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

(a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, according to the following procedures. Formal approval by the State requires the State to confirm in writing that the Deliverable meets its specifications. Formal approval may include the successful completion of Testing as applicable in **Section 2.253**, to be led by the State with the support and assistance of Contractor. The approval process will be facilitated by ongoing consultation between the parties, inspection of interim and intermediate Deliverables and collaboration on key decisions.

(b) The State’s obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.

(c) Before commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor according to **Section 2.253**.

(d) The State must approve in writing a Deliverable/Service after confirming that it conforms to and performs according to its specifications without material deficiency. The State may, but is not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor’s expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.



(e) If, after three opportunities (the original and two repeat efforts), the Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that the Contractor cure the failure and give the Contractor additional time to cure the failure at the sole expense of the Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, and recover the difference between the cost to cure the deficiency and the contract price plus an additional sum equal to 10% of the cost to cure the deficiency to cover the State's general expenses provided the State can furnish proof of the general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure the breach. Notwithstanding the foregoing, the State cannot use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

(f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if the process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity that renders continuing the process unproductive or unworkable. If that happens, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery before resuming the testing or approval process.

### **2.255 Process For Approval of Written Deliverables**

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (and if the Statement of Work does not state the State Review Period, it is by default five Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable before its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State notifies the Contractor about deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts must be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

### **2.256 Process for Approval of Services**

The State Review Period for approval of Services is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 Business Days for Services). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Services (or at the State's election, after approval of the Service). If the State delivers to the Contractor a notice of deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Service in a form that shows all revisions made to the original version delivered to the State. The Contractor's correction efforts must be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Service for conformity and that the identified deficiencies have been corrected.

### **2.257 Process for Approval of Physical Deliverables**

The State Review Period for approval of Physical Deliverables is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 continuous Business Days for a Physical Deliverable). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State delivers to the Contractor a notice of deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. The Contractor's correction efforts must be made at no additional charge. Upon receipt of a



corrected Deliverable from the Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

### **2.258 Final Acceptance**

Unless otherwise stated in the Article 1, Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable must occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.251-2.257**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

### **2.260 Ownership**

#### **2.261 Ownership of Work Product by State**

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

#### **2.262 Vesting of Rights**

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

#### **2.263 Rights in Data**

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

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

#### **2.264 Ownership of Materials**

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



## **2.270 State Standards**

### **2.271 Existing Technology Standards**

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

### **2.272 Acceptable Use Policy**

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

### **2.273 Systems Changes**

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

## **2.280 Extended Purchasing**

### **2.281 MIDEAL**

Deleted – Not applicable

### **2.282 State Employee Purchases**

Deleted – not applicable

## **2.290 Environmental Provision**

### **2.291 Environmental Provision**

Hazardous Materials:

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

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

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



(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

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

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

**Refrigeration and Air Conditioning:**

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

**Environmental Performance:**

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

**2.300 Other Provisions**

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

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

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

**Appendix A  
Income Tax Book Direct Mail Pricing Sheet**

Item #	Description	Estimated Annual Quantity	NCOA/M	CASS Sort/M	Presort/Labels per/M	Address and Mail per/M	One-Year Total Cost/M	One-Year Total Estimate (Total Cost x Quantity)
1	MI-1040 Income Tax Instruction Booklet	350,000	\$1.00	Included	\$6.75	\$18.00	\$24.25	\$8,487.50
2	MI-1040 CR7 Home Heating Credit Instruction Booklet	500,000	\$1.00	Included	\$6.75	\$18.00	\$24.25	\$12,125.00
3	MI-1040 CR5 Farmland Preservation Tax Credit Booklet	200	\$1.00	Included	\$200.00/Minimum	\$200.00/Minimum	\$600.00/Minimum	\$600.00/Minimum
4	MI-1040 CR2 Homestead Property Tax Credit Claim for Veterans and Blind People Book	800	\$1.00	Included	\$200.00/Minimum	\$200.00/Minimum	\$1,200.00/Minimum	\$1,200.00/Minimum
5	NCOA/DSF files not direct mailed	4,040,000	\$1.00				\$1.00	\$4,040.00
							<b>One-Year Total</b>	\$26,452.50
							<b>Three-Year Total</b>	\$79,357.50

\*\$.75/M if DSF is required\*

**Delivery Cost Pricing Sheet**

Postal Facility Location/Destination	Mileage	Cost Per Mile	One-Year Total
Detroit BMC **	235,000	\$1.50/M	\$352.50
Detroit SCF **	2,230	\$1.50/M	\$3.35
Flint	60	\$1.75	\$105.00
Gaylord	225	\$1.75	\$39.75
Grand Rapids	149	\$1.75	\$260.75
Iron Mountain	481	\$1.75	\$841.75
Jackson	73	\$1.75	\$127.75
Kalamazoo	136	\$1.75	\$238.00
Lansing	85	\$1.75	\$148.00
Royal Oak **	183,969	\$1.50/M	\$275.95
Saginaw	96	\$1.75	\$168.00
Traverse City	242	\$1.75	\$423.50
<b>One-Year Total</b>			\$3,339.05
<b>Three-Year Total</b>			\$10,017.15

\*\*These deliveries are based on per thousand records

## Appendix B

### Bulk Distribution Form Orders by Customer Type

Forms		Libraries		Post Offices		Secretary of State (SOS)		Dept of Human Services (DHS)		Treasury Field Offices		Volunteers	
		#Sites	#Forms	#Sites	#Forms	#Sites	#Forms	#Sites	#Forms	#Sites	#Forms	#Sites	#Forms
1	Book: MI-1040 Individual Income Tax	540	344,231	203	31,091	105	18,041	22	3,100	13	10,240	241	1,205
2	Book: MI-1040CR-7 Home Heating Credit	484	152,312	0	0	80	6,194	91	15,175	12	5,489	322	1,610
3	Form: MI-1040/Schedule W	384	132,701	163	23,342		0		0	7	2,756	154	15,883
4	Form: MI-1040CR Property Tax Credit	287	71,791	120	9,380		0		0	7	3,853	203	30,415
5	Form: MI-1040CR-7 Home Heating Credit	0	0	0	0		0		0	0	0	202	25,913
6	Form: Schedule 1	279	50,945	163	16,854		0		0	6	1,370	151	9,270
7	Reproducible Packet - - Paper	452	648	0	0		0		0	0	0	180	202
<b>Totals</b>		<b>752,628</b>		<b>16,854</b>		<b>24,235</b>		<b>18,275</b>		<b>23,708</b>		<b>84,498</b>	

\* Quantities are estimate totals and subject to change.

**Appendix C**  
**Bulk Distribution Quantity Estimate**

<b>Form ID</b>	<b>Form Number</b>	<b>Form Title</b>	<b>Page Count</b>	<b>Estimated Distribution</b>	<b>Tentative Delivery Date *</b>	<b>Print Vendor Responsible for Delivery</b>	<b># Forms/Box</b>
0	MI-1040 BK	Income Tax Instruction Book	52	411,000	12/22 - 1/4	Adair	200
2	MI-1040CR-7 BK	Home Heating Credit Claim Instructions	16	185,000	12/20 - 12/27	Printwell	200
5	MI-1040CR FL	Homestead Property Tax Credit Claim	2	116,000	12/22	Printwell	2,500
7	MI-1040CR-7 FL	Home Heating Credit Claim	2	26,500	12/22	Printwell	2,500
23	2000	Reproducible Packet	48	850	1/4	Printwell	15
51	MI-1040 FL/Sch. W	MI-1040 and Schedule W	4	175,000	12/22	Printwell	1,250
52	Schedule 1	Schedule 1	2	79,000	12/22	Printwell	2,500

**TOTAL 993,350**

*\* Delivery Dates listed are tentative and subject to change.*

**Appendix D  
Bulk Distribution Pricing Sheet**

<b>Category</b>	<b>Quantity</b>	<b>Price</b>	<b>Price/Unit (i.e., each, order, thousand, etc.)</b>	<b>Total Cost</b>
Initial Order Fulfillment (Fulfillment, labels, packing/handling)	1,274	\$ 9.20	Order	\$ 11,720.80
Database Programming	1	\$ 350.00	Annual	\$ 350.00
Monthly storage per skid	12	\$ 15.00	Skid	\$ 180.00
Shipping Charge for area deliveries (per order)	15	\$ 60.00	Order	\$ 900.00
Subsequent Order Fulfillment	50	\$ 7.25	Order	\$ 362.50
Parcel Post Cost for 203 Post Office customers (based on 40# box)	406	\$ 18.50	Boxes	\$ 7,511.00
Returned Shipments	20	\$ 4.00	Order	\$ 80.00
Management of Excess Forms (quantity is in skids of materials)	5	\$ 25.00	Skid	\$ 125.00
<b>One-Year Total Cost</b>				<b>\$ 21,229.30</b>
<b>Three-Year Total Cost</b>				<b>\$ 63,687.90</b>

**Note: Treasury will utilize the State of Michigan United Parcel Service (UPS) account to charge all orders not shipped Parcel Post (Libraries, Volunteers, SOS, DHS, Treasury orders). Contractor will not need to charge these shipments to the contractor's account.**

**Appendix E**  
**SAFEGUARD REQUIREMENTS OF CONFIDENTIAL DATA**

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

**I. Authority**

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

**II. Confidentiality**

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

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

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

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

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

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

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

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

### **III. Procedure for Security**

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

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

**CONFIDENTIAL-MICHIGAN TAX RETURN INFORMATION**

**Protect at all times. Do not disclose.**

**MI tax information is exempt from disclosure**

**under the Freedom of Information Act.**

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

**IV. Computer System Security of Tax Data**

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

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

**A. Controlled Access Protection**

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

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

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

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

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

**b) Operating Features of System Security**

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

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

**NOTICE TO STATE AGENCY EMPLOYEES AND AUTHORIZED REPRESENTATIVES**

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

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

***MICHIGAN PENALTIES***

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

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

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

Contractor, however, must ensure the documentation covers the exact system and that it includes the specific computer system used by Contractor.

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

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

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

## **V. Electronic Transmission of Michigan Tax Information**

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

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

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

### **A. Remote Access**

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

For dial up access, the system must require an identification security card that requires both PIN and card in possession. According to DIT- Procedure 1410.17 (4.1), dial in access into any connected state network will only be permitted after a dial-in user has been authenticated. Authentication is provided through ID and password.

**B. Portable Computer Devices**

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

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

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

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

**A. Electronic Media**

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

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

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

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

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

## VII. Contract Services

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

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

B. Definition of Treasury Tax Return Information

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

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

C. An acknowledgment that a taxpayer has filed a return is known as a "fact of filing" and may not be disclosed. All tax return data made available in any format will be used only for the purpose of carrying out the provisions of the Contract between Contractor and the subcontractor. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of the Contract between Contractor and the subcontractor. In addition, all related output will be given the same level of protection as required for the source material.

D. The subcontractor will certify that the data processed during the performance of the Contract between Contractor and the subcontractor will be completely purged from all data storage components of the subcontractor's computer facility, and no output will be retained by the subcontractor at the time the work is completed. If immediate purging of all data storage components is not possible, the subcontractor will certify in writing that any Michigan data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.

E. Destruction of tax data, including any spoilage or any intermediate hard copy printout which may result during the processing of Michigan tax return information, will be documented with a statement containing the date of destruction, description of material destroyed, and the method used.

F. Computer system security and physical security of tax data stored and processed by the subcontractor must be in compliance with security guidelines and standards established by

this contract. See section VI (Record Keeping Requirements for Information Received in Paper Format) for more details.

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

**VIII. Transport of Tax Information**

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

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

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

**IX. Disposal of Tax Information**

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

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

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

#### **X. Security Responsibility**

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

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

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

#### **XI. Effective Date**

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

**Attachment A**

Michigan Department of Treasury  
3337 (Rev. 2-08)

Reset Form

**Vendor, Contractor or Subcontractor Confidentiality Agreement**

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

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

Company Name and Address (Street or RRR, City, State, ZIP Code)		Last Name	First Name
WOLVERINE SOLUTIONS GROUP 1601 CLAY STREET DETROIT, MI 48211		ENGLISH	DARRYL
State of Michigan Department: Bureau: Division:		Driver License Number	
TREASURY		E-524-135-676-146	
		Subcontractor Name if Product/Service Furnished to Contractor	
		N/A	

Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency.  
**DATA PROCESSING, PRINT, AND FULFILLMENT SERVICES.**

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

- All tax return information obtained in connection with the administration of a tax. This includes information from a tax return or audit and any information about the selection of a return for audit, assessment or collection, or parameters or tolerances for processing returns.
- All Michigan Department of Treasury or federal tax returns or tax return information made available, including information marked "Official Use Only". Tax returns or tax return information shall not be divulged or made known in any manner to any person except as may be needed to perform official duties. Access to Treasury or federal tax information, in paper or electronic form, is allowed on a need-to-know basis only. Before you disclose returns or return information to other employees in your organization, they must be authorized by Michigan Department of Treasury to receive the information to perform their official duties.
- Confidential information shall not be disclosed by a department employee to confirm information made public by another party or source which is part of any public record. 1999 AC, R 2005, 1004(1).

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

**Michigan Penalties**

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

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

**Federal Penalties**

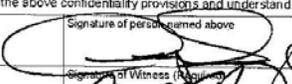
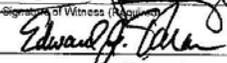
If you willfully disclose federal tax returns or tax return information to a third party, you are guilty of a felony with a fine of \$5,000 or imprisonment for five years, or both, plus prosecution costs according to the Internal Revenue Code (IRC) §7213, 26 USC 7213.

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

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

**Certification**

By signing this Agreement, I certify that I have read the above confidentiality provisions and understand that failure to comply is a felony.

Print name of employee signing this agreement	Signature of person named above	Date signed
DARRYL ENGLISH		7/27/2010
Print Witness Name (Required)	Signature of Witness (Required)	Date signed
EDWARD J. TOLAN		07/27/2010

Submit your form to the following address:  
Technical Services Division, Disclosure Unit  
Michigan Department of Treasury  
P.O. Box 30698  
Lansing, MI 48909

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

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



# Wolverine Solutions Group

## Disaster Recovery Plan

## EMERGENCY VS. DISASTER

Listed below are general definitions for two terms used throughout this manual: Emergency and Disaster. Please keep in mind that these are general definitions only; an emergency to one customer may be a disaster to another. It will be up to the Wolverine management to declare an actual disaster.

### **Emergency:**

An Emergency is a unforeseen combination of circumstances, which requires immediate action. Interruption to Service is either non-existent or minimal.

### **Disaster:**

A significant event resulting in damage, loss, or destruction to property and/or service.

## FOUR TYPES OF SERVICE INTERRUPTIONS

It is essential that the Wolverine Print Center be prepared to react to any event likely to cause a significant interruption in its ability to deliver service to its customers. In an effort to classify different levels of service interruptions, some definitions and examples have been defined. The following is a description of four levels of events that are possible. The frequency and severity are arranged from least (type 4) to most severe (type 1).

### Computing and/or Communications Interruptions

**TYPE 4** Characterized by frequent outages with anticipated reoccurrence. Involves small capacity losses or short outages. Recovery is normally performed within the current physical environment.

**Example:** Print equipment failure, control unit failure or software change error.

**TYPE 3** Characterized by loss of significant processing capacity (30% - 50%) without physical damage to processing site or equipment. Recovery implemented by repositioning or rerouting work within the same facility.

**Example:** Internal Network Failure.

**TYPE 2** Characterized by loss of significant processing capacity (50% - 75%) with physical damage to processing site, equipment, and personnel. Recovery implemented by bringing backup & recovery facilities into the process.

**Example:** Flood or weather damage, fire, or electrical short.

**TYPE 1** Complete loss of facility and contents. Recovery requires reconstruction of facilities. Suppliers needed to provide major assistance.

**Example:** Weather related destruction, chemical or radioactive disturbance.

## NOMINAL RECOVERY TIME FOR SERVICE INTERRUPTIONS

The table below describes the nominal recovery time in the event of a service interruption. The intent is for use as a planning tool. If particular applications or accounts have more stringent requirements, a special situation should be engaged. The target times are not guaranteed and should NOT be used for contractual commitments.

### Chart For Nominal Recovery

	Nominal Computing Recovery		Nominal Communications / Printer Recovery	
Interruption Type	Critical Services	Full Service	Critical Services	Full Service
Type 4	Same Day	1 Day	Same Day	1 Day
Type 3	1-2 Days	4 Days	3 Days	5 Days
Type 2	1-3 Days	7 Days	4 Days	7 Days
Type 1	4-5 Days	14 Days	7 Days	20 Days

## DISASTER RECOVERY OVERVIEW

The Disaster Recovery Action (DRA) Plan provides procedures enabling employees of Wolverine to continue processing data in the event of partial or total destruction of Wolverine. The plan details specific duties and responsibilities for Wolverine personnel ensuring the most rapid recovery possible. The procedures established to prevent or limit the extent of a disaster are as important as the Disaster Recovery Plan.

Chapter 2, "Emergency Procedures," contains instructions for handling situations that could lead to a disaster. Wolverine is responsible for ensuring a facility and hardware are available, a network is established and the operating environment is restored. Chapter 3, "Disaster Recovery Procedures", details Wolverine's plan. The Accounts are responsible for all application data recovery.

Wolverine will test the "Disaster Recovery Procedures" section by staging disaster scenarios on a regularly scheduled basis (twice per year at a minimum). During an actual disaster, the procedures in the "Disaster Recovery procedures", along with teamwork and common sense, should dictate appropriate action.

# CHAPTER 2

## INTRODUCTION

The procedures in Chapter 2 provide Wolverine employees with step-by-step instructions for responding to emergency situations that could occur in any area of Clay Facility. All personnel must be familiar with these procedures to be able to react in an appropriate and effective manner in an emergency. Familiarity with procedures will ensure the:

- Safety of personnel
- Integrity of customer files
- Preservation of the equipment and building

The number one priority during any emergency or disaster is the safety of all personnel. Prompt and effective action by Wolverine team members can prevent loss of life and/or costly damage to existing operations.

## PERSONNEL RESPONSIBILITIES

The following are responsibilities for all employees within Wolverine:

### **Life Safety Coordinator / Operations Shift Manager**

The Life Safety Coordinator will be responsible for the following:

1. Be familiar with the written evacuation plan and procedures.
2. Maintain a record of all employees at the site and ensure that:
  - a. The employees receive a copy of the Emergency Procedures.
  - b. The employees attend the annual training class.
3. Provide the opportunity for practice drills.

## **Assistant Life Safety Coordinator/Shift Managers**

The Assistant Life Safety Coordinator will be responsible for the following:

1. Be familiar with the Life Safety Coordinator's duties in case he/she would have to assume that position.
2. Assume the Life Safety Coordinator's position on off shifts, weekends and holidays.
3. Coordinate with the Life Safety Team, the evacuation of the building during an emergency.
4. Issue the order for partial or a total evacuation of Clay Facility.
5. Execution of an orderly power down or emergency power off procedure

## **Life Safety Team Members / Team Leaders**

The Life Safety Team members will be responsible for the following:

1. Ensuring that all personnel within their area are trained in proper building evacuation.
2. Ensuring that all personnel are familiar with the quickest evacuation route.
3. Powering off all electrical office equipment, when time permits, during an evacuation.
4. Knowing the daily personnel of their area and ensuring that all personnel are evacuated prior to leaving the area themselves.
5. Ensuring that the personnel know where to assemble once they have evacuated the building.

## **Employees**

The employees will be responsible for the following:

1. Personnel will await orders to evacuate the building unless circumstances dictate the immediate evacuation of the area.
2. When ordered to evacuate, disconnect office machines when possible.
3. Follow directions from the Life Safety Team members.
4. Once outside proceed to a designated safe area so a head count can be made to ensure that all personnel have made it out of the building.
5. Remain in the assembly area until advised otherwise by the Life Safety Coordinator.

## **Security Officers**

The Security Officers will be responsible for the following:

1. Respond to the site of the alarm and evaluate the situation.
2. Contact the local authorities for any assistance for example: Police, Fire, Medical, etc.
4. Keep the Life Safety Coordinator informed of any changes in the situation.
5. Assist in the evacuation of personnel from the building.
6. Direct the Police/Fire to the location inside Wolverine.

## **BUILDING EVACUATION**

The purpose of this safety plan is to provide an evacuation procedure for any disaster, actual or potential, that might occur in Wolverine Clay Facility. The safety of all persons involved in an emergency is dependent upon effective organization, planning, and implementation of emergency procedures. These procedures define specific duties and responsibilities for key personnel during emergency situations. This procedure was designed to familiarize all occupants with all available means of exit, including those that are not normally used during regular working hours. For this reason, unannounced drills will be conducted. The Fire Safety Coordinator will determine frequency of the drills.

### **Evacuation Procedures**

The Life Safety Team will, in an evacuation, be responsible for the following:

1. Direct all employees to the nearest exit.
2. Double check all areas of responsibility to ensure all personnel have been evacuated.
3. Keep all employees calm.
4. Keep personnel moving toward the nearest exit at a steady pace.
5. Ensure no one returns back into the building.
6. Assemble in a designated area so a head count can be taken.
7. Inform the Assistant Life Safety Coordinator of any personnel you suspect may be missing.
8. If an evacuation route is blocked use an alternate exit.
9. Re-enter the building only after a Life Safety Coordinator has received authorization to do so.

## **EQUIPMENT FAILURE PROCEDURES**

1. Transformer
  - a. Action: Call Detroit Edison and facilities (see appendix 7).
2. Air Conditioning Unit(s)
  - a. Call Mark Causley (see appendix 7).
  - b. In the event any water is detected leaking from the false ceiling above the computer room, an immediate effort must be made to protect the hardware. Plastic tarps should be used to cover affected equipment to prevent damage.
3. Tape Drives
  - a. Action: Contact Oce' Printing Systems (see appendix 7).  
-Vary inoperative device(s) off-line.
  - b. All subsystems of tape drives are serviced by two tape control units. If one control unit goes down, the other will handle all drives on that string (dual path feature).
4. Printers
  - a. Action: Contact Oce' or Xerox Printing Systems for service (see appendix 7).
  - b. Wolverine has a 24-hour service agreement with Oce' and Xerox.

## **BUILDING WATER MAIN SHUTOFF**

In the event of a serious water line leak, the supply of water to the building can be terminated at the water main located in the back of the building, on the west side of the building unit.

## **BUILDING GAS MAIN SHUTOFF**

In the event of a gas line leak, the supply of gas to the building can be terminated at the gas main located outside the building near the southwest corner of the computer room.

**CAUTION:** In case either of these valves have to be closed, immediately contact a member of Senior Management.

## **FIRE DETECTION AND SUPPRESSION SYSTEMS / PROCEDURES**

This section defines personnel responsibilities, procedures and suppression systems in the event of a fire. Everyone should be familiar with the fire exits, fire extinguishers, and be aware of the Evacuation Procedures described earlier.

## **Wet Pipe Sprinkler System**

A wet pipe system is located throughout the facility. With this system the pipes are always filled with water, but will not go off unless the glass bulb bursts. The glass bulb bursts when the temperature reaches 160 degrees or greater.

## **Portable Fire Extinguishers**

### **FIRE FIGHTING INSTRUCTIONS**

#### **1. LOCATE THE NEAREST FIRE EXTINGUISHER.**

Fire extinguishers are mounted on walls or vertical columns. Signs affixed to the wall above eye level so as to be visible from a distance mark their locations.

NOTE: There are three types of fires:

- Combustible (Wood, Cloth, Paper, etc.)
- Burning Liquid (Gasoline, etc.)
- Electrical

All extinguishers in Wolverine are ABC Extinguishers. That is, they are designed to extinguish all three types of fire.

#### **2. PULL THE PIN.**

Some units may require the releasing of a locked latch, pressing a puncture lever, inversion or other motion.

#### **3. AIM.**

Aim the extinguisher nozzle at the base of the fire.

#### **4. SQUEEZE.**

Squeeze or press the release handle.

#### **5. SWEEP.**

Sweep the spray from side to side at the base of the fire. Watch for the fire to restart. Move in closer to get at hot spots. Separate the material of the burned area, after extinguishing it, to get at covered areas. Discharge the entire contents of the extinguisher.

Foam and water extinguishers require slightly different action. Read the instructions.

## Summary

Delays cause a small fire to become a big one. Send someone to call the Fire Department before you attempt to put out a fire. If you have the slightest doubt about handling the fire yourself **DON'T**. Get out and call the Fire Department and Security. DIAL 911

- Know how to work the extinguisher beforehand.
- Fight only small fires, such as a waste paper basket.
- Make sure you have access to an exit.

## OTHER EMERGENCY SITUATION PROCEDURES

### Introduction

These procedures will provide Wolverine employees with step-by-step instructions for responding to emergency situations that could occur in any area of the facility. All personnel must be familiar with these procedures to be able to react in an appropriate and effective manner in an emergency.

The number one priority during any emergency is the safety of all personnel. Emergencies are unexpected occurrences that are costly to any organization. Prompt and effective action can prevent loss of life and costly damage to existing operations.

### Personal Emergency Procedures

Should an individual within Wolverine experience a personal emergency, the following resources are available to aid in responding to the specific situation.

## EMERGENCY MEDICAL CALLS

(see appendix 5 for telephone numbers for this section)

1. Fire and Ambulance assistance may be obtained.
2. Notify Operations Leadership.
3. Notify Human Resources, as soon as possible.

### Assistance during normal working hours:

(Monday - Friday 08:00 - 17:00)

1. Call Wolverine Administration. Administration will contact the proper authority.
2. Notify Shift Manager.
3. Notify Wolverine Security.

### **Assistance after normal working hours:**

1. Notify Shift Manager.
2. Notify Wolverine Security.

### **Life or Death Situations**

Heart attacks, difficulty in breathing, burns, severe pains, shock, unconsciousness or other serious condition; follow the procedure below at all times.

- Call appropriate emergency number. **(911)**
- Describe the emergency situation to the dispatcher, who will determine the service required.
- Ambulance or Emergency medical technicians will be dispatched.
- Ambulance attendants will determine the appropriate hospital if needed.

### **Non Life Threatening Situations:**

Minor bleeding, nausea, faintness, shortness of breath; follow the procedures below.

1. Call Human Resources. Make sure the person coming to give aid knows the location of the ill person. Have someone meet the person at the door to bring him/her to the scene.
2. Tell them your name, location, and nature of problem.
3. Notify the employee's leader.

**NOTE:** All incidents require an employer's "Injury Report". If the situation escalates or is more critical than was expected, follow the procedures for "Life or Death Situation".

### **First Aid Equipment**

First aid kit is available in each operations department. It is located in the Shift Leader office. First aid should only be administered by those trained to do so.

## **CPR Assistance**

If someone requires is unconscious and is not breathing and/or does not have a pulse call 911 immediately providing all necessary information to the operator, while having someone administer CPR.

Check with everyone in building to see if there are any CPR Certified people available.

## **Hazardous Materials**

Wolverine is subject to federal legislation regarding hazardous chemicals in the work place. Since any chemical is potentially hazardous, reasonable care and attention must be given to all chemical used in the work place.

### **Safety Procedures for Hazardous Chemicals**

Responsibility for a safe work place falls on all Wolverine employees. Management is responsible for implementing safety procedures and for teaching the Hazard Communication. Employees are responsible for understanding all safety procedures and for retaining the information they are taught in the Hazard Communication Program. All Employees are responsible for being continuously alert for unsafe acts and potential safety and health risks and for reporting these to the appropriate individual.

Chemicals can be quickly absorbed through the eyes, skin, respiratory system (inhalation), and mouth (ingestion). The following personal protective equipment (PPE) is recommended when noted within \the MSDS sheet for a particular chemical:

**EYES:** Safety glasses, chemical goggles, face shields, side shields

**SKIN** - impermeable gloves, aprons, shop coats, barrier creams

The following procedures are recommended for individuals who are over exposed to chemicals.

#### **EYE CONTACT:**

1. Flush victim's eyes with a steady stream of water for a minimum of 15 minutes. Contact lenses should be taken out and the eyelids should be held apart.
2. Do not rub the eyes under any circumstances.
3. Have another employee to assist the victim with flushing process.

#### **SKIN CONTACT:**

1. Wash with lots of soap and water.
2. Remove contaminated clothing, if any.

#### INHALATION:

1. Get victim into fresh air.
2. Administer CPR if victim is not breathing.

#### INGESTION:

1. **Do not** automatically induce vomiting, **consult** Material Safety Data Sheet (MSDS) for instructions

Some effects of over exposure may include eye discomfort, breathing difficulty, dizziness, nausea, vomiting, loss of consciousness or respiration, and skin irritation or burning. Tolerance levels to chemicals are different for each individual. Prompt first aid treatment followed with proper medical attention can greatly lessen the harmful effects of hazardous chemicals.

## **Work Safety Practices**

When working around chemicals, it is very important to follow good work safety practices. This prevents the chemicals from entering the body and causing damage to the skin or the body. It usually takes only a very small amount of a chemical to cause skin irritation or other bodily symptoms.

The following hygiene practices will help prevent chemicals from entering the body systems:

- Always wash hands thoroughly with soap and water after handling any chemical or containers of chemicals, even though the chemical or the container may be dry.
- Wash hands thoroughly before eating, smoking, or using toilet facilities.
- Do not eat food or drink liquids where hazardous chemicals are handled or stored.
- Do not wear chemically contaminated clothing until it is properly laundered. Dermatitis can be easily contracted in this way.

## **Emergencies**

In the event of an emergency involving a hazardous chemical, written emergency procedures should be followed that include:

1. Consulting the Material Safety Data Sheet for the chemical and administering first aid.
2. Notifying your leader.
3. Call Paramedics and/or Wolverine Leadership member when appropriate.
4. Contact Risk Management through your leader.

If the emergency is serious or could potentially become serious, it is important that the emergency resources be contacted as soon as possible after the emergency occurs. (See Appendix 6)

## **Non-Routine Tasks**

Employees may at times be engaged in non-routine tasks dealing with hazardous chemicals( e.g. cleaning out photomatic processors or cleaning up a chemical spill - battery acid). Employee should receive prior training on how to perform these tasks in a safe manner.

## **Labeling Requirements for Hazardous Chemicals**

Each account must have a labeling system that monitors container labels for all hazardous chemicals in the work place from the time the materials are received to the time they are disposed of. The definition of "container" is any bag, barrel, bottle, box, can cylinder, drum, reaction vessel, storage tank, or the like that contains a hazardous chemical. In addition, warning signs should be attached to pipes containing hazardous chemicals.

**Note:** Containers that are brought into the work place which contain Hazardous Chemical, must have labels affixed to them that identify:

1. The hazardous chemical contained in the container. (the identity must be the same one used on MSDSs so employees can link the label with the MSDS.)
2. The name, address, and telephone number of the chemical manufacturer, supplier, importer, or other responsible party.
3. Appropriate hazard warnings (signs and symptoms of exposure, changes in body functions and protection required).

All chemical manufacturer, importers, and distributors must label, tag, or mark containers of hazardous chemical leaving their work places. If a hazardous chemical is shipped to the work site without the proper labeling, it should not be accepted and the distributor should be contacted for the appropriate label. Containers received and/or shipped from each location must retain the label as it is received. If material is normally referred to by another name in your location, then a label with that

## **Employee Responsibilities**

- Employees should take care not to deface or remove warning labels from containers containing hazardous chemicals. The labels must remain on the container and remain legible at all times. Employees should promptly notify your leader of missing or defaced labels.
- Employees should not transfer a hazardous chemical from a labeled container to an unlabeled container (pail, bottle, the like), unless the unlabeled container will be under the employee's exclusive control during the employee's work shift. The chemical should not be left in the unlabeled container after the employee leaves work.
- If the portable container is used by more than one employee, this container must be labeled the same as the original container.
- Employees should not use chemicals they find in unlabeled containers and should notify their supervisor of any chemicals in unlabeled containers.

## **Material Safety Data Sheets (MSDS)**

MSDSs are prepared and distributed by the chemical manufacturers or suppliers from whom Wolverine obtains chemicals. Manufacturers are required by law to supply MSDSs on the first shipment for each hazardous chemical they produce and whenever they change its chemical composition. Wolverine must rely on the chemical manufacturers and suppliers to provide accurate and updated MSDSs.

For each chemical that is hazardous, each Wolverine account must keep on file a Material Safety Data Sheet (MSDS). These MSDSs are kept with a manager of each area that the employees that might be affected. A compiled list of all MSDS sheet reside in the DRA area for OSHA requirements. These MSDS sheets will provide the following information about the chemical:

- Chemical name AND common name of the chemical substance.
- Chemical and common name of all hazardous ingredients in substance.
- The physical and chemical characteristics of the substance (vapor pressure, flash point, etc.).
- The substance's physical and health hazards (potential for fire, explosion, reactivity, and signs and symptoms of exposure).
- The manner of contact with the substance that could cause health risks (skin contact, inhalation, absorption, ingestion).
- Medical conditions generally recognized as being aggravated by exposure.
- Permissible exposure limits and threshold limit values.
- Whether the chemical is a carcinogen or potential carcinogen.
- Safety recommendations.
- Control Measure (engineering controls, work practices protective equipment).
- Emergency and first aid procedures.
- Date of preparation of MSDS or latest amendment.
- Name, address, and telephone number of chemical manufacturer, importer, employer, or other responsible party who prepared the MSDS.
- No blank spaces (use N/A or NONE) where no information is available.

## **Severe Weather/Natural Disaster Procedures**

In the case of severe weather conditions (snowstorm, flooding, etc.) or if forecasts predict weather severe enough that the operations of the systems at the complex may be threatened, the Shift Supervisor or Manager is to periodically contact the Operations Manager to advise of the present situation and to receive advice on additional emergency action. Personnel must advise their direct supervisor regarding adverse conditions in their areas.

In the event of severe weather conditions the shift on duty is to remain on duty until the subsequent shift arrives.

If the building is damaged to such an extent that evacuation is necessary, all employees will be evacuated to a safe location. If feasible, normal shutdown procedures are to be followed prior to the evacuation.

If operations become disrupted, or appear as if they may become disrupted, the Shift Manager is to notify the Operations Manager.

If equipment was damaged, the Shift Manager is to advise the vendor's dispatcher of the situation, and request service as soon as possible.

Bad weather may develop quickly in the surrounding areas. Reports of flooding, heavy thunderstorms, hail, and in winter; freezing rain and snow are common occurrences.

### **Thunder Storms**

If a severe thunderstorm is reported, leaders will keep employees informed.

The most likely effect of thunderstorms is a power fluctuation (Refer to Chapter 2 System Power Failure Procedures) in the event a sequential power down is required due to a power flux.

During a rainstorm, personnel should avoid high ground, trees, flagpoles and other possible "lightning rods". Hail accompanies many storms and often reaches golfball size. Employees should remain inside the buildings or take cover if hail threatens.

### **Flooding**

Flash flooding is another result of thunderstorms. If heavy rains continue, employees should avoid flood-prone areas on Wolverine property. In addition, low lying sections of town should be bypassed by using alternate routes to and from home.

In the event of flooding, the protection of the equipment is extremely important for continued operations. A FLOOD WATCH implies that flood conditions are a real possibility but are not imminent. A FLOOD WARNING implies that a flood is imminent or in progress, and that immediate precautions should be taken. The following procedures should be followed:

- If water is falling on a computer, immediately turn off circuit breakers for that computer, and put plastic covers over it.
- In the event of a small leak, contain it with wastebaskets, etc.

If flooding endangers the computer unit or processing, notify the Operations Manager.

When the flood waters recede:

- An immediate damage assessment should be made.
- Any openings made in a building by debris should be temporarily repaired.
- Salvage operations should be initiated.
- Never approach damaged or submerged power lines, the utility company should be notified immediately. (Detroit Edison; Appendix 7)
- Drains should be cleared of debris.
- Emergency crews should be cautioned not to smoke or use heat producing devices if there is a possibility that flammable liquids or gases are present.

Torrential rains can cause a roof to collapse. If this should occur emergency procedures are to be followed for injured employees.

## **Tornados**

A tornado is a violently whirling column of air with a funnel-like center. During a tornado, the safest places in a building are the basement and narrow hallways without windows or glass doors.

A TORNADO WATCH implies that tornado's are expected to develop due to weather conditions.

A TORNADO WARNING means that tornado's have been sighted in the areas.

If a tornado is sighted approaching Wolverine, follow the direction of the Shift Supervisor. If time permits, employees should be sent to the nearest tornado shelter. If employees remain in the building during the tornado, they may find additional shelter underneath desks and overturned chairs.

Injuries may be prevented by employees staying away from windows and doors. Employees should never attempt to look out the windows or doors to observe the tornado.

## **Earthquakes**

Earthquakes are not a significant threat to Wolverine.

## **Hurricanes**

Hurricanes are not a significant threat to the Wolverine.

## **Winter Storms**

Employee safety is the main consideration when driving conditions are dangerous. Winter storms can cause many problems. These storms usually contain freezing rain that make streets icy and driving extremely hazardous.

If a winter storm begins during business hours, employees may be sent home to prevent them from being stranded at work.

When freezing rain occurs overnight, the staff may consist of a skeleton crew the next day due to impassable roads.

Salt crews will treat Wolverine streets and parking areas to improve driving conditions. Driver caution is required to prevent accidents.

## **Bomb Threat Procedures**

(see appendix 6 for telephone numbers)

All personnel located in the Wolverine Facility will be notified of a bomb threat by senior level leaders.

The senior leader in the facility has the authority to order the evacuation of the building. All personnel are to comply with those instructions. All personnel evacuating the Facility are to assemble in the pre designated safe area.

### **Responsibilities:**

If a bomb threat is received over the telephone:

#### **ALL WOLVERINE PERSONNEL**

- Remain calm.
- Contact the nearest supervisor and supply all information gathered.
- Remain with the supervisor while information is relayed.

#### **LEADERSHIP**

- Supply all available information to the Detroit Police Department.
- Stand by the phone, and assist the Detroit Police Department.

#### **FACILITIES AND SECURITY**

- Act as liaison with Police Department.
- Make recommendation on necessity of evacuation to the senior leaders.
- Inform senior leaders of results of search and/or "all clear".
- Clear involved personnel.

## Evacuation Procedure

1. Direct all employees to the nearest exit.
2. Double check all areas of responsibility to ensure all personnel have been evacuated.
3. Keep all employees calm.
4. Keep personnel moving toward the nearest exit at a steady pace.
5. Ensure no one returns back into the building.
6. Assemble in a designated area so a head count can be taken.
7. Inform the Assistant Life Safety Coordinator of any personnel you suspect may be missing.
8. If an evacuation route is blocked use an alternate exit.
9. Re-enter the building only after a Life Safety Coordinator has received authorization to do so.

## Civil Disturbance Procedures

In the event of a civil disturbance notify the shift leader on duty, who will:

- Call Wolverine Security.
- Call the Police Emergency Number - 911, and

**STATE:**                      Name of company:      Wolverine Mailing  
   Address:                      1601 Clay Street  
                                        Detroit, MI 48211

   Problem:                      (Brief Description)

- Pull down all shades.
- Lock all doors.
- Evacuate personnel to a safe area of the building.
- Notify the Operations Manager of the problem and any changes that may occur.

Depending on the nature and location of the disturbance, the operators on duty are to:

- Cease production as soon as possible.
- Power-down all systems.
- Remove all mountable disk packs and tapes to the library area.
- Turn off all lights.

## **EMERGENCY NOTIFICATION PROCEDURES**

The purpose for Emergency Notification Procedures is to ensure that all individuals who are possibly affected by an emergency situation or have the need to know are advised of the problem. This notification procedure will ensure that the proper individuals are involved to quickly resolve any minor problem.

These procedures are to be followed for incidents which only affect a group or minimal customers for a period of time less than 4 hours. Some of the more common reasons to begin the emergency notification procedures would be:

- Personnel emergency
- Minor hardware failure
- System down for a short duration
- Facility problem with no customer impact

Refer to the following chart for notification procedures and remember, If in doubt as to whether or not to notify an individual, CALL!

## **3.1 - INTRODUCTION**

This disaster recovery action plan (DRA) provides procedures to enable Wolverine to continue processing data in the event of partial or total destruction. The plan details specific duties and responsibilities for Wolverine personnel to ensure the most rapid recovery possible.

The information provided in this section will facilitate restoration of the computer facilities.

All personnel at Wolverine are responsible for being familiar with their specific duties under the plan and the overall recovery process.

Since the effects of the down time may vary between industries and customers, the severity of a situation and the decision to declare a disaster becomes a judgment call. Therefore, Wolverine Management will assess any situation, and based on each customer's needs, contract commitments, and business ethics, shall determine whether processing can wait for on-site repairs or must be moved off-site.

Wolverine will test the "Disaster Recovery Procedures" section by staging disaster scenarios on a regularly scheduled basis. During an actual disaster, the procedures in the Disaster Recovery Procedures, along with teamwork and common sense, should dictate appropriate action.

## **3.2 - WHEN DISASTER STRIKES**

### **Notification Process**

#### **Shift Leaders**

The Shift Leader on duty is responsible for:

- Contacting the Disaster Recovery Management Team (Appendix 8).
- Contacting other Emergency Contacts (Appendix 6).
- Assisting in securing the Facility.
- Remaining at the scene or in the vicinity if the Facility is uninhabitable.
- Using good judgment regarding outside assistance. (Fire, Police, etc.).

## **COMMAND CENTER POST & COMMUNICATIONS CENTER**

The first duties of the Disaster Recovery Management Team leader are to designate a site, establish a Command Post from which to direct the recovery efforts, and establish a Communications Center to include an Employee Hotline for personnel. Certain telephone numbers will be identified and utilized by the Disaster Recovery Management team to support recovery activities. The Command Post / Communications Center will consist of all communication equipment necessary to monitor a disaster situation. This includes telephones, terminal and PC workstations, radio, television, overhead viewers, projectors, and screens, as well as portable communications and support systems.

### **3.4.1 - Employee Hotline**

The employee hotline will be one or more telephone numbers at the Communications Center designated for contact with personnel at the recovery site. The employee hotline number(s) will be given to all personnel on site. On site employees may give the numbers to immediate family members for contact purposes.

### **3.4.2 - Alternate Voice Communications Plan**

If voice communication to Wolverine has been disrupted, alternate means must be established. One alternative is the use of cellular phones. Other options will be reviewed by the management team.

## **3.5 - DISASTER TEAMS**

When a disaster strikes, three teams are formed:

1. Disaster Recovery Management Team
2. Disaster Recovery Action Team
3. Applications Recovery Team

## Disaster Recovery Management Team

The Disaster Recovery Leadership Team assumes immediate responsibility for initiating recovery action. The team is composed of several people who represent high-level management throughout Wolverine.

Robert Tokar	President
Ed Tokar	Vice President of Sales & Service
Darryl English	Vice President of IT Services
Debbie Paris	Vice President of Production
Kevin Yost	General Manager
Marcel Bulic	Network/IT
Belinda Schultz	Customer Service Manager
Diana Gross	Fulfillment Manger

### Disaster Recovery Management Team Objectives

By priority :

1. Establish command post
2. Assess damage
3. Evaluate seriousness of problem and available options
4. Organize Disaster Recovery Action Teams
5. Notify Corporate contacts
6. Notify customer account leaders
7. Notify all required personnel
8. Activate Disaster Recovery Action Teams
9. Establish Public Relations team
10. Once recovery has been completed, authorize testing
11. Once testing has been successful, authorize application recovery team to
12. Begin restoring account recovery plans.

## **Disaster Recovery Action Teams**

The teams are composed of the following personnel:

- Team leader/2nd-line Manager
- Alternate Team Leader
- MVS Technician
- ACF2 Security technician
- Storage Administration technician
- Program Products technician
- Hardware coordinator
- Network technician
- Capacity Planning coordinator
- Automation technician

### **3.5.2.1 - Disaster Recovery Action Team Objectives**

By Priority:

1. Initiate the process of recovery under the direction of the Management Recovery Team.
2. Organize and dispatch teams to retrieve any item required for full restoration. (i.e. tapes, supplies, hardware)
3. Perform recovery.
4. Test operating systems after recovery.
5. Remain on-site and respond to requests at the recovery facility until manpower relief is available.
6. Apprise disaster recovery management team of any new developments and/or problems.
7. Once processing has been restored, notify management that testing can begin.
8. The disaster recovery action team leader has the authority to call upon any resource required to accomplish the goals of the team.

### **Disaster Recovery Action Team responsibilities:**

1. Assemble team members and brief them on the scope of the disaster.
2. Determine transportation requirements for individuals and teams (rental cars, flight reservations, hotels, etc.).
3. Establish two smaller teams: one team will proceed to the off-site storage facility; the second team will remain at the recovery site to receive returning files.
4. Individuals dispatched to the off-site storage facility must have prior written approval; a list of authorized personnel is located in the sleeve of this manual.
5. Sign-in at the off-site facility and request one of the Disaster Recovery containers.
6. Retain a copy of all forms used to remove items from the off-site facility.
7. Box tapes and ship to the recovery site.
8. Inventory remaining tape volumes and process any further requests from the recovery site.
9. The team at the recovery facility should obtain a list of those tape files returning to the recovery site.
10. Upon receipt of tape volumes, transport tapes to the tape library or in close proximity to available tape drives.
11. After systems have been recovered, "fine tune" them (i.e. for last minute changes or recently changed equipment).
12. Test application software to ensure the environment can provide computer services to recovering customers.
13. Update disaster recovery management team on all progress.
14. Once testing has been completed, notify disaster recovery management team that Application Recovery Teams can begin performing customer recoveries.
15. Provide on-site application support.

### **Applications Recovery Teams**

The Disaster Recovery Action will assume responsibilities for the applications recovery team Team. Products such as Solimar and BARR will be handled here.

### 3.6 - RECOVERING FROM A DISASTER

This section describes plans to recover from a disaster. Specifically, actions needed to recover a facility, hardware environment, operating system software environment, network and applications data are described.

When disaster strikes, three teams are formed: Disaster Recovery Management Team, Disaster Recovery Action Team and the Application Recovery Team. The Disaster Recovery Management Team is responsible for overall direction and coordination. The Disaster Recovery Action team is responsible for physically recovering the facility, (if necessary), hardware, operating system software, and network. The Application Recovery Team restores the site specific information for products like TLS and Dispatch.

A team approach is followed in the recovery process. A Disaster Recovery Team Roster can be found in Appendix 7. Specific teams, their mission statement, pre-plan tasks, and recovery tasks follow.

#### 3.6.1 - Recovering the Facility

##### TASK 1

RESPONSIBILITY	:	Overall Direction and Pre-Planning Coordination
TEAM LEADER	:	
BACKUP	:	
TEAM MEMBERS	:	

##### MISSION:

Manage the disaster recovery planning during the planning and recovery phases.

##### PRE-PLAN TASKS:

- Provide overall direction in response to any emergency situation.
- Coordinate the off-site back-up material updates.
- Coordinate evacuation drills with building security.
- Organize regular testing for segments of the disaster recovery plan.

##### RECOVERY TASKS:

- Direct the recovery action at the Print Center.

## TASK 2

RESPONSIBILITY: Administration - Admin Supplies - Emergency Travel

TEAM LEADER:

BACKUP:

TEAM MEMBERS:

### MISSION:

Support the disaster recovery teams with off-site administrative functions and arrangement of emergency transportation requirements.

### PRE-PLAN TASKS:

- Maintain off-site emergency contact information.
- Maintain a ready access to required office supplies.
- Maintain off-site financial data for the Print Center.

### RECOVERY TASKS:

- Provide capability for off-site administrative functions.
- Arrange emergency travel and transportation requirements.
- Coordinate communications with Corp. Risk Management.
- Contact corporate risk management(see appendix 6)
- Assess physical damage and bodily injury.
- Assess the amount of damage and assistance needed.
- Forward advice on emergency action being taken.
- Provide information for insurance carriers.
- Document actions taken and costs incurred.

### TASK 3

RESPONSIBILITY: Physical Forms - Printer Supplies TEAM LEADER: BACKUP: TEAM MEMBERS:
---

#### MISSION:

Coordinate shipment of physical forms and printer supplies to the temporary recovery site(s).

#### PRE-PLAN TASKS:

- Maintain accurate phone number listing of vendors.
- Maintain accurate phone number paper suppliers and ensure availability of stock.

#### RECOVERY TASKS:

- Coordinate the acquisition of required paper stock for temporary and permanent recovery action.

### TASK 4

RESPONSIBILITY: Facility Salvage- Replacement Acquisition / Install TEAM LEADER: BACKUP: TEAM MEMBERS:
---

#### MISSION:

Coordinate facility salvage activity and, if required, the move to temporary recovery site(s).

#### PRE-PLAN TASKS:

- Ensure that recovery site(s) are available.
- Maintain accurate equipment and facility information in the designated off-site location.

#### RECOVERY TASKS:

- Recover and protect all equipment and supplies that can be salvaged within the Print Center complex.
- Coordinate the acquisition of required equipment for temporary and permanent recovery action.

## TASK 5

RESPONSIBILITY: Business Support: All Customer Accounts TEAM LEADER: BACKUP: TEAM MEMBERS:
---

### MISSION:

Assist personnel and the account support staff communications.

### PRE-PLAN TASKS:

- Evaluate application recovery capability with customer.
- Assist customer accounts to identify their critical jobs and business systems.
- Coordinate system recovery tests for the accounts

### RECOVERY TASKS:

- Assist personnel and customer accounts to recover applications at a recovery site.
- Support the operators staff in restoring production schedules.

## **3.6.2 - Recovering The Network**

## TASK 6

RESPONSIBILITY: Network Communications (Hardware - Operations) TEAM LEADER: BACKUP: TEAM MEMBERS:
--

### MISSION:

Maintain the capability to construct or reconstruct the data communications network.

### TASKS:

- Assess extent of damage to network hardware and lines.
- Initiate front-end equipment acquisition as required.
- Construct network at alternate site, if required.

### 3.6.3 - Recovering The Hardware

#### TASK 7

RESPONSIBILITY: Computer Operations - Off-Site Storage

TEAM LEADER:

BACKUP:

TEAM MEMBERS:

#### MISSION:

Recovery of day to day production operations.

#### PRE-PLAN TASKS:

- Manage off-site tape cycles and off-site tape inventory for recovery use.
- Participate in system recovery tests.

#### RECOVERY TASKS:

- Assess extent of damage to mainframe hardware.
- Install host hardware in an alternate site, if required.
- Retrieve recovery tapes from off-site vault.
- Restore operating system environment.

## TASK 8

RESPONSIBILITY: Print Operations

TEAM LEADER:

BACKUP:

TEAM MEMBERS:

### MISSION:

Maintain output center requirements under emergency conditions.

### PRE-PLAN TASKS:

- Identify responsibilities/tasks that must be performed by the output center team - and keep them current as the organization and other team responsibilities change.
- Identify and keep current data that will permit the team to carry out its responsibilities.
- Keep the membership of the team current, keep members educated as to their role in the team, and ensure that a process is in place that will initiate the team, provide a team "headquarters", and make available data and resources required for recovery.
- Maintain off-site backup software for printers and microfiche systems.

### RECOVERY TASKS:

- Assemble the print-distribution center recovery team and establish a command center.
- Participate in the recovery and check-out of output center hardware and ensure that output processing capabilities exist to meet customer needs.
- Retrieve stored off-site print-distribution procedures and data and restore the "operational environment" of the center. Identify any additional training that is generated by this restored environment and provide as required.
- Provide the necessary supplies required to maintain print processing.
- Ensure that output deliveries are maintained to customers serviced through the print-distribution center and coordinate locally-contracted delivery service activity.
- Provide interface to other recovery teams.

### 3.6.4 - Recovering The Software

#### TASK 9

RESPONSIBILITY: OTS

TEAM LEADER:

BACKUP:

TEAM MEMBERS:

#### MISSION:

Maintain the capability to restore all system software and operations procedures to an alternate site(s) with the most current back-up available in an emergency condition.

#### PRE-PLAN TASKS:

- Identify system software needed to process the workload.
- Review and refresh system software list on a regular basis. (generally monthly)
- Test to ensure that procedures necessary to restore tapes with critical system software is working and exercised on a regular scheduled basis.
- On alternate months, check system software by restoring to installed systems in the and validate that system software is at correct version and level number.

#### RECOVERY TASKS:

- Ensure that all team members are aware of the location of all material necessary to restore system software in the event of a disaster.

## TASK 10

RESPONSIBILITY: Technical Services

TEAM LEADER:

BACKUP:

TEAM MEMBERS:

### MISSION:

Support utility software and restore the software operating environment in an emergency condition.

### PRE-PLAN TASKS:

- Develop and maintain recovery scripts for workload movement in case of internal hardware failures.
- Participate in system recovery tests.

### RECOVERY TASKS:

- Verify proper volume restoration from backup tapes.
- Assist operations and customer accounts to resume application processing at an alternate site, if required.

## **Timeline for Disaster Recovery Situations**

### **2 Hours:**

Contact “Class A Customer” personnel to notify of the current situation and attempt to resolve the situation internally. During this timeframe, it is likely that most issues will be resolved. Upon the issue being resolved, “Class A Customer” Personnel will be notified.

### **4 Hours:**

Contact “Class A Customer” personnel to provide status update, and simultaneously notify critical print end-users of the issue at hand. In the event that any critical print delivery will be affected, the decision may be made to route print to the alternate site.

### **8 Hours:**

Contact “Class A Customer” personnel to provide status update, and internally redirect print to alternate site. In the event that personnel issues are involved, operators Wolverine/EDS operators may be moved to the alternate site for support.

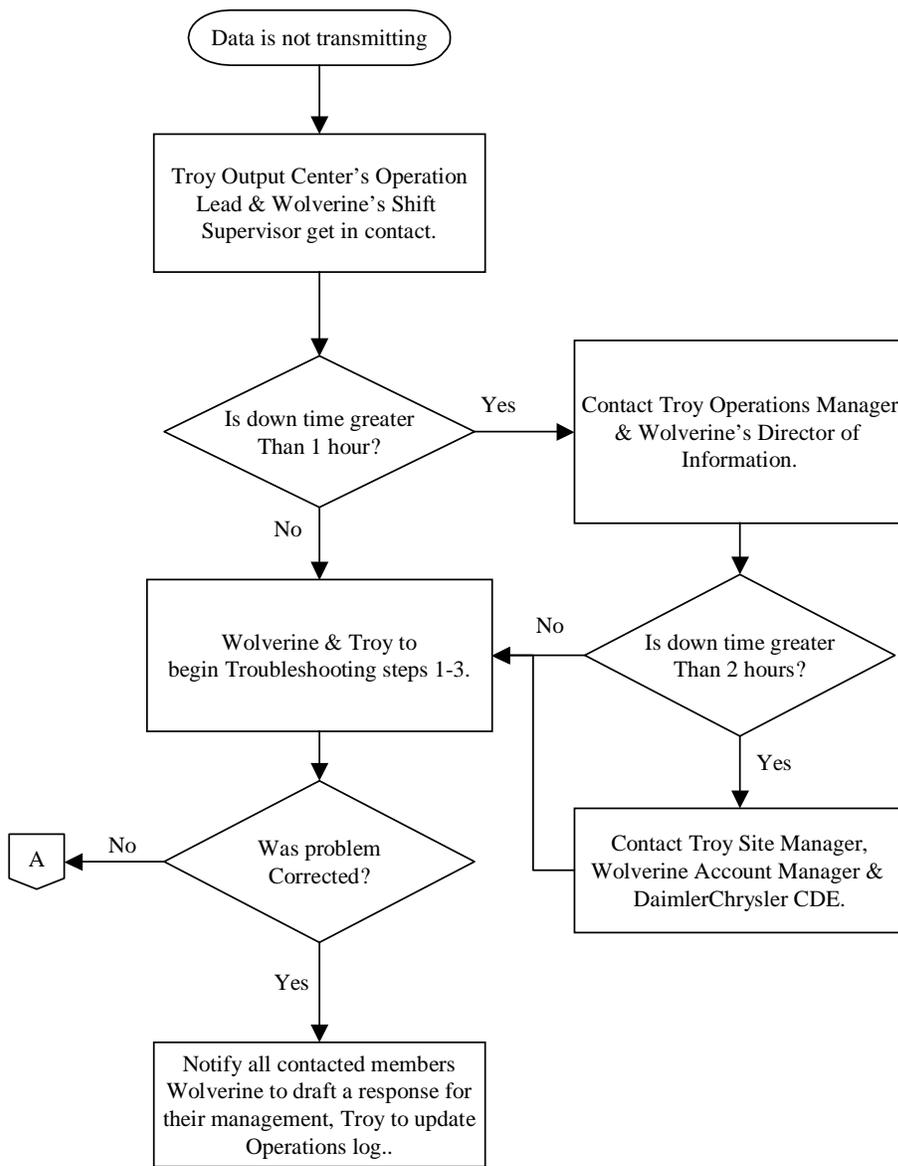
### **24 Hours:**

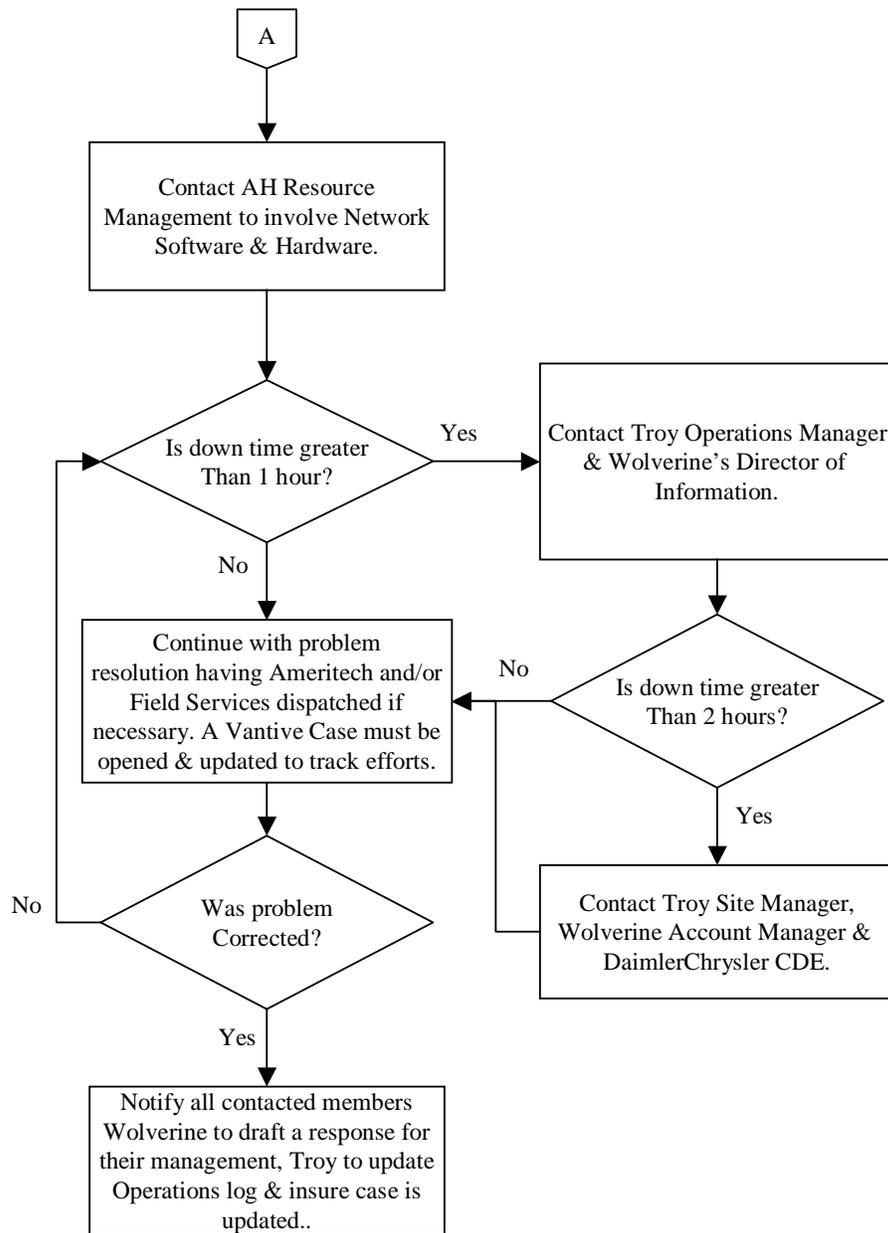
Contact “Class A Customer” personnel to provide status update, and request that all print is routed to alternate site until the issue at hand has been resolved. Operators may also be redirected until all issues have been resolved.

### **1 Week:**

Contact Critical Customer personnel to provide status update on a daily basis. Engage Disaster Recovery Management Team to design a plan to either establish a temporary site or build permanent site, depending on the situation at hand.

# ESCALATION PROCESS





## APPENDIX A

### CONTACTS

#### WOLVERINE CONTACTS (AS OF 08/04)

<b>Title</b>	<b>Name(s)</b>	<b>Contact Numbers</b>
Print Center Contacts	James Miller (Days) Marc Brown (Afternoons) Garold Vallie (Midnights)	(313) 873-6800 x159
Data Center Supervisor	Brian Anger	(313) 873-6800 x182
Vice President of IT Services	Darryl English	(313) 873-2695 (Work) (586) 320-8235 (Cell) (313) 754-3030 (Pager)
Network Administrator (TSA)	Marcel Bulic	(313) 871-2629 (Work) (586) 382-6089 (Cell)
Vice President of Sales & Service	Ed Tokar	(313) 871-2623 (Work) (586) 530-2909 (Cell)
Account Rep.	Belinda Schultz	(313) 871-6187 (Work) (586) 634-0164 (Cell)

In the event of a disaster, the order of Wolverine contacts should be:

- 1.) TSA
- 1.) Account Manager
- 2.) Director of Information Technology
- 3.) Account Representative
- 4.) Data Center Supervisor
- 5.) Shift Supervisor

## **Backup Processing Center**

Wolverine's back-up processing facility is located at 5105 Loraine, Detroit, MI 48211. This facility is a multi-level complex with redundant data and print and processing equipment.

In the event of an outage that exceeds 72 hours, critical applications will be processed from this facility.

Filename: Generic DR Plan 060909.doc  
Directory: C:\users\denglish\documents\chrysler\disaster recovery  
Template: C:\Users\denglish\AppData\Roaming\Microsoft\Templates\Normal  
.dotm  
Title: 1  
Subject:  
Author: Wolverine User  
Keywords:  
Comments:  
Creation Date: 6/9/2009 3:53:00 PM  
Change Number: 3  
Last Saved On: 6/9/2009 3:55:00 PM  
Last Saved By: Darryl English  
Total Editing Time: 3 Minutes  
Last Printed On: 8/3/2010 4:17:00 PM  
As of Last Complete Printing  
Number of Pages: 38  
Number of Words: 8,012 (approx.)  
Number of Characters: 45,669 (approx.)